

MUNICIPAL REVENUE BONDS JOINT SUBCOMMITTEE
OF THE
SENATE AND HOUSE STANDING COMMITTEES ON CITIES

Submitted to the General Assembly
January, 1980

F I N A L R E P O R T

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The Subcommittee was formed by the Legislative Council in response to the concerns expressed in HCR 27 which suggested that the scope of a study of chapter 419 bonding powers should include:

1. Consideration of what types of activities are currently eligible for financing with tax-supported revenue bonds.
2. Comparison and review of other states' statutes, especially those surrounding Iowa.
3. Resolution of any existing problems with the language or format of chapter 419 and other applicable sections, so that the law might be more easily read and understood by the public.
4. Investigation of the potential use of chapter 419 to provide lower interest rate mortgages through the issuance of local mortgage-backed revenue bonds.

The membership of the Subcommittee was as follows:

Senator David M. Readinger, temporary Co-chairperson
Representative Lyle R. Krewson, temporary Co-chairperson
Senator James E. Briles
Senator C. Joseph Coleman
Senator William D. Palmer
Senator Ray Taylor
Representative Robert F. Bina
Representative John H. Clark
Representative Robert M. L. Johnson
Representative Clay Spear

The Subcommittee met three times, the third meeting being granted by the Council at the Subcommittee's request when it became apparent that the work could not be completed in the two meetings originally granted. Each meeting began at 9:00 a.m.

At the first meeting the temporary Co-chairpersons were elected as permanent Co-chairpersons. Prior to the meeting the Carleton D. Beh Co. made available to the members a booklet which described and explained chapter 419 of the Code and the federal law which makes chapter 419 bonds tax-exempt. The members were also sent a summary

of the proposed federal bill to limit the tax exemption for mortgage-backed revenue bonds. At the meeting Legislative Service Bureau staff presented summaries of chapter 419 and similar laws in surrounding states. The subjects before the Subcommittee were then discussed by, and from the viewpoint of, a city manager from Dubuque, Iowa, a financial consultant from the Carleton D. Beh Co., members of two local firms of bond counsel, and representatives from the Iowa Development Commission, the Iowa Housing Finance Authority, the League of Iowa Municipalities, the Iowa Bankers Association, and the Iowa Savings and Loan League, Inc.

At the second meeting, the Subcommittee invited two city officials and a representative of the First Federal Savings and Loan Association of Davenport, Iowa, to discuss that city's experience with the issuance of mortgage-backed revenue bonds for home mortgage financing. Representatives of the Iowa Housing Finance Authority were also invited to return for further discussion of the subject of mortgage-backed revenue bonds, and the possible effects of H. R. 3712, the bill proposed in Congress which would limit their tax exemption. The Subcommittee asked the staff to draft a bill to permit cities and counties to issue mortgage-backed revenue bonds, incorporating some of the restrictions in proposed H. R. 3712 and providing others as possible amendments to the basic bill draft. The draft was to provide the authority separate from chapter 419, but utilizing similar procedures.

At the Subcommittee's request, a complete redraft of chapter 419 of the Code was prepared by staff with the assistance of two local firms of bond counsel; Ahlers, Cooney, Dorweiler, Haynie and Smith; and Belin, Harris, Helmick and Lovrien. This draft was examined by the Subcommittee at the second meeting; some further changes were made, and it was again partially reviewed by the Subcommittee at its third meeting.

The Iowa Development Commission provided copies of its compilation of "Industrial Revenue Bond Issues by Community Size From 1963 through December 31, 1978", and the First Federal Savings and Loan Association of Davenport sent out copies of charts showing its mortgage loan experience under its regular program, the Davenport revenue bond backed program and the Iowa Housing Finance Authority program.

At its third and final meeting the Subcommittee carefully reviewed the draft of a bill to authorize cities and counties to establish mortgage loan programs financed by revenue bonds, and made numerous changes. It agreed to add rehabilitation loans to the bill, but suggested that further research should be done to determine whether such loans require first mortgage security. The bill was recommended to the general assembly on a vote of 3 ayes and 1 nay in the Senate; and 3 ayes and 2 nays in the House. A copy of the bill as recommended is attached and made a part of this report.

The Subcommittee also recommended to the general assembly a bill to increase the bonding authority of the Iowa Housing Finance Authority from \$250,000,000 to \$500,000,000. The vote on the bill was 4 ayes in the Senate, and 1 absent; and 5 ayes in the House. A copy of the bill as recommended is attached and made a part of this report.

Time ran out on the third meeting day before the Subcommittee could review the entire redraft of chapter 419. It was able to review and make changes in only the first six pages of the bill. It did agree on including an amendment to the statement of power in section 419.2 which restricts home rule in this area, although Senator Briles opposed this decision. Although it did not have a quorum to complete the bill after 4:30 p.m., the Subcommittee members informally indicated their hope that the draft will be given priority attention by the Cities Committees during the next session. A copy of the proposed bill with the changes made by the Subcommittee is attached and made a part of this report, although it could not be recommended by the Subcommittee.

PROPOSED HOUSE/SENATE FILE _____

By (PROPOSED COMMITTEE ON CITIES
BILL RECOMMENDED BY THE MUNI-
CIPAL REVENUE BONDS SUBCOMMITTEE)

Passed House, Date _____ Passed Senate, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act authorizing municipalities to establish mortgage loan
2 and rehabilitation loan programs financed by revenue bonds.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. NEW SECTION. DEFINITIONS. As used in this
2 Act, unless the context otherwise requires:

3 1. "Municipality" means a county or city in this state.

4 2. "Governing body" means the board, council or other
5 body in which the legislative powers of the municipality are
6 vested.

7 3. "Mortgage" means a mortgage, mortgage deed, deed of
8 trust, or other instrument creating a first lien, subject
9 only to title exceptions acceptable to the municipality, on
10 a fee interest in real property which includes completed
11 housing located within the municipality or on a leasehold
12 on such a fee interest which has a remaining term at the time
13 of computation that exceeds by not less than ten years the
14 maturity date of the mortgage loan.

15 4. "Mortgage lender" means a bank, trust company, mortgage
16 company, national banking association, savings and loan
17 association, life insurance company, any governmental agency
18 or any other financial institution authorized to make mortgage
19 loans in this state.

20 5. "Mortgage loan" means a financial obligation secured
21 by a mortgage.

22 6. "Family income" means the average of the adjusted gross
23 income of a family for each of the previous two years as
24 determined by the municipality. The adjusted gross income
25 shall include income which would be exempt in determining
26 gross income for federal income tax purposes.

27 7. "SMSA" means a standard metropolitan statistical area
28 as established by the office of management and budget of the
29 United States.

30 8. "Targeted area" means a census tract in which seventy
31 percent of the families have family incomes of eighty percent
32 or less of the state median family income.

33 9. "Rehabilitation loan" means a financial obligation
34 secured by collateral acceptable to the municipality, the
35 proceeds of which shall be used for improvement or

1 revitalization of a residence.

2 10. "Bonds" or "Revenue bonds" mean revenue bonds issued
3 pursuant to proceedings of the governing body under this Act.

4 Sec. 2. NEW SECTION. MORTGAGE LOAN PROGRAM. A
5 municipality may establish a mortgage loan or rehabilitation
6 loan program to make available to individuals or families
7 money at reduced interest rates for the purpose of purchasing
8 or rehabilitating single-family dwellings located within the
9 municipality. If a municipality decides to establish a
10 mortgage loan or rehabilitation loan program to provide money
11 for purchasing or rehabilitating residential dwellings, it
12 shall do so in accordance with this Act. The municipality
13 shall fund this program by the issuance of revenue bonds and
14 by state or federal appropriations or private contributions.
15 A municipality shall not pay out of its general fund or
16 otherwise contribute any part of the costs of the mortgage
17 loan or rehabilitation loan program. The funds from this
18 program shall be made available to individuals or families
19 by providing loans to mortgage lenders. The mortgage lenders
20 shall then make the funds available to individuals or families
21 to purchase or rehabilitate single-family dwellings in which
22 the individuals or families reside or will reside and which
23 are located within the municipality. However, funds available
24 under this program shall not be used for the purchase or
25 rehabilitation of a newly constructed dwelling in an
26 unincorporated area of the municipality. The mortgage lenders
27 shall screen the applicants according to standards established
28 pursuant to this Act and standards formulated by the mortgage
29 lenders and approved by the governing body which are consistent
30 with this Act.

31 Sec. 3. NEW SECTION. REVENUE BONDS--ISSUANCE.

32 1. A municipality may issue revenue bonds for the purpose
33 of funding a mortgage loan or rehabilitation loan program.
34 The proceeds from the bonds, in excess of the expenses in
35 connection with the authorization, sale and issuance of the

1 bonds, shall be used solely for the purpose of providing funds
2 for the loan program and a bond reserve fund. Prior to the
3 issuance of bonds, the municipality shall conduct a public
4 hearing in the manner and with notice as provided in section
5 four hundred nineteen point nine (419.9) of the Code.

6 2. Bonds shall be limited obligations of the municipality
7 issuing them. The principal of and interest on the bonds
8 shall be payable solely out of the revenues received pursuant
9 to loans made to mortgage lenders under this Act and received
10 from state or federal appropriations or private contributions.
11 Bonds and interest coupons shall never constitute an
12 indebtedness of the municipality within the meaning of any
13 state constitutional provision or statutory limitation and
14 shall not constitute or give rise to a pecuniary liability
15 of the municipality or a charge against its general credit
16 or taxing powers. Such limitation shall be plainly stated
17 on the face of each bond.

18 3. The provisions of section four hundred nineteen point
19 three (419.3), subsections two (2) through five (5), and
20 section four hundred nineteen point six (419.6) of the Code
21 apply to the issuance and refunding of bonds. Chapter seventy-
22 five (75) of the Code does not apply to bonds.

23 4. An action shall not be brought questioning the legality
24 of the proceedings or the bonds after ninety days from the
25 time bonds are ordered issued by the governing body.

26 Sec. 4. NEW SECTION. PLEDGE OF REVENUES. The principal
27 of and interest on bonds shall be secured by a pledge of the
28 revenues out of which the bonds are payable. They may be
29 secured by a pledge of the loan agreement with the mortgage
30 lenders or by a pledge of one or more other secured or
31 unsecured debt obligations of the mortgage lenders.

32 Sec. 5. NEW SECTION. LOANS TO MORTGAGE LENDERS. The
33 proceedings of the municipality relating to the making of
34 loans to mortgage lenders shall provide, but are not limited
35 to, the following:

- 1 1. Procedures for the submission by mortgage lenders to
2 the municipality of requests for loans.
- 3 2. Standards for allocating bond proceeds among mortgage
4 lenders requesting loans from the municipality.
- 5 3. Standards for determining the principal amount to be
6 loaned to each mortgage lender and the interest rate on each
7 loan.
- 8 4. Qualifications or characteristics of housing and the
9 purchasers or owners to be financed by mortgage or
10 rehabilitation loans in addition to those specified in
11 subsections eight (8) and nine (9) of this section.
- 12 5. Restrictions as to the interest rates to be allowed
13 on the loans and the return to be realized by mortgage lenders.
- 14 6. Requirements as to commitments and disbursements by
15 mortgage lenders with respect to mortgage or rehabilitation
16 loans.
- 17 7. Schedules of fees and charges to be imposed by the
18 municipality.
- 19 8. That the combined income of each mortgagor or borrower,
20 his or her spouse and dependent children shall not exceed
21 one hundred fifteen percent of the median family income in
22 the SMSA or county, if not an SMSA, in which the mortgage
23 or rehabilitation loan is made, except that for a loan made
24 in a targeted area, the combined income of the mortgagor or
25 borrower, his or her spouse and dependent children shall not
26 exceed one hundred forty percent of the median family income
27 in the state or the SMSA or county where the loan is made,
28 whichever is higher.
- 29 9. That the mortgagor or borrower sign an affidavit that
30 the mortgagor or borrower intends to occupy the dwelling for
31 the minimum time period determined by the municipality, which
32 time period shall be not less than six months or more than
33 three years.
- 34 10. That the provisions of section two hundred twenty
35 point twenty (220.20), subsections two (2) through ten (10)

1 of the Code, shall apply in the same manner as if the terms
2 "authority", "low or moderate income families" and "new
3 mortgage loans" as used in those subsections meant
4 "municipality", "individuals or families" and "mortgage or
5 rehabilitation loans" respectively.

6 11. That an individual seeking to assume a mortgage
7 originally financed under a mortgage loan or rehabilitation
8 loan program must meet the requirement specified in subsection
9 nine (9) of this section as to residency.

10 Sec. 6. NEW SECTION. POWERS RELATING TO LOANS. Subject
11 to any agreement with bondholders, the municipality may
12 renegotiate a loan to a mortgage lender in default, waive
13 a default or consent to the modification of the terms of a
14 loan to a mortgage lender, forgive or forbear all or part
15 of a loan to a mortgage lender, and commence, prosecute and
16 enforce a judgment in any action to protect or enforce any
17 right conferred upon it by law, loan agreement, contract or
18 other agreement in a manner the authority deems advisable
19 to protect its interests.

20 Sec. 7. The provisions of this Act apply to cities
21 incorporated under a special charter.

22 EXPLANATION

23 The bill allows cities and counties to issue revenue bonds
24 which will provide funds for lending to mortgage lenders,
25 which will then make loans to individuals or families for
26 the purchase or rehabilitation of single family dwellings.
27 The bonds are to be repaid from the repayment by the mortgage
28 lenders of the funds borrowed from the city or county. The
29 city or county may provide for the qualifications of the
30 individuals or families seeking to purchase or rehabilitate
31 the dwellings but the individuals and families must meet
32 income and residency requirements specified in the bill.

33 The bill is effective July 1 after enactment.

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PROPOSED SENATE/HOUSE FILE _____

By (PROPOSED COMMITTEE ON CITIES
BILL RECOMMENDED BY THE MUNI-
CIPAL REVENUE BONDS SUBCOMMITTEE)

Passed Senate, Date _____ Passed House, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act amending chapter four hundred nineteen (419) of the Code
2 relating to revenue bonds issued by municipalities to finance
3 projects.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section four hundred nineteen point one (419.1),
2 unnumbered paragraph one (1) and subsection one (1), as that
3 section is amended by Acts of the Sixty-eighth General
4 Assembly, 1979 Session, chapter eighty-nine (89), section
5 one (1) and chapter ninety (90), section one (1), are amended
6 to read as follows:

7 419.1 DEFINITIONS. As used in this chapter, unless the
8 context otherwise requires:

9 1. "Municipality" means any a county, or ~~any-incorporated~~
10 city in this state.

11 Sec. 2. Section four hundred nineteen point one (419.1),
12 subsection two (2), Code 1979, as amended by Acts of the
13 Sixty-eighth General Assembly, 1979 Session, chapter eighty-
14 nine (89), section one (1), and chapter ninety (90), section
15 one (1), is amended by striking the subsection and inserting
16 in lieu thereof the following:

17 2. "Project" means:

18 a. Any part of or interest in land, or new or existing
19 buildings or improvements which are suitable for the use of:

20 (1) A clinic or voluntary nonprofit hospital, a community
21 mental health center, or a health care facility as defined
22 in section one hundred thirty-five C point one (135C.1),
23 subsection four (4) of the Code.

24 (2) A private college or university or a state institution
25 governed under chapter two hundred sixty-two (262) of the
26 Code.

27 (3) An industry engaged in the manufacturing, processing
28 or assembling of agricultural or manufactured products or
29 goods.

30 (4) A commercial enterprise engaged in storing,
31 warehousing, handling or distributing agricultural, mining
32 or industrial products or goods.

33 (5) A national, regional or divisional headquarters
34 facility of a company engaged in multistate business.

35 b. A pollution control facility suitable for use by an

1 industry, commercial enterprise or utility.

2 c. The refinancing or retiring of any existing indebtedness
3 of:

4 (1) A voluntary nonprofit clinic or hospital, or a health
5 care facility as defined in section one hundred thirty-five
6 C point one (135C.1), subsection four (4) of the Code.

7 (2) A private or state of Iowa college or university or
8 a person who incurred the indebtedness to finance a project
9 for such a college or university.

10 d. In the case of a city, any part of or interest in land,
11 buildings or improvements which are suitable for use as
12 residential property, or for the use of a commercial enterprise
13 or a nonprofit organization which the governing body of the
14 city determines is consistent with either of the following:

15 (1) The city's urban renewal plan for an area designated
16 as an urban renewal area under chapter four hundred three
17 (403) of the Code before July 1, 1979.

18 (2) The city's revitalization plan for an area designated
19 as a revitalization area pursuant to Acts of the Sixty-eighth
20 General Assembly, 1979 Session, chapter eighty-four (84),
21 sections one (1) through seven (7).

22 e. A facility suitable for use in manufacturing,
23 processing, assembling, storing, warehousing, handling or
24 distributing agricultural, mining or industrial products or
25 goods.

26 f. A facility suitable for the primary purpose of providing
27 housing for the elderly or handicapped.

28 Sec. 3. Section four hundred nineteen point one (419.1),
29 Code 1979, as that section is amended by Acts of the Sixty-
30 eighth General Assembly, 1979 Session, chapter eighty-nine
31 (89), section one (1), and chapter ninety (90), section one
32 (1), is amended by adding the following new subsections:

33 NEW SUBSECTION. "Pollution control facility" means land,
34 buildings, improvements, or other facilities to be used for
35 the purpose of reducing, preventing, or eliminating pollution

1 of the water or air or for the sanitary disposal or recycling
2 of solid waste.

3 NEW SUBSECTION. "Improvements" means any real or personal
4 property, including but not limited to rights-of-way, roads,
5 streets, sidings, trackage, foundations, tanks, structures,
6 pipes, pipelines, pumps, dams, reservoirs, utilities,
7 materials, equipment, fixtures, machinery, furniture,
8 furnishings, or instrumentalities.

9 NEW SUBSECTION. "Clinic" means a facility which is not
10 primarily a retail sales facility in which one or more persons
11 licensed to practice a health care profession engage in a
12 practice open to the public.

13 NEW SUBSECTION. "Health care profession" means medicine
14 and surgery, osteopathy, osteopathic medicine and surgery,
15 chiropractic, nursing, dentistry, dental hygiene, optometry,
16 podiatry, speech pathology, audiology, pharmacy, physical
17 therapy and psychology.

18 NEW SUBSECTION. "Distributing" includes marketing and
19 transporting but excludes retail sales.

20 NEW SUBSECTION. "Retail sales" means sales of products
21 to purchasers for their personal, family or household use.

22 Sec. 4. Section four hundred nineteen point one (419.1),
23 subsections three (3) through thirteen (13), Code 1979, as
24 that section is amended by Acts of the Sixty-eighth General
25 Assembly, 1979 Session, chapter eighty-nine (89), section
26 one (1) and chapter ninety (90), section one (1), are amended
27 to read as follows:

28 3. "Governing body" means the board, council or other
29 body in which the legislative powers of the municipality are
30 vested.

31 4. "Mortgage" ~~shall include~~ includes a deed of trust.

32 5. "Equip" means ~~to install or place on or in any a~~
33 building or improvements or the site thereof equipment of
34 any and every kind, ~~including, without limiting the generality~~
35 ~~of the foregoing,~~ but not limited to machinery, utility service

1 connections, building service equipment, fixtures, heating
2 equipment, and air conditioning equipment.

3 6. "Lessee" includes a single person, firm or corporation
4 or any two or more persons, firms or corporations which shall
5 lease the means one or more persons who lease a project as
6 tenants in common or otherwise and which shall undertake
7 rental payments and other monetary obligations under the lease
8 of the project sufficient in the aggregate to satisfy the
9 rental and other monetary obligations required by this chapter
10 to be undertaken by the lessee of a project from a
11 municipality.

12 7. "Lease" includes a lease containing an option to
13 purchase the project for a nominal sum upon payment in full,
14 or provision therefor, of all bonds issued in connection with
15 the project and all interest thereon and all other expenses
16 incurred in connection with the project, and a lease containing
17 an option to purchase the project at any time, as provided
18 therein, upon payment of the purchase price which shall be
19 sufficient to pay all bonds issued in connection with the
20 project and all interest thereon and all other expenses
21 incurred in connection with the project, but which payment
22 may be made in the form of one or more notes, debentures,
23 bonds or other secured or unsecured debt obligations of the
24 lessee providing for timely payments, including without
25 limitation, interest thereon sufficient for such purposes
26 and delivered to the municipality or to the trustee under
27 the indenture pursuant to which the bonds were issued. -- A
28 single lease may contain both of the foregoing options. A
29 "lease" means a rental agreement entered into by a municipality
30 and the lessee of a project.

31 8. "Sale contract" means a contract providing for the
32 sale of one or more projects to one or more contracting parties
33 and includes a contract providing for payment of the purchase
34 price in one or more installments a project by a municipality.
35 If the sale contract permits title to the project to pass

1 to-the-other-contracting-party-or-parties-prior-to-payment
2 in-full-of-the-entire-purchase-price,-it-shall-also-provide
3 for-the-other-contracting-party-or-parties-to-deliver-to-the
4 municipality-or-to-the-trustee-under-the-indenture-pursuant
5 to-which-the-bonds-were-issued-one-or-more-notes,-debentures,
6 bonds-or-other-secured-or-unsecured-debt-obligations-of-such
7 contracting-party-or-parties-providing-for-timely-payments,
8 including-without-limitation,-interest-thereon-for-the-balance
9 of-the-purchase-price-at-or-prior-to-the-passage-of-such
10 title.

11 9. "Loan agreement" means an agreement providing for a
12 municipality to loan the proceeds derived from the issuance
13 of bonds pursuant-to-this-chapter to one or more contracting
14 parties to be used to pay the cost of one-or-more-projects
15 a project and providing for the repayment of such the loan
16 by the other contracting party-or parties,-and-which-may
17 provide-for-such-loans-to-be-secured-or-evidenced-by-one-or
18 more-notes,-debentures,-bonds-or-other-secured-or-unsecured
19 debt-obligations-of-the-contracting-party-or-parties,-delivered
20 to-the-municipality-or-to-the-trustee-under-the-indenture
21 pursuant-to-which-the-bonds-were-issued.

22 10. "Contracting party" or-"other-contracting-party" means
23 any a party to a sale contract or loan agreement except the
24 municipality.

25 11. "Revenues" of a project, or derived from a project,
26 include payments under a lease or sale contract and repayments
27 under a loan agreement, or under notes, debentures, bonds
28 and other secured or unsecured debt obligations of a lessee
29 or contracting party delivered-as-herein-provided.

30 12. "Bonds" of-a-municipality-includes means revenue
31 bonds, notes or other securities of a municipality issued
32 under this chapter.

33 13.--"Corporation"-includes-a-corporation-whether-organized
34 for-profit-or-not-for-profit-for-which-the-secretary-of-state
35 has-issued-a-certificate-of-incorporation-or-a-permit-for

1 ~~the transaction of business within the state and further~~
 2 ~~includes a co-operative association.~~

3 Sec. 5. Section four hundred nineteen point two (419.2),
 4 Code 1979, as that section is amended by Acts of the Sixty-
 5 eighth General Assembly, 1979 Session, chapter ninety-one
 6 (91), section one (1) and chapter eighty-nine (89), section
 7 two (2), is amended to read as follows:

8 419.2 POWERS AND LIMITATIONS. ~~In addition to any other~~
 9 ~~powers which it may now have, each municipality shall have~~
 10 ~~the following powers:~~ A municipality shall not operate a
 11 project financed under this chapter as a business or in any
 12 manner except as provided in this chapter. A government or
 13 governmental subdivision or agency is not eligible to be a
 14 lessee or contracting party under this chapter.

15 This chapter is the sole method by which a municipality
 16 may issue bonds which will be repaid from the revenues received
 17 from an undertaking which is not under the municipality's
 18 control, unless other methods are provided in the Code. A
 19 municipality may:

20 1. ~~To acquire, whether~~ Acquire by construction, purchase,
 21 gift or lease, and ~~to~~ improve and equip, one or more projects.
 22 ~~Such projects~~ Projects shall be located within this state,
 23 ~~may be located within or near the municipality, but and~~ shall
 24 not be located more than eight miles outside the corporate
 25 limits of the municipality, provided that ancillary
 26 improvements necessary or useful in connection with the main
 27 project may be located more than eight miles outside the
 28 corporate limits of the municipality.

29 2. ~~To lease~~ Lease to others one or more projects ~~for such~~
 30 ~~rentals and upon such terms and conditions as the governing~~
 31 ~~body may deem~~ deems advisable in accordance with ~~the provisions~~
 32 ~~of this chapter, but in no case shall the rentals be less~~
 33 ~~than the average rental cost for like or similar facilities~~
 34 ~~within the competitive commercial area.~~ A lease may contain
 35 an option to purchase the project for a nominal sum upon

1 payment in full, or provision therefor, of all bonds issued
2 in connection with the project, all interest on the bonds
3 and all other expenses incurred in connection with the project,
4 or an option to purchase the project at any time upon payment
5 of the purchase price which shall be sufficient to pay all
6 bonds issued in connection with the project, all interest
7 on the bonds and all other expenses incurred in connection
8 with the project. Payment may be made in the form of one
9 or more secured or unsecured debt obligations of the lessee
10 providing for timely payments including interest sufficient
11 for such purposes and delivered to the municipality or to
12 the trustee under the indenture pursuant to which the bonds
13 were issued, or if there is no trustee, to the bondholders.
14 A single lease may contain both of the foregoing options.

15 3. ~~To sell to others~~ Sell one or more projects ~~for such~~
16 ~~payments and upon such terms and conditions as~~ the governing
17 body may ~~deem~~ deems advisable in accordance with ~~the provisions~~
18 of this chapter. If a sale contract permits title to the
19 project to pass to the contracting parties prior to payment
20 in full of the purchase price, it shall also provide for the
21 contracting parties to deliver to the municipality, to the
22 trustee under the indenture pursuant to which the bonds were
23 issued, or if there is no trustee, to the bondholders, one
24 or more secured or unsecured debt obligations of the
25 contracting parties providing for timely payments including
26 interest for the balance of the purchase price at or prior
27 to the passage of title.

28 4. ~~To enter~~ Enter into loan agreements ~~with others~~ with
29 respect to one or more projects ~~for such payments and~~ upon
30 ~~such terms and conditions as~~ the governing body may ~~deem~~ deems
31 advisable in accordance with ~~the provisions of~~ this chapter.
32 Loan agreements may provide for loans to be secured or
33 evidenced by one or more secured or unsecured debt obligations
34 of the contracting parties, delivered to the municipality
35 or to the trustee under the indenture pursuant to which the

1 bonds were issued, or if there is no trustee, to the
2 bondholders.

3 5. ~~To issue revenue~~ Issue ~~bonds for the purpose of~~
4 ~~defraying to pay~~ the cost of any a project, and to secure
5 payment of ~~such the~~ bonds, all as provided in this chapter.

6 6. ~~To grant~~ Grant easements in connection with a project
7 for roads, streets, water mains and pipes, sewers, power
8 lines, telephone lines, all pipe lines, and to all utilities.

9 ~~No municipality shall have the power to operate any project~~
10 ~~financed under this chapter, as a business or in any manner~~
11 ~~except as specifically provided in this chapter.~~

12 Sec. 6. Section four hundred nineteen point three (419.3),
13 Code 1979, is amended to read as follows:

14 419.3 BONDS AS LIMITED OBLIGATIONS--EXECUTION OF BONDS.

15 1. ~~All bonds issued by a municipality, under the authority~~
16 ~~of this chapter, shall be~~ Bonds are limited obligations of
17 the municipality. The principal of and interest on ~~such~~ bonds
18 ~~shall be~~ are payable solely out of the revenues derived from
19 the project to be financed by the bonds ~~so issued under the~~
20 ~~provisions of this chapter including,~~ which revenues may
21 include debt obligations of the lessee or contracting party
22 obtained from or in connection with the financing of a project.
23 Bonds and the interest coupons issued under authority of this
24 ~~chapter shall never constitute~~ thereon are not an indebtedness
25 of the municipality, within the meaning of any state
26 constitutional provision or statutory limitation, and ~~shall~~
27 ~~not constitute nor give rise to~~ are not a pecuniary liability
28 of the municipality or a charge against its general credit
29 or taxing powers. Such limitation shall be plainly stated
30 on the face of each ~~such~~ bond.

31

32 (ALTERNATE 1) 2. a. ~~The bonds referred to in subsection~~
33 ~~1 of this section~~ Bonds may be executed and delivered at any
34 time ~~and from time to time~~; be in such form and denominations;
35 ~~without limitation as to the denomination of any bond,~~ any

1 ~~other-law-to-the-contrary-notwithstanding,-be-of-such-tenor,~~
2 be fully registered, registrable as to principal or in bearer
3 form; be transferable; be payable in such installments and
4 at ~~such-time-or~~ times, not exceeding thirty years from their
5 date; be payable as to principal and interest at ~~such-places~~
6 ~~or places~~ in or out of the state ~~of-Iowa~~; bear interest at
7 ~~such-rate-or~~ rates, ~~payable-at-such-places-or-places-in-or~~
8 ~~out-of-the-state-of-Iowa,-be-evidenced-in-such-manner~~ and
9 may contain other provisions ~~not-inconsistent-here-with~~
10 consistent with this chapter; all as ~~shall-be~~ provided in
11 ~~respect-of-the-foregoing-or-other-matters-in~~ the proceedings
12 of the governing body ~~whereunder-the-bonds-are-authorized~~
13 ~~to-be-issued~~.

14

15 (ALTERNATE 2) a. The proceedings of the governing body
16 to issue bonds shall provide for the execution, delivery,
17 form and terms of the bonds. However, bonds shall not be
18 issued for a term of more than thirty years.

19 b. The governing body may provide for the exchange of
20 coupon bonds for fully registered bonds and of fully registered
21 bonds for coupon bonds and for the exchange of any such bonds
22 after issuance for bonds of larger or smaller denominations,
23 all in such the manner ~~as-may-be~~ provided in the proceedings
24 authorizing their issuance, provided the bonds in changed
25 form or denominations shall be exchanged for the surrendered
26 bonds in the same aggregate principal amounts and in such
27 manner that no overlapping interest is paid, and ~~such~~ the
28 bonds in changed form or denominations shall bear interest
29 at the same ~~rate-or~~ rates and ~~shall~~ mature on the same date
30 ~~or~~ dates as the bonds for which they are exchanged. ~~Where~~
31 any If an exchange is made under this ~~section~~ subsection,
32 the bonds surrendered by the holders at the time of the
33 exchange shall be canceled or maintained in safekeeping by
34 the trustee for the bondholders. The exchange shall be made
35 only at the request of the holders of the bonds to be

1 surrendered, and the governing body may require all expenses
 2 incurred in connection with the exchange to be paid by the
 3 holders. ~~In case~~ If any of the officers whose signatures
 4 appear on the bonds or interest coupons shall cease to be
 5 officers before the delivery of ~~such~~ the bonds, such signatures
 6 shall, ~~nevertheless, be~~ are valid and sufficient for all
 7 purposes, to the same extent as if ~~they~~ the officers had
 8 remained in office until delivery.

9 ~~3--Unless otherwise provided in the proceedings of the~~
 10 ~~governing body whereunder the bonds are authorized to be~~
 11 ~~issued, bonds issued under the provisions of this chapter~~
 12 ~~shall be subject to the general provisions of law, presently~~
 13 ~~existing or that may hereafter be enacted, respecting the~~
 14 ~~execution and delivery of the bonds of a municipality and~~
 15 ~~respecting the retaining of options of redemption in~~
 16 ~~proceedings authorizing the issuance of municipal securities.~~

17 4 3. Any bonds, ~~issued under the authority of this chapter,~~
 18 Bonds may be sold at public or private sale in ~~such~~ the manner,
 19 at such price and at such time or times as may be determined
 20 by the governing body ~~to be most advantageous.~~ The
 21 municipality may pay all expenses, premiums and commissions
 22 which the governing body may deem necessary or advantageous
 23 in connection with the authorization, sale and issuance
 24 thereof. Chapter seventy-five (75) and sections twenty-three
 25 point twelve (23.12) through twenty-three point sixteen (23.16)
 26 of the Code do not apply to bonds.

27 5 4. All bonds, ~~issued under the authority of this chapter~~
 28 Bonds and all their interest coupons ~~applicable thereto,~~ shall
 29 ~~be construed to be~~ are negotiable instruments, even though
 30 they are payable solely from a specified source.

31 Sec. 7. Section four hundred nineteen point four (419.4),
 32 Code 1979, is amended to read as follows:

33 419.4 PLEDGE OF REVENUES--PROCEEDINGS.

34 1. The principal of and interest on any bonds, ~~issued~~
 35 ~~under authority of this chapter,~~ shall be secured by a pledge

1 of the revenues out of which ~~such~~ the bonds ~~shall-be-made~~
2 are payable. They may be secured by a mortgage covering all
3 or any part of the project from which the revenues ~~se-pledged~~
4 ~~may-be~~ are derived or by a pledge of the lease, sale contract
5 or loan agreement with respect to ~~such-the~~ the project or by a
6 pledge of one or more ~~notes, debentures, bonds or other~~ secured
7 or unsecured debt obligations of the lessee or contracting
8 party.

9 2. The proceedings under which ~~the~~ bonds are authorized
10 to be issued ~~under-the-provisions-of-this-chapter,~~ and any
11 mortgage or other obligation given to secure ~~the-same~~ bonds,
12 may contain any agreements and provisions customarily contained
13 in instruments securing other revenue bonds, including, but
14 not limited to:

15 a. Provisions respecting custody of the proceeds from
16 the sale of the bonds including their investment and
17 reinvestment until used to defray the cost of the project.

18 b. Provisions respecting the fixing and collection of
19 rents or payment with respect to any project covered by ~~such~~
20 the proceedings or mortgage.

21 c. The terms to be incorporated in the lease, sale contract
22 or loan agreement with respect to ~~such~~ the project.

23 d. The maintenance and insurance of ~~such~~ the project.

24 e. The creation, maintenance, custody, investment ~~and,~~
25 reinvestment and use of special funds from the revenues of
26 ~~such~~ the project, ~~and.~~

27 f. The rights and remedies available in case of a default
28 to the bond holders or to any a trustee under the lease, sale
29 contract, loan agreement or mortgage.

30 3. A municipality ~~shall-have-the-power-to~~ may provide
31 that proceeds from the sale of bonds and special funds from
32 the revenues of the project shall be invested and reinvested
33 in ~~such~~ securities and other investments as ~~shall-be~~ provided
34 in the proceedings ~~under-which-the-bonds-are-authorized-to~~
35 ~~be-issued,~~ including:

1 ~~(1)~~--~~obligations~~ a. Obligations issued or guaranteed by
2 the United States~~;~~.

3 ~~(2)~~--~~obligations~~ b. Obligations issued or guaranteed by
4 any person controlled or supervised by and acting as an
5 instrumentality of the United States pursuant to authority
6 granted by the Congress of the United States~~;~~.

7 ~~(3)~~--~~obligations~~ c. Obligations issued or guaranteed by
8 any state of the United States, or the District of Columbia,
9 or any political subdivision of any such state or district~~;~~.

10 ~~(4)~~--~~prime~~ d. Prime commercial paper~~;~~.

11 ~~(5)~~--~~prime~~ e. Prime finance company paper~~;~~.

12 ~~(6)~~--~~bankers'~~ f. Bankers' acceptances drawn on and accepted
13 by banks organized under the laws of any state or of the
14 United States~~;~~.

15 ~~(7)~~--~~repurchase~~ g. Repurchase agreements fully secured
16 by obligations issued or guaranteed by the United States or
17 by any person controlled or supervised by and acting as an
18 instrumentality of the United States pursuant to authority
19 granted by the Congress of the United States~~;~~-and.

20 ~~(8)~~--~~certificates~~ h. Certificates of deposit issued by
21 banks or savings and loan associations organized under the
22 laws of any state or of the United States~~;~~-~~whether-or-not~~
23 ~~such-investment-or-reinvestment-is-authorized-under-any-other~~
24 ~~law-of-this-state.~~

25 4. The municipality ~~shall-also-have-the-power-to~~ may
26 provide that ~~such~~ proceeds ~~of,~~ funds or investments and the
27 amounts payable under the lease, sale contract or loan
28 agreement shall be received, held and disbursed by one or
29 more banks or trust companies located in or out of the state
30 of Iowa.

31 5. A municipality ~~shall-also-have-the-power-to~~ may provide
32 that the project and improvements shall be constructed by
33 the municipality, the lessee, the lessee's designee, the
34 contracting party, or the contracting party's designee, or
35 any one or more of them~~;~~ on real estate owned by the

1 municipality, the lessee, the lessee's designee, the
2 contracting party, or the contracting party's designee, as
3 ~~the ease may be,~~ and that the bond proceeds shall be disbursed
4 by ~~the a trustee, bank or banks, trust company or trust~~
5 ~~companies~~ savings and loan association, during construction
6 upon the estimate, order or certificate of the lessee, the
7 lessee's designee, the contracting party, or the contracting
8 party's designee.

9 6. In making such agreements or provisions, a municipality
10 shall not ~~have the power to~~ obligate itself, except with
11 respect to the project and the application of the revenues
12 ~~therefrom~~ from the project, and shall not ~~have the power to~~
13 incur a pecuniary liability or a charge upon its general
14 credit or against its taxing powers.

15 3 7. The proceedings authorizing any bonds ~~under the~~
16 ~~provisions of this chapter,~~ or any mortgage or other obligation
17 securing such bonds, may provide that if there is a default
18 in the payment of the principal of or the interest on such
19 bonds or in the performance of any agreement contained in
20 such the proceedings or mortgage, the payment and performance
21 may be enforced by mandamus or by the appointment of a receiver
22 in equity with power to charge and collect rents and payments
23 and to apply the revenues from the project in accordance with
24 such the proceedings or the ~~provisions of such~~ mortgage.

25 4 8. Any mortgage, made under the provisions of this
26 chapter, to secure bonds issued ~~thereunder,~~ may also provide
27 that if there is a default in the payment ~~thereof~~ or a
28 violation of any agreement contained in the mortgage, it may
29 be foreclosed and sold ~~under proceedings in equity or~~ in any
30 ~~other~~ manner permitted by law. Such The mortgage may also
31 provide that any trustee under such the mortgage or the holder
32 of any bonds secured ~~thereby by the mortgage~~ may become the
33 purchaser at any a foreclosure sale if he that trustee or
34 holder is the highest bidder ~~therefor~~.

35 Sec. 8. Section four hundred nineteen point five (419.5),

1 Code 1979, is amended to read as follows:

2 419.5 DETERMINATION OF RENT OR PAYMENTS.

3 1. Prior to entering into a lease, sale contract or loan
4 agreement with respect to any a project, the governing body
5 ~~must~~ shall determine the amount necessary in each year to
6 pay the principal of and the interest on the bonds proposed
7 to be issued to finance ~~such~~ the project; the amount necessary
8 to be paid each year into ~~any~~ reserve funds which the governing
9 body ~~may-deem~~ deems advisable to establish in connection with
10 the retirement of the proposed bonds and the maintenance of
11 the project; and unless the terms of the lease, sale contract
12 or loan agreement provide that the lessee or contracting party
13 shall maintain the project and carry all proper insurance
14 with respect thereto, the estimated cost of maintaining the
15 project in good repair and keeping it properly insured.

16 2. ~~The determination-and-findings~~ determinations of the
17 governing body, required to be made by subsection 1 of this
18 section, shall be set forth in the proceedings under which
19 the proposed bonds are to be issued; provided, ~~however,~~ that
20 the ~~foregoing~~ amounts need not be expressed in dollars and
21 cents ~~in-the-lease,-sale-contract-or-loan-agreement-or-in~~
22 ~~the-proceedings-under-which-the-bonds-are-authorized-to-be~~
23 ~~issued,~~ but may be set forth in the form of a formula ~~or~~
24 ~~formulas.~~ Prior to the issuance of the bonds ~~authorized-by~~
25 ~~this-chapter~~ the municipality shall enter into a lease, sale
26 contract or loan agreement with respect to the project which
27 shall require the lessee or contracting party to complete
28 the project and which shall provide for payment to the
29 municipality of ~~such~~ rentals or payments as, ~~upon-the-basis~~
30 ~~of-such-determinations-and-findings,~~ will-be which are
31 sufficient to pay the ~~principal-of-and-interest-on-the-bonds~~
32 ~~issued-to-finance-the-project,-to-build-up-and-maintain-any~~
33 ~~reserves-deemed-advisable,-by-the-governing-body,-in-connection~~
34 ~~therewith-and-unless-the-lease,-sale-contract-or-loan-agreement~~
35 ~~obligates-the-lessee-or-contracting-party-to-pay-for-the~~

1 ~~maintenance-and-insurance-on-the-project,-to-pay-the-costs~~
2 ~~of-maintaining-the-project-in-good-repair-and-keeping-it~~
3 ~~properly-insured~~ amounts determined under subsection one (1)
4 of this section. A lease shall also provide for the payment
5 of a tax equivalent as necessary in accordance with section
6 four hundred nineteen point eleven (419.11) of the Code.

7 Sec. 9. Section four hundred nineteen point six (419.6),
8 Code 1979, is amended to read as follows:

9 419.6 REFUNDING BONDS. ~~Any-bonds,-issued-under-the~~
10 ~~provisions-of-this-chapter-and-at-any-time-outstanding,~~
11 Outstanding bonds may ~~at-any-time-and-from-time-to-time~~ be
12 refunded by a municipality by the issuance of its refunding
13 bonds in such an amount as the governing body may ~~deem~~ deems
14 necessary but not exceeding an amount sufficient to refund
15 the principal of the bonds to be ~~so~~ refunded, any unpaid
16 interest thereon and any premiums and commissions necessary
17 to be paid in connection therewith. ~~Any-such-refunding~~
18 Refunding may be effected whether the bonds to be refunded
19 ~~shall~~ have matured or ~~shall-thereafter-mature~~ not, either
20 by sale of the refunding bonds and the application of the
21 proceeds ~~thereof~~ for the payment of the bonds to be refunded
22 ~~thereby,~~ or by exchange~~~~~ of the refunding bonds for the bonds
23 to be refunded ~~thereby,~~ but the holders of any bonds to be
24 ~~so~~ refunded shall not be compelled~~,-without-their-consent,-~~
25 to surrender their bonds for payment or exchange prior to
26 the date on which they are payable by maturity date, option
27 to redeem or otherwise, or if they are called for redemption,
28 prior to the date on which they are by their terms subject
29 to redemption by option or otherwise. All refunding bonds,
30 ~~issued-under-authority-of-this-chapter,-shall-be~~ are payable
31 solely from the revenues out of which the bonds to be refunded
32 ~~thereby~~ are payable and ~~shall-be~~ are subject to ~~the-provisions~~
33 ~~contained-in~~ section 419.3 and may be secured in accordance
34 with ~~the-provisions-of~~ section 419.4.

35 Sec. 10. Section four hundred nineteen point seven (419.7),

1 Code 1979, as amended by Acts of the Sixty-eighth General
 2 Assembly, 1979 Session, chapter ninety-one (91), section two
 3 (2), is amended to read as follows:

4 419.7 APPLICATION OF PROCEEDS LIMITED. The Substantially
 5 all of the proceeds from the sale of any bonds, ~~issued under~~
 6 ~~authority of this chapter,~~ shall be applied only for to the
 7 ~~purpose for which the bonds were issued and if, for any reason,~~
 8 ~~any portion of such proceeds shall not be needed for the~~
 9 ~~purpose for which the bonds were issued, such unneeded portion~~
 10 ~~of said proceeds shall be applied to the payment of the~~
 11 ~~principal or the interest on said bonds~~ cost of a project.
 12 The cost of any project shall ~~be deemed to include~~ includes
 13 the actual cost of acquiring a site or the cost of the
 14 construction of any part of a project which may be constructed
 15 including architects' and engineers' fees, the purchase price
 16 of any part of a project that may be acquired by purchase,
 17 all expenses in connection with the authorization, sale and
 18 issuance of the bonds to finance ~~such~~ the acquisition, an
 19 amount to be held as a bond reserve fund, and the interest
 20 on ~~such~~ the bonds for a reasonable time prior to construction,
 21 during construction and for not exceeding six months after
 22 completion of construction.

23 Sec. 11. Section four hundred nineteen point eight (419.8),
 24 Code 1979, is amended to read as follows:

25 419.8 NO PAYMENT BY MUNICIPALITY. No Unless expressly
 26 authorized by the Code, a municipality shall ~~have the power~~
 27 ~~to not~~ pay out of its general fund or otherwise contribute
 28 ~~any part of the costs of~~ money or other property to a project
 29 and shall not ~~have the power to~~ use land already owned by
 30 the municipality, or in which the municipality has an equity
 31 for the construction of a project or any part of a project,
 32 unless the land was specifically acquired for development
 33 of projects, or unless the land is determined by the ~~municipal~~
 34 governing body to no longer be necessary for municipal purposes
 35 other than the project, ~~for the construction thereof of a~~

1 ~~project or any part thereof. The entire cost of any project~~
2 ~~must be paid out of the proceeds from the sale of bonds issued~~
3 ~~under the authority of this chapter, but this~~ This provision
4 shall does not be construed to prevent a municipality from
5 accepting donations of property to be used as a part of any
6 a project or money to be used for defraying any part of the
7 cost of any a project. To the extent that a city may pay
8 for or contribute to the cost of a project as defined in
9 section four hundred nineteen point one (419.1), subsection
10 two (2), paragraph d of the Code, under chapter four hundred
11 three (403) of the Code or Acts of the Sixty-eighth General
12 Assembly, 1979 Session, chapter eighty-four (84), this section
13 does not apply.

14 Sec. 12. Section four hundred nineteen point nine (419.9),
15 Code 1979, is amended to read as follows:

16 419.9 PUBLIC HEARING. Prior to the issuance of any bonds
17 ~~under authority of this chapter,~~ the municipality shall conduct
18 a public hearing on the proposal to issue said bonds. Notice
19 of intention to issue the bonds, specifying the amount and
20 purpose ~~thereof~~ of the bonds and the time and place of hearing,
21 shall be published at least once not less than ~~fifteen~~ four
22 or more than twenty days prior to the date fixed for the
23 hearing in a newspaper published at least once weekly and
24 having a general circulation within the municipality. If
25 there is no newspaper published ~~therein~~ in the municipality,
26 the notice shall be published in a newspaper published in
27 the county and having a general circulation in the
28 municipality. At the time and place fixed for the public
29 hearing the governing body ~~of the municipality~~ shall give
30 all local residents who appear at the hearing an opportunity
31 to express their views for or against the proposal, ~~to issue~~
32 ~~the bonds~~ and at the hearing, or any adjournment thereof,
33 shall at a subsequent meeting may adopt a resolution
34 ~~determining whether or not~~ to proceed with the issuance of
35 the bonds.

1 Sec. 13. Section four hundred nineteen point ten (419.10),
2 Code 1979, is amended to read as follows:

3 419.10 DEFAULT. In case of a default in the payment of
4 ~~any-revenue bonds, issued-pursuant-to-the-provisions-of-this~~
5 ~~chapter,~~ the municipality which defaulted ~~in-such-payment~~
6 ~~shall be-precluded-from-entering~~ not enter into any activity
7 of its own in connection with the project except to release
8 ~~the-property-for-some-industrial-activity~~ enter into another
9 lease, sale contract or loan agreement for purposes of a
10 project.

11 Sec. 14. Section four hundred nineteen point eleven
12 (419.11), Code 1979, as amended by Acts of the Sixty-eighth
13 General Assembly, 1979 Session, chapter ninety (90), section
14 two (2) and chapter eighty-nine (89), section three (3), is
15 amended to read as follows:

16 419.11 TAX EQUIVALENT TO BE PAID--ASSESSMENT PROCEDURE-
17 -APPEAL. Any A municipality ~~acquiring,-purchasing,-~~
18 ~~constructing,-reconstructing,-improving-or-extending-any~~
19 ~~industrial-buildings,-buildings-used-as-headquarters-facilities~~
20 ~~or-pollution-control-facilities,-as-provided-in-this-chapter~~
21 which holds title to property which is part of a project
22 financed by a lease, shall annually pay annually out of the
23 revenue from ~~such-industrial-buildings,-buildings-used-as~~
24 ~~headquarters-facilities-or-pollution-control-facilities~~ the
25 project to the state of Iowa and to the ~~city,-school-district~~
26 and any other political subdivision, ~~-authorized-to-levy-taxes,~~
27 a sum equal to the amount of tax, ~~determined-by-applying-the~~
28 ~~tax-rate-of-the-taxing-district-to-the-assessed-value-of-the~~
29 ~~property,~~ which the state, ~~county,-city,-school-district~~ or
30 other political subdivision would receive if the property
31 were owned by any ~~private-person-or-corporation,-any-other~~
32 ~~statute-to-the-contrary-notwithstanding~~ the lessee. For
33 purposes of arriving at such the tax equivalent, the property
34 ~~shall-be-valued-and-assessed-by-the~~ assessor ~~in-whose~~
35 ~~jurisdiction-the-property-is-located,-in-accordance-with~~

1 ~~chapter 441, but the municipality, the~~ shall assess the
2 property as if it were owned by the lessee, and shall grant
3 exemptions which would be available to the lessee, but only
4 if they are properly applied for by the lessee on behalf of
5 the municipality. The lessee on behalf of the municipality,
6 and ~~such~~ other persons as are authorized by chapter 441 shall
7 be are entitled to protest any assessment and take appeals
8 in the same manner as any taxpayer. ~~Such~~ The valuations used
9 to determine the tax equivalent shall be included in any
10 summation of valuations in the taxing district for all legal
11 purposes ~~known to the law.~~ Income from this source shall
12 be considered under the provisions of section 384.16,
13 subsection 1, paragraph "b".

14 If and to the extent that the proceedings under which the
15 bonds are authorized to be issued ~~under the provisions of~~
16 ~~this chapter~~ so provide, the municipality may agree to co-
17 operate with the a lessee ~~of a project~~ in connection with
18 any administrative or judicial proceedings for determining
19 the validity or amount of any such payments and may agree
20 to appoint ~~or designate~~ and reserve the right in and for ~~such~~
21 the lessee to take all action which the municipality may
22 lawfully take in respect of such payments and all matters
23 relating thereto, provided, ~~however,~~ that ~~such~~ the lessee
24 shall bear and pay all costs and expenses of the municipality
25 ~~thereby~~ incurred at the request of ~~such~~ the lessee or by
26 reason of any such action taken by ~~such~~ the lessee in behalf
27 of the municipality. Any A lessee ~~of a project~~ which has
28 paid, as rentals additional to those required to be paid
29 pursuant to section 419.5, the amounts required ~~by the first~~
30 ~~sentence of this section~~ to be paid by the municipality under
31 this section shall not be required to pay any such amounts
32 as taxes to the state ~~or to any such county, city, school~~
33 ~~district~~ or other political subdivision, ~~any other statute~~
34 ~~to the contrary notwithstanding.~~ To the extent that any a
35 lessee ~~or contracting party~~ pays taxes on a project or part

1 thereof, the municipality shall not be required to pay the
 2 tax equivalent ~~herein provided~~ under this section, and to
 3 ~~such that~~ extent the lessee ~~or contracting party~~ shall not
 4 be required to pay amounts to the municipality for ~~such that~~
 5 purpose.

6 This section shall ~~is~~ not be applicable to any ~~municipality~~
 7 ~~acquiring, purchasing, constructing, reconstructing, improving,~~
 8 ~~or extending any buildings for the purpose of establishing,~~
 9 ~~maintaining, or assisting any private or state of Iowa college~~
 10 ~~or university, nor to any municipality in connection with~~
 11 ~~any project for the benefit of a voluntary nonprofit hospital,~~
 12 ~~clinic, or health care facility,~~ the property of which is
 13 otherwise exempt under the provisions of chapter 427. However,
 14 if chapter four hundred twenty-seven (427) of the Code requires
 15 a taxpayer to apply for an exemption, the exemption must be
 16 applied for by the lessee or contracting party on behalf of
 17 the municipality in order to make this section inapplicable.
 18 The payment, collection, and apportionment of the tax
 19 equivalent shall ~~be~~ is subject to the provisions of chapters
 20 445, 446 and 447.

21 Sec. 15. Section four hundred nineteen point twelve
 22 (419.12), Code 1979, is amended to read as follows:

23 419.12 PURCHASE. The municipality may accept any bona
 24 fide offer to purchase a project which is sufficient to pay
 25 all the outstanding bonds, interest, taxes, special levies,
 26 and other costs that have been incurred in connection with
 27 the project.

28 Sec. 16. Section four hundred nineteen point fourteen
 29 (419.14), Code 1979, is amended to read as follows:

30 419.14 EMINENT DOMAIN NOT AVAILABLE. ~~No land acquired~~
 31 by Unless otherwise authorized by the Code, a municipality
 32 shall not acquire land for the purposes of this chapter by
 33 the exercise of condemnation through eminent domain ~~can be~~
 34 ~~used to effectuate the purposes of this chapter.~~ This section
 35 does not apply to a project as defined in section four hundred

1 nineteen point one (419.1), subsection two (2), paragraph
2 d, subparagraph one (1) of the Code.

3 Sec. 17. Section four hundred nineteen point fifteen
4 (419.15), Code 1979, is amended to read as follows:

5 419.15 LIMITATION OF ACTIONS. ~~No~~ An action shall not
6 be brought questioning the legality of any ~~contract,~~ lease,
7 sale contract, loan agreement, mortgage, proceedings or bonds
8 executed in connection with any a project or improvements
9 ~~authorized by this chapter from and~~ after three months ninety
10 days from the time the bonds are ordered issued by the ~~proper~~
11 authority governing body.

12 Sec. 18. Section four hundred nineteen point sixteen
13 (419.16), Code 1979, is amended to read as follows:

14 419.16 ~~INTENT-OF-LAW~~ LEASE, SUBLEASE OR ASSIGNMENT OF
15 PROJECT. ~~In order to provide available alternatives to enable~~
16 ~~municipalities to accomplish the purposes of this chapter~~
17 ~~in the manner deemed most advisable by the governing body,~~
18 ~~it is the intent of this chapter that a~~ A lessee or contracting
19 party ~~under a sale contract or loan agreement is not required~~
20 ~~to be the eventual user of a project, provided, that any~~
21 ~~sublessee or assignee shall assume all of the obligations~~
22 ~~of the lessee or contracting party under the lease, sale~~
23 ~~contract or loan agreement, the lessee or contracting party~~
24 ~~remains primarily liable for all of its obligations~~ may lease,
25 sublease or assign its interest in a project or any part of
26 a project to one or more persons for a use consistent with
27 the purposes of this chapter. However, a lease or assignment
28 shall not release a lessee or contracting party from its
29 obligation under the lease, sale contract or loan agreement,
30 ~~and the use of the project is consistent with the purposes~~
31 ~~of this chapter.~~

32 Sec. 19. Section four hundred nineteen point thirteen
33 (419.13), Code 1979, is repealed.

34
35

PROPOSED HOUSE/SENATE FILE _____

By (PROPOSED COMMITTEE ON CITIES
BILL RECOMMENDED BY THE MUNI-
CIPAL REVENUE BONDS SUBCOMMITTEE)

Passed House, Date _____ Passed Senate, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act increasing the amount of bonds and notes of the Iowa
2 housing finance authority which may be outstanding at
3 any time.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section two hundred twenty point twenty-six
2 (220.26), subsection one (1), Code 1979, is amended to read
3 as follows:

4 1. The authority may issue its negotiable bonds and notes
5 in principal amounts as, in the opinion of the authority,
6 are necessary to provide sufficient funds for achievement
7 of its corporate purposes, the payment of interest on its
8 bonds and notes, the establishment of reserves to secure its
9 bonds and notes, and all other expenditures of the authority
10 incident to and necessary or convenient to carry out its
11 purposes and powers. However, the authority may not have
12 a total principal amount of bonds and notes outstanding at
13 any time in excess of ~~two~~ five hundred ~~fifty~~ million dollars.
14 The bonds and notes shall be deemed to be investment securities
15 and negotiable instruments within the meaning of and for all
16 purposes of the uniform commercial code.

17 Sec. 2. This Act is effective January first following
18 its enactment.

19 EXPLANATION

20 This bill increases from \$250,000,000 to \$500,000,000 the
21 amount of bonds and notes of the Iowa Housing Finance Authority
22 which may be outstanding at any one time.

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