

Senate File 2267 - Introduced

SENATE FILE 2267

BY CHAPMAN

A BILL FOR

1 An Act relating to the operation and use of urban renewal areas
2 and urban revitalization areas and including effective date
3 and applicability provisions.

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

DIVISION I

URBAN RENEWAL AREAS

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Section 1. Section 331.403, subsection 3, paragraph b, Code 2018, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (22) The amount and source of any voluntary transfer of property taxes under section 403.19, subsection 3A.

Sec. 2. Section 384.22, subsection 2, paragraph b, Code 2018, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (22) The amount and source of any voluntary transfer of property taxes under section 403.19, subsection 3A.

Sec. 3. Section 403.5, subsection 4, Code 2018, is amended by adding the following new paragraph:

NEW PARAGRAPH. c. For urban renewal areas established on or after the effective date of this division of this Act, the area comprising the urban renewal area does not include real property assessed as residential property, multiresidential property, or agricultural property to the extent prohibited under section 403.17, subsection 5, 10, or 22.

Sec. 4. Section 403.17, subsections 5, 10, and 22, Code 2018, are amended to read as follows:

5. "*Blighted area*" means:

a. For urban renewal areas established prior to the effective date of this division of this Act, an area of a municipality within which the local governing body of the municipality determines that the presence of a substantial number of slum, deteriorated, or deteriorating structures; defective or inadequate street layout; faulty lot layout in relation to size, adequacy, accessibility, or usefulness; insanitary or unsafe conditions; deterioration of site or other improvements; diversity of ownership, tax or special assessment delinquency exceeding the fair value of the land; defective or unusual conditions of title; or the existence of conditions which endanger life or property by fire and other

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

10 b. For urban renewal areas established on or after the
 11 effective date of this division of this Act, an area of a
 12 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 defective or inadequate street layout; faulty lot layout in
 16 relation to size, adequacy, accessibility, or usefulness;
 17 insanitary or unsafe conditions; deterioration of site or
 18 other improvements; diversity of ownership, tax or special
 19 assessment delinquency exceeding the fair value of the land;
 20 defective or unusual conditions of title; or the existence of
 21 conditions which endanger life or property by fire and other
 22 causes; or any combination of these factors; substantially
 23 impairs or arrests the sound growth of a municipality, or
 24 constitutes an economic or social liability and is a menace
 25 to the public health, safety, or welfare in its present
 26 condition and use. A disaster area referred to in section
 27 403.5, subsection 7, constitutes a "blighted area". "Blighted
 28 area" does not include real property assessed as residential
 29 property, multiresidential property, or agricultural property
 30 for purposes of property taxation.

31 10. "Economic development area" means:

32 a. For urban renewal areas established prior to the
 33 effective date of this division of this Act, an area of
 34 a municipality designated by the local governing body as
 35 appropriate for commercial and industrial enterprises, public

1 improvements related to housing and residential development,
2 or construction of housing and residential development for low
3 and moderate income families, including single or multifamily
4 housing. If an urban renewal plan for an urban renewal area is
5 based upon a finding that the area is an economic development
6 area and that no part contains slum or blighted conditions,
7 then the division of revenue provided in [section 403.19](#) and
8 stated in the plan shall be limited to twenty years from
9 the calendar year following the calendar year in which the
10 municipality first certifies to the county auditor the amount
11 of any loans, advances, indebtedness, or bonds which qualify
12 for payment from the division of revenue provided in section
13 403.19. Such designated area shall not include agricultural
14 land, including land which is part of a century farm, unless
15 the owner of the agricultural land or century farm agrees to
16 include the agricultural land or century farm in the urban
17 renewal area. For the purposes of [this subsection](#), "century
18 farm" means a farm in which at least forty acres of such farm
19 have been held in continuous ownership by the same family for
20 one hundred years or more.

21 b. For urban renewal areas established on or after the
22 effective date of this division of this Act, an area of
23 a municipality designated by the local governing body as
24 appropriate for commercial and industrial enterprises and
25 public improvements related to commercial and industrial
26 development. If an urban renewal plan for an urban renewal
27 area is based upon a finding that the area is an economic
28 development area and that no part contains slum or blighted
29 conditions, then the division of revenue provided in section
30 403.19 and stated in the plan shall be limited to twenty years
31 from the calendar year following the calendar year in which the
32 municipality first certifies to the county auditor the amount
33 of any loans, advances, indebtedness, or bonds which qualify
34 for payment from the division of revenue provided in section
35 403.19. Such designated area shall not include property

1 assessed as residential property or multiresidential property.
2 Such designated area shall also not include agricultural
3 land, including land which is part of a century farm, unless
4 the owner of the agricultural land or century farm agrees to
5 include the agricultural land or century farm in the urban
6 renewal area. For the purposes of this subsection, "century
7 farm" means a farm in which at least forty acres of such farm
8 have been held in continuous ownership by the same family for
9 one hundred years or more.

10 22. "Slum area" ~~shall mean~~ means:

11 a. For urban renewal areas established prior to the
12 effective date of this division of this Act, an area in
13 which there is a predominance of buildings or improvements,
14 whether residential or nonresidential, which: by reason of
15 dilapidation, deterioration, age or obsolescence; by reason of
16 inadequate provision for ventilation, light, air, sanitation,
17 or open spaces; by reason of high density of population and
18 overcrowding; by reason of the existence of conditions which
19 endanger life or property by fire and other causes; or which
20 by any combination of such factors, is conducive to ill
21 health, transmission of disease, infant mortality, juvenile
22 delinquency, or crime, and which is detrimental to the public
23 health, safety, morals, or welfare. "Slum area" does not
24 include real property assessed as agricultural property for
25 purposes of property taxation.

26 b. For urban renewal areas established on or after the
27 effective date of this division of this Act, an area in
28 which there is a predominance of nonresidential buildings or
29 improvements, which: by reason of dilapidation, deterioration,
30 age or obsolescence; by reason of inadequate provision for
31 ventilation, light, air, sanitation, or open spaces; by reason
32 of high density of population and overcrowding; by reason of
33 the existence of conditions which endanger life or property
34 by fire and other causes; or which by any combination of
35 such factors, is conducive to ill health, transmission of

1 disease, infant mortality, juvenile delinquency, or crime, and
2 which is detrimental to the public health, safety, morals,
3 or welfare. "Slum area" does not include real property
4 assessed as residential property, multiresidential property, or
5 agricultural property for purposes of property taxation.

6 Sec. 5. Section 403.19, subsection 2, paragraph a, Code
7 2018, is amended to read as follows:

8 a. ~~That~~ Unless subject to the provisions of subsection
9 2A, that portion of the taxes each year in excess of such
10 amount shall be allocated to and when collected be paid into a
11 special fund of the municipality to pay the principal of and
12 interest on loans, moneys advanced to, or indebtedness, whether
13 funded, refunded, assumed, or otherwise, including bonds
14 issued under the authority of [section 403.9, subsection 1](#),
15 incurred by the municipality to finance or refinance, in whole
16 or in part, an urban renewal project within the area, and to
17 provide assistance for low and moderate income family housing
18 as provided in [section 403.22](#). However, except as provided
19 in paragraph "b", taxes for the regular and voter-approved
20 physical plant and equipment levy of a school district imposed
21 pursuant to [section 298.2](#) and taxes for the instructional
22 support program of a school district imposed pursuant to
23 section 257.19, taxes for the payment of bonds and interest
24 of each taxing district, and taxes imposed under section
25 346.27, subsection 22, related to joint county-city buildings
26 shall be collected against all taxable property within the
27 taxing district without limitation by the provisions of this
28 subsection.

29 Sec. 6. Section 403.19, Code 2018, is amended by adding the
30 following new subsections:

31 NEW SUBSECTION. 2A. For property located in an urban
32 renewal area for which the ordinance providing for a division
33 of revenue takes effect on or after the effective date of this
34 division of this Act or for property annexed or otherwise
35 included in an urban renewal area after the effective date

1 of the ordinance providing for a division of revenue if the
2 annexation or inclusion occurs on or after the effective date
3 of this division of this Act, that portion of the taxes each
4 year in excess of such amount shall be allocated to and when
5 collected be paid into a special fund of the municipality to
6 pay the principal of and interest on loans, moneys advanced
7 to, or indebtedness, whether funded, refunded, assumed, or
8 otherwise, including bonds issued under the authority of
9 section 403.9, subsection 1, incurred by the municipality to
10 finance or refinance, in whole or in part, an urban renewal
11 project within the area, and to provide assistance for low and
12 moderate income family housing as provided in section 403.22.
13 However, all taxes certified or imposed by a taxing entity or
14 taxing district other than the municipality shall be collected
15 against all taxable property within the taxing district without
16 limitation and allocated to and when collected be paid into the
17 fund for the respective taxing district as taxes by or for the
18 taxing district into which all other property taxes are paid.

19 NEW SUBSECTION. 3A. a. To further the purposes of an urban
20 renewal area, an affected taxing entity for which property
21 taxes imposed by the affected taxing entity are excluded from
22 the division of taxes under subsection 2A, may voluntarily
23 transfer to the municipality all or a portion of the property
24 taxes that would otherwise have been deposited into the
25 municipality's special fund but for the exclusion. Such a
26 transfer shall be at the sole discretion of the governing body
27 of the affected taxing entity.

28 b. Amounts voluntarily transferred by a school district
29 under this subsection shall not be considered a reduction in
30 the amount of foundation property tax received by the school
31 district under section 257.3 and shall not result in an
32 increase in the amount of school foundation aid received by the
33 school district under section 257.1.

34 Sec. 7. EFFECTIVE UPON ENACTMENT. This division of this
35 Act, being deemed of immediate importance, takes effect upon

1 enactment.

2 Sec. 8. APPLICABILITY. This division of this Act applies
3 to property taxes due and payable in fiscal years beginning
4 on or after July 1, 2018, that are levied against any of the
5 following:

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

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

14 DIVISION II

15 URBAN REVITALIZATION AREAS

16 Sec. 9. Section 404.2, subsection 2, Code 2018, is amended
17 by adding the following new paragraph:

18 NEW PARAGRAPH. *Oj.* (1) A list of each property tax levy
19 imposed by the designating city or designating county from
20 which qualified real estate will be exempt. In order for
21 qualified real estate to be exempt from a property tax levy
22 imposed by a taxing jurisdiction other than the designating
23 city or designating county, the governing body of each such
24 taxing jurisdiction shall adopt a resolution under section
25 404.2A identifying each property tax levy for which the
26 exemption within the revitalization area is authorized.

27 (2) This paragraph applies to ordinances designating
28 revitalization areas adopted on or after the effective date
29 of this division of this Act and to first-year exemption
30 applications filed on or after the effective date of this
31 division of this Act for revitalization areas in existence on
32 the effective date of this division of this Act.

33 Sec. 10. NEW SECTION. 404.2A Other taxing jurisdictions —
34 resolution authorizing exemption.

35 1. a. Except as authorized in paragraph "b", a property

1 tax exemption allowed under this chapter shall only extend to
2 those property tax levies imposed by the designating city or
3 designating county and identified by the city or county in the
4 plan adopted under section 404.2.

5 *b.* In order for qualified real estate to be exempt from a
6 property tax levy imposed by a taxing jurisdiction other than
7 the designating city or designating county, the governing body
8 of each such taxing jurisdiction shall first adopt a resolution
9 identifying each property tax levy for which the exemption is
10 authorized.

11 2. *a.* At any time following adoption of the ordinance
12 designating the revitalization area, the list of property tax
13 levies imposed by the designating city or designating county
14 from which qualified real estate will be exempt may be modified
15 by amending the plan adopted under section 404.2. However, an
16 amendment to remove a property tax levy from the list shall
17 only apply to first-year exemption applications filed on or
18 after the effective date of the amendment removing the levy
19 from the list.

20 *b.* At any time following adoption of the ordinance
21 designating the revitalization area, the governing body of
22 any taxing jurisdiction, other than the designating city or
23 designating county, that has authorized an exemption from one
24 or more levies under subsection 1, paragraph "b", may extend
25 the exemption to additional levies imposed or certified for
26 levy by the taxing jurisdiction or may withdraw authorization
27 for levies previously approved. However, the withdrawal
28 of authorization for a property tax levy shall only apply
29 to first-year exemption applications filed on or after the
30 effective date of the amendment approving the withdrawal.

31 3. For purposes of this chapter, "*taxing jurisdiction*" means
32 a political subdivision of the state with the authority to
33 levy property taxes. "*Taxing jurisdiction*" includes but is not
34 limited to a city, a county, a school district, a township, or
35 a special purpose district.

1 4. Except as otherwise provided in this section, this
2 section applies to revitalization areas established on or
3 after the effective date of this division of this Act and
4 to first-year exemption applications filed on or after the
5 effective date of this division of this Act for revitalization
6 areas in existence on the effective date of this division of
7 this Act.

8 Sec. 11. NEW SECTION. **404.3C Exemptions for property used**
9 **for residential purposes — prohibition.**

10 For revitalization areas established under this chapter on
11 or after the effective date of this division of this Act and
12 for first-year exemption applications for property located in a
13 revitalization area in existence on the effective date of this
14 division of this Act filed on or after the effective date of
15 this division of this Act, an exemption otherwise authorized
16 under this chapter shall not be authorized for or approved by a
17 city or county, as applicable, for property that is residential
18 property or multiresidential property.

19 Sec. 12. **EFFECTIVE UPON ENACTMENT.** This division of this
20 Act, being deemed of immediate importance, takes effect upon
21 enactment.

22 **EXPLANATION**

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

25 This bill relates to the operation and use of urban renewal
26 areas and urban revitalization areas.

27 Division I of the bill excludes the property taxes
28 certified or imposed by a taxing entity or body other than the
29 municipality that established the urban renewal area from the
30 division of revenue under Code section 403.19 (tax increment
31 financing). Under the bill, such excluded taxes are not
32 divided and paid into the municipality's special fund for the
33 payment of urban renewal indebtedness but instead are required
34 to be levied, collected, and paid to the taxing entity or body
35 in the same manner as all other property taxes.

1 Division I of the bill also authorizes an affected taxing
2 entity to voluntarily transfer to the municipality all or
3 a portion of the property taxes that would otherwise have
4 been deposited into the municipality's urban renewal special
5 fund but for the exclusion in the bill. However, amounts
6 voluntarily transferred by a school district are not to be
7 considered a reduction in the amount of foundation property
8 tax received by the school district and do not result in an
9 increase in the amount of school foundation aid received by the
10 school district.

11 Division I of the bill requires a municipality to include the
12 amounts of voluntary transfers of property taxes as authorized
13 in the bill in the municipality's annual report required under
14 Code section 331.403 or Code section 384.22.

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

20 Division I of the bill modifies the definitions of "slum
21 area", "economic development area", and "blighted area" for
22 purposes of urban renewal areas established on or after the
23 effective date of Division I of the bill to specify that such
24 areas do not include property assessed as residential property
25 or multiresidential property. The bill also modifies the
26 criteria under which an urban renewal plan for an urban renewal
27 area established on or after the effective date of Division I
28 of the bill may be approved to forbid that the area comprising
29 the urban renewal area include real property assessed as
30 residential property or multiresidential property, or include
31 certain agricultural property pursuant to current law.

32 Division I of the bill takes effect upon enactment and
33 applies to property taxes due and payable in fiscal years
34 beginning on or after July 1, 2019, that are levied against any
35 of the following: (1) property located in an urban renewal

1 area for which the ordinance providing for a division of
2 revenue takes effect on or after the effective date of Division
3 I of the bill; or (2) property annexed or otherwise included
4 in an urban renewal area after the effective date of the
5 ordinance providing for a division of revenue if the annexation
6 or inclusion occurs on or after the effective date of Division
7 I of the bill.

8 Code chapter 404 authorizes the governing body of a city to
9 designate an area of the city or the governing body of a county
10 to designate an area of the county outside the boundaries
11 of a city as a revitalization area if the property within
12 that area meets certain statutory conditions for development
13 or redevelopment. Qualified real estate located within the
14 boundaries of an urban revitalization area may be eligible
15 for specified property tax exemptions for actual value added
16 by improvements. Current law authorizes the property tax
17 exemption to extend to all property tax levies imposed on
18 qualified real estate regardless of taxing jurisdiction.

19 For revitalization areas established on or after the
20 effective date of Division II of the bill and for first-year
21 exemption applications filed on or after the effective date of
22 Division II of the bill for revitalization areas in existence
23 on the effective date of Division II of the bill, the property
24 tax exemption afforded to qualified real estate only extends to
25 those property tax levies imposed by the designating city or
26 designating county and identified by the city or county in the
27 adopted plan. In order for qualified real estate to be exempt
28 from a property tax levy imposed by a taxing jurisdiction other
29 than the designating city or designating county, the governing
30 body of each such taxing jurisdiction must first adopt a
31 resolution identifying each property tax levy for which the
32 exemption is authorized.

33 Division II of the bill also authorizes the designating
34 city or designating county to, following designation of
35 the revitalization area by ordinance, amend the list of

1 property tax levies imposed by the designating city or
2 designating county from which qualified real estate is exempt.
3 Additionally, the bill provides that at any time following
4 designation of the revitalization area by ordinance, the
5 governing body of any other taxing jurisdiction that has
6 authorized an exemption from one or more levies may extend the
7 exemption to additional levies or may withdraw authorization
8 for levies previously approved by resolution. However, the
9 removal of a levy from the designating city or county's list
10 or withdrawal of authorization for a property tax levy only
11 applies to first-year exemption applications filed on or after
12 the effective date of the resolution amending the list or
13 approving the withdrawal, as applicable.

14 Division II of the bill also establishes limitations on
15 exemptions for residential and multiresidential property within
16 revitalization areas. For revitalization areas established
17 on or after the effective date of Division II of the bill and
18 for first-year exemption applications for property located in
19 a revitalization area in existence on the effective date of
20 Division II of the bill filed on or after the effective date
21 of Division II of the bill, an exemption otherwise authorized
22 under Code chapter 404 shall not be authorized for or approved
23 by a city or county, as applicable, for property that is
24 residential property or multiresidential property.

25 Division II of the bill takes effect upon enactment.