

CHAPTER 1124

URBAN RENEWAL AND TAXATION

H.F. 2460

AN ACT relating to Iowa's urban renewal law and incremental taxes by modifying provisions relating to divisions of revenue, modifying provisions relating to the approval of urban renewal plans and projects and approval of the use of certain local sales and services tax revenue, requiring certain reporting and auditing, and including applicability provisions.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. Section 2.48, subsection 3, paragraph b, subparagraph (2), Code 2011, is amended by striking the subparagraph.

Sec. 2. Section 2.48, subsection 3, paragraph c, Code 2011, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (6) Property tax revenue divisions for urban renewal areas under section 403.19.

Sec. 3. Section 11.11, Code Supplement 2011, is amended to read as follows:

11.11 Scope of audits.

The written report of the audit of a governmental subdivision shall include the auditor's opinion as to whether a governmental subdivision's financial statements are presented fairly in all material respects in conformity with generally accepted accounting principles or with an other comprehensive basis of accounting. As a part of conducting an audit of a governmental subdivision, an evaluation of internal control and tests for compliance with laws and regulations shall be performed. As part of conducting an audit of a governmental subdivision, an examination of the governmental subdivision's compliance with the reporting requirements of section 331.403, subsection 3, or 384.22, subsection 2, if applicable, shall be performed.

Sec. 4. Section 24.21, Code 2011, is amended to read as follows:

24.21 Transfer of inactive funds.

Subject to the provisions of any law relating to municipalities, when the necessity for maintaining any fund of the municipality has ceased to exist, and a balance remains in said fund, the certifying board or levying board, as the case may be, shall so declare by resolution, and upon such declaration, such balance shall forthwith be transferred to the fund or funds of the municipality designated by such board, unless other provisions have been made in creating such fund in which such balance remains. In the case of a special fund created by a city or a county under section 403.19, such balance remaining in the fund shall be allocated to and paid into the funds for the respective taxing districts as taxes by or for the taxing district into which all other property taxes are paid.

Sec. 5. Section 331.403, subsection 3, Code 2011, is amended by striking the subsection and inserting in lieu thereof the following:

3. *a.* Each county that had an urban renewal plan and area in effect at any time during the most recently ended fiscal year shall complete for each such urban renewal plan and area and file with the department of management an urban renewal report by December 1 following the end of such fiscal year. Each report shall be approved by the affirmative vote of a majority of the board and be prepared in the format and submitted electronically pursuant to the instructions prescribed by the department of management in consultation with the legislative services agency.

b. The report required under this subsection shall include all of the following as of June 30 of the most recently ended fiscal year or the information for such fiscal year, as applicable:

(1) Whether the urban renewal area is determined by the county to be a slum area, blighted area, economic development area or a combination of those areas, and the date such determination was made.

(2) A map clearly identifying the boundaries of the urban renewal area.

(3) A copy of the ordinance providing for a division of revenue in the urban renewal area under section 403.19.

(4) A copy of the urban renewal plan adopted for the urban renewal area, the date of each amendment to the plan, and a copy of such amendment.

(5) A list and description of all urban renewal projects within the urban renewal area that are in process and all urban renewal projects that were completed during the fiscal year.

(6) A description of each expenditure during the fiscal year from the county's special fund created in section 403.19. Each such expenditure shall be classified by the county according to categories established by the department of management and shall be designated as corresponding to the specific loan, advance, indebtedness, or bond which qualifies for payment from the special fund under section 403.19. Each such expenditure shall also be designated as corresponding to one or more specific urban renewal projects. This description shall not be required for the report required to be filed on or before December 1, 2012.

(7) The amount of loans, advances, indebtedness, or bonds, including interest negotiated on such loans, advances, indebtedness, or bonds, which qualify for payment from the special fund created in section 403.19, and which were incurred or issued during the fiscal year. Each such loan, advance, debt, or bond shall be classified by the county according to categories established by the department of management and shall be designated as corresponding to one or more specific urban renewal projects.

(8) The amount of loans, advances, indebtedness, or bonds that remain unpaid at the close of the fiscal year, and which qualify for payment from the special fund created in section 403.19, including interest negotiated on such loans, advances, indebtedness, or bonds.

(9) The total amount of property taxes that were exempted, rebated, refunded, or reimbursed by the county, used to fund a grant provided by the county, or directly paid by the county during the fiscal year for property in the urban renewal area using moneys in the county's special fund created in section 403.19 and such amounts agreed to by the county for future fiscal years.

(10) A list of all properties, including the owner of such properties, and the amount of property taxes due and payable for the fiscal year that were exempted, rebated, refunded, or reimbursed by the county, used to fund a grant provided by the county, or directly paid by the county during the fiscal year using moneys in the county's special fund created in section 403.19 and information for such amounts agreed to by the county for future fiscal years.

(11) The balance of the county's special fund created in section 403.19.

(12) The aggregate assessed value of the taxable property in the urban renewal area, as shown on the assessment roll used to calculate the amount of taxes under section 403.19, subsection 1, for the fiscal year.

(13) The aggregate assessed value of each classification of taxable property located in the urban renewal area.

(14) That portion of the assessed value of all taxable property located in the urban renewal area that was used to calculate the amount of excess taxes under section 403.19, subsection 2.

(15) The amount of taxes determined under section 403.19, subsection 2, in excess of the amount required to pay the applicable loans, advances, indebtedness, and bonds, if any, and interest thereon, for the fiscal year that was paid into the funds for the respective taxing districts in the same manner as taxes on all other property.

(16) Interest or earnings received by each urban renewal area during the fiscal year on amounts deposited into the special fund created in section 403.19 and the net proceeds during the fiscal year from the sale of assets purchased using amounts deposited into the special fund created in section 403.19.

(17) For each taxing district for which the county divided taxes, the amount of taxes determined under section 403.19, subsection 2, that, in lieu of allocation to the taxing district, were deposited into the county's special fund during the fiscal year.

(18) The amount of expenditures by the county during the fiscal year for the purpose of providing or aiding in the provision of public improvements related to housing and residential development.

(19) The amount of assistance to low and moderate income housing provided by the county under section 403.22 during the fiscal year if applicable.

(20) When required as part of an urban renewal development or redevelopment agreement that includes the use of incremental taxes collected pursuant to section 403.19, subsection 2, the total number of jobs to be created, the wages associated with those jobs, the total private capital investment, and the total cost of the public infrastructure constructed.

(21) All other additional information or documentation relating to a county's urban renewal activities or use of divisions of revenue under chapter 403 deemed relevant by the department of management, in consultation with the county finance committee.

c. By December 1, 2012, the department of management, in collaboration with the legislative services agency, shall make publicly available on an internet site a searchable database of all such information contained in the reports required under this subsection. Reports from previous years shall be retained by the department and shall continue to be available and searchable on the internet site.

d. The legislative services agency, in consultation with the department of management, shall annually prepare a report for submission to the governor and the general assembly that summarizes and analyzes the information contained in the reports submitted under this subsection, section 357H.9, subsection 2, and section 384.22, subsection 2. The report prepared by the legislative services agency shall be submitted not later than February 15 following the most recently ended fiscal year for which the reports were filed.

e. For purposes of this subsection, "indebtedness" includes but is not limited to written agreements whereby the county agrees to exempt, rebate, refund, or reimburse property taxes, provide a grant for property taxes paid, or make a direct payment of taxes, with moneys in the special fund created in section 403.19, and bonds, notes, or other obligations that are secured by or subject to repayment from moneys appropriated by the county from moneys in the special fund created in section 403.19.

Sec. 6. Section 331.403, Code 2011, is amended by adding the following new subsection:
NEW SUBSECTION. 4. The annual financial report shall be prepared on forms and pursuant to instructions prescribed by the department of management and shall be filed with the department of management. The urban renewal report shall be filed with the department of management. Each report must be filed prior to the publication and adoption of the county budget under section 331.434 for the fiscal year beginning July 1 following the date such reports are due. If such reports are not filed pursuant to the requirements of this section, the department of management shall not certify the county's taxes back to the county auditor under section 24.17.

Sec. 7. Section 331.434, unnumbered paragraph 1, Code 2011, is amended to read as follows:

Annually, the board of each county, subject to section 331.403, subsection 4, sections 331.423 through 331.426, and other applicable state law, shall prepare and adopt a budget, certify taxes, and provide appropriations as follows:

Sec. 8. Section 331.434, subsection 1, Code 2011, is amended to read as follows:

1. The budget shall show the amount required for each class of proposed expenditures, a comparison of the amounts proposed to be expended with the amounts expended for like purposes for the two preceding years, the revenues from sources other than property taxation, and the amount to be raised by property taxation, in the detail and form prescribed by the director of the department of management. For each county that has established an urban renewal area, the budget shall include estimated and actual tax increment financing revenues and all estimated and actual expenditures of the revenues, proceeds from debt and all estimated and actual expenditures of the debt proceeds, ~~and identification of any entity receiving a direct payment of taxes funded by tax increment financing revenues and shall include the total amount of loans, advances, indebtedness, or bonds outstanding at the close of the most recently ended fiscal year, which qualify for payment from the special fund created in section 403.19, including interest negotiated on such loans, advances, indebtedness, or bonds.~~ For purposes of this subsection, "indebtedness" includes written agreements whereby the county agrees to suspend, abate, exempt, rebate, refund, or reimburse property taxes, provide a grant for property taxes paid, or make a direct payment

~~of taxes, with moneys in the special fund. The amount of loans, advances, indebtedness, or bonds shall be listed in the aggregate for each county reporting. The county finance committee, in consultation with the department of management and the legislative services agency, shall determine reporting criteria and shall prepare a form for reports filed with the department pursuant to this section. The department shall make the information available by electronic means.~~

Sec. 9. Section 357H.9, Code 2011, is amended to read as follows:

357H.9 Incremental property taxes.

1. The board of trustees shall provide by resolution that taxes levied on the taxable property in a rural improvement zone each year by or for the benefit of the state, city, county, school district, or other taxing district after the effective date of the resolution shall be divided as provided in section 403.19, subsections 1 and 2, in the same manner as if the taxable property in the rural improvement zone was taxable property in an urban renewal area and the resolution was an ordinance within the meaning of those subsections. The taxes received by the board of trustees shall be allocated to, and when collected be paid into, a special fund and may be irrevocably pledged by the trustees to pay the principal of and interest on the certificates, contracts, or other obligations approved by the board of trustees to finance or refinance, in whole or in part, an improvement project. As used in this section, "taxes" includes, but is not limited to, all levies on an ad valorem basis upon land or real property located in the rural improvement zone.

2. a. Each board of trustees that has by resolution provided for a division of revenue in the rural improvement zone during the most recently ended fiscal year shall complete and file with the department of management a tax increment financing report by December 1 following the end of such fiscal year. The report shall be approved by the affirmative vote of a majority of the board of trustees and be prepared in the format and submitted electronically pursuant to the instructions prescribed by the department of management in consultation with the legislative services agency.

b. The report required under this subsection shall include substantially the same information required for counties under section 331.403, subsection 3, as of June 30 of the most recently ended fiscal year or the information for such fiscal year, as applicable.

c. By December 1, 2012, the department of management, shall make publicly available on an internet site a searchable database of all such information contained in the reports required under this subsection. Reports from previous years shall be retained by the department and shall continue to be available and searchable on the internet site.

d. A board of trustees that fails to satisfy the requirements of this subsection shall have all future incremental taxes withheld from payment into the rural improvement zone's special fund until such requirements are met.

Sec. 10. Section 384.16, unnumbered paragraph 1, Code 2011, is amended to read as follows:

Annually, a city that has satisfied the requirements of section 384.22, subsection 3, shall prepare and adopt a budget, and shall certify taxes as follows:

Sec. 11. Section 384.16, subsection 1, paragraphs b and c, Code 2011, are amended to read as follows:

b. A budget must show comparisons between the estimated expenditures in each program in the following year, the latest estimated expenditures in each program in the current year, and the actual expenditures in each program from the annual ~~report reports~~ as provided in section 384.22, or as corrected by a subsequent audit report. Wherever practicable, as provided in rules of the committee, a budget must show comparisons between the levels of service provided by each program as estimated for the following year, and actual levels of service provided by each program during the two preceding years. For each city that has established an urban renewal area, the budget shall include estimated and actual tax increment financing revenues and all estimated and actual expenditures of the revenues, proceeds from debt and all estimated and actual expenditures of the debt proceeds, ~~and identification of any entity receiving a direct payment of taxes funded by tax increment~~

~~financing revenues and shall include the total amount of loans, advances, indebtedness, or bonds outstanding at the close of the most recently ended fiscal year, which qualify for payment from the special fund created in section 403.19, including interest negotiated on such loans, advances, indebtedness, or bonds. The amount of loans, advances, indebtedness, or bonds shall be listed in the aggregate for each city reporting. The city finance committee, in consultation with the department of management and the legislative services agency, shall determine reporting criteria and shall prepare a form for reports filed with the department pursuant to this section. The department shall make the information available by electronic means.~~

~~e. For purposes of this subsection, "indebtedness" includes written agreements whereby the city agrees to suspend, abate, exempt, rebate, refund, or reimburse property taxes, provide a grant for property taxes paid, or make a direct payment of taxes, with moneys in the special fund.~~

Sec. 12. Section 384.22, Code 2011, is amended to read as follows:

384.22 Annual report reports — financial report — urban renewal report.

1. Not later than December 1 of each year, a city shall publish an annual financial report as provided in section 362.3 containing a summary for the preceding fiscal year of all collections and receipts, all accounts due the city, and all expenditures, the current public debt of the city, and the legal debt limit of the city for the current fiscal year. The annual financial report shall be prepared on forms and pursuant to instructions prescribed by the auditor of state. A copy of this report must be filed with the auditor of state not later than December 1 of each year.

~~A city that fails to meet the filing deadline imposed by this section shall have withheld from payments to be made to the county which are allocated to the city pursuant to section 425.1 an amount equal to five cents per capita until the annual report is filed with the auditor of state.~~

2. a. Each city that had an urban renewal plan and area in effect at any time during the most recently ended fiscal year shall complete for each such urban renewal plan and area and file with the department of management an urban renewal report by December 1 following the end of such fiscal year. Each report shall be approved by the affirmative vote of a majority of the city council and be prepared in the format and submitted electronically pursuant to the instructions prescribed by the department of management in consultation with the legislative services agency.

b. The report required under this subsection shall include all of the following as of June 30 of the most recently ended fiscal year:¹

(1) Whether the urban renewal area is determined by the city to be a slum area, blighted area, economic development area or a combination of those areas, and the date such determination was made.

(2) A map clearly identifying the boundaries of the urban renewal area.

(3) A copy of the ordinance providing for a division of revenue in the urban renewal area under section 403.19.

(4) A copy of the urban renewal plan adopted for the urban renewal area, the date of each amendment to the plan, and a copy of such amendment.

(5) A list and description of all urban renewal projects within the urban renewal area that are in process and all urban renewal projects that were completed during the fiscal year.

(6) A description of each expenditure during the fiscal year from the city's special fund created in section 403.19. Each such expenditure shall be classified by the city according to categories established by the department of management and shall be designated as corresponding to the specific loan, advance, indebtedness, or bond which qualifies for payment from the special fund under section 403.19. Each such expenditure shall also be designated as corresponding to one or more specific urban renewal projects. This description shall not be required for the report required to be filed on or before December 1, 2012.

(7) The amount of loans, advances, indebtedness, or bonds, including interest negotiated on such loans, advances, indebtedness, or bonds, which qualify for payment from the special fund created in section 403.19, and which were incurred or issued during the fiscal year.

¹ See chapter 1133, §99 herein

Each such loan, advance, debt, or bond shall be classified by the city according to categories established by the department of management and shall be designated as corresponding to one or more specific urban renewal projects.

(8) The amount of loans, advances, indebtedness, or bonds that remain unpaid at the close of the fiscal year, and which qualify for payment from the special fund created in section 403.19, including interest negotiated on such loans, advances, indebtedness, or bonds.

(9) The total amount of property taxes that were exempted, rebated, refunded, or reimbursed by the city, used to fund a grant provided by the city, or directly paid by the city during the fiscal year for property in the urban renewal area using moneys in the city's special fund created in section 403.19 and such amounts agreed to by the city for future fiscal years.

(10) A list of all properties, including the owner of such properties, and the amount of property taxes due and payable for the fiscal year that were exempted, rebated, refunded, or reimbursed by the city, used to fund a grant provided by the city, or directly paid by the city during the fiscal year using moneys in the city's special fund created in section 403.19 and information for such amounts agreed to by the city for future fiscal years.

(11) The balance of the city's special fund created in section 403.19.

(12) The aggregate assessed value of the taxable property in the urban renewal area, as shown on the assessment roll used to calculate the amount of taxes under section 403.19, subsection 1, for the fiscal year.

(13) The aggregate assessed value of each classification of taxable property located in the urban renewal area.

(14) That portion of the assessed value of all taxable property located in the urban renewal area that was used to calculate the amount of excess taxes under section 403.19, subsection 2.

(15) The amount of taxes determined under section 403.19, subsection 2, in excess of the amount required to pay the applicable loans, advances, indebtedness, and bonds, if any, and interest thereon, for the fiscal year that was paid into the funds for the respective taxing districts in the same manner as taxes on all other property.

(16) Interest or earnings received by each urban renewal area during the fiscal year on amounts deposited into the special fund created in section 403.19 and the net proceeds during the fiscal year from the sale of assets purchased using amounts deposited into the special fund created in section 403.19.

(17) For each taxing district for which the city divided taxes, the amount of taxes determined under section 403.19, subsection 2, that, in lieu of allocation to the taxing district, were deposited into the city's special fund during the fiscal year.

(18) The amount of expenditures by the city during the fiscal year for the purpose of providing or aiding in the provision of public improvements related to housing and residential development.

(19) The amount and types of assistance to low and moderate income housing provided by the city under section 403.22 during the fiscal year if applicable.

(20) When required as part of an urban renewal development or redevelopment agreement that includes the use of incremental taxes collected pursuant to section 403.19, subsection 2, the total number of jobs to be created, the wages associated with those jobs, the total private capital investment, and the total cost of the public infrastructure constructed.

(21) All other additional information or documentation relating to a city's urban renewal activities or use of divisions of revenue under chapter 403 deemed relevant by the department of management, in consultation with the city finance committee.

c. By December 1, 2012, the department of management, in collaboration with the legislative services agency, shall make publicly available on an internet site a searchable database of all such information contained in the reports required under this subsection. Reports from previous years shall be retained by the department and shall continue to be available and searchable on the internet site.

d. For purposes of this subsection, "indebtedness" includes but is not limited to written agreements whereby the city agrees to exempt, rebate, refund, or reimburse property taxes, provide a grant for property taxes paid, or make a direct payment of taxes, with moneys in the special fund created in section 403.19, and bonds, notes, or other obligations that are secured

by or subject to repayment from moneys appropriated by the city from moneys in the special fund created in section 403.19.

3. The annual financial report shall be prepared on forms and pursuant to instructions prescribed by the auditor of state and shall be filed with the auditor of state. The urban renewal report shall be filed with the department of management. Each report must be filed prior to the publication and adoption of the city budget under section 384.16 for the fiscal year beginning July 1 following the date such reports are due. If such reports are not filed pursuant to the requirements of this section, the department of management shall not certify the city's taxes back to the county auditor under section 24.17.

Sec. 13. Section 403.5, subsection 2, paragraph b, Code 2011, is amended to read as follows:

b. (1) Prior to its approval of an urban renewal plan which provides for a division of revenue pursuant to section 403.19, the municipality shall mail the proposed plan by regular mail to the affected taxing entities. The municipality shall include with the proposed plan notification of a consultation to be held between the municipality and affected taxing entities prior to the public hearing on the urban renewal plan. If the proposed urban renewal plan or proposed urban renewal project within the urban renewal area includes the use of taxes resulting from a division of revenue under section 403.19 for a public building, including but not limited to a police station, fire station, administration building, swimming pool, hospital, library, recreational building, city hall, or other public building that is exempt from taxation, including the grounds of, and the erection, equipment, remodeling, or reconstruction of, and additions or extensions to, such a building, the municipality shall include with the proposed plan notification an analysis of alternative development options and funding for the urban renewal area or urban renewal project and the reasons such options would be less feasible than the proposed urban renewal plan or proposed urban renewal project. A copy of the analysis required in this subparagraph shall be included with the urban renewal report required under section 331.403 or 384.22, as applicable, and filed by December 1 following adoption of the urban renewal plan or project.

(2) Each affected taxing entity may appoint a representative to attend the consultation. The consultation may include a discussion of the estimated growth in valuation of taxable property included in the proposed urban renewal area, the fiscal impact of the division of revenue on the affected taxing entities, the estimated impact on the provision of services by each of the affected taxing entities in the proposed urban renewal area, and the duration of any bond issuance included in the plan. The designated representative of the affected taxing entity may make written recommendations for modification to the proposed division of revenue no later than seven days following the date of the consultation. The representative of the municipality shall, no later than seven days prior to the public hearing on the urban renewal plan, submit a written response to the affected taxing entity addressing the recommendations for modification to the proposed division of revenue.

Sec. 14. Section 403.5, subsection 5, Code 2011, is amended to read as follows:

5. a. ~~An~~ Except as otherwise provided in this subsection, an urban renewal plan may be modified at any time:— Provided, that if. However, if the urban renewal plan is modified after the lease or sale by the municipality of real property in the urban renewal project area, such modification may be conditioned upon such approval of the owner, lessee, or successor in interest as the municipality may deem advisable, and in any event such modification shall be subject to such rights at law or in equity as a lessee or purchaser, or a lessee's or purchaser's successor or successors in interest, may be entitled to assert.

b. A municipality shall not approve an urban renewal project for an urban renewal area unless the governing body has amended or modified the adopted urban renewal plan to include the urban renewal project.

c. The municipality shall comply with the notification, and consultation, and hearing process provided in this section prior to the approval of any amendment or modification to an adopted urban renewal plan if such amendment or modification provides for refunding bonds or refinancing resulting in an increase in debt service or provides for the issuance of bonds or other indebtedness, to be funded primarily in the manner provided in section

403.19, or if such amendment or modification provides for the inclusion and approval of an urban renewal project under paragraph “b”. However, the review and recommendation process conducted by the municipality’s planning commission under subsection 2, paragraph “a”, shall not be required when amending or modifying an adopted urban renewal plan.

d. Once determined to be a blighted area, a slum area, or an economic development area by a municipality, an urban renewal area shall not be redetermined by the municipality throughout the duration of the urban renewal area.

Sec. 15. Section 403.17, subsection 1, Code 2011, is amended to read as follows:

1. “Affected taxing entity” means a city, ~~community college~~, county, or school district which levied or certified for levy a property tax on any portion of the taxable property located within the urban renewal area in the fiscal year beginning prior to the calendar year in which a proposed urban renewal plan is submitted to the local governing body for approval.

Sec. 16. Section 403.19, subsection 2, Code Supplement 2011, as amended by 2012 Iowa Acts, Senate File 2137, ² section 6, is amended to read as follows:

2. a. That portion of the taxes each year in excess of such amount shall be allocated to and when collected be paid into a special fund of the municipality to pay the principal of and interest on loans, moneys advanced to, or indebtedness, whether funded, refunded, assumed, or otherwise, including bonds issued under the authority of section 403.9, subsection 1, incurred by the municipality to finance or refinance, in whole or in part, an urban renewal project within the area, and to provide assistance for low and moderate income family housing as provided in section 403.22. However, except as provided in paragraph “b”, taxes for the regular and voter-approved physical plant and equipment levy of a school district imposed pursuant to section 298.2 and taxes for the instructional support program of a school district imposed pursuant to section 257.19, taxes for the payment of bonds and interest of each taxing district, and taxes imposed under section 346.27, subsection 22, related to joint county-city buildings shall be collected against all taxable property within the taxing district without limitation by the provisions of this subsection.

b. (1) ~~However, all~~ All or a portion of the taxes for the physical plant and equipment levy shall be paid by the school district to the municipality if the auditor certifies to the school district by July 1 the amount of such levy that is necessary to pay the principal and interest on bonds issued by the municipality to finance an urban renewal project, which bonds were issued before July 1, 2001. Indebtedness incurred to refund bonds issued prior to July 1, 2001, shall not be included in the certification. Such school district shall pay over the amount certified by November 1 and May 1 of the fiscal year following certification to the school district.

(2) (a) All or a portion of the taxes for the instructional support program levy of a school district shall be paid by the school district to the municipality if the auditor, pursuant to subsection 11, certifies to the school district by July 1 the amount of such levy that is necessary to pay the principal and interest on bonds issued or other indebtedness incurred by the municipality to finance an urban renewal project if such bonds or indebtedness were issued or incurred on or before April 24, 2012. Such school district shall pay over the amount certified by November 1 and May 1 of the fiscal year following certification to the school district.

(b) In lieu of payment to a municipality under subparagraph division (a), a school district may by resolution of the board of directors of the school district approve at a regular meeting of the board of directors the payment of all or a portion of the instructional support program property tax revenue excluded under paragraph “a”, to the municipality for the payment of principal and interest on such bonds issued or such other indebtedness incurred by the municipality before, on, or after April 24, 2012.

c. Unless and until the total assessed valuation of the taxable property in an urban renewal area exceeds the total assessed value of the taxable property in such area as shown by the last equalized assessment roll referred to in subsection 1, all of the taxes levied and collected upon the taxable property in the urban renewal area shall be paid into the funds for the respective

² Chapter 1060 herein

taxing districts as taxes by or for the taxing districts in the same manner as all other property taxes. When such loans, advances, indebtedness, and bonds, if any, and interest thereon, have been paid, all moneys thereafter received from taxes upon the taxable property in such urban renewal area shall be paid into the funds for the respective taxing districts in the same manner as taxes on all other property.

d. In those instances where a school district has entered into an agreement pursuant to section 279.64 for sharing of school district taxes levied and collected from valuation described in this subsection and released to the school district, the school district shall transfer the taxes as provided in the agreement.

Sec. 17. Section 403.19, subsection 6, paragraph a, subparagraph (1), Code Supplement 2011, is amended to read as follows:

(1) A municipality shall certify to the county auditor on or before December 1 the amount of loans, advances, indebtedness, or bonds, including interest negotiated on such loans, advances, indebtedness, or bonds, which qualify for payment from the special fund referred to in subsection 2, for each urban renewal area in the municipality, and the filing of the certificate shall make it a duty of the auditor to provide for the division of taxes in each subsequent year without further certification, except as provided in paragraphs “b” and “c”, until the amount of the loans, advances, indebtedness, or bonds is paid to the special fund. Such certification shall include all amounts which qualify for payment from the special fund referred to in subsection 2 during the next fiscal year and all amounts which qualify for payment from the special fund in any subsequent fiscal year. If any loans, advances, indebtedness, or bonds are issued which qualify for payment from the special fund and which are in addition to amounts already certified, the municipality shall certify the amount of the additional obligations on or before December 1 of the year such obligations were issued, and the filing of the certificate shall make it a duty of the auditor to provide for the division of taxes in each subsequent year without further certification, except as provided in paragraphs “b” and “c”, until the amount of the loans, advances, indebtedness, or bonds is paid to the special fund. Any subsequent certifications under this subsection shall not include amounts previously certified.

Sec. 18. Section 403.19, subsection 6, Code Supplement 2011, is amended by adding the following new paragraph:

NEW PARAGRAPH. d. For purposes of this section, “*indebtedness*” includes but is not limited to written agreements whereby the municipality agrees to exempt, rebate, refund, or reimburse property taxes, provide a grant for property taxes paid, or make a direct payment of taxes, with moneys in the special fund referred to in subsection 2, and bonds, notes, or other obligations that are secured by or subject to payment from moneys appropriated by the municipality from moneys in the special fund referred to in subsection 2.

Sec. 19. Section 403.19, Code Supplement 2011, is amended by adding the following new subsection:

NEW SUBSECTION. 9. a. Moneys from any source deposited into the special fund created in this section shall not be expended for or otherwise used in connection with an urban renewal project approved on or after the effective date of this Act that includes the relocation of a commercial or industrial enterprise not presently located within the municipality, unless one of the following occurs:

(1) The local governing body of the municipality where the commercial or industrial enterprise is currently located and the local governing body of the municipality where the commercial or industrial enterprise is proposing to relocate have either entered into a written agreement concerning the relocation of the commercial or industrial enterprise or have entered into a written agreement concerning the general use of economic incentives to attract commercial or industrial development within those municipalities.

(2) The local governing body of the municipality where the commercial or industrial enterprise is proposing to relocate finds that the use of deposits into the special fund for an urban renewal project that includes such a relocation is in the public interest. A local governing body’s finding that an urban renewal project that includes a commercial or

industrial enterprise relocation is in the public interest shall include written verification from the commercial or industrial enterprise that the enterprise is actively considering moving all or a part of its operations to a location outside the state and a specific finding that such an out-of-state move would result in a significant reduction in either the enterprise's total employment in the state or in the total amount of wages earned by employees of the enterprise in the state.

b. For the purposes of this subsection, "relocation" means the closure or substantial reduction of an enterprise's existing operations in one area of the state and the initiation of substantially the same operation in the same county or a contiguous county in the state. This subsection does not prohibit an enterprise from expanding its operations in another area of the state provided that existing operations of a similar nature are not closed or substantially reduced.

Sec. 20. Section 403.19, Code Supplement 2011, is amended by adding the following new subsection:

NEW SUBSECTION. 10. a. Interest or earnings received on amounts deposited into the special fund created in this section and the net proceeds from the sale of assets purchased using amounts deposited into the special fund created in this section shall be credited to the special fund and shall be used solely for the purposes specified in this section.

b. Moneys in the special fund created in this section shall not be transferred to another fund of the municipality except for the payment of loans, advances, indebtedness, or bonds that qualify for payment from the special fund.

Sec. 21. Section 403.19, Code Supplement 2011, is amended by adding the following new subsection:

NEW SUBSECTION. 11. For any fiscal year, a municipality may certify to the county auditor for instructional support program property tax revenue necessary for payment of principal and interest on bonds issued or other indebtedness incurred for an urban renewal project on or before April 24, 2012. If for any fiscal year a municipality fails to certify to the county auditor by July 1 the amount of instructional support program property tax revenue necessary for payment of principal and interest on such bonds, as provided in subsection 2, the school district is not required to pay over the revenue to the municipality. If a school district and a municipality are unable to agree on the amount of instructional support program property tax revenue certified by the municipality, either party may request that the state appeal board review and finally pass upon the amount that may be certified. Such appeals must be presented in writing to the state appeal board no later than July 31 following certification. The burden shall be on the municipality to prove that the instructional support program property tax revenue is necessary to pay principal and interest on the applicable bonds. A final decision must be issued by the state appeal board no later than the following October 1.

Sec. 22. **NEW SECTION. 403.23 Audit — certificate of compliance.**

1. Each municipality that has established an urban renewal area that utilizes, or plans to utilize, revenues from the special fund created in section 403.19, shall make an annual certification of compliance with this section. For any year in which the municipality is audited in accordance with section 11.6, such certification shall be audited as part of the municipality's audit.

2. The certification required under this section shall include such information or documentation deemed appropriate by the auditor of state including but not limited to the information required to be reported under section 331.403, subsection 3, or section 384.22, subsection 2, as applicable.

3. The auditor of state shall adopt rules necessary to implement this section.

Sec. 23. Section 423B.10, subsection 2, Code 2011, is amended to read as follows:

2. a. An Upon approval by the board of supervisors of each applicable county pursuant to paragraph "b", an eligible city may by ordinance of the city council provide for the use of a designated amount of the increased local sales and services tax revenues collected under this chapter which are attributable to retail establishments in an urban renewal area to fund

urban renewal projects located in the area. The designated amount may be all or a portion of such increased revenues.

b. A city shall not adopt an ordinance under paragraph “a” unless the board of supervisors of each county where the urban renewal area from which such local sales and services tax revenues are to be collected and used to fund urban renewal projects is located first adopts a resolution approving the collection and use of such local sales and services tax revenues.

Sec. 24. IMPLEMENTATION OF ACT. Section 25B.2, subsection 3, shall not apply to this Act.

Sec. 25. APPLICABILITY. The provisions of this Act prohibiting the department of management from certifying taxes back to the county auditor under section 24.17 if a county, under section 331.403, subsection 4, or a city, under section 384.22, subsection 3, fails to meet the reporting requirements of sections 331.403 and 384.22, as applicable, or the provision of this Act requiring that incremental taxes be withheld from payment to a rural improvement zone if the rural improvement zone fails to meet the reporting requirement of section 357H.9, subsection 2, shall not apply to the report required to be filed on or before December 1, 2012.

Sec. 26. APPLICABILITY. The provisions of this Act relating to the division of taxes for the instructional support program of a school district under section 403.19, as amended in this Act, apply to property taxes due and payable in fiscal years beginning on or after July 1, 2013.

Sec. 27. APPLICABILITY. The section of this Act amending section 423B.10 applies to city ordinances adopted under section 423B.10 on or after the effective date of this Act.

Approved May 25, 2012