

URBAN REVITALIZATION INTERIM COMMITTEE
OF THE
SENATE AND HOUSE STANDING COMMITTEES ON CITIES AND
SENATE AND HOUSE STANDING COMMITTEES ON WAYS AND MEANS

Final Report to the Legislative Council
and the First Session of the Sixty-eighth General Assembly

State of Iowa
1979

F I N A L R E P O R T

URBAN REVITALIZATION INTERIM COMMITTEE

December, 1978

The following is presented as the Final Report of the Urban Revitalization Interim Committee. Attached is a Proposed Working Bill Draft for the consideration of the 68th General Assembly.

House Concurrent Resolution 127 passed by the General Assembly in 1978 called for the Legislative Council to establish a Joint Interim Study Committee to study the need for the revitalization of urban areas in the state and to consider tax incentive and abatement provisions of any urban revitalization program. The Legislative Council established a study committee composed of 12 members of the Senate and House Standing Committees on Cities and on Ways and Means, authorized the Study Committee three meetings and required that any action or recommendation of this committee required the majority vote of Senate members and House members voting separately.

The membership of the Study Committee was:

Senator Fred W. Nolting, Co-chairperson
Representative Robert F. Bina, Co-chairperson
Senator Rolf V. Craft
Senator Alvin V. Miller
Senator David M. Readinger
Representative John H. Clark
Representative Gregory D. Cusack
Representative Keith H. Dunton
Representative Lyle R. Krewson
Representative Emil S. Pavich
Representative Patricia L. Thompson

The Study Committee held its three meetings during the 1978 interim on October 16, November 20 and December 4. At the first meeting, the Study Committee received testimony from Mr. James Conway of the National Association of Housing and Redevelopment Officials--Iowa Chapter; Professor Douglas B. Lee, Jr., Faculty, University of Iowa, who has a grant to do work on legislation in the urban revitalization area and Ms. Judy Gilbert of the Greater Des Moines Chamber of Commerce. Their presentations ranged from stating the policy of their organizations, expressing what type of provisions are needed in any revitalization bill and the concerns which they or their organizations felt concerning House File 2448, the urban revitalization bill voted on but not passed during the 1978 Session. The remainder of this meeting consisted of the Legislative Service Bureau presenting a section by section explanation of House File 2448 and the membership expressing what should be changed, added or deleted in this bill.

At the second meeting the Legislative Service Bureau had presented a draft (LSB 175H) which was based on House File 2448 but which had rearranged and reworded some sections for clarification. The members discussed this draft and requested amendments be drawn up. Also, at this meeting, aides to Professor Lee presented information on revitalization laws in use in other cities.

The last meeting of the committee, entailed the amending of LSB 175H to provide a working draft for the next General Assembly.

RECOMMENDATION

The Study Committee recommends that the attached bill draft be a "Proposed Working Bill Draft" for the consideration of the 68th General Assembly. This bill draft is a bill for "An Act relating to property tax exemption for property located in revitalization areas of a city on which improvements have been made and authorizing cities to issue revenue bonds for revitalization areas and urban renewal areas".

PREPARED BY THE LEGISLATIVE SERVICE
BUREAU FOR THE INTERIM URBAN REVI-
TALIZATION JOINT SUBCOMMITTEE

Recommended Proposed Working Bill
Draft, December, 1978

Passed House, Date _____ Passed Senate, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act relating to property tax exemptions for property in
2 revitalization areas of a city on which improvements
3 have been made and authorizing cities to issue revenue
4 bonds for revitalization areas and urban renewal areas.

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

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1 Section 1. NEW SECTION. The governing body of a city
2 may, by ordinance, designate an area of the city as a
3 revitalization area, if that area is either of the following:

4 1. An area in which there is a predominance of buildings
5 or improvements, whether residential or nonresidential, which
6 by reason of dilapidation, deterioration, age, obsolescence,
7 inadequate provision for ventilation, light, air, sanitation,
8 or open spaces, high density of population and overcrowding,
9 the existence of conditions which endanger life or property
10 by fire and other causes or a combination of such factors,
11 is conducive to ill health, transmission of disease, infant
12 mortality, juvenile delinquency or crime, and which is
13 detrimental to the public health, safety, or welfare.

14 2. An area which by reason of the presence of a substan-
15 tial number of deteriorated or deteriorating structures,
16 predominance of defective or inadequate street layout, faulty
17 lot layout in relation to size, adequacy, accessibility or
18 usefulness, unsanitary or unsafe conditions, deterioration
19 of site or other improvements, diversity of ownership, tax
20 or special assessment delinquency exceeding the actual value
21 of the land, defective or unusual conditions of title, or
22 the existence of conditions which endanger life or property
23 by fire and other causes, or a combination of such factors,
24 substantially impairs or arrests the sound growth of a
25 municipality, retards the provision of housing accommodations
26 or constitutes an economic or social liability and is a menace
27 to the public health, safety, or welfare in its present
28 condition and use.

29 Sec. 2. NEW SECTION. A city may only exercise the
30 authority conferred upon it in this Act after the following
31 conditions have been met:

32 1. The governing body has adopted a resolution finding
33 that the rehabilitation, conservation, redevelopment, or a
34 combination thereof of the area is necessary in the interest
35 of the public health, safety, or welfare of the residents

1 of the city and the area meets the criteria of section one
2 (1) of this Act.

3 2. The city has prepared a plan for the designated
4 revitalization area. The plan shall include:

5 a. A legal description of the real estate forming the
6 boundaries of the proposed area along with a map depicting
7 the existing parcels of real estate and their use within the
8 proposed area.

9 b. The existing assessed valuation of the real estate
10 in the area delineating land and improvement values.

11 c. A list of names and addresses of the owners of record
12 of real estate within the area.

13 d. The existing zoning classifications and districts
14 within the area. When the plan involves specific develop-
15 ment projects there shall be an analysis of the projects which
16 shall include costs and cost estimates of the projects, a
17 schedule of the time anticipated for the completion of major
18 segments as well as the entire project, and evidence of the
19 arrangement made by both the owner and the developer for
20 financing the costs of the project.

21 e. Proposals for improving or expanding city services
22 within the area including but not limited to transportation
23 facilities, sewage, garbage collection, street maintenance,
24 park facilities and police and fire protection.

25 f. A statement specifying whether the revitalization is
26 applicable to residential, commercial or industrial property
27 within the designated area or a combination thereof and whether
28 the revitalization is for rehabilitation and additions to
29 existing buildings or new construction or both. The city
30 shall state how long it is estimated that the area shall
31 remain a designated revitalization area which time shall be
32 longer than one year from the date of designation and shall
33 state any plan by the city to issue revenue bonds for
34 revitalization projects within the area.

35 g. The provisions that have been made for the relocation

1 of persons, including families, business concerns and others,
2 whom the city anticipates will be displaced as a result of
3 improvements to be made in the designated area.

4 3. The city has filed a copy of the plan for the designated
5 revitalization area with the city development board at least
6 thirty days before the scheduled public hearing.

7 4. The city has scheduled a public hearing and notified
8 all owners of record of real property located within the
9 proposed area and the city development board in accordance
10 with section three hundred sixty-two point three (362.3) of
11 the Code. In addition to notice by publication, notification
12 shall also be given by ordinary mail to the last known address
13 of the owners of record.

14 5. The public hearing has been held.

15 6. The city development board has approved the plan for
16 the designated area. However, in lieu of the board's appro-
17 val, the city may schedule a second public hearing with notice
18 as provided in subsection four (4) of this section no sooner
19 than sixty days nor later than six months after the first
20 hearing. At this second hearing, the city may offer an amended
21 plan or consider the specifics of the board's objection.
22 After the second public hearing, the city may by ordinance
23 designate an area a revitalization area without city
24 development board approval if all other requirements have
25 been met.

26 7. A second public hearing has been held upon the receipt
27 by the governing body of a petition signed by at least ten
28 percent of the owners of record of real property located
29 within the proposed area and by at least ten percent of the
30 adults renting real property located within the proposed
31 area. The petition must be filed not later than sixty days
32 after the holding of the first public hearing. Upon receipt
33 and verification of the petition, the governing body shall
34 hold a second public hearing, with notice as provided in
35 subsection four (4) of this section, no sooner than sixty

1 days nor later than six months after the first hearing. The
2 governing body does not have to hold two separate public
3 hearings under subsections six (6) and seven (7) of this
4 section for the same area.

5 Sec. 3. NEW SECTION.

6 1. If an area zoned for residential use or commercial
7 use for residential purposes or mixed commercial and
8 residential uses is rezoned on or after the effective date
9 of this Act for any other use, the city shall not adopt a
10 resolution designating that area as a part of a revitalization
11 area for at least five years after the date on which that
12 area was rezoned.

13 2. After the city designates an area a revitalization
14 area, the city shall not rezone an area zoned for residential
15 use or commercial use for residential purposes or mixed
16 commercial and residential uses to any other use within that
17 revitalization area during the time the area remains designated
18 a revitalization area or for seven years from the date of
19 the designation as a revitalization area, whichever time is
20 the lesser.

21 3. The provisions in this section restricting a city from
22 designating an area a revitalization area if that area has
23 been rezoned or restricting a city from rezoning an area
24 within a revitalization area do not apply to any of the
25 following:

26 a. The rezoning of an area consisting solely of land on
27 which no structure exists at the time of rezoning unless
28 structures previously existing on the land have been removed
29 for the purpose of qualifying for this exception.

30 b. The rezoning of an area if before the rezoning the
31 city has entered into agreements with all developers and the
32 persons and businesses involved to insure that relocation
33 payments or rent supplements will be provided as required
34 by section seven (7) of this Act.

35 c. The rezoning of an area for which an urban renewal

1 project has been approved pursuant to chapter four hundred
2 three (403) of the Code.

3 d. The rezoning of an area if the governing body has
4 provided in its plan that the percentage of real property,
5 based on land area, located within that area which will be
6 used for residential use, commercial use for residential
7 purposes or mixed commercial and residential use will approxi-
8 mate the percentage of real property, based on land area,
9 used for those purposes before the rezoning. This exception
10 shall apply only to areas rezoned by a two-thirds vote of
11 the members of the governing board.

12 4. For purposes of this section, zoning for "mixed com-
13 mercial and residential uses" means a zoning classification
14 in which small scale commercial uses are permitted in an
15 otherwise predominantly residential environment.

16 Sec. 4. NEW SECTION.

17 1. All qualified real estate is eligible to receive a
18 one hundred percent exemption from assessment and taxation
19 on the actual value, not to exceed two hundred fifty thousand
20 dollars, added to that real estate by the improvements. The
21 exemption is for a period of seven years.

22 2. All qualified real estate assessed as commercial
23 property, consisting of three or more separate living quarters,
24 with at least seventy-five percent of the space used for resi-
25 dential purposes, or assessed as residential property is eli-
26 gible to receive a partial exemption from assessment and taxa-
27 tion for a period of ten years. The amount of the partial
28 exemption is equal to a percent of the actual value of the
29 existing buildings and the actual value added by the improve-
30 ments made during the time the area was designated a
31 revitalization area, determined as follows:

- 32 a. For the first year, fifty percent.
33 b. For the second year, forty-five percent.
34 c. For the third year, forty percent.
35 d. For the fourth year, thirty-five percent.

- 1 e. For the fifth year, thirty percent.
- 2 f. For the sixth year, twenty-five percent.
- 3 g. For the seventh year, twenty-five percent.
- 4 h. For the eighth year, twenty percent.
- 5 i. For the ninth year, twenty percent.
- 6 j. For the tenth year, fifteen percent.

7 However, the amount of actual value used in computing the
8 assessed value of the existing buildings and those improvements
9 shall not be less during the ten-year exemption period than
10 it was in the year immediately preceding the year in which
11 an exemption is first granted.

12 3. The owners of qualified real estate eligible for the
13 exemption provided in subsection two (2) of this section shall
14 elect to take either the exemption provided in subsection
15 one (1) or subsection two (2) of this section. Once the
16 election has been made and the exemption granted, the owner
17 is not permitted to change the method of exemption.

18 4. "Qualified real estate" as used in this Act means real
19 property, other than land, which is located in a designated
20 revitalization area and to which improvements have been added,
21 during the time the area was so designated, which have
22 increased the actual value by at least twenty-five percent
23 or at least fifteen percent in the case of real property
24 assessed as residential property. "Qualified real estate"
25 also means land upon which no structure existed at the start
26 of the new construction, which is located in a designated
27 revitalization area and upon which new construction has been
28 added during the time the area was so designated.

29 "Improvements" as used in this Act includes rehabilitation
30 and additions to existing structures as well as new
31 construction on vacant land or on land with existing
32 structures.

33 Sec. 5. NEW SECTION. A person may submit a proposal for
34 a construction project to the governing body of the city to
35 seek prior approval for eligibility for a tax exemption on

1 the project. The governing body shall, by resolution, give
2 its prior approval for a construction project if the project
3 is in conformance with the plan for revitalization developed
4 by the city. If the proposal is not approved, the person
5 may submit an amended proposal for the governing body to ap-
6 prove or reject.

7 An application shall be filed for each new exemption
8 claimed. The first application for an exemption shall be
9 filed by the owner of the property with the governing body
10 of the city in which the property is located by February first
11 of the assessment year for which the exemption is first
12 claimed, but not later than the year in which all improvements
13 included in the construction project are first assessed for
14 taxation. The application shall be made on forms prescribed
15 by the director of revenue, and shall contain information
16 pertaining to the nature of the improvement, its cost, the
17 completion date or estimated completion date of construction
18 of the improvement, and other information deemed necessary
19 by the director of revenue. The governing body of the city
20 shall approve the application, subject to review by the local
21 assessor pursuant to section six (6) of this Act, if the
22 construction project is in conformance with the plan for
23 revitalization developed by the city, is located within a
24 designated revitalization area and the improvements were made
25 during the time the area was so designated. The governing
26 body of the city shall forward for review all approved
27 applications to the appropriate local assessor by March first
28 of each year with a statement indicating whether subsection
29 one (1) or subsection two (2) of section four (4) of this
30 Act would apply. Applications for exemption for succeeding
31 years on approved projects shall be filed directly with the
32 local assessor by March first on claims prescribed by the
33 director of revenue.

34 Sec. 6. NEW SECTION. The local assessor shall review
35 each first-year application to determine if the improvements

1 made increased the actual value of the qualified real estate
2 by at least twenty-five percent or at least fifteen percent
3 in the case of real property assessed as residential property.
4 If the assessor determines that the actual value of that real
5 estate has increased by at least twenty-five percent or at
6 least fifteen percent in the case of real property assessed
7 as residential property, the assessor shall proceed to
8 determine the actual value of the property and certify the
9 valuation determined pursuant to section four (4) of this
10 Act to the county auditor at the time of transmitting the
11 assessment rolls. However, if a new structure is erected
12 on land upon which no structure existed at the start of the
13 construction project, the assessor shall proceed to determine
14 the actual value of the property and certify the valuation
15 determined pursuant to section four (4) of this Act to the
16 county auditor at the time of transmitting the assessment
17 rolls. The assessor shall notify the applicant of the
18 determination, and the assessor's decision may be appealed
19 to the local board of review at the times specified in section
20 four hundred forty-one point thirty-seven (441.37) of the
21 Code. If an application for exemption is denied as a result
22 of failure to sufficiently increase the value of the real
23 estate as provided in section four (4) of this Act, the owner
24 may file a first annual application in a subsequent year when
25 additional improvements are made to satisfy requirements of
26 section four (4) of this Act, and the provisions of section
27 five (5) of this Act shall apply. For applications for each
28 succeeding year, the local assessor shall determine the actual
29 value of the property and certify to the county auditor the
30 valuation of the property as determined pursuant to section
31 four (4) of this Act.

32 Sec. 7. NEW SECTION. Upon application to it and after
33 verification by it, the city shall provide relocation payments
34 to or with respect to persons, including families, business
35 concerns and others displaced as a result of improvements

1 made in a designated revitalization area. The payments shall
2 be made for moving expenses and losses of property for which
3 reimbursement or compensation has not otherwise been provided.
4 In addition, the city shall provide rent supplements to
5 families who are forced to relocate because of improvements
6 made within the area, if necessary in order to house the
7 family in decent, safe and sanitary housing and if the family
8 does not have sufficient means, as determined by the city,
9 to pay the required rent for such housing and if reimbursement
10 or compensation has not otherwise been provided. A rent
11 supplement for a family shall not continue for more than five
12 years.

13 Sec. 8. NEW SECTION. When in the opinion of the governing
14 body of a city the desired level of revitalization has been
15 attained or economic conditions are such that the continuation
16 of the exemption granted by this Act would cease to be of
17 benefit to the city, the governing body may repeal the
18 ordinance establishing a revitalization area. In such event,
19 all existing exemptions shall continue until their expiration.

20 Sec. 9. NEW SECTION. Residential real estate located
21 within an area designated as a revitalization area pursuant
22 to section one (1) of this Act, is not subject to the
23 additional tax imposed by section four hundred forty-five
24 point sixty-three (445.63) of the Code.

25 Sec. 10. Section three hundred sixty-eight point ten
26 (368.10), unnumbered paragraph one (1), Code 1979, is amended
27 to read as follows:

28 The board shall conduct studies of city development, and
29 shall submit an annual report to the governor and the general
30 assembly. This report shall include an analysis of all plans
31 for designated revitalization areas filed with the board
32 pursuant to this Act since the last annual report.

33 Sec. 11. Section four hundred three point nine (403.9),
34 Code 1979, is amended by adding the following new subsection:

35 NEW SUBSECTION. Municipalities may also issue revenue

1 bonds for projects located within an urban renewal area or
2 an area designated a revitalization area pursuant to this
3 Act. These revenue bonds shall be issued pursuant to the
4 provisions of chapter four hundred nineteen (419) of the Code
5 and all provisions of chapter four hundred nineteen (419)
6 of the Code, to the extent consistent with the provisions
7 of this chapter in the case of urban renewal areas or of this
8 Act in the case of revitalization areas, shall apply, except
9 that:

10 a. The term "project" as defined in section four hundred
11 nineteen point one (419.1) of the Code includes land, build-
12 ings, or improvements which are suitable for use as resi-
13 dential property or for the use of a commercial enterprise
14 or nonprofit organization which the governing body finds is
15 consistent with the urban renewal plan or the revitalization
16 plan, as the case may be.

17 b. Sections four hundred nineteen point eight (419.8)
18 and four hundred nineteen point fourteen (419.14) of the Code
19 shall not be construed to limit the powers of a municipality
20 granted under this chapter in the case of an urban renewal
21 area or under this Act in the case of a revitalization area.

22 The power to issue revenue bonds pursuant to this subsec-
23 tion is in addition to other powers granted municipalities
24 to aid urban renewal areas and revitalization areas.

25 Sec. 12. This Act applies to all cities including special
26 charter cities.

27 Sec. 13. This Act is effective January first following
28 its enactment.

29 **EXPLANATION**

30 This bill authorizes cities to designate an area a
31 revitalization area if it meets certain criteria and the city
32 follows certain procedures. Any improvements made to property
33 within a revitalization area, if they increase the value by
34 25 percent or 15 percent in the case of residential property,
35 may be eligible for property tax abatement. There are two

1 options for this abatement but only residential property can
2 choose either option. Option one exempts the value of the
3 improvements not to exceed \$250,000 from property taxes for
4 seven years. Option two exempts a percent of the actual value
5 of the property and improvements from property taxes for ten
6 years. This option starts at 50 percent and declines each
7 year to 15 percent for the last year. Only buildings and
8 improvements are considered in the valuation and exemption
9 process.

10 Section 7 of the bill mandates relocation payments and
11 rent supplements to be paid by cities in certain circumstances.

12 Section 9 provides an additional exemption for residential
13 real property in revitalization areas.

14 Section 11 authorizes use of revenue bonds under chapter
15 419 of the Code for both urban renewal and revitalization
16 area projects.

17 The bill will be effective on January first following its
18 enactment.

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