

# MAINE STATE LEGISLATURE

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SECOND REGULAR SESSION

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ONE HUNDRED AND THIRTEENTH LEGISLATURE

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Legislative Document

NO. 2322

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H.P. 1693                    House of Representatives, February 22, 1988  
Approved for introduction by a majority of the  
Legislative Council pursuant to Joint Rule 26.  
Reference to the Committee on Economic Development  
suggested and ordered printed.

EDWIN H. PERT, Clerk  
Presented by Representative RAND of Portland.  
Cosponsored by Representatives MILLS of Bethel, HOGLUND  
of Portland, and Senator ANDREWS of Cumberland.

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STATE OF MAINE

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IN THE YEAR OF OUR LORD  
NINETEEN HUNDRED AND EIGHTY-EIGHT

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1                    **AN ACT to Preserve Existing Rental Units**  
2                    **which have been Constructed with Federal**  
3                    **Assistance and Tax Benefits for**  
4                    **Moderate-Income and Low-Income People.**  
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6                    Be it enacted by the People of the State of Maine as  
7                    follows:

8                    **Sec. 1.            9-B MRSA §434, sub-§7 is enacted to**  
9                    **read:**

1       7. Federally subsidized low-income housing. A  
2 financial institution shall not provide any loan to  
3 any person, firm, corporation or organization for the  
4 purchase of property which contains low-income housing  
5 which was constructed with federal assistance, except  
6 as provided in Title 30, chapter 239, article 9.

7       Sec. 2. 30 MRSA c. 239, sub-c. II, art. 9 is  
8 enacted to read:

9                                   Article 9

10                   PRESERVATION OF MODERATE-INCOME AND LOW-INCOME  
11                    HOUSING CONSTRUCTED WITH FEDERAL  
12                    ASSISTANCE

13 §4793. Purpose

14       The State is experiencing severe shortages of  
15 affordable housing in various parts of the State. The  
16 affordable housing shortage is contributing to an  
17 ever-increasing class of working poor people and  
18 creating severe hardships for a significant number of  
19 Maine citizens.

20       The housing shortage problem may soon be  
21 intensified by the conversion of moderate-income and  
22 low-income rental housing units into housing for  
23 higher-income persons and families. Many  
24 moderate-income and low-income rental housing units  
25 were constructed with federal assistance nearly 20  
26 years ago with an agreement that the mortgagee may pay  
27 the mortgage after 20 years and not be subject to any  
28 of the restrictions in the initial agreement. As the  
29 mortgagees pay the mortgages, it is essential for the  
30 State to preserve as much of this housing as possible  
31 at affordable costs for the citizens of the State.

32 §4794. Notification of intent to sell

33       Any person, firm or organization which has  
34 ownership in any low-income housing which has been  
35 constructed or purchased with federal assistance of  
36 any kind, including federal tax credits and reduced

1 interest rates, shall not sell or transfer title of  
2 the property or enter into any contract to sell or  
3 transfer title without providing notice to the Maine  
4 State Housing Authority and the municipal housing  
5 authority, if any, in the region in which the property  
6 is located, as provided in this section.

7 1. Notice period. Any owner of low-income  
8 housing constructed or purchased with federal  
9 assistance shall notify the Maine State Housing  
10 Authority and the local housing authority serving the  
11 area, if any, of the intention to sell the low-income  
12 housing property at least 45 days prior to entering  
13 into any contract or agreement to sell the property or  
14 transfer title to the property.

15 2. Right of first refusal. The Maine State  
16 Housing Authority or the municipal housing authority,  
17 if any, has the right of first refusal to purchase the  
18 property.

19 §4795. Purchase property; construct housing

20 The Maine State Housing Authority or any municipal  
21 housing authority may purchase or acquire property to  
22 preserve or provide affordable housing to  
23 moderate-income and low-income people and provide for  
24 the management and maintenance of this property.

25 1. Construction. The Maine State Housing  
26 Authority or any municipal housing authority may  
27 construct or reconstruct housing for moderate-income  
28 and low-income households.

29 2. Rehabilitation. The Maine State Housing  
30 Authority or any municipal housing authority may  
31 rehabilitate buildings as a means of providing  
32 affordable housing to middle-income and low-income  
33 households.

34 §4796. Provide financing

35 The Maine State Housing Authority or any municipal  
36 housing authority may provide low interest or no  
37 interest financing to any person, firm or organization

1 that agrees to construct, reconstruct, rehabilitate or  
2 purchase property to provide housing for  
3 moderate-income and low-income households.

4 §4797. Rules

5 The Maine State Housing Authority may adopt rules  
6 in accordance with the Maine Administrative Procedure  
7 Act, Title 5, chapter 375, to implement this article.

8 §4798. Penalty

9 Any person, firm or organization that fails to  
10 give notice as provided in this article shall be  
11 deemed to have committed a civil violation for which a  
12 penalty of not less than \$2,500 may be adjudged.

13 STATEMENT OF FACT

14 This bill is intended to preserve current housing  
15 which had been constructed with federal assistance for  
16 moderate-income and low-income households. Many  
17 low-income rental units were constructed with federal  
18 assistance nearly 20 years ago with an agreement that  
19 the mortgagee could pay the mortgage in full in 20  
20 years and no longer be subject to any of the  
21 restrictions in the initial agreement.

22 Many of these rental units may be converted to  
23 condominiums and other types of housing for higher  
24 income households. As a result, the State may lose a  
25 substantial number of low-income housing units in the  
26 next 5 years.

27 This bill gives the Maine State Housing Authority  
28 and municipal housing authorities right of first  
29 refusal to purchase housing constructed with federal  
30 assistance in order to preserve the housing for  
31 moderate-income and low-income households. Any person  
32 or firm intending to sell or transfer title of this  
33 type of property is required to notify the Maine State  
34 Housing Authority and the municipal housing authority,  
35 if any, serving the area at least 45 days prior to

1 entering into any agreement or contract to sell the  
2 property. The housing authorities are empowered to  
3 purchase the property, rehabilitate property and  
4 construct housing in order to preserve this housing  
5 for moderate-income and low-income households.

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