

MAR 15 2005  
LOCAL GOVERNMENT

HOUSE FILE 782  
BY MASCHER

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act making changes to the law relating to urban renewal and  
2 tax increment financing and including effective and  
3 applicability date provisions.

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

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HF 782

1 Section 1. Section 403.5, subsection 2, unnumbered  
2 paragraph 2, Code 2005, is amended to read as follows:

3 Prior to ~~its approval of an~~ the public hearing on a  
4 proposed urban renewal plan which provides for a division of  
5 revenue pursuant to section 403.19, the municipality shall  
6 mail the proposed plan by regular mail to the affected taxing  
7 entities. The municipality shall include with the proposed  
8 plan notification of a consultation to be held between the  
9 municipality and affected taxing entities prior to the public  
10 hearing on the urban renewal plan. Each affected taxing  
11 entity may appoint a representative to attend the  
12 consultation. The consultation may include a discussion of  
13 the estimated growth in valuation of taxable property included  
14 in the proposed urban renewal area, the fiscal impact of the  
15 division of revenue on the affected taxing entities, the  
16 estimated impact on the provision of services by each of the  
17 affected taxing entities in the proposed urban renewal area,  
18 and the duration of any bond issuance included in the plan.  
19 The designated representative of the affected taxing entity  
20 may make written recommendations for modification to the  
21 proposed division of revenue no later than seven days  
22 following the date of the consultation. The representative of  
23 the municipality shall, no later than ~~seven~~ fourteen days  
24 ~~prior to the public hearing on the urban renewal plan~~  
25 following the date of the consultation, submit a written  
26 response to the affected taxing entity addressing the  
27 recommendations for modification to the proposed division of  
28 revenue.

29 Sec. 2. Section 403.5, subsection 2, Code 2005, is amended  
30 by adding the following new unnumbered paragraph:

31 NEW UNNUMBERED PARAGRAPH. If the municipality is a city,  
32 no later than twenty-one days following the date of the  
33 consultation, the county board of supervisors of each county  
34 that is an affected taxing entity shall, by resolution,  
35 approve or reject the proposed plan. If the board of

1 supervisors of each county that is an affected taxing district  
2 approves the plan, the city may proceed with the public  
3 hearing on the plan, pursuant to subsection 3, and with  
4 approval of the plan, pursuant to subsection 4. If any board  
5 of supervisors of a county that is an affected taxing district  
6 rejects the plan, the city shall not proceed with the proposed  
7 plan.

8 Sec. 3. Section 403.5, subsections 5 and 6, Code 2005, are  
9 amended to read as follows:

10 5. An urban renewal plan may be ~~modified~~ amended at any  
11 time: Provided, that if ~~modified~~ amended after the lease or  
12 sale by the municipality of real property in the urban renewal  
13 project area, such ~~modification~~ amendment may be conditioned  
14 upon such approval of the owner, lessee, or successor in  
15 interest as the municipality may deem advisable, and in any  
16 event such ~~modification~~ amendment shall be subject to such  
17 rights at law or in equity as a lessee or purchaser, or a  
18 lessee's or purchaser's successor or successors in interest,  
19 may be entitled to assert. The An urban renewal project may  
20 be added to an urban renewal plan only by an amendment to the  
21 plan. Territory may be added to, or severed from, an urban  
22 renewal area only by an amendment to the urban renewal plan.  
23 When amending an urban renewal plan, the municipality shall  
24 comply with the notification and consultation process provided  
25 in this section prior to the approval of any amendment ~~or~~  
26 ~~modification~~ to an adopted urban renewal plan if such  
27 amendment ~~or-modification~~ provides for refunding bonds or  
28 refinancing resulting in an increase in debt service or  
29 provides for the issuance of bonds or other indebtedness, to  
30 be funded primarily in the manner provided in section 403.19,  
31 or if such amendment proposes to add a project to an urban  
32 renewal plan or proposes to add territory to an urban renewal  
33 area or proposes to sever territory from an urban renewal  
34 area.

35 If a city proposes an amendment to an urban renewal plan to

1 sever territory from an urban renewal area, each county where  
2 the territory to be severed is located must, within thirty  
3 days of the conclusion of the consultation process, adopt a  
4 resolution approving or rejecting the proposed amendment. If  
5 a resolution approving the proposed amendment to an urban  
6 renewal plan is received from each county where the territory  
7 to be severed is located, or if the board of supervisors of  
8 each county where the territory to be severed is located takes  
9 no action within the thirty-day time period, the governing  
10 body of the city may proceed with the proposed amendment. If  
11 one or more resolutions rejecting the proposed amendment to  
12 sever the territory is received, the governing body of the  
13 city shall not proceed with the proposed amendment to the  
14 urban renewal plan.

15 If an urban renewal plan is amended and the amendment to  
16 the plan provides for the addition of territory to the urban  
17 renewal area, the assessment year established for the  
18 territory added for purposes of dividing revenue under section  
19 403.19 shall be the assessment year determined pursuant to  
20 section 403.19, subsection 8.

21 6. Upon the approval by a municipality of an urban renewal  
22 plan or of any ~~modification thereof~~ amendment to an urban  
23 renewal plan, such plan or ~~modification~~ amendment shall be  
24 deemed to be in full force and effect for the respective urban  
25 renewal area, and the municipality may then cause such plan or  
26 ~~modification~~ amendment to be carried out in accordance with  
27 its terms.

28 Sec. 4. Section 403.5, Code 2005, is amended by adding the  
29 following new subsections:

30 NEW SUBSECTION. 8. An urban renewal area designated as a  
31 slum or blighted area and established before the effective  
32 date of this Act is limited to twenty years in duration  
33 counting from the effective date of this Act. An urban  
34 renewal area designated as a slum or blighted area established  
35 on or after the effective date of this Act is limited in

1 duration to twenty years counting from July 1 of the first  
2 fiscal year in which the municipality receives moneys from a  
3 division of revenue pursuant to section 403.19 for purposes of  
4 such urban renewal area. An amendment to an urban renewal  
5 plan shall not result in an extension of the durational  
6 limitation imposed in this subsection.

7 NEW SUBSECTION. 9. An urban renewal area designated as an  
8 economic development area shall be limited in duration to  
9 twenty years counting from July 1 of the first fiscal year in  
10 which the municipality receives moneys from a division of  
11 revenue pursuant to section 403.19 for purposes of such urban  
12 renewal area. An amendment to an urban renewal plan shall not  
13 result in an extension of the durational limitation imposed in  
14 this subsection.

15 Sec. 5. Section 403.6, subsection 6, unnumbered paragraph  
16 1, Code 2005, is amended to read as follows:

17 Within its area of operation, to make or have made all  
18 surveys and planning necessary to the carrying out of the  
19 purposes of this chapter, and to contract with any person in  
20 making and carrying out of such planning, and to adopt or  
21 approve, modify and amend such planning. Such planning may  
22 include, without limitation:

23 Sec. 6. Section 403.6, subsection 6, paragraph b, Code  
24 2005, is amended to read as follows:

25 b. Urban renewal plans adopted or amended pursuant to the  
26 requirements of section 403.5;

27 Sec. 7. Section 403.6, subsection 12, Code 2005, is  
28 amended to read as follows:

29 12. To approve and amend urban renewal plans, subject to  
30 the requirements of section 403.5.

31 Sec. 8. Section 403.14, subsection 2, paragraph b, Code  
32 2005, is amended to read as follows:

33 b. The power to approve urban renewal plans and  
34 modifications amendments thereof;

35 Sec. 9. Section 403.17, subsection 10, Code 2005, is

1 amended to read as follows:

2 10. "Economic development area" means an area of a  
3 municipality designated by the local governing body as  
4 appropriate for commercial and industrial enterprises, public  
5 improvements related to housing and residential development,  
6 or construction of housing and residential development for low  
7 and moderate income families, including single or multifamily  
8 housing. ~~If an urban renewal plan for an urban renewal area~~  
9 ~~is based upon a finding that the area is an economic~~  
10 ~~development area and that no part contains slum or blighted~~  
11 ~~conditions, then the division of revenue provided in section~~  
12 ~~403.19 and stated in the plan shall be limited to twenty years~~  
13 ~~from the calendar year following the calendar year in which~~  
14 ~~the municipality first certifies to the county auditor the~~  
15 ~~amount of any loans, advances, indebtedness, or bonds which~~  
16 ~~qualify for payment from the division of revenue provided in~~  
17 ~~section 403.19.~~ Such designated area shall not include  
18 agricultural land, including land which is part of a century  
19 farm, unless the owner of the agricultural land or century  
20 farm agrees to include the agricultural land or century farm  
21 in the urban renewal area. For the purposes of this  
22 subsection, "century farm" means a farm in which at least  
23 forty acres of such farm have been held in continuous  
24 ownership by the same family for one hundred years or more.

25 Sec. 10. Section 403.19, subsection 2, Code 2005, is  
26 amended to read as follows:

27 2. That portion of the taxes each year in excess of such  
28 amount shall be allocated to and when collected be paid into a  
29 special fund of the municipality to pay the principal of and  
30 interest on loans, moneys advanced to, or indebtedness,  
31 whether funded, refunded, assumed, or otherwise, including  
32 bonds issued under the authority of section 403.9, subsection  
33 1, incurred by the municipality to finance or refinance, in  
34 whole or in part, an urban renewal project within the area,  
35 and to provide assistance for low and moderate income family

1 housing as provided in section 403.22, except that taxes for  
 2 the regular and voter-approved physical plant and equipment  
 3 levy of a school district imposed pursuant to section 298.2  
 4 and taxes for the payment of bonds and interest of each taxing  
 5 district must be collected against all taxable property within  
 6 the taxing district without limitation by the provisions of  
 7 this subsection. However, all or a portion of the taxes for  
 8 the physical plant and equipment levy shall be paid by the  
 9 school district to the municipality if the auditor certifies  
 10 to the school district by July 1 the amount of such levy that  
 11 is necessary to pay the principal and interest on bonds issued  
 12 by the municipality to finance an urban renewal project, which  
 13 bonds were issued before July 1, 2001. Indebtedness incurred  
 14 to refund bonds issued prior to July 1, 2001, shall not be  
 15 included in the certification. Such school district shall pay  
 16 over the amount certified by November 1 and May 1 of the  
 17 fiscal year following certification to the school district.  
 18 Unless and until the total assessed valuation of the taxable  
 19 property in an urban renewal area exceeds the total assessed  
 20 value of the taxable property in such area as shown by the  
 21 last equalized assessment roll referred to in subsection 1,  
 22 all of the taxes levied and collected upon the taxable  
 23 property in the urban renewal area shall be paid into the  
 24 funds for the respective taxing districts as taxes by or for  
 25 the taxing districts in the same manner as all other property  
 26 taxes. ~~When such loans, advances, indebtedness, and bonds, if~~  
 27 ~~any, and interest thereon, have been paid, all moneys~~  
 28 ~~thereafter received from taxes upon the taxable property in~~  
 29 ~~such urban renewal area shall be paid into the funds for the~~  
 30 ~~respective taxing districts in the same manner as taxes on all~~  
 31 ~~other property.~~

32 Sec. 11. Section 403.19, subsection 5, Code 2005, is  
 33 amended to read as follows:

34 5. a. A municipality shall certify to the county auditor  
 35 on or before ~~December 1~~ November 15 of each year the amount of

1 loans, advances, indebtedness, or bonds which qualify for  
2 payment from the special fund referred to in subsection 2, and  
3 the timely filing of the certificate shall make it a duty of  
4 the auditor to provide for the division of taxes in each  
5 ~~subsequent-year-until-the-amount-of-the-loans,-advances,-~~  
6 ~~indebtedness,-or-bonds-is-paid-to-the-special-fund~~ the amount  
7 certified for the fiscal year beginning in the following  
8 calendar year, subject to paragraph "c". In any year, the  
9 county auditor shall, upon receipt of a certified request from  
10 a municipality filed on or before ~~December-1~~ November 15,  
11 increase the amount to be allocated under subsection 1 in  
12 order to reduce the amount to be allocated in the following  
13 fiscal year to the special fund, to the extent that the  
14 municipality does not request allocation to the special fund  
15 of the full portion of taxes which could be collected. Upon  
16 receipt of a certificate from a municipality, the auditor  
17 shall mail a copy of the certificate to each affected taxing  
18 district.

19 b. The certificate shall be filed on a form prescribed by  
20 the department of management. The form shall be designed in  
21 such a way as to allow the county auditor to track the  
22 following information for each urban renewal area:

23 (1) The total amount of debt incurred for urban renewal  
24 projects since the establishment of the urban renewal area.

25 (2) The total amount of debt retired for urban renewal  
26 projects since the establishment of the urban renewal area.

27 (3) The total amount of debt outstanding for urban renewal  
28 projects in the urban renewal area.

29 (4) The amount of debt incurred for urban renewal projects  
30 in the urban renewal area for which payment is due in the  
31 fiscal year beginning in the following calendar year.

32 (5) The payment schedule or schedules for each debt  
33 issuance for urban renewal projects in the urban renewal area.

34 (6) The type and amount of each debt issuance for urban  
35 renewal projects in the urban renewal area.

1 (7) The total amount of revenue received for deposit in  
2 the special fund pursuant to subsection 2.

3 (8) The amount of all other revenue used to retire debt  
4 incurred to finance urban renewal projects in the urban  
5 renewal area.

6 c. When all debt, if any, and interest thereon, has been  
7 paid, revenues from taxes levied on taxable property in an  
8 urban renewal area shall not be divided pursuant to this  
9 section and shall not be deposited in the special fund under  
10 subsection 2.

11 d. For purposes of this section, "debt" includes all  
12 loans, advances, indebtedness, bonds, or other obligations  
13 which qualify for payment from the special fund referred to in  
14 subsection 2. For purposes of this section, "indebtedness"  
15 includes, but is not limited to, a written agreement to  
16 suspend, abate, exempt, rebate, refund, or reimburse property  
17 taxes or to provide a grant for property taxes paid.

18 Sec. 12. Section 403.19, Code 2005, is amended by adding  
19 the following new subsection:

20 NEW SUBSECTION. 8. If an urban renewal plan is amended  
21 and the amendment to the plan provides for the addition of  
22 territory to the urban renewal area, the assessment year for  
23 the territory added for purposes of dividing revenue under  
24 this section shall be the assessment year beginning January 1  
25 of the calendar year preceding the calendar year in which the  
26 municipality adopted the amendment.

27 Sec. 13. Section 403.20, Code 2005, is amended by striking  
28 the section and inserting in lieu thereof the following:

29 403.20 PERCENTAGE OF ADJUSTMENT CONSIDERED IN VALUE  
30 ASSESSMENT.

31 The reduction to actual value calculated under section  
32 441.21, subsection 4 or 5, shall be applied to the applicable  
33 class of property to the base value in the proportion that the  
34 base value bears to the total actual value of the urban  
35 renewal area and shall be applied to the applicable class of

1 property to the incremental value in the proportion that the  
2 incremental value bears to the total actual value of the urban  
3 renewal area.

4 For purposes of this section, "base value" means the value  
5 calculated under section 403.19, subsection 1, paragraph "a",  
6 and "incremental value" means the value calculated under  
7 section 403.19, subsection 2.

8 Sec. 14. EFFECTIVE DATE. This Act, being deemed of  
9 immediate importance, takes effect upon enactment.

10 Sec. 15. APPLICABILITY.

11 1. The sections of this Act amending section 403.5,  
12 subsection 2, apply to urban renewal plans proposed on or  
13 after the effective date of this Act.

14 2. The remainder of this Act applies to urban renewal  
15 areas and urban renewal projects established, and urban  
16 renewal plans adopted, before, on, or after the effective date  
17 of this Act.

18 EXPLANATION

19 This bill makes changes to the law relating to urban  
20 renewal and tax increment financing.

21 The bill provides that before a municipality that is a city  
22 may hold a public hearing on, and issue approval for, a  
23 proposed urban renewal plan, the plan shall be approved, by  
24 resolution, of the board of supervisors of each county  
25 affected by the plan. If the proposed plan is rejected by any  
26 affected county, the city shall not proceed with the proposed  
27 plan. This portion of the bill applies to urban renewal plans  
28 proposed on or after the effective date of the bill.

29 The bill provides that an urban renewal project may be  
30 added to an urban renewal plan only by an amendment to the  
31 plan. The bill also provides that territory may be added to,  
32 or severed from, an urban renewal area only by an amendment to  
33 the urban renewal plan. In the case of severance of territory  
34 from the urban renewal area by a municipality that is a city,  
35 the bill requires the approval of the county where the

1 territory is located before the city may proceed with the  
2 amendment to sever territory. The bill provides that if  
3 territory is added to an urban renewal area, the assessment  
4 year established for the territory added for purposes of  
5 dividing revenue is the assessment year beginning January 1 of  
6 the calendar year preceding the calendar year in which the  
7 amendment is adopted.

8 The bill limits the duration of urban renewal areas  
9 designated as slum and blighted areas. If such an urban  
10 renewal area was established before the effective date of the  
11 bill, the duration is 20 years from the effective date of the  
12 bill. If such an urban renewal area is established on or  
13 after the effective date of the bill, the duration is 20 years  
14 counting from July 1 of the first fiscal year in which the  
15 municipality receives tax increment revenues for purposes of  
16 the urban renewal area.

17 The bill changes the applicability of the durational  
18 limitation in current law for urban renewal areas designated  
19 as economic development areas. Under current law, economic  
20 development urban renewal plans established on or after  
21 January 1, 1995, are limited to 20 years in duration. The  
22 bill provides that an economic development urban renewal area  
23 established before, on, or after the effective date of the  
24 bill is limited in duration to 20 years counting from July 1  
25 of the first fiscal year in which the municipality receives  
26 tax increment revenues for purposes of the urban renewal area.

27 The bill changes the date that a municipality must certify  
28 debt to the county auditor from December 1 of each year to  
29 November 15 of each year. The bill provides that the  
30 certificate shall be filed on a form prescribed by the  
31 department of management. The bill also requires additional  
32 information relating to urban renewal debt to be included on  
33 the form containing the certification. The bill defines  
34 "debt" and "indebtedness" for purposes of certification to the  
35 county auditor.

1 The bill requires that the assessment limitation applied to  
2 classes of property shall be applied to the base and  
3 incremental valuation in an urban renewal area in the  
4 proportion that the base value of the urban renewal area bears  
5 to the total valuation in the urban renewal area and in the  
6 proportion that the incremental value of the urban renewal  
7 area bears to the total valuation in the urban renewal area.

8 This portion of the bill takes effect upon enactment and  
9 applies to urban renewal areas and urban renewal projects  
10 established, and urban renewal plans adopted, before, on, or  
11 after the effective date of the bill.

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