

Workforce Housing Tax Incentive Application Workshop

January 25, 2024



Nick Sorensen
Tax Credit Programs Manager

Workforce Housing Tax Incentive Program

- » State tax credit program provides tax benefits to developers to provide affordable housing to Iowa's workforce.
- » \$35 million allocation for FY 2025. Allocation is split equally between Large and Small communities.
- » Maximum cumulative award for a project is \$1 million.

Large Community Definition

» Community in the 11 most populated counties in Iowa:

Black Hawk

Dallas

Dubuque

Johnson

Linn

Polk

Pottawattamie

Scott

Story

Warren

Woodbury

Small Community Definition

» Community in the 88 least populated counties

OR

» Community in the 11 most populated counties that meet both of the following criteria:

- Population of 2,500 or less, based on 2020 census data
- Population growth of less than 30% as determined by comparing census data from 2010 to 2020

Towns considered small community in large counties

Alburnett	Cumming	Holy Cross	Moville	Sheldahl
Alleman	Cushing	Hornick	Neola	Sherrill
Anthon	Dallas Center	Janesville	New Liberty	Shueyville
Avoca	Danbury	Kelley	New Vienna	Slater
Balltown	Dawson	La Porte City	New Virginia	Sloan
Bankston	De Soto	Lacona	Oakland	Smithland
Bernard	Dexter	Lawton	Oto	Spring Hill
Bertram	Dixon	Linden	Oxford	Springville
Bevington	Donahue	Lisbon	Panorama	St. Marys
Blue Grass	Dunkerton	Lone Tree	Park	Swisher
Bouton	Durango	Long Grove	Pierson	Treynor
Bronson	Durant	Luxemburg	Prairieburg	Underwood
Buffalo	Elk Run Heights	Macedonia	Princeton	University
Cambridge	Elkhart	Martensdale	Raymond	Heights
Carson	Epworth	Maxwell	Redfield	Walcott Walford
Cascade	Farley	Maysville	Rickardsville	Walker
Central City	Gilbert	McCallsburg	Riverdale	Walnut
Centralia	Gilbertville	McCausland	Roland	West Branch
Coggon	Graf	McClelland	Runnells	Woodward
Collins	Granger	Milo	Sageville	Worthington
Colo	Hancock	Minburn	Salix	Zearing
Correctionville	Hartford	Minden	Sandyville	Zwingle
Crescent	Hills	Mitchellville	Shelby	

Eligible Project Sites

- Housing development located on a brownfield, grayfield or greenfield site
 - **Note: Greenfield sites now eligible for all project sites**
- Repair or rehabilitation of dilapidated housing stock
- Upper story housing development (existing multi-use building)

Minimum Units for Eligibility

- » Developer must construct or rehabilitate a minimum of:
 - Four single-family units (Two if Small Community)
 - One multi-family building containing at least three units
 - Units in a building with shared entry or access to the unit
 - Two upper story units in an existing multi-use building
 - Existing building with commercial on the street level and housing on the upper stories

Project Cost Caps

» Project Costs

- Per unit cost caps for both large and small community
 - \$298,021 per single family unit
 - \$241,643 per multi-family unit
 - Cost cap is based on year of close out
- Per unit cost is determined by taking “costs directly related to” the project divided by the total number of units in the project.

Costs Directly Related

- » “Costs directly related to” includes:
 - Expenditures for site preparation work
 - Surveying
 - Construction materials
 - Construction labor
 - Architectural services
 - Engineering services

Costs Not Directly Related

- » “Costs directly related” does not include:
 - Land acquisition
 - Building permits
 - Building inspection fees
 - Furnishings
 - Appliances
 - Accounting services
 - Legal services
 - Loan origination financing costs
 - Developer fees
 - Costs associated with selling or renting dwelling units

Tax Incentive Award Amounts

Maximum Award of \$1,000,000

- Projects located in Large Community:
 - State income tax credit of up to 10% of the first \$150k per unit (maximum \$15,000 tax credit per unit)
 - Additional refund of sales and use taxes on project construction materials

- Projects located in Small Community:
 - State income tax credit of up to 20% of the first \$150k per unit (maximum \$30,000 tax credit per unit)
 - Additional refund of sales and use taxes on project construction materials

Tax Incentive Award Calculation

Large Community

- \$3,500,000 Total project costs for 24 Units
 - $\$3,500,000/24$ \$145,833 per unit
 - $\$145,833*10\%$ \$14,833 per unit (10% for large community)
 - $\$14,833*24$ \$339,999 Workforce HTCs
- \$1,000,000 Construction Materials Total (Iowa)
 - $\$1,000,000*.06$ \$60,000 Sales and Use Tax Refund
- $\$349,999 + \$60,000 = \underline{\$409,999}$ total award amount

Tax Incentive Award Calculation

Small Community

- \$6,000,000 Total project costs directly related for 30 Units
 - $\$6,000,000/30$ \$200,000 per unit
 - $\$150,000*20\%$ \$30,000 per unit (20% for small community)
 - $\$30,000*30$ \$900,000 Workforce HTCs
- \$2,000,000 Construction Materials Total (Iowa)
 - $\$2,000,000*.06$ \$120,000 Sales and Use Tax Refund
- $\$900,000+\$120,000 = \underline{\$1,020,000}$ eligible award amount
 - \$1,000,000 max award amount

Local Match and Resolution

- Resolution of support from city is required. Must be within 6 months of application submission.
- Local match of at least \$1,000 per unit is required.
- Allowable match shall include cash or cash equivalent, tax abatement or exemption, rebates, refunds or reimbursements.
- The value of the match must be included in the documentation or a summary needs to be provided.

Example of Resolution

RESOLUTION NO. 2024 - 0602
with attachments

RESOLUTION SUPPORTING THE SUBMISSION OF AN IOWA ECONOMIC DEVELOPMENT AUTHORITY (IEDA) APPLICATION TO THE WORKFORCE HOUSING TAX CREDIT PROGRAM BY (COMPANY NAME AND ADDRESS)

WHEREAS, (COMPANY NAME) proposes to construct twenty-four multi-family residential units and invest \$3,500,000; and

WHEREAS, the proposed project will support the City's efforts to create new housing opportunities for a growing workforce within the community; and

WHEREAS, (COMPANY NAME) has committed a significant amount of private financing to the project; and

WHEREAS, the City of (CITY NAME) created the "City of (CITY NAME) Urban Revitalization Area Plan" on October 1, 2007, pursuant to Ordinance No. 2007-0861, and subsequent amendments to the same on December 17, 2007, pursuant to Ordinance No. 2007-1125, June 7, 2010, pursuant to Ordinance No. 2010-0413, November 24, 2014, pursuant to Ordinance No. 2014-0862, and September 14, 2020, pursuant to Ordinance No. 2020-0698, which will provide assistance to the project in the form of residential property tax abatements; and

WHEREAS, (COMPANY NAME) application to the Workforce Housing Tax Credit Program, a copy of which is attached hereto and by this reference made a part hereof, will provide necessary tax credits and other benefits which will directly contribute to the success of the development; and

WHEREAS, the City supports said application to the Workforce Housing Tax Credit Program by (COMPANY NAME).

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF (CITY NAME), IOWA, that the City Council of the City of (CITY NAME) hereby supports the submission of an Iowa Economic Development Authority Application to the Workforce Housing Tax Credit Program by (COMPANY NAME), as referred to in the preamble hereof, for necessary tax credits and other benefits directly contributing to the success of the development at (PROJECT ADDRESS)

(MAYOR NAME/TITLE)

Ineligible Projects

- » Projects located in the 100-year flood plain **unless** a Letter of Map Revision (LOMAR) from FEMA is uploaded into application
- » Projects receiving 4% or 9% Low Income Housing Tax Credits
- » Air BnB, VRBO and short term rental
- » Project in use and not dilapidated

Workforce Housing Application

» General information

- Entity applying for award

» Project information

- Project Site (12 pts)
- Proposed Project (17 pts)
- Units (4 pts)
- Financing and Project Readiness (10 pts)
- Project Impact (16 pts)

» Financing Sources & Budget

- Supporting documentation for funding sources

» Attachments

General Information

» Applicant

- Legal Entity applying for award (make sure spelling and punctuation are accurate)

» Entity Authorized Signor

- Legal representative to sign contracts
- Certificates will be issued to Entity and legal representative will be legal signor on certificates when issued

» Developer Contact Information

» Parent Company Contact Information

» Consultant, if applicable

Project Site/Location

12 points total

- Project Name (this is what your project will be referred to in press releases)
 - Project Address
 - If greenfield site, list street name
 - City, State, County and Zip Code **are required**
- Site Selection - Financial and development factors (3 pts)
- Site Selection - Appeal for prospective residents (3 pts)

Project Site/Location

12 points total

- Adaptive Reuse (2 pts)
 - Reusing/redevelopment of a building for a purpose other than which it was originally built or designed for
- Historic (2 pts)
 - Building that could be eligible for State Historic Tax Credits
 - Defined by Iowa Code 404A



Project Site/Location

12 points total

- Infill – (2 pts)
 - New construction
 - Existing built out neighborhood or area with infrastructure in place

OR

- Rehabilitation of Existing Residential Building - (2 pts)
 - Dilapidated property (explain how the property is considered dilapidated)

Proposed Project

16 Points total

- Description for project
 - This information will be used for media, legislative reporting and press releases
- Project Design (6 pts)
 - Residents Amenities
- Tell us what is important to your residents

Proposed Project

16 Points total

» Developer Experience

- Years of experience and # of projects constructed (3 pts)
- Experience Narrative (3 pts)
 - Projects completed in past 5 years with similar size, features, and financing sources
 - Developer capacity to complete this proposed project

Unit Information

4 Points total

» Rents or Asking price if for sale

» # of Units

- Square foot for each unit
- # of bedrooms
- # of bathrooms

» Project Building Type

- Single Family, Townhome, Duplex (2 pts)
- Upper Story Housing, Multifamily, Mixed Use

» Occupancy Type

- Rental
- Owner Occupied (2 pts)

Financing & Readiness to Proceed

10 Points total

- Proper zoning (1 pt)
 - Upload Zoning letter from the city signed by city official
- Architectural drawings (1 pt)
 - Upload drawings that include site plan, elevation, and floor plans
- Other Readiness to Proceed (1 pts)
 - Describe factors that will allow the proposed project to proceed
- Financial need. Show the gap. (2 pts)

Financing & Readiness to Proceed

10 Points total

» Project Financing (5 pts)

- Financing excluding Workforce Housing Tax Credits (show gap)
- Letters of Interest with funding details on letterhead and signed
- Personal equity or developer equity verified by 3rd party
 - Letter or Bank Statement confirming funds available
- Scoring based on percent of financing committed and documented
 - 5 points - 100% (Non-Workforce funding Secured)
 - 4 points - 90-99% (Non-Workforce funding Secured)
 - 3 points - 80-89% (Non-Workforce funding Secured)
 - 2 points - 70-79% (Non-Workforce funding Secured)
 - 1 point - Less than 70% (Non-Workforce funding Secured)

Example of private lender letter of interest



300 Cherana Place, Suite 101
Sioux Falls, South Dakota 57103
605.444.4000

May 23, 2023

Mr. or Mrs.,

Please let this letter serve as an outline for CorTrust Bank's financing proposal for a 64-unit apartment in City, IA, consisting of 1, 2, and 3-bedroom units. Please give us a call if you have any questions concerning this offer. Thank you for giving CorTrust Bank an opportunity on this loan request. We appreciate your business!

Construction Loan

Borrower: City Developers, LLC

Loan Amount: \$7,162,250.00

Equity Amount: \$1,850,000.00

Loan Type: Multiple Advance Closed End
Interest only through construction plus a 3-month ramp-up period, then P&I payments until maturity

Amortization: Up to 25 Years

Loan Maturity: Up to 10 Years

Interest Rate: 7.25% - Fixed 5 Years, then 5-Year CMT + 275 bps

Penalty: The loan will have a prepayment penalty equal to 1% for the first three years. The prepayment penalty will be waived if collateral is sold to an unrelated 3rd party or paid off from business cashflows.

Loan Fee: 50 bps at origination

Costs: Appraisal, Title Work, All Other Third-Party Costs

Guarantees: 125% Pro-rata guarantees from both [investors](#)

It should be noted that equity investors, Bob Smith and Susan Smith, have current financials on file at CorTrust Bank, and their capacity to contribute the required capital for the project is verified.

Member FDIC

CorTrustBank.com



300 Cherana Place, Suite 101
Sioux Falls, South Dakota 57103
605.444.4000

Covenants:

Borrower agrees to provide the following financial information:

- Reviewed financial statement within 120 days of fiscal [year-end](#)
- Complete tax return within 120 days of fiscal year-end
- Occupancy reporting quarterly once lease-up [begins](#)
- Guarantor personal financial statements, tax returns, and related K-1's annually

Borrower agrees to maintain a minimum Debt Service Coverage Ratio of 1.15:1.00 prior to distributions to investors, and 1.00:1.00 after distributions to investors. Debt Service Coverage Ratio will be calculated using Net Operating Income divided by Debt Service. Net Operating Income will be defined as Operating Income prior to Interest, Depreciation, and Amortization expense. Debt Service will be defined as all Principal and Interest expense.

Borrower agrees to establish and maintain a Building Maintenance Reserve account at CorTrust Bank, funded with 2% of gross revenues.

Borrower agrees to make no distributions to investors during the construction period.

Borrower agrees to use all member equity for construction expense prior to any use of loan proceeds.

Upon completion of the apartment, borrower agrees to maintain insurance in amounts and coverages acceptable to the bank. The policy will have a mortgage clause naming the bank as loss payee.

Sincerely,

Market President

Member FDIC

CorTrustBank.com

Project Impact

16 Points total

- Economic and Community impact questions (5 pts)
 - Recent and future business expansions that created a need for additional housing
 - Barriers to job growth because of limited housing
- Proposed project impact on community (3 pts)
- Market need (5 pts)
 - 3rd party market study
 - County or community housing assessment study
 - Developer market review form ([download in application to fill out](#))

Project Impact

16 Points total

- Letter(s) of support (1 pt)
 - Letters from local partners (not including City or County government)
- Underserved City (2 pts)
 - Located in a community that has not received a WHTIP in last 3 years
- Thriving Communities (5 pts)

IOWA THRIVING COMMUNITIES

THE INITIATIVE WILL PROVIDE COMMUNITIES THAT ARE **LEVERAGING INNOVATIVE METHODS TO ATTRACT HOUSING OPPORTUNITIES** FOR THEIR WORKFORCE WITH A CHANCE TO BE RECOGNIZED FOR THEIR EFFORTS.

ABOUT

- A limited number of communities are awarded the designation, which comes with highly sought after scoring points for the Federal Housing Tax Credit and/or Workforce Housing Tax Credit programs.
- The scoring points will be available through the end of the calendar year following the community's designation as an Iowa Thriving Community.

2024

IOWA THRIVING COMMUNITIES

Cedar Rapids – WHTC

Charles City – WHTC & LIHTC

Creston – WHTC

Dubuque – WHTC

Jefferson – WHTC & LIHTC

Knoxville – WHTC

Manning – WHTC

Muscatine – WHTC

Oskaloosa – WHTC & LIHTC

Stanton – WHTC

West Des Moines – LIHTC



*WHTC- Workforce Housing Tax Credit

*LIHTC- Low Income Housing Tax Credit



Developer Market Review

INFORMATION SPREADSHEET FOR PROPOSED PROJECT

Subject Project Description				
Project Name:				
City/County:				
Proposed Action (check appropriate box(es)):	Rental		New Construction	Budget: <input type="text"/>
	Sale		Renovation	Budget: <input type="text"/>
Subject Project - Unit Mix	# of Units	Ave. Unit Size	Ave. Unit Rents	
Studio				
1-Bdrm				
2-Bdrm				
3-Bdrm				
4-Bdrm				
Subject Project Amenities and Deficiencies; Land and Bldg				
Comparable Market Rental Projects				
Project Name				
Project Address				
City				
	Comparable 1	Comparable 2	Comparable 3	Comparable 4

Workforce Housing Application Budget Section

» Financing Sources

- Only include residential costs
- If mixed-use development a portion of structural may be included

☰ Project Financing Sources - Multi-List		
Project expenditures shown in the below section MUST EQUAL Project Financing Sources shown in this section.		
A Workforce Housing Tax Incentive amount must be included as a source of funds, and the total amount must match the total requested amount.		
Source	Amount	Status
	\$0.00	
HOME (Loan)	\$2.00	Applied for
FHLB Affordable Housing Program (Grant or Forgivable Loan)	\$3.00	
Private Lender (Loan)	\$4.00	
Local Match (Loan)	\$6.00	
Private Lender (Loan)	\$50,000.00	Committed
Developer (Cash or Equity)	\$50,000.00	Committed
Requested Workforce Housing Tax Incentive Amount	\$300.00	Committed
Local Match (Loan)	\$500,000.00	Committed
Requested Workforce Housing Tax Incentive Amount	\$7.00	Applied for
	\$600,322.00	

Workforce Housing Application Budget Section

Project Expenditures (RESIDENTIAL ONLY)

PROJECT EXPENDITURES AND PROJECT FINANCING *MUST BALANCE.*

<i>Building Acquisition:</i>	<input type="text" value="\$100,000.00"/>
<i>Land Acquisition:</i>	<input type="text" value="\$10.00"/>
<i>Site Development (including demolition):</i>	<input type="text" value="\$3.00"/>
<i>Construction (materials only)</i> <i>Sales Tax Refund is 6% on this amount:</i>	<input type="text" value="\$600,000.00"/>
<i>Construction (labor and operations):</i>	<input type="text" value="\$500,000.00"/>
<i>Architect/Engineer Fees:</i>	<input type="text" value="\$10.00"/>
<i>Building Permits and Fees:</i>	<input type="text" value="\$10.00"/>
<i>Loan Fees and Interest:</i>	<input type="text" value="\$10.00"/>
<i>All Other Costs:</i>	<input type="text" value="\$17.00"/>
<i>Project Accounting and Legal:</i>	<input type="text" value="\$10.00"/>
<i>Developer Fee:</i>	<input type="text" value="\$10.00"/>
<i>Appliances and Furnishings:</i>	<input type="text" value="\$10.00"/>
<i>Reserves and Lease-up:</i>	<input type="text" value="\$100.00"/>
Total:	\$1,200,190.00

» Estimated Expenses

- Costs directly related to (shown below) are used to estimate WHTC amount

» “Costs directly related to” includes:

- Expenditures for site preparation work
- Surveying
- Construction materials
- Construction labor
- Architectural services
- Engineering services

Workforce Housing Application

» Required Attachments


- City resolution of support for the project
- Photos of project
 - Pictures of exterior/interior showing condition for dilapidated properties
- Financial match from city (it not covered in city resolution)
- Map of proposed project location
- Documentation of site control
- Market study / Housing assessment / Developer Market Review
- Screenshot of [FEMA Map](#)
 - FEMA letter (if site is depicted in 100-year flood plain)

Required Attachment

FEMA Flood Map Service Center: Search By Address

Enter an address, place, or coordinates: [?](#)

1963 Bell Ave. Des Moines, IA 50315

 Whether you are in a high risk zone or not, you may need [flood insurance](#) because most homeowners insurance doesn't cover flood damage. If you live in an area with low or moderate flood risk, you are 5 times more likely to experience flood than a fire in your home over the next 30 years. For many, a National Flood Insurance Program's flood insurance policy could cost less than \$400 per year. Call your insurance agent today and protect what you've built.

[Learn more about steps you can take](#) to reduce flood risk damage.

Search Results—Products for **DES MOINES, CITY OF**

[Show ALL Products »](#)

The flood map for the selected area is number **19153C0335F**, effective on **02/01/2019** [?](#)

DYNAMIC MAP






PRINT MAP/
FIRMette

MAP IMAGE



DOWNLOAD
FIRM PANEL

Changes to this FIRM [?](#)

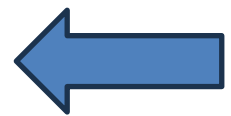
-  Revisions (0)
-  Amendments (1)
-  Revalidations (0)

You can choose a new flood map or move the location pin by selecting a different location on the locator map below or by entering a new location in the search field above. It may take a minute or more during peak hours to generate a dynamic FIRMette.

[Go To NFHL Viewer »](#)



Screenshot of FEMA Map



Application reminders

- » Please ensure applications are correct and complete before submitting.
- » Once submitted, applications may not be corrected.
- » Please make sure all contact information is correct! We will use information provided to communicate with applicants.

Application reminders

- » Best way to reach out with questions is via email: nick.sorensen@iowaeda.com
- » Expect this application round to be highly competitive with requests exceeding the amount of available credits
- » FY24 round (last year) we received nearly double the amount of applications than were funded.

Application review timeline

- » Applications will be due **Jun 10, 2024 at 4:30:00 PM**
- » Awards expected to be announced mid August

Upper Story Success Example

» Tipton Theater



Multi Family Example

» Coralville “The Lundell”



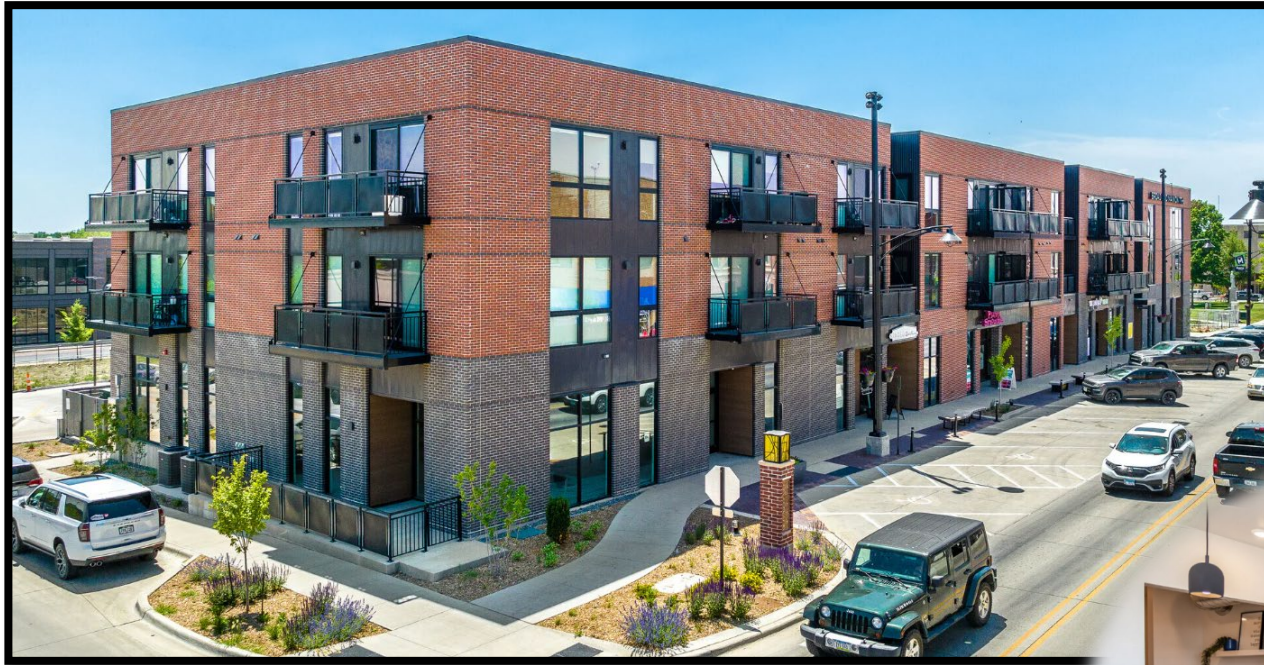
Single Family Success Example

» Glidden Duplexes



Mixed Use Success Example

» Marion “Broad and Main”



Adaptive Reuse Success Example

» Sioux City “Blue Bird Flats”



Next Steps

- » Projects that are awarded will receive an award letter from IEDA at award announcements
- » Award announcement to be made early August, 2024
- » Projects will receive a contract from IEDA
- » New: Awardee training with IEDA on Workforce process
- » Review, sign documents and return within 60 days or IEDA needs to be notified of return of award.

Important Dates

» Annual Compliance Reporting

- Annual Compliance Reports sent out May 1st
- Due June 1st each year until project completion

» June 30, 2025 – construction has started

- Break ground and making progress
- Credits to be rescinded for reallocation

» Completion with 3 years of award date

- Completed = certificate of occupancy has been issued

Close Out

- » Schedule of Expenses
- » Release of Confidential State Tax Information
- » Articles of Incorporation (only required if an entity)
- » Certificate of Existence (only required if an entity)
- » Certification Statement
- » Certificate of Occupancy (details on next slide)
- » CPA Examination required
 - Must be signed by the individual completing the exam
 - Reach out to your CPA once awarded
 - Must have the Qualifying Expenses Amount in the exam
- » Photographs (Minimum of 6 photos interior/exterior)

Certificate of Occupancy

» The tax certificate is based off placed in service and project is complete, the certificate of occupancy.

» The Certificate of occupancy should include:

- City/Company name
- Owner
- Parcel Number
- Address
- Zoning
- Owner
- Construction Type
- Building Code it was constructed to
- Date completed
- Signature of authority certifying the property

Fees

» Origination Fee

- \$500.00 for all projects

» Compliance Fee

- .5% of Award amount for awards over \$100,000.00
 - Example: \$1,000,000 award = \$5,000.00

lowagrants.gov

- » Awarded projects will be managed through lowagrants.gov.
- » Recent maintenance in Dec 2022 now requires a password reset
- » IEDA close out documentation and other project related documents will be submitted through this account.
- » Application, award letter, contract, annual compliance reports and correspondence maintained in this system.

Application Preview

Nick Sorensen

515.348.6212

Nick.Sorensen@iowaeda.com

The logo for IOWA economic development is located in the bottom-left corner of a dark grey curved shape. It features the word "IOWA" in a bold, white, sans-serif font, with the letter "O" filled with a lime green color. Below "IOWA" is the phrase "economic development" in a smaller, lowercase, lime green font. A registered trademark symbol (®) is positioned to the right of the word "IOWA".

IOWA
economic development[®]