

House File 249 - Introduced

HOUSE FILE 249

BY BAUDLER

A BILL FOR

1 An Act relating to the establishment, operation, and

2 dissolution of rural improvement zones.

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

1 Section 1. Section 357H.1, subsection 1, Code 2015, 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~~ most recent certified federal
7 census, and with a private lake development shall designate an
8 area surrounding the lake, if it is an unincorporated area of
9 the 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.

12 Sec. 2. Section 357H.1, subsection 2, paragraph b, Code
13 2015, is amended to read as follows:

14 *b.* "Improvements" means dredging, installation of erosion
15 control and water quality measures, land acquisition, and
16 related improvements, including soil conservation practices,
17 within or outside of the boundaries of the zone.

18 Sec. 3. Section 357H.1, subsection 2, Code 2015, is amended
19 by adding the following new paragraph:

20 NEW PARAGRAPH. *c.* "Lake" means a body of water that has a
21 surface area of at least eighty acres.

22 Sec. 4. Section 357H.2, subsection 1, paragraph a, Code
23 2015, is amended to read as follows:

24 *a.* The need for the proposed zone, which shall be based
25 upon a report of a licensed professional engineer prepared not
26 more than two years before the date the petition is filed, and
27 that includes all of the following:

28 (1) Surface area of the lake in acres.

29 (2) Number of acres of land comprising the lake's watershed.

30 (3) Soil classification of the land comprising the lake's
31 watershed.

32 (4) Description of all current land uses within the lake's
33 watershed.

34 (5) Estimate of historical annual silt accumulation for the
35 lake during the twenty years immediately preceding the year in

1 which the engineer's report was completed.

2 (6) Estimate of the amount of silt currently accumulated in
3 the lake.

4 (7) Estimates of annual silt accumulation in the lake for
5 the twenty-year period following establishment of the rural
6 improvement zone.

7 (8) Estimate of remaining space available to the proposed
8 zone in existing detention basins for storage of dredged and
9 removed silt.

10 (9) Estimate of storage space that will be required to store
11 dredged and removed silt from the lake for the twenty-year
12 period following establishment of the rural improvement zone.

13 (10) Assessment of the current water quality of the lake.

14 (11) Assessment of the current need for preventative
15 practices to improve the water quality of the lake.

16 (12) Assessment of the impact preventative practices will
17 have on the water quality of the lake.

18 (13) Estimate of the cost to effectively address erosion
19 control and water quality for the twenty-year period following
20 establishment of the rural improvement zone.

21 Sec. 5. Section 357H.2, Code 2015, is amended by adding the
22 following new subsection:

23 NEW SUBSECTION. 1A. A copy of the report prepared by the
24 licensed professional engineer and used to prepare the petition
25 shall be submitted with the petition under this section.

26 Sec. 6. Section 357H.3, Code 2015, is amended to read as
27 follows:

28 **357H.3 Time of public hearing.**

29 1. The If the petition substantially meets the requirements
30 of section 357H.2, the public hearing required in section
31 357H.2 shall be held within ~~thirty~~ sixty days of the
32 presentation of the petition. Notice of hearing shall be given
33 by publication as provided in section 331.305.

34 2. If the board determines that the petition or the
35 engineer's report does not substantially meet the requirements

1 of section 357H.2, the board may, within thirty days of
2 presentation of the petition, request additional information
3 from the petitioners. The board's request for additional
4 information shall be limited to the information required under
5 section 357H.2 that was not contained in the petition or the
6 accompanying engineer's report. The board shall be limited to
7 one request for additional information under this section. The
8 public hearing required in section 357H.2 shall be held within
9 sixty days of receiving the additional information. Notice of
10 hearing shall be given in the same manner as required under
11 subsection 1.

12 Sec. 7. Section 357H.4, Code 2015, is amended to read as
13 follows:

14 **357H.4 Hearing on petition — action by board.**

15 1. At the public hearing ~~required in section 357H.3,~~
16 the board may consider the boundaries of a proposed rural
17 improvement zone, whether the boundaries shall be as described
18 in the petition or otherwise, and for that purpose may amend
19 the petition and change the boundaries of the proposed zone as
20 stated in the petition. The board may adjust the boundaries
21 of a proposed zone as needed to exclude land that has no
22 reasonable likelihood of benefit from inclusion in a rural
23 improvement zone. However, the boundaries of a proposed zone
24 shall not be changed to incorporate property which is not
25 included in the original petition.

26 2. Within ten days after the hearing, the board shall
27 establish the rural improvement zone by resolution or disallow
28 the petition. However, the zone shall not include any area
29 which is part of an urban renewal area under chapter 403.

30 Sec. 8. Section 357H.8, subsection 2, Code 2015, is amended
31 to read as follows:

32 2. Certificates may be issued with respect to a single
33 improvement project or multiple projects and may contain
34 terms or conditions as the board of trustees may provide by
35 resolution authorizing the issuance of the certificates.

1 However, certificates, including certificates to refund
2 outstanding certificates under subsection 3, shall not
3 be issued after January 1, 2007, except to refund other
4 certificates as provided in subsection 3 if the maturity
5 date of the certificates would be after the date the rural
6 improvement zone is, at the time of issuing the certificates,
7 to be dissolved by law under section 357H.10.

8 Sec. 9. Section 357H.9, subsection 1, Code 2015, is amended
9 to read as follows:

10 1. a. The board of trustees shall provide by resolution
11 that taxes levied on the taxable property in a rural
12 improvement zone each year by or for the benefit of the state,
13 city, county, school district, or other taxing district after
14 the effective date of the resolution shall be divided as
15 provided in section 403.19, subsections 1 and 2, in the same
16 manner as if the taxable property in the rural improvement
17 zone was taxable property in an urban renewal area and the
18 resolution was an ordinance within the meaning of those
19 subsections. The taxes received by the board of trustees shall
20 be allocated to, and when collected be paid into, a special
21 fund and may be irrevocably pledged by the trustees to pay the
22 principal of and interest on the certificates, contracts, or
23 other obligations approved by the board of trustees to finance
24 or refinance, in whole or in part, an improvement project.
25 However, for fiscal years beginning on or after July 1, 2016,
26 when calculating the amount of taxes subject to the division
27 of taxes, if the assessed value of the taxable property in
28 the rural improvement zone used to calculate the amount of
29 taxes under section 403.19, subsection 1, is less than fifty
30 percent of the assessed value of the taxable property in the
31 rural improvement zone used to calculate the total amount of
32 property taxes in the rural improvement zone for the fiscal
33 year in which the taxes are due and payable, the assessed value
34 of the taxable property in the rural improvement zone used to
35 calculate the amount of taxes under section 403.19, subsection

1 1, shall be increased for that fiscal year until the amount is
2 equal to fifty percent of the assessed value of the taxable
3 property in the rural improvement zone used to calculate the
4 total amount of property taxes in the rural improvement zone
5 for the fiscal year in which the taxes are due and payable.

6 b. For fiscal years beginning on or after July 1, 2016,
7 when determining the assessed value of property within a rural
8 improvement zone which is subject to a division of tax revenues
9 pursuant to section 403.19, the requirement under section
10 403.20 that the valuation reductions first be subtracted from
11 the assessed value of the property as determined pursuant to
12 section 403.19, subsection 1, shall not apply, and percentage
13 adjustments certified for that year by the director of revenue
14 on or before November 1 pursuant to section 441.21, subsection
15 9, shall be applied uniformly, by class of property, to all
16 actual value in the rural improvement zone.

17 c. As used in this section, "taxes" includes but is not
18 limited to all levies on an ad valorem basis upon land or real
19 property located in the rural improvement zone.

20 **Sec. 10. NEW SECTION. 357H.9A Annual financial report —**
21 **audit.**

22 1. Not later than December 1 of each year on forms and
23 pursuant to the instructions prescribed by the department
24 of management, the board of trustees shall file with the
25 county auditor an annual financial report showing the rural
26 improvement zone's financial condition as of June 30 and the
27 results of operations for the year then ended.

28 2. A rural improvement zone is subject to annual audit by
29 the auditor of state. In lieu of an audit by the auditor of
30 state, the rural improvement zone may contract with or employ
31 a certified public accountant to conduct the audit pursuant
32 to the applicable terms and conditions prescribed by sections
33 11.6, 11.14, 11.19, and 11.41. The audit format shall be as
34 prescribed by the auditor of state. The rural improvement zone
35 shall pay all expenses incurred by the auditor of state in

1 conducting an audit under this section.

2 Sec. 11. Section 357H.10, Code 2015, is amended to read as
3 follows:

4 **357H.10 Dissolution of zone.**

5 1. The Prior to the date required for dissolution under
6 subsection 2, a rural improvement zone shall may be dissolved
7 upon the adoption of a resolution of the board of trustees
8 which specifies that all improvements have been made in the
9 zone, the need for the zone, as identified under section
10 357H.2, subsection 1, has been satisfied, and all indebtedness
11 has been paid.

12 2. a. Unless dissolved by resolution of the board of
13 trustees under subsection 1, or an extension is approved under
14 paragraph "b", each rural improvement zone is dissolved on June
15 30, 2019, or twenty years after the first day of the fiscal
16 year following the fiscal year in which the zone first receives
17 revenue from the division of taxes under section 357H.9,
18 whichever date is later.

19 b. The date required under this subsection for dissolution
20 of a rural improvement zone may be extended by resolution of
21 the board adopted prior to the date required for dissolution
22 under paragraph "a" or a date prior to the date to which
23 the rural improvement zone was previously extended by the
24 board under this paragraph "b" or by operation of law under
25 subparagraph (1). Each extension approved by the board under
26 this paragraph "b" shall be for a period of twenty years. Prior
27 to approval of an extension by the board under this paragraph
28 "b", all of the following requirements shall be met:

29 (1) Not more than forty-eight months nor less than
30 thirty-six months prior to the date required for dissolution,
31 the board of trustees shall file a petition with the board
32 requesting an extension of the zone's dissolution date that
33 complies with the petition requirements under section 357H.2.
34 The petition shall state the continued need for the rural
35 improvement zone and describe the improvements needed in the

1 zone beyond the dissolution date otherwise required under
2 this section. The board shall, within ninety days after
3 receiving the petition, either adopt a resolution granting the
4 twenty-year extension without further proceedings or notify the
5 board of trustees in writing of the board's intent to review
6 the zone's dissolution date under subparagraphs (2) through
7 (4). The board may, as part of its notice to the board of
8 trustees, request a report prepared by a licensed professional
9 engineer containing all of the information required under
10 section 357H.2, subsection 1. If the board fails to either
11 approve the extension by resolution or notify the board of
12 trustees of the board's intent to review the zone's dissolution
13 date under subparagraphs (2) through (4) within the ninety-day
14 period, the request for a twenty-year extension shall be deemed
15 approved.

16 (2) Following receipt of the board's notice of intent
17 to review and not less than twenty-four months prior to the
18 date required for dissolution, the board of trustees shall,
19 if requested by the board, submit to the board a report
20 prepared by a licensed professional engineer that includes
21 the information required under section 357H.2, subsection 1,
22 paragraph "a". If the board determined that the petition or the
23 engineer's report does not substantially meet the requirements
24 of section 357H.2 or that additional relevant information is
25 needed, the board may, within thirty days of the date the
26 petition was filed, request additional information from the
27 board of trustees. The board shall be limited to one request
28 for additional information.

29 (3) Not more than sixty days after receiving the engineer's
30 report required or the additional information requested under
31 subparagraph (2), whichever is later, the board shall hold
32 a public hearing to determine the continued need for the
33 rural improvement zone. Notice of hearing shall be given by
34 publication as provided in section 331.305.

35 (4) Within ten days after the public hearing, the board

1 shall either find a continued need for the rural improvement
2 zone and adopt a resolution approving the twenty-year extension
3 or find that the continued operation of the rural improvement
4 zone is not necessary and deny the request for an extension.
5 If the board fails to either approve or deny the extension
6 within the ten-day period, the request for a twenty-year
7 extension is deemed approved.

8 3. Upon dissolution of the zone, all assets shall be deeded
9 or otherwise transferred to a nonprofit corporation whose
10 members are property owners of the improvement zone.

11 4. Upon dissolution of the zone, the collection of the
12 property tax authorized under section 357H.8, subsection 4, and
13 the division of taxes authorized under section 357H.9 shall
14 cease immediately.

15 Sec. 12. NEW SECTION. 357H.11 Agreements.

16 Any agreement or other instrument in connection with an
17 agreement between a board of trustees and a board in existence
18 on July 1, 2015, relating to the division of taxes under
19 section 357H.9, the dissolution date of a rural improvement
20 zone, or the criteria used for determining the continued
21 existence of a rural improvement zone that is inconsistent with
22 this chapter shall be null and void.

23 EXPLANATION

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

26 This bill relates to the establishment, operation, and
27 dissolution of rural improvement zones under Code chapter 357H.

28 Current law provides that the population threshold for
29 establishing a rural improvement zone is determined using
30 the 2000 certified federal census. The bill changes that
31 requirement so that the population is determined using the
32 most recent certified federal census. The bill also adds a
33 definition of "lake" for purposes of determining eligibility to
34 establish a rural improvement zone. The bill defines "lake"
35 to mean a body of water that has a surface area of at least 80

1 acres.

2 The bill adds water quality measures to the definition of
3 "improvements". Under Code chapter 357H, the board of trustees
4 may authorize construction, reconstruction, or repair of
5 improvements for the rural improvement zone.

6 The bill provides that as part of the approval process for a
7 rural improvement zone, the petition must include a statement
8 of the need for the proposed zone based upon a report prepared
9 by a licensed professional engineer. The report utilized
10 in preparing the petition must have been prepared not more
11 than two years before the date the petition is filed. The
12 information required to be included in the engineer's report
13 relates to the size of the lake, soil classification, silt
14 accumulation data and estimates, water quality assessments,
15 and cost estimates. The bill requires a copy of the report
16 prepared by the licensed professional engineer and used to
17 prepare the petition to be submitted with the petition.

18 The bill changes the period of time required for holding
19 a public hearing on the petition from within 30 days
20 of presentation of the petition to within 60 days. In
21 addition, the bill provides that if the board of supervisors
22 determines that the petition or the engineer's report does
23 not substantially meet the statutory requirements, the
24 board may, within 30 days of presentation of the petition,
25 request additional information from the petitioners. The
26 board's request for additional information is limited to the
27 statutorily required information that was not contained in the
28 petition or in the accompanying engineer's report. The bill
29 limits the board to one request for additional information.
30 Upon presentation of the additional information, the public
31 hearing must be held within 60 days of receiving the additional
32 information.

33 The bill strikes the provision which prohibited the issuance
34 of certificates for the payment of a rural improvement zone's
35 improvements and activities after January 1, 2007, and provides

1 that such certificates, including certificates to refund
2 outstanding certificates, may not be issued if the maturity
3 date of the certificates would be after the date the rural
4 improvement zone is to be dissolved, as provided by the bill.

5 Current Code section 357H.9 authorizes rural improvement
6 zones to authorize the use of taxes from a division of taxes
7 (tax increment financing). The bill provides that for fiscal
8 years beginning on or after July 1, 2016, when calculating
9 the amount of taxes subject to the division of taxes, if the
10 assessed value of the taxable property in the rural improvement
11 zone used to calculate the amount of taxes to be paid to the
12 other taxing districts is less than 50 percent of the assessed
13 value of the taxable property in the rural improvement zone
14 used to calculate the total amount of property taxes in the
15 rural improvement zone for the fiscal year in which the taxes
16 are due and payable, the assessed value of the taxable property
17 in the rural improvement zone used to calculate the amount of
18 taxes to be paid to the other taxing districts (base value)
19 shall be increased for that fiscal year to an amount equal to
20 50 percent of the assessed value of the taxable property in the
21 rural improvement zone used to calculate the total amount of
22 property taxes in the rural improvement zone for the fiscal
23 year in which the taxes are due and payable.

24 The bill provides that for fiscal years beginning on or after
25 July 1, 2016, when determining the assessed value of property
26 within a rural improvement zone that is subject to a division
27 of tax revenues, the requirement under Code section 403.20
28 that the valuation reductions (rollback) first be subtracted
29 from the assessed value of the property as determined pursuant
30 to Code section 403.19(1) (base value), does not apply and
31 provides that the rollbacks for that year shall instead be
32 applied uniformly, by class of property, to all actual value
33 in the rural improvement zone.

34 The bill provides that not later than December 1 of each
35 year the board of trustees of a zone shall file with the

1 county auditor an annual financial report showing the rural
2 improvement zone's financial condition as of June 30 and the
3 results of operations for the year then ended. The bill also
4 provides that all rural improvement zones are subject to annual
5 audit either by the auditor of state or by a certified public
6 accountant contracted with or employed by the rural improvement
7 zone to conduct the audit.

8 The bill provides that, unless dissolved by resolution of
9 the board of trustees, each rural improvement zone is dissolved
10 on June 30, 2019, or 20 years from the first day of the fiscal
11 year following the fiscal year in which the zone first receives
12 revenue from the division of taxes, whichever is later. The
13 bill further provides that the date required for dissolution
14 may be extended by resolution of the board of supervisors
15 adopted prior to the date required for dissolution or prior to
16 the date to which the rural improvement zone was previously
17 extended by the board of supervisors under the provisions of
18 the bill. Each extension shall be for a period of 20 years.

19 The bill updates language relating to the disposition of
20 property upon dissolution of the zone and specifies that any
21 collection of, or division of, property taxes under Code
22 chapter 357H ceases immediately upon dissolution of the zone.

23 Under the bill, the rural improvement zone's board of
24 trustees must file a petition with the board of supervisors
25 requesting an extension of the dissolution date. The petition
26 must state the continued need for the rural improvement zone
27 and describe the improvements needed in the zone beyond the
28 dissolution date otherwise required by the bill. Within 90
29 days after receiving the petition, the board of supervisors
30 must either adopt a resolution granting the 20-year extension
31 without further proceedings, or notify the board of trustees in
32 writing of the board's intent to review the zone's dissolution
33 date. The board may, as part of its notice to the board of
34 trustees, request a report prepared by a licensed professional
35 engineer. If the board fails to either approve the extension

1 by resolution or notify the board of trustees of the board's
2 intent to review the zone's dissolution date within the 90-day
3 period, the request for a 20-year extension is deemed approved.
4 The board of supervisors requests additional information from
5 the board of trustees. As part of the board of supervisors'
6 further review of the petition, a public hearing must be held
7 within the period of time specified in the bill. Within
8 10 days after the public hearing, the board of supervisors
9 is required to either find a continued need for the rural
10 improvement zone and adopt a resolution approving the 20-year
11 extension or find that the continued operation of the rural
12 improvement zone is not necessary and deny the request for an
13 extension. If the board fails to either approve or deny the
14 extension within the 10-day period, the request for a 20-year
15 extension is deemed approved.

16 The bill provides that any agreement or other instrument in
17 connection with an agreement between a board of trustees and a
18 board in existence on July 1, 2015, relating to the division
19 of taxes, the dissolution date of a rural improvement zone, or
20 the criteria used for determining the continued existence of
21 a rural improvement zone that is inconsistent with this Code
22 chapter shall be null and void.