

January 24, 1963.

Senate File 60 *Substituted by H.F. 149 4/5*

Passed on File.

By VAN EATON, LONG, DORAN, WALKER, LUCKEN, NOLAN and LISLE.

*mtg. 1/24 Pass 3/21 Deferred 3/29 Withdrawn 4/5*

Passed Senate, Date.....

Passed House, Date *3-18-63*.....

Vote: Ayes..... Nays.....

Vote: Ayes *85*..... Nays *6*.....

Approved.....

## A BILL FOR

An Act authorizing cities and towns to acquire, purchase, construct, reconstruct, improve, extend and lease industrial buildings; authorize the issuance of revenue bonds of cities and towns for the purpose of securing and developing industry and 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 other political subdivisions.

*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" means any incorporated city or town in

4 this state.

5 2. "Project" means any land, building or other improvements

6 thereon and all real and personal properties deemed necessary

7 in connection therewith which shall be suitable for the use of

8 any industry for the manufacturing, processing or assembling

9 of any agricultural or manufactured products.

10 3. "Governing body" means the board, council or other body

11 in which the legislative powers of the municipality are vested.

12 4. "Mortgage" shall include a deed of trust.

1 Sec. 2. In addition to any other powers which it may now have,

2 in the event that local capital is not available for the development

3 of industrial projects, each municipality shall have the following

4 powers:

5 1. To acquire, whether by construction, purchase, gift or

6 lease, one or more projects. Such projects shall be located  
7 within this state, may be located within or near the  
8 municipality but shall not be located more than four miles  
9 outside the corporate limits of the municipality.

10 2. To lease to others any or all of its projects for such  
11 rentals and upon such terms and conditions as the governing  
12 body may deem advisable.

13 3. To issue revenue bonds for the purpose of defraying the  
14 cost of acquiring any project and to secure payment of such  
15 bonds as provided in this Act.

16 No municipality shall have the power to operate any project,  
17 referred to in this Act, as a business or in any manner except  
18 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 on such bonds shall be  
4 payable solely out of the revenues derived from the leasing of  
5 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  
8 of the municipality, within the meaning of any state  
9 constitutional provision or statutory limitation, and shall not  
10 constitute nor give rise to a pecuniary liability of the  
11 municipality or a charge against its general credit or taxing  
12 powers. Such limitation shall be plainly stated on the face  
13 of each such bond.

14 2. The bonds referred to in subsection one (1) of this  
15 section may be executed and delivered at any time and from  
16 time to time; be in such form and denominations; be of such

17 tenor; be in registered or bearer form either as to principal  
18 or interest or both; be payable in such installments and at  
19 such time or times, not exceeding thirty years from their date;  
20 be payable at such place or places; bear interest at such rate  
21 or rates, payable at such place or places; be evidenced in  
22 such manner and contain such provisions not inconsistent  
23 herewith as shall be provided in the proceedings of the  
24 governing body whereunder the bonds are authorized to be issued.

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

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

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

1 Sec. 4. 1. The principal of and interest on any bonds,  
2 issued under authority of this Act shall be secured by a pledge  
3 of the revenues out of which such bonds shall be made payable.  
4 They may be secured by a mortgage covering all or any part of

5 the project from which the revenues so pledged may be derived  
6 or by a pledge of the lease of such project.

7 2. The proceedings under which the bonds are authorized to  
8 be issued under the provisions of this Act, and any mortgage  
9 given to secure the same may contain any agreements and  
10 provisions customarily contained in instruments securing bonds,  
11 including, but not limited to:

12 a. Provisions respecting the fixing and collection of rents  
13 for any project covered by such proceedings or mortgage.

14 b. The terms to be incorporated in the lease of such project.

15 c. The maintenance and insurance of such project.

16 d. The creation and maintenance of special funds from the  
17 revenues of such project, and

18 e. The rights and remedies available in case of a default  
19 to the bond holders or to the trustee under a mortgage.

20 In making such agreements or provisions, a municipality shall  
21 not have the power to obligate itself, except with respect to  
22 the project and the application of the revenues therefrom, and  
23 shall not have the power to incur a pecuniary liability or a  
24 charge upon its general credit or against its taxing powers.

25 3. The proceedings authorizing any bonds under the provisions  
26 of this Act, or any mortgage securing such bonds, may provide  
27 that if there is a default in the payment of the principal of  
28 or the interest on such bonds or in the performance of any  
29 agreement contained in such proceedings or mortgage, the payment  
30 and performance may be enforced by mandamus or by the  
31 appointment of a receiver in equity with power to charge and  
32 collect rents and to apply the revenues from the project in  
33 accordance with such proceedings or the provisions of such

34 mortgage.

35 4. Any mortgage, made under the provisions of this Act, to  
36 secure bonds issued thereunder, may also provide that if there  
37 is a default in the payment thereof or a violation of any  
38 agreement contained in the mortgage, it may be foreclosed and  
39 sold under proceedings in equity or in any other manner  
40 permitted by law. Such mortgage may also provide that any  
41 trustee under such mortgage or the holder of any bonds secured  
42 thereby may become the purchaser at any foreclosure sale if  
43 he is the highest bidder therefor.

1 Sec. 5. 1. Prior to the leasing of any project, the  
2 governing body must determine the amount necessary in each  
3 year to pay the principal of and the interest on the bonds  
4 proposed to be issued to finance such project; the amount  
5 necessary to be paid each year into any reserve funds which  
6 the governing body may deem advisable to establish in  
7 connection with the retirement of the proposed bonds and the  
8 maintenance of the project; and unless the terms under which  
9 the project is to be leased provides that the lessee shall  
10 maintain the project and carry all proper insurance with  
11 respect thereto, the estimated cost of maintaining the project  
12 in good 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,  
15 shall be set forth in the proceedings under which the  
16 proposed bonds are to be issued. Prior to the issuance of  
17 the bonds authorized by this Act the municipality shall lease  
18 the project to a lessee under an agreement conditioned upon  
19 completion of the project and providing for payment to the

20 municipality of such rentals as, upon the basis of such  
21 determinations and findings, will be sufficient to pay the  
22 principal of and interest on the bonds issued to finance the  
23 project; to build up and maintain any reserves deemed advisable,  
24 by the governing body, in connection therewith and unless the  
25 agreement of lease obligates the lessee to pay for the  
26 maintenance and insurance on the project, to pay the costs of  
27 maintaining the project in good repair and keeping it properly  
28 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  
3 time be refunded by a municipality by the issuance of its  
4 refunding bonds in such amount as the governing body may deem  
5 necessary but not exceeding an amount sufficient to refund the  
6 principal of the bonds to be so refunded, any unpaid interest  
7 thereon and any premiums and commissions necessary to be paid  
8 in connection therewith. Any such refunding may be effected  
9 whether the bonds to be refunded shall have matured or shall  
10 thereafter mature, either by sale of the refunding bonds and  
11 the application of the proceeds thereof for the payment of  
12 the bonds to be refunded thereby, or by exchange of the  
13 refunding bonds for the bonds to be refunded thereby, but  
14 the holders of any bonds to be so refunded shall not be  
15 compelled, without their consent, to surrender their bonds for  
16 payment or exchange prior to the date on which they are payable  
17 by maturity date, option to redeem or otherwise, or if they  
18 are called for redemption, prior to the date on which they are  
19 by their terms subject to redemption by option or otherwise.  
20 All refunding bonds, issued under authority of this Act, shall

21 be payable solely from the revenues out of which the bonds to  
22 be refunded thereby are payable and shall be subject to the  
23 provisions contained in section three (3) of this Act and may  
24 be secured in accordance with the provisions of section four  
25 (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  
3 purpose for which the bonds were issued and if, for any  
4 reason, any portion of such proceeds shall not be needed for  
5 the purpose for which the bonds were issued, such unneeded  
6 portion of said proceeds shall be applied to the payment of  
7 the principal or the interest on said bonds. The cost of  
8 acquiring any project shall be deemed to include the actual  
9 cost of acquiring a site or the cost of the construction of any  
10 part of a project which may be constructed including architects'  
11 and engineers' fees, the purchase price of any part of a project  
12 that may be acquired by purchase, all expenses in connection  
13 with the authorization, sale and issuance of the bonds to  
14 finance such acquisition and the interest on such bonds for a  
15 reasonable time prior to construction, during construction and  
16 for not exceeding six months after completion of construction.

1     Sec. 8. No municipality shall have the power to pay out of  
2 its general fund or otherwise contribute any part of the costs  
3 of acquiring a project and shall not have the power to use  
4 land already owned by the municipality, or in which the  
5 municipality has an equity, for the construction thereon of a  
6 project or any part thereof. The entire cost of acquiring  
7 any project must be paid out of the proceeds from the sale of  
8 bonds issued under the authority of this Act, but this

9 provision shall not be construed to prevent a municipality  
 10 from accepting donations of property to be used as a part of  
 11 any project or money to be used for defraying any part of the  
 12 cost of any project.

1 Sec. 9. Prior to the issuance of any bonds under authority  
 2 of this Act, the municipality shall provide for an election as  
 3 provided in chapter four hundred eight A (408A).

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

1 Sec. 11. Any municipality acquiring, purchasing, constructing,  
 2 reconstructing, improving or extending any industrial buildings,  
 3 as provided in this Act, shall annually pay out of the revenue  
 4 from such industrial buildings to the state of Iowa and to the  
 5 city, town, school district and any other political subdivision,  
 6 authorized to levy taxes, a sum equal to the amount of tax which  
 7 the state, county, city, town, school district or other political  
 8 subdivision would receive if the property were owned by any  
 9 private person or corporation, any other statute to the contrary  
 10 notwithstanding.

7 2. By adding the following new section:  
 8 "Sec. 12. The municipality shall accept any bona fide  
 9 offer to purchase which is sufficient to pay all the out-  
 10 standing bonds, interest, taxes, special levies, and other  
 11 costs that have been incurred."

12 3. By adding the following new section:  
 13 "Sec. 13. The municipality's holding as authorized in  
 14 this Act shall be limited at any one time as follows:

15 1. Municipalities having population of less than five  
 16 thousand (5000), as determined by the last federal census,  
 17 not more than two (2) such holdings.

18 2. Municipalities having population of five thousand  
 19 (5000) and over, as determined by the last federal census,  
 20 not more than two (2) plus an additional one (1) for each  
 21 additional ten thousand (10,000) population or major fraction  
 22 thereof."

*Adopted as amended  
 3/18*