

MAINE STATE LEGISLATURE

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ONE HUNDRED AND SIXTH LEGISLATURE

Legislative Document

No. 1722

S. P. 558

In Senate, April 3, 1973

Referred to the Committee on State Government. Sent down for concurrence and ordered printed.

HARRY N. STARBRANCH, Secretary

Presented by Senator Sewall of Penobscot.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED
SEVENTY-THREE

AN ACT Relating to the Maine Industrial Building Authority.

Be it enacted by the People of the State of Maine, as follows :

Sec. 1. R. S., T. 2, § 6, sub-§ 5, amended. The 8th line from the end of subsection 5 of section 6 of Title 2 of the Revised Statutes is repealed as follows :

~~Manager of Industrial Building Authority;~~

Sec. 2. R. S., T. 10, § 751, amended. The 2nd sentence of the first paragraph of section 751 of Title 10 of the Revised Statutes, as amended by section 1 of chapter 584 of the public laws of 1971, is further amended to read as follows :

The authority shall consist of ~~9~~ 7 members, including the Commissioner of Commerce and Industry, and ~~8~~ 6 members at large appointed by the Governor with the advice and consent of the Council for a period of 4 years, provided that, of the members first appointed, 2 shall be appointed for a term of one year, 2 for a term of 2 years, ~~2~~ one for a term of 3 years and ~~2~~ one for a term of 4 years.

Sec. 3. R. S., T. 10, § 751, amended. The 2nd paragraph of section 751 of Title 10 of the Revised Statutes is amended to read as follows :

~~All the~~ The members of the authority ~~except for the Commissioner of Commerce and Industry shall be reimbursed for their actual expenses necessarily incurred in the performance of their duties~~ receive the sum of \$50 per day for time actually spent in the performance of their duties, in lieu of other compensation or reimbursement. When their duties are performed within the State,

they shall receive in addition to the per diem amount, an amount for their actual and necessary transportation expenses incurred at the same rate as paid to state employees. When their duties are performed out of the State, they shall receive in addition to the per diem amount only the actual and necessary expenses incurred in the performance of their duties in accordance with the rules and regulations applicable to state employees.

Sec. 4. R. S., T. 10, § 755, additional. Title 10 of the Revised Statutes is amended by adding a new section 755 to read as follows:

§ 755. Indemnification

Each member of the authority shall be indemnified by the authority against expenses actually and necessarily incurred by him in connection with the defense of any action or proceeding in which he is made a party by reason of his being or having been a member of the authority, and against any final judgment rendered against him in such action or proceeding.

Sec. 5. R. S., T. 10, § 803, amended. The first sentence of section 803 of Title 10 of the Revised Statutes, as amended, is further amended to read as follows:

The authority is authorized to insure a percentage of the mortgage payments required by a first mortgage on any eligible project upon receipt of application from ~~of the proposed mortgagee to insure mortgage payments required by a first mortgage on any eligible project~~ at least 60 days prior thereto, such percentage as determined by the authority shall not be greater than 95% nor less than 75% of the first mortgage, such percentage to be determined as to require the uninsured portion of a first mortgage to be a material amount, otherwise, the first mortgage to be insured upon such additional terms and conditions as the authority may prescribe, provided the aggregate amount of the principal obligations of all mortgages so insured outstanding at any one time shall not exceed the amount set forth in the Constitution of Maine, Article IX, Section 14-A, as it may be from time to time amended.

Sec. 6. R. S., T. 10, § 803, sub-§ 2, amended. The first sentence of subsection 2 of section 803 of Title 10 of the Revised Statutes, as repealed and replaced by section 11 of chapter 525 of the public laws of 1967 and as amended, is further amended to read as follows:

Involve a principal obligation not to exceed ~~\$1,000,000~~ \$2,500,000 for any one project and not to exceed 90% of the cost of project related to real estate, except 80% of the cost of project in the case of real estate in the form of documented fishing vessels, and 75% of the cost of project related to machinery and equipment.

Sec. 7. R. S., T. 10, § 803, sub-§ 5, amended. The last sentence of subsection 5 of section 803 of Title 10 of the Revised Statutes, as enacted by section 6 of chapter 343 of the public laws of 1971, is amended to read as follows:

The authority shall have the power at all reasonable times and places to make an examination of the books and records of the mortgagor and its lessee, tenant or assignee during the duration of the mortgage, and in the event of

default, the terms shall prescribe that the authority shall not be required to pay interest during the duration of the default at a rate in excess of the Federal Housing Authority's insured rate in effect at that time, plus $\frac{1}{2}$ of 1%.

Sec. 8. Effective date. This Act shall become effective 91 days after adjournment of the Legislature. Section 2 of this Act, relating to the reduction of the number of members of the Industrial Building Authority, shall become effective in the following fashion: The provision eliminating 2 members at large from the authority shall become effective at such time as the first 2 vacancies next occur whether simultaneously or individually in the membership on the authority and at that time or times no additional members shall be appointed to fill such vacancy, unexpired term or a new term.

STATEMENT OF FACT

This bill is designed to clarify and make more effective the laws relating to the Maine Industrial Building Authority. Among other things it decreases the size of the authority, reducing the number of members from 9 to 6, and provides for a \$50 per diem for the members and an indemnification provision protecting the members of the authority in the case that they are sued has also been inserted.

The most important provisions of the bill are those requiring bank participation in loan guarantees which will result in better policing in the loans by the banks, the requirement of a waiting period before a loan guarantee application can be approved and a reduction in the amount in which a single loan can be guaranteed from \$4,000,000 to \$2,500,000. The bill also provides that in case of default, the authority will not be required to pay a high interest rate which has been negotiated by the borrower but will rather pay a rate slightly in excess of the prime rate. This will save the State, in the aggregate, a good sum of money. It is contemplated that under the bank participation provisions the authority will require a greater percentage of bank participation in a smaller loan and a relatively small percentage as a loan increases in size.