

MAR 1 2006  
Place On Calendar

HOUSE FILE 2595  
BY COMMITTEE ON ECONOMIC GROWTH  
(SUCCESSOR TO HSB 630)

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

**A BILL FOR**

1 An Act relating to eligibility requirements and certification of  
2 enterprise zones under the enterprise zone program and  
3 including effective and retroactive applicability dates.  
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 2595

1 Section 1. Section 15E.192, subsection 2, Code Supplement  
2 2005, is amended to read as follows:

3 2. A city ~~with a population of twenty-four thousand or~~  
4 more which includes at least three census tracts with at least  
5 fifty percent of the population in each census tract located  
6 in the city, as shown by the 2000 certified federal census,  
7 may create an economic development enterprise zone as  
8 authorized in this division, subject to certification by the  
9 department of economic development, by designating one or more  
10 contiguous census tracts, as determined in the most recent  
11 federal census, or designating other geographic units approved  
12 by the department of economic development for that purpose.  
13 If there is an area in the city which meets the requirements  
14 for eligibility for an urban or rural enterprise community  
15 under Title XIII of the federal Omnibus Budget Reconciliation  
16 Act of 1993, such area shall be designated by the state as an  
17 economic development enterprise zone. The area meeting the  
18 requirements for eligibility for an urban or rural enterprise  
19 community shall not be included for the purpose of determining  
20 the area limitation pursuant to subsection 3. In creating an  
21 enterprise zone, a city ~~with a population of twenty-four~~  
22 thousand or more which includes at least three census tracts  
23 with at least fifty percent of the population in each census  
24 tract located in the city, as shown by the 2000 certified  
25 federal census, may designate as part of the area tracts or  
26 approved geographic units located in a contiguous city if such  
27 tracts or approved geographic units meet the criteria and the  
28 city agrees to being included. The city may establish more  
29 than one enterprise zone. Reference in this division to  
30 "city" means a city ~~with a population of twenty-four thousand~~  
31 or more which includes at least three census tracts with at  
32 least fifty percent of the population in each census tract  
33 located in the city, as shown by the 2000 certified federal  
34 census.

35 Sec. 2. Section 15E.192, subsection 4, Code Supplement

1 2005, is amended to read as follows:

2 4. An enterprise zone designation shall remain in effect  
3 for ten years following the date of certification. Prior to  
4 the expiration of an enterprise zone designation, a city or  
5 county meeting the distress criteria in section 15E.194 may  
6 apply for a one-time ten-year extension of the designation.  
7 In applying for a one-time ten-year extension of an enterprise  
8 zone designation, a city or county may redefine the boundaries  
9 of the enterprise zone provided that the redefined enterprise  
10 zone meets the applicable distress criteria provided in  
11 section 15E.194. Any state or local incentives or assistance  
12 that may be conferred must be conferred before the designation  
13 expires. However, the benefits of the incentive or assistance  
14 may continue beyond the expiration.

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

17 2. A city ~~with a population of twenty-four thousand or~~  
18 ~~more~~ which includes at least three census tracts with at least  
19 fifty percent of the population in each census tract located  
20 in the city and which designates an enterprise zone pursuant  
21 to section 15E.194, subsection 2, and in which an eligible  
22 enterprise zone is certified shall establish an enterprise  
23 zone commission to review applications from qualified  
24 businesses located within or requesting to locate within an  
25 enterprise zone to receive incentives or assistance as  
26 provided in section 15E.196. The enterprise zone commission  
27 shall review applications from qualified housing businesses  
28 requesting to receive incentives or assistance as provided in  
29 section 15E.193B. The commission shall consist of nine  
30 members. Six of these members shall consist of one  
31 representative of an international labor organization, one  
32 member with economic development expertise chosen by the  
33 department of economic development, one representative of the  
34 city council, one member of the local community college board  
35 of directors, one member of the city planning and zoning

1 commission, and one representative of the local workforce  
2 development center. These six members shall select the  
3 remaining three members. If the enterprise zone consists of  
4 an area meeting the requirements for eligibility for an urban  
5 enterprise community under Title XIII of the federal Omnibus  
6 Budget Reconciliation Act of 1993, one of the remaining three  
7 members shall be a representative of that community. If a  
8 city contiguous to the city designating the enterprise zone is  
9 included in an enterprise zone, a representative of the  
10 contiguous city, chosen by the city council, shall be a member  
11 of the commission. A city in which an eligible enterprise  
12 zone is certified shall have only one enterprise zone  
13 commission. If a city has established an enterprise zone  
14 commission prior to July 1, 1998, the city may petition to the  
15 department of economic development to change the structure of  
16 the existing commission.

17 Sec. 4. EFFECTIVE AND RETROACTIVE APPLICABILITY DATES.  
18 This Act, being deemed of immediate importance, takes effect  
19 upon enactment and, if enacted after March 1, 2006, applies  
20 retroactively to March 1, 2006.

21 EXPLANATION

22 This bill relates to eligibility requirements and  
23 certification of enterprise zones under the enterprise zone  
24 program and includes effective and retroactive applicability  
25 dates.

26 Currently, a city with a population of 24,000 or more is  
27 eligible to designate an enterprise zone if the enterprise  
28 zone meets certain distress criteria. The bill eliminates the  
29 24,000 population threshold and, instead, provides that a city  
30 which includes at least three census tracts with at least 50  
31 percent of the population in each census tract located in the  
32 city, as shown by the 2000 certified federal census, is  
33 eligible to designate an enterprise zone if the enterprise  
34 zone meets certain distress criteria.

35 The bill provides that, prior to the expiration of an

1 enterprise zone designation, a city or county meeting certain  
2 distress criteria may apply for a one-time 10-year extension  
3 of the enterprise zone designation. The bill provides that,  
4 in applying for a one-time 10-year extension, a city or county  
5 may redefine the boundaries of the enterprise zone, provided  
6 the redefined enterprise zone meets the applicable distress  
7 criteria.

8 The bill takes effect upon enactment and, if enacted after  
9 March 1, 2006, applies retroactively to March 1, 2006.

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**Fiscal Services Division**  
**Legislative Services Agency**  
**Fiscal Note**

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HF 2595 - Enterprise Zones Population and Extension (LSB 6084 HV)  
Analyst: Ron Robinson (Phone: [515] 281-6256) ([ron.robinson@legis.state.ia.us](mailto:ron.robinson@legis.state.ia.us))  
Fiscal Note Version - New

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**Description**

House File 2595 replaces the 24,000 population threshold for a city that meets established distress criteria to designate an enterprise zone with a requirement that the city include at least three census tracts (approximately 12,000 people). The tracts are to be at least 50.0% within the city according to the 2000 certified federal census.

The Bill further provides that an expiring zone meeting the distress criteria can be granted a one-time ten-year extension of the zone and the boundaries can be changed.

**Background**

The Department of Economic Development certifies eligible enterprise zones for ten-years that meet the following 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, as defined in Section 403.17, Code of Iowa.

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

A city of any size or any county may designate an enterprise zone at any time prior to July 1, 2010, when a business closure occurs involving the loss of full-time employees, not including retail employees, at one place of business totaling at least one thousand employees or 4.0% or more of the county's resident labor force based on the most recent annual resident labor force statistics from the Department of Workforce Development, whichever is lower. The enterprise zone may be established on the property of the place of business that has closed and the enterprise zone may include an area up to an additional three miles adjacent to the property.

The area meeting the requirements for enterprise zone eligibility under this subsection is not to be included for the purpose of determining the area limitation.

### **Assumptions**

1. 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 areas, must not exceed 1.0% of the total county area.
2. Replacing the 24,000 population threshold for a city that meets established distress criteria for enterprise zone designation with a requirement that the city include at least three census tracts will result in 10 new cities being eligible for the Enterprise Zone Program, if the date to establish a zone is extended.  

These cities are: Boone, Coralville, Fort Madison, Indianola, Keokuk, Knoxville, Muscatine, Newton, Oskaloosa, and Waverly.
3. Currently city zones represent approximately \$20.3 million in Program costs.
4. The time needed to establish new zones, approve projects, and begin operations, would cause additional costs in FY 2008.
5. No current enterprise zones expire during FY 2007.
6. There are 72 zones that will expire during FY 2008, with 51 of the zones currently not meeting the required distress criteria obtaining a one-time 10-year extension of a zone.
7. Insufficient information is available to determine if nine of the current zones could obtain an extension.
8. There are 12 present zones that could apply for an extension given their current condition.
9. A project does not take place in every enterprise zone.
10. The average cost of a housing project award is \$183,000.
11. The average cost of a business project award is \$1.4 million.
12. The granting of zone extensions will result in project awards for housing and business totaling an estimated \$1.6 million during FY 2009, FY 2010, and FY 2011.

### **Fiscal Impact**

House File 2595 would reduce General Fund revenue an estimated \$1.6 million FY 2009, FY 2010, and FY 2011, due to the extension of current enterprise zones.

House File 2595, by replacing the 24,000 population threshold for a city that meets established distress criteria to designate an enterprise zone with a requirement that the city include at least three census tracts, resulting in 10 new cities being eligible for the Enterprise Zone Program, does not have a fiscal impact since the date to apply for a zone is prior to March 1, 2006, and the effective date of the Bill is retroactive to March 1, 2006.

However, if the date to apply for a zone was extended sufficiently to permit the 10 additional cities to establish new zones, the Bill would reduce General Fund revenue an estimated \$16.8 million annually beginning with FY 2008.

### **Source**

Department of Economic Development

/s/ Holly M. Lyons

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March 8, 2006

HOUSE FILE 2595

H-8099

1 Amend House File 2595 as follows:

2 1. Page 1, by inserting after line 34, the  
3 following:

4 "Sec. \_\_\_\_ Section 15E.192, subsection 3, Code  
5 Supplement 2005, is amended to read as follows:

6 3. a. (1) An enterprise zone certified by the  
7 department pursuant to subsection 2 shall only be  
8 amended if the amendment consists of an area being  
9 added to the enterprise zone and the added area meets  
10 the criteria of section 15E.194, subsection 2. An  
11 enterprise zone certified by the department pursuant  
12 to subsection 1 or 2 may be decertified; however, if a  
13 subsequent enterprise zone is designated, the  
14 expiration date of the subsequent enterprise zone  
15 shall be the same as the expiration date of the  
16 decertified enterprise zone. A portion of a certified  
17 enterprise zone may be decertified, provided that the  
18 remaining portion of the certified enterprise zone  
19 meets the distress criteria provided in section  
20 15E.194.

21 (2) A city or county that is not eligible to  
22 designate an enterprise zone but previously designated  
23 enterprise zones pursuant to section 15E.194, Code  
24 1997, which were equivalent in area to one percent of  
25 the total county area may decertify all or a portion  
26 of an enterprise zone and designate a subsequent  
27 enterprise zone if all of the following criteria are  
28 met:

29 (a) A subsequent enterprise zone of equivalent  
30 area or less is designated.

31 (b) The subsequent enterprise zone meets the same  
32 distress criteria as were applicable to the  
33 decertified enterprise zone.

34 (c) The expiration date of the subsequent  
35 enterprise zone is the same as the expiration date of  
36 the decertified enterprise zone.

37 b. A county or city may apply to the department  
38 for an area to be certified as an enterprise zone at  
39 any time prior to March 1, ~~2006~~ 2012. However, the  
40 total amount of land designated as enterprise zones  
41 under subsections 1 and 2, and any other enterprise  
42 zones certified by the department, excluding those  
43 approved pursuant to section 15E.194, subsection 4,  
44 shall not exceed in the aggregate one percent of the  
45 total county area."

46 2. By renumbering as necessary.

By THOMAS of Clayton

H-8099 FILED MARCH 6, 2006

Jenkins, Chr.  
Soderberg  
Schickel  
Wise  
Thomas

HSB 630

ECONOMIC GROWTH

HOUSE FILE \_\_\_\_\_ 02595  
BY (PROPOSED COMMITTEE ON  
ECONOMIC GROWTH BILL BY  
CHAIRPERSON HOFFMAN)

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

**A BILL FOR**

1 An act relating to eligibility requirements and certification of  
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2 2005, is amended to read as follows:

3 2. ~~A city with a population of twenty-four thousand or~~  
4 ~~more which includes at least two census tracts~~, as shown by  
5 the 2000 certified federal census, may create an economic  
6 development enterprise zone as authorized in this division,  
7 subject to certification by the department of economic  
8 development, by designating one or more contiguous census  
9 tracts, as determined in the most recent federal census, or  
10 designating other geographic units approved by the department  
11 of economic development for that purpose. If there is an area  
12 in the city which meets the requirements for eligibility for  
13 an urban or rural enterprise community under Title XIII of the  
14 federal Omnibus Budget Reconciliation Act of 1993, such area  
15 shall be designated by the state as an economic development  
16 enterprise zone. The area meeting the requirements for  
17 eligibility for an urban or rural enterprise community shall  
18 not be included for the purpose of determining the area  
19 limitation pursuant to subsection 3. In creating an  
20 enterprise zone, ~~a city with a population of twenty-four~~  
21 ~~thousand or more which includes at least two census tracts~~, as  
22 shown by the 2000 certified federal census, may designate as  
23 part of the area tracts or approved geographic units located  
24 in a contiguous city if such tracts or approved geographic  
25 units meet the criteria and the city agrees to being included.  
26 The city may establish more than one enterprise zone.  
27 Reference in this division to "city" means a city ~~with a~~  
28 ~~population of twenty-four thousand or more which includes at~~  
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30 federal census.

31 Sec. 2. Section 15E.192, subsection 4, Code Supplement  
32 2005, is amended to read as follows:

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1 county meeting the distress criteria in section 15E.194 may  
2 apply for a ten-year extension of the designation. Any state  
3 or local incentives or assistance that may be conferred must  
4 be conferred before the designation expires. However, the  
5 benefits of the incentive or assistance may continue beyond  
6 the expiration.

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

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

1 council, shall be a member of the commission. A city in which  
2 an eligible enterprise zone is certified shall have only one  
3 enterprise zone commission. If a city has established an  
4 enterprise zone commission prior to July 1, 1998, the city may  
5 petition to the department of economic development to change  
6 the structure of the existing commission.

7 Sec. 4. EFFECTIVE AND RETROACTIVE APPLICABILITY DATES.

8 This Act, being deemed of immediate importance, takes effect  
9 upon enactment and, if enacted after March 1, 2006, applies  
10 retroactively to March 1, 2006.

11 EXPLANATION

12 This bill relates to eligibility requirements and  
13 certification of enterprise zones under the enterprise zone  
14 program and includes effective and retroactive applicability  
15 dates.

16 Currently, a city with a population of 24,000 or more is  
17 eligible to designate an enterprise zone if the enterprise  
18 zone meets certain distress criteria. The bill eliminates the  
19 24,000 population threshold and, instead, provides that a city  
20 which includes at least two census tracts, as shown by the  
21 2000 certified federal census, is eligible to designate an  
22 enterprise zone if the enterprise zone meets certain distress  
23 criteria.

24 The bill provides that, prior to the expiration of an  
25 enterprise zone designation, a city or county meeting certain  
26 distress criteria may apply for a 10-year extension of the  
27 enterprise zone designation.

28 The bill takes effect upon enactment and, if enacted after  
29 March 1, 2006, applies retroactively to March 1, 2006.

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