

House File 626 - Introduced

HOUSE FILE 626

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HF 21)

A BILL FOR

1 An Act relating to revitalization areas by authorizing cities
2 and counties to provide property tax exemptions for certain
3 owner-occupied residential property located in areas
4 previously subjected to lending discrimination and including
5 applicability provisions.

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

1 Section 1. Section 404.1, Code 2021, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 6. An area that is a federal targeted area,
4 as defined in section 404.3C.

5 Sec. 2. Section 404.2, subsection 2, paragraphs h and i,
6 Code 2021, are amended to read as follows:

7 *h.* Any tax exemption schedule authorized in section 404.3,
8 subsection 5, or section 404.3A, 404.3B, or 404.3C, that shall
9 be used in lieu of the schedule set out in section 404.3,
10 subsection 1, 2, 3, or 4. In the case of a county, the tax
11 schedules used shall only be applicable to property of the type
12 for which the revitalization area is zoned at the time the
13 county designates the area a revitalization area.

14 *i.* The Unless inapplicable for an area under section 404.3C,
15 the percent increase in actual value requirements that shall
16 be used in lieu of the fifteen and ten percent requirements
17 specified in section 404.3, subsection 8 and in section 404.5.
18 This percent increase in actual value requirements shall not be
19 greater than that provided in this chapter and shall, except as
20 provided in section 404.3C, be the same requirements applicable
21 to all existing revitalization areas.

22 Sec. 3. Section 404.3, subsections 5, 8, and 9, Code 2021,
23 are amended to read as follows:

24 5. A city or county may adopt a different tax exemption
25 schedule than those allowed in subsection 1, 2, 3, or 4. The
26 different schedule adopted shall not allow a greater exemption,
27 but may allow a smaller exemption, in a particular year,
28 than allowed in the schedule specified in the corresponding
29 subsection of this section. A different schedule adopted by a
30 city or county shall apply to every revitalization area within
31 the city or county, unless the qualified property is eligible
32 for an exemption pursuant to section 404.3A, or 404.3B, or
33 404.3C, and except in areas of the city or county which have
34 been designated as both urban renewal and urban revitalization
35 areas. In an area designated for both urban renewal and urban

1 revitalization, a city or county may adopt a different schedule
2 than has been adopted for revitalization areas which have not
3 been designated as urban renewal areas.

4 8. "*Qualified real estate*" as used in [this chapter](#) and
5 section 419.17 means real property, other than land, which
6 is located in a designated revitalization area and to which
7 improvements have been added, during the time the area was
8 so designated, which have increased the actual value by at
9 least the percent specified in the plan adopted by the city
10 or county pursuant to [section 404.2](#) or if no percent is
11 specified then by at least fifteen percent, or at least ten
12 percent in the case of real property assessed as residential
13 property or which have, in the case of land upon which is
14 located more than one building and not assessed as residential
15 property, increased the actual value of the buildings to
16 which the improvements have been made by at least fifteen
17 percent. For revitalization areas governed by section
18 404.3C, the percent increase in actual value required to be
19 eligible to receive an exemption shall not apply and instead
20 the improvement cost requirement under section 404.3C shall
21 apply. "*Qualified real estate*" also means land upon which
22 no structure existed at the start of the new construction,
23 which is located in a designated revitalization area and upon
24 which new construction has been added during the time the area
25 was so designated. "*Improvements*" as used in [this chapter](#)
26 and [section 419.17](#) includes rehabilitation and additions to
27 existing structures as well as new construction on vacant land
28 or on land with existing structures. However, new construction
29 on land assessed as agricultural property shall not qualify as
30 "*improvements*" for purposes of [this chapter](#) and [section 419.17](#)
31 unless the governing body of the city or county has presented
32 justification at a public hearing held pursuant to section
33 404.2 for the revitalization of land assessed as agricultural
34 property by means of new construction. Such justification
35 shall demonstrate, in addition to the other requirements of

1 this chapter and [section 419.17](#), that the improvements on
 2 land assessed as agricultural land will utilize the minimum
 3 amount of agricultural land necessary to accomplish the
 4 revitalization of the other classes of property within the
 5 urban revitalization area. However, if such construction,
 6 rehabilitation or additions were begun prior to January 29,
 7 1979, or one year prior to the adoption by the city or county
 8 of a plan of urban revitalization pursuant to [section 404.2](#),
 9 whichever occurs later, the value added by such construction,
 10 rehabilitation or additions shall not constitute an increase in
 11 value for purposes of qualifying for the exemptions listed in
 12 this section. *“Actual value added by the improvements”* as used
 13 in [this chapter](#) and [section 419.17](#) means the actual value added
 14 as of the first year for which the exemption was received.

15 9. The fifteen and ten percent increase in actual value
 16 requirements specified in [subsection 8](#) shall apply to every
 17 revitalization area within a city or county unless different
 18 percent increases in actual value requirements are required by
 19 or made inapplicable under this chapter or are adopted in the
 20 city or county plan as provided in [section 404.2](#). However, a
 21 city or county shall not adopt different requirements unless
 22 every revitalization area within the city or county, other
 23 than those areas governed by [section 404.3C](#), has the same
 24 requirements and the requirements do not provide for a greater
 25 percent increase than specified in [subsection 8](#).

26 Sec. 4. NEW SECTION. **404.3C Federal targeted area**
 27 **exemption.**

28 1. *a.* Notwithstanding the schedules otherwise provided
 29 for in this chapter, a city or county may provide that all
 30 qualified real estate that is owner-occupied residential
 31 property containing two or fewer dwelling units and located
 32 in a revitalization area that is a federal targeted area is
 33 eligible to receive an exemption from taxation based on the
 34 schedule set forth in subsection 2.

35 *b.* In lieu of the percent increase in actual value

1 requirements otherwise applicable for qualified real estate
 2 under this chapter, in order to be qualified real estate for
 3 the purposes of this section, the owner of the real property
 4 must add improvements to the property the cost of which equals
 5 or exceeds thirty percent of the actual value of the property
 6 as of the date the area was designated.

7 2. All qualified real estate described in subsection 1 is
 8 eligible to receive an exemption from taxation on the total
 9 actual value of the qualified real estate. The exemption is
 10 for a period of fifteen years. An exception under this section
 11 shall be allowed for the authorized exemption period as long as
 12 the qualified real estate is legally or equitably owned by the
 13 owner who added the improvements to the property or the owner's
 14 spouse and is occupied by the owner or the owner's spouse. The
 15 amount of the exemption is equal to a percent of the actual
 16 value of the qualified real estate, determined as follows:

- 17 a. For the first year, one hundred percent.
- 18 b. For the second year, ninety-four percent.
- 19 c. For the third year, eighty-eight percent.
- 20 d. For the fourth year, eighty-two percent.
- 21 e. For the fifth year, seventy-six percent.
- 22 f. For the sixth year, seventy percent.
- 23 g. For the seventh year, sixty-four percent.
- 24 h. For the eighth year, fifty-eight percent.
- 25 i. For the ninth year, fifty-two percent.
- 26 j. For the tenth year, forty-six percent.
- 27 k. For the eleventh year, forty percent.
- 28 l. For the twelfth year, thirty-four percent.
- 29 m. For the thirteenth year, twenty-eight percent.
- 30 n. For the fourteenth year, twenty-two percent.
- 31 o. For the fifteenth year, sixteen percent.

32 3. For purposes of this section, "*federal targeted area*"
 33 means an area that has previously been identified by the
 34 home owners' loan corporation or similar entity as less
 35 desirable, declining, hazardous, or risky for mortgage lending

1 in accordance with or as the result of implementation of the
2 National Housing Act, Pub. L. No. 73-479, 48 Stat. 1246, the
3 United States Housing Act of 1937, Pub. L. No. 75-412, 50
4 Stat. 888, or a subsequent enactment of Congress or successor
5 provision of law prior to enactment of Title VIII of the Civil
6 Rights Act of 1968, commonly referred to as the Fair Housing
7 Act of 1968.

8 Sec. 5. APPLICABILITY. This Act applies to revitalization
9 areas established on or after July 1, 2021.

10 EXPLANATION

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

13 Code chapter 404 authorizes a city to designate an area
14 of the city, or a county to designate an area of the county
15 outside the boundaries of a city, as a revitalization area,
16 if that area meets certain conditions related to the state
17 of the property or is appropriate for public improvements or
18 development. As the result of such designations, qualified
19 real estate within the revitalization area is eligible to
20 receive a property tax exemption for a percentage of the actual
21 value added by improvements to the property. Under Code
22 chapter 404, qualified real estate must meet certain thresholds
23 for the amount of actual value added by the improvements to
24 receive an exemption under one of several exemption schedules
25 with varying durations and percentages of exemption.

26 This bill provides an additional option for a city or county
27 to provide an exemption to a revitalization area established
28 by ordinance that is a "federal targeted area". The bill
29 defines "federal targeted area" to mean an area that has
30 previously been identified by the home owners' loan corporation
31 or similar entity as less desirable, declining, hazardous, or
32 risky for mortgage lending in accordance with or as the result
33 of implementation of the National Housing Act (1934), the
34 United States Housing Act of 1937, or a subsequent enactment of
35 Congress or successor provision of law prior to enactment of

1 the Fair Housing Act of 1968.

2 All qualified real estate that is owner-occupied residential
3 property containing two or fewer dwelling units and that is
4 in a revitalization area that is a federal targeted area is
5 eligible to receive an exemption from taxation on the total
6 actual value of the qualified real estate. The exemption
7 is for a period of 15 years, beginning at 100 percent and
8 decreasing by 6 percent each year until expiration of the
9 15-year period.

10 In lieu of the percent increase in actual value requirements
11 otherwise applicable for qualified real estate under Code
12 chapter 404, in order to be qualified real estate for the
13 purposes of the bill, the owner of the real property must
14 add improvements to the property the cost of which equals or
15 exceeds 30 percent of the actual value of the property as of
16 the date the area was designated.

17 An exemption under the bill is allowed for the authorized
18 exemption period as long as the qualified real estate
19 is legally or equitably owned by the owner who added the
20 improvements to the property or the owner's spouse and is
21 occupied by the owner or the owner's spouse.

22 The bill applies to revitalization areas established on or
23 after July 1, 2021.