

Senate File 652 - Introduced

SENATE FILE 652
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 1214)

A BILL FOR

1 An Act relating to economic development and housing by modifying
2 provisions concerning economic development programs and
3 modifying provisions concerning Iowa's urban renewal law, and
4 including applicability provisions.

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

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1 DIVISION I
2 HOUSING

3 Section 1. Section 15A.1, subsection 1, paragraph b, Code
4 2025, is amended to read as follows:

5 b. For purposes of this chapter, "economic development" means
6 private or joint public and private investment involving the
7 creation of new jobs and income or the retention of existing
8 jobs and income that would otherwise be lost or the provision of
9 workforce housing.

10 Sec. 2. Section 15A.1, subsection 2, Code 2025, is amended by
11 adding the following new paragraph:

12 NEW PARAGRAPH. e. Development policies that advance the
13 development of workforce housing.

14 Sec. 3. Section 403.17, subsection 14, Code 2025, is amended
15 to read as follows:

16 14. "~~Low~~ and moderate income families" means those
17 families, including single person households, earning no more
18 than eighty percent of the higher of the median family income of
19 the county or the statewide nonmetropolitan area as determined
20 by the latest United States department of housing and urban
21 development, section 8 income guidelines.

22 Sec. 4. Section 403.17, Code 2025, is amended by adding the
23 following new subsection:

24 NEW SUBSECTION. 14A. "~~Low~~ and moderate income family
25 housing" means housing for low and moderate income families and
26 includes housing that meets the requirements of section 15.353.

27 DIVISION II

28 DIVISION OF REVENUE — SCHOOL FOUNDATION LEVY

29 Sec. 5. Section 403.19, subsection 2, paragraph a, Code 2025,
30 is amended to read as follows:

31 a. That portion of the taxes each year in excess of such
32 amount shall be allocated to and when collected be paid into a
33 special fund of the municipality to pay the principal of and
34 interest on loans, moneys advanced to, or indebtedness, whether
35 funded, refunded, assumed, or otherwise, including bonds issued

1 under the authority of section 403.9, subsection 1, incurred by
2 the municipality to finance or refinance, in whole or in part, an
3 urban renewal project within the area, and to provide assistance
4 for low and moderate income family housing as provided in section
5 403.22. However, except as provided in paragraph "b", taxes
6 for the regular and voter-approved physical plant and equipment
7 levy of a school district imposed pursuant to section 298.2,
8 foundation property taxes of a school district imposed under
9 section 257.3, and taxes for the instructional support program
10 of a school district imposed pursuant to section 257.19, taxes
11 for the payment of bonds and interest of each taxing district,
12 and taxes imposed under section 346.27, subsection 22, related
13 to joint county-city buildings shall be collected against all
14 taxable property within the taxing district without limitation by
15 the provisions of this subsection.

16 Sec. 6. APPLICABILITY. This division of this Act applies to
17 property taxes due and payable in fiscal years beginning on or
18 after July 1, 2027, that are levied against any of the following:

19 1. Property located in an urban renewal area for which the
20 ordinance providing for a division of revenue takes effect on or
21 after January 1, 2026.

22 2. Property annexed or otherwise included in an urban renewal
23 area after the effective date of the ordinance providing for a
24 division of revenue if the annexation or inclusion occurs on or
25 after January 1, 2026.

26 DIVISION III

27 DIVISION OF REVENUE — CHAPTER 422D PROPERTY TAX LEVY

28 Sec. 7. Section 403.19, subsection 2, paragraph a, Code 2025,
29 is amended to read as follows:

30 a. That portion of the taxes each year in excess of such
31 amount shall be allocated to and when collected be paid into a
32 special fund of the municipality to pay the principal of and
33 interest on loans, moneys advanced to, or indebtedness, whether
34 funded, refunded, assumed, or otherwise, including bonds issued
35 under the authority of section 403.9, subsection 1, incurred by

1 the municipality to finance or refinance, in whole or in part, an
2 urban renewal project within the area, and to provide assistance
3 for low and moderate income family housing as provided in section
4 403.22. However, except as provided in paragraph "b", taxes
5 for the regular and voter-approved physical plant and equipment
6 levy of a school district imposed pursuant to section 298.2 and
7 taxes for the instructional support program of a school district
8 imposed pursuant to section 257.19, taxes for the payment of
9 bonds and interest of each taxing district, taxes for emergency
10 medical services imposed pursuant to chapter 422D, and taxes
11 imposed under section 346.27, subsection 22, related to joint
12 county-city buildings shall be collected against all taxable
13 property within the taxing district without limitation by the
14 provisions of this subsection.

15 Sec. 8. APPLICABILITY. This division of this Act applies to
16 property taxes due and payable in fiscal years beginning on or
17 after July 1, 2026.

18 DIVISION IV

19 LIMITATIONS ON DIVISION OF REVENUE

20 Sec. 9. Section 403.19, subsection 2, Code 2025, is amended
21 by adding the following new paragraph:

22 NEW PARAGRAPH. e. For urban renewal areas for which an
23 ordinance providing for a division of revenue is not limited
24 in duration under section 403.17, subsection 10, or section
25 403.22, subsection 5, after fifteen years following the effective
26 date of this division of this Act or after fifteen years from
27 the calendar year following the calendar year in which the
28 municipality first certifies to the county auditor the amount
29 of any loans, advances, indebtedness, or bonds which qualify
30 for payment from the division of revenue, whichever is later,
31 the amount determined under paragraph "a" that may be paid into
32 the municipality's special fund shall not exceed seventy-five
33 percent of the amount otherwise determined under paragraph "a"
34 but for this paragraph and such excess amounts shall be allocated
35 and paid to the respective taxing districts in the same manner

1 as amounts under subsection 1. However, beginning with the
2 sixth year that such an urban renewal area is subject to this
3 paragraph, the amount determined under paragraph "a" that may be
4 paid into the municipality's special fund shall not exceed sixty
5 percent of the amount otherwise determined under paragraph "a"
6 but for this paragraph and such excess amounts shall be allocated
7 and paid to the respective taxing districts in the same manner as
8 amounts under subsection 1.

9 DIVISION V

10 URBAN RENEWAL AREA HOUSING AND RESIDENTIAL DEVELOPMENT

11 REQUIREMENTS

12 Sec. 10. Section 403.22, subsection 1, Code 2025, is amended
13 by adding the following new paragraph:

14 NEW PARAGRAPH. d. (1) For municipalities of any population
15 size, and notwithstanding any minimum low and moderate income
16 family housing requirement, if the public improvement project
17 is approved on or after July 1, 2025, but before July 1,
18 2026, and is related to housing and residential development in
19 an economic development area containing property that has been
20 located entirely within the corporate limits of a city for twenty
21 years or more, the amount to be provided for low and moderate
22 income family housing for such projects shall not be required to
23 be greater than an amount equal to twenty percent of the original
24 project cost.

25 (2) In addition, and notwithstanding subsection 5, the
26 division of the revenue under section 403.19 for each project
27 under this paragraph shall be limited to tax collections for
28 twenty fiscal years beginning with the second fiscal year after
29 the year in which the municipality first certifies to the county
30 auditor the amount of any loans, advances, indebtedness, or bonds
31 which qualify for payment from the division of the revenue in
32 connection with the project.

33 DIVISION VI

34 URBAN RENEWAL AREA LIMITATIONS

35 Sec. 11. Section 331.403, subsection 3, paragraph b, Code

1 2025, is amended by adding the following new subparagraph:

2 NEW SUBPARAGRAPH. (22) For purposes of determining
3 compliance with section 403.5A, the percentage of actual value of
4 all property within the county's area of operation, as defined
5 in section 403.17, that is located in an urban renewal area
6 established by the municipality and in effect for the applicable
7 fiscal year.

8 Sec. 12. Section 384.22, subsection 2, paragraph b, Code
9 2025, is amended by adding the following new subparagraph:

10 NEW SUBPARAGRAPH. (22) For purposes of determining
11 compliance with section 403.5A, the percentage, of actual value
12 of all property within the city's area of operation, as defined
13 in section 403.17, that is located in an urban renewal area
14 established by the municipality and in effect for the applicable
15 fiscal year.

16 Sec. 13. NEW SECTION. **403.5A Percentage of municipal value**
17 **within urban renewal areas — limitations.**

18 For fiscal years beginning on or after July 1, 2026, and
19 notwithstanding any provision of this chapter to the contrary,
20 each municipality shall be subject to the following limitations:

21 1. For the fiscal year beginning July 1, 2026, the actual
22 value in the aggregate of all property located in urban
23 renewal areas established and in effect for the fiscal year
24 by a municipality shall not exceed ninety-six and one-fourth
25 percent of the total actual value of all property within the
26 municipality's area of operation.

27 2. For each fiscal year beginning on or after July 1, 2027,
28 but before July 1, 2047, the actual value in the aggregate of
29 all property located in urban renewal areas established and in
30 effect for the fiscal year by a municipality shall not exceed the
31 limitation percentage of the total actual value of all property
32 within the municipality's area of operation. For purposes of
33 this subsection, the "limitation percentage" for each fiscal
34 year shall be a percentage equal to the limitation percentage
35 applicable under this subsection for the immediately preceding

1 fiscal year, or for the fiscal year beginning July 1, 2027,
2 the percentage applicable under subsection 1, minus three and
3 three-fourths percent.

4 3. For each fiscal year beginning on or after July 1, 2047,
5 the actual value in the aggregate of all property located in
6 urban renewal areas established and in effect for the fiscal year
7 by a municipality shall not exceed twenty percent of the total
8 actual value of all property within the municipality's area of
9 operation.

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

This bill relates to economic development and housing by
14 modifying provisions concerning economic development programs and
15 modifying provisions concerning Iowa's urban renewal law.

16

DIVISION I — HOUSING. The bill amends the definition of
17 "economic development" for purposes of Code chapter 15 to also
18 include the provision of workforce housing.

19

The bill adds development policies that advance the
20 development of workforce housing to the list of factors required
21 to be considered by the public body before public funds are used
22 for grants, loans, tax incentives, or other financial assistance
23 to private persons or on behalf of private persons for economic
24 development under Code chapter 15.

25

The bill also defines "low and moderate income family housing"
26 for Code chapter 403 to mean housing for low and moderate income
27 families and housing that meets the requirements of Code section
28 15.353 (workforce housing).

29

The bill also modifies the defined term "low or moderate
30 income families" in Code chapter 403 to "low and moderate income
31 families" to align with the terminology usage within the Code
32 chapter.

33

DIVISION II — DIVISION OF REVENUE — SCHOOL FOUNDATION
34 LEVY. The bill excludes the school district foundation property
35 tax imposed under Code section 257.3 from the division of revenue

1 under Code section 403.19 (tax increment financing). The bill
2 prohibits the foundation property tax from being divided and paid
3 into the municipality's special fund for the payment of urban
4 renewal indebtedness but instead requires the tax to be levied,
5 collected, and paid to the school district in the same manner
6 as all other property taxes. The exclusion in the bill applies
7 to property taxes due and payable in fiscal years beginning on
8 or after July 1, 2027, that are levied against either of the
9 following: (1) property located in an urban renewal area for
10 which the ordinance providing for a division of revenue takes
11 effect on or after January 1, 2026; or (2) property annexed or
12 otherwise included in an urban renewal area after the effective
13 date of the ordinance providing for a division of revenue if the
14 annexation or inclusion occurs on or after January 1, 2026.

15 DIVISION III — DIVISION OF REVENUE — CHAPTER 422D PROPERTY
16 TAX LEVY. The bill excludes property taxes for emergency medical
17 services imposed pursuant to Code chapter 422D from a division of
18 revenue (tax increment financing) under Code section 403.19.

19 The division applies to property taxes due and payable in
20 fiscal years beginning on or after July 1, 2026.

21 DIVISION IV — LIMITATIONS ON DIVISION OF REVENUE. Under the
22 bill, for urban renewal areas for which an ordinance providing
23 for a division of revenue is not limited in duration under
24 Code section 403.17(10) (20 years) or Code section 403.22(5)
25 (10 years), after 15 years following the effective date of
26 this division of the bill or after 15 years from the calendar
27 year following the calendar year in which the municipality
28 first certifies to the county auditor the amount of any loans,
29 advances, indebtedness, or bonds which qualify for payment from
30 the division of revenue, whichever is later, the amount of taxes
31 that is authorized to be paid into the municipality's urban
32 renewal special fund shall not exceed 75 percent of the amount
33 otherwise authorized, but for the bill, and such excess amounts
34 shall be allocated and paid to the respective taxing districts
35 in the same manner as other taxes. Beginning with the sixth

1 year that such an urban renewal area is subject to this new
2 provision, the amount of taxes that is authorized to be paid into
3 the municipality's urban renewal special fund shall not exceed 60
4 percent of the amount otherwise authorized.

5 DIVISION V — URBAN RENEWAL AREA HOUSING AND RESIDENTIAL
6 DEVELOPMENT REQUIREMENTS. Under current law, any urban renewal
7 area established upon the determination that the area is an
8 economic development area, a division of revenue (tax increment
9 financing) shall not be allowed for the purpose of providing or
10 aiding in the provision of public improvements related to housing
11 and residential development, unless the municipality assures
12 that the project will include assistance for low and moderate
13 income family housing, subject to certain municipality population
14 thresholds.

15 Under the bill, for municipalities of any population size,
16 and notwithstanding any minimum low and moderate income family
17 housing requirement, if the public improvement project is
18 approved on or after July 1, 2025, but before July 1, 2026,
19 and is related to housing and residential development in an
20 economic development area containing property that has been
21 located entirely within the corporate limits of a city for 20
22 years or more, the amount to be provided for low and moderate
23 income family housing for such projects shall not be required to
24 be greater than an amount equal to 20 percent of the original
25 project cost. The bill also extends the division of the revenue
26 for such projects to tax collections for 20 fiscal years instead
27 of the current law maximum of 10 years.

28 DIVISION VI — URBAN RENEWAL AREA LIMITATIONS. The bill amends
29 Code chapter 403 to provide that for the fiscal year beginning
30 July 1, 2026, the actual value in the aggregate of all property
31 located in urban renewal areas established and in effect for the
32 fiscal year by a municipality shall not exceed 96.25 percent of
33 the total actual value of all property within the municipality's
34 area of operation, as defined in Code section 403.17. For each
35 fiscal year beginning on or after July 1, 2027, but before July

1 1, 2047, the percentage limitation on the amount of actual value
2 of the municipality that may be within urban renewal areas is
3 reduced by 3.75 percent each fiscal year until, starting with the
4 fiscal year beginning July 1, 2047, the percentage limitation is
5 20 percent.

6 The bill also requires cities and counties to include, as part
7 of their urban renewal reporting to the department of management,
8 the percentage of actual value of all property within the city's
9 or county's area of operation that is located in an urban renewal
10 area established by the municipality and in effect for the
11 applicable fiscal year.

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