

House File 2063 - Introduced

HOUSE FILE 2063

BY MOHR

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 taxes, modifying the conditions for
5 establishing certain urban renewal areas, imposing duration
6 limits on certain urban renewal areas, excluding certain
7 property taxes from a division of taxes, and including
8 effective date and applicability provisions.

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

1 Section 1. Section 260E.4, Code 2018, 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 2018, 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 2018, 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 2018, 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 2018, 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, subsections 5 and 10, Code 2018, are
35 amended 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 10. "Economic development area" means an area of a
5 municipality designated by the local governing body as
6 appropriate for commercial and industrial enterprises, public
7 improvements related to housing and residential development,
8 or construction of housing and residential development for low
9 and moderate income families, including single or multifamily
10 housing. If an urban renewal plan for an urban renewal area is
11 based upon a finding that the area is an economic development
12 area and that no part contains slum or blighted conditions,
13 then the division of revenue provided in [section 403.19](#) and
14 stated in the plan shall be limited to twenty years from
15 the calendar year following the calendar year in which the
16 municipality first certifies to the county auditor the amount
17 of any loans, advances, indebtedness, or bonds which qualify
18 for payment from the division of revenue provided in [section](#)
19 [403.19](#). Such designated area shall not include agricultural
20 land, including land which is part of a century farm, unless
21 the owner of the agricultural land or century farm agrees to
22 include the agricultural land or century farm in the urban
23 renewal area. For an urban renewal area established as an
24 economic development area on or after the effective date of
25 this Act that includes agricultural land or land that is
26 part of a century farm, the municipality shall not permit
27 the use, development, or zoning of such agricultural land or
28 century farm land for housing, residential, or multiresidential
29 purposes, except for any such use in existence on the date the
30 area was established. For the purposes of [this subsection](#),
31 "century farm" means a farm in which at least forty acres of
32 such farm have been held in continuous ownership by the same
33 family for one hundred years or more.

34 Sec. 7. NEW SECTION. 403.18A Urban renewal area duration
35 — limitations.

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

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

20 *b.* (1) For an urban renewal area described in subsection
21 1 that is based on a finding that the area is an economic
22 development area and that no part contains slum or blighted
23 conditions, the urban renewal area, including all applicable
24 urban renewal plans, projects, and ordinances providing for a
25 division of revenue, shall terminate and be of no further force
26 and effect on July 1, 2038.

27 (2) For an urban renewal area described in subsection 1 that
28 is based on a finding that all or a part of the area contains
29 slum or blighted conditions, the urban renewal area, including
30 all applicable urban renewal plans, projects, and ordinances
31 providing for a division of revenue, shall terminate and be of
32 no further force and effect on July 1, 2043.

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

1 Sec. 8. Section 403.19, subsection 2, paragraph a, Code
2 2018, is amended to read as follows:

3 a. That portion of the taxes each year in excess of such
4 amount shall be allocated to and when collected be paid into a
5 special fund of the municipality to pay the principal of and
6 interest on loans, moneys advanced to, or indebtedness, whether
7 funded, refunded, assumed, or otherwise, including bonds
8 issued under the authority of [section 403.9, subsection 1](#),
9 incurred by the municipality to finance or refinance, in whole
10 or in part, an urban renewal project within the area, and to
11 provide assistance for low and moderate income family housing
12 as provided in [section 403.22](#). However, except as provided
13 in paragraph "b", taxes for the regular and voter-approved
14 physical plant and equipment levy of a school district imposed
15 pursuant to [section 298.2](#) and taxes for the instructional
16 support program of a school district imposed pursuant to
17 [section 257.19, foundation property taxes of a school district](#)
18 [imposed under section 257.3](#), taxes for the payment of bonds
19 and interest of each taxing district, and taxes imposed under
20 [section 346.27, subsection 22](#), related to joint county-city
21 buildings shall be collected against all taxable property
22 within the taxing district without limitation by the provisions
23 of [this subsection](#). Additionally, for ordinances dividing
24 taxes under this section adopted by a municipality that is
25 a city on or after the effective date of this Act, taxes
26 levied by or certified for levy by a county shall be collected
27 against all taxable property within the taxing district without
28 limitation by the provisions of this subsection if the county
29 board of supervisors adopts a resolution precluding such
30 a division of county property taxes before the city first
31 certifies an amount under subsection 6.

32 Sec. 9. Section 403.19, Code 2018, is amended by adding the
33 following new subsection:

34 NEW SUBSECTION. 3A. a. Except as otherwise provided in
35 paragraph "b" or [section 403.22](#), an ordinance providing for a

1 division of revenue under this section that is adopted on or
2 after the effective date of this Act shall be limited to twenty
3 years from the calendar year following the calendar year in
4 which the municipality first certifies to the county auditor
5 the amount of any loans, advances, indebtedness, or bonds that
6 qualify for payment from the division of revenue provided
7 for in this section. The urban renewal area, including all
8 applicable urban renewal plans, projects, and ordinances, shall
9 terminate and be of no further force and effect following the
10 twenty-year period provided in this subsection.

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

23 Sec. 10. Section 403.19, subsection 9, Code 2018, is amended
24 to read as follows:

25 9. *a.* Moneys Unless prohibited under paragraph "b", moneys
26 from any source deposited into the special fund created in
27 this section shall not be expended for or otherwise used in
28 connection with an urban renewal project approved on or after
29 July 1, 2012, that includes the relocation of a commercial
30 or industrial enterprise not presently located within the
31 municipality, unless one of the following occurs:

32 (1) The local governing body of the municipality where
33 the commercial or industrial enterprise is currently located
34 and the local governing body of the municipality where the
35 commercial or industrial enterprise is proposing to relocate

1 have either entered into a written agreement concerning the
2 relocation of the commercial or industrial enterprise or have
3 entered into a written agreement concerning the general use
4 of economic incentives to attract commercial or industrial
5 development within those municipalities.

6 (2) The local governing body of the municipality where the
7 commercial or industrial enterprise is proposing to relocate
8 finds that the use of deposits into the special fund for an
9 urban renewal project that includes such a relocation is in
10 the public interest. A local governing body's finding that an
11 urban renewal project that includes a commercial or industrial
12 enterprise relocation is in the public interest shall include
13 written verification from the commercial or industrial
14 enterprise that the enterprise is actively considering moving
15 all or a part of its operations to a location outside the state
16 and a specific finding that such an out-of-state move would
17 result in a significant reduction in either the enterprise's
18 total employment in the state or in the total amount of wages
19 earned by employees of the enterprise in the state.

20 b. Moneys from any source deposited into the special fund
21 created in this section shall not be expended for or otherwise
22 used in connection with an urban renewal project approved on
23 or after the effective date of this Act that includes the
24 relocation of a commercial or industrial enterprise for which
25 the location of the enterprise's existing operations is two
26 miles or less from the enterprise's proposed new operations
27 location.

28 ~~b.~~ c. For the purposes of **this subsection**, "relocation"
29 means the closure or substantial reduction of an enterprise's
30 existing operations in one area of the state and the initiation
31 of substantially the same operation in the same county or a
32 contiguous county in the state. **This subsection** does not
33 prohibit an enterprise from expanding its operations in another
34 area of the state provided that existing operations of a
35 similar nature are not closed or substantially reduced.

1 Sec. 11. EFFECTIVE UPON ENACTMENT. This Act, being deemed
2 of immediate importance, takes effect upon enactment.

3 Sec. 12. APPLICABILITY. The portion of the section of
4 this Act amending section 403.19, subsection 2, paragraph
5 "a", relating to the division of foundation property taxes of
6 a school district applies to property taxes due and payable
7 in fiscal years beginning on or after July 1, 2019, that are
8 levied against any of the following:

9 1. Property located in an urban renewal area for which the
10 ordinance providing for a division of revenue takes effect on
11 or after the effective date of this Act.

12 2. Property annexed or otherwise included in an urban
13 renewal area after the effective date of the ordinance
14 providing for a division of revenue if the annexation or
15 inclusion occurs on or after the effective date of this Act.

16 EXPLANATION

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

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

20 The bill requires the annual report prepared by the
21 legislative services agency, in consultation with the
22 department of management, under Code section 331.403, to
23 contain a list of each county, city, or rural improvement zone
24 that filed an annual report for the most recently ended fiscal
25 year and each such entity's reported amount of loans, advances,
26 indebtedness, or bonds that remain unpaid at the close of the
27 fiscal year, and which qualify for payment from the special
28 fund created in Code section 403.19, including interest
29 negotiated on such loans, advances, indebtedness, or bonds.

30 The bill provides that urban renewal plans and urban
31 renewal projects approved on or after the effective date of
32 the bill shall not include the use of taxes resulting from
33 a division of revenue for a public building that is exempt
34 from taxation, including the grounds of, and the erection,
35 equipment, remodeling, maintenance, repair, or reconstruction

1 of, and additions or extensions to, such a building. The bill
2 also modifies provisions governing the use of such revenues
3 for public buildings for plans and projects approved before
4 the effective date of the bill to include the maintenance and
5 repair of such public buildings.

6 Code chapter 403 governs the criteria upon which an
7 urban renewal area may be established, which may include a
8 determination that an area is a "blighted area". The bill
9 establishes a definition of "blighted area" for those urban
10 renewal areas established on or after the effective date of
11 the bill. For such areas, "blighted area" means an area of
12 a municipality within which the local governing body of the
13 municipality determines that the presence of a substantial
14 number of slum, deteriorated, or deteriorating structures;
15 insanitary or unsafe conditions; deterioration of site or other
16 improvements; or the existence of conditions which endanger
17 life or property by fire and other causes; or any combination
18 of these factors; substantially impairs or arrests the sound
19 growth of a municipality, retards the provision of housing
20 accommodations, or constitutes an economic or social liability
21 and is a menace to the public health, safety, or welfare in
22 its present condition and use. In addition, a disaster area
23 under Code section 403.5, subsection 7, constitutes a "blighted
24 area". However, "blighted area" does not include real property
25 assessed as agricultural property for purposes of property
26 taxation.

27 Current Code section 403.17(10) prohibits, as part of the
28 definition of "economic development area", an urban renewal
29 area that is an economic development area from including
30 agricultural land, including land which is part of a century
31 farm, unless the owner of the agricultural land or century
32 farm agrees to include the agricultural land or century farm
33 in the urban renewal area. The bill provides that for an
34 urban renewal area established as an economic development
35 area on or after the effective date of the bill that includes

1 agricultural land or land that is part of a century farm, the
2 municipality shall not permit the use, development, or zoning
3 of such agricultural land or century farm land for housing,
4 residential, or multiresidential purposes, except for any such
5 use in existence on the date the area was established.

6 New Code section 403.18A provides that an urban renewal
7 area in existence on the effective date of the bill for which
8 an ordinance providing for a division of revenue was adopted
9 before the effective date of the bill and that is not limited
10 in duration under Code section 403.17, subsection 10 (20
11 years), or Code section 403.22, subsection 5 (10 years), shall
12 be subject to the duration limitations established in the bill.
13 For such an urban renewal area that is based on a finding that
14 the area is an economic development area and that no part
15 contains slum or blighted conditions, the urban renewal area,
16 including all applicable urban renewal plans, projects, and
17 ordinances providing for a division of revenue, shall terminate
18 and be of no further force and effect on July 1, 2038. If,
19 however, such an urban renewal area is based on a finding that
20 all or a part of the area contains slum or blighted conditions,
21 the urban renewal area, including all applicable urban renewal
22 plans, projects, and ordinances providing for a division of
23 revenue, shall terminate and be of no further force and effect
24 on July 1, 2043.

25 The bill provides that, except for a division of revenue
26 authorized for certain housing and residential development
27 under Code section 403.22, an ordinance providing for a
28 division of revenue that is adopted on or after the effective
29 date of the bill shall be limited to 20 years from the calendar
30 year following the calendar year in which the municipality
31 first certifies to the county auditor the amount of any loans,
32 advances, indebtedness, or bonds that qualify for payment from
33 the division of revenue, at which time the urban renewal area,
34 including all applicable urban renewal plans, projects, and
35 ordinances, shall terminate and be of no further force and

1 effect. If, however, the urban renewal area for which such
2 an ordinance is adopted contains slum or blighted conditions,
3 the division of revenue shall be limited to 25 years from
4 the calendar year following the calendar year in which the
5 municipality first certifies to the county auditor the amount
6 of any loans, advances, indebtedness, or bonds that qualify for
7 payment from the division of revenue.

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

15 The bill excludes the school district foundation property
16 tax imposed under Code section 257.3 from the division of
17 revenue under Code section 403.19 (tax increment financing).
18 Under the bill, the foundation property tax is not divided
19 and paid into the municipality's special fund for the payment
20 of urban renewal indebtedness but instead is required to be
21 levied, collected, and paid to the school district in the same
22 manner as all other property taxes.

23 Under Iowa's urban renewal law, "municipality" includes
24 cities and counties. In addition, by operation of law, the
25 bill applies to divisions of revenue adopted by a community
26 college under Code section 260E.4 and rural improvement zones
27 under Code section 357H.9.

28 The bill also provides that for ordinances dividing taxes
29 under Code section 403.19 adopted by a municipality that is
30 a city on or after the effective date of the bill, taxes
31 levied by or certified for levy by a county are required to
32 be collected and shall not be divided if the county board of
33 supervisors adopts a resolution precluding such a division of
34 county property taxes before the city first certifies an amount
35 for payment using divided taxes under Code section 403.19(6).

H.F. 2063

1 Current Code section 403.19(9) imposes restrictions on the
2 use of urban renewal special fund moneys for an urban renewal
3 project approved on or after July 1, 2012, that includes
4 the relocation of a commercial or industrial enterprise not
5 presently located within the municipality. The bill prohibits
6 such funds from being expended for or otherwise used in
7 connection with an urban renewal project approved on or after
8 the effective date of the bill that includes the relocation of
9 a commercial or industrial enterprise for which the location of
10 the enterprise's existing operations is two miles or less from
11 the enterprise's proposed new operations location.

12 The bill takes effect upon enactment.

13 The portion of the section of the bill amending Code section
14 403.19 relating to the division of foundation property taxes
15 of a school district applies to property taxes due and payable
16 in fiscal years beginning on or after July 1, 2019, that are
17 levied against any of the following: (1) property located in
18 an urban renewal area for which the ordinance providing for a
19 division of revenue takes effect on or after the effective date
20 of the bill; or (2) property annexed or otherwise included in
21 an urban renewal area after the effective date of the ordinance
22 providing for a division of revenue if the annexation or
23 inclusion occurs on or after the effective date of the bill.