

Sec. 7. Section 631.4, subsection 2, paragraph c, Code Supplement 1995, is amended to read as follows:

c. If personal service cannot be made upon each defendant, as provided in rule of civil procedure 56.1, the plaintiff may elect to post, after at least ~~three~~ two attempts to perfect service upon each defendant, one or more copies of the original notice upon the real property being detained by each defendant at least ~~five~~ three days prior to the date set for hearing. The attempts to perfect personal service may be made on the same day. In ~~such instances~~ addition to posting, the plaintiff shall also mail, by certified mail ~~and first class mail~~, to each defendant, at the place held out by each defendant as the place for receipt of such communications or, in the absence of such designation, at each defendant's last known place of residence, a copy of the original notice at least ~~five~~ three days prior to the date set for hearing. Under this paragraph, service shall be deemed complete upon each defendant by the filing with the clerk of the district court of one or more affidavits indicating that a copy of the original notice was both posted and mailed to each defendant as provided in this paragraph, whether or not the defendant signs a receipt for the notice.

Approved May 30, 1996

CHAPTER 1204

HOUSING DEVELOPMENT AND RELATED MATTERS

S.F. 2464

AN ACT relating to housing development, including tax increment financing, providing for the assessment of certain property for tax purposes, and providing effective and applicability dates.

Be It Enacted by the General Assembly of the State of Iowa:

DIVISION I

Section 1. Section 358C.1, subsection 2, paragraphs c and d, Code Supplement 1995, are amended to read as follows:

c. "Cost" of a public improvement includes the cost of engineering, preliminary reports, property valuations, estimates, plans, specifications, notices, legal services, acquisition of land, consequential damages, easements, rights-of-way, construction, repair, supervision, inspection, testing, notices and publication, interest during construction and for not more than ~~six~~ twelve months thereafter, and printing and sale of bonds.

d. "District" means a real estate improvement district as created in this chapter, ~~in a county designated as a pilot county under section 358C.2.~~ A real estate improvement district shall not be created after June 30, 2000.

Sec. 2. Section 358C.3, subsection 6, Code Supplement 1995, is amended to read as follows:

6. The petition shall propose the names of three or more trustees who shall be owners of real estate in the proposed district or the designees of owners of property in the proposed district, to serve as a board of trustees until their successors are elected and qualified if the district is organized. The board of trustees shall only carry out those purposes which are authorized in this chapter and listed in the petition. Each person proposed as a trustee shall disclose whether the person has any financial interest in any business which is or may be a developer or contractor for public improvements within the proposed real estate improvement district and the extent of the person's land ownership in the district, if any.

Sec. 3. Section 358C.4, subsection 2, paragraph i, Code Supplement 1995, is amended to read as follows:

i. ~~Street Clearing, stripping, grubbing, earthwork, erosion control, lot grading, street grading, paving, graveling, macadamizing, curbing, guttering, and surfacing with oil and gravel or chloride.~~

Sec. 4. Section 358C.10, Code Supplement 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 4. A candidate to fill a vacancy or as a successor trustee shall disclose prior to selection as a trustee whether the person has any financial interest in any business which is or may be a developer or contractor for public improvements within the real estate improvement district and the extent of the person's land ownership in the district, if any.

Sec. 5. Section 358C.13, Code Supplement 1995, is amended by adding the following new subsections:

NEW SUBSECTION. 1A. The board of trustees shall maintain the official records of the district, which shall include information regarding the service of any indebtedness of the district, including special assessment bonds. The board shall report annually on the progress of the district in retiring indebtedness.

NEW SUBSECTION. 2A. The board of trustees shall provide public notice prior to each meeting of the board. The notice shall contain the agenda of the meeting which shall describe the proposed actions to be taken by the board at the meeting.

NEW SUBSECTION. 6. The board of trustees shall not prohibit or restrict the construction of manufactured homes in a real estate improvement district. As used in this subsection, "manufactured home" has the same meaning as under section 435.1, subsection 2.

NEW SUBSECTION. 7. The board of trustees shall not enter into a contract for public improvements or other services with a board member or with any person owning more than twenty-five percent of the land of a real estate improvement district except as a result of competitive bidding.

Sec. 6. Section 358C.16, subsection 4, Code Supplement 1995, is amended to read as follows:

4. The proceeds of any bond issue made under this section shall be used only for the ~~cost of public improvements as specified in section sections 358C.1 and 358C.4.~~ Proceeds from the bond issue may also be used for the payment of special assessment deficiencies. The bonds shall be payable in not more than forty annual installments and with interest at a rate not exceeding that permitted by chapter 74A, and shall be made payable at the place and be of the form as the board of trustees shall by resolution designate. A district issuing bonds as authorized in this section is granted authority to pledge the future avails of a tax levy to the payment of the principal and interest of the bonds after the same come due, and the power to impose and certify the levy is granted to the trustees of real estate improvement districts organized under this chapter.

Sec. 7. Section 358C.17, subsection 1, Code Supplement 1995, is amended to read as follows:

1. The board of trustees of a real estate improvement district may provide for payment of all or any portion of the costs of a public improvement ~~as specified in section sections 358C.1 and 358C.4,~~ by assessing all, or any portion of, the costs on adjacent property according to the benefits derived. For the purposes of this chapter, the board of trustees may define "adjacent property" as all that included within a designated benefited district to be fixed by the board, which may be all of the property located within the real estate improvement district or any lesser portion of that property. It is not a valid objection to a special assessment that the improvement for which the assessment is levied is outside the limits of the district, but a special assessment shall not be made upon property situated

outside of the district. Special assessments pursuant to this section shall be in proportion to the special benefits conferred upon the property, and not in excess of the benefits. The value of a property is the present fair market value of the property with the proposed public improvements completed. Payment of installments of a special assessment against property shall be made in the same manner and under the same procedures as provided in chapter 384 for special assessments by cities. Notwithstanding the provisions of section 384.62, the combined assessments against any lot for public improvements included in the petition creating the housing development district or as authorized in section 358C.4 shall not exceed the valuation of that lot as established by section 384.46.

Sec. 8. Section 358C.17, Code Supplement 1995, is amended by adding the following new subsections:

NEW SUBSECTION. 4. A special assessment under this section shall be recorded in the county in which the district is located for each lot in the district.

NEW SUBSECTION. 5. Notwithstanding section 384.65, subsection 5, a district shall have a lien on the benefited property only in the amount of special assessment installments that have come due but have not been paid. The district shall not have a lien for the total amount of the special assessment originally levied against the benefited property. A lien, including, but not limited to, a lien for a mortgage for the construction or the purchase of housing on property benefited by improvements and against which a special assessment is levied under this chapter, shall have precedence over a special assessment which has been levied by the district but is not due. A district's lien shall only be in the amount of installments whose due dates have passed without payment, along with all interest and penalties on the delinquent installments. The district's lien for delinquent installments, interest, and penalties shall have equal precedence with ordinary taxes and shall not be divested by judicial sale. Any remaining special assessment installments that have not become due shall not be divested by judicial sale and shall become a lien when the special assessment installments become due.

Sec. 9. **NEW SECTION.** 358C.24 DISCLOSURE OF SPECIAL ASSESSMENT.

A person interested in transferring real property located in a district, or a broker or salesperson acting on behalf of the person, shall disclose, in accordance with chapter 558A, that the property is located in a real estate improvement district and the amount of any special assessment under this chapter against the property.

Sec. 10. **NEW SECTION.** 368.24 NOTIFICATION TO PUBLIC UTILITIES.

Notwithstanding any other provision of law to the contrary, any city that annexes territory shall provide written notification consisting of a legal description and map of the annexed territory, each street address within the annexed area, where possible, a statement containing the effective date of the annexation and a copy of the order, resolution, or ordinance proclaiming the annexation to all public utilities operating in the annexed area. If the notification of the annexation is provided to a public utility less than sixty days prior to the effective date of the annexation, the public utility shall have sixty days from the date of notification to adjust its tax and accounting records to reflect the annexation for any tax purpose.

Sec. 11. Section 558A.4, subsection 1, Code 1995, is amended to read as follows:

1. The disclosure statement shall include information relating to the condition and important characteristics of the property and structures located on the property, including significant defects in the structural integrity of the structure, as provided in rules which shall be adopted by the real estate commission pursuant to section 543B.9. The disclosure statement shall also include whether the property is located in a real estate improvement district and the amount of any special assessment against the property under chapter 358C. The rules may require the disclosure to include information relating to the property's zoning classification; the condition of plumbing, heating, or electrical systems; or the presence of pests.

Sec. 12. Section 358C.2, Code Supplement 1995, is repealed.

DIVISION II

Sec. 13. Section 403.2, subsection 3, Code 1995, is amended to read as follows:

3. It is further found and declared that there exists in this state the continuing need for programs to alleviate and prevent conditions of unemployment and a shortage of housing; and that it is accordingly necessary to assist and retain local industries and commercial enterprises to strengthen and revitalize the economy of this state and its municipalities; that accordingly it is necessary to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in locating, purchasing, constructing, reconstructing, modernizing, improving, maintaining, repairing, furnishing, equipping, and expanding in this state and its municipalities, for the provision of public improvements related to housing and residential development, and for the ~~provision construction~~ of housing ~~and residential development~~ for low and moderate income families; that accordingly it is necessary to authorize local governing bodies to designate areas of a municipality as economic development areas for commercial and industrial enterprises, public improvements related to housing and residential development, or construction of housing and residential development for low and moderate income families; and that it is also necessary to encourage the location and expansion of commercial enterprises to more conveniently provide needed services and facilities of the commercial enterprises to municipalities and the residents of the municipalities. Therefore, the powers granted in this chapter constitute the performance of essential public purposes for this state and its municipalities.

Sec. 14. Section 403.5, subsection 2, unnumbered paragraph 1, Code 1995, is amended to read as follows:

The municipality may itself prepare or cause to be prepared an urban renewal plan; or any person or agency, public or private, may submit such a plan to a municipality. Prior to its approval of an urban renewal plan, the local governing body shall submit such plan to the planning commission of the municipality, if any, for review and recommendations as to its conformity with the general plan for the development of the municipality as a whole. The planning commission shall submit its written recommendations with respect to the proposed urban renewal plan to the local governing body within thirty days after receipt of the plan for review. Upon receipt of the recommendations of the planning commission or, if no recommendations are received within the thirty days, then, without such recommendations, the local governing body may proceed with the hearing on the proposed urban renewal ~~project plan~~ prescribed by subsection 3.

Sec. 15. Section 403.5, subsection 3, Code 1995, is amended to read as follows:

3. The local governing body shall hold a public hearing on an urban renewal ~~project plan~~ after public notice thereof by publication in a newspaper having a general circulation in the area of operation of the municipality. The notice shall describe the time, date, place and purpose of the hearing, shall generally identify the urban renewal area covered by the plan, and shall outline the general scope of the urban renewal ~~project activities~~ under consideration. A copy of the notice shall be sent by ordinary mail to each affected taxing entity.

Sec. 16. Section 403.5, subsection 4, paragraph b, subparagraph (1), Code 1995, is amended to read as follows:

(1) If it is to be developed for residential uses, the local governing body shall determine that a shortage of housing of sound standards and design with decency, safety and sanitation exists in the municipality; that the acquisition of the area for residential uses is an integral part of and essential to the program of the municipality; and that one or more of the following conditions exist:

(a) That the need for housing accommodations has been or will be increased as a result of the clearance of slums in other areas, including other portions of the urban renewal area; ~~that the~~

(b) That conditions of blight in the area municipality and the shortage of decent, safe and sanitary housing cause or contribute to an increase in and spread of disease and crime, and so as to constitute a menace to the public health, safety, morals, or welfare; ~~and that the acquisition of the area for residential uses is an integral part of and essential to the program of the municipality.~~

(c) That the provision of public improvements related to housing and residential development will encourage housing and residential development which is necessary to encourage the retention or relocation of industrial and commercial enterprises in this state and its municipalities.

(d) The acquisition of the area is necessary to provide for the construction of housing for low and moderate income families.

Sec. 17. Section 403.6, Code 1995, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. The provisions of this chapter shall be liberally interpreted to achieve the purposes of this chapter.

Sec. 18. Section 403.9, subsection 3, Code 1995, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. Before the local governing body may institute proceedings for the issuance of bonds under this section, a notice of the proposed action, including a statement of the amount and purposes of the bonds and the time and place of the meeting at which the local governing body proposes to take action for the issuance of the bonds, must be published as provided in section 362.3. At the meeting, the local governing body shall receive oral or written objections from any resident or property owner of the municipality. After all objections have been received and considered, the local governing body, at that meeting or any subsequent meeting, may take additional action for the issuance of the bonds or abandon the proposal to issue the bonds. Any resident or property owner of the municipality may appeal the decision of the local governing body to take additional action to the district court of the county in which any part of the municipality is located, within fifteen days after the additional action is taken. The additional action of the local governing body is final and conclusive unless the court finds that the municipality exceeded its authority.

Sec. 19. Section 403.9, subsection 4, Code 1995, is amended to read as follows:

4. Such bonds may be sold at not less than ninety-eight percent of par at public or private sale, or may be exchanged for other bonds on the basis at not less than ninety-eight percent of par.

Sec. 20. Section 403.10, Code 1995, is amended to read as follows:

403.10 BONDS AS LEGAL INVESTMENT.

All banks, trust companies, building and loan associations, savings and loan associations, investment companies and other persons carrying on an investment business; all insurance companies, insurance associations, and other persons carrying on an insurance business; and all executors, administrators, curators, trustees, and other fiduciaries, may legally invest any sinking funds, moneys, or other funds belonging to them or within their control in any bonds or other obligations issued by a municipality pursuant to this chapter, or those issued by any urban renewal agency vested with urban renewal project powers under section 403.14: ~~Provided, that such bonds and other obligations shall be secured by an agreement between the issuer and the federal government, in which the issuer agrees to borrow from the federal government and the federal government agrees to lend to the issuer, prior to the maturity of such bonds or other obligations, moneys in an amount~~

~~which, together with any other moneys irrevocably committed to the payment of interest on such bonds or other obligations, will suffice to pay the principal of such bonds or other obligations with interest to maturity thereon, which moneys under the terms of said agreement are required to be used for the purpose of paying the principal of and the interest on such bonds or other obligations at their maturity.~~ Such bonds and other obligations shall be authorized security for all public deposits. It is the purpose of this section to authorize any persons, political subdivisions and officers, public or private, to use any funds owned or controlled by them for the purchase of any such bonds or other obligations. Nothing contained in this section with regard to legal investments shall be construed as relieving any person of any duty of exercising reasonable care in selecting securities.

Sec. 21. Section 403.17, subsection 9, Code 1995, is amended to read as follows:

9. "Economic development area" means an area of a municipality designated by the local governing body as appropriate for commercial and industrial enterprises, public improvements related to housing and residential development, or construction of housing and residential development for low and moderate income families, including single or multifamily housing. If an urban renewal plan for an urban renewal area is based upon a finding that the area is an economic development area and that no part contains slum or blighted conditions, then the division of revenue provided in section 403.19 and stated in the plan shall be limited to twenty years from the calendar year following the calendar year in which the city first certifies to the county auditor the amount of any loans, advances, indebtedness, or bonds which qualify for payment from the division of revenue provided in section 403.19. Such area designated before July 1, 1994, shall not include land which is part of a century farm.

Sec. 22. Section 403.19, subsection 2, Code 1995, is amended to read as follows:

2. That portion of the taxes each year in excess of such amount shall be allocated to and when collected be paid into a special fund of the municipality to pay the principal of and interest on loans, moneys advanced to, or indebtedness, whether funded, refunded, assumed, or otherwise, including bonds issued under the authority of section 403.9, subsection 1, incurred by the municipality to finance or refinance, in whole or in part, an urban renewal project within the area, and to provide assistance for low and moderate income family housing as provided in section 403.22, except that taxes for the payment of bonds and interest of each taxing district must be collected against all taxable property within the taxing district without limitation by the provisions of this subsection. Unless and until the total assessed valuation of the taxable property in an urban renewal area exceeds the total assessed value of the taxable property in such area as shown by the last equalized assessment roll referred to in subsection 1, all of the taxes levied and collected upon the taxable property in the urban renewal area shall be paid into the funds for the respective taxing districts as taxes by or for the taxing districts in the same manner as all other property taxes. When such loans, advances, indebtedness, and bonds, if any, and interest thereon, have been paid, all moneys thereafter received from taxes upon the taxable property in such urban renewal area shall be paid into the funds for the respective taxing districts in the same manner as taxes on all other property.

Sec. 23. Section 403.19, subsection 7, Code 1995, is amended by striking the subsection.

Sec. 24. NEW SECTION. 403.22 FINANCING PUBLIC IMPROVEMENTS RELATED TO LOW INCOME HOUSING AND RESIDENTIAL DEVELOPMENT.

1. With respect to any urban renewal area established upon the determination that the area is an economic development area, a division of revenue as provided in section 403.19 shall not be allowed for the purpose of providing or aiding in the provision of public improvements related to housing and residential development, unless the municipality assures that the project will include assistance for low and moderate income family housing. For a municipality with a population over fifteen thousand, the amount to be provided for low and moderate income family housing for such projects shall be either equal to or greater than the percentage of the original project cost that is equal to the percentage of

low and moderate income residents for the county in which the urban renewal area is located as determined by the United States department of housing and urban development using section 8 guidelines or by providing such other amount as set out in a plan adopted by the municipality and approved by the Iowa department of economic development if the municipality can show that it cannot undertake the project if it has to meet the low and moderate income assistance requirements. However, the amount provided for low and moderate income family housing for such projects shall not be less than an amount equal to ten percent of the original project cost.

For a municipality with a population of fifteen thousand or less, the amount to be provided for low and moderate income family housing shall be the same as for a municipality of over fifteen thousand in population, except that a municipality of fifteen thousand or less in population is not subject to the requirement to provide not less than an amount equal to ten percent of the original project cost for low and moderate income family housing.

2. The assistance to low and moderate income housing may be in, but is not limited to, any of the following forms:

- a. Lots for low and moderate income housing within or outside the urban renewal area.
- b. Construction of low and moderate income housing within or outside the urban renewal area.
- c. Grants, credits or other direct assistance to low and moderate income families living within or outside the urban renewal area, but within the area of operation of the municipality.
- d. Payments to a low and moderate income housing fund established by the municipality to be expended for one or more of the above purposes, including matching funds for any state or federal moneys used for such purposes.

3. Sources for low and moderate income family housing assistance may include the following:

- a. Proceeds from loans, advances, bonds or indebtedness incurred.
- b. Annual distributions from the division of revenues pursuant to section 403.19 related to the urban renewal area.
- c. Lump sum or periodic direct payments from developers or other private parties under an agreement for development or redevelopment between the municipality and a developer.
- d. Any other sources which are legally available for this purpose.

4. The assistance to low and moderate income family housing may be expended outside the boundaries of the urban renewal area.

5. Except for a municipality with a population under fifteen thousand, the division of the revenue under section 403.19 for each project under this section shall be limited to tax collections for ten fiscal years beginning with the second fiscal year after the year in which the municipality first certifies to the county auditor the amount of any loans, advances, indebtedness, or bonds which qualify for payment from the division of the revenue in connection with the project. A municipality with a population under fifteen thousand may, with the approval of the governing bodies of all other affected taxing districts, extend the division of revenue under section 403.19 for up to five years if necessary to adequately fund the project. The portion of the urban renewal area which is involved in a project under this section shall not be subject to any subsequent division of revenue under section 403.19.

6. A municipality shall not prohibit or restrict the construction of manufactured homes in any project for which public improvements were finalized under this section. As used in this subsection, "manufactured home" means the same as under section 435.1, subsection 2.

DIVISION III

Sec. 25. Section 331.384, subsection 1, paragraph c, Code 1995, is amended to read as follows:

- c. Require the removal, repair, or dismantling of a an abandoned or dangerous building or structure.

Sec. 26. NEW SECTION. 364.12A CONDEMNATION OF RESIDENTIAL BUILDINGS – PUBLIC PURPOSE.

For the purposes of section 6A.4, subsection 6, a city may condemn a residential building found to be a public nuisance and take title to the property for the public purpose of disposing of the property under section 364.7 by conveying the property to a private individual for rehabilitation or for demolition and construction of housing.

Sec. 27. Section 657A.1, subsections 1, 3, and 4, Code 1995, are amended to read as follows:

1. “Abandoned” or “abandonment” means that a building has remained vacant and has been in violation of the housing code of the city in which the property is located or the housing code applicable in the county in which the property is located if outside the limits of a city for a period of six consecutive months.

3. “Building” means a building or structure located in a city or outside the limits of a city in a county, which is used or intended to be used for residential purposes, and includes a building or structure in which some floors may be used for retail stores, shops, salesrooms, markets, or similar commercial uses, or for offices, banks, civic administration activities, professional services, or similar business or civic uses, and other floors are used, designed, or intended to be used for residential purposes.

4. “Interested person” means an owner, mortgagee, lienholder, or other person that possesses an interest of record or an interest otherwise provable in property that becomes subject to the jurisdiction of the court pursuant to this chapter, the city in which the property is located, the county in which the property is located if the property is located outside the limits of a city, and an applicant for the appointment as receiver pursuant to this chapter.

Sec. 28. Section 657A.2, subsections 1 and 2, Code 1995, are amended to read as follows:

1. A petition for abatement under this chapter may be filed in the district court of the county in which the property is located, by the city in which the property is located, by the county if the property is located outside the limits of a city, a neighboring landowner, or a duly organized nonprofit corporation which has as one of its goals the improvement of housing conditions in the county or city in which the property in question is located. Service on the owner shall be by personal service or by certified mail, or if service cannot be made by either method, by posting the notice in a conspicuous place on the building and by publication.

2. If a petition filed pursuant to this chapter alleges that a building is abandoned or is in a dangerous or unsafe condition, the city, county, if the property is located outside the limits of a city, neighboring landowner, or nonprofit corporation may apply for an injunction requiring the owner of the building to correct the condition or to eliminate the condition or violation. The court shall conduct a hearing at least twenty days after written notice of the application for an injunction and of the date and time of the hearing is served upon the owner of the building. Notice of the hearing shall be served in the manner provided in subsection 1.

Sec. 29. Section 657A.4, Code 1995, is amended to read as follows:
657A.4 APPOINTMENT OF RECEIVER.

After conducting a hearing pursuant to section 657A.3, the court may appoint a receiver to take possession and control of the property in question. A person shall not be appointed as a receiver unless the person has first provided the court with a viable financial and construction plan for the rehabilitation of the property in question and has demonstrated the capacity and expertise to perform the required work in a satisfactory manner. The appointed receiver may be a financial institution that possesses an interest of record in the property, a nonprofit corporation that is duly organized and exists for the primary purpose of improving housing conditions in the county or city in which the property in question is located, or any person deemed qualified by the court. No part of the net earnings of a

nonprofit corporation serving as a receiver under this section shall benefit a private shareholder or individual. Membership on the board of trustees of a nonprofit corporation does not constitute the holding of a public office or employment and is not an interest, either direct or indirect, in a contract or expenditure of money by a city or county. No member of a board of trustees of a nonprofit corporation appointed as receiver is disqualified from holding public office or employment, nor is a member required to forfeit public office or employment by reason of the membership on the board of trustees.

DIVISION IV

Sec. 30. Section 331.361, Code 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 2A. An interest in real property which is assessed for taxation as residential or commercial multifamily property may be disposed of through a public request for proposal process. A proposal submitted pursuant to this section shall state the housing use planned by the person submitting the proposal. The board shall publish the proposals in a notice of the time and place of a public hearing on the proposals, in accordance with section 331.305. After the public hearing, the board may choose by resolution from among the proposals submitted or may reject all proposals and submit a new request for proposals.

Sec. 31. **NEW SECTION. 446.19A PURCHASE BY COUNTY OR CITY FOR LOW OR MODERATE INCOME HOUSING.**

Notwithstanding section 446.18, a city or county may purchase abandoned property assessed as residential or commercial multifamily housing which did not sell at an annual tax sale under section 446.7 for the total amount due. Money shall not be paid by the county or other tax-levying or tax-certifying body for the purchase, but each of the tax-levying and tax-certifying bodies having any interest in the taxes shall be charged with the total amount due the tax-levying or tax-certifying body as its just share of the purchase price. Prior to the purchase the city or county shall file with the county treasurer a verified statement that a parcel to be purchased is abandoned and deteriorating in condition or is, or is likely to become, a public nuisance, and that the parcel is suitable for use for low or moderate income housing following rehabilitation.

The city or county may sell the certificate of purchase. Preference shall be given to purchasers who are low or moderate income families or organizations which assist low and moderate income families to obtain housing. For the purpose of this section, "low or moderate income families" has the same meaning as in section 403.17. All persons who purchase certificates under this section shall demonstrate the intent to rehabilitate the property for habitation if the property is not redeemed. In the alternative, the county may, if title to the property has vested in the county under section 447.9, dispose of the property in accordance with section 331.361.

Sec. 32. Section 569.8, subsection 1, Code 1995, is amended to read as follows:

1. Disposition by a county of a parcel acquired by tax deed shall comply with section 331.361, subsection 2 or 2A.

DIVISION V

*Sec. 33. Section 16.100, Code 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 1A. a. *Moneys transferred to the housing improvement fund pursuant to section 428A.8, subsection 1, paragraph "a", for the purposes of this paragraph, shall be distributed, on a per capita basis according to the 1990 federal census, to each county.*

b. In order to receive moneys under this subsection, a county shall be a member of a housing council. The housing council shall consist of the supervisors of the county and the mayor of each city in the county, or their designees. A housing council may represent more than one county and the cities within each county and may be an entity formed under chapter 28E or an entity under chapter 28H.

c. The function of the housing council shall be to coordinate housing programs in the county including having housing needs assessments completed if not already done, developing or coordinating a housing plan approved by the department of economic development, encouraging the formation of partnerships with other governmental entities and public-private partnerships regarding housing, and recommending funding for projects under the housing plan from moneys received under this subsection.

d. Moneys received under this subsection shall only be used for housing programs which facilitate housing development, including housing trust funds or programs for the rehabilitation or construction of housing. The cost of the housing needs assessment may be paid from moneys received under this subsection. Moneys not obligated for a project recommended by the housing council within one year of transfer shall revert to the housing improvement fund.

e. Counties receiving moneys under this subsection shall track the use of the funds by project, program, or activity and shall provide a report to the department of economic development and the Iowa finance authority regarding the use of the funds by December 15 of each year.

f. Moneys provided under this subsection shall not be used to supplant funding for housing programs provided by a city or county.

g. The authority shall adopt rules to administer this subsection.*

*Sec. 34. Section 428A.8, Code 1995, is amended to read as follows:

428A.8 REMITTANCE TO STATE TREASURER – PORTION RETAINED IN COUNTY.

1. On or before the tenth day of each month the county recorder shall determine and pay to the treasurer of state eighty-two and three-fourths percent of the receipts from the real estate transfer tax collected during the preceding month and the treasurer of state shall deposit ~~ninety-five~~ the receipts as follows:

a. ~~Two-thirds percent of the receipts in the general fund of the state and transfer five percent of the receipts shall be transferred to the Iowa finance authority for deposit in the housing improvement fund created in section 16.100. Of the moneys transferred under this paragraph, sixty percent shall be used in accordance with section 16.100, subsection 1A, and forty percent shall be used for the other purposes of the housing improvement fund.~~

b. One-third of the receipts shall be deposited in the general fund of the state.

2. The county recorder shall deposit the remaining seventeen and one-fourth percent of the receipts in the county general fund.

3. The county recorder shall keep records and make reports with respect to the real estate transfer tax as the director of revenue and finance prescribes.*

DIVISION VI

Sec. 35. Section 331.441, subsection 2, paragraph b, subparagraph (10), Code Supplement 1995, is amended to read as follows:

(10) The establishment or funding of programs to provide for or assist in providing for the acquisition, restoration, or demolition of housing, as part of a municipal housing project under chapter 403 or otherwise, or for other purposes as may be authorized under chapter 403A.

Sec. 36. Section 384.24, subsection 3, paragraph u, Code 1995, is amended to read as follows:

u. The establishment or funding of programs to provide for or assist in providing for the acquisition, restoration, or demolition of housing, as part of a municipal housing project under chapter 403 or otherwise, or for other purposes as may be authorized under chapter 403A.

*Item veto; see message at end of the Act

DIVISION VII

Sec. 37. NEW SECTION. 404A.1 HOUSING DEVELOPMENT - TAX STATUS - LIMITATION.

1. The board of supervisors of a county with a population of less than twenty thousand may adopt an ordinance providing that property acquired and subdivided for development of housing shall continue to be assessed for taxation in the manner that it was prior to the acquisition for housing. Each lot shall continue to be taxed in the manner it was prior to its acquisition for housing until the lot is sold for construction or occupancy of housing or five years from the date of subdivision, whichever is shorter. Upon the sale or the expiration of the five-year period, the property shall be assessed for taxation as residential or commercial multifamily property, whichever is applicable.

2. The board of supervisors of a county with a population of twenty thousand or more may adopt an ordinance providing that property acquired and subdivided for development of housing shall continue to be assessed for taxation in the manner that it was prior to the acquisition for housing. Each lot shall continue to be taxed in the manner it was prior to its acquisition for housing until the lot is sold for construction or occupancy of housing or three years from the date of subdivision, whichever is shorter. Upon the sale or the expiration of the three-year period, the property shall be assessed for taxation as residential or commercial multifamily property, whichever is applicable.

DIVISION VIII

Sec. 38. Section 404.2, subsection 2, paragraph f, unnumbered paragraph 1, Code 1995, is amended to read as follows:

A statement specifying whether the revitalization is applicable to none, some, or all of the property assessed as residential, agricultural, commercial or industrial property within the designated area or a combination thereof and whether the revitalization is for rehabilitation and additions to existing buildings or new construction or both. If revitalization is made applicable only to some property within an assessment classification, the definition of that subset of eligible property must be by uniform criteria which further some planning objective identified in the plan. The city shall state how long it is estimated that the area shall remain a designated revitalization area which time shall be longer than one year from the date of designation and shall state any plan by the city to issue revenue bonds for revitalization projects within the area. For a county, a revitalization area shall include only property which will be used as industrial property only, commercial property, commercial property consisting of three or more separate living quarters with at least seventy-five percent of the space used for residential purposes, or residential property. However, a county shall not provide a tax exemption under this chapter to commercial property, commercial property consisting of three or more separate living quarters with at least seventy-five percent of the space used for residential purposes, or residential property which is located within the limits of a city.

Sec. 39. Section 404.2, subsection 6, Code 1995, is amended to read as follows:

6. The city or county has adopted the proposed or amended plan for the revitalization area after the requisite number of hearings. The city or county may subsequently amend this plan after a hearing. Notice of the hearing shall be published as provided in section 362.3 or 331.305, except that at least seven days' notice must be given and the public hearing shall not be held earlier than the next regularly scheduled city council or board of supervisors meeting following the published notice. A city which has adopted a plan for a revitalization area which covers all property within the city limits may amend that plan at any time, pursuant to this section, to include property which has been or will be annexed to the city. The provisions of the original plan shall be applicable to the property which is annexed and the property shall be considered to have been part of the revitalization area as of the effective date of its annexation to the city.

Sec. 40. Section 404.5, Code 1995, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. For the purposes of this section, the actual value of the property upon which the value of improvements in the form of rehabilitation or additions to existing structures shall be determined shall be the lower of either the amount listed on the assessment rolls in the assessment year in which such improvements are first begun or the price paid by the owner if the improvements in the form of rehabilitation or additions to existing structures were begun within one year of the date the property was purchased and the sale was a fair and reasonable exchange between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and each being familiar with all the facts relating to the particular property.

Sec. 41. **APPLICABILITY.** This amendment in this division to section 404.5 applies to tax exemptions granted under chapter 404 for improvements to real property first begun on or after January 1, 1995.

DIVISION IX

Sec. 42. **APPROPRIATION.** There is appropriated from the general fund of the state to the Iowa finance authority for the fiscal year beginning July 1, 1995, and ending June 30, 1996, the following amount, or so much thereof as is necessary, to be used for the purpose designated:

For assisting counties and cities in forming or organizing housing councils:
..... \$ 1,000,000

Notwithstanding section 8.33, moneys remaining unobligated or unexpended shall not revert but shall remain available to the Iowa finance authority for the purposes of this section for the fiscal year beginning July 1, 1996, and ending June 30, 1997. Funds remaining unobligated on June 30, 1997, shall be transferred to the housing improvement fund created in section 16.100.

DIVISION X

Sec. 43. **EFFECTIVE DATES.** Divisions I, II, VIII, and IX of this Act, being deemed of immediate importance, take effect upon enactment. Division V of this Act takes effect July 1, 1997.

Approved May 30, 1996, except the items which I hereby disapprove and which are designated as Sections 33 and 34 in their entirety. My reasons for vetoing these items are delineated in the item veto message pertaining to this Act to the Secretary of State this same date, a copy of which is attached hereto.

TERRY E. BRANSTAD, Governor

Dear Mr. Secretary:

I hereby transmit Senate File 2464, an Act relating to housing development, including tax increment financing, providing for the assessment of certain property for tax purposes, and providing effective and applicability dates.

Senate File 2464 is a significant accomplishment of the Seventy-Sixth General Assembly, containing many of the recommendations that I made to enhance the ability of local communities to provide for quality, affordable housing. Among other provisions, the bill expands

the real estate improvement district program from six counties to the entire state, provides additional flexibility in Iowa's Tax Increment Financing (TIF) law for residential development and gives local governments a variety of tools to expedite the process of dealing with vacant or dilapidated housing stock. In addition, a \$1 million appropriation is provided to assist cities and counties in organizing housing councils to conduct housing needs assessments and develop pro-active housing strategies and actions tailored to the needs of the community. Together, this set of tools will enable local communities to eliminate what has been one of the state's most significant barriers to economic development.

Senate File 2464 is, therefore, approved on this date with the following exceptions, which I hereby disapprove.

I am unable to approve the items designated as Sections 33 and 34, in their entirety. Beginning in fiscal year 1998, Section 34 would divert \$5.1 million from the general fund into the housing improvement fund, and Section 33 specifies how a portion of these new funds are to be spent. If the General Assembly wishes to enhance spending for housing, it should do so in a straightforward manner through a general fund appropriation rather than through an earmarking of receipts. Because these sections would not take effect until fiscal year 1998, this item veto will have no impact on our ability to address housing needs this year.

For the above reasons, I respectfully disapprove these items in accordance with Amendment IV of the Amendments of 1968 to the Constitution of the State of Iowa. All other items in Senate File 2464 are hereby approved as of this date.

Sincerely,
TERRY E. BRANSTAD, *Governor*

CHAPTER 1205

MENTAL HEALTH AND DEVELOPMENTAL DISABILITY FUNDING AND RELATED PROVISIONS

S.F. 2030

AN ACT relating to state and county mental health and developmental disability funding and related provisions and including an appropriation, an effective date, and an applicability provision.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. Section 331.424A, subsection 4, Code Supplement 1995, is amended to read as follows:

4. For the fiscal year beginning July 1, 1996, and for each subsequent fiscal year, the county shall certify a levy for payment of services. Unless otherwise provided by state law, for each fiscal year, county revenues from taxes imposed by the county credited to the services fund shall not exceed an amount equal to the amount of base year expenditures for services ~~in the fiscal year beginning July 1, 1993, and ending June 30, 1994,~~ as defined in section 331.438, less the amount of property tax relief to be received pursuant to section 426B.2, subsections 1 and 3, in the fiscal year for which the budget is certified. The county auditor and the board of supervisors shall reduce the amount of the levy certified for the services fund by the amount of property tax relief to be received.

Sec. 2. Section 331.438, subsection 1, Code Supplement 1995, is amended to read as follows: