

Elgin Chair
Cormack
O'Brien

HSB 197

SENATE/HOUSE FILE _____
BY (PROPOSED IOWA FINANCE
AUTHORITY BILL)

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

A BILL FOR

1 An Act relating to private activity bond allocations.
2 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24

S.F. _____ H.F. _____

1 Section 1. Section 7C.3, Code 2001, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 8A. "Qualified multifamily bond" means a
4 qualified residential rental project bond as defined in
5 section 142(d) of the Internal Revenue Code.

6 Sec. 2. Section 7C.4A, subsections 5, 6, and 7, Code 2001,
7 are amended to read as follows:

8 5. Eighteen percent of the state ceiling shall be
9 allocated to bonds issued by political subdivisions to finance
10 a qualified industry or industries for the manufacturing,
11 processing, or assembly of agricultural or manufactured
12 products even though the processed products may require
13 further treatment before delivery to the ultimate consumer.
14 The state ceiling in this subsection shall be allocated in
15 accordance with rules adopted by the department of economic
16 development providing priority criteria for bonds for certain
17 projects for which a priority allocation would be in the best
18 interests of the state, in accordance with goals, objectives,
19 and principles established by the department of economic
20 development. However, in order to maximize the full use of
21 the state ceiling under this subsection and subsection 7, at
22 any time after October 1 of each year the director of the
23 department of economic development may determine that a lesser
24 amount needs to be allocated under this subsection and on that
25 date the determined lesser amount shall be the amount
26 allocated with the excess being allocated under subsection 7.

27 6. During the period of January 1 through ~~June-30~~ March 1,
28 three percent of the state ceiling shall be reserved for
29 private activity bonds issued by political subdivisions, the
30 proceeds of which are used by the issuing political
31 subdivisions to finance projects owned and used by the
32 political subdivisions which require an allocation under
33 section 146 of the Internal Revenue Code. The state ceiling
34 in this subsection shall be allocated on the basis of the
35 chronological order of receipt by the governor's designee of

1 the applications described in section 7C.6 with respect to a
2 definitive issue of bonds, as determined by the day, hour, and
3 minute time-stamped on the application immediately upon
4 receipt by the governor's designee. Applications may be filed
5 at any time before or after January 1 of the foregoing period.

6 7. a. The amount of the state ceiling which is not
7 otherwise allocated under subsections 1 through 5, and after
8 ~~June-30~~ March 1, the amount of the state ceiling reserved
9 under subsection 6 and not allocated, shall be allocated to
10 all bonds requiring an allocation under section 146 of the
11 Internal Revenue Code ~~without-priority-for-any-type-of-bond~~
12 ~~over-another, -except-as-otherwise-provided-in-sections-7C-5~~
13 ~~and-7C-11~~ including, without limitation, qualified multifamily
14 bonds, in accordance with rules adopted by the governor's
15 designee to provide priority criteria for bonds for certain
16 projects for which a priority allocation would be in the best
17 interests of the state in accordance with objectives and
18 criteria established by the governor's designee.

19 b. 8. The population of the state shall be determined in
20 accordance with the Internal Revenue Code.

21 Sec. 3. Section 7C.7, Code 2001, is amended to read as
22 follows:

23 7C.7 CERTIFICATION OF ALLOCATION.

24 Upon the receipt of a completed application pursuant to
25 section 7C.6, the governor's designee shall, subject to the
26 priority criteria relating to allocation of the state ceiling
27 referred to in section 7C.4A, subsections 5 and 7, promptly
28 certify to the political subdivision the amount of the state
29 ceiling allocated to the bonds for the purpose or project with
30 respect to which the application was submitted. The
31 allocation shall remain valid for ~~thirty~~ sixty days from the
32 date the allocation was certified, subject to the following
33 conditions:

34 1. If the bonds are issued and delivered for the purpose
35 or project within ~~the-thirty-day-period-or-the-forty-five-day~~

1 ~~extension-period~~ time periods provided in ~~subsection-2~~ this
2 section, the political subdivision or its representative shall
3 within ten days following the issuance and delivery of the
4 bonds or not later than June 30 of that year, if the bonds
5 were issued and delivered on or before that date, file with
6 the governor's designee, in the form or manner the governor's
7 designee may prescribe, a notification of the date of issuance
8 and the delivery of the bonds, and the actual principal amount
9 of bonds issued and delivered. The filing of the notification
10 shall be done by actual delivery or by posting in a United
11 States post office depository with correct first class postage
12 paid. If the actual principal amount of bonds issued and
13 delivered is less than the amount of the allocation, the
14 amount of the allocation is automatically reduced to the
15 actual principal amount of the bonds issued and delivered.

16 2. If the political subdivision does not reasonably expect
17 to issue and deliver the bonds within the ~~thirty-day~~ sixty-day
18 ~~period and evidence of an executed, valid and binding~~
19 ~~agreement to purchase the bonds is obtained from an entity~~
20 ~~with the legal ability to purchase and this agreement is filed~~
21 ~~with the governor's designee, and the political subdivision~~
22 files a certification with the governor's designee, based on
23 information furnished by the sponsor of the project for which
24 the bonds are to be issued, that it reasonably expects to
25 issue and deliver the bonds within the next sixty days
26 thereafter, then the thirty-day ~~sixty-day~~ allocation period is
27 automatically extended for an additional ~~forty-five~~ sixty
28 days. ~~The allocation period shall not be extended beyond that~~
29 ~~additional forty-five days.~~

30 3. The allocation is no longer valid unless the bonds are
31 issued and delivered prior to December 24 or in the case of
32 bonds described in section 7C.11 are issued and delivered
33 prior to December 31 of the calendar year in which the
34 allocation is certified, except as provided in section 7C.8.

35 Sec. 4. Section 7C.5, Code 2001, is repealed.

1 Sec. 5. 2000 Iowa Acts, chapter 1166, section 8, is
2 repealed.

3 EXPLANATION

4 This bill amends the private activity bond allocation Act
5 in Code chapter 7C which allows for the allocation of the
6 state ceiling for bonds which are subject to section 146 of
7 the Internal Revenue Code and may be issued by all political
8 subdivisions.

9 The bill adds qualified multifamily bonds as an additional
10 purpose for which the Iowa finance authority may use its
11 allocation of the state ceiling.

12 The bill provides a procedure for allowing the director of
13 the department of economic development to release a portion of
14 the state ceiling allocation for bonds issued by political
15 subdivisions to finance a qualified industry for the
16 manufacturing, processing, or assembly of agricultural or
17 manufactured products. The bill provides for a priority
18 criteria method for allocating the state ceiling for these
19 bonds.

20 The bill changes the time period and specifies an
21 application and allocation method for the portion of the state
22 ceiling reserved for private activity bonds issued by
23 political subdivisions, the proceeds of which are used by the
24 issuing political subdivision for qualified projects owned and
25 directly used by the political subdivision.

26 The bill provides for a priority criteria allocation method
27 for the amount of the state ceiling which is not otherwise
28 allocated.

29 The bill amends the time periods for which allocations
30 remain valid and certified.

31 The bill repeals Code section 7C.5 relating to a
32 chronological method of allocating the state ceiling for
33 certain types of bonds.

34 The bill repeals a section of 2000 Iowa Acts, chapter 1166,
35 which provides that for the calendar year beginning January 1,

1 2001, applications for allocation of the state ceiling shall
2 not be approved prior to March 1.

- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25
- 26
- 27
- 28
- 29
- 30
- 31
- 32
- 33
- 34
- 35



IOWA
FINANCE
AUTHORITY

February 20, 2001

Thomas J. Vilsack
Governor

To: Members of the General Assembly

Sally J. Pederson
Lt. Governor

From: Michael L. Tramontina, Executive Director, Iowa Finance Authority

Michael L. Tramontina
Executive Director

Re: Iowa Finance Authority Bill relating to Private Activity Bond Allocation

Last year, the General Assembly passed HF 2373 directing the Treasurer of State, the Auditor of State, the Director of the Department of Economic Development and the Director of the Iowa Finance Authority to study the way private activity bond cap is allocated in Iowa and to recommend changes. Legislators were not comfortable with tax-exempt bond allocations being made on a first come, first serve basis.

The issue was studied and a report was written and distributed. In it, methods for allocating private activity bond cap for industrial revenue bonds and multi-family housing bonds were detailed. Rather than using a first come, first serve basis, those projects creating the most benefit to the state would get priority. It was recommended by the committee that the specific details of each allocation method be written as administrative rules.

This bill authorizes the Department of Economic Development to develop rules for allocating bond cap for industrial development projects and it authorizes the Iowa Finance Authority to create rules for allocating bond cap for multi-family housing projects. It also allows any unused bond cap to be returned so that all available private activity bond cap is maximized.

Bond issues can be complicated and time consuming. In order to allow all projects adequate time to arrange financing and to sell their bonds, this bill extends the time allowed before bond cap must be returned. Currently, projects have thirty days with a possible forty-five day extension. This bill would give each project sixty days with a possible sixty-day extension.

FEB 26 2002
Place On Calendar

HOUSE FILE 2548
BY COMMITTEE ON ECONOMIC DEVELOPMENT

(SUCCESSOR TO HSB 197)

(P. 750)
Passed House, Date 3-12-02 Passed Senate, Date _____
Vote: Ayes 94 Nays 0 Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to private activity bond allocations.
2 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23

HF 2548

1 Section 1. Section 7C.3, Code 2001, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 8A. "Qualified multifamily bond" means a
4 qualified residential rental project bond as defined in
5 section 142(d) of the Internal Revenue Code.

6 Sec. 2. Section 7C.4A, subsections 2, 3, 4, 5, 6, and 7,
7 Code 2001, are amended to read as follows:

8 2. Twelve percent of the state ceiling shall be allocated
9 to bonds issued to carry out programs established under
10 chapters 260C, 260E, and 260F. However, at any time during
11 the calendar year the director of the Iowa department of
12 economic development may determine that a lesser amount need
13 be allocated and on that date this lesser amount shall be the
14 amount allocated for those programs and the excess shall be
15 allocated under subsection 7 5.

16 3. Sixteen percent of the state ceiling shall be allocated
17 to qualified student loan bonds. However, at any time during
18 the calendar year the governor's designee, with the approval
19 of the Iowa student loan liquidity corporation, may determine
20 that a lesser amount need be allocated to qualified student
21 loan bonds and on that date the lesser amount shall be the
22 amount allocated for those bonds and the excess shall be
23 allocated under-subsection-7 on an equitable basis based on
24 demand under subsections 5 and 7.

25 4. Twenty-one percent of the state ceiling shall be
26 allocated to qualified small issue bonds issued for first-time
27 farmers. However, at any time during the calendar year the
28 governor's designee, with the approval of the Iowa
29 agricultural development authority, may determine that a
30 lesser amount need be allocated to qualified small issue bonds
31 for first-time farmers and on that date this lesser amount
32 shall be the amount allocated for those bonds and the excess
33 shall be allocated under-subsection-7 on an equitable basis
34 based on demand under subsections 5 and 7.

35 5. Eighteen percent of the state ceiling shall be

1 allocated to bonds issued by political subdivisions to finance
2 a qualified industry or industries for the manufacturing,
3 processing, or assembly of agricultural or manufactured
4 products even though the processed products may require
5 further treatment before delivery to the ultimate consumer.
6 The state ceiling in this subsection shall be allocated in
7 accordance with rules adopted by the department of economic
8 development providing priority criteria for bonds for certain
9 projects for which a priority allocation would be in the best
10 interests of the state, in accordance with goals, objectives,
11 and principles established by the department of economic
12 development. However, in order to maximize the full use of
13 the state ceiling under this subsection and subsection 7, at
14 any time after October 1 of each year the director of the
15 department of economic development may determine that a lesser
16 amount needs to be allocated under this subsection and on that
17 date the determined lesser amount shall be the amount
18 allocated with the excess being allocated under subsection 7.

19 6. During the period of January 1 through ~~June-30~~ March 1,
20 three percent of the state ceiling shall be reserved for
21 private activity bonds issued by political subdivisions, the
22 proceeds of which are used by the issuing political
23 subdivisions to finance projects owned and used by the
24 political subdivisions which require an allocation under
25 section 146 of the Internal Revenue Code. The state ceiling
26 in this subsection shall be allocated on the basis of the
27 chronological order of receipt by the governor's designee of
28 the applications described in section 7C.6 with respect to a
29 definitive issue of bonds, as determined by the day, hour, and
30 minute time-stamped on the application immediately upon
31 receipt by the governor's designee. Applications may be filed
32 at any time before or after January 1 of the foregoing period.

33 7. a. The amount of the state ceiling which is not
34 otherwise allocated under subsections 1 through 5, and after
35 ~~June-30~~ March 1, the amount of the state ceiling reserved

1 under subsection 6 and not allocated, shall be allocated to
2 all bonds requiring an allocation under section 146 of the
3 Internal Revenue Code ~~without-priority-for-any-type-of-bond~~
4 ~~over-another,-except-as-otherwise-provided-in-sections-7E-5~~
5 ~~and-7E-11~~ including, without limitation, qualified multifamily
6 bonds, in accordance with rules and criteria adopted pursuant
7 to chapter 17A by the governor's designee. In addition to the
8 requirements of chapter 17A, rules and criteria adopted by the
9 governor's designee shall not apply to an allocation of the
10 state ceiling for a calendar year under this subsection unless
11 the rules and criteria have been in effect at least ninety
12 days prior to the beginning of the calendar year. Included in
13 the rules and criteria for the allocation of multifamily bonds
14 shall be a priority for the acquisition and rehabilitation of
15 existing housing stock and for aid to communities experiencing
16 minimal housing development.

17 b. For each applicant that is denied a portion of the
18 state ceiling allocation under this subsection, the governor's
19 designee shall publicly announce and communicate to the
20 applicant the ratings and points awarded to the applicant and
21 the rationale for denying the application.

22 c. An applicant shall conduct a housing needs assessment.

23 ~~b- 8.~~ The population of the state shall be determined in
24 accordance with the Internal Revenue Code.

25 Sec. 3. Section 7C.7, Code 2001, is amended to read as
26 follows:

27 7C.7 CERTIFICATION OF ALLOCATION.

28 Upon the receipt of a completed application pursuant to
29 section 7C.6, the governor's designee shall, subject to the
30 priority criteria relating to allocation of the state ceiling
31 referred to in section 7C.4A, subsections 5 and 7, promptly
32 certify to the political subdivision the amount of the state
33 ceiling allocated to the bonds for the purpose or project with
34 respect to which the application was submitted. The
35 allocation shall remain valid for ~~thirty~~ sixty days from the

1 date the allocation was certified, subject to the following
2 conditions:

3 1. If the bonds are issued and delivered for the purpose
4 or project within ~~the-thirty-day-period-or-the-forty-five-day~~
5 ~~extension-period~~ time periods provided in subsection-2 this
6 section, the political subdivision or its representative shall
7 within ten days following the issuance and delivery of the
8 bonds or not later than June 30 of that year, if the bonds
9 were issued and delivered on or before that date, file with
10 the governor's designee, in the form or manner the governor's
11 designee may prescribe, a notification of the date of issuance
12 and the delivery of the bonds, and the actual principal amount
13 of bonds issued and delivered. The filing of the notification
14 shall be done by actual delivery or by posting in a United
15 States post office depository with correct first class postage
16 paid. If the actual principal amount of bonds issued and
17 delivered is less than the amount of the allocation, the
18 amount of the allocation is automatically reduced to the
19 actual principal amount of the bonds issued and delivered.

20 2. If the political subdivision does not reasonably expect
21 to issue and deliver the bonds within the ~~thirty-day~~ sixty-day
22 ~~period and-evidence-of-an-executed,-valid-and-binding~~
23 ~~agreement-to-purchase-the-bonds-is-obtained-from-an-entity~~
24 ~~with-the-legal-ability-to-purchase-and-this-agreement-is-filed~~
25 ~~with-the-governor's-designee,~~ and the political subdivision
26 files a certification with the governor's designee, based on
27 information furnished by the sponsor of the project for which
28 the bonds are to be issued, that it reasonably expects to
29 issue and deliver the bonds within the next sixty days
30 thereafter, then the thirty-day sixty-day allocation period is
31 automatically extended for an additional ~~forty-five~~ sixty
32 days. ~~The-allocation-period-shall-not-be-extended-beyond-that~~
33 ~~additional-forty-five-days-~~

34 3. The allocation is no longer valid unless the bonds are
35 issued and delivered prior to December 24 or in the case of

1 bonds described in section 7C.11 are issued and delivered
2 prior to December 31 of the calendar year in which the
3 allocation is certified, except as provided in section 7C.8.

4 Sec. 4. Section 7C.5, Code 2001, is repealed.

5 Sec. 5. 2000 Iowa Acts, chapter 1166, section 8, is
6 repealed.

7 EXPLANATION

8 This bill amends the private activity bond allocation Act
9 in Code chapter 7C which allows for the allocation of the
10 state ceiling for bonds which are subject to section 146 of
11 the Internal Revenue Code and may be issued by all political
12 subdivisions.

13 The bill adds qualified multifamily bonds as an additional
14 purpose for which the Iowa finance authority may use its
15 allocation of the state ceiling.

16 The bill provides that excess state ceiling allocation for
17 job training programs shall be allocated for bonds issued by
18 political subdivisions to finance a qualified industry. The
19 bill provides that excess state ceiling allocation for
20 qualified student loan bonds and first-time farmer bonds shall
21 be allocated on an equitable basis based on demand for bonds
22 issued by political subdivisions to finance a qualified
23 industry and bonds issued for qualified multifamily housing.

24 The bill provides a procedure for allowing the director of
25 the department of economic development to release a portion of
26 the state ceiling allocation for bonds issued by political
27 subdivisions to finance a qualified industry for the
28 manufacturing, processing, or assembly of agricultural or
29 manufactured products. The bill provides for a priority
30 criteria method for allocating the state ceiling for these
31 bonds.

32 The bill changes the time period and specifies an
33 application and allocation method for the portion of the state
34 ceiling reserved for private activity bonds issued by
35 political subdivisions, the proceeds of which are used by the

1 issuing political subdivision for qualified projects owned and
2 directly used by the political subdivision.

3 The bill provides for the allocation method for the amount
4 of state ceiling which is not otherwise allocated. The bill
5 provides that the person, department, or authority designated
6 by the governor to administer the private activity bond
7 allocation Act shall adopt rules and criteria for the
8 allocation of multifamily bonds which include a priority for
9 the acquisition and rehabilitation of existing housing stock
10 and for aid to communities experiencing minimal housing
11 development. The bill provides that, for each applicant that
12 is denied a portion of the state ceiling which is not
13 otherwise allocated, the governor's designee shall publicly
14 announce and communicate to the applicant the ratings and
15 points awarded to the applicant and the rationale for denying
16 the application. The bill also provides that each applicant
17 shall conduct a housing needs assessment.

18 The bill amends the time periods for which allocations
19 remain valid and certified.

20 The bill repeals Code section 7C.5 relating to a
21 chronological method of allocating the state ceiling for
22 certain types of bonds.

23 The bill repeals a section of 2000 Iowa Acts, chapter 1166,
24 which provides that for the calendar year beginning January 1,
25 2001, applications for allocation of the state ceiling shall
26 not be approved prior to March 1.

27
28
29
30
31
32
33
34
35