

Senate File 139

LOCAL GOVERNMENT: A. Miller, Chair: Taylor and Fraise

FILED FEB 09 1987

SENATE FILE 139
BY HUTCHINS

Passed Senate, Date 3-30-87 (p. 966) Passed House, Date 4/20/87 (p. 1538)
Vote: Ayes 44 Nays 4 Vote: Ayes 75 Nays 16
Approved June 3, 1987

A BILL FOR

1 An Act allowing moneys received from the county government
2 assistance fund or the municipal assistance fund to be used
3 for economic development projects.

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

- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

SF 139

1 Section 1. Section 334A.1, Code 1987, is amended to read
2 as follows:

3 334A.1 FUND CREATED.

4 There is created a "county government assistance fund" in
5 the office of the treasurer of state. Funds appropriated to
6 ~~such~~ this fund and distributed pursuant to section 334A.2
7 shall be used, insofar as practicable, for projects and
8 programs developed and maintained for citizens of the county
9 residing outside the incorporated areas of any city in the
10 county. Upon a finding of public purpose, the county may
11 disburse moneys received from this fund to any person to be
12 used for economic development projects.

13 Sec. 2. Section 405.1, Code 1987, is amended by adding the
14 following new subsection:

15 NEW SUBSECTION. Upon a finding of public purpose, the city
16 may disburse moneys received from this fund to any person to
17 be used for economic development projects.

18 EXPLANATION

19 The bill authorizes a city or county to disburse to any
20 person moneys received by it from the municipal assistance
21 fund or the county government assistance fund for economic
22 development projects upon a finding of public purpose.

23

24

25

26

27

28

29

30

31

32

33

34

35

SENATE FILE 139

S-3195

1 Amend Senate File 139 as follows:

2 1. Page 1, by inserting before line 1 the
3 following:

4 *Section 1. LEGISLATIVE FINDINGS.

5 The general assembly finds and declares as follows:

6 1. Any prolonged farm crisis that threatens the
7 existence or stability of agricultural producers has a
8 side effect upon agriculturally related industries and
9 rural communities which do not have a diversified
10 economy but rely heavily on the agricultural producers
11 or agriculturally related industries.

12 2. Foreign competition, where the competition is
13 from cheaper prices as a result of lower labor and
14 material costs, results in plant closings, business
15 failures, and the transformation of our industrial
16 makeup to newer and different types of industries.

17 3. Technological advances in various aspects of
18 many industries have occurred at greater frequencies
19 than in the past resulting in the need of many
20 businesses to retool, add new machinery, develop new
21 processes, or retrain workers. Some businesses are
22 able to profitably adjust to these advances while
23 others find it very difficult if not impossible. In
24 addition these technological advances offer
25 opportunities for new industries to develop.

26 4. At times of high inflation rates, large federal
27 deficits, or negative trade balances, the interest
28 rates trend higher making it very difficult for
29 agricultural producers and small businesses, which
30 represent the principal pursuits of the inhabitants of
31 this state, to find affordable capital for operating
32 expenses and servicing of existing debt on operation,
33 machinery, and real estate loans. This difficulty in
34 finding affordable capital often results in a number
35 of these enterprises contracting their operations or
36 failing to maintain profitable operations. This, in
37 turn, affects other businesses, both large and small,
38 that rely on the enterprises as suppliers, middlemen,
39 or consumers.

40 5. Small businesses account for the large majority
41 of jobs in this and other states. Small businesses
42 are continuously seeking to start up operations which
43 may be in traditional areas or in new areas as a
44 result of the change in technology or consumer tastes.
45 These new operations have one thing in common risk.
46 As the risk increases the availability of capital or
47 availability of adequate affordable capital decreases.
48 This may result in some businesses not being able to
49 begin operations with a resulting loss in new jobs and
50 additional income for the communities.

S-3195 pg 2

1 6. The effect on the economy of this state,
2 locally and as a whole, of the situations described in
3 subsections 1 through 5 and other adverse economic
4 conditions is to increase unemployment, give impetus
5 to migration of state residents, and lower the tax
6 bases. These effects result in the inability of the
7 state and its political subdivisions to provide needed
8 services to and to improve the health and welfare of
9 its inhabitants. In order to combat the conditions
10 and situations affecting the ability of the state and
11 its political subdivisions to provide for the needs,
12 health, and welfare of its inhabitants, which are
13 public purposes, economic development, involving but
14 not limited to, the creation, maintenance, and
15 expansion of business, industry, and farming and
16 providing for increased employment, must occur.

17 7. Because economic development with its component
18 parts is the answer to maintaining employment in the
19 state, retaining population, and keeping and
20 increasing the tax bases, which will enable the state
21 and its political subdivisions to continue to provide
22 for the health and welfare of its inhabitants, the
23 state, its cities, and its counties need to provide
24 assistance in order for economic development to become
25 a reality.

26 Sec. 2. NEW SECTION. 15A.1 ECONOMIC DEVELOPMENT
27 -- PUBLIC PURPOSE.

28 Economic development is a public purpose for which
29 the state, a city, or a county may provide grants,
30 loans, guarantees, and other financial assistance to
31 or for the benefit of private persons."

32 2. Title page, by striking line 1 and inserting
33 the following: "An Act relating to economic
34 development, by declaring economic development as a
35 public purpose and by allowing money received from the
36 county government".

37 3. By renumbering sections to conform with this
38 amendment.

S-3195

Filed March 19, 1987

Adopted 3/30/87 (p. 960)

BY COMMITTEE ON LOCAL GOVERNMENT
ALVIN V. MILLER, Chairperson

*See Economic Dev. 3/31/87
Amend (3697) Do Pass 4/10 (p.1262)*

SENATE FILE 139
BY HUTCHINS

(AS AMENDED AND PASSED BY THE SENATE MARCH 30, 1987)

 New Language by the Senate

Re Passed Senate, Date 5/5/87 (p.1690) Passed House, Date 4/26/87 (p.1538)
 Vote: Ayes 45 Nays 1 Vote: Ayes 75 Nays 16
 Approved June 3, 1987

A BILL FOR

3071 1 An Act relating to economic development, by declaring economic
 2 development as a public purpose and by allowing money received
 3 from the county government assistance fund or the municipal
 4 assistance fund to be used for economic development projects.

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

6
 7
 8
 9
 10
 11
 12
 13
 14
 15
 16
 17
 18
 19
 20

1 Section 1. LEGISLATIVE FINDINGS.

2 The general assembly finds and declares as follows:

3 1. Any prolonged farm crisis that threatens the existence
4 or stability of agricultural producers has a side effect upon
5 agriculturally related industries and rural communities which
6 do not have a diversified economy but rely heavily on the
7 agricultural producers or agriculturally related industries.

8 2. Foreign competition, where the competition is from
9 cheaper prices as a result of lower labor and material costs,
10 results in plant closings, business failures, and the
11 transformation of our industrial makeup to newer and different
12 types of industries.

13 3. Technological advances in various aspects of many
14 industries have occurred at greater frequencies than in the
15 past resulting in the need of many businesses to retool, add
16 new machinery, develop new processes, or retrain workers.
17 Some businesses are able to profitably adjust to these
18 advances while others find it very difficult if not
19 impossible. In addition these technological advances offer
20 opportunities for new industries to develop.

21 4. At times of high inflation rates, large federal
22 deficits, or negative trade balances, the interest rates trend
23 higher making it very difficult for agricultural producers and
24 small businesses, which represent the principal pursuits of
25 the inhabitants of this state, to find affordable capital for
26 operating expenses and servicing of existing debt on
27 operation, machinery, and real estate loans. This difficulty
28 in finding affordable capital often results in a number of
29 these enterprises contracting their operations or failing to
30 maintain profitable operations. This, in turn, affects other
31 businesses, both large and small, that rely on the enterprises
32 as suppliers, middlemen, or consumers.

33 5. Small businesses account for the large majority of jobs
34 in this and other states. Small businesses are continuously
35 seeking to start up operations which may be in traditional

1 areas or in new areas as a result of the change in technology
2 or consumer tastes. These new operations have one thing in
3 common risk. As the risk increases the availability of
4 capital or availability of adequate affordable capital
5 decreases. This may result in some businesses not being able
6 to begin operations with a resulting loss in new jobs and
7 additional income for the communities.

8 6. The effect on the economy of this state, locally and as
9 a whole, of the situations described in subsections 1 through
10 5 and other adverse economic conditions is to increase
11 unemployment, give impetus to migration of state residents,
12 and lower the tax bases. These effects result in the
13 inability of the state and its political subdivisions to
14 provide needed services to and to improve the health and
15 welfare of its inhabitants. In order to combat the conditions
16 and situations affecting the ability of the state and its
17 political subdivisions to provide for the needs, health, and
18 welfare of its inhabitants, which are public purposes,
19 economic development, involving but not limited to, the
20 creation, maintenance, and expansion of business, industry,
21 and farming and providing for increased employment, must
22 occur.

23 7. Because economic development with its component parts
24 is the answer to maintaining employment in the state,
25 retaining population, and keeping and increasing the tax
26 bases, which will enable the state and its political
27 subdivisions to continue to provide for the health and welfare
28 of its inhabitants, the state, its cities, and its counties
29 need to provide assistance in order for economic development
30 to become a reality.

31 Sec. 2. NEW SECTION. 15A.1 ECONOMIC DEVELOPMENT --PUBLIC
32 PURPOSE.

33 Economic development is a public purpose for which the
34 state, a city, or a county may provide grants, loans,
35 guarantees, and other financial assistance to or for the

1 benefit of private persons.

2 Sec. 3. Section 334A.1, Code 1987, is amended to read as
3 follows:

4 334A.1 FUND CREATED.

5 There is created a "county government assistance fund" in
6 the office of the treasurer of state. Funds appropriated to
7 such this fund and distributed pursuant to section 334A.2
8 shall be used, insofar as practicable, for projects and
9 programs developed and maintained for citizens of the county
10 residing outside the incorporated areas of any city in the
11 county. Upon a finding of public purpose, the county may
12 disburse moneys received from this fund to any person to be
13 used for economic development projects.

14 Sec. 4. Section 405.1, Code 1987, is amended by adding the
15 following new subsection:

16 NEW SUBSECTION. Upon a finding of public purpose, the city
17 may disburse moneys received from this fund to any person to
18 be used for economic development projects.

19

20

21

22

23

24

25

26

27

28

29

30

31

32

33

34

35

SENATE FILE 139

H-3822

Amend the Committee amendment, H-3697, to Senate File 139, as amended, passed and reprinted by the Senate as follows:

1. Page 1, by striking lines 7 through 22 and inserting the following:

"For purposes of this chapter, "economic development" means private or joint public and private investment involving the creation of new jobs and income or the retention of existing jobs and income that would otherwise be lost.

2. Before public funds are used for grants, loans, or other financial assistance to private persons or on behalf of private persons for economic development, the governing body of the state, city, county, or other public body dispensing those funds or the governing body's designee, shall determine that a public purpose will reasonably be accomplished by the dispensing or use of those funds. In determining whether the funds should be dispensed, the governing body or designee of the governing body shall consider any or all of the following factors:

a. Businesses that add diversity to or generate new opportunities for the Iowa economy should be favored over those that do not.

b. Development policies in the dispensing of the funds should attract, retain, or expand businesses that produce exports or import substitutes or which generate tourism-related activities.

c. Development policies in the dispensing or use of the funds should be targeted toward businesses that generate public gains and benefits, which gains and benefits are warranted in comparison to the amount of the funds dispensed.

d. Development policies in dispensing the funds should not be used to attract a business presently located within the state to relocate to another portion of the state unless the business is considering in good faith to relocate outside the state or unless the relocation is related to an expansion which will generate significant new job creation. Jobs created as a result of other jobs in similar Iowa businesses being displaced shall not be considered direct jobs for the purpose of dispensing funds."

2. Page 1, by inserting after line 37 the following:

"Employment by a public body, its agencies, or institutions or by any other person having such an interest shall not be deemed an interest by such employee or of any ownership or control by such

H-3822

Page Two

1 employee of interests of the employee's employer.
2 The word "participation" shall be deemed not to
3 include discussion or debate preliminary to a vote of
4 a local governing body or agency upon proposed
5 ordinances or resolutions relating to such a project
6 or any abstention from such a vote.

7 The designation of a bank or trust company as
8 depository, paying agent, or agent for investment of
9 funds shall not be deemed a matter of interest or
10 personal interest.

11 Stock ownership in a corporation having such an
12 interest shall not be deemed an indicia of an interest
13 or of ownership or control by the person owning such
14 stocks when less than five percent of the outstanding
15 stock of the corporation is owned or controlled
16 directly or indirectly by such person.

17 The word "action" shall not be deemed to include
18 resolutions advisory to the local governing body or
19 agency by any citizens group, board, body, or
20 commission designated to serve a purely advisory
21 approving or recommending function for economic
22 development."

H-3822 FILED APRIL 15, 1987 BY NEUHAUSER of Johnson

Adopted 4/20/87 (p. 1538)

HOUSE AMENDMENT TO
SENATE FILE 139

S-3730

1 Amend Senate File 139 as amended, passed, and
2 reprinted by the Senate as follows:

3 1. Page 2, line 33, by inserting before the word
4 "Economic" the following: "1."

5 2. Page 3, by inserting after line 1 the follow-
6 ing:

7 For purposes of this chapter, "economic
8 development" means private or joint public and private
9 investment involving the creation of new jobs and
10 income or the retention of existing jobs and income
11 that would otherwise be lost.

12 2. Before public funds are used for grants, loans,
13 or other financial assistance to private persons or on
14 behalf of private persons for economic development,
15 the governing body of the state, city, county, or
16 other public body dispensing those funds or the
17 governing body's designee, shall determine that a
18 public purpose will reasonably be accomplished by the
19 dispensing or use of those funds. In determining
20 whether the funds should be dispensed, the governing
21 body or designee of the governing body shall consider
22 any or all of the following factors:

23 a. Businesses that add diversity to or generate
24 new opportunities for the Iowa economy should be
25 favored over those that do not.

26 b. Development policies in the dispensing of the
27 funds should attract, retain, or expand businesses
28 that produce exports or import substitutes or which
29 generate tourism-related activities.

30 c. Development policies in the dispensing or use
31 of the funds should be targeted toward businesses that
32 generate public gains and benefits, which gains and
33 benefits are warranted in comparison to the amount of
34 the funds dispensed.

35 d. Development policies in dispensing the funds
36 should not be used to attract a business presently
37 located within the state to relocate to another
38 portion of the state unless the business is
39 considering in good faith to relocate outside the
40 state or unless the relocation is related to an
41 expansion which will generate significant new job
42 creation. Jobs created as a result of other jobs in
43 similar Iowa businesses being displaced shall not be
44 considered direct jobs for the purpose of dispensing
45 funds.

46 Sec. ____ . NEW SECTION. 15A.2 CONFLICTS OF
47 INTEREST.

48 If a member of the governing body of a city or
49 county or an employee of a state, city, or county
50 board, agency, commission or other governmental entity

S-3730 pg. 2

1 of the state, city, or county has an interest, either
2 direct or indirect, in a private person for which
3 grants, loans, guarantees, or other financial
4 assistance may be provided by such governing board or
5 governmental entity, the interest shall be disclosed
6 to that governing body or governmental entity in
7 writing. The member or employee having the interest
8 shall not participate in the decision-making process
9 with regard to the providing of such financial
10 assistance to the private person.

11 Employment by a public body, its agencies, or
12 institutions or by any other person having such an
13 interest shall not be deemed an interest by such
14 employee or of any ownership or control by such
15 employee of interests of the employee's employer.

16 The word "participation" shall be deemed not to
17 include discussion or debate preliminary to a vote of
18 a local governing body or agency upon proposed
19 ordinances or resolutions relating to such a project
20 or any abstention from such a vote.

21 The designation of a bank or trust company as
22 depository, paying agent, or agent for investment of
23 funds shall not be deemed a matter of interest or
24 personal interest.

25 Stock ownership in a corporation having such an
26 interest shall not be deemed an indicia of an interest
27 or of ownership or control by the person owning such
28 stocks when less than five percent of the outstanding
29 stock of the corporation is owned or controlled
30 directly or indirectly by such person.

31 The word "action" shall not be deemed to include
32 resolutions advisory to the local governing body or
33 agency by any citizens group, board, body, or
34 commission designated to serve a purely advisory
35 approving or recommending function for economic
36 development.

37 A violation of a provision of this section is
38 misconduct in office under section 721.2. However, a
39 decision of the governing board or governmental entity
40 is not invalid because of the participation of the
41 member or employee in the decision-making process or
42 because of a vote cast by a member or employee in
43 violation of this section unless the participation or
44 vote was decisive in the awarding of the financial
45 assistance."

46 3. Page 3, by striking lines 2 through 18.

47 4. Title page, by striking lines 1 through 4 and
48 inserting the following: "An Act relating to the use
49 of public funds to aid economic development."

S-3730

Filed April 22, 1987

Senate concurred 5/5/87 (p. 1689)

RECEIVED FROM THE HOUSE

SENATE FILE 139

S-3815

1 Amend the House amendment, S-3730, to Senate File
2 139 as amended, passed and reprinted by the Senate as
3 follows:

4 1. Page 2, by inserting after line 46 the
5 following:

6 "_____. Page 3, by inserting after line 18 the
7 following:

8 "Sec. _____. NEW SECTION. 404A.1 SHORT TITLE.

9 This chapter may be cited as the "Enterprise Zone
10 Act".

11 Sec. _____. NEW SECTION. 404A.2 STATEMENT OF
12 PURPOSE AND OBJECTIVE.

13 The general assembly finds and declares that the
14 creation of enterprise zones are public purposes as
15 described in chapter 15A and that the health, safety,
16 and welfare of the people of this state are dependent
17 upon the continual encouragement, development, growth,
18 and expansion of the private sector within the state.
19 There are certain depressed areas in this state that
20 need the particular attention of government to help
21 attract private sector investment into these areas.
22 Therefore, it is declared to be the purpose and
23 objective of this chapter to stimulate business and
24 industrial growth, stimulate job creation and
25 retention, develop public and private partnerships to
26 create a favorable business climate, encourage new
27 private investment, and stimulate neighborhood
28 revitalization in the depressed areas of this state by
29 means of tax incentives, financial assistance, and
30 relaxed governmental controls in those areas.

31 Sec. _____. NEW SECTION. 404A.3 DEFINITIONS.

32 As used in this chapter unless the context
33 otherwise requires:

34 1. "Department" means the Iowa department of
35 economic development.

36 2. "Enterprise zone" means an area declared by the
37 department to be eligible for the benefits of this
38 chapter.

39 3. "Designating jurisdiction" means the city,
40 county, or counties that apply for the designation of
41 an area or whose area has been designated as an
42 enterprise zone.

43 4. "Eligible business" means a business meeting
44 the conditions of section 404A.9.

45 Sec. _____. NEW SECTION. 404A.4 POWERS AND DUTIES
46 OF THE DEPARTMENT.

47 The department shall administer this chapter and
48 shall:

49 1. Establish criteria for determining what areas
50 qualify as enterprise zones.

S-3815 pg.2

1 2. Establish minimum guidelines regarding zoning,
2 health, structural safety, and pollution for
3 enterprise zones.

4 3. Monitor the implementation and operation of
5 this chapter.

6 4. Conduct a continuing evaluation program of
7 enterprise zones.

8 5. Assist units of local government in obtaining
9 demonstration project status and assistance from the
10 federal government within the enterprise zones.

11 6. Submit reports evaluating the effectiveness of
12 the program and any suggestions for legislation to the
13 governor and the general assembly by February 1 of
14 each year.

15 7. Adopt rules and prescribe procedures to
16 effectuate the purposes of this chapter.

17 Sec. ____ . NEW SECTION. 404A.5 ELIGIBILITY

18 CRITERIA.

19 The department in establishing criteria for
20 determining what areas qualify as enterprise zones
21 shall require, in addition to other criteria it may
22 establish, that an area meets the conditions of
23 subsections 1 and 2 and the designating jurisdiction
24 will offer the incentives in subsection 3.

25 1. The area must have at least one of the
26 following:

27 a. An inordinately large number of vacant or
28 underutilized lands or buildings.

29 b. At least fifteen percent of the residential
30 housing units within the area which are substandard
31 based on the latest data collected by the United
32 States bureau of the census.

33 c. A decline in the total market value of the
34 commercial and industrial property in the area over
35 three of the preceding five years or the total market
36 value of all property in the area over the preceding
37 three-year period.

38 2. The area must have at least one of the fol-
39 lowing:

40 a. An annual average unemployment rate in the
41 area, as derived from the most recent federal census,
42 of at least one hundred fifty percent of the national
43 average.

44 b. A poverty rate of twenty percent or more for
45 each census tract, minor civil division, or census
46 county division, as determined by the most recent
47 federal census.

48 c. At least seventy percent of the households in
49 the area with incomes below eighty percent of the
50 median income of the households in the designating

S-3815 pg. 3

1 jurisdiction.

2 d. A decrease in the population of the area of at
3 least twenty percent between the two most recent
4 federal censuses, as determined by those two most
5 recent federal censuses.

6 3. The designating jurisdiction shall offer all of
7 the following to eligible businesses within the area
8 if the area is designated an enterprise zone:

9 a. Special incentive rates for providing water,
10 sewer, electricity, gas, garbage collection, and other
11 forms of public utilities.

12 b. Waiver, in each jurisdiction in which the zone
13 is located, of local building permits, zoning
14 requirements, and local fees required to operate the
15 business.

16 4. The designating jurisdiction may grant a
17 partial exemption from taxation of the actual value
18 added by improvements to real property used in the
19 operations of an eligible business located within the
20 zone. The exemption shall only apply to that portion
21 of the taxes levied for the designating jurisdiction.
22 The exemption may apply to taxes levied for any of the
23 other taxing jurisdictions in which the property is
24 located provided the governing body of the other
25 taxing district agrees to the exemption. The
26 exemption shall be for at least three years but for
27 not more than five years. A renewal of the exemption
28 may be granted for a period not to exceed five years.
29 Before the exemption or renewal may be granted, the
30 eligible business must supply information as may be
31 required to show why it needs the exemption. The
32 eligible business shall sign a statement, under
33 penalty of perjury, that the information provided is
34 accurate to the extent known or could be known by the
35 eligible business. The amount of the exemption shall
36 be a percentage set by the designating jurisdiction of
37 the actual value added by the improvement for the
38 first year the improvement is assessed for taxation
39 and for each year thereafter the exemption percentage
40 set by the designating jurisdiction may be the same or
41 a lesser amount. For purposes of this paragraph,
42 "improvements" includes the rehabilitation of and
43 additions to existing structures as well as new
44 construction on vacant land or on land with existing
45 structures which were started during the period the
46 area was designated an enterprise zone.

47 Sec. . NEW SECTION. 404A.6 APPLICATIONS FOR
48 DESIGNATION OF ENTERPRISE ZONES.

A city or county may designate an area within its
jurisdiction as eligible to be an enterprise zone.

S-3815 pg. 4

1 Two or more counties may designate an area which is
2 astride their common boundaries as eligible to be an
3 enterprise zone. However, if a county seeks to
4 designate an area within a city as an enterprise zone,
5 the county must first receive the written consent of
6 the governing body of the city. The city, county, or
7 counties jointly, where appropriate, shall designate
8 an area as eligible by passing an ordinance that
9 designates the area as eligible to be an enterprise
10 zone. The ordinance shall include a description of
11 the area designated and the tax incentives and other
12 benefits to be offered to eligible businesses in that
13 area. Before passage of the ordinance a public
14 hearing shall be held within the area. A county's
15 public hearing may be held at the same time and same
16 place as the city's. After passage of the ordinance,
17 the city, county, or counties jointly, where
18 appropriate, may then make written application to the
19 department to have the area declared to be an enter-
20 prise zone. The application shall include the
21 following:

- 22 1. A description of the location of the area in
23 question.
- 24 2. A description of the input, assistance,
25 resources, and commitments which public and private
26 sector entities provided in the development of the
27 application and will provide in the implementation of
28 the zone.
- 29 3. A description of local social and economic
30 conditions and trends that impact economic development
31 including, but not limited to:
 - 32 a. Areas or sectors of recent local and zone area
33 growth, such as types of commercial activity or new
34 industries.
 - 35 b. Areas or sectors of recent local and zone area
36 decline. Describe the most significant layoffs, plant
37 closings, and estimated jobs lost over the last three
38 years and the expectations for recovery or for
39 stability.
 - 40 c. Types of industries that the area may be
41 heavily dependent on and that are currently in periods
42 of significant change or that are highly subject to
43 regional or national business cycles.
 - 44 d. Resources available to stimulate economic
45 development, such as people, expertise, money,
46 facilities, market assets, training and education
47 programs, technical assistance related to financial
48 packaging, and marketing, for entrepreneurs, small
49 businesses, and businesses owned by women and
50 minorities.

8815 pg. 5

- 1 e. Characteristics of the community, including
- 2 local government fiscal stability, local policy
- 3 choices, and bonding authority.
- 4 f. Locational factors.
- 5 4. An assessment of the quality of public services
- 6 and infrastructure necessary for the economic vitality
- 7 of the area including, but not limited to:
- 8 a. Security and police services.
- 9 b. Land use planning.
- 10 c. Transportation.
- 11 d. Street maintenance.
- 12 e. Parks and recreation.
- 13 f. Utility services.
- 14 g. Medical and hospital services.
- 15 h. Fire protection.
- 16 i. Flood control.
- 17 j. Solid waste disposal.
- 18 k. Child care services.
- 19 l. Financing.
- 20 5. Other information required by the department.

21 The application may also request the department to
22 apply to the appropriate federal agency for foreign
23 trade zone status for the area if it is designated an
24 enterprise zone.

25 Sec. . NEW SECTION. 404A.7 REVIEW OF
26 APPLICATIONS.

27 1. Upon receipt of an application from a
28 designating jurisdiction, the department shall review
29 the application and secure additional information it
30 deems necessary for the purpose of determining whether
31 the area described in the application qualifies to be
32 declared an enterprise zone. If the area qualifies,
33 the department shall designate it as an enterprise
34 zone. However, the department shall not designate
35 more than two areas in a county as enterprise zones.
36 An enterprise zone which encompasses two or more
37 counties is counted as one enterprise zone in each of
38 those counties.

39 2. If the department denies the application, it
40 shall inform the designating jurisdiction of that fact
41 along with the reasons for the denial.

42 3. If the application has requested the department
43 to seek foreign trade zone status for the area, then
44 upon designation of the area as an enterprise zone,
45 the department shall apply to the appropriate federal
46 agency for designation as a foreign trade zone. The
47 department may establish criteria which it will use to
48 determine which enterprise zones may seek foreign
49 trade zone status.

50 4. An area designated as an enterprise zone shall

S-3815 pg. 6

1 remain an enterprise zone for seven years from the
2 date of designation.

3 Sec. ____ . NEW SECTION. 404A.8 MONITORING OF
4 ZONE.

5 As part of the department's duty to monitor the im-
6 plementation and operation of this chapter, the
7 following apply:

8 1. The department shall require an annual report
9 be filed by the designating jurisdiction with the
10 department during the first quarter of each calendar
11 year, except when designation of the area as an
12 enterprise zone occurred less than twelve months prior
13 to the first day of the first three-month period in
14 which case the governing authority shall submit the
15 report during the first quarter of the following
16 calendar year.

17 2. The report shall include:

18 a. A review of improvements to residential and
19 commercial structures.

20 b. A review of improvements or expansions to
21 infrastructure.

22 c. An update on crime statistics.

23 d. A list of newly established businesses,
24 employment created, and local incentives established.

25 e. A progress report describing efforts set forth
26 in the application under section 404A.6, subsection 2.

27 f. A narrative outlining the effect of zone desig-
28 nation on the social and economic environment.

29 g. A description from the local assessor of the
30 effects on the property tax base as a result of tax
31 benefits granted under this chapter.

32 h. Additional information the department
33 determines necessary for monitoring procedures.

34 3. A field review to be conducted at the
35 discretion of the department. The review shall
36 include analysis of plan implementation and related
37 enterprise zone activities.

38 Sec. ____ . NEW SECTION. 404A.9 ELIGIBLE BUSINESS.

39 A business with operations or facilities within an
40 enterprise zone is eligible to receive the benefits
41 provided in sections 404A.10 through 404A.13 if the
42 following conditions apply:

43 1. The designating jurisdiction has approved the
44 startup or expansion of the business within the
45 enterprise zone for purposes of receiving the benefits
46 of this chapter.

47 2. The business has not closed or substantially
48 reduced its operation in one area of the state of Iowa
49 and relocated substantially the same operation in the
50 zone. This subsection does not prohibit a business

S-3815 pg. 7

1 from expanding its operations in the zone if existing
2 operations of a similar nature in the state of Iowa
3 are not closed or substantially reduced.

4 3. The department, in consultation with the
5 designating jurisdiction, concludes that the business
6 with operations or facilities in the zone will not
7 receive an unfair advantage over its competitors as a
8 result of benefits received under this chapter.

9 Sec. ____ . NEW SECTION. 404A.10 INCOME TAX CREDIT
10 -- NEW JOBS.

11 An eligible business is entitled to an income tax
12 credit for the first tax year commencing after either
13 the designation of the area as an enterprise zone or
14 the location of the business entity in the enterprise
15 zone, whichever is the later, equal to one thousand
16 dollars for each new job added within the area during
17 the period beginning with the date of the designation
18 of the area as an enterprise zone and ending with the
19 final day of the tax year. An individual may claim
20 the income tax credit allowed a partnership,
21 subchapter S corporation, or estate or trust electing
22 to have the income taxed directly to the individual.
23 The amount claimed by the individual shall be based
24 upon the pro rata share of the individual's earnings
25 of the partnership, subchapter S corporation, or
26 estate or trust. Any credit in excess of the tax
27 liability for the tax year may be credited to the tax
28 liability for the following ten tax years or until
29 depleted, whichever occurs earlier. For purposes of
30 this section, "new job" means a full-time job in a new
31 or expanding business but does not include jobs of
32 recalled workers, replacement jobs, or other jobs that
33 formerly existed in the business in the state of Iowa.

34 Sec. ____ . NEW SECTION. 404A.11 INVESTMENT TAX
35 CREDIT.

36 An eligible business is entitled to an income tax
37 credit for the first tax year commencing after either
38 the designation of the area as an enterprise zone, or
39 the location of the business entity in the enterprise
40 zone, whichever is the later, equal to five percent of
41 the first one hundred thousand dollars of new
42 investment made within the area during the period
43 beginning with the date of the designation of the area
44 as an enterprise zone and ending with the final day of
45 the tax year. An individual may claim the tax credit
46 allowed a partnership, subchapter S corporation, or
47 estate or trust electing to have the income taxed
48 directly to the individual. The amount claimed by the
49 individual shall be based upon the pro rata share of
the individual's earnings of a partnership, subchapter

S-3815 pg. 8

1 S corporation, or estate or trust. Any credit in
2 excess of the tax liability for the tax year may be
3 credited to the tax liability for the following ten
4 tax years or until depleted, whichever occurs earlier.
5 For purposes of this section, "new investment" means
6 the cost of improvements made to real property located
7 within the zone which is used in the operation of the
8 business and which receives or would be eligible to
9 receive, but for the designating jurisdiction's
10 decision not to grant, a partial property tax
11 exemption for the actual value added under section
12 404A.5, subsection 4, and the cost of machinery and
13 equipment purchased, during the time the area is an
14 enterprise zone, for use in the zone in the operation
15 of the business, the sales price of which is
16 depreciated in accordance with generally accepted
17 accounting practices.

18 Sec. ____ . NEW SECTION. 404A.12 SALES TAX REFUND
19 -- MACHINERY AND EQUIPMENT.

20 An eligible business that purchases for use in the
21 enterprise zone in the operation of the business,
22 during the time the area is an enterprise zone,
23 machinery or equipment, the sales price of which is
24 depreciated in accordance with generally accepted
25 accounting practices, is entitled to a refund of state
26 gross receipts tax paid under division IV of chapter
27 422 or chapter 423 on the purchase or use of the
28 machinery or equipment. To receive the refund a claim
29 must be filed with the department of revenue and
30 finance not later than six months after the machinery
31 or equipment is first used in the operation of the
32 business in the enterprise zone. However, a claim
33 filed later than two years after the purchase of the
34 machinery or equipment is not entitled to payment. A
35 claim shall be filed on forms provided by the
36 department of revenue and finance and a receipt or
37 other evidence that the gross receipts tax has been
38 paid shall be attached to the forms. Any tax paid on
39 industrial machinery and equipment within the scope of
40 section 427A.1, subsection 1, paragraphs "h" and "i"
41 are not eligible for the refund.

42 Sec. ____ . NEW SECTION. 404A.13 SALES TAX REFUND
43 -- CONSTRUCTION MATERIALS.

44 An eligible business that makes improvements to
45 real property located in an enterprise zone is
46 entitled to a refund of the state gross receipts tax
47 paid under division IV of chapter 422 or under chapter
48 423 on the purchase or use of the materials used in
49 making the improvements if the real property is used
50 in the operations of the business and the actual value

S-3815 pg. 9

1 added by the improvements is partially exempt or would
2 be partially exempt, but for the designating
3 jurisdiction's decision not to grant an exemption,
4 from property taxation under section 404A.5,
5 subsection 4. To receive the refund a claim must be
6 filed with the department of revenue and finance not
7 later than six months after completion of the im-
8 provements or if the materials are purchased or used
9 by a contractor under a written contract then not
10 later than six months after final settlement of the
11 contract has been made. The contractor shall provide
12 a statement to the business listing the gross receipts
13 tax paid for which a claim may be filed under this
14 section. A contractor who willfully makes a false
15 report on the amount of gross receipts tax paid is
16 guilty of a simple misdemeanor and is liable for the
17 payment of the tax with penalty and interest.

18 Sec. _____. Section 7B.3, Code 1987, is amended by
19 adding the following new subsection:

20 NEW SUBSECTION. Give preference in providing ser-
21 vices and awarding grants that will benefit enterprise
22 zones, as defined in section 404A.3.

23 Sec. _____. Section 8.41, subsection 1, Code 1987,
24 is amended to read as follows:

25 1. Commencing with the fiscal year beginning July
26 1, 1981, federal funds received in the form of block
27 grants shall be deposited in a special fund in the
28 state treasury and are subject to appropriation by the
29 general assembly upon a recommendation by the
30 governor. In determining a general fund balance, the
31 federal funds deposited in the special fund shall not
32 be included, but shall remain segregated in the
33 special fund until appropriated by the general
34 assembly. In making an appropriation from the special
35 fund of federal funds received as a community
36 development block grant, the general assembly shall
37 give preference to communities with enterprise zones,
38 as defined in section 404A.3.

39 Sec. _____. Section 28.88, subsection 1, Code 1987,
40 is amended by adding the following new lettered
41 paragraph:

42 NEW LETTERED PARAGRAPH. h. Whether the applicant
43 is located in an enterprise zone, as defined in
44 section 404A.3. This information shall be used to
45 provide a preference for financial aid to an applicant
46 located in an enterprise zone although the location in
47 an enterprise zone is not a requirement for financial
48 aid.

49 Sec. _____. Section 220.64, Code 1987, is amended by
50 adding the following new subsection:

S-3815 pg. 10

1 NEW SUBSECTION. Whether the small business is
2 located in an enterprise zone as defined in section
3 404A.3. This criterion shall be used to provide a
4 preference for loans to small businesses located in
5 enterprise zones although the location in an
6 enterprise zone is not a requirement for a loan.

7 Sec. ____ . Section 315.3, subsection 1, paragraph
8 a, Code 1987, is amended to read as follows:

9 a. Improving or maintaining highway access to
10 specific development sites, including existing and
11 future industrial locations and enterprise zones, as
12 defined in section 404A.3.

13 Sec. ____ . Section 315.5, Code 1987, is amended to
14 read as follows:

15 315.5 ADMINISTRATION OF FUND.

16 Qualifying road and street projects shall be
17 selected by the state transportation commission for
18 full or partial financing from the fund after
19 consultation with organizations representing interests
20 of counties and cities. Counties and cities may make
21 application for qualifying road and street projects
22 with the department. In ranking applications for
23 funds, the department shall, in addition to effects
24 listed in section 315.3, subsection 1, consider the
25 proportion of political subdivision matching funds to
26 be provided, if any, the proportion of private
27 contributions to be provided, if any, the total number
28 of jobs to be created, the level of need, if an
29 enterprise zone, as defined in section 404A.3, will be
30 benefited, and the impact of the proposed project on
31 the economy of the area affected. The proportion of
32 funding shall be determined by the department or, in
33 the case of cooperative projects, by agreement between
34 the department and the city councils of participating
35 cities, or boards of supervisors of participating
36 counties, or other participating public agencies or
37 private parties.

38 Sec. ____ . NEW SECTION. 422.11B ENTERPRISE ZONE
39 CREDITS.

40 The taxes imposed under this division shall be
41 reduced by the following:

42 1. The new jobs tax credit as provided in section
43 404A.10. However, the taxpayer shall not receive both
44 the tax credit provided in section 404A.10 and section
45 422.11A for the same new jobs.

46 2. The investment tax credit as provided in
47 section 404A.11.

48 Sec. ____ . Section 422.33, Code 1987, is amended by
49 adding the following new subsection:

50 NEW SUBSECTION. The taxes imposed under this

S-3815 pg. 11

1 division shall be reduced by the following:

2 a. The new jobs tax credit as provided in section
3 404A.10. However, the taxpayer shall not receive both
4 the tax credit provided in section 404A.10 and
5 subsection 7 of this section for the same new jobs.

6 b. The investment tax credit as provided in
7 section 404A.11.

8 Sec. ____ . Section 422.47, Code 1987, is amended by
9 adding the following new subsection:

10 NEW SUBSECTION. Refunds may be claimed as provided
11 in section 404A.12 for machinery and equipment and in
12 section 404A.13 for construction materials."

13 2. By renumbering as necessary.

S-3815

Filed April 24, 1987

BY EDGAR H. HOLDEN

Filed not germane 5/5/87 (p. 1629)

SENATE FILE 139

H-3697

1 Amend Senate File 139 as amended, passed, and
2 reprinted by the Senate as follows:

3 1. Page 2, line 33, by inserting before the word
4 "Economic" the following: "1."

5 2. Page 3, by inserting after line 1 the follow-
6 ing:

7 "2. To ensure that financial assistance programs
8 actually promote economic development, a program
9 administrator must determine whether assistance is
10 required for the applicant business to operate in
11 Iowa. If it is, the administrator must then determine
12 whether having the business in Iowa generates gains
13 that warrant the cost of assistance.

14 3. Financial assistance should be directed to
15 businesses that produce exports or import substitutes.

16 4. Businesses whose products or services must by
17 their very nature be produced in Iowa should not be
18 assisted.

19 5. The state shall not allow Iowa localities to
20 use state funds to compete among themselves for busi-
21 nesses, except as may specifically be provided by law
22 or rule for the financial assistance program.

23 Sec. ____ . NEW SECTION. 15A.2 CONFLICTS OF
24 INTEREST.

25 If a member of the governing body of a city or
26 county or an employee of a state, city, or county
27 board, agency, commission or other governmental entity
28 of the state, city, or county has an interest, either
29 direct or indirect, in a private person for which
30 grants, loans, guarantees, or other financial
31 assistance may be provided by such governing board or
32 governmental entity, the interest shall be disclosed
33 to that governing body or governmental entity in
34 writing. The member or employee having the interest
35 shall not participate in the decision-making process
36 with regard to the providing of such financial
37 assistance to the private person.

38 A violation of a provision of this section is
39 misconduct in office under section 721.2. However, a
40 decision of the governing board or governmental entity
41 is not invalid because of the participation of the
42 member or employee in the decision-making process or
43 because of a vote cast by a member or employee in
44 violation of this section unless the participation or
45 vote was decisive in the awarding of the financial
46 assistance."

47 3. Page 3, by striking lines 2 through 18.

48 4. Title page, by striking lines 1 through 4 and
49 inserting the following: "An Act relating to the use
of public funds to aid economic development."

H-3697 FILED APRIL 10, 1987

BY COMMITTEE ON ECONOMIC DEVELOPMENT

*Adopted as amended by 3822
4/20/87 (7.1538)*

SENATE FILE 139

AN ACT

RELATING TO THE USE OF PUBLIC FUNDS TO AID ECONOMIC DEVELOPMENT.

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

Section 1. LEGISLATIVE FINDINGS.

The general assembly finds and declares as follows:

1. Any prolonged farm crisis that threatens the existence or stability of agricultural producers has a side effect upon agriculturally related industries and rural communities which do not have a diversified economy but rely heavily on the agricultural producers or agriculturally related industries.

2. Foreign competition, where the competition is from cheaper prices as a result of lower labor and material costs, results in plant closings, business failures, and the transformation of our industrial makeup to newer and different types of industries.

3. Technological advances in various aspects of many industries have occurred at greater frequencies than in the past resulting in the need of many businesses to retool, add new machinery, develop new processes, or retrain workers. Some businesses are able to profitably adjust to these advances while others find it very difficult if not impossible. In addition these technological advances offer opportunities for new industries to develop.

4. At times of high inflation rates, large federal deficits, or negative trade balances, the interest rates trend higher making it very difficult for agricultural producers and small businesses, which represent the principal pursuits of the inhabitants of this state, to find affordable capital for operating expenses and servicing of existing debt on operation, machinery, and real estate loans. This difficulty

in finding affordable capital often results in a number of these enterprises contracting their operations or failing to maintain profitable operations. This, in turn, affects other businesses, both large and small, that rely on the enterprises as suppliers, middlemen, or consumers.

5. Small businesses account for the large majority of jobs in this and other states. Small businesses are continuously seeking to start up operations which may be in traditional areas or in new areas as a result of the change in technology or consumer tastes. These new operations have one thing in common risk. As the risk increases the availability of capital or availability of adequate affordable capital decreases. This may result in some businesses not being able to begin operations with a resulting loss in new jobs and additional income for the communities.

6. The effect on the economy of this state, locally and as a whole, of the situations described in subsections 1 through 5 and other adverse economic conditions is to increase unemployment, give impetus to migration of state residents, and lower the tax bases. These effects result in the inability of the state and its political subdivisions to provide needed services to and to improve the health and welfare of its inhabitants. In order to combat the conditions and situations affecting the ability of the state and its political subdivisions to provide for the needs, health, and welfare of its inhabitants, which are public purposes, economic development, involving but not limited to, the creation, maintenance, and expansion of business, industry, and farming and providing for increased employment, must occur.

7. Because economic development with its component parts is the answer to maintaining employment in the state, retaining population, and keeping and increasing the tax bases, which will enable the state and its political subdivisions to continue to provide for the health and welfare of its inhabitants, the state, its cities, and its counties need to provide assistance in order for economic development to become a reality.

Sec. 2. NEW SECTION. 15A.2 ECONOMIC DEVELOPMENT --
PUBLIC PURPOSE.

1. Economic development is a public purpose for which the state, a city, or a county may provide grants, loans, guarantees, and other financial assistance to or for the benefit of private persons.

For purposes of this chapter, "economic development" means private or joint public and private investment involving the creation of new jobs and income or the retention of existing jobs and income that would otherwise be lost.

2. Before public funds are used for grants, loans, or other financial assistance to private persons or on behalf of private persons for economic development, the governing body of the state, city, county, or other public body dispensing those funds or the governing body's designee, shall determine that a public purpose will reasonably be accomplished by the dispensing or use of those funds. In determining whether the funds should be dispensed, the governing body or designee of the governing body shall consider any or all of the following factors:

a. Businesses that add diversity to or generate new opportunities for the Iowa economy should be favored over those that do not.

b. Development policies in the dispensing of the funds should attract, retain, or expand businesses that produce exports or import substitutes or which generate tourism-related activities.

c. Development policies in the dispensing or use of the funds should be targeted toward businesses that generate public gains and benefits, which gains and benefits are warranted in comparison to the amount of the funds dispensed.

d. Development policies in dispensing the funds should not be used to attract a business presently located within the state to relocate to another portion of the state unless the business is considering in good faith to relocate outside the state or unless the relocation is related to an expansion which will generate significant new job creation. Jobs

created as a result of other jobs in similar Iowa businesses being displaced shall not be considered direct jobs for the purpose of dispensing funds.

Sec. 3. NEW SECTION. 15A.2 CONFLICTS OF INTEREST.

If a member of the governing body of a city or county or an employee of a state, city, or county board, agency, commission or other governmental entity of the state, city, or county has an interest, either direct or indirect, in a private person for which grants, loans, guarantees, or other financial assistance may be provided by such governing board or governmental entity, the interest shall be disclosed to that governing body or governmental entity in writing. The member or employee having the interest shall not participate in the decision-making process with regard to the providing of such financial assistance to the private person.

Employment by a public body, its agencies, or institutions or by any other person having such an interest shall not be deemed an interest by such employee or of any ownership or control by such employee of interests of the employee's employer.

The word "participation" shall be deemed not to include discussion or debate preliminary to a vote of a local governing body or agency upon proposed ordinances or resolutions relating to such a project or any abstention from such a vote.

The designation of a bank or trust company as depository, paying agent, or agent for investment of funds shall not be deemed a matter of interest or personal interest.

Stock ownership in a corporation having such an interest shall not be deemed an indicia of an interest or of ownership or control by the person owning such stocks when less than five percent of the outstanding stock of the corporation is owned or controlled directly or indirectly by such person.

The word "action" shall not be deemed to include resolutions advisory to the local governing body or agency by any citizens group, board, body, or commission designated to serve a purely advisory approving or recommending function for economic development.

A violation of a provision of this section is misconduct in office under section 721.2. However, a decision of the governing board or governmental entity is not invalid because of the participation of the member or employee in the decision-making process or because of a vote cast by a member or employee in violation of this section unless the participation or vote was decisive in the awarding of the financial assistance.

JO ANN ZIMMERMAN
President of the Senate

DONALD D. AVENSON
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 139, Seventy-second General Assembly.

JOHN F. DWYER
Secretary of the Senate

Approved _____, 1987

TERRY E. BRANSTAD
Governor

SF 139