

## CHAPTER 404

## URBAN REVITALIZATION TAX EXEMPTIONS

Referred to in [§364.19](#), [437A.19](#), [437B.15](#)

Chapter applies to all cities including special charter cities; [79 Acts, ch 84, §12](#)

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**404.1 Area established by city or county.**

The governing body of a city may, by ordinance, designate an area of the city or the governing body of a county may, by ordinance, designate an area of the county outside the boundaries of a city, as a revitalization area, if that area is any of the following:

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

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

3. An area in which there is a predominance of buildings or improvements which by reason of age, history, architecture or significance should be preserved or restored to productive use.

4. An area which is appropriate as an economic development area as defined in [section 403.17](#).

5. An area designated as appropriate for public improvements related to housing and residential development, or construction of housing and residential development, including single or multifamily housing.

[C81, §404.1]

[91 Acts, ch 214, §6, 7](#); [97 Acts, ch 214, §10](#)

Referred to in [§404.2](#), [404.3A](#), [419.17](#)

**404.2 Conditions mandatory.**

A city or county may only exercise the authority conferred upon it in [this chapter](#) after the following conditions have been met:

1. The governing body has adopted a resolution finding that the rehabilitation, conservation, redevelopment, economic development, or a combination thereof of the area is necessary in the interest of the public health, safety, or welfare of the residents of the city, or county as applicable, and the area substantially meets the criteria of [section 404.1](#).

2. The city or county has prepared a proposed plan for the designated revitalization area. The proposed plan shall include all of the following:

a. A legal description of the real estate forming the boundaries of the proposed area along with a map depicting the existing parcels of real estate.

b. The existing assessed valuation of the real estate in the proposed area, listing the land and building values separately.

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

d. The existing zoning classifications and district boundaries and the existing and proposed land uses within the area.

e. Any proposals for improving or expanding city or county services within the area including but not limited to transportation facilities, sewage, garbage collection, street maintenance, park facilities and police and fire protection.

f. 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, commercial property, or residential property. However, a county shall not provide a tax exemption under [this chapter](#) to commercial property or residential property which is located within the limits of a city.

g. The provisions that have been made for the relocation of persons, including families, business concerns and others, whom the city or county anticipates will be displaced as a result of improvements to be made in the designated area.

h. Any tax exemption schedule authorized in [section 404.3, subsection 5](#), that shall be used in lieu of the schedule set out in [section 404.3, subsection 1, 2, 3, or 4](#). In the case of a county, the tax schedules used shall only be applicable to property of the type for which the revitalization area is zoned at the time the county designates the area a revitalization area.

i. The percent increase in actual value requirements that shall be used in lieu of the fifteen and ten percent requirements specified in [section 404.3, subsection 8](#) and in [section 404.5](#). This percent increase in actual value requirements shall not be greater than that provided in [this chapter](#) and shall be the same requirements applicable to all existing revitalization areas.

j. A description of any federal, state or private grant or loan program likely to be a source of funding for that area for residential improvements and a description of any grant or loan program which the city or county has or will have as a source of funding for that area for residential improvements.

3. The city or county has scheduled a public hearing and notified all owners of record of real property located within the proposed area and the tenants living within the proposed area in accordance with [section 362.3](#) or [331.305](#), as applicable. In addition to notice by publication, notification shall also be given by ordinary mail to the last known address of the owners of record. The city or county shall also send notice by ordinary mail addressed to the “occupants” of addresses located within the proposed area, unless the city council or board of supervisors, by reason of lack of a reasonably current and complete address list, or for other good cause, shall have waived the notice. Notwithstanding [section 362.3](#) or [331.305](#), as applicable, the notice shall be given by the thirtieth day prior to the public hearing.

4. The public hearing has been held.

5. a. A second public hearing has been held if:

(1) The city or county has received within thirty days after the holding of the first public hearing a valid petition requesting a second public hearing containing the signatures and current addresses of property owners that represent at least ten percent of the privately owned property within the designated revitalization area or;

(2) The city or county has received within thirty days after the holding of the first public

hearing a valid petition requesting a second public hearing containing the signatures and current addresses of tenants that represent at least ten percent of the residential units within the designated revitalization area.

b. At any such second public hearing the city or county may specifically request those in attendance to indicate the precise nature of desired changes in the proposed plan.

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.

[C81, §404.2]

83 Acts, ch 173, §1, 4, 5; 85 Acts, ch 95, §1; 86 Acts, ch 1245, §848, 849; 89 Acts, ch 2, §1; 91 Acts, ch 214, §5, 8 – 11; 92 Acts, ch 1191, §1, 4; 96 Acts, ch 1204, §38, 39; 2004 Acts, ch 1165, §1, 11, 12; 2010 Acts, ch 1061, §159, 180; 2013 Acts, ch 123, §24, 30; 2021 Acts, ch 20, §4, 14, 15

Referred to in §404.3, 404.4, 404.5, 404.6, 419.17

2021 amendment to subsection 2, paragraph f applies to assessment years beginning on or after January 1, 2022; 2021 Acts, ch 20, §15

#### **404.3 Basis of tax exemption.**

1. All qualified real estate assessed as residential property is eligible to receive an exemption from taxation based on the actual value added by the improvements. The exemption is for a period of ten years. The amount of the exemption is equal to a percent of the actual value added by the improvements, determined as follows: One hundred fifteen percent of the value added by the improvements. However, the amount of the actual value added by the improvements which shall be used to compute the exemption shall not exceed twenty thousand dollars and the granting of the exemption shall not result in the actual value of the qualified real estate being reduced below the actual value on which the homestead credit is computed under [section 425.1](#).

2. All qualified real estate is eligible to receive a partial exemption from taxation on the actual value added by the improvements. The exemption is for a period of ten years. The amount of the partial exemption is equal to a percent of the actual value added by the improvements, determined as follows:

- a. For the first year, eighty percent.
- b. For the second year, seventy percent.
- c. For the third year, sixty percent.
- d. For the fourth year, fifty percent.
- e. For the fifth year, forty percent.
- f. For the sixth year, forty percent.
- g. For the seventh year, thirty percent.
- h. For the eighth year, thirty percent.
- i. For the ninth year, twenty percent.
- j. For the tenth year, twenty percent.

3. All qualified real estate is eligible to receive a one hundred percent exemption from taxation on the actual value added by the improvements. The exemption is for a period of three years.

4. a. All qualified real estate assessed as residential property is eligible to receive a one hundred percent exemption from taxation on the actual value added by the improvements.

b. The exemption is for a period of ten years.

5. A city or county may adopt a different tax exemption schedule than those allowed in [subsection 1, 2, 3, or 4](#). The different schedule adopted shall not allow a greater exemption, but may allow a smaller exemption, in a particular year, than allowed in the schedule specified

in the corresponding subsection of [this section](#). A different schedule adopted by a city or county shall apply to every revitalization area within the city or county, unless the qualified property is eligible for an exemption pursuant to [section 404.3A](#) or [404.3B](#), and except in areas of the city or county which have been designated as both urban renewal and urban revitalization areas. In an area designated for both urban renewal and urban revitalization, a city or county may adopt a different schedule than has been adopted for revitalization areas which have not been designated as urban renewal areas.

6. The owners of qualified real estate eligible for the exemption provided in [this section](#) or [section 404.3A](#) or [404.3B](#) shall elect to take the applicable exemption or shall elect to take the applicable exemption provided in the different schedule authorized by [subsection 5](#) and adopted in the city or county plan if a different schedule has been adopted. Once the election has been made and the exemption granted, the owner is not permitted to change the method of exemption.

7. The tax exemption schedule specified in [subsection 1, 2, 3, or 4](#) shall apply to every revitalization area within a city or county unless a different schedule is adopted in the city or county plan as provided in [section 404.2](#) and authorized by [subsection 5](#).

8. “*Qualified real estate*” as used in [this chapter](#) and [section 419.17](#) means real property, other than land, which is located in a designated revitalization area and to which improvements have been added, during the time the area was so designated, which have increased the actual value by at least the percent specified in the plan adopted by the city or county pursuant to [section 404.2](#) or if no percent is specified then by at least fifteen percent, or at least ten percent in the case of real property assessed as residential property or which have, in the case of land upon which is located more than one building and not assessed as residential property, increased the actual value of the buildings to which the improvements have been made by at least fifteen percent. “*Qualified real estate*” also means land upon which no structure existed at the start of the new construction, which is located in a designated revitalization area and upon which new construction has been added during the time the area was so designated. “*Improvements*” as used in [this chapter](#) and [section 419.17](#) includes rehabilitation and additions to existing structures as well as new construction on vacant land or on land with existing structures. However, new construction on land assessed as agricultural property shall not qualify as “*improvements*” for purposes of [this chapter](#) and [section 419.17](#) unless the governing body of the city or county has presented justification at a public hearing held pursuant to [section 404.2](#) for the revitalization of land assessed as agricultural property by means of new construction. Such justification shall demonstrate, in addition to the other requirements of [this chapter](#) and [section 419.17](#), that the improvements on land assessed as agricultural land will utilize the minimum amount of agricultural land necessary to accomplish the revitalization of the other classes of property within the urban revitalization area. However, if such construction, rehabilitation or additions were begun prior to January 29, 1979, or one year prior to the adoption by the city or county of a plan of urban revitalization pursuant to [section 404.2](#), whichever occurs later, the value added by such construction, rehabilitation or additions shall not constitute an increase in value for purposes of qualifying for the exemptions listed in [this section](#). “*Actual value added by the improvements*” as used in [this chapter](#) and [section 419.17](#) means the actual value added as of the first year for which the exemption was received.

9. The fifteen and ten percent increase in actual value requirements specified in [subsection 8](#) shall apply to every revitalization area within a city or county unless different percent increases in actual value requirements are adopted in the city or county plan as provided in [section 404.2](#). However, a city or county shall not adopt different requirements unless every revitalization area within the city or county has the same requirements and the requirements do not provide for a greater percent increase than specified in [subsection 8](#).

[C81, §404.3]

[83 Acts, ch 173, §2, 3, 5; 91 Acts, ch 186, §5; 91 Acts, ch 214, §11; 2004 Acts, ch 1165, §2, 3, 11, 12; 2013 Acts, ch 123, §25, 30; 2021 Acts, ch 20, §5, 14, 15](#)

Referred to in [§404.2, 404.3A, 404.3B, 404.4, 404.5, 404.6, 419.17](#)

2021 amendment to subsection 4, paragraph a applies to assessment years beginning on or after January 1, 2022; 2021 Acts, ch 20, §15

#### **404.3A Residential development area exemption.**

Notwithstanding the schedules provided for in [section 404.3](#), all qualified real estate assessed as residential property, excluding property classified as residential property under [section 441.21, subsection 14](#), paragraph “a”, subparagraph (6), in an area designated under [section 404.1, subsection 5](#), is eligible to receive an exemption from taxation on the first seventy-five thousand dollars of actual value added by the improvements. The exemption is for a period of five years.

[97 Acts, ch 214, §11; 2021 Acts, ch 20, §6, 14, 15](#)

Referred to in [§404.3, 419.17](#)

2021 amendment applies to assessment years beginning on or after January 1, 2022; 2021 Acts, ch 20, §15

#### **404.3B Abandoned real property exemption.**

1. Notwithstanding the schedules provided for in [section 404.3](#), a city or county may provide that all qualified real estate that meets the definition of abandoned as stated in [section 657A.1](#) is eligible to receive an exemption from taxation based on the schedule set forth in [subsection 2 or 3](#).

2. All qualified real estate described in [subsection 1](#) is eligible to receive a partial exemption from taxation on the actual value added by the improvements. The exemption is for a period of fifteen years. The amount of the partial exemption is equal to a percent of the actual value added by the improvements, determined as follows:

- a. For the first year, eighty percent.
- b. For the second year, seventy-five percent.
- c. For the third year, seventy percent.
- d. For the fourth year, sixty-five percent.
- e. For the fifth year, sixty percent.
- f. For the sixth year, fifty-five percent.
- g. For the seventh year, fifty percent.
- h. For the eighth year, forty-five percent.
- i. For the ninth year, forty percent.
- j. For the tenth year, thirty-five percent.
- k. For the eleventh year, thirty percent.
- l. For the twelfth year, twenty-five percent.
- m. For the thirteenth year, twenty percent.
- n. For the fourteenth year, twenty percent.
- o. For the fifteenth year, twenty percent.

3. All qualified real estate described in [subsection 1](#) is eligible to receive a one hundred percent exemption from taxation on the actual value added by the improvements. The exemption is for a period of five years.

[2004 Acts, ch 1165, §4, 11, 12](#)

Referred to in [§404.3, 419.17](#)

#### **404.3C Assessment agreements — commercial property.**

1. For revitalization areas established under [this chapter](#) on or after July 1, 2024, and for first-year exemption applications for property located in a revitalization area in existence on July 1, 2024, filed on or after July 1, 2024, commercial property shall not receive a tax exemption under [this chapter](#) unless the city or county, as applicable, and the owner of the qualified real estate enter into a written assessment agreement specifying a minimum actual value until a specified termination date for the duration of the exemption period.

2. a. The assessment agreement shall be presented to the appropriate assessor. The assessor shall review the plans and specifications for the improvements to be made to the property and if the minimum actual value contained in the assessment agreement appears to be reasonable, the assessor shall execute the following certification upon the agreement:

The undersigned assessor, being legally responsible for the assessment of the above described property upon completion of the improvements to be made on it, certifies that the actual value

assigned to that land and improvements upon completion shall not be less than \$.....

b. The assessment agreement with the certification of the assessor and a copy of [this subsection](#) shall be filed in the office of the county recorder of the county where the property is located. Upon completion of the improvements, the assessor shall value the property as required by law, except that the actual value shall not be less than the minimum actual value contained in the assessment agreement. [This subsection](#) does not prohibit the assessor from assigning a higher actual value to the property or prohibit the owner from seeking administrative or legal remedies to reduce the actual value assigned except that the actual value shall not be reduced below the minimum actual value contained in the assessment agreement. An assessor, county auditor, board of review, director of revenue, or court of this state shall not reduce or order the reduction of the actual value below the minimum actual value in the agreement during the term of the agreement regardless of the actual value which may result from the incomplete construction of improvements, destruction or diminution by any cause, insured or uninsured, except in the case of acquisition or reacquisition of the property by a public entity. Recording of an assessment agreement complying with [this subsection](#) constitutes notice of the assessment agreement to a subsequent purchaser or encumbrancer of the land or any part of it, whether voluntary or involuntary, and is binding upon a subsequent purchaser or encumbrancer.

[2023 Acts, ch 71, §57, 59](#)

Referred to in [§419.17](#)

Section effective July 1, 2024; [2023 Acts, ch 71, §59](#)

NEW section

**404.3D Exemptions for residential property.**

For revitalization areas established under [this chapter](#) on or after July 1, 2024, and for first-year exemption applications for property located in a revitalization area in existence on July 1, 2024, filed on or after July 1, 2024, an exemption authorized under [this chapter](#) for property that is residential property shall not apply to property tax levies imposed by a school district.

[2023 Acts, ch 71, §58, 59](#)

Referred to in [§419.17](#)

Section effective July 1, 2024; [2023 Acts, ch 71, §59](#)

NEW section

**404.4 Prior approval of eligibility.**

1. A person may submit a proposal for an improvement project to the governing body of the city or county to receive prior approval for eligibility for a tax exemption on the project. The governing body shall, by resolution, give its prior approval for an improvement project if the project is in conformance with the plan for revitalization developed by the city or county. Such prior approval shall not entitle the owner to exemption from taxation until the improvements have been completed and found to be qualified real estate; however, if the proposal is not approved, the person may submit an amended proposal for the governing body to approve or reject.

2. An application shall be filed for each new exemption claimed. The first application for an exemption shall be filed by the owner of the property with the governing body of the city or county in which the property is located by February 1 of the assessment year for which the exemption is first claimed, but not later than the year in which all improvements included in the project are first assessed for taxation, or the following two assessment years, in which case the exemption is allowed for the total number of years in the exemption schedule. However, upon the request of the owner at any time, the governing body of the city or county provides by resolution that the owner may file an application by February 1 of any other assessment year selected by the governing body in which case the exemption is allowed for the number of years remaining in the exemption schedule selected. The application shall contain but not be limited to all of the following information:

- a. The nature of the improvement.
- b. The cost of the improvement project.

- c. The estimated or actual date of completion.
  - d. The tenants that occupied the owner's building on the date the city or county adopted the resolution referred to in [section 404.2, subsection 1](#).
  - e. Which exemption in [section 404.3](#) or in the different schedule, if one has been adopted, will be elected.
3. The governing body of the city or county shall approve the application, subject to review by the local assessor pursuant to [section 404.5](#), if the project is in conformance with the plan for revitalization developed by the city or county, is located within a designated revitalization area, and if the improvements were made during the time the area was so designated. The governing body of the city or county shall forward for review all approved applications to the appropriate local assessor by March 1 of each year with a statement indicating whether [section 404.3, subsection 1, 2, 3, or 4](#) applies or if a different schedule has been adopted, which exemption from that schedule applies. Applications for exemption for succeeding years on approved projects shall not be required.

[C81, §404.4]

[87 Acts, ch 156, §1](#); [91 Acts, ch 214, §11](#); [92 Acts, ch 1191, §2, 4](#); [2001 Acts, ch 116, §2](#); [2002 Acts, ch 1151, §1, 36](#); [2015 Acts, ch 30, §115](#)

Referred to in [§404.5, 419.17](#)

#### **404.5 Physical review of property by assessor.**

1. The local assessor shall review each first-year application by making a physical review of the property, to determine if the improvements made increased the actual value of the qualified real estate by at least fifteen percent or at least ten percent in the case of real property assessed as residential property or the applicable percent increase requirement adopted by the city or county under [section 404.2](#). If the assessor determines that the actual value of that real estate has increased by at least the requisite percent, the assessor shall proceed to determine the actual value of the property and certify the valuation determined pursuant to [section 404.3](#) to the county auditor at the time of transmitting the assessment rolls. However, if a new structure is erected on land upon which no structure existed at the start of the new construction, the assessor shall proceed to determine the actual value of the property and certify the valuation determined pursuant to [section 404.3](#) to the county auditor at the time of transmitting the assessment rolls. The assessor shall notify the applicant of the determination, and the assessor's decision may be appealed to the local board of review at the times specified in [section 441.37](#). If an application for exemption is denied as a result of failure to sufficiently increase the value of the real estate as provided in [section 404.3](#), the owner may file a first annual application in a subsequent year when additional improvements are made to satisfy requirements of [section 404.3](#), and the provisions of [section 404.4](#) shall apply. After the tax exemption is granted, the local assessor shall continue to grant the tax exemption, with periodic physical review by the assessor, for the time period specified in [section 404.3, subsection 1, 2, 3, or 4](#), or specified in the different schedule if one has been adopted, under which the exemption was granted. The tax exemptions for the succeeding years shall be granted without the taxpayer having to file an application for the succeeding years.

2. 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.

[C81, §404.5]

[91 Acts, ch 214, §11](#); [92 Acts, ch 1191, §3, 4](#); [96 Acts, ch 1204, §40, 41](#); [2016 Acts, ch 1011, §67](#)

Referred to in [§404.2, 404.4, 419.17](#)

**404.6 Relocation expense of tenant.**

Upon application to it and after verification by it, the city or county shall require compensation of at least one month's rent and may require compensation of actual relocation expenses be paid to a qualified tenant whose displacement is due to action on the part of a property owner to qualify for the benefits under [this chapter](#). However, the city or county may require the persons causing the qualified tenant to be displaced to pay all or a part of the relocation payments as a condition for receiving a tax exemption under [section 404.3](#). "Qualified tenant" as used in [this chapter](#) shall mean the legal occupant of a residential dwelling unit which is located within a designated revitalization area and who has occupied the same dwelling unit continuously since one year prior to the city's or county's adoption of the plan pursuant to [section 404.2](#).

[C81, §404.6]

[91 Acts, ch 214, §11](#)

Referred to in [§419.17](#)

**404.7 Repeal of ordinance.**

When in the opinion of the governing body of a city or county the desired level of revitalization has been attained or economic conditions are such that the continuation of the exemption granted by [this chapter](#) would cease to be of benefit to the city or county, the governing body may repeal the ordinance establishing a revitalization area. In that event, all existing exemptions shall continue until their expiration.

[C81, §404.7]

[91 Acts, ch 214, §11](#)

Referred to in [§419.17](#)