

NIACOG NEWS

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NORTH IOWA AREA COUNCIL OF GOVERNMENTS

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RENTAL HOUSING PROJECT FUNDING WITH HISTORIC TAX CREDITS

In recent newsletters we have been providing information about resources for constructing and/or rehabilitating multi-family rental housing. In this issue, we are focusing on the use of historic tax credits.



State Historic Tax Credit

The State Historic Tax Credit program is officially called the Iowa's Historic Preservation and Cultural and Entertainment District Tax Credit. The program provides 25% of the cost of qualified rehabilitation expenditures incurred for the substantial rehabilitation of eligible commercial and residential property in Iowa. The pot for these funds is divided up into two distinct categories based upon the size of the project.

Projects under \$750,000 have a dedicated pool and have yet to run out of funding. The applications are taken at any time and a 15% contingency is allowed if construction costs exceed the original calculation.

Projects that exceed \$750,000 are in a separate pool and compete for the remaining funds. The large project pool of funds is \$42.75 million. Projects have ranged as high as \$8 million, so the large project credits are highly competitive.

To be eligible for funds:

The building must be eligible for or listed on the National Register of Historic Places. Eligibility is determined as the first phase of the application process.

The owner must be an eligible taxpayer (not a government).

The project must cost at least:

50% of the value of the building or \$50,000 if assessed commercial.

25% of the value of the building or \$25,000 if assessed residential.

Eligible costs include anything that 'adds to the basis of the building'; examples include: improving to walls, electrical, plumbing, doors, windows, etc. Eligible costs do NOT include: furnishings, appliances, anything not fixed to the building, or anything outside of the footprint of the building (sidewalk, landscaping, utility lines).

The projects are required to follow the building design standards that maintain the historic integrity of the building; they are known as the 'Secretary of the Interior Standards'. The general preference of the standards is to repair existing features rather than replace them or cover them up with new materials especially regarding windows or tuck pointing (instead of metal siding). Most of the projects are in the neighborhood of \$100,000 and receive \$25,000 in tax credits.

Tax credits are released only after the project is completed and determined to comply with the design requirements. So, projects must have enough construction financing to also cover the tax credit funding. The credits must be used in the year that the project is finished or the year the certificate is issued, whichever is later; however, the tax credits are refundable. This means, for example, that if the owner were awarded \$25,000 in tax credits, but only owed \$10,000 in taxes, the remaining \$15,000 would be sent to the owner as a tax refund. The credits are also transferable.



RENTAL HOUSING PROJECT FUNDING WITH HISTORIC TAX CREDITS (Continued)

Federal Historic Tax Credit

The State Historic Tax Credit can be used on the same project with the Federal Historic Tax Credits. The *Federal* Historic Preservation Tax Incentives Program offers a tax credit equal to 20 percent of project costs for the qualified rehabilitation of certain historic buildings. The federal program has no funding cap; however, the federal credits come with six figure legal fees, so they only function well for very large projects.

Unlike the state credits, the federal credits are not refundable. Also, the property must be an income-producing commercial property (which would potentially include rental properties that are assessed as commercial with more than 3 apartments).

Application Process

The applications for both the State and Federal Tax Credits are made through the State Historic Preservation Office. They include multiple steps that relate to identifying whether the building is historic (typically need to be at least 50 years old), modifying and detailing the design as need to ensure that the proposed improvements will not adversely affect the historical integrity of the building, and ensuring that the improvements were made consistent with the plans.

More about the tax credit program can be obtained by contacting Myrtle Nelson at the NIACOG office or by checking out the State Historic Preservation Office's website at: <https://iowaculture.gov/history/preservation/tax-incentives/state-tax-credit>

HOUSING REHAB PROGRESS

Earlier this year, the Cities of Garner and Grafton completed their respective housing rehabilitation programs. Both programs were funded in 2013 through the Iowa Economic Development Authority's

CDBG Housing Fund, also known as the CDBG Residential Housing Sustainability Program. Twelve homes were rehabilitated in the Garner Program and seven homes were rehabilitated in the Grafton Program. Both Programs were given administrative assistance by NIACOG staff. NIACOG congratulates both communities in their efforts to make a portion of their housing stock more safe, sound, and affordable.

Good progress is also being made by other NIACOG communities who are presently undergoing housing rehabilitation programs. The City of Britt has completed the rehabilitation of five homes, and four more are underway. It is anticipated that the bids will be opened on the final two projects (#10 and #11) in late May or early June of this year. The City of Britt was awarded a Housing Fund grant through the Iowa Economic Development Authority in 2014.

Two Cities in the NIACOG region were awarded Housing Fund grants by the Iowa Economic Development Authority last year (Program Year 2015). These are the communities of Bancroft and Leland. Three rehabilitation projects in each of these communities are now underway, and it is expected that bids will be opened on the next three projects in each community by July of this year. The Bancroft Program has a performance target of eight rehabilitated homes, and the Leland Program has a performance target of six rehabilitated homes so both communities are making good progress in achieving their targets.

Three cities in the NIACOG region submitted CDBG Iowa Housing Fund grant applications in January of this year (for Program Year 2016). These were the Cities of Fenton, LuVerne, and Manly. Each of these Cities are applying for funds that would assist in the rehabilitation of six homes, which is the maximum performance target allowed by the IEDA for Program Year 2016 grants. Grant awards for 2016 will be announced by the Iowa Economic Development Authority in mid-May, with the recipient workshop scheduled for June 23, 2016.

WEEKNIGHT SERVICE



The Region 2 Transit System has expanded its transportation service offering on weeknights in Mason City. Beginning in October, the Midnight Special began operating in Mason City operating two buses from 6:00 p.m. to Midnight each weekday. Region 2 Transit is providing this service through a contract with Mason City Transit. Funding for this service was provided through grants from the Iowa Department of Transportation Office of Public Transit and local matching funds provided by the United Way of North Central Iowa.

This service was created in response to the demand for later evening service in Mason City primarily for residents to access second shift employment opportunities. The service is open to the public and can be used for medical, recreational and entertainment purposes. The cost to ride the Midnight Special is \$2 per one-way trip. Scheduling trips must be prearranged by 5:00 p.m. on the day of service by contacting Region 2 Transit at (641) 423-2262.

FUNDING AVAILABILITY: RAILROAD REVOLVING & GRANT PROGRAM

The Railroad Revolving Loan and Grant (RRLG) Program provides financial assistance to improve rail facilities that will

create jobs, spur economic activity and improve the rail transportation system in Iowa. The program is funded through appropriations from the state legislature and repayments from loans for rail development projects funded in the past. For this round, the program has an expected minimum of \$4 million available for eligible projects.

Applications **submitted by 3:30 p.m. on April 15, 2016** will be reviewed in April and May. Recommendations for funding will be presented to the Iowa Transportation Commission in June. The Commission will then act upon recommendations at their July meeting.

The RRLG program has three funding categories under which eligible applicants may apply:

1) Targeted Job Creation: These rail projects are those that provide immediate, direct job opportunities. Funding is contingent on job creation and or retention commitments by the applicant. Both grants and loans are available. Grant requests require a 50% match contribution. Loan requests require a 20% match contribution.

It's important to note that there will be two major changes to the Targeted Job Creation Program. Maximum award for



grants is now \$12,000 per job (was previously \$6,000/job) the cap on the loan request for the Targeted Job Creation Program has been removed (previous cap was \$12,000/job).

2) Rail Network Improvement: These rail projects are those that support existing rail lines and service or improve industrial access when no direct job creation is required. Only loans are available in this category. Loans will be offered at 0% for a ten year term. Loan requests require a 20% match contribution.

3) Rail Port Planning and Development: These studies will further efforts to plan, design and otherwise prepare for the development of rail port facilities. Grants will be available in this category. Grant requests require a 20% match contribution. No single award may be greater than \$100,000.

Industries, railroads, local governments or economic development agencies are eligible to apply.

For detailed information on the Railroad Revolving Loan and Grants program and how to apply, please refer to <http://www.iowadot.gov/iowarail/assistance/rrlgp.htm>.



Calendar of Events

April

11th - NIACOG Executive Committee Meeting, NIACOG Office, 12:00 pm

13th - Haz-Mat Meeting NIACOG Office, 1:00 pm

13th - Transportation Policy Board Meeting, NIACOG Office, 2:30 pm

May

9th - NIACOG Board of Director's Meeting Bennigan's Grill, Clear Lake, 7:00 pm

12th - Passenger Transportation Summit, Marshalltown

20th - North Iowa City Clerks Association, NIACOG Office, 9:30 am

30th - Memorial Day, NIACOG Office Closed