

FEB 22 2006
WAYS AND MEANS

HOUSE FILE 2455
BY COMMITTEE ON ECONOMIC
GROWTH

(SUCCESSOR TO HSB 629)

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

A BILL FOR

1 An Act allowing cities to create enterprise zones near modes of
2 transportation.

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

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HF 2455

TLSB 6429HV 81

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1 Section 1. Section 15E.192, Code Supplement 2005, is
2 amended by adding the following new subsection:

3 NEW SUBSECTION. 2A. A city may create an economic
4 development enterprise zone as authorized in this division,
5 subject to certification by the department of economic
6 development, by designating up to four square miles of the
7 city for that purpose. In order for an enterprise zone to be
8 certified pursuant to this subsection, an enterprise zone
9 shall meet the distress criteria provided in section 15E.194,
10 subsection 2A. Section 15E.194, subsection 2, shall not apply
11 to an enterprise zone certified pursuant to this subsection.
12 A cumulative total of not more than twenty-five million
13 dollars worth of incentives and assistance under section
14 15E.196, subsections 1, 2, 3, 4, and 6, shall be awarded to
15 businesses located in enterprise zones certified prior to July
16 1, 2007, pursuant to this subsection. A cumulative total of
17 not more than ten million dollars worth of incentives and
18 assistance under section 15E.196, subsections 1, 2, 3, 4, and
19 6, shall be awarded to businesses located in enterprise zones
20 certified during each fiscal year beginning on or after July
21 1, 2007, pursuant to this subsection. For purposes of this
22 subsection and section 15E.194, subsection 2A, "city" means a
23 city that includes at least three census tracts, as determined
24 in the most recent federal census.

25 Sec. 2. Section 15E.192, subsection 3, paragraph b, Code
26 Supplement 2005, is amended to read as follows:

27 b. A county or city may apply to the department for an
28 area to be certified as an enterprise zone at any time prior
29 to March 1, 2006. However, the total amount of land
30 designated as enterprise zones under subsections 1 and 2, and
31 any other enterprise zones certified by the department,
32 excluding those approved pursuant to section 15E.194,
33 subsection subsections 2A and 4, shall not exceed in the
34 aggregate one percent of the total county area.

35 Sec. 3. Section 15E.193B, subsection 1, Code Supplement

1 2005, is amended to read as follows:

2 1. A housing business qualifying under this section is
3 eligible to receive incentives and assistance only as provided
4 in this section. An eligible housing business shall not
5 receive incentives or assistance for a home or multiple
6 dwelling unit built or rehabilitated in an enterprise zone
7 designated pursuant to section 15E.194, subsection 2A or 4.
8 Sections 15E.193 and 15E.196 do not apply to an eligible
9 housing business qualifying under this section.

10 Sec. 4. Section 15E.194, subsection 2, unnumbered
11 paragraph 1, Code 2005, is amended to read as follows:

12 An enterprise zone may be designated by a city with a
13 population of twenty-four thousand or more which meets at
14 least two of the following criteria:

15 Sec. 5. Section 15E.194, Code 2005, is amended by adding
16 the following new subsection:

17 NEW SUBSECTION. 2A. A city may designate an area of up to
18 four square miles to be an enterprise zone if the area
19 includes or is located within four miles of at least three of
20 the following:

- 21 a. A commercial service airport.
- 22 b. A barge terminal or a navigable waterway.
- 23 c. Entry to a rail line.
- 24 d. Entry to an interstate highway.
- 25 e. Entry to a commercial and industrial highway network as
26 identified pursuant to section 313.2A.

27 An eligible housing business under section 15E.193B shall
28 not receive incentives or assistance for a home or multiple
29 dwelling unit built or rehabilitated in an enterprise zone
30 designated pursuant to this subsection.

31 Sec. 6. Section 15E.194, subsection 3, Code 2005, is
32 amended to read as follows:

33 3. The department of economic development shall certify
34 eligible enterprise zones that meet the requirements of
35 subsection 1 upon request by the county, ~~or~~ subsection 2 upon

1 request by the city, or subsection 2A upon request by the
2 city, as applicable.

3 Sec. 7. Section 15E.195, subsection 2, Code 2005, is
4 amended to read as follows:

5 2. ~~A city with a population of twenty-four thousand or~~
6 ~~more~~ which designates an enterprise zone pursuant to section
7 15E.194, subsection 2 or 2A, and in which an eligible
8 enterprise zone is certified shall establish an enterprise
9 zone commission to review applications from qualified
10 businesses located within or requesting to locate within an
11 enterprise zone to receive incentives or assistance as
12 provided in section 15E.196. The enterprise zone commission
13 shall review applications from qualified housing businesses
14 requesting to receive incentives or assistance as provided in
15 section 15E.193B. The commission shall consist of nine
16 members. Six of these members shall consist of one
17 representative of an international labor organization, one
18 member with economic development expertise chosen by the
19 department of economic development, one representative of the
20 city council, one member of the local community college board
21 of directors, one member of the city planning and zoning
22 commission, and one representative of the local workforce
23 development center. These six members shall select the
24 remaining three members. If the enterprise zone consists of
25 an area meeting the requirements for eligibility for an urban
26 enterprise community under Title XIII of the federal Omnibus
27 Budget Reconciliation Act of 1993, one of the remaining three
28 members shall be a representative of that community. If a
29 city contiguous to the city designating the enterprise zone is
30 included in an enterprise zone, a representative of the
31 contiguous city, chosen by the city council, shall be a member
32 of the commission. A city in which an eligible enterprise
33 zone is certified shall have only one enterprise zone
34 commission. If a city has established an enterprise zone
35 commission prior to July 1, 1998, the city may petition to the

1 department of economic development to change the structure of
2 the existing commission.

3 EXPLANATION

4 This bill allows the creation of a new type of enterprise
5 zone within the economic development enterprise zone program
6 administered by the department of economic development.

7 The bill provides that any city in the state may create an
8 enterprise zone, subject to certification by the department,
9 by designating up to four square miles of the city for that
10 purpose. The bill defines a city as a city that includes at
11 least three census tracts. In order to be certified, the area
12 must include or be located within four miles of three of the
13 following: a commercial service airport, a barge terminal or
14 a navigable waterway, entry to a rail line, entry to an
15 interstate highway, or entry to a commercial and industrial
16 highway network. The bill limits the amount of incentives and
17 assistance that may be awarded to businesses located in such
18 enterprise zones to \$25 million for enterprise zones certified
19 prior to July 1, 2007, and \$10 million for enterprise zones
20 certified during each fiscal year beginning on or after July
21 1, 2007. The bill provides that eligible housing businesses
22 cannot receive incentives or assistance for a home or multiple
23 dwelling unit built or rehabilitated in such an enterprise
24 zone and such enterprise zones are excluded from the
25 calculation to determine whether the aggregate 1 percent of
26 the total county area limit has been exceeded.

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Fiscal Services Division
Legislative Services Agency
Fiscal Note

HF 2455 - Enterprise Zones Intermodal (LSB 6429 HV)

Analyst: Ron Robinson (Phone: [515] 281-6256) (ron.robinson@legis.state.ia.us)

Fiscal Note Version - NEW

Description

House File 2455 creates a new type of enterprise zone of up to four miles that a city of 12,000 or more can designate areas located within four miles of at least three of the following:

- A commercial service airport.
- A barge terminal or a navigable waterway.
- Entry to a rail line.
- Entry to an interstate highway.
- Entry to a commercial and industrial highway network.

The new type of zone is not included in the calculation of the 1.0% aggregate of the total county area for enterprise zone designation.

The Bill limits awards to a total of \$25.0 million for enterprise zones designated before FY 2008 and to \$10.0 million annually for zones designated in FY 2008 and after.

The Bill excludes housing projects from the new type of enterprise zone.

Background

The Department of Economic Development certifies eligible enterprise zones for ten years that meet the designated requirements upon the request of a county or city. Currently, a city with a population of 24,000 or more is eligible to designate an enterprise zone if the zone meets two of the following distress criteria:

- The area has a per capita income of \$25,648 or less based on the 2000 census.
- The area has a family poverty rate of 12.0% or higher based on the 2000 census.
- Ten percent or more of the housing units are vacant in the area.
- The valuations of each class of property in the designated area is 75.0% or less of the citywide average for that classification based upon the most recent valuations for property tax purposes.
- The area is a blighted area.

An enterprise zone may be designated by a county which meets at least two of the following distress criteria:

- The county has an average weekly wage that ranks among the bottom 25 counties in the State based on the 2000 annual average weekly wage for employees in private business.
- The county has a family poverty rate that ranks among the top 25 counties in the State based on the 2000 census.
- The county has experienced a percentage population loss that ranks among the top 25 counties in the State between 1995 and 2000.
- The county has a percentage of persons 65 years of age or older that ranks among the top 25 counties in the State based on the 2000 census.

There are currently 784 designated enterprise zones in 40 counties and 17 cities. There have been 437 awards, with 161 business awards and 276 housing awards.

Section 15E.192(3)(b), Code of Iowa, provides that an enterprise zone must be applied for before March 1, 2006, and the zone, excluding any business closure, and Intermodal areas under this Bill, must not exceed 1.0% of the total county area.

Assumptions

4. If the date to establish a zone is extended and the new type of zone is created, four new cities will be eligible for the Enterprise Zone Program and 19 cities that are currently eligible to designate zones will increase their utilization.
5. The new cities will average a combined nine business awards annually.
6. The FY 2007 awards will total an estimated \$13.0 million.
7. The awards made in FY 2008, and thereafter, will be restricted by the \$10.0 million award limitation.
8. The restriction on the amount of awards during a fiscal year does not restrict the amount of the awards that can be exercised during a fiscal year.
9. Due to the time needed to establish new zones, approve projects, and begin operations, the first project awards would not be exercised until FY 2008.
10. The average award for an enterprise zone business project is \$1.4 million.
11. A project does not take place in every enterprise zone.
12. All awards will be exercised.

Fiscal Impact

House File 2455 will have no fiscal impact on the State General Fund. The deadline for applying for an enterprise zone was March 1, 2006.

However, if the date to apply for a zone was extended sufficiently to permit the 23 cities to establish new zones, the Bill would reduce State General Fund revenue an estimated \$6.5 million in FY 2008, \$11.5 million in FY 2009, and \$10.0 million annually beginning with FY 2010.

The fiscal impact does not include an adjustment for "indirect" impacts on State or local revenue. Both positive and negative indirect impacts are possible. Positive indirect impacts may include employees expending salary dollars within the State and growth in other businesses created and expanded to meet the needs of the new business. Negative indirect impacts may include the effect of the new business on other Iowa businesses when competing for labor, capital, and sales, as well as the additional demand for schools, roads, police and fire protection, and other government services that necessarily result from higher levels of employment and population.

Source

Department of Economic Development

/s/ Holly M. Lyons

March 10, 2006

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

Jenkins, Chr.
Soderberg
Schickel
Wise
Thomas

HSB 629
ECONOMIC GROWTH

HOUSE FILE ST 02455
BY (PROPOSED COMMITTEE ON
ECONOMIC GROWTH BILL BY
CHAIRPERSON HOFFMAN)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
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7 city for that purpose. In order for an enterprise zone to be
8 certified pursuant to this subsection, an enterprise zone
9 shall meet the distress criteria provided in section 15E.194,
10 subsection 2A. Section 15E.194, subsection 2, shall not apply
11 to an enterprise zone certified pursuant to this subsection.
12 Applications for enterprise zones designated pursuant to this
13 subsection must be received by the department by July 1, 2007.
14 The department shall not certify more than three such
15 enterprise zones.

16 Sec. 2. Section 15E.192, subsection 3, paragraph b, Code
17 Supplement 2005, is amended to read as follows:

18 b. A county or city may apply to the department for an
19 area to be certified as an enterprise zone at any time prior
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1 Sec. 4. Section 15E.194, subsection 2, unnumbered
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12 of directors, one member of the city planning and zoning
13 commission, and one representative of the local workforce
14 development center. These six members shall select the
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16 an area meeting the requirements for eligibility for an urban
17 enterprise community under Title XIII of the federal Omnibus
18 Budget Reconciliation Act of 1993, one of the remaining three
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4 waterway, entry to a rail line, entry to an interstate
5 highway, or entry to a commercial and industrial highway
6 network. The bill provides that applications for such
7 enterprise zones must be received by the department by July 1,
8 2007, and the department shall not certify more than three
9 such enterprise zones. The bill provides that eligible
10 housing businesses cannot receive incentives or assistance for
11 a home or multiple dwelling unit built or rehabilitated in
12 such an enterprise zone and such enterprise zones are excluded
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