

INDIANA BUILDERS ASSOCIATION
Legislative and Regulatory Report #3
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Indiana's Foreclosures Stabilize in '06

Last year Indianapolis ranked 3rd out of the 100 largest metro areas for mortgage foreclosures. However, in the final three quarters, Indianapolis foreclosures slowed. As a state, Indiana ranked 6th highest in the nation for mortgage foreclosures. As a nation, the foreclosure rate was up from 2005 mainly due to a slow housing market and increasing payments due to adjustable-rate mortgages.

Tax Proposals Beginning to Develop

With the 2007 legislative session underway, it has been clear that property taxes will be the focus of the legislature. Senate Tax Committee Chair, Sen. Luke Kenley (R-Noblesville) made news this week when he released his intentions for the 2007 tax bill. Currently, not all details have been released but the basic concept of his proposal includes the following:

- The Property Tax Relief Credits (PTRC) would be eliminated; the state would in effect save money if this were to happen.
- Localities would absorb the loss of the PTRC by transferring the state funding responsibilities to the locals on the following expenses: One hundred percent of school general funds (i.e. school operating budgets); up to fifty percent of child welfare costs; and one hundred percent of juvenile justice costs.
- Counties would also have the following options for future additional local funding: increase the local option taxes within certain limitations OR raise the property tax levies.
- County-based Tax Adjustment Boards (TAB) would be created to review local projects and would have complete authority over approving or denying any potential developments.
- The proposal also puts forth that the 2% Circuit Breaker be retained.
- The legislation would keep trending in place with the possibility that current periodic full property value reassessments would be eliminated if trending proved to be a success.

LEGISLATIVE

SUBCONTRACTOR LIEN BILL TO BE HEARD NEXT WEDNESDAY

HB1163 Subcontractor liens. (Orentlicher, D-Indianapolis)

<http://www.in.gov/apps/lisa/session/billwatch/billinfo?year=2007&request=getBill&docno=1163> Provides that a contractor must pay all subcontractors within five business days after receiving payment from a homeowner or builder. Provides that a builder must disclose to a purchaser all subcontractors used in new home construction. Requires a contractor to provide notice to all subcontractors when the contractor has been paid by a homeowner or builder. Prohibits a subcontractor from filing a lien against a property if the primary contractor has received full payment for the contract. Allows a subcontractor to file an action against a prime contractor to recover any unpaid claims due under a contract between the prime contractor and the subcontractor.

The House Small Business and Economic Development Committee is scheduled to hear HB 1163 next Wednesday. IBA will testify in opposition to the bill and urges its members to notify their Legislator and express their opposition to HB 1163.

HB1050 Time zone public question. (Crooks, D-Washington)

<http://www.in.gov/apps/lisa/session/billwatch/billinfo?year=2007&session=1&request=getBill&docno=1050> Requires a public question to be placed on the 2008 general election ballot asking voters whether, if the entire state could be placed in the same time zone, the entire state should be located in the Central Time Zone or the Eastern Time Zone.

HB1071 Time zone referendum.

<http://www.in.gov/apps/lisa/session/billwatch/billinfo?year=2007&request=getBill&docno=1070> Requires a public question to be placed on the 2008 general election ballot asking voters whether, if the entire state could be placed in the same time zone, the entire state should be located in the Central Time Zone or the Eastern Time Zone.

HB1189 Daylight saving time. (Herrell, D-Kokomo)

<http://www.in.gov/apps/lisa/session/billwatch/billinfo?year=2007&request=getBill&docno=1189> Provides that the part of Indiana located in the Eastern Time Zone is exempt from observing daylight saving time. Repeals a statute providing that the state supports the county executive of any county that seeks to change the time zone in which the county is located.

HB1438 Mechanic's liens. (Foley, R-Martinsville)

<http://www.in.gov/apps/lisa/session/billwatch/billinfo?year=2007&request=getBill&docno=1438> Establishes an optional prelien notice process that may be used in commercial construction projects. Provides that, as a prerequisite for acquiring lien rights, a

contractor who provides labor or material in a commercial construction project must notify the owner of the property not more than 30 days after the provision of labor or materials. Requires a property owner who intends to use the prelien notice process to provide notice by: (1) posting the prelien notice process on the worksite; (2) including a reference to the prelien notice process on bid documents; and (3) if applicable, describing the prelien notice process on a relevant website maintained by the property owner or principal contractor.

HB1511 School construction standards. (Whetstone, R-Brownsburg)

<http://www.in.gov/apps/lisa/session/billwatch/billinfo?year=2007&request=getBill&docno=1511> Requires the department of education to develop and make available to school corporations standardized plans for new school facilities that are ready to be bid for construction. Requires a school corporation proposing to build a new facility to determine whether a standardized plan meets the needs of the school corporation and, if it determines a nonstandardized facility is necessary, to give notice of the determination and, upon petition by registered voters, submit the question of the facility's construction to a referendum.

HB1525 Mortgage loans. (Murphy, R-Indianapolis)

<http://www.in.gov/apps/lisa/session/billwatch/billinfo?year=2007&request=getBill&docno=1525> Prohibits the housing and community development authority or a mortgage lender from authorizing, approving, or making a mortgage loan that is financed from funding through the authority to a first time home buyer unless the home buyer has completed eight hours of home ownership education. Requires the creditor that holds a home loan secured by a mortgage on the home of an at risk home purchaser: (1) during the first year of the home loan, to collect, as an additional amount with each monthly payment, an amount sufficient to pay what the at risk home purchaser will owe for property taxes and private mortgage insurance during the second year of the home loan, and to put that amount in an escrow account; and (2) during the second year of the home loan, to pay what the at risk home purchaser owes for property taxes and private mortgage insurance from the escrow account.

HB1603 Fees for new construction. (Cherry, R-Greenfield)

<http://www.in.gov/apps/lisa/session/billwatch/billinfo?year=2007&request=getBill&docno=1603> Imposes an interim property fee on a newly constructed homestead as of the time the homestead is complete and before it is subject to property tax. Distributes revenue from the interim property fee in the manner that property taxes are distributed, but reduces property tax levies by the amount of the fees. Imposes an education impact fee on newly constructed homesteads and newly constructed multifamily residential buildings to be paid by the purchaser at the time of transfer of title. Requires deposit of impact fee revenue in the school capital projects fund.

HB1612 Mechanic's liens. (Elrod, R-Indianapolis)

<http://www.in.gov/apps/lisa/session/billwatch/billinfo?year=2007&request=getBill&docno=1612> Provides that a mechanic's lien has priority over a mortgage or a lien for the development, construction, alteration, or repair of certain property.

HB1669 School property taxes and an exemption for seniors. (Behning, R-Indianapolis)

<http://www.in.gov/apps/lisa/session/billwatch/billinfo?year=2007&request=getBill&docno=1669> Authorizes a school corporation to impose a school option income tax. Eliminates the power of a school corporation to impose a property tax levy for the school corporation's general fund or a charter school after 2007. Provides a property tax credit payable from the property tax replacement fund to a homestead owner who is at least 65 years of age and whose adjusted gross income is less than \$70,000.

HB1671 Regional water, sewage, and solid waste districts. (Lehe, R-Brookston)

<http://www.in.gov/apps/lisa/session/billwatch/billinfo?year=2007&request=getBill&docno=1671> Prohibits a regional sewage district from requiring the owner of a property to connect to the district's sewer system if the property is already connected to a sewer system that was approved by a state governmental entity. Provides that if the board of trustees of a regional water, sewage, or solid waste district consists of one or more appointed members, the board must obtain the written approval of the appointing authority before adopting an ordinance to establish rates or charges for use of the district's works.

SB01 Indiana Commerce Connector and Illiana Expressway. (Wyss, R-Ft.Wayne)

<http://www.in.gov/apps/lisa/session/billwatch/billinfo?year=2007&request=getBill&docno=1> For purposes of the statute concerning tollways, permits the designation of the Indiana Commerce Connector, the Illiana Expressway, or both (instead of a part of Interstate Highway 69) as a tollway. For purposes of the statute governing public-private agreements concerning toll roads, deletes the prohibition against a public-private agreement (without legislative authorization) that would permit an operator to impose tolls for the operation of motor vehicles. For purposes of the statute governing public-private agreements by the department of transportation: (1) authorizes public-private agreements for the Indiana Commerce Connector, the Illiana Expressway, or both (instead of a part of Interstate Highway 69); and (2) deletes the current authority for offerors that submit a proposal on a project that consists in whole or in part of a tollway to submit alternative proposals based upon the assumption that a different part or none of the project will consist of a tollway. For purposes of the statute governing the designation of state highways as tollways, permits the designation of the Indiana Commerce Connector, the Illiana Expressway, or both (instead of a part of Interstate Highway 69) as a tollway without legislative authorization.

SB08 Daylight saving time. (Heinold, R-Kouts)

<http://www.in.gov/apps/lisa/session/billwatch/billinfo?year=2007&request=getBill&docno=8> Requires the governor to petition the United States Department of Transportation to initiate proceedings under the Uniform Time Act to locate all of Indiana in the Central Time Zone.

SB115 Zoning for land uses adjacent to airports. (Drozda, R-Westfield)

<http://www.in.gov/apps/lisa/session/billwatch/billinfo?year=2007&request=getBill&docno=115> Allows an airport authority board, after consulting with the local zoning authority, to adopt an ordinance establishing an overlay zoning district for a noise sensitive area: (1) to promote aviation safety; or (2) to provide for land uses within the noise sensitive area that are compatible with and support airport operations.

SB490 Registering Interior Designers (Kruse, R-Auburn, Mishler, R- Bremen)

<http://www.in.gov/apps/lisa/session/billwatch/billinfo?year=2007&session=1&request=getBill&docno=490> Changes the board of registration for architects and landscape architects to the board of registration for architects, landscape architects, and interior designers (board). Adds an interior designer to the board. Requires the board to register interior designers. Establishes the requirements for registration and fees. Requires the board to deposit the fees into the registered architects, registered landscape architects, and registered interior designers investigative fund. Provides that a person: (1) may not use the title "registered interior designer" or any title designation sign, card, or device indicating the person is a registered interior designer unless the person has a certificate of registration; and (2) is ineligible for registration if the person has a civil judgment for negligence, recklessness, willful misconduct, or another breach of a standard of care in the practice of interior design entered against the person.