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FILED FEB 15 1995

SENATE FILE 160
BY COMMITTEE ON SMALL BUSINESS,
ECONOMIC DEVELOPMENT AND
TOURISM

(SUCCESSOR TO SF 113)

(p 577)
Passed Senate, Date 3/9/95
Vote: Ayes ~~21~~ 27 Nays 23
Approved _____

Passed House, Date _____
Vote: Ayes _____ Nays _____

A BILL FOR

1 An Act relating to establishing a local housing development
2 program under the Iowa finance authority, authorizing the
3 issuance of bonds to fund the program, and authorizing a city,
4 county, or municipal housing agency to develop, own, and
5 manage a local housing project.

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

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S.F. 160

1 Section 1. NEW SECTION. 16.191 LEGISLATIVE FINDINGS --
2 PURPOSE.

3 The general assembly finds and declares as follows:

4 1. The economic health and development of Iowa communities
5 is tied to opportunities for jobs in and near those
6 communities and the availability of jobs is in part tied to
7 the availability of affordable, decent single-family and
8 multi-family housing in those communities.

9 2. A need exists for single-family and multi-family
10 housing in Iowa communities which is not being met by existing
11 state programs or the housing market.

12 3. A shortage of opportunities and means for developing
13 local housing exists. It is in the best interest of the state
14 and its citizens for cities, counties, and municipal housing
15 agencies to develop projects which will increase the stock of
16 local housing and to own and manage the housing constructed
17 through the project until the housing can be sold.

18 4. The expansion of local housing is dependent upon the
19 availability of financing at a sufficiently low cost to make
20 the construction and occupation or purchase of the housing
21 feasible. The local housing development program is a public
22 purpose for which the state may encourage the investment of
23 private capital in local housing development projects through
24 the use of public financial assistance.

25 Sec. 2. NEW SECTION. 16.192 LOCAL HOUSING DEVELOPMENT
26 PROGRAM -- ESTABLISHED -- DEFINITIONS.

27 1. A local housing development program is established in
28 the authority to provide loans to a city, a county, or a
29 municipal housing agency for projects to increase the housing
30 stock in the community. The authority may issue its bonds or
31 notes in accordance with section 16.26 for the purpose of
32 funding the loans and may make secured loans to a city, a
33 county, or a municipal housing agency.

34 2. For the purposes of this program:

35 a. "Municipality" means a city, county, municipal housing

1 agency, or other public entity authorized to undertake a
2 housing project and any entity organized pursuant to an
3 agreement under chapter 28E, consisting of a combination of
4 cities, counties, municipal housing agencies, or other public
5 entities.

6 b. "Pledged receipt" means with respect to any project:

7 (1) The income and receipts or other money derived from
8 the project financed with the proceeds of the bonds or notes,
9 including interest and principal repayments from loan
10 agreements.

11 (2) Funds, revenues, and other assets pledged by the
12 municipality pursuant to a loan agreement regardless of the
13 source of the fund or revenues.

14 (3) Other income and receipts of the authority determined
15 by the authority to be made available for the project.

16 c. "Program" means the local housing development program
17 established in this section.

18 d. "Project" means a local housing development project
19 under the program, consisting of single-unit or multi-unit
20 housing, for persons for whom housing is not otherwise
21 available in the community.

22 Sec. 3. NEW SECTION. 16.193 LOAN AGREEMENTS -- BONDS AND
23 NOTES.

24 1. The authority may issue its bonds and notes, the
25 proceeds of which shall be used to make program loans to a
26 municipality. The authority may enter into loan agreements
27 with a municipality to finance in whole or in part one or more
28 projects. The repayment obligation of the municipality may be
29 unsecured, secured by a mortgage or security agreement, or
30 secured by other security. The repayment obligation may be
31 evidenced by one or more notes of the municipality. The loan
32 agreement may contain terms and conditions the authority and
33 municipality deem advisable, including an operating deficit
34 agreement authorized by section 16.196.

35 2. The authority may issue its bonds and notes for

1 projects and may enter into a lending agreement or purchase
2 agreement with bondholders or noteholders containing the terms
3 and conditions of the repayment of and the security for the
4 bonds or notes. The authority may issue its bonds for one or
5 more projects secured by loan agreements related to those
6 projects. The authority and the bondholders or noteholders or
7 trustee agent designated by the authority may enter into an
8 agreement to provide for any of the following:

9 a. That the proceeds of the bonds and notes and the
10 investments of the proceeds may be received, held, and
11 disbursed by the authority or by a trustee or agent designated
12 by the authority.

13 b. That the bondholders or noteholders or a trustee or
14 agent designated by the authority may collect, invest, and
15 apply the amount payable under the loan agreements or any
16 other instruments securing the debt obligations under the loan
17 agreements.

18 c. That the bondholders or noteholders may enforce the
19 remedies provided in the loan agreements or other instruments
20 on their own behalf. If there is a default in the principal
21 of or interest on the bonds or notes or in the performance of
22 an agreement contained in the loan agreements or other
23 instruments, the payment or performance may be enforced in
24 accordance with the loan agreements or other instruments.

25 d. Other terms and conditions as deemed necessary or
26 appropriate by the authority.

27 3. The powers granted the authority under this program are
28 in addition to other powers contained in this chapter. All
29 other provisions of this chapter, except section 16.28,
30 subsection 4, apply to bonds or notes issued and power granted
31 to the authority under this program except to the extent they
32 are inconsistent with this section.

33 4. All bonds or notes issued by the authority in
34 connection with the program are exempt from taxation by this
35 state and the interest on the bonds or notes is exempt from

1 state income tax.

2 Sec. 4. NEW SECTION. 16.194 SECURITY -- RESERVE FUNDS --
3 PLEDGES -- NONLIABILITY -- IRREVOCABLE CONTRACTS.

4 1. The authority may provide in the resolution, trust
5 agreement, or other instrument authorizing the issuance of its
6 bonds or notes pursuant to this program that the principal of,
7 premium, and interest on the bonds or notes are payable solely
8 out of the pledged receipts as designated in the resolution,
9 trust agreement, or other instrument authorizing the issuance
10 of the bonds or notes.

11 2. The authority may establish reserve funds to secure one
12 or more issues of its bonds or notes. The authority may
13 deposit in a reserve fund established under this section the
14 proceeds of the sale of its bonds or notes and other moneys
15 which are made available from any other source.

16 3. A pledge made in respect of bonds or notes shall be
17 valid and binding from the time the pledge is made, and the
18 money or property so pledged and received after the pledge by
19 the authority shall immediately be subject to a lien or the
20 pledge without physical delivery or further act, and that the
21 lien or the pledge shall be valid and binding as against all
22 parties having claims of any kind in tort, contract, or
23 otherwise against the authority whether or not the parties
24 have notice of the lien or pledge. The resolution, trust
25 agreement, or other instrument by which a pledge is created
26 need not be recorded or filed in accordance with chapter 554
27 to be valid, binding, or effective against any parties.

28 4. The members of the authority and a person executing the
29 bonds or notes are not liable personally on the bonds or notes
30 and are not subject to personal liability or accountability by
31 reason of the issuance of the bonds or notes.

32 5. The bonds or notes issued by the authority are not an
33 indebtedness or other liability of the state or of a political
34 subdivision of the state within the meaning of any
35 constitutional or statutory debt limitations but are special

1 obligations of the authority, and are payable solely out of
2 the pledged receipts to the extent that the pledged receipts
3 are designated in the resolution, trust agreement, or other
4 instrument of the authority authorizing the issuance of the
5 bonds or notes as being available as security for such bonds
6 or notes. The authority shall not pledge the faith or credit
7 of the state to the payment of any bonds or notes. The
8 authority shall not pledge the faith or credit of a
9 municipality to the payment of any bonds or notes except as
10 agreed to by the municipality in its loan agreement. The
11 issuance of any bonds or notes by the authority does not
12 directly, indirectly, or contingently obligate the state to
13 apply moneys from, or levy or pledge any form of taxation
14 whatever to the payment of the bonds or notes. The issuance
15 of any bonds or notes by the authority does not directly,
16 indirectly, or contingently obligate a municipality to apply
17 moneys from, or levy or pledge any form of taxation whatever
18 to the payment of the bonds or notes, except as agreed to by
19 the municipality in the loan agreement.

20 6. The state pledges to and agrees with the holders of
21 bonds or notes issued under the program, that the state will
22 not limit or alter the rights and powers vested in the
23 authority to fulfill the terms of a contract made by the
24 authority with respect to the bonds or notes, or in any way
25 impair the rights and remedies of the holders until the bonds
26 and notes, together with the interest on them including
27 interest on unpaid installments of interest, and all costs and
28 expenses in connection with an action or proceeding by or on
29 behalf of the holders, are fully met and discharged. The
30 authority may include this pledge and agreement of the state,
31 as it refers to holders of bonds or notes of the authority, in
32 a contract with the holders.

33 Sec. 5. NEW SECTION. 16.195 POWERS OF THE MUNICIPALITY.

34 1. For purposes of the program, a municipality may enter
35 into loan agreements and issue any type of obligations payable

1 from any security which it is authorized by law to issue. For
2 the purpose of this program, the development, ownership and
3 managing of a project constitutes an essential county purpose
4 and a county enterprise under chapter 331 and an essential
5 corporate purpose and a city enterprise under chapter 384.

6 2. To approve a loan agreement under this chapter for a
7 project, a municipality shall follow the authorization
8 procedures for the issuance of revenue bonds by cities as set
9 out in section 384.83. Chapter 75 shall not apply. No other
10 law governing the authorization and issuance of obligations by
11 a municipality shall apply to loan agreements entered into by
12 a municipality with the authority for purposes of the program.

13 3. A municipality may negotiate development agreements,
14 construction agreements and management agreements for the
15 project and shall not be subject to the provisions of any
16 other law relating to public hearings or public bidding
17 including, without limitation, section 331.341 and sections
18 384.95 through 384.103.

19 4. A municipality may enter into loan agreements
20 containing any terms with respect to the project the
21 municipality and authority determine, including the granting
22 of a mortgage on the project and a security interest in any
23 other properties, rights, funds, or revenues with respect to
24 the project, notwithstanding the provisions of any other law
25 to the contrary. Any provisions of chapters 331 and 384 which
26 limit the powers of cities and counties with respect to
27 revenue financing of city and county enterprises shall not
28 restrict the powers of a municipality to finance a project
29 under this program.

30 Sec. 6. NEW SECTION. 16.196 OPERATING DEFICIT AGREEMENT.

31 1. A municipality may enter into an operating deficit
32 agreement, as a part of or separately from the loan agreement,
33 in which the municipality may agree that, when requested to
34 pay an operating deficit reimbursement with respect to a
35 project, the municipality shall timely include in its budget

1 request, and use all reasonable and lawful means to obtain, an
2 appropriation from the governing body of the municipality for
3 each fiscal year of moneys sufficient to pay operating deficit
4 reimbursements defined in the operating deficit agreement for
5 a project for the prior fiscal year, or a projected operating
6 deficit for the project for the current fiscal year or
7 succeeding fiscal year. A municipality may also represent at
8 the time of execution of the operating deficit agreement that
9 it reasonably expects to budget and appropriate for all
10 operating deficit reimbursements and that the municipality
11 will take any action necessary to provide moneys for the
12 payment of such reimbursements from sources of the
13 municipality lawfully available for such purposes.

14 2. Notwithstanding subsection 1, the municipality shall
15 not be obligated to appropriate or otherwise provide moneys
16 for the payment of operating deficit reimbursements, and in
17 the event of nonappropriation by the municipality, the
18 municipality shall not be liable for general, special,
19 incidental, consequential, or other damage resulting from the
20 nonappropriation. The operating deficit agreement may provide
21 that in the event a municipality shall fail to pay an
22 operating deficit reimbursement, the municipality shall be in
23 default under the operating deficit agreement and such default
24 will constitute a default by the municipality under the loan
25 agreement with respect to the project.

26 3. If a project has an operating deficit for the prior
27 fiscal year for which the municipality is obligated to make an
28 operating deficit reimbursement pursuant to the terms of the
29 operating deficit agreement or loan agreement, the
30 municipality may reduce the amount of payment in lieu of taxes
31 provided in section 16.197 by the amount of the operating
32 deficit reimbursement and apply the savings to the payment of
33 the operating deficit reimbursement if the municipality
34 determines that there are no other uncommitted funds legally
35 available to pay the operating deficit reimbursement.

1 Sec. 7. NEW SECTION. 16.197 PAYMENTS IN LIEU OF TAXES.

2 1. A municipality owning housing pursuant to a project
3 shall annually pay out of the revenues from the project to the
4 state of Iowa and to the city, school district, and any other
5 political subdivision authorized to levy taxes against
6 property in the jurisdiction in which the project is located,
7 twenty-five percent of the amount of tax determined by
8 applying the tax rate of the taxing district to the assessed
9 value of the project, which the state, county, school district
10 or other political subdivision would receive if the project
11 were owned by a private person, any other provision of this
12 Code to the contrary notwithstanding. For purposes of
13 arriving at this tax equivalent, the property of the project
14 shall be valued and assessed by the assessor in whose
15 jurisdiction the project is located, in accordance with
16 chapter 441, but the municipality, the lessee on behalf of the
17 municipality with the municipality's consent, and other
18 persons authorized by chapter 441 shall be entitled to protest
19 any assessment in the same manner as any taxpayer. The
20 valuations of the project shall be included in any summation
21 of valuations in the taxing district for all lawful purposes.
22 Income from this source shall be considered under the
23 provision of section 384.16, subsection 1, paragraph "b".

24 2. Notwithstanding subsection 1, the payment in lieu of
25 taxes may be reduced in accordance with section 16.196 by
26 reason of a requirement to pay an operating deficit
27 reimbursement.

28 Sec. 8. NEW SECTION. 16.198 AVAILABILITY OF HOUSING
29 UNITS FOR PURCHASE BY RESIDENTS.

30 A municipality shall make provisions to facilitate the
31 eventual purchase of housing units in projects by residents,
32 including ultimately transferring multi-unit housing into
33 condominiums. The authority shall assist a municipality in
34 achieving this objective.

35 Sec. 9. Section 331.461, subsection 2, Code 1995, is

1 amended by adding the following new paragraph:

2 NEW PARAGRAPH. g. Local housing development projects
3 under section 16.192.

4 Sec. 10. Section 384.24, subsection 2, paragraph k, Code
5 1995, is amended to read as follows:

6 k. Housing for the elderly or physically handicapped and
7 local housing development projects under section 16.192.

8 EXPLANATION

9 This bill establishes the local housing development program
10 in the Iowa finance authority. The program shall provide
11 loans to cities, counties, municipal housing agencies, other
12 public housing entities or entities formed under chapter 28E
13 for the purposes of expanding the stock of affordable single-
14 and multi-family housing in a community as a means to enhance
15 the economic development of the community.

16 In addition, the bill provides for the manner in which a
17 municipality may receive loans under the program and provides
18 for the issuance of bonds and notes by the Iowa finance
19 authority to fund the loans. Municipalities may develop the
20 housing units under a project and may own and manage the
21 property. The bill provides that the objective of developing
22 the housing will ultimately be to transfer it to private
23 ownership, including turning multi-family units into
24 condominiums.

25 Further, the bill provides that projects under the local
26 housing development program are corporate purposes for a city
27 or county. Property developed through a project is subject to
28 a payment in lieu of taxes of 25 percent of the amount of
29 taxes which would have been assessed against the property by
30 each taxing entity.

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SENATE FILE 160

S-3084

- 1 Amend Senate File 160 as follows:
2 1. Page 1, by inserting before line 1 the
3 following:
4 "Section 1. NEW SECTION. 16.26A INTEREST ON
5 BONDS AND NOTES EXEMPT FROM STATE INCOME TAX.
6 Interest on bonds and notes issued by the authority
7 under this chapter shall not be included in the
8 calculation of taxable income for purposes of the Iowa
9 individual or corporate income tax."
10 2. Page 1, by inserting after line 24 the
11 following:
12 "5. The exemption of bonds and notes from Iowa
13 income tax would be advantageous to the availability
14 of capital for housing and other infrastructure
15 investments."
16 3. Page 4, by inserting after line 1 the
17 following:
18 "Notwithstanding any other provision of law,
19 interest earned on all other bonds and notes issued in
20 this state is exempt from state income tax."
21 4. Page 9, by inserting after line 7 the
22 following:
23 "Sec. ____ . Section 1 of this Act takes effect July
24 1, 1995, and applies to interest income received from
25 bonds and notes issued under chapter 16 on or after
26 July 1, 1995."
27 5. By renumbering as necessary.

By MERLIN E. BARTZ

S-3084 FILED MARCH 1, 1995

out of order

3/9/94 (P.579)

SENATE FILE 160

S-3112

1 Amend Senate File 160 as follows:
2 1. Page 2, by inserting after line 21 the
3 following:
4 "3. A municipality shall not participate in this
5 program unless it has completed a housing needs
6 survey, which has been approved by the governing body
7 of the city or county in which the municipality is
8 located."

By MARY NEUHAUSER
TOM VILSACK

S-3112 FILED MARCH 9, 1995
ADOPTED

SENATE FILE 160

S-3113

1 Amend the amendment, S-3111, to Senate File 160, as
2 follows:
3 1. Page 1, line 4, by striking the words
4 "seventy-five thousand dollars or less" and inserting
5 the following: "an amount equal to or less than the
6 maximum purchase amount for new homes under the first
7 time home buyer program administered by the Iowa
8 finance authority".

By TOM VILSACK

S-3113 FILED MARCH 9, 1995
ADOPTED

SENATE FILE 160

S-3107

1 Amend Senate File 160 as follows:
2 1. Page 6, by inserting after line 29 the
3 following:
4 "____. A loan agreement entered into by a
5 municipality under this program shall contain a
6 provision requiring the municipality to set aside ten
7 percent of the loan amount in a maintenance and upkeep
8 account. Funds in that account shall be used for
9 repairs to the property while it is owned by the
10 municipality. Prior to the sale of property all
11 necessary repairs shall be made by the municipality.
12 If the property is sold by the municipality, funds
13 remaining in the account shall be used to repay the
14 loan amount. Excess funds in the account after the
15 loan amount is repaid shall revert to the Iowa finance
16 authority to be used for the purposes of this
17 program."
18 2. Page 8, by inserting after line 34 the
19 following:
20 "If the municipality has not sold housing units
21 owned by the municipality by the fifth year following
22 the construction of the housing units, the Iowa
23 finance authority may bundle individual housing units
24 for sale by public bid or auction."
25 3. By renumbering as necessary.

By ALLEN BORLAUG

S-3107 FILED MARCH 9, 1995
LOST

SENATE FILE 160

S-3108

- 1 Amend Senate File 160 as follows:
2 1. Page 1, lines 28 and 29, by striking the words
3 "city, a county, or a municipal housing agency" and
4 inserting the following: "municipal housing agency,
5 city or county, where the county has a population of
6 fewer than twenty thousand residents,".
7 2. Page 2, line 1, by inserting after the word
8 "entity" the following: "in a county with a
9 population under twenty thousand".
10 3. Page 2, line 5, by inserting after the word
11 "entities." the following: "However, an entity
12 organized under chapter 28E shall not have as one of
13 its members a municipality from a county with a
14 population of over twenty thousand."

By ALLEN BORLAUG

S-3108 FILED MARCH 9, 1995

LOST

SENATE FILE 160

S-3110

- 1 Amend the amendment, S-3084, to Senate File 160 as
2 follows:
3 1. Page 1, line 19, by striking the words "all
4 other".
5 2. Page 1, line 19, by inserting after the word
6 "issued" the following: "by a political subdivision
7 for infrastructure needs".

By MERLIN E. BARTZ
TONY BISIGNANO

S-3110 FILED MARCH 9, 1995

ADOPTED

SENATE FILE 160

S-3111

- 1 Amend Senate File 160 as follows:
2 1. Page 2, line 19, by inserting after the word
3 "single-unit" the following: "housing which would
4 sell for seventy-five thousand dollars or less".

By STEWART IVERSON, Jr.

S-3111 FILED MARCH 9, 1995

ADOPTED

SENATE FILE 160

S-3116

1 Amend Senate File 160 as follows:

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

4 "Section 1. Section 16.107, Code 1995, is amended
5 to read as follows:

6 16.107 INFRASTRUCTURE LOAN PROGRAM.

7 The authority may issue its bonds or notes for the
8 purpose of pooling obligations of ~~two one~~ or more
9 cities, counties, or sanitary districts ~~for the~~
10 purpose of financing infrastructure, or other special
11 districts authorized to provide for infrastructure and
12 improvements, including housing, as defined by
13 sections 15.284 and 15.285. Sections 16.103 through
14 16.106 shall apply with respect to the issuance of
15 these bonds or notes or the disposition of proceeds of
16 these bonds or notes. All bonds or notes issued by
17 the authority pursuant to this section are exempt from
18 taxation by this state and the interest on the bonds
19 or notes is exempt from state income tax."

20 2. Page 1, by inserting after line 24 the
21 following:

22 "5. The exemption of bonds and notes from Iowa
23 income tax would be advantageous to the availability
24 of capital for housing."

25 3. Page 9, by inserting after line 7 the
26 following:

27 "Sec. ____ . Section 1 of this Act takes effect July
28 1, 1995, and applies to interest income received from
29 bonds and notes issued under section 16.107 on or
30 after July 1, 1995."

31 4. By renumbering as necessary.

By MERLIN E. BARTZ

S-3116 FILED MARCH 9, 1995
RULED OUT OF ORDER

SENATE FILE 160

S-3115

1 Amend Senate File 160 as follows:
2 1. Page 2, line 21, by striking the word
3 "community." and inserting the following: "community,
4 approved in accordance with subsection 3.
5 3. The authority shall not enter into any
6 agreement with a municipality under this program
7 unless the project has been approved as follows:
8 a. The governing body of the city or county
9 containing the municipality shall hold a public
10 hearing on the proposed project not less than seven
11 days following the publishing of notice of the hearing
12 in a newspaper of general circulation in the city or
13 county in which the proposed project is to be located.
14 b. Following the public hearing, if the governing
15 body wishes to proceed with the project, the governing
16 body shall adopt a resolution approving the project.
17 The resolution shall provide for a reverse referendum
18 under paragraph "c".
19 c. Upon the petition of ten percent of the persons
20 who voted in the last election for members of the
21 governing body of the city or county, received within
22 thirty days of the date of adoption of the resolution
23 under paragraph "b", the governing body shall direct
24 that the proposal be submitted for a special election
25 to be held as early as practicable. Notice of the
26 election shall be given as provided in section 49.53,
27 for cities, or as provided in section 331.305, for
28 counties. The notice shall state the time and place
29 of holding the election and the hours when the polls
30 will open and close, the purpose of the election, and
31 a description of the proposed project. The project
32 shall be considered approved if a majority of the
33 votes cast favor the project."

By H. KAY HEDGE

S-3115 FILED MARCH 9, 1995
ADOPTED

1 Section 1. NEW SECTION. 16.191 LEGISLATIVE FINDINGS --
2 PURPOSE.

3 The general assembly finds and declares as follows:

4 1. The economic health and development of Iowa communities
5 is tied to opportunities for jobs in and near those
6 communities and the availability of jobs is in part tied to
7 the availability of affordable, decent single-family and
8 multi-family housing in those communities.

9 2. A need exists for single-family and multi-family
10 housing in Iowa communities which is not being met by existing
11 state programs or the housing market.

12 3. A shortage of opportunities and means for developing
13 local housing exists. It is in the best interest of the state
14 and its citizens for cities, counties, and municipal housing
15 agencies to develop projects which will increase the stock of
16 local housing and to own and manage the housing constructed
17 through the project until the housing can be sold.

18 4. The expansion of local housing is dependent upon the
19 availability of financing at a sufficiently low cost to make
20 the construction and occupation or purchase of the housing
21 feasible. The local housing development program is a public
22 purpose for which the state may encourage the investment of
23 private capital in local housing development projects through
24 the use of public financial assistance.

25 Sec. 2. NEW SECTION. 16.192 LOCAL HOUSING DEVELOPMENT
26 PROGRAM -- ESTABLISHED -- DEFINITIONS.

27 1. A local housing development program is established in
28 the authority to provide loans to a city, a county, or a
29 municipal housing agency for projects to increase the housing
30 stock in the community. The authority may issue its bonds or
31 notes in accordance with section 16.26 for the purpose of
32 funding the loans and may make secured loans to a city, a
33 county, or a municipal housing agency.

34 2. For the purposes of this program:

35 a. "Municipality" means a city, county, municipal housing

1 agency, or other public entity authorized to undertake a
2 housing project and any entity organized pursuant to an
3 agreement under chapter 28E, consisting of a combination of
4 cities, counties, municipal housing agencies, or other public
5 entities.

6 b. "Pledged receipt" means with respect to any project:

7 (1) The income and receipts or other money derived from
8 the project financed with the proceeds of the bonds or notes,
9 including interest and principal repayments from loan
10 agreements.

11 (2) Funds, revenues, and other assets pledged by the
12 municipality pursuant to a loan agreement regardless of the
13 source of the fund or revenues.

14 (3) Other income and receipts of the authority determined
15 by the authority to be made available for the project.

16 c. "Program" means the local housing development program
17 established in this section.

18 d. "Project" means a local housing development project
19 under the program, consisting of single-unit housing which
20 would sell for an amount equal to or less than the maximum
21 purchase amount for new homes under the first time home buyer
22 program administered by the Iowa finance authority or multi-
23 unit housing, for persons for whom housing is not otherwise
24 available in the community, approved in accordance with
25 subsection 4.

26 3. A municipality shall not participate in this program
27 unless it has completed a housing needs survey, which has been
28 approved by the governing body of the city or county in which
29 the municipality is located.

30 4. The authority shall not enter into any agreement with a
31 municipality under this program unless the project has been
32 approved as follows:

33 a. The governing body of the city or county containing the
34 municipality shall hold a public hearing on the proposed
35 project not less than seven days following the publishing of

1 notice of the hearing in a newspaper of general circulation in
2 the city or county in which the proposed project is to be
3 located.

4 b. Following the public hearing, if the governing body
5 wishes to proceed with the project, the governing body shall
6 adopt a resolution approving the project. The resolution
7 shall provide for a reverse referendum under paragraph "c".

8 c. Upon the petition of ten percent of the persons who
9 voted in the last election for members of the governing body
10 of the city or county, received within thirty days of the date
11 of adoption of the resolution under paragraph "b", the
12 governing body shall direct that the proposal be submitted for
13 a special election to be held as early as practicable. Notice
14 of the election shall be given as provided in section 49.53,
15 for cities, or as provided in section 331.305, for counties.
16 The notice shall state the time and place of holding the
17 election and the hours when the polls will open and close, the
18 purpose of the election, and a description of the proposed
19 project. The project shall be considered approved if a
20 majority of the votes cast favor the project.

21 Sec. 3. NEW SECTION. 16.193 LOAN AGREEMENTS -- BONDS AND
22 NOTES.

23 1. The authority may issue its bonds and notes, the
24 proceeds of which shall be used to make program loans to a
25 municipality. The authority may enter into loan agreements
26 with a municipality to finance in whole or in part one or more
27 projects. The repayment obligation of the municipality may be
28 unsecured, secured by a mortgage or security agreement, or
29 secured by other security. The repayment obligation may be
30 evidenced by one or more notes of the municipality. The loan
31 agreement may contain terms and conditions the authority and
32 municipality deem advisable, including an operating deficit
33 agreement authorized by section 16.196.

34 2. The authority may issue its bonds and notes for
35 projects and may enter into a lending agreement or purchase

1 agreement with bondholders or noteholders containing the terms
2 and conditions of the repayment of and the security for the
3 bonds or notes. The authority may issue its bonds for one or
4 more projects secured by loan agreements related to those
5 projects. The authority and the bondholders or noteholders or
6 trustee agent designated by the authority may enter into an
7 agreement to provide for any of the following:

8 a. That the proceeds of the bonds and notes and the
9 investments of the proceeds may be received, held, and
10 disbursed by the authority or by a trustee or agent designated
11 by the authority.

12 b. That the bondholders or noteholders or a trustee or
13 agent designated by the authority may collect, invest, and
14 apply the amount payable under the loan agreements or any
15 other instruments securing the debt obligations under the loan
16 agreements.

17 c. That the bondholders or noteholders may enforce the
18 remedies provided in the loan agreements or other instruments
19 on their own behalf. If there is a default in the principal
20 of or interest on the bonds or notes or in the performance of
21 an agreement contained in the loan agreements or other
22 instruments, the payment or performance may be enforced in
23 accordance with the loan agreements or other instruments.

24 d. Other terms and conditions as deemed necessary or
25 appropriate by the authority.

26 3. The powers granted the authority under this program are
27 in addition to other powers contained in this chapter. All
28 other provisions of this chapter, except section 16.28,
29 subsection 4, apply to bonds or notes issued and power granted
30 to the authority under this program except to the extent they
31 are inconsistent with this section.

32 4. All bonds or notes issued by the authority in
33 connection with the program are exempt from taxation by this
34 state and the interest on the bonds or notes is exempt from
35 state income tax.

1 Sec. 4. NEW SECTION. 16.194 SECURITY -- RESERVE FUNDS --
2 PLEDGES -- NONLIABILITY -- IRREVOCABLE CONTRACTS.

3 1. The authority may provide in the resolution, trust
4 agreement, or other instrument authorizing the issuance of its
5 bonds or notes pursuant to this program that the principal of,
6 premium, and interest on the bonds or notes are payable solely
7 out of the pledged receipts as designated in the resolution,
8 trust agreement, or other instrument authorizing the issuance
9 of the bonds or notes.

10 2. The authority may establish reserve funds to secure one
11 or more issues of its bonds or notes. The authority may
12 deposit in a reserve fund established under this section the
13 proceeds of the sale of its bonds or notes and other moneys
14 which are made available from any other source.

15 3. A pledge made in respect of bonds or notes shall be
16 valid and binding from the time the pledge is made, and the
17 money or property so pledged and received after the pledge by
18 the authority shall immediately be subject to a lien or the
19 pledge without physical delivery or further act, and that the
20 lien or the pledge shall be valid and binding as against all
21 parties having claims of any kind in tort, contract, or
22 otherwise against the authority whether or not the parties
23 have notice of the lien or pledge. The resolution, trust
24 agreement, or other instrument by which a pledge is created
25 need not be recorded or filed in accordance with chapter 554
26 to be valid, binding, or effective against any parties.

27 4. The members of the authority and a person executing the
28 bonds or notes are not liable personally on the bonds or notes
29 and are not subject to personal liability or accountability by
30 reason of the issuance of the bonds or notes.

31 5. The bonds or notes issued by the authority are not an
32 indebtedness or other liability of the state or of a political
33 subdivision of the state within the meaning of any
34 constitutional or statutory debt limitations but are special
35 obligations of the authority, and are payable solely out of

1 the pledged receipts to the extent that the pledged receipts
2 are designated in the resolution, trust agreement, or other
3 instrument of the authority authorizing the issuance of the
4 bonds or notes as being available as security for such bonds
5 or notes. The authority shall not pledge the faith or credit
6 of the state to the payment of any bonds or notes. The
7 authority shall not pledge the faith or credit of a
8 municipality to the payment of any bonds or notes except as
9 agreed to by the municipality in its loan agreement. The
10 issuance of any bonds or notes by the authority does not
11 directly, indirectly, or contingently obligate the state to
12 apply moneys from, or levy or pledge any form of taxation
13 whatever to the payment of the bonds or notes. The issuance
14 of any bonds or notes by the authority does not directly,
15 indirectly, or contingently obligate a municipality to apply
16 moneys from, or levy or pledge any form of taxation whatever
17 to the payment of the bonds or notes, except as agreed to by
18 the municipality in the loan agreement.

19 6. The state pledges to and agrees with the holders of
20 bonds or notes issued under the program, that the state will
21 not limit or alter the rights and powers vested in the
22 authority to fulfill the terms of a contract made by the
23 authority with respect to the bonds or notes, or in any way
24 impair the rights and remedies of the holders until the bonds
25 and notes, together with the interest on them including
26 interest on unpaid installments of interest, and all costs and
27 expenses in connection with an action or proceeding by or on
28 behalf of the holders, are fully met and discharged. The
29 authority may include this pledge and agreement of the state,
30 as it refers to holders of bonds or notes of the authority, in
31 a contract with the holders.

32 Sec. 5. NEW SECTION. 16.195 POWERS OF THE MUNICIPALITY.

33 1. For purposes of the program, a municipality may enter
34 into loan agreements and issue any type of obligations payable
35 from any security which it is authorized by law to issue. For

1 the purpose of this program, the development, ownership and
2 managing of a project constitutes an essential county purpose
3 and a county enterprise under chapter 331 and an essential
4 corporate purpose and a city enterprise under chapter 384.

5 2. To approve a loan agreement under this chapter for a
6 project, a municipality shall follow the authorization
7 procedures for the issuance of revenue bonds by cities as set
8 out in section 384.83. Chapter 75 shall not apply. No other
9 law governing the authorization and issuance of obligations by
10 a municipality shall apply to loan agreements entered into by
11 a municipality with the authority for purposes of the program.

12 3. A municipality may negotiate development agreements,
13 construction agreements and management agreements for the
14 project and shall not be subject to the provisions of any
15 other law relating to public hearings or public bidding
16 including, without limitation, section 331.341 and sections
17 384.95 through 384.103.

18 4. A municipality may enter into loan agreements
19 containing any terms with respect to the project the
20 municipality and authority determine, including the granting
21 of a mortgage on the project and a security interest in any
22 other properties, rights, funds, or revenues with respect to
23 the project, notwithstanding the provisions of any other law
24 to the contrary. Any provisions of chapters 331 and 384 which
25 limit the powers of cities and counties with respect to
26 revenue financing of city and county enterprises shall not
27 restrict the powers of a municipality to finance a project
28 under this program.

29 Sec. 6. NEW SECTION. 16.196 OPERATING DEFICIT AGREEMENT.

30 1. A municipality may enter into an operating deficit
31 agreement, as a part of or separately from the loan agreement,
32 in which the municipality may agree that, when requested to
33 pay an operating deficit reimbursement with respect to a
34 project, the municipality shall timely include in its budget
35 request, and use all reasonable and lawful means to obtain, an

1 appropriation from the governing body of the municipality for
2 each fiscal year of moneys sufficient to pay operating deficit
3 reimbursements defined in the operating deficit agreement for
4 a project for the prior fiscal year, or a projected operating
5 deficit for the project for the current fiscal year or
6 succeeding fiscal year. A municipality may also represent at
7 the time of execution of the operating deficit agreement that
8 it reasonably expects to budget and appropriate for all
9 operating deficit reimbursements and that the municipality
10 will take any action necessary to provide moneys for the
11 payment of such reimbursements from sources of the
12 municipality lawfully available for such purposes.

13 2. Notwithstanding subsection 1, the municipality shall
14 not be obligated to appropriate or otherwise provide moneys
15 for the payment of operating deficit reimbursements, and in
16 the event of nonappropriation by the municipality, the
17 municipality shall not be liable for general, special,
18 incidental, consequential, or other damage resulting from the
19 nonappropriation. The operating deficit agreement may provide
20 that in the event a municipality shall fail to pay an
21 operating deficit reimbursement, the municipality shall be in
22 default under the operating deficit agreement and such default
23 will constitute a default by the municipality under the loan
24 agreement with respect to the project.

25 3. If a project has an operating deficit for the prior
26 fiscal year for which the municipality is obligated to make an
27 operating deficit reimbursement pursuant to the terms of the
28 operating deficit agreement or loan agreement, the
29 municipality may reduce the amount of payment in lieu of taxes
30 provided in section 16.197 by the amount of the operating
31 deficit reimbursement and apply the savings to the payment of
32 the operating deficit reimbursement if the municipality
33 determines that there are no other uncommitted funds legally
34 available to pay the operating deficit reimbursement.

35 Sec. 7. NEW SECTION. 16.197 PAYMENTS IN LIEU OF TAXES.

1 1. A municipality owning housing pursuant to a project
2 shall annually pay out of the revenues from the project to the
3 state of Iowa and to the city, school district, and any other
4 political subdivision authorized to levy taxes against
5 property in the jurisdiction in which the project is located,
6 twenty-five percent of the amount of tax determined by
7 applying the tax rate of the taxing district to the assessed
8 value of the project, which the state, county, school district
9 or other political subdivision would receive if the project
10 were owned by a private person, any other provision of this
11 Code to the contrary notwithstanding. For purposes of
12 arriving at this tax equivalent, the property of the project
13 shall be valued and assessed by the assessor in whose
14 jurisdiction the project is located, in accordance with
15 chapter 441, but the municipality, the lessee on behalf of the
16 municipality with the municipality's consent, and other
17 persons authorized by chapter 441 shall be entitled to protest
18 any assessment in the same manner as any taxpayer. The
19 valuations of the project shall be included in any summation
20 of valuations in the taxing district for all lawful purposes.
21 Income from this source shall be considered under the
22 provision of section 384.16, subsection 1, paragraph "b".

23 2. Notwithstanding subsection 1, the payment in lieu of
24 taxes may be reduced in accordance with section 16.196 by
25 reason of a requirement to pay an operating deficit
26 reimbursement.

27 **Sec. 8. NEW SECTION. 16.198 AVAILABILITY OF HOUSING**
28 **UNITS FOR PURCHASE BY RESIDENTS.**

29 A municipality shall make provisions to facilitate the
30 eventual purchase of housing units in projects by residents,
31 including ultimately transferring multi-unit housing into
32 condominiums. The authority shall assist a municipality in
33 achieving this objective.

34 **Sec. 9. Section 331.461, subsection 2, Code 1995, is**
35 **amended by adding the following new paragraph:**

1 NEW PARAGRAPH. g. Local housing development projects
2 under section 16.192.

3 Sec. 10. Section 384.24, subsection 2, paragraph k, Code
4 1995, is amended to read as follows:

5 k. Housing for the elderly or physically handicapped and
6 local housing development projects under section 16.192.

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