

January 28, 1955.  
Ways and Means.

## House File 179

By MILLER of Woodbury, MENSING, JOHANNES, NELSON of Jasper, EHLERS, PETRUCCELLI, DIETZ, FREY, MILLER of Black Hawk, TATE, CARSON, REPPERT, PENDLETON, COLBURN, LISLE, CONN, SANTEE, DUFFY, BAUMHOVER, STEERS, THOMPSON, and KOSEK.

Passed House, Date.....  
Vote: Ayes..... Nays.....  
Passed Senate, Date.....  
Vote: Ayes..... Nays.....  
Approved .....

## A BILL FOR

An Act to provide for the acquisition of sites and the purchase, construction, reconstruction, improvement, betterment and extension of industrial buildings by cities and towns for the prescribed use or purposes; to authorize and regulate the issuance of revenue bonds for financing such acquisition and such industrial buildings as prescribed; to provide for the payment of such bonds and the rights of holders thereof; to define terms; to provide a construction clause; to provide the effect of and certain procedure in the event of a default in the payment of such revenue bonds or otherwise as prescribed; to provide for the leasing of such projects, enterprises, or buildings; and to provide for the payment of certain sums in lieu of taxes to the State of Iowa and to the county, city, town, school district, and any other political subdivisions, authorized to levy taxes, in which such industrial buildings are located as prescribed.

*Be It Enacted by the General Assembly of the State of Iowa:*

- 1 Section 1. As used in this Act, unless the context
- 2 otherwise requires:
- 3 1. Municipality shall mean any incorporated city or town in

4 the state;

5 2. Project shall mean any land and any building or other  
6 improvement thereon, and all real and personal properties deemed  
7 necessary in connection therewith, whether or not now in  
8 existence, which shall be suitable for the use of any industry  
9 for the manufacturing, processing, or assembling of any  
10 agricultural or manufactured products;

11 3. Governing body shall mean the board or body in which the  
12 legislative powers of the municipality are vested, and

13 4. Mortgage means a mortgage or a mortgage and deed of  
14 trust.

1 Sec. 2. In addition to any other powers which it may now  
2 have, each municipality shall have the following powers:

3 1. To acquire, whether by construction, purchase, gift, or  
4 lease, one or more projects, which (1) shall be located within  
5 this state, (2) may be located within, without, partially within,  
6 or partially without the municipality, and (3) shall not be  
7 located more than four miles outside of the corporate limits of  
8 the municipality;

9 2. To lease to others any or all of its projects for such  
10 rentals and upon such terms and conditions as the governing body  
11 may deem advisable and as shall not conflict with the provisions  
12 of this Act; and

13 3. To issue revenue bonds, for the purpose of defraying the  
14 cost of acquiring, by construction, purchase, or construction and  
15 purchase, any project, and to secure the payment of such bonds as

16 provided in this Act.

17 No municipality shall have the power to operate any project,  
18 referred to in this section, as a business or in any manner  
19 except as the lessor thereof.

1 Sec. 3. 1. All bonds issued by a municipality under the  
2 authority of this Act shall be limited obligations of the  
3 municipality. The principal of and interest on such bonds shall  
4 be payable solely out of the revenues derived from the leasing  
5 of the project to be financed by the bonds so issued under the  
6 provisions of this Act. Bonds and interest coupons issued under  
7 authority of this Act shall never constitute an indebtedness of  
8 the municipality, within the meaning of any state constitutional  
9 provision or statutory limitation, and shall neither constitute  
10 nor give rise to a pecuniary liability of the municipality or a  
11 charge against its general credit or taxing powers. Such  
12 limitation shall be plainly stated upon the face of each of such  
13 bonds.

14 2. The bonds referred to in subsection one (1) of this  
15 section may (1) be executed and delivered at any time and from  
16 time to time, (2) be in such form and denominations, (3) be of  
17 such tenor, (4) be in registered or bearer form either as to  
18 principal or interest or both, (5) be payable in such installments  
19 and at such time or times not exceeding thirty years from their  
20 date, (6) be payable at such place or places, (7) bear interest  
21 at such rate or rates, (8) payable at such place or places, (9)  
22 evidenced in such manner, and (10) contain such provisions not

23 inconsistent herewith as shall be provided in the proceedings of  
24 the governing body whereunder the bonds shall be authorized to be  
25 issued.

26 3. The bonds issued under the provisions of this Act shall  
27 be subject to the general provisions of law, presently existing  
28 or that may hereafter be enacted, respecting the execution and  
29 delivery of the bonds of a municipality and respecting the  
30 retaining of options of redemption in proceedings authorizing  
31 the issuance of municipal securities.

32 4. Any bonds issued under the authority of this Act may be  
33 sold at public or private sale in such manner and at such time or  
34 times as may be determined by the governing body to be most  
35 advantageous. The municipality may pay all expenses, premiums,  
36 and commissions which the governing body may deem necessary or  
37 advantageous in connection with the authorization, sale, and  
38 issuance thereof.

39 5. All bonds issued under the authority of this Act and all  
40 interest coupons applicable thereto shall be construed to be  
41 negotiable instruments, despite the fact that they are payable  
42 solely from a specified source.

1 Sec. 4. 1. The principal of and interest on any bonds  
2 issued under the authority of this Act, (1) shall be secured by a  
3 pledge of the revenues out of which such bonds shall be made  
4 payable, (2) may be secured by a mortgage covering all or any  
5 part of the project from which the revenues so pledged may be  
6 derived, and (3) may be secured by a pledge of the lease of such

7 project.

8 2. The proceedings, under which the bonds are authorized to  
9 be issued under the provisions of this Act, and any mortgage given  
10 to secure the same may contain any agreements and provisions  
11 customarily contained in instruments securing bonds, including,  
12 without limiting the generality of the foregoing, (1) provisions  
13 respecting the fixing and collection of rents for any project  
14 covered by such proceedings or mortgage, (2) the terms to be  
15 incorporated in the lease of such project, (3) the maintenance  
16 and insurance of such project, (4) the creation and maintenance  
17 of special funds from the revenues of such project, and (5) the  
18 rights and remedies available in the event of a default to the  
19 bondholders or to the trustee under a mortgage, all as the  
20 governing body shall deem advisable and as shall not be in  
21 conflict with the provisions of this Act; provided, that in  
22 making any such agreements or provisions a municipality shall not  
23 have the power to obligate itself except with respect to the  
24 project and the application of the revenues therefrom, and shall  
25 not have the power to incur a pecuniary liability or a charge  
26 upon its general credit or against its taxing powers.

27 3. The proceedings authorizing any bonds under the  
28 provisions of this Act and any mortgage securing such bonds may  
29 provide that, in the event of a default in the payment of the  
30 principal of or the interest on such bonds or in the performance  
31 of any agreement contained in such proceedings or mortgage, such  
32 payment and performance may be enforced by mandamus or by the

33 appointment of a receiver in equity with power to charge and  
34 collect rents and to apply the revenues from the project in  
35 accordance with such proceedings or the provisions of such  
36 mortgage.

37 4. Any mortgage made under the provisions of this Act, to  
38 secure bonds issued thereunder, may also provide that, in the  
39 event of a default in the payment thereof or the violation of any  
40 agreement contained in the mortgage, the mortgage may be  
41 foreclosed and sold under proceedings in equity or in any other  
42 manner now or hereafter permitted by law. Such mortgage may also  
43 provide that any trustee under such mortgage or the holder of any  
44 of the bonds secured thereby may become the purchaser at any  
45 foreclosure sale if the highest bidder therefor. No breach of  
46 any such agreement shall impose any pecuniary liability upon a  
47 municipality or any charge upon its general credit or against its  
48 taxing powers.

1 Sec. 5. 1. Prior to the leasing of any project, the  
2 governing body must determine and find the following: The  
3 amount necessary in each year to pay the principal of and the  
4 interest on the bonds proposed to be issued to finance such  
5 project; the amount necessary to be paid each year into any  
6 reserve funds which the governing body may deem it advisable to  
7 establish in connection with the retirement of the proposed bonds  
8 and the maintenance of the project; and, unless the terms under  
9 which the project is to be leased provide that the lessee shall  
10 maintain the project and carry all proper insurance with respect

11 thereto, the estimated cost of maintaining the project in good  
12 repair and keeping it properly insured.

13 2. The determination and findings of the governing body,  
14 required to be made by subsection one (1) of this section, shall  
15 be set forth in the proceedings under which the proposed bonds  
16 are to be issued. Prior to the issuance of the bonds authorized  
17 by this Act, the municipality shall lease the project to a lessee  
18 under an agreement conditioned upon completion of the project and  
19 providing for payment to the municipality of such rentals as,  
20 upon the basis of such determinations and findings, will be  
21 sufficient (1) to pay the principal of and interest on the bonds  
22 issued to finance the project, (2) to build up and maintain any  
23 reserves deemed by the governing body to be advisable in  
24 connection therewith, and (3) unless the agreement of lease  
25 obligates the lessee to pay for the maintenance and insurance of  
26 the project, to pay the costs of maintaining the project in good  
27 repair and keeping it properly insured.

1 Sec. 6. Any bonds issued under the provisions of this Act  
2 and at any time outstanding may at any time and from time to time  
3 be refunded by a municipality by the issuance of its refunding  
4 bonds in such amount as the governing body may deem necessary of  
5 not exceeding an amount sufficient to refund the principal of  
6 the bonds to be so refunded, together with any unpaid interest  
7 thereon and any premiums and commissions necessary to be paid in  
8 connection therewith. Any such refunding may be effected whether  
9 the bonds to be refunded shall have then matured or shall

10 thereafter mature, either by sale of the refunding bonds and the  
11 application of the proceeds thereof for the payment of the bonds  
12 to be refunded thereby, or by exchange of the refunding bonds for  
13 the bonds to be refunded thereby; provided, that the holders of  
14 any bonds to be so refunded shall not be compelled without their  
15 consent to surrender their bonds for payment or exchange prior to  
16 the date on which they are payable by maturity date, option to  
17 redeem, or otherwise, or, if they are called for redemption, prior  
18 to the date on which they are by their terms subject to redemption  
19 by option or otherwise. Any refunding bonds issued under the  
20 authority of this Act shall be payable solely from the revenues  
21 out of which the bonds to be refunded thereby were payable, and  
22 shall be subject to the provisions contained in section three (3)  
23 of this Act and may be secured in accordance with the provisions  
24 of section four (4) of this Act.

1     Sec. 7. The proceeds from the sale of any bonds issued  
2 under authority of this Act shall be applied only for the purpose  
3 for which the bonds were issued; provided, that any accrued  
4 interest and premium received in any such sale shall be applied  
5 to the payment of the principal of or the interest on the bonds  
6 sold; and provided further, that if for any reason any portion of  
7 such proceeds shall not be needed for the purpose for which the  
8 bonds were issued, then such unneeded portion of said proceeds  
9 shall be applied to the payment of the principal of or the  
10 interest on said bonds. The cost of acquiring any project shall  
11 be deemed to include the following: The actual cost of acquiring

12 a site or the cost of the construction of any part of a project  
13 which may be constructed including architects' and engineers'  
14 fees; the purchase price of any part of a project that may be  
15 acquired by purchase; all expenses in connection with the  
16 authorization, sale and issuance of the bonds to finance such  
17 acquisition; and the interest on such bonds for a reasonable  
18 time prior to construction, during construction, and for not  
19 exceeding six months after completion of construction.

1 Sec. 8. Neither this Act nor anything herein contained  
2 shall be construed as a restriction or limitation upon any  
3 powers which a municipality might otherwise have under any laws  
4 of this state, but shall be construed as cumulative; and this  
5 Act shall not be construed as requiring an election by the voters  
6 of a municipality prior to the issuance of bonds hereunder by  
7 such municipality.

1 Sec. 9. No notice to or consent or approval by any  
2 governmental body or public officer shall be required as a  
3 prerequisite to the sale or issuance of any bonds or the making  
4 of a mortgage under the authority of this Act.

1 Sec. 10. In the event of a default in the payment of any  
2 revenue bonds issued pursuant to the provisions of this Act, the  
3 city or town which defaulted in such payment, shall be precluded  
4 from entering into any activity of its own except to release the  
5 property for some other industrial activity.

1 Sec. 11. Any city or town acquiring sites or purchasing,  
2 constructing, reconstructing, improving, bettering, or extending

3 any industrial buildings, as provided by the provisions of this Act,  
4 shall annually pay out of the revenue from such sites or industrial  
5 buildings to the state of Iowa and to the county, city, town,  
6 school district, and any other political subdivisions, authorized  
7 to levy taxes, in which such sites or industrial buildings are  
8 located, in lieu of taxes, a sum equal to the amount which the  
9 state, county, city, town or school district would receive if the  
10 property was owned by any private person or corporation.

#### EXPLANATION OF H. F. 179

The purpose of this bill is to enable cities and towns to finance the acquisition of sites and/or the construction of industrial facilities by the issuance of revenue bonds. Principal and interest on the bonds are to be paid from rentals derived from leasing the sites or facilities, and are not to be a charge against the credit or taxing powers of the city or town. This bill is substantially like an act adopted two years ago by the state of Nebraska, and is designed to assist Iowa cities and towns in competing with other states for new industry or expansion of home industry.