

3-17-95 Do Pass
4-10-95 Referred to Local Gov.

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HOUSE FILE 416

LOCAL GOVERNMENT

BY JACOBS, HEATON, VANDE HOEF,
NELSON of Marshall, CARROLL,
CHURCHILL, and METCALF

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

A BILL FOR

1 An Act relating to certain housing projects undertaken by a
2 municipality.

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

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1 Section 1. Section 384.95, subsection 1, Code 1995, is
2 amended to read as follows:

3 1. "Public improvement" means any building or construction
4 work, either within or outside the corporate limits of a city,
5 to be paid for in whole or in part by the use of funds of the
6 city, regardless of sources, including a building or
7 improvement constructed or operated jointly with any other
8 public or private agency, but excluding urban renewal and low-
9 rent housing projects authorized under chapters 403 and 403A,
10 industrial aid projects authorized under chapter 419,
11 emergency work, or work performed by employees of a city or a
12 city utility.

13 Sec. 2. Section 403.2, subsection 3, Code 1995, is amended
14 to read as follows:

15 3. It is further found and declared that there exists in
16 this state the continuing need for programs to alleviate and
17 prevent conditions of unemployment; and that it is accordingly
18 necessary to assist and retain local industries and commercial
19 enterprises to strengthen and revitalize the economy of this
20 state and its municipalities; that accordingly it is necessary
21 to provide means and methods for the encouragement and
22 assistance of industrial and commercial enterprises in
23 locating, purchasing, constructing, reconstructing,
24 modernizing, improving, maintaining, repairing, furnishing,
25 equipping, and expanding in this state and its municipalities
26 and for the provision of public improvements related to
27 housing and residential development and for construction of
28 housing and residential development for low and moderate
29 income families; that accordingly it is necessary to authorize
30 local governing bodies to designate areas of a municipality as
31 economic development areas for commercial and industrial
32 enterprises or construction of housing and residential
33 development for low and moderate income families; and that it
34 is also necessary to encourage the location and expansion of
35 commercial enterprises to more conveniently provide needed

1 services and facilities of the commercial enterprises to
2 municipalities and the residents of the municipalities.
3 Therefore, the powers granted in this chapter constitute the
4 performance of essential public purposes for this state and
5 its municipalities.

6 Sec. 3. Section 403.5, subsection 2, unnumbered paragraph
7 1, Code 1995, is amended to read as follows:

8 The municipality may itself prepare or cause to be prepared
9 an urban renewal plan; or any person or agency, public or
10 private, may submit such a plan to a municipality. Prior to
11 its approval of an urban renewal plan, the local governing
12 body shall submit such plan to the planning commission of the
13 municipality, if any, for review and recommendations as to its
14 conformity with the general plan for the development of the
15 municipality as a whole. The planning commission shall submit
16 its written recommendations with respect to the proposed urban
17 renewal plan to the local governing body within thirty days
18 after receipt of the plan for review. Upon receipt of the
19 recommendations of the planning commission or, if no
20 recommendations are received within the thirty days, then,
21 without such recommendations, the local governing body may
22 proceed with the hearing on the proposed urban renewal project
23 plan prescribed by subsection 3.

24 Sec. 4. Section 403.5, subsection 3, Code 1995, is amended
25 to read as follows:

26 3. The local governing body shall hold a public hearing on
27 an urban renewal project plan after public notice thereof of
28 the hearing by publication in a newspaper having a general
29 circulation in the area of operation of the municipality. The
30 notice shall describe the time, date, place and purpose of the
31 hearing, shall generally identify the urban renewal area
32 covered by the plan, and shall outline the general scope of
33 the urban renewal project activities under consideration. A
34 copy of the notice shall be sent by ordinary mail to each
35 affected taxing entity.

1 Sec. 5. Section 403.5, subsection 4, paragraph b,
2 subparagraph (1), Code 1995, is amended to read as follows:
3 (1) If it is to be developed for residential uses, the
4 local governing body shall determine that a shortage of
5 housing of sound standards and design with decency, safety and
6 sanitation exists in the municipality; that the acquisition of
7 the area for residential uses is an integral part of and
8 essential to the program of the municipality; and that one or
9 more of the following conditions exist: that the need for
10 housing accommodations has been or will be increased as a
11 result of the clearance of slums in other areas, including
12 other portions of the urban renewal area; that the conditions
13 of blight in the area municipality, and the shortage of
14 decent, safe and sanitary housing cause or contribute to an
15 increase in and spread of disease and crime, and so as to
16 constitute a menace to the public health, safety, morals, or
17 welfare; ~~and that the acquisition of the area for residential~~
18 ~~uses is an integral part of and essential to the program of~~
19 ~~the municipality~~ that the provision of public improvements
20 related to housing and residential development will encourage
21 housing and residential development which is necessary to
22 encourage the retention or relocation of industrial and
23 commercial enterprises in locating, purchasing, constructing,
24 reconstructing, modernizing, improving, maintaining,
25 repairing, furnishing, equipping, and expanding in this state
26 and its municipalities; and that it is necessary to provide
27 means and methods for the construction of housing for low and
28 moderate income families.

29 Sec. 6. Section 403.9, subsections 3 and 4, Code 1995, are
30 amended to read as follows:

31 3. Bonds issued under this section shall be authorized by
32 resolution or ordinance of the local governing body and may be
33 issued in one or more series and shall bear such date or
34 dates, be payable upon demand or mature at such time or times,
35 bear interest at such rate or rates not exceeding that

1 permitted by chapter 74A be in such denomination or
2 denominations, be in such form either coupon or registered,
3 carry such conversion or registration privileges, have such
4 rank or priority, be executed in such manner, be payable in
5 such medium of payment, at such place or places, and be
6 subject to such terms of redemption, with or without premium,
7 be secured in such manner, and have such other
8 characteristics, as may be provided by such resolution or
9 trust indenture or mortgage issued pursuant thereto.

10 Before the local governing body may institute proceedings
11 for the issuance of bonds under this section, a notice of the
12 proposed action, including a statement of the amount and
13 purposes of the bonds, and the time and place of the meeting
14 at which the local governing body proposes to take action for
15 the issuance of the bonds, must be published as provided in
16 section 362.3. At the meeting, the local governing body shall
17 receive oral or written objections from any resident or
18 property owner of the municipality. After all objections have
19 been received and considered, the local governing body may, at
20 that meeting, take additional action for the issuance of the
21 bonds or abandon the proposal to issue the bonds. Any
22 resident or property owner of the municipality may appeal the
23 decision of the local governing body to take additional action
24 to the district court of the county in which any part of the
25 municipality is located, within fifteen days after the
26 additional action is taken, but the additional action of the
27 local governing body is final and conclusive unless the court
28 finds that the municipality exceeded its authority.

29 4. Such bonds may be sold at not less than ninety-eight
30 percent of par at public or private sale, or may be exchanged
31 for other bonds on-the-basis at not less than ninety-eight
32 percent of par.

33 Sec. 7. Section 403.10, Code 1995, is amended to read as
34 follows:

35 403.10 BONDS AS LEGAL INVESTMENT.

1 All banks, trust companies, building and loan associations,
2 savings and loan associations, investment companies and other
3 persons carrying on an investment business; all insurance
4 companies, insurance associations, and other persons carrying
5 on an insurance business; and all executors, administrators,
6 curators, trustees, and other fiduciaries, may legally invest
7 any sinking funds, moneys, or other funds belonging to them or
8 within their control in any bonds or other obligations issued
9 by a municipality pursuant to this chapter, or those issued by
10 any urban renewal agency vested with urban renewal project
11 powers under section 403.14. ~~Provided, that such bonds and~~
12 ~~other obligations shall be secured by an agreement between the~~
13 ~~issuer and the federal government, in which the issuer agrees~~
14 ~~to borrow from the federal government and the federal~~
15 ~~government agrees to lend to the issuer, prior to the maturity~~
16 ~~of such bonds or other obligations, moneys in an amount which,~~
17 ~~together with any other moneys irrevocably committed to the~~
18 ~~payment of interest on such bonds or other obligations, will~~
19 ~~suffice to pay the principal of such bonds or other~~
20 ~~obligations with interest to maturity thereon, which moneys~~
21 ~~under the terms of said agreement are required to be used for~~
22 ~~the purpose of paying the principal of and the interest on~~
23 ~~such bonds or other obligations at their maturity.~~ Such bonds
24 and other obligations shall be authorized security for all
25 public deposits. It is the purpose of this section to
26 authorize any persons, political subdivisions and officers,
27 public or private, to use any funds owned or controlled by
28 them for the purchase of any such bonds or other obligations.
29 Nothing contained in this section with regard to legal
30 investments shall be construed as relieving any person of any
31 duty of exercising reasonable care in selecting securities.

32 Bonds and other obligations issued for the construction of
33 housing for low and moderate income families shall be secured
34 by an agreement between the issuer and the federal government,
35 in which the issuer agrees to borrow from the federal

1 government and the federal government agrees to lend to the
2 issuer, prior to the maturity of such bonds or other
3 obligations, moneys in an amount which, together with any
4 other moneys irrevocably committed to the payment of interest
5 on such bonds or other obligations, will suffice to pay the
6 principal of such bonds or other obligations with interest to
7 maturity thereon, which moneys under the terms of said
8 agreement are required to be used for the purpose of paying
9 the principal of and the interest on such bonds or other
10 obligations at their maturity.

11 Sec. 8. Section 403.17, subsection 9, Code 1995, is
12 amended to read as follows:

13 9. "Economic development area" means an area of a
14 municipality designated by the local governing body as
15 appropriate for commercial and industrial enterprises, public
16 improvements related to housing and residential development,
17 or construction of housing and residential development for low
18 and moderate income families, including single or multifamily
19 housing. If an urban renewal plan for an urban renewal area
20 is based upon a finding that the area is an economic
21 development area and that no part contains slum or blighted
22 conditions, then the division of revenue provided in section
23 403.19 and stated in the plan shall be limited to twenty years
24 from the calendar year following the calendar year in which
25 the city first certifies to the county auditor the amount of
26 any loans, advances, indebtedness, or bonds which qualify for
27 payment from the division of revenue provided in section
28 403.19. Such area designated before July 1, 1994, shall not
29 include land which is part of a century farm.

30 Sec. 9. Section 403A.2, subsection 8, Code 1995, is
31 amended to read as follows:

32 8. "Housing project" or "project" means any work or
33 undertaking: (a) to demolish, clear or remove buildings from
34 any slum areas area; or (b) to provide decent, safe and
35 sanitary urban or rural dwellings, apartments or other living

1 accommodations for-families-of-low-income, lower-income
 2 families, or very-low-income-families; or (c) to accomplish a
 3 combination of the foregoing. Such work or undertaking may
 4 include buildings, land, equipment, facilities and other real
 5 or personal property for necessary, convenient or desirable
 6 appurtenances, streets, sewers, water service, utilities,
 7 parks, site preparation, landscaping, administrative,
 8 community, health, recreational, welfare or other purposes.
 9 The term "housing project" or "project" also may be applied to
 10 the planning of the buildings and improvements, the
 11 acquisition of property, the demolition of existing
 12 structures, the construction, reconstruction, alteration or
 13 repair of the improvements and all other work in connection
 14 therewith, and the term shall include all other real and
 15 personal property and all tangible or intangible assets held
 16 or used in connection with the housing project.

17 Sec. 10. Section 403A.3, subsection 10, Code 1995, is
 18 amended to read as follows:

19 10. To co-operate with the Iowa finance authority, to
 20 participate in any of its programs, to use any of the funds
 21 available to the municipality for the uses of this chapter to
 22 contribute to such programs in which it participates, and, in
 23 such instances, to comply with the provisions of ~~sections 16.1~~
 24 ~~to 16.36~~ chapter 16 and the rules of the Iowa finance
 25 authority ~~promulgated thereunder~~ adopted pursuant to chapter
 26 16.

27 Sec. 11. Section 403A.6, Code 1995, is amended to read as
 28 follows:

29 403A.6 OPERATION OF HOUSING NOT FOR PROFIT.
 30 It is hereby declared to be the policy of this state that
 31 ~~each municipality shall manage and operate its housing~~
 32 ~~projects in an efficient manner so as to enable it to fix the~~
 33 ~~rentals or payments for dwelling accommodations at low rates~~
 34 ~~consistent with its providing decent, safe and sanitary~~
 35 ~~dwelling accommodations for persons of low income, and that no~~

1 municipality shall construct or operate any housing project
2 for profit, or as a source of revenue to the municipality. To
3 this end the municipality shall fix the rentals or payments
4 for dwellings in its projects at no higher rates than it shall
5 find to be necessary in order to produce revenues which,
6 together with all other available moneys, revenues, income
7 and receipts in connection with or for such projects from
8 whatever sources derived, including federal financial
9 assistance, will be sufficient to do all of the
10 following:

11 1. To pay, as the same become due, the principal and
12 interest on the bonds issued pursuant to this chapter to

13 2. To create and maintain such reserves as may be required
14 to assure the payment of principal and interest as it becomes
15 due on such bonds to

16 3. To meet the cost of, and to provide for, maintaining
17 and operating the projects, including necessary reserves
18 therefor and the cost of any insurance, and of administrative
19 expenses and to

20 4. To make such payments in lieu of taxes and, after
21 payment in full of all obligations for which federal annual
22 contributions are pledged, to make such repayments of federal
23 and local contributions as it determines are consistent with
24 the maintenance of the low-rent-character-of projects.

25 PARAGRAPH DIVIDED. Rentals or payments for dwellings shall
26 be established and the projects administered, insofar as
27 possible, so as to assure that any federal financial
28 assistance required shall be strictly limited to amounts and
29 periods necessary to maintain the low-rent character of the
30 those projects designated as low-rent projects.

31 Sec. 12. Section 403A.7, Code 1995, is amended to read as
32 follows:

33 403A.7 HOUSING RENTALS AND TENANT ADMISSIONS.

34 A municipality shall to do all of the following:

35 1. Rent or lease the dwelling accommodations in a housing

1 project only to persons or families of low income and at
2 rentals within their financial reach ~~and (2) rent.~~

3 2. Rent or lease to a tenant such dwelling accommodations
4 consisting of the number of rooms which it deems necessary to
5 provide safe and sanitary accommodations to the proposed
6 occupants thereof, without overcrowding ~~and (3) fix.~~

7 3. Fix income limits for occupancy and rents after taking
8 into consideration ~~(a)~~ the family size, composition, age,
9 physical handicaps, and other factors which might affect the
10 rent-paying ability of the person or family, and ~~(b)~~ the
11 economic factors which affect the financial stability and
12 solvency of the project. ~~Provided, however, such~~
13 ~~determination of eligibility shall be within the limits of the~~
14 ~~income limits hereinbefore set out.~~

15 Nothing contained in this or the preceding section shall be
16 construed as limiting the power of a municipality with respect
17 to a housing project, to vest in an obligee the right, in the
18 event of a default by the municipality, to take possession or
19 cause the appointment of a receiver thereof, free from all the
20 restrictions imposed by this or the preceding section, or
21 limiting the power to construct, manage, or operate projects
22 to provide housing for families who do not meet the
23 definitions of section 403A.2, subsection 6.

24 Sec. 13. Section 403A.12, unnumbered paragraph 2, Code
25 1995, is amended to read as follows:

26 Neither the governing body of a municipality nor any person
27 executing the bonds shall be liable personally on the bonds by
28 ~~reason of the issuance thereof hereunder~~ issued pursuant to
29 this chapter. The bonds and other obligations issued under
30 the provisions of this chapter, ~~(and such which~~ bonds and
31 obligations shall so state on their face), shall be payable
32 solely from the sources provided in this section and shall not
33 constitute an indebtedness within the meaning of any
34 constitutional or statutory debt limitation or restriction.
35 Bonds issued pursuant to this chapter are declared to be

1 issued for an essential public and governmental purpose and to
2 be public instrumentalities ~~and, together with interest~~
3 ~~thereon and income therefrom, shall be exempt from taxes.~~
4 Income earned from the bonds, including interest, shall be
5 exempt from taxation. The tax exemption provisions of this
6 chapter shall be considered part of the security for the
7 repayment of bonds and shall constitute, by virtue of this
8 chapter and without the necessity of the same being restated
9 in ~~said~~ the bonds, a contract between the bondholders and each
10 and every one thereof, including all transferees of ~~said~~ the
11 bonds from time to time on the one hand and the respective
12 municipalities issuing ~~said~~ the bonds and the state on the
13 other.

14 Sec. 14. Section 403A.14, Code 1995, is amended by adding
15 the following new subsection:

16 NEW SUBSECTION. 11. Covenant that the municipality will
17 annually budget or appropriate moneys, subject to statutory
18 limitations on the amount that may be levied, to pay all or a
19 designated amount of any shortfall in the income and revenues
20 available to pay the costs of operating or maintaining a
21 housing project after provision has been made for payment of
22 bonds or to restore deficiencies in a debt service reserve
23 fund established for the bonds. However, a municipality shall
24 not be obligated to appropriate or otherwise provide moneys
25 for the payment of operating deficit reimbursements, and in
26 the event of nonappropriation by the municipality, the
27 municipality shall not be liable for general, special,
28 incidental, consequential, or other damage resulting from the
29 nonappropriation. If a municipality elects to incur an
30 obligation to appropriate or otherwise provide moneys for the
31 payment of operating deficit reimbursements, the operating
32 deficit agreement may provide that in the event a municipality
33 shall fail to pay an operating deficit reimbursement, the
34 municipality shall be in default under the operating deficit
35 agreement and such default shall constitute a default by the

1 municipality under the loan agreement with respect to the
2 project.

3 Sec. 15. Section 403A.28, Code 1995, is amended to read as
4 follows:

5 403A.28 PUBLIC HEARING REQUIRED.

6 ~~The~~ A municipality or municipal housing agency shall not
7 undertake any ~~low-cost~~ housing project until such time as a
8 public hearing has been called, at which time the municipality
9 or the agency shall advise the public of the name of the
10 proposed project, its location, the number of living units
11 proposed and their approximate cost. Notice of the public
12 hearing on the proposed project shall be published at least
13 once in a newspaper of general circulation within the
14 municipality, at least fifteen days prior to the date set for
15 the hearing.

16 EXPLANATION

17 This bill amends chapter 403 and provides that tax
18 increment financing revenues may be used for public
19 improvements relating to any type of housing and residential
20 development within an urban renewal area. Currently, tax
21 increment financing revenues may only be used for construction
22 of housing and for residential development for low or moderate
23 income families, as defined in chapter 403.

24 The bill also amends chapter 403A, the municipal housing
25 law, to provide that municipal housing projects may be
26 undertaken for all types of housing. Current law allows the
27 financing of municipal housing projects only for housing for
28 low-income, lower-income, and very low-income families, as
29 defined in chapter 403A.

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