

House File 2435 - Introduced

HOUSE FILE 2435

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 639)

A BILL FOR

1 An Act relating to Iowa's urban renewal law by modifying
2 requirements for the annual report prepared by the
3 legislative services agency, establishing restrictions on
4 the use of divided revenues, modifying the conditions for
5 establishing certain urban renewal areas, imposing duration
6 limits on certain urban renewal areas, and including
7 effective date provisions.

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

1 Section 1. Section 260E.4, Code 2016, is amended to read as
2 follows:

3 **260E.4 Incremental property taxes.**

4 If an agreement provides that all or part of program costs
5 are to be paid for by incremental property taxes, the board
6 of directors shall provide by resolution that taxes levied
7 on the employer's taxable business property, where new jobs
8 are created as a result of a project, each year by or for
9 the benefit of the state, city, county, school district,
10 or other taxing district after the effective date of the
11 resolution shall be divided as provided in section 403.19,
12 subsections 1 and 2, in the same manner as if the employer's
13 business property, where new jobs are created as a result of a
14 project, was taxable property in an urban renewal project and
15 the resolution was an ordinance within the meaning of those
16 subsections. The taxes received by the board of directors
17 shall be allocated to and when collected be paid into a special
18 fund of the community college and may be irrevocably pledged
19 by the community college to pay the principal of and interest
20 on the certificates issued by the community college to finance
21 or refinance, in whole or in part, the project. However,
22 with respect to any urban renewal project as to which an
23 ordinance is in effect under [section 403.19](#), the collection
24 of incremental property taxes authorized by [this chapter](#) are
25 suspended in favor of collection of incremental taxes under
26 section 403.19. As used in [this section](#), "taxes" includes, but
27 is not limited to, all levies on an ad valorem basis upon land
28 or real property of the employer's business, where new jobs
29 are created as a result of a project. The urban renewal area
30 duration limitations under section 403.18A and the limitations
31 on the duration of ordinances under section 403.19, subsection
32 3A, shall not apply to resolutions adopted under this section.

33 Sec. 2. Section 331.403, subsection 3, paragraph d, Code
34 2016, is amended to read as follows:

35 *d.* The legislative services agency, in consultation with

1 the department of management, shall annually prepare a report
2 for submission to the governor and the general assembly that
3 summarizes and analyzes the information contained in the
4 reports submitted under [this subsection](#), section 357H.9,
5 subsection 2, and [section 384.22, subsection 2](#). The report
6 shall contain a list of each county, city, or rural improvement
7 zone that filed an annual report for the most recently ended
8 fiscal year and each such entity's amount reported under
9 paragraph "b", subparagraph (8), for counties and rural
10 improvement zones, or section 384.22, subsection 2, paragraph
11 "b", subparagraph (8), for cities. The report prepared by the
12 legislative services agency shall be submitted not later than
13 February 15 following the most recently ended fiscal year for
14 which the reports were filed.

15 Sec. 3. Section 357H.9, subsection 1, Code 2016, is amended
16 by adding the following new paragraph:

17 NEW PARAGRAPH. *Of.* The urban renewal area duration
18 limitations under section 403.18A and the limitations on the
19 duration of ordinances under section 403.19, subsection 3A,
20 shall not apply to rural improvement zones established under
21 this chapter and resolutions adopted under this section.

22 Sec. 4. Section 403.5, subsection 2, paragraph b,
23 subparagraph (1), Code 2016, is amended to read as follows:

24 (1) Prior to its approval of an urban renewal plan which
25 provides for a division of revenue pursuant to [section 403.19](#),
26 the municipality shall mail the proposed plan by regular mail
27 to the affected taxing entities. The municipality shall
28 include with the proposed plan notification of a consultation
29 to be held between the municipality and affected taxing
30 entities prior to the public hearing on the urban renewal plan.
31 If the proposed urban renewal plan or proposed urban renewal
32 project within the urban renewal area, which plan or project
33 is approved prior to the effective date of this Act, includes
34 the use of taxes resulting from a division of revenue under
35 section 403.19 for a public building, including but not limited

1 to a police station, fire station, administration building,
2 swimming pool, hospital, library, recreational building, city
3 hall, or other public building that is exempt from taxation,
4 including the grounds of, and the erection, equipment,
5 remodeling, maintenance, repair, or reconstruction of, and
6 additions or extensions to, such a building, the municipality
7 shall include with the proposed plan notification an analysis
8 of alternative development options and funding for the urban
9 renewal area or urban renewal project and the reasons such
10 options would be less feasible than the proposed urban renewal
11 plan or proposed urban renewal project. A copy of the analysis
12 required in this subparagraph shall be included with the urban
13 renewal report required under [section 331.403](#) or [384.22](#), as
14 applicable, and filed by December 1 following adoption of the
15 urban renewal plan or project. Urban renewal plans and urban
16 renewal projects approved on or after the effective date of
17 this Act shall not include the use of taxes resulting from a
18 division of revenue under section 403.19 for a public building,
19 including but not limited to a police station, fire station,
20 administration building, swimming pool, hospital, library,
21 recreational building, city hall, or other public building
22 that is exempt from taxation, including the grounds of, and
23 the erection, equipment, remodeling, maintenance, repair, or
24 reconstruction of, and additions or extensions to, such a
25 building.

26 Sec. 5. Section 403.12, subsection 1, paragraph f, Code
27 2016, is amended to read as follows:

28 f. Cause Subject to the limitation in section 403.5,
29 subsection 2, paragraph "b", subparagraph (1), cause public
30 buildings and public facilities, including parks, playgrounds,
31 and recreational, community, educational, water, sewer or
32 drainage facilities, or any other works which it is otherwise
33 empowered to undertake to be furnished;

34 Sec. 6. Section 403.17, subsection 5, Code 2016, is amended
35 to read as follows:

1 5. "*Blighted area*" means:

2 a. For an urban renewal area established before the
3 effective date of this Act, an area of a municipality
4 within which the local governing body of the municipality
5 determines that the presence of a substantial number of
6 slum, deteriorated, or deteriorating structures; defective or
7 inadequate street layout; faulty lot layout in relation to
8 size, adequacy, accessibility, or usefulness; insanitary or
9 unsafe conditions; deterioration of site or other improvements;
10 diversity of ownership, tax or special assessment delinquency
11 exceeding the fair value of the land; defective or unusual
12 conditions of title; or the existence of conditions which
13 endanger life or property by fire and other causes; or any
14 combination of these factors; substantially impairs or arrests
15 the sound growth of a municipality, retards the provision of
16 housing accommodations, or constitutes an economic or social
17 liability and is a menace to the public health, safety, or
18 welfare in its present condition and use. A disaster area
19 referred to in [section 403.5, subsection 7](#), constitutes a
20 "blighted area". "Blighted area" does not include real property
21 assessed as agricultural property for purposes of property
22 taxation.

23 b. For an urban renewal area established on or after
24 the effective date of this Act, an area of a municipality
25 within which the local governing body of the municipality
26 determines that the presence of a substantial number of slum,
27 deteriorated, or deteriorating structures; insanitary or unsafe
28 conditions; deterioration of site or other improvements; or
29 the existence of conditions which endanger life or property by
30 fire and other causes; or any combination of these factors;
31 substantially impairs or arrests the sound growth of a
32 municipality, retards the provision of housing accommodations,
33 or constitutes an economic or social liability and is a
34 menace to the public health, safety, or welfare in its present
35 condition and use. A disaster area referred to in [section](#)

1 403.5, subsection 7, constitutes a "blighted area". "Blighted
2 area" does not include real property assessed as agricultural
3 property for purposes of property taxation.

4 Sec. 7. NEW SECTION. 403.18A Urban renewal area duration
5 — limitations.

6 1. An urban renewal area in existence on the effective date
7 of this Act for which an ordinance providing for a division of
8 revenue under section 403.19 was adopted before the effective
9 date of this Act and that is not limited in duration under
10 section 403.17, subsection 10, or section 403.22, subsection 5,
11 shall be subject to the duration limitation in subsection 2.

12 2. a. For an urban renewal area described in subsection 1,
13 the urban renewal area, including all applicable urban renewal
14 plans, projects, and ordinances providing for a division of
15 revenue, shall continue in effect under this chapter, until
16 such time that the urban renewal area is dissolved by the
17 municipality or until the urban renewal area terminates under
18 the conditions of this section, whichever occurs first. The
19 municipality may continue to incur or issue additional costs
20 or indebtedness for such urban renewal area, including loans,
21 advances, and bonds that qualify for payment from the special
22 fund created in section 403.19, on or after the effective date
23 of this Act and until dissolution or termination of the urban
24 renewal area.

25 b. (1) For an urban renewal area described in subsection
26 1 that is based on a finding that the area is an economic
27 development area and that no part contains slum or blighted
28 conditions, the urban renewal area, including all applicable
29 urban renewal plans, projects, and ordinances providing for a
30 division of revenue, shall terminate and be of no further force
31 and effect on July 1, 2036.

32 (2) For an urban renewal area described in subsection 1 that
33 is based on a finding that all or a part of the area contains
34 slum or blighted conditions, the urban renewal area, including
35 all applicable urban renewal plans, projects, and ordinances

1 providing for a division of revenue, shall terminate and be of
2 no further force and effect on July 1, 2041.

3 3. The department of management shall adopt rules pursuant
4 to chapter 17A necessary to implement and administer this
5 section.

6 Sec. 8. Section 403.19, Code 2016, is amended by adding the
7 following new subsection:

8 NEW SUBSECTION. 3A. a. Except as otherwise provided in
9 paragraph "b" or section 403.22, an ordinance providing for a
10 division of revenue under this section that is adopted on or
11 after the effective date of this Act shall be limited to twenty
12 years from the calendar year following the calendar year in
13 which the municipality first certifies to the county auditor
14 the amount of any loans, advances, indebtedness, or bonds that
15 qualify for payment from the division of revenue provided
16 for in this section. The urban renewal area, including all
17 applicable urban renewal plans, projects, and ordinances, shall
18 terminate and be of no further force and effect following the
19 twenty-year period provided in this subsection.

20 b. An ordinance providing for a division of revenue under
21 this section that is adopted on or after the effective date
22 of this Act for an urban renewal area that contains slum or
23 blighted conditions shall be limited to twenty-five years from
24 the calendar year following the calendar year in which the
25 municipality first certifies to the county auditor the amount
26 of any loans, advances, indebtedness, or bonds that qualify for
27 payment from the division of revenue provided in this section.
28 The urban renewal area, including all applicable urban renewal
29 plans, projects, and ordinances, shall terminate and be of no
30 further force and effect following the twenty-five-year period
31 provided in this subsection.

32 Sec. 9. EFFECTIVE UPON ENACTMENT. This Act, being deemed of
33 immediate importance, takes effect upon enactment.

34

EXPLANATION

35 The inclusion of this explanation does not constitute agreement with

1 the explanation's substance by the members of the general assembly.

2 This bill relates to Iowa's urban renewal law.

3 The bill requires the annual report prepared by the
4 legislative services agency, in consultation with the
5 department of management, under Code section 331.403, to
6 contain a list of each county, city, or rural improvement zone
7 that filed an annual report for the most recently ended fiscal
8 year and each such entity's reported amount of loans, advances,
9 indebtedness, or bonds that remain unpaid at the close of the
10 fiscal year, and which qualify for payment from the special
11 fund created in Code section 403.19, including interest
12 negotiated on such loans, advances, indebtedness, or bonds.

13 The bill provides that urban renewal plans and urban
14 renewal projects approved on or after the effective date of
15 the bill shall not include the use of taxes resulting from
16 a division of revenue for a public building that is exempt
17 from taxation, including the grounds of, and the erection,
18 equipment, remodeling, maintenance, repair, or reconstruction
19 of, and additions or extensions to, such a building. The bill
20 also modifies provisions governing the use of such revenues
21 for public buildings for plans and projects approved before
22 the effective date of the bill to include the maintenance and
23 repair of such public buildings.

24 Code chapter 403 governs the criteria upon which an
25 urban renewal area may be established, which may include a
26 determination that an area is a "blighted area". The bill
27 establishes a definition of "blighted area" for those urban
28 renewal areas established on or after the effective date of
29 the bill. For such areas, "blighted area" means an area of
30 a municipality within which the local governing body of the
31 municipality determines that the presence of a substantial
32 number of slum, deteriorated, or deteriorating structures;
33 insanitary or unsafe conditions; deterioration of site or other
34 improvements; or the existence of conditions which endanger
35 life or property by fire and other causes; or any combination

1 of these factors; substantially impairs or arrests the sound
2 growth of a municipality, retards the provision of housing
3 accommodations, or constitutes an economic or social liability
4 and is a menace to the public health, safety, or welfare in
5 its present condition and use. In addition, a disaster area
6 under Code section 403.5, subsection 7, constitutes a "blighted
7 area". However, "blighted area" does not include real property
8 assessed as agricultural property for purposes of property
9 taxation.

10 New Code section 403.18A provides that an urban renewal
11 area in existence on the effective date of the bill for which
12 an ordinance providing for a division of revenue was adopted
13 before the effective date of the bill and that is not limited
14 in duration under Code section 403.17, subsection 10 (20 years)
15 or Code section 403.22, subsection 5 (10 years) shall be
16 subject to the duration limitations established in the bill.
17 For such an urban renewal area that is based on a finding that
18 the area is an economic development area and that no part
19 contains slum or blighted conditions, the urban renewal area,
20 including all applicable urban renewal plans, projects, and
21 ordinances providing for a division of revenue, shall terminate
22 and be of no further force and effect on July 1, 2036. If,
23 however, such an urban renewal area is based on a finding that
24 all or a part of the area contains slum or blighted conditions,
25 the urban renewal area, including all applicable urban renewal
26 plans, projects, and ordinances providing for a division of
27 revenue, shall terminate and be of no further force and effect
28 on July 1, 2041.

29 The bill provides that, except for a division of revenue
30 authorized for certain housing and residential development
31 under Code section 403.22, an ordinance providing for a
32 division of revenue that is adopted on or after the effective
33 date of the bill shall be limited to 20 years from the calendar
34 year following the calendar year in which the municipality
35 first certifies to the county auditor the amount of any loans,

1 advances, indebtedness, or bonds that qualify for payment from
2 the division of revenue, at which time the urban renewal area,
3 including all applicable urban renewal plans, projects, and
4 ordinances, shall terminate and be of no further force and
5 effect. If, however, the urban renewal area for which such
6 an ordinance is adopted contains slum or blighted conditions,
7 the division of revenue shall be limited to 25 years from
8 the calendar year following the calendar year in which the
9 municipality first certifies to the county auditor the amount
10 of any loans, advances, indebtedness, or bonds that qualify for
11 payment from the division of revenue.

12 The bill specifies that the urban renewal duration limits
13 under new Code section 403.18A and the limitations on the
14 duration of ordinances providing for a division of revenue
15 under Code section 403.19, new subsection 3A, shall not apply
16 to divisions of taxes established by community colleges under
17 Code chapter 260E or rural improvement zones under Code chapter
18 357H.

19 The bill takes effect upon enactment.