

House Study Bill 750 - Introduced

HOUSE FILE _____
BY (PROPOSED COMMITTEE
ON JUDICIARY BILL BY
CHAIRPERSON HOLT)

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:

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
6 fide religious purpose, unless the religious institution owns
7 or operates property for a commercial purpose or membership
8 in the religion is restricted on account of race, color, or
9 national origin. This paragraph does not apply to the sale,
10 rental, or occupancy of a dwelling that is a single-family
11 residence, duplex, triplex, or quadruplex located on a
12 subdivided lot within a parcel of land of twenty-five acres or
13 more that is owned by a religious organization, association, or
14 society, or a nonprofit institution or organization operated,
15 supervised, or controlled by or in conjunction with a religious
16 organization, association, 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,
32 or quadruplex. "*Residential property*" does not include a unit
33 as 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
2 managing entity shall disclose to the purchaser that the
3 agreement is for the purchase of an interest in the business
4 entity and not for the purchase of any residential property.

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

11 3. A managing entity shall not take any action relating
12 to an interest in the managing entity in a manner that would
13 constitute a violation of chapter 216 if the interest in the
14 managing entity were an interest in real property, including
15 but not limited to 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
22 an owner of an interest and a managing entity, an owner may
23 transfer 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
7 to 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
17 residential 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
22 that the agreement is for the purchase of an interest in the
23 entity and not for the purchase of any residential property.

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

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

1 interest, or refusing to grant an interest to an otherwise
2 qualified person.

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

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

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

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

1 that is owned by a religious organization, association, or
2 society, or a nonprofit institution or organization operated,
3 supervised, or controlled by or in conjunction with a religious
4 organization, association, or society is subject to the unfair
5 or discriminatory practices prohibited by law.

6 The bill takes effect upon enactment.