

SENATE FILE _____
BY ROZENBOOM

A BILL FOR

1 An Act relating to the operations and dissolution of rural
2 improvement zones and including effective date and
3 applicability provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 357H.1, subsection 1, Code 2014, is
2 amended to read as follows:

3 1. The board of supervisors of a county with less than
4 twenty thousand residents, not counting persons admitted or
5 committed to an institution enumerated in section 218.1 or
6 904.102, based upon the 2000 certified federal census, and
7 with a private lake development ~~shall~~ may designate an area
8 surrounding the lake, if it is an unincorporated area of the
9 county, a rural improvement zone upon receipt of a petition
10 pursuant to section 357H.2, and upon the board's determination
11 that the area is in need of improvements and that the use of
12 incremental property taxes under section 357H.9 would not have
13 a substantial detrimental effect on other taxing districts.

14 Sec. 2. Section 357H.4, unnumbered paragraph 2, Code 2014,
15 is amended to read as follows:

16 Within ten days after the hearing, the board shall establish
17 the rural improvement zone by resolution or disallow the
18 petition. However, the zone shall not include any area which
19 is part of an urban renewal area under chapter 403. The
20 decision of the board to establish a rural improvement zone
21 or to disallow the petition shall be given deference by any
22 reviewing court.

23 Sec. 3. Section 357H.7, Code 2014, is amended to read as
24 follows:

25 **357H.7 Board of trustees — ~~power~~ powers — limitations.**

26 The trustees of a rural improvement zone elected pursuant
27 to section 357H.6 shall constitute the board of trustees of
28 the zone and shall manage and control the affairs, property,
29 and facilities of the zone. The board of trustees shall elect
30 a president, a clerk, and a treasurer from its membership.
31 The trustees may authorize construction, reconstruction,
32 or repair of improvements following procedures set out in
33 section 331.341. For these purposes, the trustees may purchase
34 material, employ personnel, acquire real estate and interests
35 in real estate except by condemnation, and perform all other

1 acts necessary to properly maintain and operate the zone.
2 The trustees are allowed necessary expenses in the discharge
3 of their duties, but they shall not receive salaries. A
4 governmental entity with the authority to acquire property
5 by condemnation shall not exercise such authority on behalf
6 of a rural improvement zone or for a purpose related to the
7 activities of a rural improvement zone.

8 Sec. 4. Section 357H.9, subsection 1, Code 2014, is amended
9 to read as follows:

10 1. To minimize the use of divisions of revenue by rural
11 improvement zones, the board of trustees shall consider the
12 use of other funding sources for improvement projects prior to
13 approving a resolution to divide taxes under this section. The
14 board of trustees ~~shall~~ may provide by resolution that taxes
15 levied on the taxable property in a rural improvement zone each
16 year by or for the benefit of the state, city, county, school
17 district, or other taxing district after the effective date of
18 the resolution shall be divided as provided in section 403.19,
19 subsections 1 and 2, in the same manner as if the taxable
20 property in the rural improvement zone was taxable property
21 in an urban renewal area and the resolution was an ordinance
22 within the meaning of those subsections. The taxes received by
23 the board of trustees shall be allocated to, and when collected
24 be paid into, a special fund and may be irrevocably pledged
25 by the trustees to pay the principal of and interest on the
26 certificates, contracts, or other obligations approved by the
27 board of trustees to finance or refinance, in whole or in part,
28 an improvement project. The board of trustees shall in good
29 faith limit the rural improvement zone's reliance on and use of
30 taxes received under this section. As used in this section,
31 "taxes" includes but is not limited to all levies on an ad
32 valorem basis upon land or real property located in the rural
33 improvement zone.

34 Sec. 5. Section 357H.10, Code 2014, is amended to read as
35 follows:

1 **357H.10 Dissolution of zone.**

2 1. The Prior to the date required for dissolution under
3 subsection 2, the rural improvement zone shall may be dissolved
4 upon the adoption of a resolution of the board of trustees
5 which specifies that all improvements have been made in the
6 zone and all indebtedness has been paid.

7 2. a. Each rural improvement zone established before the
8 effective date of this Act is dissolved on the date fifteen
9 years after the effective date of this Act.

10 b. Each rural improvement zone established on or after the
11 effective date of this Act is dissolved on the date ten years
12 after the effective date of this Act or on the date ten years
13 after the date that the resolution of the board establishing
14 the zone was adopted, whichever is later.

15 c. The date required under this subsection for dissolution
16 of a rural improvement zone may be extended by resolution of
17 the board adopted prior to dissolution of the zone to a date
18 not more than ten years after the date required for dissolution
19 under this subsection or a date not more than ten years after
20 the date to which the rural improvement zone was previously
21 extended by the board under this subsection.

22 3. Upon dissolution of the zone, all assets shall be deeded
23 to a nonprofit corporation whose members are property owners of
24 the improvement zone. If a zone is dissolved under subsection
25 2 and indebtedness of the zone remains unpaid on the date of
26 dissolution, such indebtedness shall be assumed by and become
27 an indebtedness of the nonprofit corporation to which the
28 zone's assets are deeded.

29 4. Upon dissolution of the zone, the collection of the
30 property tax authorized under section 357H.8, subsection 4, and
31 the division of taxes authorized under section 357H.9 shall
32 cease immediately.

33 Sec. 6. EFFECTIVE UPON ENACTMENT. This Act, being deemed of
34 immediate importance, takes effect upon enactment.

35 Sec. 7. APPLICABILITY. The following provision of this

1 Act applies to condemnation proceedings pending on or after
2 the effective date of this Act and to property acquisitions
3 commenced on or after the effective date of this Act:

4 1. The section of this Act amending section 357H.7.

5

EXPLANATION

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The inclusion of this explanation does not constitute agreement with
7 the explanation's substance by the members of the general assembly.

7

8 Current Code chapter 357H authorizes the board of
9 supervisors of a county with less than 20,000 residents
10 based upon the 2000 certified federal census to establish a
11 rural improvement zone in an area surrounding a private lake
12 development located in an unincorporated area of the county if
13 the board determines that the area is in need of improvements.
14 A rural improvement zone is governed by a board of trustees and
15 is authorized to enter into contracts and incur indebtedness
16 to provide funds for the costs of improvements, levy a standby
17 property tax upon taxable property within the zone, and divide
18 property tax revenue from the zone in the same manner as an
19 urban renewal area under Code chapter 403.

20 This bill provides that the board of supervisors may
21 designate an area to be a rural improvement zone if, in
22 addition to other considerations under current law, the board
23 determines that the use of incremental property taxes would
24 not have a substantial detrimental effect on other taxing
25 districts. The bill also provides that the decision of the
26 board to establish a rural improvement zone or to disallow the
27 petition shall be given deference by any reviewing court.

28 The bill prohibits a rural improvement zone from acquiring
29 real estate by condemnation and prohibits a governmental entity
30 with condemnation authority from exercising such authority on
31 behalf of a rural improvement zone or for a purpose related to
32 the activities of a rural improvement zone.

33 This provision of the bill applies to condemnation
34 proceedings pending on or after the effective date of the
35 bill and to property acquisitions commenced on or after the

1 effective date of the bill.

2 The bill requires each rural improvement zone board of
3 trustees to consider the use of other funding sources for
4 improvement projects prior to approving a resolution to provide
5 for the use of incremental property taxes. In addition, each
6 board of trustees shall in good faith limit the reliance on and
7 use of incremental property taxes.

8 Current Code section 357H.10 provides that a rural
9 improvement zone is dissolved upon the adoption of a resolution
10 of the board of trustees which specifies that all improvements
11 have been made in the zone and all indebtedness has been paid.
12 In addition, current law provides that upon dissolution all
13 assets of the rural improvement zone shall be deeded to a
14 nonprofit corporation whose members are property owners of the
15 improvement zone.

16 The bill provides that, in addition to the authority to
17 dissolve the rural improvement zone voluntarily, each rural
18 improvement zone established before the effective date of the
19 bill is dissolved on the date 15 years after the effective date
20 of the bill, and each rural improvement zone established on or
21 after the effective date of the bill is dissolved on the date
22 10 years after the date that the resolution of the board of
23 supervisors establishing the zone was adopted or on the date
24 10 years after the effective date of the bill, whichever is
25 later. However, the date required for dissolution of a rural
26 improvement zone may be extended by resolution of the board of
27 supervisors adopted prior to dissolution of the zone to a date
28 not more than 10 years after the date required for dissolution
29 under the bill or a date not more than 10 years after the date
30 to which the rural improvement zone was previously extended by
31 the board of supervisors under the bill. The bill provides
32 that if a rural improvement zone is dissolved by operation of
33 the bill and indebtedness of the zone remains unpaid on the
34 date of dissolution, such indebtedness shall be assumed by and
35 become an indebtedness of the nonprofit corporation to which

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1 the zone's assets are deeded. The bill also provides that the
2 collection of the property tax authorized under Code section
3 357H.8(4) and the division of taxes authorized under Code
4 section 357H.9 shall cease immediately upon dissolution of the
5 rural improvement zone.

6 The bill takes effect upon enactment.