Regulatory Analysis

Notice of Intended Action to be published: 261—Chapter 200
"Reinvestment Districts Program"

Iowa Code section(s) or chapter(s) authorizing rulemaking: 15.106A and 15J
State or federal law(s) implemented by the rulemaking: Iowa Code chapter 15J

Public Hearing

A public hearing at which persons may present their views orally or in writing will be held as follows:

October 21, 2025	1963 Bell Avenue
10:15 to 10:30 a.m.	Des Moines, Iowa

Public Comment

Any interested person may submit written comments concerning this Regulatory Analysis, which must be received by the Economic Development Authority (Authority) no later than 4:30 p.m. on the date of the public hearing. Comments should be directed to:

Lisa Connell
Iowa Economic Development Authority
1963 Bell Avenue, Suite 200
Des Moines, Iowa 50315
Email: lisa.connell@iowaeda.com

Purpose and Summary

Pursuant to Executive Order 10, the Authority proposes to rescind Chapter 200 and adopt a new chapter in lieu thereof. The chapter describes the policies and procedures applicable to the Reinvestment Districts Program administered by the Authority pursuant to Iowa Code chapter 15J. The program enables new State hotel/motel and sales tax revenues to be reinvested within approved districts.

The updated chapter will be more concise throughout. Unnecessary definitions, language that duplicates statute, and language that is redundant within the chapter will be eliminated. Specific point totals for scoring criteria will also be removed from the chapter.

Analysis of Impact

1. **Persons affected by the proposed rulemaking:**

- **Classes of persons that will bear the costs of the proposed rulemaking:**

Municipalities applying for or receiving assistance through the program will bear the costs of the rulemaking.

- **Classes of persons that will benefit from the proposed rulemaking:**

Municipalities applying for or receiving assistance through the program will benefit from the rulemaking.

2. **Impact of the proposed rulemaking, economic or otherwise, including the nature and amount of all the different kinds of costs that would be incurred:**

- **Quantitative description of impact:**

Municipalities applying for the program may require staff time to complete an application to receive financial assistance. Recipients of financial assistance may similarly incur costs to administer

the award. Some applicants/recipients may choose to rely on an external service provider to complete these tasks, such as a consultant. The amount of the costs will vary depending on the compensation of staff or service providers involved.

- **Qualitative description of impact:**

The program assists communities in developing transformative projects that improve quality of life, create and enhance unique opportunities, and substantially benefit communities and the State.

3. **Costs to the State:**

- **Implementation and enforcement costs borne by the agency or any other agency:**

Authority staff time is required to review and approve applications, draft and execute program contracts, and communicate with program applicants and recipients.

- **Anticipated effect on State revenues:**

The rules have no anticipated impact on State revenues. The Authority is directed to administer the program pursuant to Iowa Code chapter 15J.

4. **Comparison of the costs and benefits of the proposed rulemaking to the costs and benefits of inaction:**

Only the entities that will potentially benefit from financial assistance bear the costs of the rulemaking. The costs to the State to administer the program are proportional to the activities supported by financial assistance.

5. **Determination whether less costly methods or less intrusive methods exist for achieving the purpose of the proposed rulemaking:**

The Authority has not identified any less costly methods or less intrusive methods for administering the program.

6. **Alternative methods considered by the agency:**

- **Description of any alternative methods that were seriously considered by the agency:**

The Authority did not consider any other methods.

- **Reasons why alternative methods were rejected in favor of the proposed rulemaking:**

The Authority did not consider any other methods.

Small Business Impact

If the rulemaking will have a substantial impact on small business, include a discussion of whether it would be feasible and practicable to do any of the following to reduce the impact of the rulemaking on small business:

- Establish less stringent compliance or reporting requirements in the rulemaking for small business.
- Establish less stringent schedules or deadlines in the rulemaking for compliance or reporting requirements for small business.
- Consolidate or simplify the rulemaking's compliance or reporting requirements for small business.
- Establish performance standards to replace design or operational standards in the rulemaking for small business.
- Exempt small business from any or all requirements of the rulemaking.

If legal and feasible, how does the rulemaking use a method discussed above to reduce the substantial impact on small business?

The proposed rules do not have a substantial impact on small business. The rules do not establish compliance or reporting requirements for businesses. The rules do not establish design or operational standards.

Text of Proposed Rulemaking

ITEM 1. Rescind 261—Chapter 200 and adopt the following **new** chapter in lieu thereof:

CHAPTER 200
REINVESTMENT DISTRICTS PROGRAM

261—200.1(15J) Definitions. For purposes of this chapter unless the context otherwise requires:

"Account" means the district account that is created within the fund for each municipality that has established a district and that holds the new tax revenues deposited by the department under the program.

"Applicant" means a municipality applying to the board and the authority for approval of a district under the program, including the preapplication process described in rule 261—200.2(15J).

"Authority" means the economic development authority created in Iowa Code section 15.105.

"Board" means the same as defined in Iowa Code section 15.102.

"Commencement date" means the same as defined in Iowa Code section 15J.2.

"Department" means the department of revenue.

"District" means the same as defined in Iowa Code section 15J.2.

"Due diligence committee" means the due diligence committee of the board established pursuant to 261—Chapter 1.

"Fund" means the same as defined in Iowa Code section 15J.2.

"Joint board" means a legal entity established or designated in an agreement made pursuant to Iowa Code chapter 28E between two or more contiguous counties or incorporated cities.

"Maximum benefit amount" means the total amount of new tax revenues that may be remitted to a municipality's account and used for development in a district. The maximum benefit will be established by the board when a final application to the program is approved pursuant to rule 261—200.5(15J).

"Municipality" means the same as defined in Iowa Code section 15J.2.

"New lessor" means the same as defined in Iowa Code section 15J.2.

"New retail establishment" means the same as defined in Iowa Code section 15J.2.

"New tax revenues" means all state sales tax revenues and state hotel and motel tax revenues that are collected within a district by new retail establishments and new lessors, provided that such new retail establishments and lessors are included as projects in an approved district plan. New tax revenues are remitted to the department after collection by new retail establishments and new lessors and deposited by the department in an account.

"Program" means the reinvestment district program established pursuant to Iowa Code chapter 15J as amended by 2025 Iowa Acts, House File 975, and this chapter.

"Project" means the same as defined in Iowa Code section 15J.2.

"Retail business" means any business engaged in the business of selling tangible personal property or taxable services at retail in this state that is obligated to collect state sales or use tax under Iowa Code chapter 423. However, for the purposes of this chapter, "retail business" does not include a new lessor or a business engaged in an activity subject to tax under Iowa Code section 423.2(3).

"State hotel and motel tax" means the same as defined in Iowa Code section 15J.2.

"State sales tax" means the same as defined in Iowa Code section 15J.2.

"Substantially improved" means the same as defined in Iowa Code section 15J.2.

"Unique nature" means a quality or qualities of the projects to be developed in a district that, when considered in the entirety, will substantially distinguish the district's projects from other existing or proposed developments in the state. For purposes of this chapter, whether a project is of a unique nature is a subjective and contextual determination that will be made by the board. In determining whether a project is of a unique nature, the board will not necessarily require a project to be entirely without precedent or to be the only one of its kind in the state, but rather the board will evaluate whether the projects to be undertaken in a district will either (1) permanently transform the aesthetics or infrastructure of a local community for the better, including by preserving important historical

structures or neighborhoods, or (2) contribute substantially more to the state's economy or quality of life than other similar projects in the state.

"Vertical improvement" means the same as defined in Iowa Code section 15J.2. For the purposes of this definition, "appurtenant structure" means any building or other fixture on a piece of real estate other than the main building provided that such a building or fixture is permanent, is wholly or partially above grade, and will be constructed or substantially improved in conjunction with the main building. A structure is appurtenant when the structure is physically connected to a main building such that the connected structures combine to create a single, integrated facility. A structure is not physically connected if the structure has a function or purpose independent of the main building, even if the structures are in close proximity or are incidentally connected by some means such as a common wall, a sidewalk, or recreational trail.

261—200.2(15J) Preapplication process.

200.2(1) *Purpose.* The authority and the board will utilize a preapplication process to gauge the level of demand for funding under the program, accept initial project plans and requests for funding, make provisional determinations about the amount of maximum benefits, and notify applicants of the board's provisional funding decisions.

200.2(2) *Preapplication required.* The board will only approve a proposed district plan if that plan has been submitted during the annual filing window as described in this rule.

200.2(3) *Annual filing window.* Each year that funding is available, the authority will announce an annual filing window to accept preapplications under the program. The purpose of the annual filing window is to enable the competitive scoring of applications and facilitate funding decisions by the board that are within the limitations established for the program by the general assembly. A municipality interested in applying to the program must submit a preapplication during the annual filing window or wait until the next annual filing window.

200.2(4) *Preapplication submission requirements.* Each preapplication submission shall demonstrate compliance with the requirements listed in rule 261—200.3(15J) to the greatest extent possible. While the preapplication process is provisional in nature and is designed to allow applicants to make reasonable changes to the proposed district plan before a final application is considered, the board is more likely to approve funding for proposed districts that meet all requirements of rule 261—200.3(15J) during the preapplication process.

200.2(5) *Provisional funding decisions.*

a. The board, with the assistance of the authority, will evaluate the preapplications and assign them a provisional score based on the criteria described in rule 261—200.4(15J). Based on the results of the scoring, the board will make provisional funding decisions and notify applicants.

b. A provisional funding decision represents an initial judgment by the board about the merits of a proposed district plan and is provided for the convenience of both applicants and the board for the better administration of the program. A provisional funding decision shall not be construed as binding on the board nor will the applicant be required to meet all of the details contained in the preapplication. A provisional funding decision shall not be construed as a final approval by the board. A municipality shall not adopt an ordinance or resolution establishing a district based on a provisional funding decision.

c. The final details of a proposed district plan and a final funding decision, including a maximum benefit amount and a commencement date, shall be contingent upon the receipt of a full, final, and complete application and upon final action by the board to ratify, amend, defer, or rescind its provisional funding decision as provided in rule 261—200.5(15J).

d. The department will not deposit moneys into an account until a final application is approved by the board and an ordinance or resolution has been adopted by the municipality.

261—200.3(15J) Program eligibility and application requirements.

200.3(1) *Eligibility.* To be eligible for benefits under the program, an applicant shall demonstrate that all requirements in Iowa Code section 15J.4(1) are met.

a. To establish that the criterion in Iowa Code section 15J.4(1)*"a"* is met, a municipality should submit information such as an estimate of the expected increase in valuation or other data that lends itself to a quantitative assessment of the extent to which the real property will benefit.

b. To establish that the criterion in Iowa Code section 15J.4(1)*"b"* is met, a municipality should submit maps of the proposed area as well as maps of the existing enterprise zone or urban renewal area. A municipality should also submit copies of the local ordinance or resolution establishing the enterprise zone or the urban renewal area.

c. For purposes of establishing the criterion in Iowa Code section 15J.4(1)*"c"* is met, "contiguous" means parcels that are physically connected. Parcels connected by streets or other rights-of-way will be considered physically connected for purposes of this rule. In designating an area that includes a right-of-way, an applicant may include an area that is less than the full width of the right-of-way, but the applicant shall not include less than 60 feet of the right-of-way's width.

200.3(2) *Proposed district plan.* An applicant must submit a proposed district plan consistent with the requirements of Iowa Code section 15J.4(2) and a copy of the resolution approving the proposed district plan to the authority.

a. The finding required by Iowa Code section 15J.4(2)*"a"* should be supported by the information required under subrule 200.3(1).

b. If, at the time an application is submitted, the parcels to be included in the proposed district are not yet acquired or one or more parcels within the district are under consideration for a project, then the names and addresses of the owners of record of all parcels under consideration shall be submitted with the understanding that final board approval shall be contingent upon all parcels' being acquired and identified by address prior to final board approval and establishment of the commencement date.

c. The project description required by Iowa Code section 15J.4(2)*"d"*(4) should include an explanation of why the unique characteristics of the proposed project cause the project to be of a unique nature as defined in rule 261—200.2(15J).

200.3(3) *Additional conditions.* A municipality shall demonstrate to the board's satisfaction that all of the additional conditions in Iowa Code section 15J.4(3)*"b"* are met and the following additional conditions are met:

a. The applicant must have submitted an application under the preapplication process described in rule 261—200.4(15J) and, as part of a provisional funding decision by the board, must have been approved for a provisional maximum benefit amount.

b. The proposed district plan must meet a minimum score under the criteria described in rule 261—200.4(15J).

c. While multiple districts within a single municipality are not prohibited under the program, the size of any one district is limited by Iowa Code section 15J.4(1)*"c"* as amended by 2025 Iowa Acts, House File 975, and overlapping districts are prohibited by Iowa Code section 15J.4(1)*"e."* Therefore, the board will consider whether the approval of an additional district is appropriate given the particulars of the proposed additional district and the goals of the program. If a municipality proposes an additional district, the board, at its discretion, may accept the application and score it, or if the board determines that approval of an additional district would not serve the goals of the program, the board may reject the application without scoring it.

d. While it is within the discretion of the board to increase the maximum benefit amount of an approved district, the board will carefully scrutinize whether an increase is justified by circumstances such as greater investment or improved projects within the district and whether any change in the maximum benefit amount serves the goals of the program.

200.3(4) *Application materials and submission.* A municipality interested in applying for funding under the program shall submit a preapplication and a final application to the board for

approval and, when applying, shall provide the information described in this chapter or any other information the board or the authority may reasonably require in order to process the application. Information on submitting an application under the program may be obtained by contacting the authority.

261—200.4(15J) Application scoring and determination of benefits. The board will evaluate and score the proposed district plan submitted with each complete and eligible application according to the criteria and process described in this rule.

200.4(1) *Scoring criteria and plan evaluation.* Each proposed district plan will be given a numerical score between 0 and 100. The higher the numerical score, the more likely the proposed district will be approved for designation and funding under the program. The scoring process will necessarily involve a subjective assessment of the quality of each proposed district plan as well as a consideration of how each proposed district plan compares to the plans proposed by other applicants. The criteria used to score each application are as follows:

a. Uniqueness. The program requires that the projects proposed to be undertaken must be of a unique nature. Therefore, the proposed district plan will be evaluated on this criterion in order to quantify the extent to which the projects in the proposed district plan are of a unique nature. The more unique the projects are, the more points will be received under this criterion.

b. Economic impact. The program requires that the projects proposed to be undertaken must have a substantial beneficial impact on the economy of the state and the economy of the municipality. Therefore, the proposed district plan will be evaluated on this criterion in order to quantify the extent to which the projects in the proposed district plan will benefit the economy. The greater the economic impact of the proposed district plan, the more points will be received under this criterion.

c. Project feasibility. The program requires that funding sources for projects must be feasible. Therefore, the proposed district plan will be evaluated on this criterion in order to quantify the extent to which the funding sources of the proposed projects are feasible. The more feasible the funding sources for the proposed projects are, the more points will be received under this criterion.

d. Capital investment. The program requires that at least one project with a capital investment of $10 million or more be proposed. To the extent that the proposed district plan exceeds this minimum level of capital investment, more points will be received under this criterion.

e. Funding leverage. The program limits the amount of new tax revenues that can be received to 35 percent of the total cost of all proposed projects in the proposed district plan. To the extent that a proposed district plan includes a financing plan in which the percentage of new tax revenues to be received is less than 35 percent of the total cost, more points will be received under this criterion.

f. Nonretail focus. The program limits the amount of proposed capital investment in the district related to retail businesses to 50 percent of the total capital investment for all proposed projects in the proposed district. To the extent that a proposed district plan includes projects that provide cultural amenities, tourist attractions and accommodations, infrastructure, or quality of life improvements, more points will be received under this criterion.

g. Additional factors. The program allows the board to establish additional criteria for the program. Therefore, in addition to the other criteria listed in this subrule, the board will consider the following additional factors:

(1) Readiness for development. The closer a municipality is to beginning development on a proposed district plan, the more points may be received under the additional factors criterion.

(2) Geographic diversity. To the extent that a proposed district is located in a region of the state not already funded under the program, more points may be received under the additional factors criterion. A proposed district plan that would create an additional district within a municipality or a request to increase the maximum benefit amount of an already approved district will not be viewed as enhancing geographic diversity and may receive fewer points under the additional factors criterion.

(3) Funding need. To the extent that a funding gap exists in the proposed district plan’s financing, more points may be received under the additional factors criterion.

200.4(2) *Scoring process and funding recommendations.*

a. Proposed district plans will be scored by an evaluation committee consisting of members appointed by the director of the authority. Members of the committee will include authority staff and not more than five members of the board. Each member of the evaluation committee will judge the proposed district plan according to the scoring criteria, and then the scores of all members of the committee will be averaged together to reflect one numerical score between 0 and 100. The evaluation committee will not make a funding recommendation.

b. After all applications are scored, a copy of the proposed district plan and the results of the scoring will be referred to the due diligence committee, which will consider the quality of the proposed district plans and make funding recommendations to the board. The due diligence committee will take into account the requested funding levels but will also attempt to establish maximum benefit amounts that seem most appropriate to both the quality of the proposed district plans and the total demand for program funding.

c. The scoring results will not be negotiated and, while both the board and the due diligence committee will consider the scoring results of the evaluation committee, those results are not binding on either the due diligence committee or the board.

200.4(3) *Minimum score required.* To receive funding under the program, a proposed district plan must receive an average score of 70 or more points under the criteria listed in subrule 200.4(1).

200.4(4) *Funding not guaranteed.* The program is subject to a total aggregate limit on the amount of new tax revenues that may be approved. Therefore, a proposed district plan that meets the required minimum score is not guaranteed funding if the board's funding decisions for other, higher scoring proposed district plans cause the program's total aggregate limit to be reached.

200.4(5) *Final action taken by board.* The final decision on whether to approve the designation of a proposed reinvestment district and the determination of the amount of maximum benefit to award an applicant rest entirely with the board. The recommendations of the evaluation committee and the due diligence committee with respect to the proposed district plans are of an advisory nature only.

200.4(6) *Availability of scoring results.* The board and the authority will keep records of the scoring process and make those records available to applicants.

200.4(7) *Denial of plans and resubmission.* Reasons for denial of district plans may include a failure to meet filing deadlines, a failure to meet the basic requirements for eligibility, a failure to meet the required minimum score, or a lack of available funding. A municipality whose application is denied may resubmit the application at the next annual filing window provided there is funding available, but a resubmission must be rescored with all other applicants that apply during that filing window.

200.4(8) *Provisional nature of preapplication process.* The preapplication process described in rule 261—200.2(15J) will result in provisional scores and provisional funding decisions for applicants. However, these provisional scores and funding decisions are subject to change pending the final approval process described in rule 261—200.5(15J).

261—200.5(15J) Final application and approval process.

200.5(1) *Final application required.*

a. An applicant that receives a provisional funding decision must submit a final application to the board within one year of the submission of the preapplication.

b. A final application shall meet all the requirements described in Iowa Code section 15J.4 and rule 261—200.3(15J).

200.5(2) *Amendments to preapplications and rescoring of plans.* An applicant may amend any part of the preapplication when submitting the final application and must amend the application if any part of the proposed district plan will be materially different from the plan that was proposed during the preapplication process. If the board determines that a final application is substantially different from the related preapplication, then the board may rescore the application and reevaluate the provisional funding decision prior to taking final action. If the board elects to rescore and reevaluate

an application, the application will be rescored and reevaluated in the same manner and according to the same criteria used initially.

200.5(3) *Final funding decision and establishment of commencement date.* After submission of all information required for the final application, the board will make a final funding decision, establish a final maximum benefit amount, and establish a commencement date for the district as described in Iowa Code section 15J.4(3)*"d."*

200.5(4) *Provisional funding decisions not determinative of final funding decision.* The board's final funding decision may be different from its provisional funding decision. The board may ratify, amend, defer, or rescind the provisional funding decision. If the board's final funding decision causes additional funding to become available, the board may amend a funding decision for another proposed district plan made during the same annual filing window or may reserve the additional funding capacity for the next annual filing window.

261—200.6(15J) Adoption of ordinance and use of deposits.

200.6(1) *Ordinance and notice to department.* Upon receiving approval by the board of the final application pursuant to rule 261—200.5(15J), the municipality shall adopt an ordinance or, in the case of a joint board, a resolution establishing the district consistent with Iowa Code section 15J.4(4)*"c."* Notice to the director of revenue shall be provided consistent with Iowa Code section 15J.4(4)*"a"* and *"b."*

200.6(2) *Use of deposits.*

a. For the purpose of determining eligible uses of moneys deposited in an account pursuant to Iowa Code section 15J.4(4)*"d,"* "development" means all costs reasonably related to a project described in a final application approved by the board. Development costs may include project planning, professional services, land acquisition, construction, maintenance, and operational expenses. A municipality shall enter into development agreements for the expenditure of program funds and submit copies of such agreements to the authority within 30 days of execution.

b. Moneys deposited in an account shall only be used to fund projects approved by the board as part of a proposed district plan. Moneys deposited in an account may be used for projects that do not generate new tax revenues provided such projects are part of an approved plan. A municipality shall maintain records documenting the use of deposits under the program and make them available to the board or the department upon request.

c. Moneys from new tax revenues collected within a district and expended by a municipality under the program are subject to audit by the department or the auditor of state.

261—200.7(15J) Plan amendments and reporting.

200.7(1) *Plan amendments.*

a. Requests for amendments shall include updated or amended feasibility and economic impact studies as determined necessary by the authority. A plan amendment request that does not increase the maximum benefit amount may be requested at any time.

b. A request to extend a district's established commencement date will be rejected.

c. If, after final approval and establishment of the district, a municipality is unable to carry out development of all the projects proposed to be undertaken in a district, the municipality shall seek a modification to the plan. If a requested plan amendment would reduce capital investment in a district or remove one or more of the projects originally approved for the district, the board in its discretion may reduce, rescind, or otherwise modify the maximum benefit amount accordingly.

200.7(2) *Reports.* Following establishment of a district, the municipality shall submit the reports required by Iowa Code section 15J.4(6). Reports will be posted on the authority's website in accordance with Iowa Code section 15J.4(7).

261—200.8(15J) Cessation of deposits, district dissolution, and requests for extension.

200.8(1) *Cessation of deposits.* Deposits to the district's account shall cease in accordance with Iowa Code section 15J.8.

200.8(2) *District dissolution.* If a municipality is notified that its maximum benefit amount has been reached, the municipality shall dissolve the district by ordinance or resolution as soon as practicable after notification.

200.8(3) *Requests for extension.* The board may extend the district's 20-year period of time for depositing and receiving revenues in accordance with Iowa Code section 15J.8(3).

261—200.9(15J) Cross-reference to department rules. The department has adopted rules for the administration and deposit of moneys into the fund and into accounts in 701—Chapter 273.

These rules are intended to implement Iowa Code chapter 15J as amended by 2025 Iowa Acts, House File 975.