

Original sponsor: Rules/Governor

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Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 487 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Housing Finance Corpora-  
7 tion and the Alaska Industrial Development Authority."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. AS 18.56.040 is amended to read:

10 Sec. 18.56.040. MEETINGS OF BOARD. (a) The board shall elect a  
11 chairman from among its membership at its annual [FIRST] meeting [IN]  
12 each year. A majority of the members constitute a quorum for organizing  
13 the board, conducting its business and exercising the powers of the  
14 corporation. The board shall meet at the call of its chairman. The  
15 board shall meet not less than once each three months.

16 (b) The board may meet and transact business by electronic media,  
17 including conference telephone, if the public is given notice and has  
18 the same right to participate in the meeting as if the meeting were  
19 held in person. A meeting by electronic media as provided in this  
20 section has the same legal effect as a meeting in person.

21 \* Sec. 2. AS 18.56.098(c) is amended to read:

22 (c) The corporation may pledge mortgage loans purchased by the  
23 corporation under (a) of this section, mortgage loans assigned to the  
24 corporation for the special mortgage loan purchase program, and mortgage  
25 loans purchased with amounts appropriated to the corporation for the  
26 special mortgage loan purchase program to pay the principal, interest,  
27 and redemption premium, if any, on bonds or bond anticipation notes  
28 issued by the corporation for the special mortgage loan purchase pro-  
29 gram and may expend amounts appropriated to the special mortgage loan

1 purchase program for mortgage loan subsidies as necessary to cause the  
2 interest rate on mortgage loans purchased under the special mortgage  
3 loan purchase program and retained by the corporation or sold under  
4 AS 18.56.099 to equal the rates specified in this section.

5 \* Sec. 3. AS 18.56.098(e) is amended to read:

6 (e) The corporation shall establish regulations in accordance  
7 with AS 18.56.088 to implement the special mortgage loan purchase  
8 program. The [IN ORDER TO DISCOURAGE THE SPECULATIVE USE OF MORTGAGE  
9 CREDIT UNDER THE SPECIAL MORTGAGE LOAN PURCHASE PROGRAM FOR PURPOSES  
10 OTHER THAN HOME OWNERSHIP, THE] regulations shall include provisions  
11 allowing, prohibiting, or restricting [OTHERWISE SETTING CONDITIONS ON]  
12 the right to assume or the right to provide for the payment of mortgage  
13 loans purchased under (a) of this section by a person other than the  
14 mortgagor. A provision in a mortgage loan purchased by the corporation  
15 which prohibits or restricts the right to assume or the right to pro-  
16 vide for the payment of mortgage loans is enforceable. The corpora-  
17 tion shall enforce the regulations adopted under this subsection.

18 \* Sec. 4. AS 18.56 is amended by adding a new section to read:

19 Sec. 18.56.104. ALLOCATION OF TAX-EXEMPT BONDS. (a) Pursuant to  
20 sec. 103A(g)(6) of the Mortgage Subsidy Bond Tax Act of 1980 (26 U.S.C.  
21 103A) the amount of mortgage revenue bonds that may be issued in the  
22 state under sec. 103A(g)(4) of that Act is allocated solely to the  
23 corporation. A municipality may not issue mortgage revenue bonds under  
24 sec. 103A(g)(4) of the Mortgage Subsidy Bond Tax Act of 1980 unless  
25 permitted to do so by the corporation. The amount of mortgage revenue  
26 bonds issued by a municipality under sec. 103A(g)(4) of the Mortgage  
27 Subsidy Bond Tax Act of 1980 with the permission of the corporation  
28 shall be deducted from the total amount permitted by that Act.

29 (b) The provisions of this section apply to home rule municipali-

ties.

\* Sec. 5. AS 44.88.010 is amended to read:

Sec. 44.88.010. LEGISLATIVE FINDING AND POLICY. (a) The legislature finds, determines and declares that

(1) there exist areas of the state in which seasonal and nonseasonal unemployment exist;

(2) this unemployment is a serious menace to the health, safety and general welfare, not only to the people in those areas, but also to the people of the entire state;

(3) the state lacks the basic manufacturing, industrial, and small [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING] enterprises and other facilities referred to in (5) of this subsection [AS 44.88.-010(a)(5)] necessary to permit adequate development of its natural resources and the balanced growth of its economy;

(4) the establishment, and expansion of industrial, manufacturing, and small [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING] enterprises in Alaska, including facilities for air and water transportation, facilities for pollution control and waste disposal, facilities for the local furnishing of gas, facilities for water, and facilities for industrial parks, is essential to the development of the natural resources and the long-term economic growth of the state, and will directly and indirectly alleviate unemployment in the state;

(5) the achievement of the goal of full employment, and of establishment and continuing operation and development of industrial, manufacturing, and small [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING] enterprises in the state, including facilities for air and water transportation, facilities for pollution control and waste disposal, facilities for the local furnishing of gas, facilities for water, and facilities for industrial parks, will be accelerated and

1 facilitated by the creation of an instrumentality of the state with  
2 powers to incur debt and to make and insure loans to finance, and to  
3 assist private lenders to make loans to finance, the establishment,  
4 operation, and development of industrial, manufacturing, and small  
5 [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING] enterprises, includ-  
6 ing facilities for air and water transportation, facilities for pollu-  
7 tion control and waste disposal, facilities for the local furnishing of  
8 gas, facilities for water, and facilities for industrial parks, for  
9 private operation;

10 (6) it is in the public interest to promote the prosperity  
11 and general welfare of all citizens of the state by stimulating commer-  
12 cial and industrial growth and expansion by encouraging an increase of  
13 private investment by banks, investment houses, insurance companies,  
14 and other financial institutions, including pension and retirement  
15 funds, to help satisfy the need for economic expansion;

16 (7) it is in the state's interest to import private capital  
17 to create new economic activity which would not otherwise take place in  
18 the state.

19 (b) It is declared to be the policy of the state, in the interests  
20 of promoting the health, security and general welfare of all the people  
21 of the state, and a public purpose, to increase job opportunities and  
22 otherwise to encourage the economic growth of the state, including the  
23 development of its natural resources, through the establishment of  
24 manufacturing, industrial, and small [BUSINESS, TOURISM, MINING, AND  
25 COMMERCIAL FISHING] enterprises and the other facilities referred to in  
26 (a)(5) of this section [AS 44.88.010(a)(5)] by creating the public  
27 corporation with power, duties and functions as provided in this chap-  
28 ter.

29 \* Sec. 6. AS 44.88.050(a) is amended to read:

1 (a) A majority of the members of the authority constitutes a  
2 quorum for the transaction of business or the exercise of a power or  
3 function at a meeting of the authority. In case of a tie vote on a  
4 motion or resolution pending before the authority the motion or resolu-  
5 tion shall be presented to the governor and if approved by him, is  
6 considered adopted by the authority. The authority may meet and trans-  
7 act business by electronic media, including conference telephone call,  
8 if the public is given notice and has the same right to participate in  
9 the meeting as if the meeting was conducted in person. A meeting by  
10 electronic media as authorized in this subsection has the same legal  
11 effect as a meeting in person.

12 \* Sec. 7. AS 44.88.070 is amended to read:

13 Sec. 44.88.070. PURPOSE OF THE AUTHORITY. The purpose of the  
14 authority is to promote, develop and advance the general prosperity and  
15 economic welfare of the people of Alaska, to relieve problems of unem-  
16 ployment, and to create additional employment by providing various  
17 means of financing and means of facilitating the financing of indust-  
18 rial, manufacturing, and small [BUSINESS, TOURISM, MINING, AND COMMER-  
19 CIAL FISHING] enterprises and the other facilities referred to in  
20 AS 44.88.010(a)(5) within the state.

21 \* Sec. 8. AS 44.88.080(18) is amended to read:

22 (18) to facilitate the expansion of a secondary market for  
23 the resale of federally or commercially insured loans made to finance  
24 the costs of projects held by commercial banks in Alaska.

25 \* Sec. 9. AS 44.88.080(12) is amended to read:

26 (12) to purchase or insure loans to finance the costs of  
27 manufacturing, industrial, and small [BUSINESS, TOURISM, MINING, AND  
28 COMMERCIAL FISHING] enterprise projects;

29 \* Sec. 10. AS 44.88 is amended by adding a new section to read:

1           Sec. 44.88.085. FEES CHARGED BY AUTHORITY. (a) An application  
2 fee may not be charged for an application for authority participation  
3 in a loan under AS 44.88.158.

4           (b) The commitment fee for a loan commitment by the authority may  
5 not exceed two percent of the principal amount of the loan.

6 \* Sec. 11. AS 44.88.105 is amended by adding new subsections to read:

7           (f) The authority may establish a reserve fund, other than a  
8 capital reserve fund, to secure its bonds. The authority may deposit  
9 in a reserve fund established under this subsection the proceeds of  
10 sale of its bonds and other money which may be made available from any  
11 other source. A reserve fund established under this subsection must  
12 comply with (a) - (c) of this section. The authority may allow a  
13 reserve fund established under this subsection to be depleted without  
14 complying with (d) of this section.

15           (g) The authority may not establish a capital reserve fund to  
16 secure a bond if the proceeds of the bond are used to finance a project  
17 the cost of which exceeds \$10,000,000.

18 \* Sec. 12. AS 44.88.155(b) is amended to read:

19           (b) The authority shall establish within the enterprise develop-  
20 ment fund a loan insurance account, a small enterprise [BUSINESS,  
21 TOURISM, MINING, AND COMMERCIAL FISHING ENTERPRISES] loan account, and  
22 other accounts it considers appropriate. Amounts in the enterprise  
23 development fund including, without limitation, repayments of loan  
24 principal and interest, may be pledged to the payment of bonds of the  
25 authority and shall be held and invested by the authority at competi-  
26 tive national market rates in investments authorized under AS 37.10.-  
27 070(a) or which [AS] may be authorized in agreements with bondholders  
28 respecting amounts in the loan insurance account, the small enterprise  
29 [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING ENTERPRISES] loan

1 account, and other accounts within the enterprise development fund.

2 \* Sec. 13. AS 44.88.157 is amended by adding new subsections to read:

3 (j) Notwithstanding (a) - (i) of this section, the authority may  
4 establish additional loan insurance accounts outside the enterprise  
5 development fund to secure special obligation bonds, and pay into the  
6 loan insurance account money made available from an appropriation or  
7 from any other source. A loan insurance account established under this  
8 subsection is not subject to the requirements of (d) and (g) of this  
9 section.

10 (k) A loan may not be insured from a loan insurance account  
11 within the enterprise development fund if the loan is for a project the  
12 cost of which exceeds \$10,000,000.

13 \* Sec. 14. AS 44.88.158(a) is amended to read:

14 Sec. 44.88.158. SMALL ENTERPRISE [BUSINESS, TOURISM, MINING, AND  
15 COMMERCIAL FISHING ENTERPRISES] LOAN ACCOUNT. (a) The authority may  
16 use the assets of the small enterprise [BUSINESS, TOURISM, MINING, AND  
17 COMMERCIAL FISHING ENTERPRISES] loan account to purchase loans made by  
18 others to [SMALL BUSINESS ENTERPRISES, TOURISM ENTERPRISES, MINING  
19 ENTERPRISES, AND COMMERCIAL FISHING] enterprises to pay the costs of  
20 projects, as defined in AS 44.88.220, which have been or which the  
21 authority anticipates will be financed with the proceeds of bonds.

22 \* Sec. 15. AS 44.88.158(b) is amended to read:

23 (b) The interest rate on a loan purchased with money in the small  
24 enterprise [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING ENTER-  
25 PRISES] loan account must equal the interest rate which the authority  
26 estimates would be payable on bonds issued by the authority to provide  
27 money to make the loan.

28 \* Sec. 16. AS 44.88.158(c) is amended to read:

29 (c) A loan purchased with money in the small enterprise [BUSINESS,

1 TOURISM, MINING, AND COMMERCIAL FISHING ENTERPRISES] loan account

2 (1) may not exceed \$7,500,000

3 [(A) \$6,000,000 IF THE LOAN IS MADE TO A TOURISM ENTER-  
4 PRISE;

5 (B) \$1,000,000 IF THE LOAN IS MADE TO A MINING ENTER-  
6 PRISE OR TO A SMALL BUSINESS ENTERPRISE THAT IS NOT A TOURISM  
7 ENTERPRISE OR A COMMERCIAL FISHING ENTERPRISE; OR

8 (C) \$500,000 FOR EACH INDIVIDUAL COMMERCIAL FISHERMAN  
9 IN THE COMMERCIAL FISHING ENTERPRISE IF THE LOAN IS MADE TO A  
10 COMMERCIAL FISHING ENTERPRISE];

11 (2) may not exceed 75 percent of the cost of the project or  
12 75 percent of the appraised value of the project, whichever is less,  
13 unless the amount of the loan in excess of those limits is federally  
14 insured or guaranteed or is insured by a qualified mortgage insurance  
15 company;

16 (3) may not be made for a term longer than three-quarters of  
17 the authority's estimate of the life of the project or 25 years from  
18 the date the loan is made, whichever is earlier;

19 (4) shall contain complete amortization provisions satisfac-  
20 tory to the authority requiring periodic payments by the borrower;

21 (5) shall be in the form and contain the terms and provi-  
22 sions with respect to insurance, repairs, alterations, payment of taxes  
23 and assessments, default reserves, delinquency charges, default  
24 remedies, acceleration of maturity, secondary liens and other matters  
25 the authority prescribes; [AND]

26 (6) shall be secured as to repayment by a mortgage or other  
27 security instrument in the manner the authority determines is feasible  
28 to assure timely repayment under a loan agreement entered into with the  
29 borrower; and

1                   (7) may not be made unless at least 10 percent of the prin-  
2                   cipal amount of the loan is retained by the originator of the loan.

3 \* Sec. 17. AS 44.88.158(d) is amended to read:

4                   (d) The authority may adopt regulations for the administration of  
5 the small enterprise [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING  
6 ENTERPRISES] loan account which may include, without limitation, provi-  
7 sions for fees and agreements relating to application, loan commitment,  
8 servicing, and origination of loans by other lenders.

9 \* Sec. 18. AS 44.88.158(e) is amended to read:

10                   (e) The authority may enter into agreements as to the use of the  
11 money in the small enterprise [BUSINESS, TOURISM, MINING, AND COMMERCIAL  
12 FISHING ENTERPRISES] loan account, including without limitation, trust  
13 or custody arrangements with banks or trust companies. It may also  
14 pledge, assign, or grant the agreement, interests under an agreement,  
15 or interests in the small enterprise [BUSINESS, TOURISM, MINING, AND  
16 COMMERCIAL FISHING ENTERPRISES] loan account as may be necessary or  
17 appropriate to provide for payment and security for bonds of the  
18 authority.

19 \* Sec. 19. AS 44.88.220(2) is amended to read:

20                   (2) "business enterprise" means a single proprietorship,  
21 corporation, firm, partnership, or other association of persons organ-  
22 ized in any manner, for any business purpose, other than [WHICH IS NOT  
23 ORGANIZED] on a nonprofit basis;

24 \* Sec. 20. AS 44.88.220(5) is amended to read:

25                   (5) "project" means [INCLUDES]

26                   (A) a plant or facility used or intended for use in  
27 connection with making, processing, preparing, or producing in any  
28 manner, goods, products or substances of any kind or nature or in  
29 connection with developing or utilizing a natural resource, or

1 extracting, smelting, transporting, converting, assembling or  
2 producing in any manner, minerals, raw materials, chemicals,  
3 compounds, alloys, fibers, commodities and materials, products or  
4 substances of any kind or nature, any plant or facility used or  
5 intended for use as an industrial park or in connection with air  
6 and water transportation, or any plant or facility for the preven-  
7 tion, limitation or control of air or water pollution, for the  
8 disposal of sewage or solid waste, for the local furnishing of  
9 gas, or for the furnishing of water; or

10 (B) a small [BUSINESS] enterprise [, TOURISM ENTERPRISE,  
11 MINING ENTERPRISE, AND COMMERCIAL FISHING ENTERPRISE AS DEFINED IN  
12 (12), (13), (14), AND (15) OF THIS SECTION];

13 \* Sec. 21. AS 44.88.220(8) is amended to read:

14 (8) "project cost" or "cost of a project"

15 (A) means all or any part of the aggregate costs deter-  
16 mined by the authority to be necessary to finance the construc-  
17 tion, expansion, or acquisition of a project, including without  
18 limitation the cost of acquiring real or tangible personal prop-  
19 erty, and, in connection with real property, the cost of construct-  
20 ing buildings and improvements, the cost of constructing means of  
21 access to and from the project, the cost of constructing extensions  
22 of utility systems to the site of the project; the cost of a  
23 project includes, without limitation, the cost of financing the  
24 project, interest charges before, during or after construction,  
25 expansion, or acquisition of the project, costs related to the  
26 determination of the feasibility, planning, design or engineering  
27 of the project and, to the extent determined necessary by the  
28 authority, administrative expenses, the cost of machinery or  
29 equipment to be used in the operation of the project and expenses

1 of installation, replacement or rehabilitation, and all other  
2 costs, charges, fees and expenses which may be determined by the  
3 authority to be necessary to finance the construction, expansion,  
4 or acquisition;

5 (B) does not include work in progress, stock in trade,  
6 or the refinancing of the existing indebtedness of a project  
7 applicant;

8 \* Sec. 22. AS 44.88.220(12) is repealed and reenacted to read:

9 (12) "small enterprise" means a business enterprise which is  
10 a project applicant with gross income of \$10,000,000 or less for its  
11 annual reporting period which ended immediately before the application  
12 to the authority for a loan;

13 \* Sec. 23. The Alaska Housing Finance Corporation may issue bonds in the  
14 principal amount of \$592,000,000 during the fiscal year ending June 30,  
15 1982.

16 \* Sec. 24. Subject to the limitation of AS 44.88.090(g), the Alaska  
17 Industrial Development Authority may issue bonds in the principal amount of  
18 \$230,000,000 during the fiscal year ending June 30, 1982.