§ 76-a. Private financing. To facilitate the enlistment of private capital through the sale by authorities or municipalities of their bonds and other obligations to persons, firms or corporations other than governments, in financing state projects, and to maintain the low-rent character of such projects---

(a) Every contract entered into by the state with an authority and a municipality, or solely with a municipality, to make loans or periodic subsidies or both (including contracts which amend or supersede contracts previously made, provided that such amending or superseding contracts do not relate to state projects with respect to which definitive housing bonds of the state have been sold pursuant to section sixty of the state finance law, and do not relate to state projects with respect to which serial bonds of a municipality have been sold pursuant to sections ten and eleven of the local finance law) may provide that---

(1) upon the occurrence of a substantial default in respect to the covenants or conditions to which the authority or municipality is subject (as such substantial default shall be defined in such contract), the authority or municipality shall be obligated at the option of the commissioner, either to convey title to the state in any case where, in the determination of the commissioner (which determination shall be final and conclusive), such conveyance of title to the state is necessary to achieve the purposes of this chapter, or to deliver possession to the state of the project, as then constituted, to which such contract relates;

(2) the state shall be obligated to reconvey or to redeliver possession of the project, as constituted at the time of reconveyance or redelivery, to such authority or municipality upon such terms as shall be prescribed in such contract and as soon as practicable: (i) after the commissioner shall be satisfied that all defaults with respect to the project have been cured, and that the project will, in order to fulfill the purposes of this chapter, thereafter be operated in accordance with the terms of such contract; or (ii) after the termination of the obligation to make periodic subsidies available unless there are any obligations or covenants of the authority or municipality which are then in default. Any prior conveyances and reconveyances, deliveries and redeliveries of possession shall not exhaust the right to require a conveyance or delivery of possession of the project to the state

pursuant to sub-paragraph (1) of subdivision (a), upon the subsequent occurrence of a substantial default.

(b) Whenever such contract to make loans or periodic subsidies or both shall include provisions which the commissioner, in said contract, determines are in accordance with the provisions authorized by subdivision (a) hereof, and the periodic subsidies, pursuant to such contract, have been pledged by the authority or the municipality as security for the payment of the principal and interest on the obligations of the authority or municipality, the commissioner (notwithstanding any other provisions of this chapter) shall continue to make periodic subsidies available for the project so long as any of such obligations remain outstanding. Acquisition of title to a project by the state, or delivery of possession thereof to the state, as provided in subdivision (a) hereof, shall not constitute an assumption of liability by the state of the bonds or notes of the authority or municipality for which the periodic subsidies or loans have been pledged. The commissioner may covenant in such contract (in lieu of retaining the right to reduce or terminate periodic subsidies under section eighteen of this chapter and notwithstanding any other provisions of law) that in any event such periodic subsidies shall in each year be at least equal to an amount which, together with such income or other funds as are actually available from the project for the purpose at the time such periodic subsidy is made, will suffice for the payment of all installments, falling due within the said year, of principal and interest on the obligations for which the periodic subsidies provided for in the contract shall have been pledged as security; provided that such periodic subsidies shall not exceed the amounts and shall not be made for a period longer than the amounts and period specified in section seventy-three of this chapter and provided further that such periodic subsidies shall not exceed the amounts and shall not be made for a period longer than the amounts and period specified in the contract.

(c) Obligations of an authority or municipality which (1) are secured either (A) by a pledge of a state loan under an agreement between such authority or municipality and the state, or (B) by a pledge of periodic subsidies to be made by the state and (2) bear, or are accompanied by, a certificate of the commissioner that such obligations are so secured,

shall be incontestable in the hands of a bearer. The full faith of the state is pledged to the payment of all loans and periodic subsidies contracted for by the commissioner as security for such obligations.