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WAYS AND MEANS

HOUSE FILE 2536
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Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act providing for the establishment by certain cities of sales
2 tax increment financing districts.

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

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HF 2536

1 Section 1. Section 423B.1, subsection 6, Code 2005, is
2 amended by adding the following new paragraph:

3 NEW PARAGRAPH. c. Notwithstanding any other provision in
4 this section, a change in use of the increased local sales and
5 services tax revenues for purposes of a sales tax increment
6 financing district pursuant to section 423B.10 does not
7 require an election.

8 Sec. 2. Section 423B.9, subsection 2, Code 2005, is
9 amended to read as follows:

10 2. An issuer of public bonds which is a recipient of
11 revenues from a local option sales and services tax imposed
12 pursuant to this chapter may issue bonds in anticipation of
13 the collection of one or more designated portions of the local
14 option sales and services tax and may pledge irrevocably an
15 amount of the revenue derived from the designated portions for
16 each of the years the bonds remain outstanding to the payment
17 of the bonds. Bonds may be issued only for one or more of the
18 purposes set forth on the ballot proposition concerning the
19 imposition of the local option sales and services tax or for
20 purposes of a sales tax increment financing district pursuant
21 to section 423B.10, except bonds shall not be issued which are
22 payable from that portion of tax revenues designated for
23 property tax relief. The bonds may be issued in accordance
24 with the procedures set forth in either subsection 3 or 4.

25 Sec. 3. NEW SECTION. 423B.10 SALES TAX INCREMENT
26 FINANCING DISTRICTS.

27 1. For purposes of this section, unless the context
28 otherwise requires:

29 a. "Base year" means the fiscal year during which the
30 designation by ordinance of a sales tax increment financing
31 district is made.

32 b. "District" means a sales tax increment financing
33 district established pursuant to subsection 2.

34 c. "Eligible city" means a city in which a local sales and
35 services tax imposed by the county applies or a city described

1 in section 423B.1, subsection 2, paragraph "a".

2 d. "Project" means an athletic, cultural, or entertainment
3 facility or complex in which the owners or operators make an
4 actual investment of at least five million dollars. "Project"
5 does not include any gaming establishment or facility and does
6 not include a retail mall or complex. However, this does not
7 preclude a retail specialty shop or business from being
8 included as part of a project.

9 e. "Retail establishment" means a business operated by a
10 retailer as defined in section 423.1.

11 2. An eligible city may by ordinance of the city council
12 establish a sales tax increment financing district for the
13 purpose of using the increased local sales and services tax
14 revenues received by it under this chapter which are
15 attributable to retail establishments in the district to repay
16 any loans, advances, indebtedness, or bonds used to assist in
17 the development, redevelopment, improvement, or rehabilitation
18 of a project located within such district. The increased
19 revenues to be used for the project shall be deposited into a
20 special fund to be established for the purpose of repaying the
21 loans, advances, indebtedness, or bonds.

22 3. a. To determine the revenue increase for purposes of
23 subsection 2, a base year revenue amount shall be calculated
24 by the department of revenue as follows:

25 (1) Determine the amount of local sales and services tax
26 revenue collected from retail establishments located in the
27 area comprising the district during the base year.

28 (2) Determine the dollar amount of the tax revenues
29 collected, as described in subparagraph (1), which is
30 distributed to the city during the base year. This is the
31 base year revenue amount.

32 b. A current year revenue amount is determined for each
33 fiscal year following the base year in the manner specified in
34 paragraph "a".

35 c. The excess of the amount determined in paragraph "b"

1 over the amount determined in paragraph "a" is the increase in
2 the eligible city's revenues that are to be deposited in the
3 special fund. However, if any portion of these increased
4 revenues has been previously, irrevocably pledged to pay bonds
5 issued pursuant to section 423B.9 for any purpose other than
6 the purpose of the district, such portion shall not be
7 deposited into the special fund.

8 4. An eligible city that has designated a sales tax
9 increment financing district as provided in subsection 2 may
10 apply to the department of economic development to receive a
11 portion of the amount of the state sales tax revenues
12 collected pursuant to chapter 423, subchapter II, during a
13 fiscal year from retail establishments located in such
14 district which is in excess of the amount of such revenues
15 collected by the state during the base year. The department
16 of economic development shall establish by rule criteria for
17 determining if it will enter into an agreement with an
18 eligible city. These criteria shall include, but not be
19 limited to, all of the following:

20 a. The project is not replacing an athletic, cultural, or
21 entertainment facility or complex located in another part of
22 the city.

23 b. The extent to which the project will bring out-of-state
24 residents to the city and the county.

25 c. The extent to which the project will have an adverse
26 effect on surrounding cities and counties.

27 d. The district is a well-defined compact area where the
28 majority of the commercial property contained in the district
29 is benefited by the project.

30 e. The total amount of investment to be made in the
31 project and the amounts to be provided by private investors,
32 the city, and the state.

33 f. The agreement shall be for a period not to exceed ten
34 fiscal years or for attainment of a specific dollar amount,
35 whichever occurs first.

1 5. The payment of any portion of the amount of state sales
2 tax revenues collected during a fiscal year under subsection 4
3 is contingent upon an appropriation by the general assembly
4 specifically for payment of such revenue increase, and any
5 agreement entered into between the department of economic
6 development and an eligible city shall contain a statement as
7 to this contingency.

8 6. All moneys received by an eligible city from state
9 sales tax revenue collections shall be deposited into the
10 special fund established pursuant to subsection 2.

11 7. For purposes of this section, the eligible city shall
12 assist the department of revenue in identifying retail
13 establishments in the district that are collecting the local
14 sales and services tax and state sales tax. This process
15 shall be ongoing until the district is dissolved.

16 Sec. 4. Section 423E.5, unnumbered paragraph 2, Code
17 Supplement 2005, is amended to read as follows:

18 A school district in which a local option sales tax for
19 school infrastructure purposes has been imposed shall be
20 authorized to enter into a chapter 28E agreement with one or
21 more cities or a county whose boundaries encompass all or a
22 part of the area of the school district. A city or cities
23 entering into a chapter 28E agreement shall be authorized to
24 expend its designated portion of the local option sales and
25 services tax revenues for any valid purpose permitted in this
26 chapter or authorized by the governing body of the city,
27 including the use of the revenues for purposes of a sales tax
28 increment financing district under section 423B.10. A county
29 entering into a chapter 28E agreement with a school district
30 in which a local option sales tax for school infrastructure
31 purposes has been imposed shall be authorized to expend its
32 designated portion of the local option sales and services tax
33 revenues to provide property tax relief within the boundaries
34 of the school district located in the county. A school
35 district where a local option sales and services tax is

1 imposed is also authorized to enter into a chapter 28E
2 agreement with another school district, a community college,
3 or an area education agency which is located partially or
4 entirely in or is contiguous to the county where the tax is
5 imposed. The school district or community college shall only
6 expend its designated portion of the local option sales and
7 services tax for infrastructure purposes. The area education
8 agency shall only expend its designated portion of the local
9 option school infrastructure sales tax for infrastructure and
10 maintenance purposes.

11 EXPLANATION

12 This bill authorizes a city with a local option sales and
13 services tax to establish by ordinance a sales tax increment
14 financing district for the purpose of dedicating and using the
15 increase in the local sales and services tax revenues to pay
16 the loans, advances, indebtedness, and bonds used to assist in
17 the development, redevelopment, improvement, or rehabilitation
18 of an athletic, cultural, or entertainment facility or complex
19 project located within such district. Dedicating such
20 increased revenues does not require an election. The owners
21 or operators of the project must make an actual investment of
22 at least \$5 million and the project cannot include a gaming
23 establishment or facility or a retail mall or complex.

24 The bill also allows the city to enter into an agreement
25 with the department of economic development to receive
26 assistance for all or a portion of the increase in state sales
27 tax revenues collected by retail establishments in the
28 district. This state assistance is subject to appropriation
29 by the general assembly. The department would establish
30 criteria for entering into such an agreement, which criteria
31 would include the extent to which the project would bring in
32 nonresidents of the state and would affect surrounding
33 communities, the amount of private and public investment being
34 made, the compactness of the district, and the requirement
35 that the project is not replacing a similar facility or

1 complex in the city. The agreement would be for a period of
2 10 years or for a specified amount of state assistance,
3 whichever occurs first.

4 The bill provides that a city may use revenues that it may
5 receive from a local sales and services tax for school
6 infrastructure purposes for purposes of the city's sales tax
7 increment financing district.

8 The base year revenue amount for determining the increase
9 in tax revenues is the amount of tax revenues collected and
10 distributed to the city during the fiscal year ending after
11 the city has established the district. However, any portion
12 of that increase which has previously been pledged for another
13 purpose is not considered part of the increase that may be
14 used for the purposes of the district.

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