

**House File 641 - Introduced**

HOUSE FILE 641

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 234)

**A BILL FOR**

1 An Act authorizing the establishment of reinvestment districts  
2 following approval of the economic development authority  
3 board, providing for the remittance of certain state sales  
4 tax revenues and certain state hotel and motel tax revenues  
5 to municipalities, establishing a state reinvestment  
6 district fund, and making appropriations.  
7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. 15J.1 Short title.

2 This chapter shall be known and may be cited as the "Iowa  
3 *Reinvestment Act*".

4 Sec. 2. NEW SECTION. 15J.2 Definitions.

5 As used in this chapter, unless the context otherwise  
6 requires:

7 1. "Board" means the same as defined in section 15.102.

8 2. "Department" means the department of revenue.

9 3. "District" means the area within a municipality that is  
10 designated a reinvestment district pursuant to section 15J.3.

11 4. "Fund" means the state reinvestment district fund created  
12 in section 15J.5.

13 5. "Governing body" means the county board of supervisors,  
14 city council, or other body in which the legislative powers of  
15 the municipality are vested.

16 6. "Lessor" means the same as defined in section 423A.2.

17 7. "Municipality" means a county or an incorporated city.

18 8. "Project" means a vertical improvement constructed  
19 or substantially improved within a district using sales  
20 tax revenues and hotel and motel tax revenues received by a  
21 municipality pursuant to this chapter.

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

24 10. "State hotel and motel tax" means the state-imposed tax  
25 under section 423A.3.

26 11. "State sales tax" means the sales and services tax  
27 imposed pursuant to section 423.2.

28 12. "Vertical improvement" means a building that is wholly  
29 or partially above grade and all appurtenant structures to the  
30 building.

31 Sec. 3. NEW SECTION. 15J.3 District establishment —  
32 approval.

33 1. A municipality that has an area suitable for development  
34 within the boundaries of the municipality is eligible to  
35 seek approval from the board to establish a reinvestment

1 district under this section consisting of the area suitable for  
2 development. To be designated a reinvestment district, an area  
3 shall meet the following requirements:

4     *a.* The area consists only of parcels of real property that  
5 the governing body of the municipality determines will be  
6 directly and substantially benefited by development in the  
7 proposed district.

8     *b.* The area is in whole or in part either an economic  
9 development enterprise zone designated under chapter 15E,  
10 division XVIII, or an urban renewal area established pursuant  
11 to chapter 403.

12     *c.* The area consists of contiguous parcels and does not  
13 exceed fifty acres in total.

14     *d.* For a municipality that is a city, the area does not  
15 include the entire incorporated area of the city.

16     2. Prior to submission to the board for approval under  
17 subsection 3, a proposed district plan shall be developed  
18 and approved by resolution of the governing body of the  
19 municipality. The proposed district plan shall state the  
20 governing body's intent to establish a district. The proposed  
21 district plan shall also include all of the following:

22     *a.* A finding by the governing body that the area in the  
23 proposed district is an area suitable for development.

24     *b.* A legal description of the real estate forming the  
25 boundaries of the area to be included in the proposed district  
26 along with a map depicting the existing parcels of real estate  
27 located in the proposed district.

28     *c.* A list of the names and addresses of the owners of record  
29 of the parcels to be included in the proposed district.

30     *d.* A list of all projects proposed to be undertaken within  
31 the district, a detailed description of those projects, and  
32 a project plan for each proposed project. Each project plan  
33 shall clearly state the estimated cost of the project, the  
34 anticipated funding sources for the project, and the amount and  
35 type of debt, if any, to be incurred by the municipality to

1 fund the project, and shall include a project feasibility study  
2 conducted by an independent professional with expertise in  
3 economic development and public finance. The feasibility study  
4 shall include projections and analysis of all of the following:

5 (1) The amount of gross revenues expected to be collected in  
6 the district as a result of the project for each year that the  
7 district is in existence.

8 (2) A detailed explanation of the manner and extent to which  
9 the project will contribute to the economic development of  
10 the state and the municipality, including an analysis of the  
11 project's economic impact. The analysis shall include the same  
12 components and be conducted in the same manner as the economic  
13 impact study required under paragraph "e".

14 (3) An estimate of the number of visitors or customers  
15 the project will generate during each year that the district  
16 exists.

17 (4) A description of the unique characteristics of the  
18 project.

19 e. An economic impact study for the proposed district  
20 conducted by an independent economist retained by the  
21 municipality. The economic impact study shall, at a minimum,  
22 do all of the following:

23 (1) Contain a detailed analysis of the financial benefit  
24 of the proposed district to the economy of the state and the  
25 municipality.

26 (2) Identify one or more projected market areas in which the  
27 district can reasonably be expected to have an economic impact.

28 (3) Assess the fiscal and financial impact of the proposed  
29 district on businesses or on other economic development  
30 projects within the projected market area.

31 3. a. The municipality shall submit a copy of the  
32 resolution, the proposed district plan, and all accompanying  
33 materials adopted pursuant to this section to the board for  
34 evaluation and approval.

35 b. The board shall evaluate each municipality's proposed

1 district plan and accompanying materials and shall approve the  
2 district plan and establishment of the district if the board  
3 determines that, in addition to other criteria established by  
4 the board by rule, all of the following conditions are met:

5 (1) The area of the municipality proposed to be included in  
6 the district meets the requirements of subsection 1.

7 (2) The projects proposed to be undertaken in the district  
8 will have a substantial beneficial impact on the economy of the  
9 state and the economy of the municipality.

10 (3) The proposed funding sources for each project are  
11 feasible.

12 *c.* If the board denies a proposed district plan, the board  
13 shall state the reasons for the denial and the municipality may  
14 resubmit the application.

15 *d.* As part of its approval of a proposed district plan,  
16 the board may, subject to the authorized amounts under section  
17 15J.4, establish maximum amounts of state sales tax revenues  
18 or state hotel and motel tax revenues, or both, that may be  
19 remitted to a municipality's reinvestment project fund. Such  
20 maximum amounts shall be determined based on the financing  
21 needs of the project and the economic impact to the state.

22 4. Upon receiving the approval of the board, the  
23 municipality may adopt an ordinance establishing the district  
24 and shall notify the director of revenue of the establishment  
25 of the district. The ordinance adopted by the municipality  
26 shall include a detailed statement of the manner in which  
27 the approved projects to be undertaken in the district will  
28 be financed, including but not limited to the financial  
29 information included in the project plan under subsection 2,  
30 paragraph "d". Following establishment of the district, a  
31 municipality may use the moneys deposited in the municipality's  
32 reinvestment project fund created pursuant to section 15J.6  
33 to fund the development of those projects included within the  
34 district plan.

35 5. A municipality may amend the district plan to add

1 or modify projects. However, a proposed modification to a  
2 project and each project proposed to be added shall first be  
3 approved by the board in the same manner as provided for the  
4 original plan. In no case, however, shall an amendment to  
5 the plan result in the extension of the district dissolution  
6 date provided in section 15J.7. If a district plan is amended  
7 to add or modify a project, the municipality shall amend  
8 the ordinance, if necessary, to reflect any changes to the  
9 financial information required to be included under subsection  
10 4.

11 **Sec. 4. NEW SECTION. 15J.4 New state tax revenue**  
12 **calculations.**

13 1. *a.* The department of revenue shall calculate quarterly  
14 the amount of new state sales tax revenues for each district  
15 established in the state to be deposited in the state  
16 reinvestment district fund created in section 15J.5, pursuant  
17 to section 423.2, subsection 11, paragraph "b".

18 *b.* The amount of new state sales tax revenue for purposes  
19 of paragraph "a" shall be the product of the amount of sales  
20 subject to the state sales tax in the district during the  
21 quarter from retailers holding a retail sales tax permit issued  
22 on or after the date the ordinance establishing the district  
23 was first adopted under section 15J.3, subsection 4, times four  
24 percent.

25 2. *a.* The department of revenue shall calculate quarterly  
26 the amount of new state hotel and motel tax revenues for each  
27 district established in the state to be deposited in the state  
28 reinvestment district fund created in section 15J.5, pursuant  
29 to section 423A.6.

30 *b.* The amount of new state hotel and motel tax revenue for  
31 purposes of paragraph "a" shall be the product of the amount of  
32 sales subject to the state hotel and motel tax in the district  
33 during the quarter from retailers or lessors holding a permit  
34 for the collection of the state hotel and motel tax issued  
35 on or after the date the ordinance establishing the district

1 was first adopted under section 15J.3, subsection 4, times the  
2 state hotel and motel tax rate imposed under section 423A.3.

3 3. Each municipality that has established a district  
4 under this chapter shall assist the department of revenue in  
5 identifying retail establishments in the district that are  
6 collecting state sales tax and lessors in the district that are  
7 collecting state hotel and motel tax. This process shall be  
8 ongoing until the municipality ceases to utilize state sales  
9 tax revenue or state hotel and motel tax revenue under this  
10 chapter or the district is dissolved.

11 Sec. 5. NEW SECTION. 15J.5 State reinvestment district  
12 fund.

13 1. A state reinvestment district fund is established in the  
14 state treasury under the control of the department of revenue  
15 consisting of the new state sales tax revenues collected within  
16 each district and deposited in the fund pursuant to section  
17 423.2, subsection 11, paragraph "b", and the new state hotel and  
18 motel tax revenues collected within each district and deposited  
19 in the fund pursuant to section 423A.6. Moneys deposited in  
20 the fund are appropriated to the department of revenue for the  
21 purposes of this section. Moneys in the fund shall only be  
22 used for the purposes of this section.

23 2. A district account is created within the fund for each  
24 district created by a municipality under this chapter.

25 3. The department of revenue shall deposit the moneys  
26 described in subsection 1 into the appropriate district account  
27 in the fund beginning the first day of the quarter following  
28 adoption of the ordinance by the municipality under section  
29 15J.3, subsection 4.

30 4. All moneys in each district account within the fund  
31 shall be remitted quarterly by the department of revenue to the  
32 municipality that established the district for deposit in the  
33 municipality's reinvestment project fund established pursuant  
34 to section 15J.6.

35 5. The department of revenue shall adopt rules for the

1 remittance of moneys to municipalities.

2 Sec. 6. NEW SECTION. 15J.6 Reinvestment project fund.

3 1. State sales tax revenue and state hotel and motel tax  
4 revenue remitted by the department of revenue to a municipality  
5 pursuant to section 15J.5 shall be deposited in a reinvestment  
6 project fund of the municipality and shall be used to fund  
7 projects within the district from which the revenues were  
8 collected. If the municipality determines that the revenue  
9 accruing to the reinvestment project fund exceeds the amount  
10 necessary for these purposes, the excess moneys that are  
11 remittances received under section 15J.5 and all interest in  
12 the fund attributable to such excess amounts shall be remitted  
13 by the municipality to the department of revenue for deposit in  
14 the general fund of the state.

15 2. In addition to the moneys received pursuant to section  
16 15J.5, a municipality may deposit in the reinvestment project  
17 fund any other moneys lawfully at the municipality's disposal,  
18 including but not limited to local sales and services tax  
19 receipts collected under chapter 423B if such use is a purpose  
20 authorized for the municipality under chapter 423B.

21 3. a. Moneys from any source deposited into the  
22 reinvestment project fund shall not be expended for or  
23 otherwise used in connection with a project that includes  
24 the relocation of a commercial or industrial enterprise not  
25 presently located within the municipality, unless one of the  
26 following occurs:

27 (1) The local governing body of the municipality where  
28 the commercial or industrial enterprise is currently located  
29 and the local governing body of the municipality where the  
30 commercial or industrial enterprise is proposing to relocate  
31 have either entered into a written agreement concerning the  
32 relocation of the commercial or industrial enterprise or have  
33 entered into a written agreement concerning the general use  
34 of economic incentives to attract commercial or industrial  
35 development within those municipalities.

1       (2) The local governing body of the municipality where the  
2 commercial or industrial enterprise is proposing to relocate  
3 finds that the use of moneys in the reinvestment project fund  
4 for a project that includes such a relocation is in the public  
5 interest. A local governing body's finding that a project that  
6 includes a commercial or industrial enterprise relocation is  
7 in the public interest shall include written verification from  
8 the commercial or industrial enterprise that the enterprise is  
9 actively considering moving all or a part of its operations to  
10 a location outside the state and a specific finding that such  
11 an out-of-state move would result in a significant reduction  
12 in either the enterprise's total employment in the state or in  
13 the total amount of wages earned by employees of the enterprise  
14 in the state.

15       **b.** For the purposes of this subsection, "*relocation*"  
16 means the closure or substantial reduction of an enterprise's  
17 existing operations in one area of the state and the initiation  
18 of substantially the same operation in the same county or a  
19 contiguous county in the state. "*Relocation*" does not include  
20 an enterprise expanding its operations in another area of the  
21 state provided that existing operations of a similar nature are  
22 not closed or substantially reduced.

23       4. Upon dissolution of a district pursuant to section 15J.7,  
24 if moneys remitted to the municipality pursuant to section  
25 15J.5 remain in the municipality's reinvestment project fund  
26 and those moneys are not necessary to support completion of  
27 a project in the dissolved district, such amounts and all  
28 interest remaining in the fund that was earned on such amounts  
29 shall be remitted by the municipality to the department of  
30 revenue for deposit in the general fund of the state.

31       5. Upon dissolution of a district pursuant to section 15J.7,  
32 moneys remaining in the reinvestment project fund that were  
33 deposited pursuant to subsection 2 and all interest remaining  
34 in the fund that was earned on such amounts shall be deposited  
35 in the general fund of the municipality.

1     Sec. 7. NEW SECTION. 15J.7 **District dissolution.**

2     1. A district established pursuant to this chapter is  
3 dissolved twenty-five years from the date the ordinance was  
4 first adopted under section 15J.3, subsection 4, unless the  
5 municipality dissolves the district by ordinance prior to that  
6 date.

7     2. Upon expiration of the twenty-five-year period or  
8 upon adoption of an ordinance dissolving the district, the  
9 municipality shall notify the director of revenue of the  
10 dissolution of the district.

11    3. Upon receipt of the notice pursuant to subsection 2,  
12 the department of revenue shall cease to deposit state sales  
13 tax revenues and state hotel and motel tax revenues into the  
14 district's account within the fund.

15    Sec. 8. Section 423.2, subsection 11, paragraph b, Code  
16 2013, is amended by adding the following new subparagraph:

17    NEW SUBPARAGRAPH. (6) Beginning the first day of the  
18 quarter following adoption of an ordinance pursuant to section  
19 15J.3, subsection 4, transfer to a district account created  
20 in the state reinvestment district fund for each reinvestment  
21 district established under chapter 15J, the amount of new state  
22 sales tax revenue, determined in section 15J.4, subsection 1,  
23 paragraph "b", in the district, that remains after the prior  
24 transfers required under this paragraph "b".

25    Sec. 9. Section 423A.6, unnumbered paragraph 1, Code 2013,  
26 is amended to read as follows:

27    The director of revenue shall administer the state and local  
28 hotel and motel tax as nearly as possible in conjunction with  
29 the administration of the state sales tax law, except that  
30 portion of the law which implements the streamlined sales and  
31 use tax agreement. The director shall provide appropriate  
32 forms, or provide on the regular state tax forms, for reporting  
33 state and local hotel and motel tax liability. All moneys  
34 received or refunded one hundred eighty days after the date  
35 on which a city or county terminates its local hotel and

1 motel tax and all moneys received from the state hotel and  
2 motel tax shall be deposited in or withdrawn from the general  
3 fund of the state. Beginning the first day of the quarter  
4 following adoption of an ordinance pursuant to section 15J.3,  
5 subsection 4, the director of revenue shall transfer from the  
6 general fund of the state to a district account created in  
7 the state reinvestment district fund for each reinvestment  
8 district established under chapter 15J, the new state hotel and  
9 motel tax revenue, determined in section 15J.4, subsection 2,  
10 paragraph "b", in the district.

11

EXPLANATION

12 This bill enacts new Code chapter 15J, the "Iowa  
13 Reinvestment Act".

14 The bill authorizes municipalities to establish reinvestment  
15 districts and receive remittances of specified amounts of state  
16 sales tax revenues and state hotel and motel taxes collected  
17 in those districts for use in undertaking projects, as defined  
18 in the bill, in the district.

19 A municipality that has an area suitable for development  
20 within the boundaries of the municipality is eligible to  
21 seek approval from the economic development authority board  
22 to establish a reinvestment district under new Code chapter  
23 15J consisting of the area suitable for development. To be  
24 designated a reinvestment district, an area shall meet the  
25 following requirements: (1) the area consists only of parcels  
26 of real property that the governing body of the municipality  
27 determines will be directly and substantially benefited by  
28 development in the proposed district, (2) the area is in whole  
29 or in part either an economic development enterprise zone  
30 designated under Code chapter 15E, division XVIII, or an urban  
31 renewal area established pursuant to Code chapter 403, (3) the  
32 area consists of contiguous parcels and does not exceed 50  
33 acres, and (4) for a municipality that is a city, the area does  
34 not include the entire incorporated area of the city.

35 Prior to submission to the economic development authority

1 board for approval, the municipality must develop a proposed  
2 district plan and approve it by resolution of the governing  
3 body of the municipality. The proposed district plan shall  
4 state the governing body's intent to establish a district. The  
5 proposed district plan shall include a finding by the governing  
6 body of the municipality that the area in the proposed district  
7 is an area suitable for development. The proposed district  
8 plan must also include information relating to the composition  
9 of the proposed district, a list and detailed description of  
10 all projects proposed to be undertaken within the district, a  
11 project plan for each proposed project, and an economic impact  
12 study for the proposed district.

13 The economic development authority board is required  
14 to evaluate each municipality's proposed district plan and  
15 accompanying materials and shall approve the district plan and  
16 establishment of the district if the board determines that,  
17 in addition to other criteria established by the board by  
18 rule, the area of the municipality proposed to be included in  
19 the district is suitable for development, as defined in the  
20 bill, the projects proposed to be undertaken in the district  
21 will have a substantial beneficial impact on the economy of  
22 the state and the economy of the municipality, and that the  
23 proposed funding sources for each project are feasible.

24 If the economic development authority board approves  
25 the district plan and establishment of the district, the  
26 municipality may adopt an ordinance establishing the district  
27 and shall notify the director of revenue of the establishment  
28 of the district. The bill provides that an amendment to the  
29 district plan to add or modify a project must be approved by  
30 the board in the same manner as the original district plan.

31 The bill authorizes the economic development authority board  
32 to establish, subject to the amounts authorized in the bill,  
33 maximum amounts of state sales tax revenues or state hotel  
34 and motel tax revenues, or both, that may be remitted to a  
35 municipality's reinvestment project fund.

1 The bill authorizes a municipality to use specified new  
2 state sales tax revenues and specified new state hotel and  
3 motel tax revenues for those projects being undertaken in the  
4 district that were approved by the board. The bill calculates  
5 the amount of new state sales tax revenues and new state hotel  
6 and motel tax revenues using only those sales subject to those  
7 taxes from retailers and lessors holding sales tax permits  
8 issued on or after the date the district was established by  
9 ordinance. The department of revenue calculates quarterly the  
10 amount of new state sales tax revenues and new state hotel  
11 and motel tax revenues for each district established in the  
12 state to be deposited in the district's account in the state  
13 reinvestment district fund created in the bill. The amount of  
14 new state sales tax revenue is calculated using a 4 percent  
15 tax rate instead of the 6 percent tax rate imposed under Code  
16 section 423.2. All moneys in each district account within the  
17 fund shall be remitted quarterly by the department of revenue  
18 to the municipality that established the district for deposit  
19 in the municipality's reinvestment project fund established  
20 in the bill and used to fund projects within the district  
21 from which the revenues were collected. The bill imposes  
22 limitations on the use of moneys deposited in a municipality's  
23 reinvestment project fund.

24 The bill provides for the remittance by the municipality  
25 to the department of revenue of specified amounts accruing  
26 to the municipality's reinvestment project fund or remaining  
27 in the municipality's reinvestment project fund following  
28 dissolution of the district that the municipality determines to  
29 be unnecessary to fund the projects in the district.

30 The bill provides that a district established under new  
31 Code chapter 15J is dissolved 25 years from the date the  
32 ordinance to establish the district was first adopted, unless  
33 the municipality dissolves the district by ordinance prior to  
34 that date. Upon dissolution of a district, the department of  
35 revenue shall cease to deposit state sales tax revenues and

H.F. 641

1 state hotel and motel tax revenues into the district's account  
2 within the state reinvestment district fund.