

House File 2698 - Introduced

HOUSE FILE 2698
BY COMMITTEE ON JUDICIARY

(SUCCESSOR TO HSB 750)

A BILL FOR

1 An Act relating to business entity-owned residential
2 arrangements, and including effective date provisions.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 216.12, subsection 1, paragraph a, Code
2 2026, is amended to read as follows:

3 a. Any bona fide religious institution with respect to
4 any qualifications it may impose based on religion or sexual
5 orientation when the qualifications are related to a bona fide
6 religious purpose, unless the religious institution owns or
7 operates property for a commercial purpose or membership in the
8 religion is restricted on account of race, color, or national
9 origin. This paragraph does not apply to the sale, rental,
10 or occupancy of a dwelling that is a single-family residence,
11 duplex, triplex, or quadruplex located on a subdivided lot within
12 a parcel of land of twenty-five acres or more that is owned by
13 a religious organization, association, or society, or a nonprofit
14 institution or organization operated, supervised, or controlled
15 by or in conjunction with a religious organization, association,
16 or society.

17 Sec. 2. NEW SECTION. **558C.1 Definitions.**

18 As used in this chapter, unless the context otherwise
19 requires:

20 1. "Business entity" means a partnership, corporation, joint
21 venture, limited liability company, trust, or other business
22 organization or business association, however organized.

23 2. "Managing entity" means a business entity that owns
24 residential property used in a residential arrangement.

25 3. "Residential arrangement" means an arrangement in which
26 the purchaser of an interest in a business entity is entitled
27 to exclusive possession of residential property owned by the
28 business entity if the purchaser holds the interest in the
29 business entity.

30 4. "Residential property" means real property and
31 improvements for a single-family residence, duplex, triplex, or
32 quadruplex. "Residential property" does not include a unit as
33 defined in section 557A.2.

34 Sec. 3. NEW SECTION. **558C.2 Disclosure requirements —**
35 **prohibited actions — enforcement.**

1 1. An agreement for the purchase of an interest in a managing
2 entity shall disclose to the purchaser that the agreement is for
3 the purchase of an interest in the business entity and not for
4 the purchase of any residential property.

5 2. A purchase agreement, operating agreement, bylaws, rules,
6 or other governing document relating to a residential arrangement
7 or the ownership interest in the managing entity shall not
8 require that a dispute arising from the arrangement or ownership
9 interest be resolved in a forum other than a court established
10 under the laws of this state or the United States.

11 3. A managing entity shall not take any action relating to an
12 interest in the managing entity in a manner that would constitute
13 a violation of chapter 216 if the interest in the managing entity
14 were an interest in real property, including but not limited to
15 any of the following:

16 a. Restricting or prohibiting the transfer of an interest.

17 b. Imposing discriminatory conditions to retain or maintain
18 an interest.

19 c. Refusing to grant an interest to an otherwise qualified
20 person.

21 4. Notwithstanding any provision in an agreement between an
22 owner of an interest and a managing entity, an owner may transfer
23 the interest without approval by the managing entity.

24 5. A managing entity shall not charge a fee or share in
25 the proceeds of the transfer of an interest from an owner to a
26 subsequent purchaser.

27 6. a. A violation of this chapter constitutes an unlawful
28 practice under section 714.16 and chapter 714H.

29 b. A court that finds a violation of this chapter may enjoin
30 a managing entity or a person affiliated with the managing
31 entity from taking any action in furtherance of development of,
32 or construction on, residential property used in a residential
33 arrangement subject to a civil action under this section,
34 including the following:

35 (1) Seeking to become or operating as a public utility as

1 defined in section 476.1.

2 (2) Receiving, directly or indirectly, any public moneys or
3 benefit.

4 Sec. 4. Section 714.16, subsection 2, Code 2026, is amended
5 by adding the following new paragraph:

6 NEW PARAGRAPH. t. It is an unlawful practice for a person to
7 violate chapter 558C.

8 Sec. 5. Section 714H.3, subsection 2, Code 2026, is amended
9 by adding the following new paragraph:

10 NEW PARAGRAPH. Og. Chapter 558C.

11 Sec. 6. EFFECTIVE DATE. This Act, being deemed of immediate
12 importance, takes effect upon enactment.

13 EXPLANATION

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

16 This bill regulates certain business entity-owned residential
17 arrangements.

18 The bill defines "business entity", "managing entity",
19 "residential arrangement", and "residential property".

20 The bill requires that an agreement for the purchase of an
21 interest in a managing entity must disclose to the purchaser that
22 the agreement is for the purchase of an interest in the entity
23 and not for the purchase of any residential property.

24 The bill prohibits a purchase agreement, operating agreement,
25 bylaws, rules, or other governing document relating to a
26 residential arrangement or ownership interest from requiring that
27 disputes be resolved in a forum other than a court established
28 under the laws of this state or the United States.

29 The bill requires that a managing entity not take action
30 relating to an ownership interest in a manner that would violate
31 Code chapter 216 (Iowa civil rights Act) if the interest is
32 an interest in real property. Prohibited actions include
33 restricting or prohibiting the transfer of an interest, imposing
34 discriminatory conditions to retain or maintain an interest, or
35 refusing to grant an interest to an otherwise qualified person.

1 The bill provides that, notwithstanding any agreement to the
2 contrary, an owner may transfer the ownership interest without
3 approval by the managing entity.

4 The bill prohibits a managing entity from charging a fee or
5 sharing in the proceeds of the transfer of an ownership interest
6 from an owner to a subsequent purchaser.

7 The bill provides that a violation of the bill constitutes
8 an unlawful practice under Code section 714.16 (consumer fraud
9 Act) and Code chapter 714H (consumer fraud — private actions).
10 Several types of remedies are available if a court finds that
11 a person has committed an unlawful practice under Code section
12 714.16, including injunctive relief, disgorgement of moneys
13 or property, and civil penalties not to exceed \$40,000 per
14 violation. In an action under Code chapter 714H, a court
15 may order equitable relief, including reasonable attorney fees
16 and injunctive relief. If the violation constitutes willful
17 and wanton disregard for the rights and safety of another, in
18 addition to an award of actual damages, statutory damages up
19 to three times the amount of actual damages may be awarded to
20 the prevailing consumer. A court that finds a violation of
21 the bill may enjoin a managing entity or a person affiliated
22 with the managing entity from further developing or constructing
23 residential property used in a residential arrangement subject to
24 a civil action under the bill, including seeking to become or
25 operating as a public utility, or receiving any public moneys or
26 benefit directly or indirectly.

27 Current law exempts certain entities from prohibited unfair
28 or discriminatory practices related to housing, including certain
29 religious institutions. The bill creates an exception to
30 the religious exemption, providing that the sale, rental, or
31 occupancy of a dwelling that is a single-family house, duplex,
32 triplex, or quadruplex located on a subdivided lot with a
33 parcel of land 25 acres or more that is owned by a religious
34 organization, association, or society, or a nonprofit institution
35 or organization operated, supervised, or controlled by or

1 in conjunction with a religious organization, association, or
2 society is subject to the unfair or discriminatory practices
3 prohibited by law.

4 The bill takes effect upon enactment.

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