

Economic Development

Urban Revitalization

March 2014

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Property Tax Abatements and Exemptions

Urban revitalization is a tool that can be used to redevelop areas of a city and help spur economic growth. There are a variety of ways urban revitalization can be done, and cities must continually review their plans and policies.

Urban Revitalization Uses

Chapter 404 of the *Code of Iowa*, the Urban Revitalization Law, contains the provisions relating to urban revitalization and details how local governments can implement and use the tool. The Urban Revitalization Law describes five types of areas where urban revitalization can be used, primarily focusing on areas with dilapidated and deteriorated buildings that are detrimental to public health and economic growth as well as areas for historic preservation, economic development or public improvements for residential development (please see *Code* Section 404.1 for a full definition of these areas). Urban revitalization areas can contain all of the real property within the city limits or a more targeted subset of parcels.

Some city councils have adopted urban revitalization areas that cover the entire city or for a type of property class, such as residential. Others have created specific areas within the city to help revitalization efforts in that part of town.

Within these areas, the Urban Revitalization Law allows cities to exempt all or a portion of property taxes for property owners who construct projects that improve the value of their property. The Revitalization Law provides different tax exemption schedules for varying purposes and cities are allowed to tailor the exemption schedules to meet local policy needs so long as they do not exceed the statutory limits (more information on tax exemption schedules can be found below). Providing tax exemptions incentivizes property owners to improve their properties or construct new buildings, stabilizing tax bases and spurring growth when it otherwise might not occur.

Urban Revitalization for Commercial and Industrial Property

The Revitalization Law sets the basis for tax exemption schedules that cities may use in their plans. Cities may offer commercial and industrial properties a three-year, 100 percent exemption for the actual value added from improvements or additions. Another option is a 10-year schedule with a sliding scale of exemptions, beginning at 80 percent in the first year before reaching 20 percent in the tenth year. Cities are allowed to adopt different schedules than those described in the Revitalization Law, but they cannot offer a greater exemption.

Urban Revitalization for Residential Property

A number of residential tax exemption schedules are allowed and are tied to different purposes, including projects that address slum and blight conditions, historic preservation, economic development and housing development. It is recommended to consult with legal counsel before adopting a policy to determine what is best for the city.

Establishing an Urban Revitalization Area

There are several steps to establishing an urban revitalization area and cities should be assisted by their attorney or bond counsel throughout the process. As stated in the Section 404.2 of the *Code*, the city council must first approve a resolution finding that the "rehabilitation, conservation, redevelopment, economic development or a combination thereof of the area is necessary in the interest of the public health, safety or welfare of the residents of the city."

The council must then prepare an urban revitalization plan, which needs to include a number of items. The plan must include a legal description of the area with a map depicting the existing parcels of real estate, the assessed property valuation in the area broken out by land and building values, a list of names and addresses of property owners, the existing zoning and land uses, and any plans for expanding city services.

Plans also need to detail whether the revitalization policies are applicable to some, none or all of the residential, commercial, industrial or agricultural property in the area (or some combination of the properties) and whether it is for rehabilitation and additions to existing structures or for new construction. Any tax exemption schedules or assessment

increase requirements need to be included as well. Finally, the plan must specify the estimated length of time the area will be active, any provisions that have been made for the relocation of property owners and families, and any state, federal or private grants or loans that can be used as a funding source for residential improvements.

Once the proposed plan has been put together, the city must schedule a public hearing and notify all property owners and tenants in the proposed area. This notice must be published not less than four and not more than 20 days prior to the hearing. In addition, notice must be mailed to each property owner not less than 30 days prior to the public hearing date. The council could be forced to hold a second hearing if property owners representing at least 10 percent of privately owned property or residential property in the area have signed and submitted a petition within 30 days of the first hearing. Once these requirements have been met, the council is authorized to adopt the urban revitalization plan.

Property Owner Applications

The Revitalization Law calls for cities to design an application process and for property owners to submit applications prior to receiving any exemptions. The application must at least contain the nature of the improvement, its cost, the estimated or actual date of completion, the tenants that occupied the owner's building on the date the city adopted the original resolution of finding, and which exemption will be selected. The city council shall approve the application, subject to review by the local assessor, if the project is in conformance with the plan, is located within a designated revitalization area, and if the improvements were made during the time the area was designated.

Abandoned Properties

Section 404.3B of the *Code* specifically addresses abandoned properties and allows cities to establish a tax exemption for actual value added to these properties. The properties must be abandoned under the definition provided in Section 657A.1, which states the building has remained vacant and has been in violation of the city code for a period of six consecutive months.

There are two tax exemptions allowed under law for abandoned properties that are similar to other exemptions. Plans can use a decreasing 15-year schedule, starting with an 80 percent exemption and sliding down to 20 percent. Another option is to provide a 100 percent exemption on the value added for a period of five years.

Special Provisions for Industrial Property

Chapter 427B provides a specific exemption for industrial property that is similar to what is offered under Chapter 404. In this case, a five year schedule is outlined with a gradual decline of partial exemptions that start at 75 percent in year one and end at 15 percent in year five. The focus of this exemption is mainly on new construction as there are strict requirements as to what types of improvements qualify.