

(H. B. 2171)  
(Conference)

**(No. 97)**

(Approved May 16, 2006)

## **AN ACT**

To amend Sections 1, 2, 3, 4, 5, 6, 6(a), 7, 8, 10, 11, 15, and 18, to add Section 6(b) and Section 15(a) to Act No. 56 of June 19, 1958, as amended, known as the Public Buildings Authority Act, to amend Sections 1 and 2, as well as to add Section 7 to Act No. 25 of May 17, 1963, as amended, in order to update the faculties and powers of said public entity in view of the economic reality of 21<sup>st</sup> Century Puerto Rico.

## **STATEMENT OF MOTIVES**

In 1958, Act No. 56 of June 19, as amended, created a public corporation and governmental instrumentality with legal standing for the purpose of making this entity responsible for preparing building blueprints and designs and, in turn, as deemed necessary and desirable, providing buildings to house certain Health and Social Welfare Facilities, offices, headquarters, courts, warehouses, workshops and any other physical facilities related to government services. At present, compliance with said legislative mandate has been limited due to the fact that the faculties and powers granted to the Authority to carry out its duties have remained substantially unaltered since its creation. Specifically, and probably of greater concern, the limitations imposed upon the Authority with respect to its capacity for executing contracts exclusively with public entities and the manner in which its developments may be financed have created a situation whereby the fiscal situation of the Authority is precarious, given the financial situation of the Central

Government and how it affects the rental amounts that the different dependencies thereof pay to the Authority.

Taking this into consideration, this Act seeks to allow the Authority to benefit from all the alternatives for development and financing available in the dynamic economy of 21<sup>st</sup> Century Puerto Rico. This proposal incorporates into the Organic Act of the Authority all the necessary tools for compliance with its purposes in the most efficient, coordinated and judicious manner possible. These tools shall reduce the Authority's present position of being dependent, almost exclusively, on funds and income of a public nature, and at the same time shall broaden its financing alternatives, but shall always uphold the public goal of assisting the different departments, agencies, instrumentalities, authorities, public corporations and municipalities of the Commonwealth of Puerto Rico in the discharge of their government duties.

**BE IT ENACTED BY THE LEGISLATURE OF PUERTO RICO:**

Section 1.- Section 18 of Act No. 56 of June 19, 1958, as amended, is hereby amended to read as follows:

“Section 18.- Definitions

- (a) Authority - Means the Public Buildings Authority hereby created.
- (b) Bond - Means any evidence of indebtedness which the Authority may incur pursuant to Act No. 56 of June 19, 1958, as amended.
- (c) Board or Governing Board - Shall mean the Board of Directors of the Authority.
- (d) Director - Shall mean the Executive Director of the Authority.
- (e) Private Entity or Entities - Means any non-governmental natural or juridical person, for profit or non-profit, that is not engaged in political activities.”

Section 2.- Section 1 of Act No. 56, supra, as amended, is hereby amended to read as follows:

“Section 1.- Creation of the Authority

A body corporate and politic with corporate franchise is hereby created and established, to be ruled by a Governing Board, whose members shall be appointed by the Governor of the Commonwealth of Puerto Rico with the advice and consent of the Senate, and shall bear the name of Public Buildings Authority. The Authority is hereby constituted as an instrumentality of the Commonwealth of Puerto Rico, exercising public and essential functions of the Government, and the execution by the Authority of the powers conferred by Act No. 56 of June 19, 1958, as amended, shall be deemed and understood to be an essential function of the Government of the Commonwealth of Puerto Rico.

It is declared and established as public policy of the Commonwealth of Puerto Rico that its agencies, instrumentalities, public corporations and other government dependencies shall promote and support the contracting of the services of the Public Buildings Authority in order to fulfill the design, construction, remodeling, improvements, operations and maintenance needs of the structures needed for rendering its services. This, without implying that those agencies, instrumentalities, corporations and other government dependencies in which such services are traditionally provided by their own employees or contracted for with other entities are obligated to use the services promoted by the Public Buildings Authority; provided, there are no contradictions with other provisions of this Act.”

Section 3.- Section 2 of Act No. 56, supra, as amended, is hereby amended to read as follows:

“Section 2.- Duties

The Authority shall make direct the preparation of plans and designs of buildings for schools, health facilities, offices, headquarters, courts, warehouses,

workshops and any other physical facilities related to government services, as well as buildings or developments in those localities and in such a manner as the Authority may deem necessary and desirable and which seek to contribute to the public purpose of assisting the different departments, agencies, instrumentalities, authorities, public corporations and municipalities of the Commonwealth of Puerto Rico to the performance of their governmental functions. The Authority may own, finance, acquire, dispose of, lease, sublease, sell, transfer, design, develop, build, operate, maintain, repair, replace, administer, market, improve and promote, by itself or by means of contracts with third parties, the use of the space in said facilities or parts thereof; but such leases shall be with the Commonwealth or any of the departments, agencies, instrumentalities, authorities, public corporations or municipalities of the Commonwealth of Puerto Rico. Provided, however, that the Authority may execute contracts with Private Entities concerning the ownership, financing, acquisition, leasing, subleasing, sale, transfer, design, development, construction, operation, maintenance, repair, replacement, administration, marketing, improvement, promotion or any other type of disposal of the facilities of the Authority, subject to the resolution of the Governing Board as to whether such activity seeks to contribute to the public end of giving assistance to the different departments, agencies, instrumentalities, authorities, public corporations and municipalities of the Commonwealth of Puerto Rico for carrying out their governmental functions and provided that, in the case of the leasing or sub-leasing of such facilities or parts thereof, the latter may not be used for political activities. The Authority shall obtain the written advice and consent of the Government Development Bank for Puerto Rico, for any juridical businesses it is interested in carrying out with government or private entities, over any property whose rent is committed for guaranteeing the service of the debt on any bond issue.

Upon request of the Secretary of Education, the Authority shall further make or cause to be prepared plans and designs of school buildings and accessory facilities, and shall construct such buildings and facilities using therefor the funds that the Secretary of Education may transfer to it from the funds appropriated for such purposes. The same shall be used for educational purposes by the Department of Education. In those schools that are owned by the Public Buildings Authority, the structural repairs and improvements and the maintenance of the common areas, restrooms and mechanical equipment shall be conducted by the Authority. Said maintenance does not include cleaning or janitorial work in the schools already existing at the time this Act is signed.

The plans and designs for health facilities shall be prepared under the direction and supervision of the Public Buildings Authority in coordination with the Secretary of Health or his/her authorized representative, who shall have the final authority for their approval.”

Section 4.- Section 3 of Act No. 56, supra, as amended, is hereby amended to read as follows:

“Section 3.- Governing Board

The Authority shall be directed by a Board of Governors, hereinafter the Board. The powers of the Authority shall be vested upon said Board and shall be exercised by its members pursuant to the provisions of Act No. 56 of June 19, 1958, as amended, while said members occupy their positions as such.

The Board shall be composed of seven (7) members, each of which shall be a citizen of the United States and a resident of Puerto Rico, and shall consist of the Secretary of the Department of Transportation and Public Works; the President of the Government Development Bank for Puerto Rico; the Secretary of the Department of Education; an attorney licensed to practice the profession in Puerto Rico; a person with experience in the area of financing; a person experienced in the

area of design, construction and/or land development and a representative of the labor sector. The last four (4) of the aforementioned members shall be appointed by the Governor of the Commonwealth of Puerto Rico, with the advice and consent of the Senate for a term of six (6) years. The members shall hold office without any compensation, pursuant to Section 11 of Act No. 56 of June 19, 1958, as amended.

Four (4) Board members shall constitute quorum. However, any agreement of the Authority shall have the affirmative vote of at least four (4) members. Any vacancy among the members of the Board so appointed shall be filled by appointments by the Governor. Provided, however, that all vacancies that take place between one appointment and another shall be filled by the Governor within a term of sixty (60) days for the remaining portion of the term. No vacancy among the members of the Board shall invalidate the right of the quorum to exercise all the rights and powers and comply with the duties of the Authority.

The Secretary of Transportation and Public Works, the President of the Government Development Bank for Puerto Rico and the Secretary of Education shall designate, by means of a written communication to the Chairperson of the Board, a permanent, authorized representative with voice and vote to represent him/her in any meetings that he/she cannot attend. In addition, unless the bylaws of the Authority so prohibit or restrict, any action necessary or allowed in any meeting of the Board or of any committee of the Board shall be authorized without a meeting, provided, that all the members of the Board or of any committee of the Board, as the case may be, give their written consent for said action. In such a case, the written document shall be part of the minutes of the Board or of any committee of the Board, as the case may be. Unless the bylaws of the Authority provide otherwise, the members of the Board or of any committee of the Board may participate in any meeting of the Board or of any committee of the Board,

respectively, by means of telephone conferences or any other means of communication through which all participants of the meeting may communicate simultaneously. Participation by any member of the Board or of any committee of the Board in the aforementioned manner shall constitute attendance to said meeting.”

Section 5.- Section 4 of Act No. 56, supra, as amended, is hereby amended to read as follows:

“Section 4.- Officers; bonds

The Board shall designate one of its members as Chairperson and another as Vice Chairperson; Provided, that the term for which these members hold said office shall not exceed the term for which these members hold their respective offices as Board members. The Board shall appoint a Secretary, a Treasurer and any other officers it may determine, who may be members of the Board. The Board shall also adopt, amend or revoke bylaws and other rules of the Authority that are not in conflict with Act No. 56 of June 19, 1958, as amended, or other laws that provide for the administration of the Authority. The Board shall also appoint an Executive Director, who shall not be a member of the Board and who shall be in charge of the general administration of the Authority and shall supervise all the officers, employees and agents thereof. The Executive Director shall have the following duties and functions, among others:

- (a) to carry out all administrative and managerial actions that are necessary and convenient for the implementation of this Act and of any other regulations adopted by virtue thereof;
- (b) to adopt reasonable and appropriate norms and administrative orders to implement and put in effect the provisions of this Act;
- (c) to administer and operate the facilities of the Authority subject to the regulations in effect and the norms established by the Board;

- (d) to administer its own personnel system and to appoint all its officers (in accordance with the other provisions of this Act), agents, employees and external advisers and consultants;
- (e) to impose on the officers, agents and employees of the Authority the corresponding disciplinary measures, according to the regulations adopted by the Board to such effects, that do not contravene the collective bargaining agreements negotiated with the exclusive representatives of the union employees; and
- (f) all other powers and duties assigned to him/her by the Governing Board by means of the bylaws.

Prior to issuing any bonds under the provisions of Act No. 56 of June 19, 1958, as amended, the Secretary, the Treasurer and every Board member shall post a bond in the amount to be determined by the Board, conditioned on the good faith in the performance of the duties of the office of Secretary, Treasurer, or member, as the case may be, and served by a bonding company authorized to do business in the Commonwealth of Puerto Rico as a guarantor. Each of these bonds shall be submitted to the Secretary of Justice for approval, and upon his/her approval, shall be filed with the office of the Secretary of State prior to the bond issue by the Authority. Anytime after the Authority's bond issue and while those bonds have not been cancelled, the Secretary, the Treasurer and every member shall hold said bond fully active and effective. All costs of said bonds shall be borne by the Authority."

Section 6.- Section 5 of Act No. 56, supra, as amended, is hereby amended to read as follows:

"Section 5.- Powers

- (a) The powers of the Authority shall be:
  - (1) To have perpetual existence as a corporation;

- (2) To adopt, alter and use a corporate seal which shall be judicially noticed;
- (3) To have complete control and supervision over each and every one of its properties and activities, and the investment of its funds, including, among others:
  - (i) To invest its monies according to the regulations promulgated by the Government Development Bank for Puerto Rico for government entities, pursuant to Act No. 113 of August 3, 1995, as amended, or any provision of any subsequent law;
  - (ii) the power to determine the nature and need of each of its expenses;
  - (iii) the manner in which the same shall be incurred, authorized and paid; and
  - (iv) to formulate, adopt, amend and repeal rules and regulations to govern its business norms in general, and to exercise and execute the powers and duties granted to and imposed upon it by Act No. 56 of June 19, 1958, as amended, or to render, sell or exchange the services or facilities that are under the control of the Authority;
- (4) to sue and be sued, complain and defend itself in all courts of justice and administrative bodies, as well as to participate in procedures for alternative methods of dispute resolution;
- (5) to execute contracts, agreements and other instruments to carry out the purposes of this Act or of any other provision of law, and to formalize all documents necessary and convenient for the exercise of any of its powers;

(6) to acquire any kind of property and rights thereon in any lawful manner, including, without being limited to, the acquisition by purchase, either by agreement or through the exercise of the power of eminent domain, lease, bequest, legacy or gift, and to possess, keep, lease, pledge, mortgage or otherwise encumber, assign, and exploit any venture or part thereof. To such effects, the following is hereby established:

- (i) All real or personal property and all rights or interest thereon that the Authority considers necessary to acquire in order to fulfill its aims and purposes are declared to be of public usefulness so that they may be expropriated at request and for the use and benefit of the Authority without being subject to the requirement of prior declaration of public usefulness provided by the Special Proceedings Act of March 12, 1903, as amended;
- (ii) When the Governor deems it necessary and convenient that the title of the property and rights so acquired, or to be acquired, be registered directly in favor of the Authority, he/she may thus petition the court at any time within the procedure of eminent domain, and the court shall so order it; and
- (iii) The Authority shall advance the needed funds which have been estimated as the value of the properties or rights to be acquired. Any additional sum which the Expropriation Part of the Court of First Instance of Puerto Rico fixes by ruling as the fair compensation to be paid for the property taken or damaged in benefit of the Authority shall be paid by the

Authority, or in defect thereof, by the Commonwealth of Puerto Rico, but the Authority is bound to reimburse such a difference. Once the total reimbursement is made, the property title or rights in question will be transferred to the Authority by order of the court with evidence to that effect;

- (7) to prepare or cause to be prepared, plans, projects and budgets for the construction, reconstruction, extension, improvements, expansion or repair of any property or enterprise, or any part or parts thereof, and from time to time, to modify such plans, projects and budgets;
- (8) to acquire, possess and use at any time and in the manner indicated in subsection (6) of Section 5 of Act No. 56 of June 19, 1958, as amended, any real or personal or mixed property, whether corporeal or incorporeal or any interest thereon, deemed necessary or convenient to carry out the purposes of the Authority, and to assign or lease the same in whole or in part, as lessor, or to exchange any property thus acquired or any interest thereon;
- (9) to appoint such officers, agents and employees and grant them such powers, impose such duties and fix, change and pay such compensation for their services, as the Authority may determine; but what is herein provided does not authorize the granting of salaries beyond the norms established or to be established by the Legislature as to maximum salary level for services rendered to the Commonwealth of Puerto Rico;
- (10) to borrow money, make and issue bonds of the Authority for any of its corporate purposes, and to guarantee the payment of

its bonds and of any and all of its other obligations by pledge, mortgage, assignment or trust indenture of properties of the Authority and on all or any of its revenues, income, fees, receipts and interest in contracts, leases (traditional, financial or of any other type) or subleases. The Authority is also authorized to obtain any facility that increases its capacity to borrow money or to issue debts or which increases its liquidity with respect to any bonds in the manner in which the Authority deems advantageous. The exercise of these duties shall be subject or that the Public Buildings Authority obtains in writing the advice and consent of the Government Development Bank for Puerto Rico;

- (11) to make and issue bonds for the purpose of consolidating, reimbursing, purchasing, paying or redeeming any bonds or obligations, issued or subrogated by the Authority, which are in circulation; or any bonds or obligations whose principal and interest are payable in whole or in part from its revenues. The exercise of these duties shall be subject to the Public Buildings Authority obtaining in writing the advice and consent of the Government Development Bank for Puerto Rico;
- (12) to accept or obtain contributions, loans, donations, mortgage insurances or of another kind, guarantees, contracts, leases or other transactions of any nature to fulfill any of the duties specified under Section 2 of Act No. 56 of June 19, 1958, as amended, with the United States of America or with the Commonwealth of Puerto Rico, or with any department, agency, instrumentality, authority, public corporation or political

subdivision thereof and comply with the requirements incidental to said aid or agreements and to fulfill the obligations and duties the same may impose. In relation with the obtainment of any of said aids from the United States of America, with respect to any project of the Authority, the latter is hereby authorized to act for, and in representation of, the Commonwealth as required under any law or federal regulation on the matter;

- (13) to sell, transfer, lease, sublease, assign, pledge, mortgage, encumber, grant concessions or guarantee contracts, or in any other manner dispose of or transfer any real or personal or mixed property, whether tangible or intangible or any interest thereon, including the surface rights or otherwise dispose of any real or personal or mixed property, or any interest thereon, according to the terms and conditions that the Authority determines, with the prior approval of the Board of Directors;
- (14) to enter any land, bodies of water or properties of any other nature, after notifying the owners or holders thereof, or their representatives, for the purpose of making surveys, sounding and studies;
- (15) to contract with any department, agency, instrumentality, authority, public corporation or government officer or any private person or entity with regard to the administration of any properties or facilities of the Authority, and in accordance with the terms and conditions it may deem convenient;
- (16) to execute all acts or covenants, agreements, contracts or transactions necessary or convenient to make effective the powers granted to it by Act No. 56 of June 19, 1958, as

amended, or by any other law of the Legislature of Puerto Rico, or of the Congress of the United States; provided, however, and subject to the provisions of Section 6(b) of Act No. 56 of June 19, 1958, as amended, that the Authority shall have no power whatsoever at any time or in any manner to pledge the credit or the power to impose taxes of the Commonwealth of Puerto Rico or any of its political subdivisions; neither shall the Commonwealth of Puerto Rico, nor any of its political subdivisions be liable for the payment of the principal of or interest on any bonds issued by the Authority;

- (17) notwithstanding the provisions of Act No. 56 of June 19, 1958, as amended, in the case of the sale or alienation of government health installations or facilities property of the Commonwealth of Puerto Rico, said sale or alienation shall be governed by the provisions of Act No. 3 of January 1, 2003, as amended, known as the “Health Facilities, Prohibition of Sales, Assignments, Exchanges and Alienation;”
- (18) to enter into contracts and agreements with third parties, including, but not limited to, sales contracts, leases, joint ventures and partnerships, as the Authority deems necessary, to induce third parties to develop, improve, operate and manage the Authority’s secondary facilities, in accordance with any master plan, design criteria and conditions and restrictions adopted and imposed by the Authority;
- (19) to execute finance contracts in accordance with Act No. 265 of September 3, 2003, known as the “Act for Regulating Certain

Government Financing and Personal Property Leasing Contracts”;

- (20) to grant qualified interest rate exchange agreements and similar financial instruments, in compliance with Act No. 39 of August 1, 2005;
- (21) to create, in Puerto Rico or abroad, subsidiary companies, partnerships or corporations, affiliated or associated, to carry out the purposes of the Authority, and acquire, hold and dispose of securities and shares, contracts, bonds or other interests in other companies, entities or corporations, and exercise each and every power and right granted over such interest, provided that, in the judgment of the Board, such a transaction is necessary, appropriate or convenient to reach the purposes of the Authority or to exercise its powers and sell, lease, assign or otherwise transfer any property of the Authority or delegate or transfer any of its rights, powers, functions or duties to any of such companies, entities or corporations that are subject to its total or partial dominion, except for the right to initiate eminent domain procedures and without prejudice to the acquired rights of the employees of the Authority nor the functions that are currently held by other public corporations and/or government agencies of the Commonwealth of Puerto Rico;
- (22) to exercise all corporate powers that are not incompatible with those stated herein, conferred by the Laws of Puerto Rico to the corporations and to exercise all those powers within Puerto Rico and abroad, to the same extent that a natural person would or may do so; and

- (23) to carry out all those acts necessary or convenient to exercise the powers conferred by Act No. 56 of June 19, 1958, as amended.
- (b) All juridical business that the Authority is interested in conducting with government or private entities on real property whose rent is committed to guarantee the service of the debt in any bond issue shall require the advice and consent of the Government Development Bank for Puerto Rico.
- (c) None of the provisions in this Act shall be interpreted as a limitation to the faculties granted by the Constitution and the laws of the Commonwealth Puerto Rico to the Comptroller of Puerto Rico and to the Government Development Bank for Puerto Rico, in their capacity as fiscal agent.”

Section 7.- Section 6 of Act No. 5\*, supra, of June 19, 1958, as amended, is hereby amended to read as follows:

“Section 6.- Bonds

- (a) Subject to the provisions of Act No. 272 of May 15, 1945, as amended, the bonds of the Authority may be authorized by resolution or resolutions of the members of the Board and such resolution shall determine the following: the series, the date or dates of maturity whose term or terms shall not exceed fifty (50) years from their respective dates of issue and the interest to be earned at such rate or rates; may be of such denomination or denominations, and either coupon or registered; may carry registration or conversion privileges, may be executed in such a manner, may be payable by such a means of payment and at such place or places, may be subject to such terms

---

\* Translator’s note: should read Act No. 56.

of redemption, with or without premium, may be declared or become due on such a date before maturity, may provide for the replacement of mutilated, destroyed, stolen or lost bonds, may be authenticated in such a manner upon compliance with such conditions, and may contain such other terms and stipulations as such resolution or resolutions may provide. The bonds may be sold publicly or privately at such price or prices as the Authority shall determine.

- (b) The bonds of the Authority bearing the signatures of the officers of the Authority and of the members of the Authority in office on the date of the signing thereof shall be valid and binding obligations, notwithstanding that before the delivery thereof and payment thereof any or all of the officers of the Authority or members of the Authority whose signature or facsimile signatures appear thereon shall have ceased to be such members of the Authority or officers of the Authority. Any resolution authorizing the bonds may provide for any such bonds to mention the fact that they are issued pursuant to Act No. 56 of June 19, 1958, as amended, and any bond containing such recital under authority of any such resolution shall be conclusively deemed to be valid and to have been issued in conformity with the provisions of Act No. 56 of June 19, 1958, as amended.
- (c) Temporary or interim bonds, receipts or certificates, may be issued before the execution and delivery of definitive bonds in such form and in accordance with such provisions as may be set forth in the resolution or resolutions authorizing their issue.
- (d) Any resolution or resolutions authorizing any bonds may contain provisions, which shall be a part of the contract with the bondholders as to:

- (1) The disposition of the entire gross or net revenues and present or future income of the Authority, including the pledging of all or any part thereof to guarantee payment of the bonds;
- (2) Setting aside reserves for amortization of funds, and the regulation and disposition thereof;
- (3) The granting, if any, of any guarantee, pledge or mortgage of the total or part of the funds, income, revenues or properties of the Authority (present or future) financed under this Act to public or private entities;
- (4) Limitations of the right of the Authority to restrict and regulate the use of any enterprise or property, or part thereof;
- (5) Limitations with respect to the purposes for which the product of the sale of any bond issue executed at the time or in the future may be applied;
- (6) Limitations relative to the additional bond issue;
- (7) The procedure by which the terms of any resolution authorizing bonds, or of any other contract with the bondholders, may be amended or abrogated, and the amount of the bonds the holders of which must consent thereto, and the manner in which such consent may be given;
- (8) The amount and kind of insurance to be maintained on the enterprises and properties of the Authority and the use and disposition of insurance moneys;
- (9) Events of default and terms and conditions upon which any or all of the bonds become or may be declared due before the specified dates of maturity and as to the terms and conditions

upon which such a declaration and its consequences may be waived;

- (10) The rights, remedies, liabilities, powers and duties arising upon the breach by the Authority of any of its covenants, conditions or obligations;
  - (11) The vesting in one or more trustees with the right to enforce any agreements made in relation to the bonds, as to the powers and duties of each trustee, and the limitation of liabilities thereof, and as to the terms and conditions upon which the holders of the bonds or any proportion or percentage of them may enforce any agreements made pursuant to Act No. 56 of June 19, 1958, as amended, or duties imposed hereby; and
  - (12) Other acts and things not inconsistent with Act No. 56 of June 19, 1958, as amended, that may be necessary or convenient for guaranteeing the bonds, or that may tend to make the bonds more marketable.
- (e) The bonds authorized by Act No. 56 of June 19, 1958, as amended, shall be negotiable in accordance with the meaning and for all purposes of the Uniform Negotiable Instruments Act in force in Puerto Rico and may be accepted as guarantee by any trustee, trust and public fund whose investment or deposit shall be under the Authority and control of the Government of the Commonwealth of Puerto Rico or any officers thereof.
  - (f) Neither the members of the Board nor any person executing the bonds shall be liable personally for the bonds to the bondholders or to third persons, nor shall be subject to any civil liability by reason of the issue thereof.

The Authority is authorized to purchase any outstanding bonds issued or assumed thereby, with any funds available therefor, at a price which does not exceed the principal amount and any accrued interest assumed thereby, as of the date of repurchase or the redemption price thereof and the accrued interest. All bonds so purchased shall be cancelled.

- (g) The Board of Directors may review, from time to time, the revenues and other charges for services rendered or facilities offered by the Authority (or any third party contracted by the Authority) for which any bonds are issued in accordance with the provisions of Act No. 56 of June 19, 1958, as amended, or by the right of use of any enterprise or for receiving any of such services. Any revenues and other charges committed for the payment of any of such bonds shall be fixed and reviewed in such a manner that the income received by the Authority therefrom, together with any other available funds, shall at least be sufficient at all times for the payment of the maintenance, repair and operation costs of such an enterprise whose income is committed in accordance with these provisions, including reserves for such purposes, and for the payment of the principal and interest on the bonds for the payment of which such income is committed and to provide the pertinent reserves.”

Section 8.- Section 6(a) of Act No. 56, supra, as amended, is hereby amended to read as follows:

“Section 6(a) Bonds - Warranty by Commonwealth; Refundable reserve

The Commonwealth of Puerto Rico hereby guarantees the payment of the principal and interest on outstanding bonds at any given time, for a total principal amount that shall not exceed three thousand three hundred twenty-five (3,325) million dollars issued from time to time by the Public Buildings Authority for any

of its purposes authorized by this Act. The bonds covered by this warranty shall be those specified by the Authority, with the consent of the Government Development Bank for Puerto Rico, and a statement of such warranty shall be set forth on the face of such bonds. If at any time the revenues or income and any other monies of the Authority, pledged for the payment of the principal and interest on such bonds, are not sufficient for the payment of such principal and interest when they come due, nor to maintain, the reserve fund for the bonds that the Authority has pledged to maintain, the Secretary of the Treasury shall withdraw from any available funds in the Treasury of Puerto Rico, such sums as may be necessary to cover the deficiency in the amount required for the payment of such principal and interest, and to bring said reserve fund to the required maximum agreed by the Authority, and shall direct that the sums thus withdrawn be applied to such payment and purpose.

For purposes of this Act, those bonds under the defeasance provisions of the resolution or resolutions by which they were issued shall not be deemed as outstanding. The good faith and credit of the Commonwealth are hereby pledged to make the payments described in the above paragraph.”

Section 9.- Subsection (b) is hereby added to Section 6 of Act No. 56, supra, as amended, to read as follows:

“Section 6 (b) - Convertible and Reimbursement Bonds

The Authority is hereby authorized to issue Authority refinancing bonds in order to refinance outstanding bonds and bonds in effect at the time, which had been issued under the provisions of this Act, including the payment of any redemption premium with respect thereto and any interest accrued or which is accrued as of the date of redemption or due date of such bonds and, if the Authority deems it advisable, for any of the purposes for which it may issue bonds. The issue of such bonds, the due dates and other details with respect thereof, the

rights of the bondholders and the rights, duties and obligations of the Authority with respect thereto, shall be governed by the provisions of this Act that are related to the issue of bonds inasmuch as such provisions are applicable.

Refinancing bonds issued pursuant to this Act may be sold or exchanged for bonds in effect issued pursuant to this Act, and if sold, the product of such a sale may be set aside, in addition to any authorized purpose, for the purchase, redemption or payment of such bonds in effect and outstanding, and may be invested pending such an application. Refinancing bonds may be issued at the discretion of the Authority, at any time, on or before the date or dates due, or the date selected for the redemption of the bonds to be refinanced.”

Section 10.- Section 7 of Act No. 56, supra, as amended, is hereby amended to read as follows:

“Section 7.- Bonds of the Authority shall be deemed as legal investments

The bonds issued by the Authority shall be legal investments and may be accepted as guarantee for all trust funds, special or public, whose investment or deposit is under the authority or jurisdiction of the Commonwealth Government or of any officer or officers thereof.”

Section 11.- Section 8 of Act No. 56, supra, as amended, is hereby amended to read as follows:

“Section 8.- Tax exemption

For the purpose of enabling the Authority to obtain funds and allow the latter to achieve its corporate purposes, the goods and properties of the Authority or of any subsidiary created by the Authority, as well as the bonds issued by the Authority or any subsidiary thereof, and the revenues derived therefrom, shall at all times be and remain exempted from taxation. The Authority and any subsidiary thereof created pursuant to Section 5, subsection (22) of Act No. 56 of June 19, 1958, as amended, shall be likewise exempt from the payment of taxes on revenues derived

from its properties, enterprises or any other activity, the tax on articles for the use and consumption of its property introduced into Puerto Rico or acquired by the Authority or its subsidiary in any manner, as well as from the property tax and any other type of municipal taxes.”

Section 12.- Section 10 of Act No. 56, supra, as amended, is hereby amended to read as follows:

“Section 10.- Personnel

The disposition of all Authority personnel matters shall be conducted without being subject to the provisions of Act No. 84 of August 3, 2004, as amended, known as the “Public Service Human Resources Administration Act.” For the administration of said personnel, the Authority shall, in consultation with the Director of the Office of Personnel, prescribe standards and regulations leading toward a plan analogous to the one in force for the Commonwealth Employees under the personnel laws of Puerto Rico, insofar as deemed by the Authority compatible with its best interests. The employees who are members of unions under the statutes of Act No. 130 of May 8, 1945, as amended, better known as the “Puerto Rico Public Service Labor Relations Act,” are hereby excluded from these provisions.”

Section 13.- Section 11 of Act No. 56, supra, as amended, is hereby amended to read as follows:

“Section 11.- Expenses; Per diems

The members, officers and employees of the Authority shall be entitled to reimbursement for travel expenses, or, in lieu thereof, to the corresponding per diems that are authorized or approved according to the Authority’s regulations. The employees who are union members shall be governed by the provisions of their respective collective bargaining agreements.”

Section 14.- Section 15 of Act No. 56, supra, as amended, is hereby amended to read as follows:

“Section 15.- Lease contracts with departments, agencies, instrumentalities, authorities, public corporations or municipalities of the Commonwealth

Any department, agency, instrumentality, authority, public corporation or municipality of the Commonwealth may, by means of resolution or law, or acting on behalf and through its Secretary, Director or Chief Executive, be committed through a contract or contracts with the Authority for the total or partial lease of any schools, health facilities, offices, headquarters, courts, warehouses, workshops or any other physical facilities, buildings or developments belonging to and operated by the Authority, or for any space or services provided by any government body in relation to said facilities. Said contract or contracts may contain such terms and conditions that by mutual agreement may be stipulated between the Authority and said department, agency, instrumentality, authority, public corporation or municipality. Such lease contracts shall not be detrimental to any appropriate recognized unit, nor diminish the vested rights of the employees of the contracting parties. The rental payable to the Authority under any such contracts shall be reasonable and sufficient, taking into consideration the amounts needed by the Authority to (i) pay the interest, principal, and amortization requirements of the bonds issued by the Authority for financing such a building, and to provide a reserve for such purposes, and (ii) to pay the operating and maintenance expenses of such a building, including a reasonable proportional amount to cover the administrative expenses of the Authority, the cost for replacing equipment, and other operating and maintenance expenses not occurring annually, and to provide a reserve for such purposes. Any head or executive director of any department, agency, instrumentality, authority, public corporation or municipality of the Commonwealth is hereby authorized to carry out and

execute any and all acts, agreements, stipulation, contracts and transactions necessary, convenient or desirable to carry out and execute every contract and to provide for the payment or settlement of any obligation of said department, agency, instrumentality, authority, public corporation or municipality. All contracts shall be valid and binding for the department, agency, instrumentality, authority, public corporation or municipality of the Commonwealth. The amount of any such rental fee or other obligation of said department, agency or instrumentality with the Authority shall be subject to the approval of the Office of Management and Budget and the latter shall consign the payment of said rental fee or obligation, in the case of any contracting department, agency, instrumentality or authority, in its respective budget, or in the case of a public corporation, as a deduction from any contribution made to it by the Government of the Commonwealth of Puerto Rico, for the corresponding term, or in the case of a municipality, as a deduction from any collected funds payable thereto by the Department of the Treasury.

All or any part of the rents payable to the Authority under any such contracts may be committed by the Authority for the payment of the principal and interest of any bonds issued by the Authority.

For the purposes of this Act, the word “department” shall mean any executive department created by or pursuant to Article IV, Section 6, of the Constitution of the Commonwealth of Puerto Rico and any other government body created by a law of the Legislature and which depends primarily upon funds appropriated by the Legislature to defray its operating expenses.

The good faith and credit of the Commonwealth are hereby pledged for the payment of the rent under any lease contract executed pursuant to the terms of this Act with any department, agency, instrumentality, authority or public corporation of the Commonwealth, and the good faith and credit of any municipality shall be pledged for the payment of the rent under any lease contract executed pursuant to

the terms of Act No. 56 of June 19, 1958, as amended, by or on behalf of the municipality.

If any portion of the rent payable to the Authority in any fiscal year, by any department, agency, instrumentality, authority or public corporation of the Commonwealth, under the terms of any lease contract executed pursuant to the provisions of Act No. 56 of June 19, 1958, as amended, are not paid when they fall due, the Commonwealth shall advance to the Authority the unpaid balance of such rent. The Secretary of the Treasury is hereby directed to make any such advance from any available unencumbered funds in the Treasury of Puerto Rico, and the good faith and credit of the Commonwealth are hereby pledged to produce the required advances. Any advances so made by the Commonwealth shall be reimbursed to the Commonwealth by the department, agency, instrumentality, authority or public corporation for whose account such advances have been made, from any surplus of such department, agency, instrumentality, authority or public corporation after the payment of rents then owed to the Authority, and of all other general operating expenses of such department, agency, instrumentality, authority or public corporation. The rental to be paid to the Authority by any municipality under the terms of any contract executed pursuant to the provisions of Act No. 56 of June 19, 1958, as amended, shall be periodically deducted by the Municipal Revenues Collection Center from the property taxes collected for the corresponding municipality and said amounts shall be paid directly to the Authority.”

Section 15.- Section 15 (a) is hereby added to Act No. 56, supra, as amended, to read as follows:

“Section 15 (a) Content of certain contracts

Every lease contract, title deed, transfer or assignment of any portion of the property the Authority shall establish explicitly that the contracting private person

or entity, whether lessee, assignee or donee, is aware of, knows and shall comply fully with the provisions of this Act, any design plan or standard adopted or to be adopted by the Authority, and all conditions and restrictions imposed upon the Authority. Such representation shall be printed on the contract, lease contract, title deed or other transfer document in bold lettering. However, the Authority may ignore this requirement if the Board determines that what is being pursued in carrying out its governmental duties is the public goal of assisting the different departments, agencies, instrumentalities, authorities, public corporations and municipalities of the Commonwealth of Puerto Rico. The content of the lease contract, title deed, transfer or assignment of any portion of the property of the Authority shall be evaluated in accordance with the Authority's need for flexibility and the most appropriate mechanisms to ensure the compliance of private entities with the applicable legal provisions."

Section 16.- Section 1 of Act No. 25 of May 17, 1963, as amended, is hereby amended to read as follows:

"Section 1.- Property or rights; authorization for the Commonwealth and the departments, agencies, instrumentalities, authorities, public corporations and political subdivisions to sell or convey.

The Commonwealth of Puerto Rico, its departments, agencies, instrumentalities, authorities and public corporations and political subdivisions, including all its municipalities, are hereby expressly authorized to donate, sell, exchange or otherwise convey to the Public Buildings Authority, at its request, any real or personal property belonging to them or that they may acquire in future, and any and all rights or interest therein (including properties already devoted to public use) when the public interest so justifies and it is convenient and necessary to carry out the aims and purposes of the Authority. This authorization to donate, sell,

exchange or convey shall not apply to schools and other dependencies of the Department of Education that are being used for rendering services.”

Section 17.- Section 2 of Act No. 25 of May 17, 1963, as amended, is hereby amended to read as follows:

“Section 2.- Approval and execution - Commonwealth

The conveyance of real estate belonging to the Commonwealth of Puerto Rico, its departments, agencies, instrumentalities, authorities and public corporations and political subdivisions, as authorized by Act No. 25 of May 17, 1963, as amended, shall be with the approval of the Governor or his/her representative and shall be executed by the Secretary of Transportation and Public Works, on behalf and in representation of the Commonwealth of Puerto Rico, or by the chief executive of the transmitting department, agency, instrumentality, authority or public corporation, as the case may be, and the Executive Director of the Public Buildings Authority, in accordance with the procedure prescribed in Sections 1 to 5 of Act No. 95 of April 18, 1952, as amended.”

Section 18.- Section 7 is hereby added to Act No. 25 of May 17, 1963, as amended, to read as follows:

“Section 7.- Interpretation with respect to other laws

In cases in which the provisions of Act No. 56 of June 19, 1958, as amended, are in conflict with the provisions of any other law of the Legislature of Puerto Rico, the provisions of Act No. 56 of June 19, 1958, as amended, shall prevail, and no other law previously or subsequently approved to regulate the administration of the Commonwealth Government, or any parts thereof, its offices, bureaus, departments, commissions, dependencies, municipalities, branches, agents, officers or employees shall be interpreted as being applicable to the Authority, unless specifically provided, and the matters and business of the Authority shall be managed pursuant to the provisions of Act No. 56 of June 19, 1958, as amended;

provided, however, that the regular employees of the Authority, by resolution approved by the Board of Directors, may join, partially or wholly, the Employees Retirement System of the Government of Puerto Rico and its Instrumentalities, created by Act No. 447 of May 15, 1951, as amended.”

Section 19.- The powers conferred by this Act to the Authority shall not affect the vested rights of the labor union members, the provisions agreed upon through collective bargaining, nor the collective bargaining obligation of the Authority with the exclusive representatives of the labor union members organized under the provisions of Act No. 130 of May 8, 1945, as amended.

Section 20.- Separability

If any section or provision of this Act were declared unconstitutional, illegal or null by a competent court with jurisdiction, said ruling shall not affect or invalidate the remaining provisions thereof, and the effect of said ruling shall be limited solely to the article, section, paragraph, subsection or subclause which has been ruled unconstitutional, illegal or null.

Section 21.- This Act shall take effect immediately after its approval.

## CERTIFICATION

I hereby certify to the Secretary of State that the following Act No. 97 (H.B. 2171) (Conference) of the 3<sup>rd</sup> Session of the 15<sup>th</sup> Legislature of Puerto Rico:

**AN ACT** to amend Sections 1, 2, 3, 4, 5, 6, 6(a), 7, 8, 10, 11, 15, and 18, to add Section 6(b) and Section 15(a) to Act No. 56 of June 19, 1958, as amended, known as the Public Buildings Authority Act, to amend Sections 1 and 2, as well as to add Section 7 to Act No. 25 of May 17, 1963, as amended, in order to update the faculties and powers of said public entity in view of the economic reality of 21<sup>st</sup> Century Puerto Rico,

has been translated from Spanish to English and that the English version is correct.

In San Juan, Puerto Rico, today 14<sup>th</sup> of December of 2007.

Francisco J. Domenech  
Director