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This is the MIBA: Maine Industrial Building Authority

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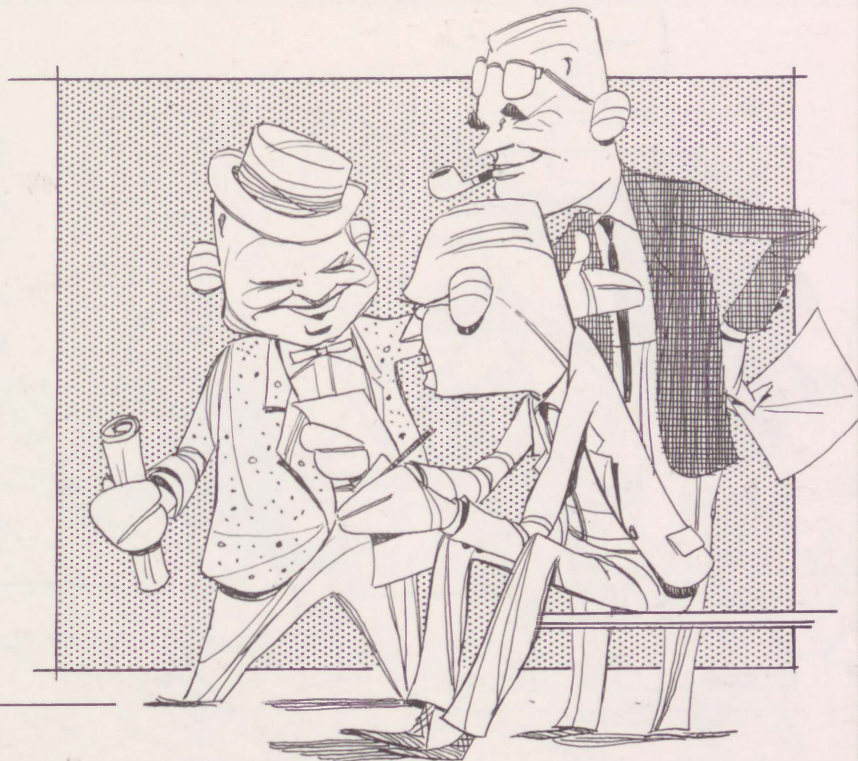
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This...is the

miba

MAINE INDUSTRIAL BUILDING AUTHORITY

A LOCAL OR REGIONAL DEVELOPMENT GROUP ORGANIZES AS A NON-PROFIT CORPORATION WITHIN THE TERMS OF CHAPTER 54 OF THE MAINE STATUTES.





THE BEST INDUSTRIAL SITES ARE DETERMINED AND ALL ARRANGEMENTS MADE TO HAVE THEM AVAILABLE TO BUILD UPON WHEN NEEDED.

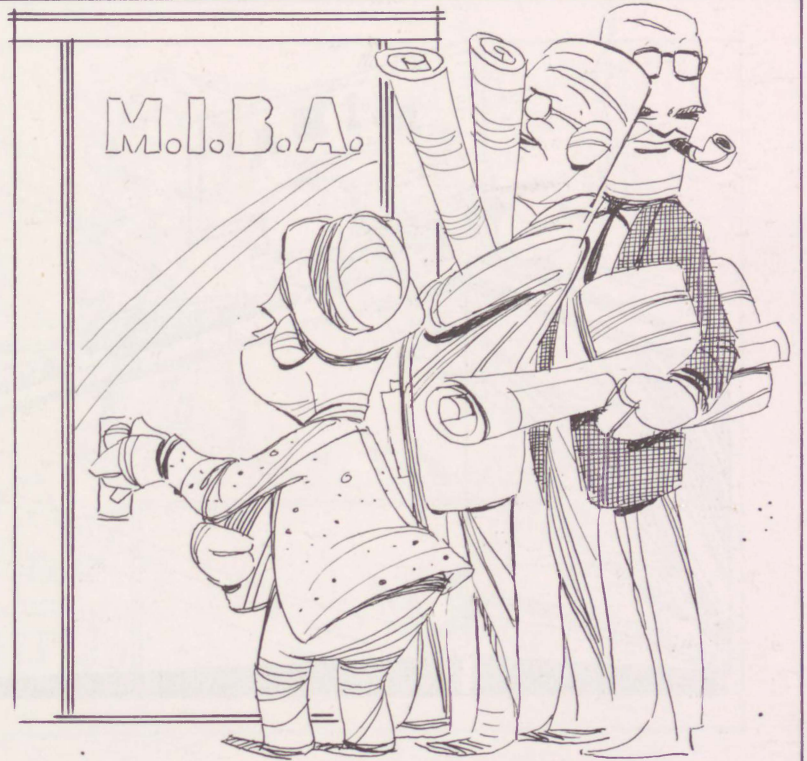
THE CORPORATION CONDUCTS A COMMUNITY-WIDE OR AREA SURVEY TO DETERMINE WHAT TYPES OF INDUSTRY THE AREA HAS THE MOST TO OFFER — THEN INTERESTS SUCH AN INDUSTRY IN LOCATING IN THE AREA.

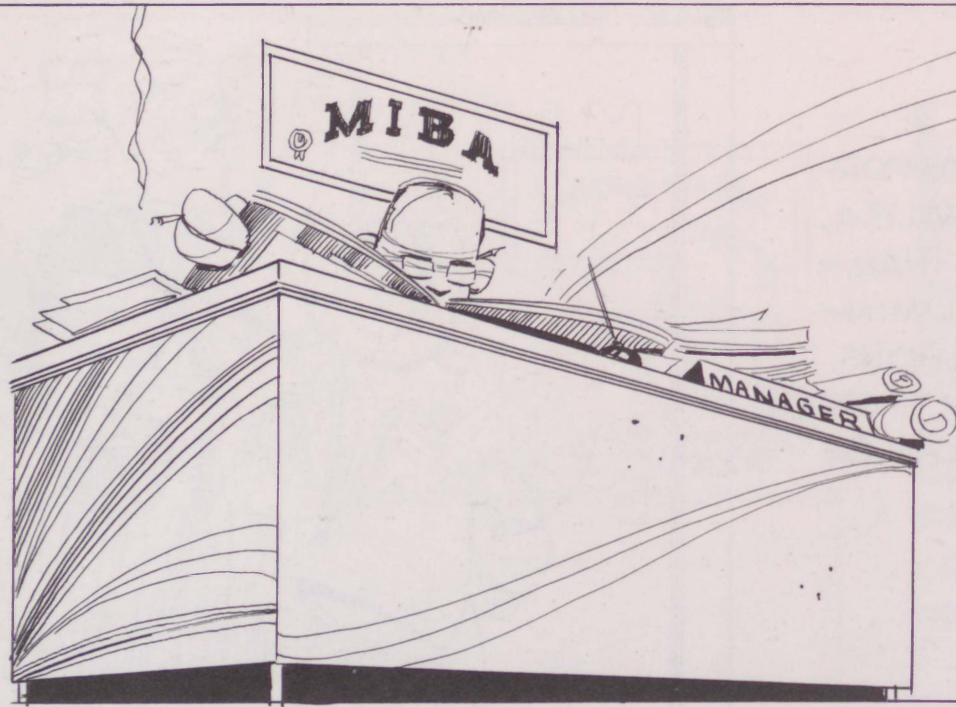




BANKS AND OTHER LENDING AGENCIES ARE INFORMED OF THE PROJECT, AND THE NECESSARY FINANCIAL AND OTHER INFORMATION SECURED FROM THE INDUSTRY SO THAT THESE AGENCIES CAN AGREE TO SUPPLY THE NECESSARY FUNDS.

THE DEVELOPMENT CORPORATION THEN CONTACTS M.I.B.A., FURNISHING IT WITH FINANCIAL INFORMATION, PRELIMINARY PLANS, SPECIFICATIONS, AND OTHER NECESSARY FACTS ON WHICH A DECISION CAN BE BASED.





M.I.B.A. INVESTIGATES AND RENDERS A PRELIMINARY DECISION AS TO WHAT PORTION OF THE COSTS UP TO 90% IT WILL INSURE.

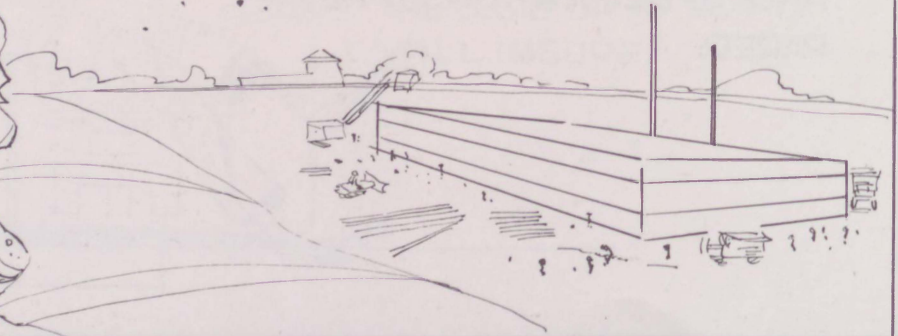
AFTER RECEIVING M.I.B.A. APPROVAL THE DEVELOPMENT GROUP RAISES ITS PORTION OF THE COSTS, SECURES THE LAND, AND HAS FINAL PLANS AND SPECIFICATIONS PREPARED.



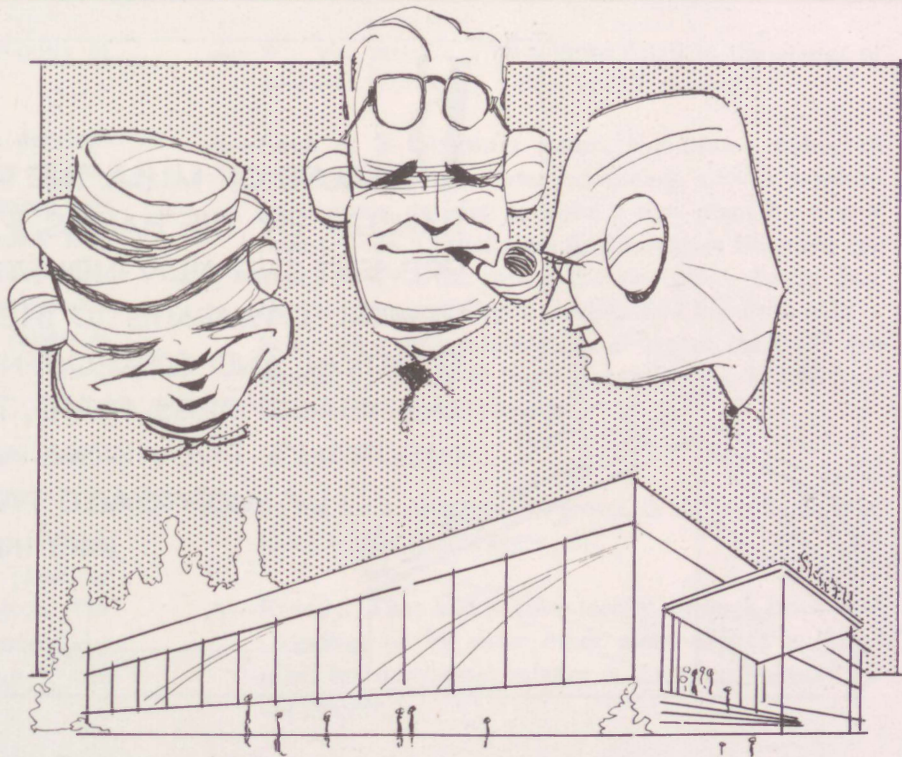


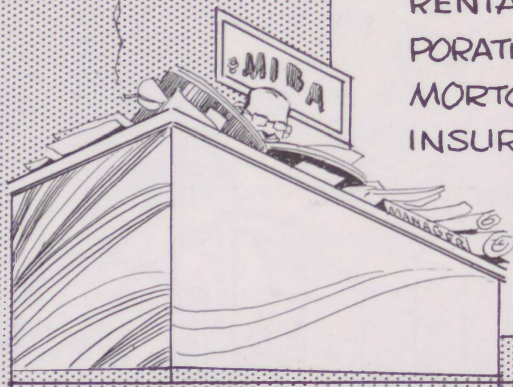
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CONTRACTS, BONDS, LEASES, LOAN AGREEMENTS, MORTGAGES ETC. ARE SIGNED, CONSTRUCTION STARTS AND THE PLANT BECOMES A REALITY.



THE NEW INDUSTRY
MOVES IN, THE PEOPLE
GO TO WORK, AND THE
DEVELOPMENT GROUP
STARTS PLANNING FUR-
THER INDUSTRIAL CON-
STRUCTION.





BECAUSE OF M.I.B.A. THE PROJECT COST WAS FINANCED BY THE BANKS. IF UNFORSEEN DEVELOPMENTS PREVENT THE NEW INDUSTRY FROM MAKING FULL RENTAL PAYMENTS TO THE LOCAL DEVELOPMENT CORPORATION, AND CONSEQUENTLY A DEFAULT ON THE MORTGAGE TAKES PLACE, THEN M.I.B.A. UNDER ITS INSURANCE PROVISION WILL CONTINUE SUCH MONTHLY MORTGAGE PAYMENTS TO THE LENDING INSTITUTION.

Q—In what way does the MIBA help a community or area to obtain industrial expansion?

A—By making it possible for the local or area development group to borrow up to 90% of the cost of constructing an industrial property under an insured first mortgage, obtaining the funds from the usual long term sources of money—banks, insurance companies, and similar lending agencies. Thus the development group can concentrate on raising locally the relatively small remaining 10%.

Q—Isn't that especially beneficial to the smaller communities?

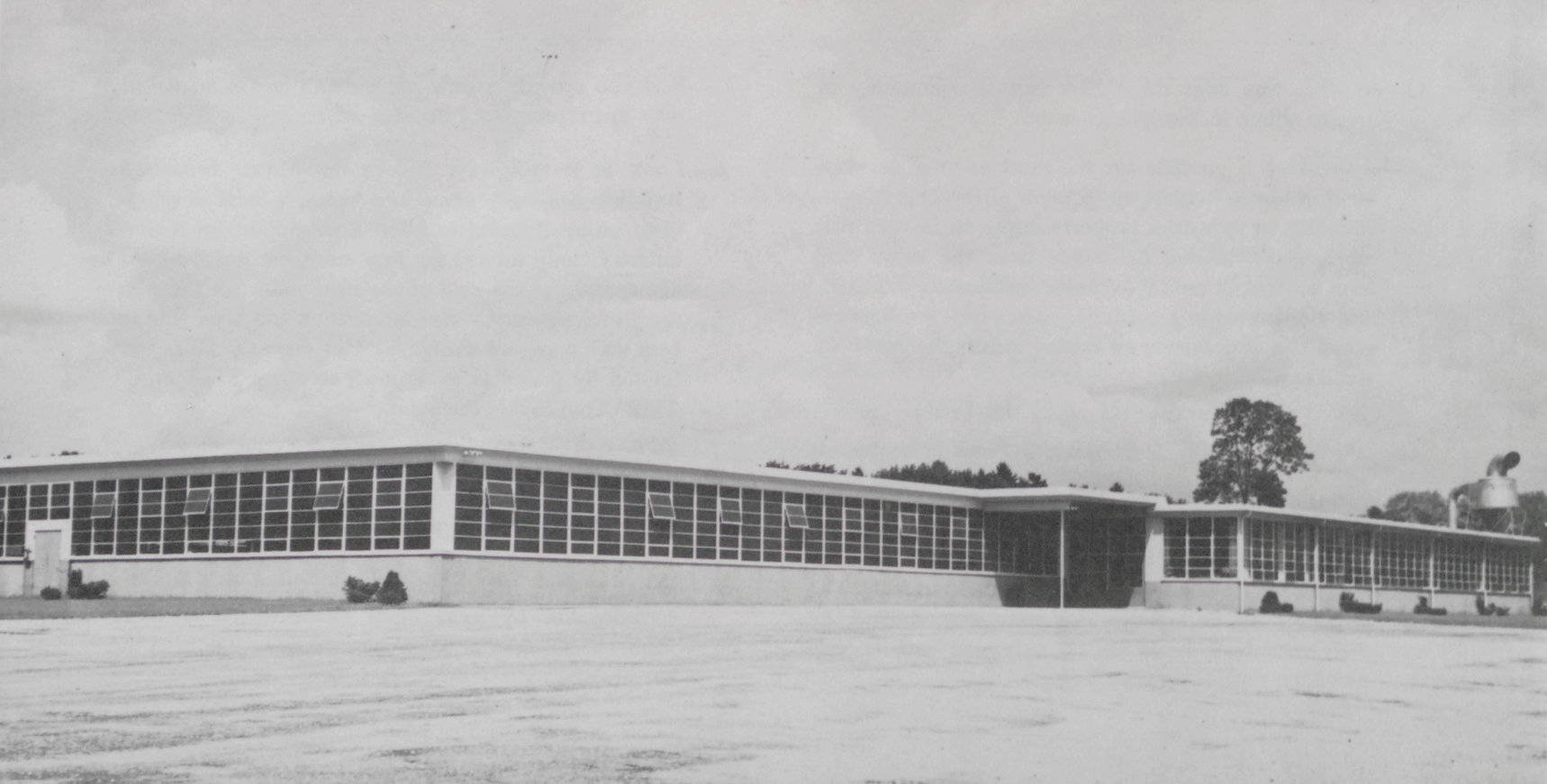
A—Yes, but not exclusively. The smaller towns which once found it impossible to construct a new plant for an industry, can now undertake such a project. The larger towns, or areas, which were once limited, by their resources, to financing only one project, can now undertake several projects.

Q—Will you provide a little more detail in the matter of why this represents a decided advantage?

A—Look at it this way: Before the Maine Industrial Building Authority came into being, a local development group desiring to build a new plant for a new industry could usually get first mortgage financing for about 50% of the cost of the new plant. In the past the Development Credit Corporation has been able to help with a second mortgage. However, the DCC was limited by policy to loans not exceeding \$75,000, or 25% of the cost of the plant.

Q—So the local development group, in the past, has been faced with a much bigger job?

A—Exactly. They had to raise locally, through stock subscriptions or by some other method such as bond sales, the substantial balance of the money needed for the project.



Q—Is the industrial plant built and owned by a local development corporation taxable by the municipality?

A—Yes. It would be unfair to discriminate against an existing industry or any new industry which might be established and want to own its own production facilities.

Q—Is it the purpose of the MIBA to help a community or area obtain new industry?

A—No. The Maine Industrial Building Authority was created, by the state, to “encourage the making of mortgage loans for the purpose of furthering industrial expansion in the state,” with consequent increased opportunities for employment. The contact with industries which may locate or expand in Maine is the responsibility of the Department of Economic Development. The DED works with local and area groups to help attract industrial locations, relocations, and expansions. The MIBA stands ready, with its mortgage insurance program, to step into the picture

once an industry which needs help with plant financing is secured.

Q—Since local development corporations play a large part in this industrial building process, will you state how they are to be constituted?

A—The procedures for this are contained in Chapter 54 of the Revised Statutes of Maine, as amended by Chapter 430, Private and Special Laws of 1957. Such Corporations, without capital stock, have as one of their purposes the fostering, encouraging, and assisting in location, settlement, or re-settlement of industrial and manufacturing enterprises. It is required that such local development corporations be in conformity with the purposes of the state legislation which created the MIBA. The legal forms required for this process are available from the Authority. Moreover, the Department of Economic Development stands ready to consult with any community wishing to set up a development corporation.



SYLVANIA
ELECTRIC PRODUCTS INC.

SYLVANIA
ELECTRIC PRODUCTS INC.

Q—Assuming that a local development corporation has secured an industry and has arranged financing, who handles the funds? And what about voluminous records?

A—Actually, there should be very little handling of funds, or bookkeeping, on the part of the development corporation. During the building process funds would be paid out by the construction financing institution upon submission of bills and architect's certificates. After construction is completed and the building occupied the permanent lender, whose loan has been insured by the MIBA, reimburses the temporary lender and starts to collect the monthly payments under the lease.

Q—What is included in these monthly payments?

A—The interest and principal on the mortgage, the Industrial Building Authority's 1% mortgage payments insurance premium, hazard insurance premium charges and real estate taxes.

Q—Who are they paid to?

A—Directly to the financial institution holding the mortgage which will, in turn, and when they are due, pay MIBA's insurance premiums, hazard insurance premium, taxes, and perhaps other obligations. The local development corporation would, in fact, only have to concern itself with the administration of any income it might have to cover interest on other loans and the building maintenance, or the repayment to its investors when the first mortgage is finally liquidated.

Q—When the MIBA-insured loan is paid off, who will own the building?

A—This will vary in accordance with the agreement entered into between the local development corporation and the prospective industry. When the loan insured by the MIBA is discharged, there would appear to be no limitations on the right of the local development corporation to continue to own and to lease the plant,

or to sell it. Sale may be to the tenant under a previously agreed to arrangement or it may be negotiated at the time. It is even envisioned that an outside party may advance the original equity to the local development corporation with the understanding that such outside party shall eventually obtain title. The only restriction imposed is that title to the property must remain in the local development corporation until the MIBA-insured loan is paid off and the State of Maine relieved of its obligation.

Q—Suppose the local or area development corporation owns a tract of land which it wants to develop industrially. Will the value of that land be considered a part of the community's investment in a new industrial project?

A—Yes. Land and engineering services provided or paid for by the local or area development corporation will be included in the cost of the project, at their fair market value.

Q—What is included in “cost of the project”?

A—The law defines this as “the cost or fair market value of construction, lands, property rights, easement franchises, financing charges, interest, engineering, legal services, plans, specifications, surveys, cost estimates, studies and other expenses as may be necessary or incident to the development, construction, financing, and placing in operation of an industrial project.

Q—How long a lease is necessary where an MIBA-insured loan is involved?

A—The lease of the premises should cover, as a minimum, the time it will take to amortize the mortgage.

Q—On what types of property can the MIBA insure mortgage loans?

A—The Authority can insure the payment of mortgage loans, secured by a first mortgage on an industrial project.



Q—What, under this law, is an “industrial project?”

A—It is defined as “any building or other real estate improvement . . . and all real properties deemed necessary to their use by any industry for the manufacturing, processing, or assembling of raw materials or manufactured products.”

Q—Suppose a project is submitted to the Authority for loan insurance. What material and information should be presented?

A—This will vary with each different type of industrial project. However, there is basic material that would be required for every type of project. This would include preliminary floor plans and elevation of the building together with essential specifications, a plot plan showing the plant location and the land area in relation to neighboring highways, railroads, rivers, etc., estimated costs for the construction of the plant, audited balance sheets and profit and loss statements of the prospective tenant for the past five years, a

description of the public utility, water, and sewage facilities available to the plant site, and a statement from the development corporation that the necessary equity funds over and above the first mortgage amount will be available.

Q—Will the Industrial Building Authority assist in financing additions to existing plants?

A—Yes, if the addition to an existing plant will result in increased job opportunities, and the addition can be physically owned by a local development corporation as required by the Industrial Building Authority Act. MIBA assistance is also available if the insured mortgage covers both old and new construction, at 90% of the cost of the new.

Q—What is the situation if a factory building is burned out? Can the MIBA help finance the replacement?

A—Yes. In such a case the Authority would be dealing with construction of a new plant, even though it was

built as a replacement. The amount of salvage value in the burned building which could be included in the cost of reconstruction would be limited to that which could be incorporated into a truly modern facility.

Q—Will the Industrial Building Authority fully insure mortgage payments?

A—Yes. MIBA insurance covers 100% of the contractual payments called for by the mortgage note. The amount of that note cannot exceed 90% of the cost of an industrial project, or be in excess of \$1,000,000.

Q—Will the insurance premium rate of the Building Authority vary for different circumstances? Will it, for instance, depend upon the credit rating in each case?

A—The rate will not vary from project to project. The premium rate has been set by the Authority at 1% per annum. As required by the creating legislation, this rate is applied to the unpaid principal obligation

of the mortgage outstanding at the beginning of each year.

Q—Then this rate will never change?

A—Not necessarily. The Authority has the right to increase or decrease the premium charge, should experience indicate that a change is warranted. An increase would not change insurance contracts already in effect.

Q—Suppose there is a mortgage payment default. If monthly payments on an insured mortgage are missed, how much time will elapse before the MIBA picks up the payments?

A—The Authority will, in accordance with its insurance, make monthly contract payments called for by the mortgage after those payments become 90 days in default. It is assumed, of course, that the servicing institution has made every effort to collect the rentals and that it has given proper notification of the default to the Industrial Building Authority.



Q—Can the bank or other mortgage lender look to the Building Authority for payment of the outstanding balance on an insured loan after default has occurred?

A—No. The Authority is obligated to make the monthly payments called for by the note but, at its option, it

may elect to purchase the defaulted loan. The Authority anticipates that it will exercise this right to purchase only in occasional instances, and only where, in its opinion, the tenant is unable to get back on a current basis, or where a new tenant might not be readily obtained.

For Further Information

THE MAINE INDUSTRIAL BUILDING AUTHORITY

State House

Augusta, Maine

