

2/25/98 Referred To: Ways & Means

FEB 24 1998  
Place On Calendar

HOUSE FILE **2419**  
BY COMMITTEE ON ECONOMIC  
DEVELOPMENT

(SUCCESSOR TO HF 2250)

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to eligible housing businesses qualifying for  
2 incentives and assistance in enterprise zones, providing  
3 additional incentives and assistance for approved eligible  
4 businesses located in an enterprise zone, and requiring  
5 consideration of building codes and zoning.

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

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

HF 2419

1 Section 1. NEW SECTION. 15E.193A ELIGIBLE HOUSING  
2 BUSINESS.

3 1. A housing business qualifying under this section is  
4 eligible to receive incentives and assistance only as provided  
5 in this section. Sections 15E.193 and 15E.196 do not apply to  
6 an eligible housing business qualifying under this section.

7 2. An eligible housing business under this section  
8 includes, but is not limited to, a housing developer or  
9 housing contractor that builds or rehabilitates a minimum of  
10 four single-family homes with a value not exceeding one  
11 hundred twenty thousand dollars for each home located in a  
12 city or county in which there is a designated enterprise zone  
13 or one multiple dwelling unit building containing three or  
14 more individual dwelling units with a total value per unit not  
15 exceeding one hundred twenty thousand dollars located in a  
16 city or county in which there is a designated enterprise zone.

17 3. An eligible housing business shall provide the  
18 enterprise zone commission with all of the following  
19 information:

20 a. The long-term strategic plan for the housing business  
21 which shall include labor and infrastructure needs.

22 b. Information dealing with the benefits the housing  
23 business will bring to the area.

24 c. Examples of why the housing business should be  
25 considered or would be considered a good business enterprise.

26 d. An affidavit that it has not, within the last five  
27 years, violated state or federal environmental and worker  
28 safety statutes, rules, and regulations or if such violation  
29 has occurred that there were mitigating circumstances or such  
30 violations did not seriously affect public health or safety or  
31 the environment.

32 4. An eligible housing business which has been approved to  
33 receive incentives and assistance by the department of  
34 economic development pursuant to application as provided in  
35 section 15E.195 shall receive all of the following incentives

1 and assistance for a period not to exceed ten years:

2 a. An eligible business may claim an income tax credit up  
3 to a maximum of ten percent of the new investment which is  
4 directly related to the building or rehabilitating of a  
5 minimum of four single-family homes located in a designated  
6 enterprise zone or one multiple dwelling unit building  
7 containing four or more individual dwelling units located in a  
8 designated enterprise zone. Any credit in excess of the tax  
9 liability for the tax year may be credited to the tax  
10 liability for the following seven years or until depleted,  
11 whichever occurs earlier. If the business is a partnership,  
12 subchapter S corporation, limited liability company, or estate  
13 or trust electing to have the income taxed directly to the  
14 individual, an individual may claim the tax credit allowed.  
15 The amount claimed by the individual shall be based upon the  
16 pro rata share of the individual's earnings of the  
17 partnership, subchapter S corporation, limited liability  
18 company, or estate or trust.

19 b. Sales, services, and use tax refund, as provided in  
20 section 15.331A.

21 5. If a business has received incentives or assistance  
22 under this section and fails to maintain the requirements of  
23 this section to be an eligible housing business, the business  
24 is subject to repayment of all or a portion of the incentives  
25 and assistance that it has received. The department of  
26 revenue and finance shall have the authority to recover the  
27 value of state taxes or incentives provided under this  
28 section. The value of state incentives provided under this  
29 section includes applicable interest and penalties. The  
30 department of economic development and the city and county, as  
31 applicable, shall enter into agreement with the business  
32 specifying the method for determining the amount of incentives  
33 or assistance paid which will be repaid in the event of  
34 failure to maintain the requirements of this section. In  
35 addition, a business that fails to maintain the requirements

1 of this section shall not receive incentives or assistance for  
2 each year during which the business is not in compliance.

3 Sec. 2. Section 15E.195, Code Supplement 1997, is amended  
4 to read as follows:

5 15E.195 ENTERPRISE ZONE COMMISSION.

6 1. A county in which an eligible enterprise zone is  
7 certified shall establish an enterprise zone commission to  
8 review applications from qualified businesses located within  
9 or requesting to locate within an enterprise zone to receive  
10 incentives or assistance as provided in section 15E.196. The  
11 enterprise zone commission shall also review applications from  
12 qualified housing businesses requesting to receive incentives  
13 or assistance as provided in section 15E.193A. The commission  
14 shall consist of nine members. Five of these members shall  
15 consist of one representative of the board of supervisors, one  
16 member with economic development expertise chosen by the  
17 department of economic development, one representative of the  
18 county zoning board, one member of the local community college  
19 board of directors, and one representative of the local  
20 workforce development center. These five members shall select  
21 the remaining four members. If the enterprise zone consists  
22 of an area meeting the requirements for eligibility for an  
23 urban or rural enterprise community under Title XIII of the  
24 federal Omnibus Budget Reconciliation Act of 1993, one of the  
25 remaining four members shall be a representative of that zone.  
26 However, if the enterprise zone qualifies under the city  
27 criteria, one of the four members shall be a representative of  
28 an international labor organization and if an enterprise zone  
29 is located in any city, a representative, chosen by the city  
30 council, of each such city may be a member of the commission.  
31 A county shall have only one enterprise zone commission.

32 2. The commission may adopt more stringent requirements,  
33 including requirements related to compensation and benefits,  
34 for a business to be eligible for incentives or assistance  
35 than provided in ~~section~~ sections 15E.193 and 15E.193A. The

1 commission may develop as an additional requirement that  
2 preference in hiring be given to individuals who live within  
3 the enterprise zone. The commission shall work with the local  
4 workforce development center to determine the labor  
5 availability in the area. The commission shall examine and  
6 evaluate building codes and zoning in the enterprise zone and  
7 make recommendations to the appropriate governing body in an  
8 effort to promote more affordable housing development.

9 3. If the enterprise zone commission determines that a  
10 business qualifies ~~for inclusion in an enterprise zone~~ and is  
11 eligible to receive incentives or assistance as provided in  
12 either section 15E.193A or section 15E.196, the commission  
13 shall submit an application for incentives or assistance to  
14 the department of economic development. The department may  
15 approve, defer, or deny the application.

16 4. In making its decision, the commission or department  
17 shall consider the impact of the eligible business on other  
18 businesses in competition with it and compare the compensation  
19 package of businesses in competition with the business being  
20 considered for incentives or assistance. The commission or  
21 department shall make a good faith effort to identify existing  
22 Iowa businesses within an industry in competition with the  
23 business being considered for incentives or assistance. The  
24 commission or department shall also make a good faith effort  
25 to determine the probability that the proposed incentives or  
26 assistance will displace employees of existing businesses. In  
27 determining the impact on businesses in competition with the  
28 business seeking incentives or assistance, jobs created as a  
29 result of other jobs being displaced elsewhere in the state  
30 shall not be considered direct jobs created.

31 However, if the commission or department finds that an  
32 eligible business has a record of violations of the law,  
33 including but not limited to environmental and worker safety  
34 statutes, rules, and regulations, over a period of time that  
35 tends to show a consistent pattern, the eligible business

1 shall not qualify for incentives or assistance under section  
2 15E.193A or section 15E.196, unless the commission or  
3 department finds that the violations did not seriously affect  
4 public health or safety or the environment, or if it did that  
5 there were mitigating circumstances. In making the findings  
6 and determinations regarding violations, mitigating  
7 circumstances, and whether an eligible business is eligible  
8 for incentives or assistance under section 15E.193A or section  
9 15E.196, the commission or department shall be exempt from  
10 chapter 17A. If requested by the commission or department,  
11 the business shall provide copies of materials documenting the  
12 type of violation, any fees or penalties assessed, court  
13 filings, final disposition of any findings and any other  
14 information which would assist the commission or department in  
15 assessing the nature of any violation.

16 5. A business that is approved to receive incentives or  
17 assistance shall, for the length of its designation as an  
18 enterprise zone business, certify annually to the county or  
19 city, as applicable, and the department of economic  
20 development its compliance with the requirements of either  
21 section 15E.193 or section 15E.193A.

22 Sec. 3. Section 15E.196, subsection 1, Code Supplement  
23 1997, is amended to read as follows:

24 1. a. New jobs credit from withholding, as provided in  
25 section 15.331.

26 b. (1) As an alternative to paragraph "a", a business may  
27 provide a housing assistance program in the form of down  
28 payment assistance or rental assistance for employees in new  
29 jobs, as defined in section 260E.2, who buy or rent housing  
30 located within the enterprise zone. A business establishing a  
31 housing assistance program shall fund this program through a  
32 credit from withholding based on the wages paid to the  
33 employees participating in the housing assistance program. An  
34 amount equal to one and one-half percent of the gross wages  
35 paid by the employer to each employee participating in the

1 housing assistance program shall be credited from the payment  
2 made by an employer pursuant to section 422.16. If the amount  
3 of the withholding by the employer is less than one and one-  
4 half percent of the gross wages paid to the employees, then  
5 the employer shall receive a credit against other withholding  
6 taxes due by the employer. The employer shall deposit the  
7 amount of the credit quarterly into a housing assistance fund  
8 created by the business out of which the business shall  
9 provide employees enrolled in the housing assistance program  
10 with down payment assistance or rental assistance.

11 (2) A business may enter into an agreement with the county  
12 or city designating the enterprise zone pursuant to section  
13 15E.194 to borrow initial moneys to fund a housing assistance  
14 program. The county or city may appropriate from the general  
15 fund of the county or city for the assistance program an  
16 amount not to exceed an amount estimated by the department of  
17 revenue and finance to be equal to the total amount of credit  
18 from withholding for employees determined by the business to  
19 be enrolled in the program during the first two years. The  
20 business shall pay the principal and interest on the loan out  
21 of moneys received from the credit from withholding provided  
22 for in subparagraph (1). The terms of the loan agreement  
23 shall include the principal amount, the interest rate, the  
24 terms of repayment, and the term of the loan. The terms of  
25 the loan agreement shall not extend beyond the period during  
26 which the enterprise zone is certified.

27 (3) The employer shall certify to the department of  
28 revenue and finance that the credit from withholding is in  
29 accordance with an agreement and shall provide other  
30 information the department may require.

31 (4) An employee participating in the housing assistance  
32 program will receive full credit for the amount withheld as  
33 provided in section 422.16.

34 EXPLANATION

35 This bill makes amendments to the economic development

1 enterprise zone legislation enacted during the 1997  
2 legislative session.

3 The bill creates a new type of eligible business. A  
4 housing business that builds or rehabilitates a minimum of  
5 four single-family homes or a multiple dwelling unit building  
6 containing three or more individual dwelling units located in  
7 a designated enterprise zone shall be considered an eligible  
8 housing business. In order to receive incentives and  
9 assistance under the program, an eligible housing business  
10 must apply to the applicable enterprise zone commission for  
11 consideration and must have an application approved by the  
12 department of economic development. An approved eligible  
13 housing business shall receive a sales, services, and use tax  
14 refund and a 10 percent new investment income tax credit. The  
15 bill requires the business to repay all or a portion of the  
16 incentives and assistance received if the business fails to  
17 maintain the requirements. The bill requires all enterprise  
18 zone commissions to examine and evaluate building codes and  
19 zoning in the enterprise zone in an effort to promote more  
20 affordable housing development.

21 The bill amends one of the incentives provided to eligible  
22 businesses that are not housing businesses under the  
23 enterprise zone program. As an alternative to using a new  
24 jobs credit from withholding, a business may establish a  
25 housing assistance program in the form of down payment  
26 assistance and rental assistance for employees in new jobs who  
27 buy or rent housing located within the enterprise zone. The  
28 program shall be funded through a credit from withholding  
29 based on the wages paid to the employees participating in the  
30 housing program. The amount of the credit shall equal 1.5  
31 percent of the gross wages paid by the employer to each  
32 employee participating in the program. A business may enter  
33 into a loan agreement with the county or city designating the  
34 enterprise zone for initial moneys to fund the program. The  
35 business shall pay the principal and interest on the loan out

1 of moneys received from the credit from withholding. An  
2 employee participating in the housing assistance program shall  
3 receive full credit for the amount withheld.

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

30

31

32

33

34

35

**HOUSE FILE 2419  
FISCAL NOTE**

---

A fiscal note for House File 2419 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

---

House File 2419 expands the State's Enterprise Zone Program to include housing developments.

**ASSUMPTIONS**

1. Twenty-five Enterprise Zones will initiate qualified housing projects each year, with an average of four houses per Zone.
2. The average cost to the State General Fund for each house built will be \$10,800 (\$8,500 in investment tax credit and \$2,300 in reduced sales tax receipts).
3. The housing developers will have sufficient income tax liability to utilize the entire investment tax credit.
4. The housing assistance offered by Section 3 of the Bill and funded by a credit from income tax withholding similar to and in lieu of the current New Jobs Credit from Withholding (Section 15.331, Code of Iowa) will not expand usage of the Enterprise Zone Program.
5. The Program expansions will require 1.00 FTE position and \$58,000 per year for administration.

**FISCAL IMPACT**

House File 2419 is expected to decrease revenues to the State General Fund by approximately \$1.1 million annually, beginning in FY 1999. The Bill does not provide funding or the additional FTE position required to administer the expanded Program.

**SOURCE**

Department of Economic Development

(LSB 3611hv, JWR)

FILED MARCH 16, 1998

BY DENNIS PROUTY, FISCAL DIRECTOR