

5-4/21/98 Do Pass

MAR 19 1998  
WAYS & MEANS CALENDAR

HOUSE FILE 2538  
BY COMMITTEE WAYS AND MEANS

(SUCCESSOR TO HF 2419)

(SUCCESSOR TO HF 2250)

Passed House, Date 4-9-98 (P. 1442)  
Vote: Ayes 82 Nays 12  
Approved May 6, 1998

Passed Senate, Date 4/21/98 (P. 1424)  
Vote: Ayes 45 Nays 4

**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

**HOUSE FILE 2538**

**H-8793**

- 1 Amend House File 2538 as follows:
- 2 1. Page 1, by inserting before line 1 the
- 3 following:
- 4 "Section 1. Section 15E.193, subsection 1,
- 5 paragraph a, Code Supplement 1997, is amended to read
- 6 as follows:
- 7 a. Is not a retail business, a business holding a
- 8 sales tax permit, or a business where entrance is
- 9 limited by a cover charge or membership requirement."
- 10 2. By renumbering as necessary.

*W/D 4/9/98*

By WARNSTADT of Woodbury  
WHITEAD of Woodbury

**H-8793 FILED MARCH 30, 1998**

HF 2538

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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 a housing developer or housing contractor that builds  
9 or rehabilitates a minimum of four single-family homes with a  
10 value, after completion of the building or rehabilitation, not  
11 exceeding one hundred twenty thousand dollars for each home  
12 located in that part of a city or county in which there is a  
13 designated enterprise zone or one multiple dwelling unit  
14 building containing three or more individual dwelling units  
15 with a total value per unit, after completion of the building  
16 or rehabilitation, not exceeding one hundred twenty thousand  
17 dollars located in that part of a city or county in which  
18 there is a designated enterprise zone.

19 3. The single-family homes and dwelling units which are  
20 rehabilitated or constructed by the eligible housing business  
21 shall be modest homes or units but shall include the necessary  
22 amenities. When completed and made available for occupancy,  
23 the single-family homes and dwelling units shall meet the  
24 United States department of housing and urban development's  
25 housing quality standards and local safety standards.

26 4. The eligible housing business shall complete its  
27 building or rehabilitation within two years from the time the  
28 business begins construction on the single-family homes and  
29 dwelling units. The failure to complete construction or  
30 rehabilitation within two years shall result in the eligible  
31 housing business becoming ineligible and subject to the  
32 repayment requirements and penalties enumerated in subsection  
33 7.

34 5. An eligible housing business shall provide the  
35 enterprise zone commission with all of the following

1 information:

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

4 b. Information dealing with the benefits the housing  
5 business will bring to the area.

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

8 d. An affidavit that it has not, within the last five  
9 years, violated state or federal environmental and worker  
10 safety statutes, rules, and regulations or if such violation  
11 has occurred that there were mitigating circumstances or such  
12 violations did not seriously affect public health or safety or  
13 the environment.

14 6. An eligible housing business which has been approved to  
15 receive incentives and assistance by the department of  
16 economic development pursuant to application as provided in  
17 section 15E.195 shall receive all of the following incentives  
18 and assistance for a period not to exceed ten years:

19 a. An eligible housing business may claim an income tax  
20 credit up to a maximum of ten percent of the new investment  
21 which is directly related to the building or rehabilitating of  
22 a minimum of four single-family homes located in that part of  
23 a city or county in which there is a designated enterprise  
24 zone or one multiple dwelling unit building containing three  
25 or more individual dwelling units located in that part of a  
26 city or county in which there is a designated enterprise zone.  
27 Any credit in excess of the tax liability for the tax year may  
28 be credited to the tax liability for the following seven years  
29 or until depleted, whichever occurs earlier. If the business  
30 is a partnership, subchapter S corporation, limited liability  
31 company, or estate or trust electing to have the income taxed  
32 directly to the individual, an individual may claim the tax  
33 credit allowed. The amount claimed by the individual shall be  
34 based upon the pro rata share of the individual's earnings of  
35 the partnership, subchapter S corporation, limited liability

1 company, or estate or trust.

2 b. Sales, services, and use tax refund, as provided in  
3 section 15.331A.

4 7. If a business has received incentives or assistance  
5 under this section and fails to maintain the requirements of  
6 this section to be an eligible housing business, the business  
7 is subject to repayment of all or a portion of the incentives  
8 and assistance that it has received. The department of  
9 revenue and finance shall have the authority to recover the  
10 value of state taxes or incentives provided under this  
11 section. The value of state incentives provided under this  
12 section includes applicable interest and penalties. The  
13 department of economic development and the city and county, as  
14 applicable, shall enter into agreement with the business  
15 specifying the method for determining the amount of incentives  
16 or assistance paid which will be repaid in the event of  
17 failure to maintain the requirements of this section. In  
18 addition, a business that fails to maintain the requirements  
19 of this section shall not receive incentives or assistance for  
20 each year during which the business is not in compliance.

21 8. The department of economic development and the  
22 department of revenue and finance shall each adopt rules to  
23 jointly administer this section.

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

26 15E.195 ENTERPRISE ZONE COMMISSION.

27 1. A county in which an eligible enterprise zone is  
28 certified shall establish an enterprise zone commission to  
29 review applications from qualified businesses located within  
30 or requesting to locate within an enterprise zone to receive  
31 incentives or assistance as provided in section 15E.196. The  
32 enterprise zone commission shall also review applications from  
33 qualified housing businesses requesting to receive incentives  
34 or assistance as provided in section 15E.193A. The commission  
35 shall consist of nine members. Five of these members shall

1 consist of one representative of the board of supervisors, one  
2 member with economic development expertise chosen by the  
3 department of economic development, one representative of the  
4 county zoning board, one member of the local community college  
5 board of directors, and one representative of the local  
6 workforce development center. These five members shall select  
7 the remaining four members. If the enterprise zone consists  
8 of an area meeting the requirements for eligibility for an  
9 urban or rural enterprise community under Title XIII of the  
10 federal Omnibus Budget Reconciliation Act of 1993, one of the  
11 remaining four members shall be a representative of that zone.  
12 However, if the enterprise zone qualifies under the city  
13 criteria, one of the four members shall be a representative of  
14 an international labor organization and if an enterprise zone  
15 is located wholly or partially in any city, a representative,  
16 chosen by the city council, of each such city ~~may~~ shall be a  
17 member of the commission. The size of the commission shall be  
18 expanded by the number of members necessary to accommodate the  
19 appointment of a representative of each city. A county shall  
20 have only one enterprise zone commission.

21 2. The commission may adopt more stringent requirements,  
22 including requirements related to compensation and benefits,  
23 for a business to be eligible for incentives or assistance  
24 than provided in ~~section~~ sections 15E.193 and 15E.193A. The  
25 commission may develop as an additional requirement that  
26 preference in hiring be given to individuals who live within  
27 the enterprise zone. The commission shall work with the local  
28 workforce development center to determine the labor  
29 availability in the area. The commission shall examine and  
30 evaluate building codes and zoning in the enterprise zone and  
31 make recommendations to the appropriate governing body in an  
32 effort to promote more affordable housing development.

33 3. If the enterprise zone commission determines that a  
34 business qualifies ~~for inclusion in an enterprise zone~~ and is  
35 eligible to receive incentives or assistance as provided in

1 either section 15E.193A or section 15E.196, the commission  
2 shall submit an application for incentives or assistance to  
3 the department of economic development. The department may  
4 approve, defer, or deny the application.

5 4. In making its decision, the commission or department  
6 shall consider the impact of the eligible business on other  
7 businesses in competition with it and compare the compensation  
8 package of businesses in competition with the business being  
9 considered for incentives or assistance. The commission or  
10 department shall make a good faith effort to identify existing  
11 Iowa businesses within an industry in competition with the  
12 business being considered for incentives or assistance. The  
13 commission or department shall also make a good faith effort  
14 to determine the probability that the proposed incentives or  
15 assistance will displace employees of existing businesses. In  
16 determining the impact on businesses in competition with the  
17 business seeking incentives or assistance, jobs created as a  
18 result of other jobs being displaced elsewhere in the state  
19 shall not be considered direct jobs created.

20 However, if the commission or department finds that an  
21 eligible business has a record of violations of the law,  
22 including but not limited to environmental and worker safety  
23 statutes, rules, and regulations, over a period of time that  
24 tends to show a consistent pattern, the eligible business  
25 shall not qualify for incentives or assistance under section  
26 15E.193A or section 15E.196, unless the commission or  
27 department finds that the violations did not seriously affect  
28 public health or safety or the environment, or if it did that  
29 there were mitigating circumstances. In making the findings  
30 and determinations regarding violations, mitigating  
31 circumstances, and whether an eligible business is eligible  
32 for incentives or assistance under section 15E.193A or section  
33 15E.196, the commission or department shall be exempt from  
34 chapter 17A. If requested by the commission or department,  
35 the business shall provide copies of materials documenting the

1 type of violation, any fees or penalties assessed, court  
2 filings, final disposition of any findings and any other  
3 information which would assist the commission or department in  
4 assessing the nature of any violation.

5 5. A business that is approved to receive incentives or  
6 assistance shall, for the length of its designation as an  
7 enterprise zone business, certify annually to the county or  
8 city, as applicable, and the department of economic  
9 development its compliance with the requirements of either  
10 section 15E.193 or section 15E.193A.

11 Sec. 3. Section 15E.196, subsection 1, Code Supplement  
12 1997, is amended to read as follows:

13 1. a. New jobs credit from withholding, as provided in  
14 section 15.331.

15 b. (1) As an alternative to paragraph "a", a business may  
16 provide a housing assistance program in the form of down  
17 payment assistance or rental assistance for employees in new  
18 jobs, as defined in section 260E.2, who buy or rent housing  
19 located within any certified enterprise zone. A business  
20 establishing a housing assistance program shall fund this  
21 program through a credit from withholding based on the wages  
22 paid to the employees participating in the housing assistance  
23 program. An amount equal to one and one-half percent of the  
24 gross wages paid by the employer to each employee  
25 participating in the housing assistance program shall be  
26 credited from the payment made by an employer pursuant to  
27 section 422.16. If the amount of the withholding by the  
28 employer is less than one and one-half percent of the gross  
29 wages paid to the employees, then the employer shall receive a  
30 credit against other withholding taxes due by the employer.  
31 The employer shall deposit the amount of the credit quarterly  
32 into a housing assistance fund created by the business out of  
33 which the business shall provide employees enrolled in the  
34 housing assistance program with down payment assistance or  
35 rental assistance.





1 time construction begins. In order to receive incentives and  
2 assistance under the program, an eligible housing business  
3 must apply to the applicable enterprise zone commission for  
4 consideration and must have an application approved by the  
5 department of economic development. An approved eligible  
6 housing business shall receive a sales, services, and use tax  
7 refund and a 10 percent new investment income tax credit. The  
8 bill requires the business to repay all or a portion of the  
9 incentives and assistance received if the business fails to  
10 maintain the requirements. The bill requires all enterprise  
11 zone commissions to examine and evaluate building codes and  
12 zoning in the enterprise zone in an effort to promote more  
13 affordable housing development.

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

32 The bill provides that if an enterprise zone is located  
33 wholly or partially in any city, a representative of each such  
34 city shall be a member of the enterprise zone commission. The  
35 size of the commission shall be expanded by the number of

1 members necessary to accommodate the appointment of a  
2 representative of each such city.

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HOUSE FILE 2538

H-8746

1 Amend House File 2538 as follows:

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

4 "Section 1. Section 15E.192, subsection 2, Code  
5 Supplement 1997, is amended to read as follows:

6 2. A city with-a-population-of-twenty-four  
7 thousand-or-more,-as-shown-by-the-1990-certified  
8 federal-census, may create an economic development  
9 enterprise zone as authorized in this division,  
10 subject to certification by the department of economic  
11 development, by designating one or more contiguous  
12 census tracts, block numbering areas, or block groups,  
13 or by designating census-designated places, as  
14 determined in the most recent federal census, or  
15 designating other geographic units approved by the  
16 department of economic development for that purpose.

17 If there is an area in the city which meets the  
18 requirements for eligibility for an urban or rural  
19 enterprise community under Title XIII of the federal  
20 Omnibus Budget Reconciliation Act of 1993, such area  
21 shall be designated by the state an economic  
22 development enterprise zone. The area meeting the  
23 requirements for eligibility for an urban or rural  
24 enterprise community shall not be included for the  
25 purpose of determining the area limitation pursuant to  
26 subsection 3. In creating an enterprise zone, a city  
27 with-a-population-of-twenty-four-thousand-or-more,-as  
28 shown-by-the-1990-certified-federal-census, may  
29 designate as part of the area tracts, block numbering  
30 areas, block groups, designated places, or approved  
31 geographic units located in a contiguous city if such  
32 tracts, block numbering areas, block groups,  
33 designated places, or approved geographic units meet  
34 the criteria and the city agrees to being included.

35 The city may establish more than one enterprise zone.  
36 ~~Reference in this division to "city" means a city with~~  
37 ~~a population of twenty-four thousand or more, as shown~~  
38 ~~by the 1990 certified federal census."~~

39 2. Title page, line 1, by inserting after the  
40 word "to" the following: "creation of enterprise  
41 zones by cities,".

42 3. By renumbering as necessary.

By WEIGEL of Chickasaw

H-8746 FILED MARCH 26, 1998

*Not Done  
Motion to Suspend Rules - Lost 4/9/98*

H-8633

1 Amend House File 2538 as follows:

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

4 "Section 1. Section 15E.192, subsection 2, Code  
5 Supplement 1997, is amended to read as follows:

6 2. A city with a population of twenty-four  
7 thousand or more, or a county seat city with a total  
8 population that exceeds forty percent of the  
9 population of the county or county seat cities located

10 in the same county with a combined total population  
11 that exceeds forty percent of the population of the  
12 county, as shown by the 1990 certified federal census,

13 may create an economic development enterprise zone as  
14 authorized in this division, subject to certification  
15 by the department of economic development, by

16 designating one or more contiguous census tracts, as  
17 determined in the most recent federal census, or  
18 designating other geographic units approved by the  
19 department of economic development for that purpose.

20 If there is an area in the city which meets the  
21 requirements for eligibility for an urban or rural  
22 enterprise community under Title XIII of the federal  
23 Omnibus Budget Reconciliation Act of 1993, such area  
24 shall be designated by the state an economic

25 development enterprise zone. The area meeting the  
26 requirements for eligibility for an urban or rural  
27 enterprise community shall not be included for the  
28 purpose of determining the area limitation pursuant to

29 subsection 3. In creating an enterprise zone, a city  
30 with a population of twenty-four thousand or more, or  
31 a county seat city with a total population that  
32 exceeds forty percent of the population of the county  
33 or county seat cities located in the same county with  
34 a combined total population that exceeds forty percent  
35 of the population of the county, as shown by the 1990

36 certified federal census, may designate as part of the  
37 area tracts or approved geographic units located in a  
38 contiguous city if such tracts or approved geographic  
39 units meet the criteria and the city agrees to being  
40 included. The city may establish more than one

41 enterprise zone. Reference in this division to "city"  
42 means a city with a population of twenty-four thousand  
43 or more, or a county seat city with a total population  
44 that exceeds forty percent of the population of the  
45 county or county seat cities located in the same  
46 county with a combined total population that exceeds  
47 forty percent of the population of the county, as  
48 shown by the 1990 certified federal census."

49 2. Title page, line 2, by inserting after the  
50 word "zones," the following: "qualifications for

H-8633

-1-

H-8633

Page 2

1 cities,".

2 3. By renumbering as necessary.

By LARKIN of Lee

H-8633 FILED MARCH 24, 1998

W/P  
4/9/98

## HOUSE FILE 2538

H-8938

1 Amend House File 2538 as follows:

2 1. Page 3, by inserting after line 23 the  
3 following:

4 "Sec. \_\_\_\_ . NEW SECTION. 15E.193B ALTERNATIVE  
5 ELIGIBLE BUSINESS CRITERIA.

6 1. A business which is not located in an  
7 enterprise zone is eligible to receive incentives and  
8 assistance under section 15E.196 if the business has  
9 not closed or reduced its operation in one area of the  
10 state and relocated substantially the same operation  
11 in a location which qualifies the business under this  
12 section and if the business meets all of the following  
13 criteria:

14 a. Satisfies the requirements in section 15E.193,  
15 subsection 1, paragraphs "a", "b", "d", and "e".

16 b. Is located in a city with a population between  
17 eight thousand five hundred and twenty-four thousand.

18 c. Is located in a city which is not more than  
19 thirty-five miles from an existing enterprise zone in  
20 this state or an equivalent zone in an adjacent state.

21 d. Satisfies the requirement in section 15.329,  
22 subsection 1, paragraph "d".

23 2. A business which is eligible under this section  
24 may submit an application for incentives and  
25 assistance to the department of economic development.  
26 As part of the application, the business shall submit  
27 information relating the requirements listed in  
28 subsection 1 and in section 15E.193, subsection 2.  
29 The department may approve, defer, or deny the  
30 application.

31 3. If a business has received incentives or  
32 assistance under section 15E.196 and fails to maintain  
33 the requirements of subsection 1 to be an eligible  
34 business, the business is subject to repayment of all  
35 or a portion of the incentives and assistance that it  
36 has received. The city or county, as applicable,  
37 shall have the authority to take action to recover the  
38 value of taxes not collected as a result of an  
39 exemption provided by the community to the business.  
40 The department of revenue and finance shall have the  
41 authority to recover the value of state taxes or  
42 incentives provided under section 15E.196. The value  
43 of state incentives provided under section 15E.196  
44 includes applicable interest and penalties. The  
45 department of economic development and the city and  
46 county, as applicable, shall enter into agreements  
47 with the business specifying the method for  
48 determining the amount of incentives or assistance  
49 paid which will be repaid in the event of failure to  
50 maintain the requirements of subsection 1. In

H-8938

H-8938

Page 2

1 addition, a business that fails to maintain the  
2 requirements of subsection 1 shall not receive  
3 incentives or assistance for each year during which  
4 the business is not in compliance.

5 4. In making its decision regarding an  
6 application, the department of economic development  
7 shall consider the impact of the eligible business on  
8 other businesses in competition with it and compare  
9 the compensation package of businesses in competition  
10 with the business being considered for incentives or  
11 assistance. The department shall make a good faith  
12 effort to identify existing Iowa businesses within an  
13 industry in competition with the business being  
14 considered for incentives or assistance. The  
15 department shall also make a good faith effort to  
16 determine the probability that the proposed incentives  
17 or assistance will displace employees of existing  
18 businesses. In determining the impact on businesses  
19 in competition with the business seeking incentives or  
20 assistance, jobs created as a result of other jobs  
21 being displaced elsewhere in the state shall not be  
22 considered direct jobs created.

23 However, if the department finds that an eligible  
24 business has a record of violations of the law,  
25 including but not limited to environmental and worker  
26 safety statutes, rules, and regulations, over a period  
27 of time that tends to show a consistent pattern, the  
28 eligible business shall not qualify for incentives or  
29 assistance under section 15E.196, unless the  
30 department finds that the violations did not seriously  
31 affect public health or safety or the environment, or  
32 if it did that there were mitigating circumstances.  
33 In making the findings and determinations regarding  
34 violations, mitigating circumstances, and whether an  
35 eligible business is eligible for incentives or  
36 assistance under section 15E.196, the department is  
37 exempt from chapter 17A. If requested by the  
38 department, the business shall provide copies of  
39 materials documenting the type of violation, any fees  
40 or penalties assessed, court filings, final  
41 disposition of any findings, and any other information  
42 which would assist the department in assessing the  
43 nature of any violation.

44 5. A business that is approved to receive  
45 incentives or assistance shall, for the length of its  
46 designation as an enterprise zone business, certify  
47 annually to the department of economic development its  
48 compliance with the requirements of this section."

49 2. By renumbering as necessary.

By WISE of Lee

H-8938 FILED APRIL 6, 1998

HOUSE FILE 2538

H-8990

- 1 Amend House File 2538 as follows:
- 2 1. Page 1, line 9, by striking the words "a
- 3 minimum of four" and inserting the following: "one or
- 4 more".
- 5 2. Page 1, line 11, by striking the word
- 6 "twenty".
- 7 3. Page 1, line 14, by striking the word "three"
- 8 and inserting the following: "two".
- 9 4. Page 1, line 28, by striking the word "homes"
- 10 and inserting the following: "home".
- 11 5. Page 2, by striking lines 2 and 3.
- 12 6. Page 2, line 22, by striking the words "a
- 13 minimum of four" and inserting the following: "one or
- 14 more".
- 15 7. Page 2, line 24, by striking the word "three"
- 16 and inserting the following: "two".
- 17 8. By renumbering as necessary.

By GRUNDBERG of Polk

H-8990 FILED APRIL 7, 1998

*Act 4/9/98*

HOUSE FILE 2538

H-9025

- 1 Amend House File 2538 as follows:
- 2 1. Page 3, by inserting after line 3 the
- 3 following:
- 4 "6A. Any housing and residential development which
- 5 is part of an urban renewal project in an urban
- 6 renewal area and any property receiving a tax
- 7 exemption pursuant to chapter 404 shall not be
- 8 eligible to receive incentives and assistance provided
- 9 in subsection 6."

By DIX of Butler

H-9025 FILED APRIL 8, 1998

*Act 4-9-98 (P. 1442)*

HOUSE FILE 2538

S-5616

- 1 Amend House File 2538, as passed by the House, as
- 2 follows:
- 3 1. Page 1, line 9, by striking the words "a
- 4 minimum of four" and inserting the following: "one or
- 5 more".
- 6 2. Page 1, line 11, by striking the word
- 7 "twenty".
- 8 3. Page 1, line 14, by striking the word "three"
- 9 and inserting the following: "two".
- 10 4. Page 1, line 28, by striking the word "homes"
- 11 and inserting the following: "home".
- 12 5. Page 2, by striking lines 2 and 3.
- 13 6. Page 2, line 22, by striking the words "a
- 14 minimum of four" and inserting the following: "one or
- 15 more".
- 16 7. Page 2, line 24, by striking the word "three"
- 17 and inserting the following: "two".
- 18 8. By renumbering as necessary.

By JOANN DOUGLAS

*W/D 4/21/98 (P. 1423)*  
S-5616 FILED APRIL 9, 1998

**HOUSE FILE 2538  
FISCAL NOTE**

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A fiscal note for **House File 2538** 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.

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House File 2538 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 housing units 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 2538 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 for the additional FTE position required to administer the expanded Program.

**SOURCE**

Department of Economic Development

(LSB 3611hz, JWR)

FILED MARCH 23, 1998

BY DENNIS PROUTY, FISCAL DIRECTOR



## HOUSE FILE 2538

S-5810

1 Amend House File 2538, as passed by the House, as  
2 follows:  
3 1. Page 2, by inserting after line 13 the  
4 following:  
5 "5A. In addition to the requirements an enterprise  
6 zone commission may adopt pursuant to section 15E.195,  
7 subsection 2, an enterprise zone commission may  
8 negotiate with an eligible housing business to limit  
9 the sales price of a single-family home or multiple  
10 dwelling unit building in return for receiving  
11 incentives and assistance pursuant to this section."  
12 2. Page 2, line 14, by striking the word "An" and  
13 inserting the following: "Unless there is an  
14 agreement between an enterprise zone commission and an  
15 eligible housing business pursuant to subsection 5A,  
16 an".

By TOM VILSACK

S-5810 FILED APRIL 21, 1998  
WITHDRAWN (P. 1423)

## HOUSE FILE 2538

S-5809

1 Amend House File 2538, as passed by the House, as  
2 follows:  
3 1. Page 1, line 13, by inserting after the word  
4 "zone" the following: "or in a county with a total  
5 population of less than fifteen thousand which is not  
6 eligible to designate an enterprise zone,".  
7 2. Page 1, line 18, by inserting after the word  
8 "zone" the following: "or in a county with a total  
9 population of less than fifteen thousand which is not  
10 eligible to designate an enterprise zone".  
11 3. Page 1, by inserting after line 33 the  
12 following:  
13 "4A. A county with a total population of less than  
14 fifteen thousand which is not eligible to designate an  
15 enterprise zone shall establish an enterprise zone  
16 commission pursuant to section 15E.195 for purposes of  
17 this section only."  
18 4. Page 2, line 24, by inserting after the word  
19 "zone" the following: "or in a county with a total  
20 population of less than fifteen thousand which is not  
21 eligible to designate an enterprise zone,".  
22 5. Page 2, line 26, by inserting after the word  
23 "zone" the following: "or in a county with a total  
24 population of less than fifteen thousand which is not  
25 eligible to designate an enterprise zone".

By PATTY JUDGE

S-5809 FILED APRIL 21, 1998  
LOST

(P. 1423)

HOUSE FILE 2538

AN ACT

RELATING TO ELIGIBLE HOUSING BUSINESSES QUALIFYING FOR INCENTIVES AND ASSISTANCE IN ENTERPRISE ZONES, PROVIDING ADDITIONAL INCENTIVES AND ASSISTANCE FOR APPROVED ELIGIBLE BUSINESSES LOCATED IN AN ENTERPRISE ZONE, AND REQUIRING CONSIDERATION OF BUILDING CODES AND ZONING.

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

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

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

2. An eligible housing business under this section includes a housing developer or housing contractor that builds or rehabilitates a minimum of four single-family homes with a value, after completion of the building or rehabilitation, not exceeding one hundred twenty thousand dollars for each home located in that part of a city or county in which there is a designated enterprise zone or one multiple dwelling unit building containing three or more individual dwelling units with a total value per unit, after completion of the building or rehabilitation, not exceeding one hundred twenty thousand dollars located in that part of a city or county in which there is a designated enterprise zone.

3. The single-family homes and dwelling units which are rehabilitated or constructed by the eligible housing business shall be modest homes or units but shall include the necessary

amenities. When completed and made available for occupancy, the single-family homes and dwelling units shall meet the United States department of housing and urban development's housing quality standards and local safety standards.

4. The eligible housing business shall complete its building or rehabilitation within two years from the time the business begins construction on the single-family homes and dwelling units. The failure to complete construction or rehabilitation within two years shall result in the eligible housing business becoming ineligible and subject to the repayment requirements and penalties enumerated in subsection 7.

5. An eligible housing business shall provide the enterprise zone commission with all of the following information:

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

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

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

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

6. An eligible housing business which has been approved to receive incentives and assistance by the department of economic development pursuant to application as provided in section 15E.195 shall receive all of the following incentives and assistance for a period not to exceed ten years:

a. An eligible housing business may claim an income tax credit up to a maximum of ten percent of the new investment which is directly related to the building or rehabilitating of

a minimum of four single-family homes located in that part of a city or county in which there is a designated enterprise zone or one multiple dwelling unit building containing three or more individual dwelling units located in that part of a city or county in which there is a designated enterprise zone. Any credit in excess of the tax liability for the tax year may be credited to the tax liability for the following seven years or until depleted, whichever occurs earlier. If the business is a partnership, subchapter S corporation, limited liability company, or estate or trust electing to have the income taxed directly to the individual, an individual may claim the tax credit allowed. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of the partnership, subchapter S corporation, limited liability company, or estate or trust.

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

7. If a business has received incentives or assistance under this section and fails to maintain the requirements of this section to be an eligible housing business, the business is subject to repayment of all or a portion of the incentives and assistance that it has received. The department of revenue and finance shall have the authority to recover the value of state taxes or incentives provided under this section. The value of state incentives provided under this section includes applicable interest and penalties. The department of economic development and the city and county, as applicable, shall enter into agreement with the business specifying the method for determining the amount of incentives or assistance paid which will be repaid in the event of failure to maintain the requirements of this section. In addition, a business that fails to maintain the requirements of this section shall not receive incentives or assistance for each year during which the business is not in compliance.

8. The department of economic development and the department of revenue and finance shall each adopt rules to jointly administer this section.

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

15E.195 ENTERPRISE ZONE COMMISSION.

1. A county in which an eligible enterprise zone is certified shall establish an enterprise zone commission to review applications from qualified businesses located within or requesting to locate within an enterprise zone to receive incentives or assistance as provided in section 15E.196. The enterprise zone commission shall also review applications from qualified housing businesses requesting to receive incentives or assistance as provided in section 15E.193A. The commission shall consist of nine members. Five of these members shall consist of one representative of the board of supervisors, one member with economic development expertise chosen by the department of economic development, one representative of the county zoning board, one member of the local community college board of directors, and one representative of the local workforce development center. These five members shall select the remaining four members. If the enterprise zone consists of an area meeting the requirements for eligibility for an urban or rural enterprise community under Title XIII of the federal Omnibus Budget Reconciliation Act of 1993, one of the remaining four members shall be a representative of that zone. However, if the enterprise zone qualifies under the city criteria, one of the four members shall be a representative of an international labor organization and if an enterprise zone is located wholly or partially in any city, a representative, chosen by the city council, of each such city may shall be a member of the commission. The size of the commission shall be expanded by the number of members necessary to accommodate the appointment of a representative of each city. A county shall have only one enterprise zone commission.

2. The commission may adopt more stringent requirements, including requirements related to compensation and benefits, for a business to be eligible for incentives or assistance than provided in section sections 15E.193 and 15E.193A. The commission may develop as an additional requirement that preference in hiring be given to individuals who live within the enterprise zone. The commission shall work with the local workforce development center to determine the labor availability in the area. The commission shall examine and evaluate building codes and zoning in the enterprise zone and make recommendations to the appropriate governing body in an effort to promote more affordable housing development.

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

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

However, if the commission or department finds that an eligible business has a record of violations of the law, including but not limited to environmental and worker safety statutes, rules, and regulations, over a period of time that tends to show a consistent pattern, the eligible business shall not qualify for incentives or assistance under section 15E.193A or section 15E.196, unless the commission or department finds that the violations did not seriously affect public health or safety or the environment, or if it did that there were mitigating circumstances. In making the findings and determinations regarding violations, mitigating circumstances, and whether an eligible business is eligible for incentives or assistance under section 15E.193A or section 15E.196, the commission or department shall be exempt from chapter 17A. If requested by the commission or department, the business shall provide copies of materials documenting the type of violation, any fees or penalties assessed, court filings, final disposition of any findings and any other information which would assist the commission or department in assessing the nature of any violation.

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

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

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

b. (1) As an alternative to paragraph "a", a business may provide a housing assistance program in the form of down payment assistance or rental assistance for employees in new jobs, as defined in section 260E.2, who buy or rent housing located within any certified enterprise zone. A business

establishing a housing assistance program shall fund this program through a credit from withholding based on the wages paid to the employees participating in the housing assistance program. An amount equal to one and one-half percent of the gross wages paid by the employer to each employee participating in the housing assistance program shall be credited from the payment made by an employer pursuant to section 422.16. If the amount of the withholding by the employer is less than one and one-half percent of the gross wages paid to the employees, then the employer shall receive a credit against other withholding taxes due by the employer. The employer shall deposit the amount of the credit quarterly into a housing assistance fund created by the business out of which the business shall provide employees enrolled in the housing assistance program with down payment assistance or rental assistance.

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

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

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

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RON J. CORBETT  
Speaker of the House

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MARY E. KRAMER  
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 2538, Seventy-seventh General Assembly.

Approved May 6, 1998

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ELIZABETH ISAACSON  
Chief Clerk of the House

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TERRY E. BRANSTAD  
Governor