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Back on Track: Revising Iowa's State Historic Tax Credit Program

In 2000,[1] people restoring historic properties in Iowa got their first crack at state tax credits, when the legislature approved an annual budget of $2.4 million for a new program that would benefit rehabilitation of historic structures in the state. What began as a relatively modest initiative evolved into a $45-million-dollar-a-year appropriation funding both Main Street and Maple Avenue, commercial and residential properties, and flexible enough for historic rehabs ranging from tens of millions to a few thousand dollars.

The program, administered through the State Historic Preservation Office (SHPO), a division of the Department of Cultural Affairs (DCA), awards applicants 25% of a project's qualified rehabilitation costs at completion. Its secret sauce is in how that 25% is returned to applicants.

Many tax credit programs are just that, a credit against taxes owed. Since July 1, 2007, Iowa takes its historic tax credits one step further. While applicants can opt to apply the dollars against state taxes owed, they can also receive all or part of the credit as a direct cash payment. The state describes this as its "refundable" option; it is attractive to out-of-state investors with no tax liability, residents whose tax bill is too low to benefit from a pure income tax rebate, and not-for-profits who pay no state taxes. The tax credits are also "transferable," that is, they can be passed along to other entities. Between 2000 and 2014, the state has disbursed more than $196 million to 292 projects; since projects can reapply for tax credits more than once, the total number of tax credit awards, 540, is even higher.[2] The program has enjoyed the support of Iowa's governors and legislature.

Rules and administration have evolved since the program's inaugural year. One significant change came in 2006. Between 2001 and 2006, only income-producing projects could apply for the tax credit. Fueled by advocacy for expansion,[3] in 2006, a portion of the appropriation was set aside for what was described a "small projects fund," projects with costs of $500,000 or less, that included private residences. For the first time, owners of historic homes could offset the costs of rehabilitation using the fund.

Unfortunately, not all changes have been of benefit. 2014 alterations have been particularly troubling. Required review deadlines were dropped; steps were added to the process; a new partner agency, the Iowa Department of Revenue (IDR), was given review power during the application process; and financial certification requirements were increased.

The enhanced review process has also created challenges. Small project applications, sometimes written by untrained homeowners or business people, have been difficult for experienced SHPO staff to interpret. There is a learning curve for owners in their understanding the rehabilitation expectations. Relatively small dollars often do not warrant the expense of hiring experienced tax credit consultants.

All of these changes have created a cascading delay effect that have rippled through the entire state tax credit program:

- After a mandatory ninety-day rule was eliminated, approvals took longer to move through SHPO. Applicants are left at the mercy of an undefined review timetable, unsure if their buildings are qualified or if their work plans will meet SHPO standards.
- Applicants in the small projects category, sometimes homeowners or others with minimal skills to complete the program requirements, are either unable to find consultants willing to take on new clients or unable to afford the cost of doing so. Many times, these are individual owners who may file one tax credit application and never pursue another.

- Despite the increases in the number of applications, there has been no increase in SHPO review staff.
- The additional program steps, including the contract requirement and more intense financial oversight by the Department of Revenue, have increased the time in which many projects are receiving their tax credits.
- The delay in delivery of tax credits, either as cash payments that help pay back construction loans or as transferable assets that are part of an overall financial agreements, has forced some applicants to pay interest penalties to their lenders while they await final approvals.
- As changes worked their way through the process, issues with large projects tended to be handled first; small projects played second fiddle and experienced even longer processing times.

The upshot is that tax credit users are demanding changes to the program through new language in the Iowa Code; they are looking to the legislature to vote in the current spring session on changes that would take effect July 1, 2016. Further complicating the issue is that changes to the code trigger new administrative rules that must be written and reviewed. And during the gap period, no tax credits can be issued.

To make matters worse, the proposed changes do not address all the issues with which small projects fund applicants have been grappling. If history repeats itself, large projects will be first down the pipeline, with approvals for small projects delayed.

The issue is a complicated one. But the devil is in the details. It is important to understand how the program began, evolved and went off the rails in order to determine how it can be put back on track so that it can continue to benefit Iowa's historic buildings and sites.

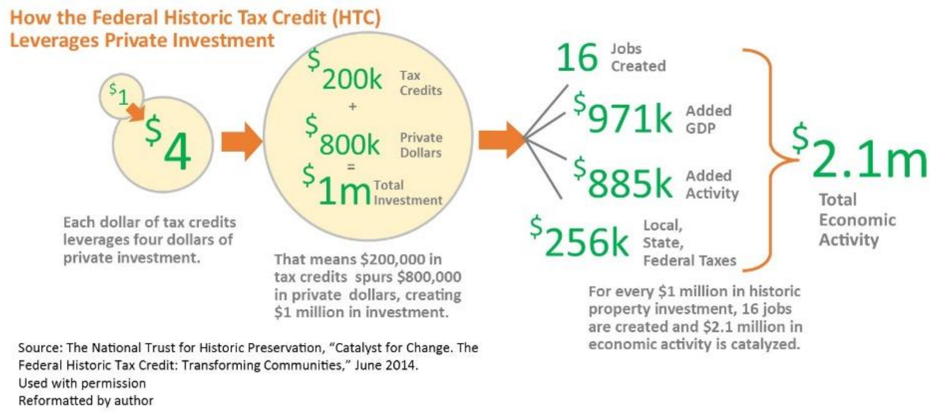
The Impact of Historic Tax Credits on Historic Preservation

The granddaddy of all historic tax credit programs is the federal Historic Rehabilitation Tax Incentives program managed through the National Park Service (NPS). Congress recognized the importance of preserving historic buildings and the need for private funding to support their rehabilitation in the Tax Reform Act of 1976. It enacted the first federal historic tax credit legislation in 1978.

According to the Internal Revenue Service in a 2002 training document:

> "The Historic Preservation Tax Incentives program...is the nation's most effective Federal program to promote urban and rural revitalization and to encourage private investment in rehabilitating historic buildings."[4]

In a study of the program's impact since its beginning in 1978, it is credited with rehabilitation of more than 39,500 historic buildings and private sector investment of more than $109 billion. It has cost the U. S. Treasury more than $21 billion in tax credits, but has returned to it more than $26.6 billion in taxes.[5]



The cumulative impact of a $1 million investment in historic rehabilitation is estimated to generate $2.1 million in economic activity; that translates into new jobs, a stronger gross national product, and higher revenues and taxes. One dollar in tax credits generates four dollars in additional expenditure.[6] The tax credit program has continue to fuel economic redevelopment; in fiscal year 2013, the NPS approved projects that will equal $6.7 billion in investment at their completion.[7] It would appear that Congress's original intent for creating the historic tax credit incentive-- to leverage private investment for projects that help rebuild communities—is working.[8]

The impact for the Iowa historic tax credits was tracked in two studies. The 2014 study, looking at projects funded between 2009 and 2014 found that:

- Completed projects numbered 158; total rehab costs were $621.6 million.
- Of that amount, owners spent $78.3 million and external financing was $182 million.
- For every dollar in tax credits, $3.20 in non-state funding was invested in Iowa.[9]

Also noted in the study were the overall number of projects since the program began in 2001. Out of the 540 awarded tax credit applications, 212 or 49% were projects with expenditures under $500,000, or projects that would fit in the "small projects" category.[10] Almost 25% are projects with costs of $500,000 to $2,500,000.[11] Between 2001 and 2014, the smallest tax credit award was $1,400 and the largest was $8.5 million.[12]

How Federal Tax Credits Work

While rules changed in the years that followed its 1978 introduction, today's federal program offers a 20% credit against federal tax liability. The credit can be spread over a number of years. For owners with no liability, the credits awarded may also be syndicated, or what is sometimes called "sold," to others.[13] Federal credits are only available for income-producing properties, both those with commercial or residential space. There is no cap for the amount of credits that can be claimed for individual projects and there is no annual budget cap for the total tax credit dollars that can be claimed by all projects in one year.

Federal historic tax credit applications are a three-stage approval process:

- Part 1 certification of the property as being eligible.
- Part 2 is a detailed work plan that follows the Secretary of Interior Standards for Rehabilitation,[14] the defining guidelines for historic rehabilitation. The NPS encourages but does not require applicants to complete its Part 1 or Part 2 steps prior to beginning rehabilitation.
- Part 3 is submitted when rehabilitation is finished to receive final approval of the completed work.[15]

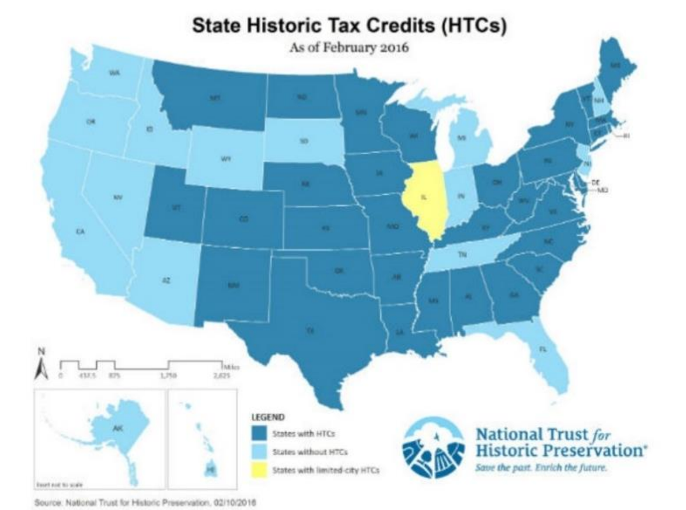
Each application is first sent to the appropriate state historic preservation office (SHPO) for preliminary review. Approved applications then move to National Park Service reviewers.[16]

Rehabilitation must be “substantial.” For the federal program that is defined the greater of $5,000 in rehab costs or 100% of the assessed value of the building. Eligible structures must be listed in the National Register or eligible for listing.[17]

The timetable for review is spelled out in NPS regulations, allowing two non-binding thirty-day review periods, one at the SHPO and one at the NPS. The thirty days are not strict guidelines, but applicants are offered the option of contacting the NPS if they believe submitted materials are not being reviewed in a timely fashion; the agency may intervene on their behalf. [18]

Request for amendments can add more time to the process, but the thirty-day guidelines offer applicants a rough approval schedule. The need for a timetable is a critical element in the rehabilitation process since it can determine what funding will be required and the details of construction contracts and deadlines.

The success of the federal tax credit program spurred the introduction of state historic tax credit funds across the country. Iowa joined the list of states offering this incentive in 2000.



The Iowa Program

According to a 2014 Iowa Department of Revenue study, which noted that thirty five states offered historic tax credits, Iowa’s tax credit incentive stacks up favorably against other programs:

- Iowa is one of sixteen states that does not have a per-project cap.
- Iowa is one of eighteen states offering a 25% credit.
- Iowa is one of only eight states that offers the “fully refundable” option.
- Iowa is one of fifteen states permitting the transfer of credits to other entities such as banks or outside investors.
- Qualifying properties must be listed or eligible for listing in the National Register or locally landmarked structures. [19]

While the Iowa program began modestly, since fiscal year 2013, state historic tax credits (SHTC) have operated with an annual budget cap of $45 million.[20] Initially, Iowa’s eligibility requirements were the same as those for federal tax credits; only income-producing properties were eligible. Projects often apply for the 25% state credit and the 20% federal credit.

The largest chunk of SHTC dollars--95%-- are set aside for what the state calls a “large projects fund,” that is, commercial rehabs with more than $750,000 in qualified expenses. Since there have always been more projects than dollars available, these must compete in a pool with others vying for tax credits. Initially, the outcome was determined through a lottery; randomly selected projects were permitted to continue the process.

That meant that projects that were “shovel ready” with funding and firm rehab plans could lose out to projects still in the development phase. Since readiness was not a criterion, years could pass before reserved tax credit dollars were used.

In 2014, the state changed its “large project” selection process and eliminated the lottery. Since then, any large project interested in being included for consideration must go through a registration process. There are still more projects than dollars available, so applications are still competitive. Each project is graded on a point system based on a combination of an approved Part 2 work plan and funding readiness; those with the highest number of points are allocated tax credits. The goal was to reduce the number of projects with unused credits.

Eight years before, in 2006, Iowa set aside a portion of its annual allocation for what it called a "small project fund," projects with both income-producing properties and, for the first time, non-commercial residential structures.

Having tax credits available for historic homes was a welcome option for owners. The only other state program open to this group was its very small, and extremely competitive Historic Resource Development Program (HRDP) grant pool, which is also open to others seeking preservation dollars. Traditionally, many funding sources available for home rehabilitation are income restricted.[21] While these are an important asset in rehabilitating deteriorated or aging housing stock, they are limited in their reach. Income is not a factor in determining tax credit eligibility.

The "small projects fund," whose dollars total 5% of the $45 million appropriation, has, to date, been non-competitive; there have not been enough projects requesting funding each year to exhaust available dollars. Both commercial and owner-occupied residential buildings with rehab costs totaling less than $750,000—the small project cap was raised in 2013-- are eligible to apply.

As with federal tax credits, rehabilitation must be "substantial." In Iowa, that is defined as:

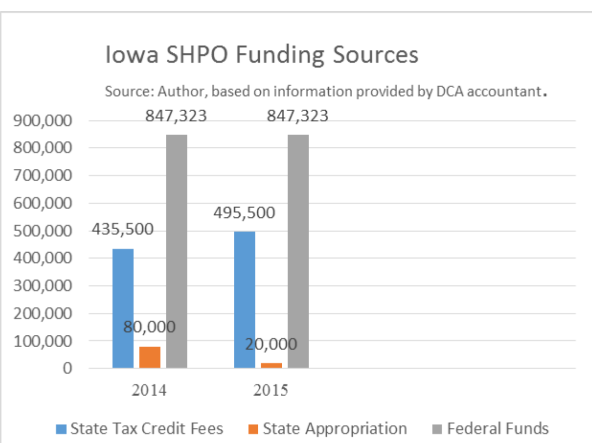
- Income-producing properties, applying for large and small funds, the lesser of either rehabilitation costs of $50,000 or 50% of the assessed value of the building.
- Residential properties, applying in the small projects fund only, the lesser of either rehab costs of $25,000 or 25% of the assessed value of the building. Since derelict residential buildings can have a very low assessed value, the barrier to entry can be very small.
- Since there have always been enough dollars in the fund to cover applications, there is no requirement that small projects be "shovel ready."

When the program began, its process paralleled the three-step federal application; an additional form, a "qualified rehabilitation expense" (QRE) report of either estimated or actual expenses had to be submitted with the Part 2 and Part 3 segments of large project applications only. All applicants are encouraged, but not required, to delay rehabilitation work until after their Part 2 work plan is approved. Until 2014, written approval of the Part 2 work plan also included the provisional amount of tax credits being allocated to the project. Knowing the tax credit number helped some applicants secure from financial institutions the final piece of their budget package.

Part 2 and Part 3 applications must be accompanied by a sliding-scale application fee. A portion of these fees account for almost forty percent of the SHPO's budget; sixty percent comes from pass through federal dollars that fund other agency activities. A relatively small appropriation from the state budget rounds out the agency's annual operating dollars.[22] Incoming applicant fees total between $350,000 and $400,000 a year. Currently, the Department of Cultural Affairs holds about $800,000 of the fees in a reserve account. The Deputy SHPO believes that, since incoming fees are less than the amount allocated to the budget, the reserve account will be exhausted by 2018.[23]

Estimated Qualified Rehabilitation Expenses	Part 2 and Part 3 Review Fees (Each part)
$50,000 or less	No Cost
$50,001 to $100,000	$250
$100,000 to $750,000	$500
$750,001 to $6,000,000	$1,000
Over $6,000,000	$1,500

Source: Iowa Department of Revenue CACTUS website



Emerging Issues

Regulations and rules governing the Iowa historic tax incentive have evolved. Chapter 404A, "Historic Preservation and Cultural and Entertainment District Tax Credit," defines the administration of the program.[24] In 2013, a Historic Tax Credit Stakeholders' Group was appointed by the Iowa governor; they were tasked with reviewing the program. They were joined by staff from the Department of Cultural Affairs and the Iowa Department of Revenue. The group's mission focused on streamlining processes and making them more user-friendly while ensuring appropriate controls and standards. [25]

One of the issues driving the review was fallout from the Iowa Film Tax Credit debacle. Poor administrative oversight of this unrelated program administered by another agency led to tax credit dollars awards for unqualified expenses paid to out of state film producers. The program was canceled in 2009, but the publicity, trials, and lawsuits that followed cost the state millions of dollars and were still being written about in national and state publications years later.[26] The existing environment in state government at the time the stakeholder group was convening to discuss historic tax credits was one that was conscious of the fallout from the failed program and concerned that the historic tax credit, which had grown from a $2.4 million to a $45 million annual appropriation in ten years, needed more oversight.[27]

The stakeholder group met via teleconference during the first five months of 2013; it developed recommendations that included:

- Eliminating the lottery for the large fund projects.
- Adding a meeting between SHPO staff and applicants prior to the Part 2 work plan submission with a goal of minimizing Part 2 amendments.
- Shortening the Part 3 review time from ninety to thirty days.

Contracts were discussed but did not make it past the discussion stage. The group's May 2013 recommendations made adjustments to the existing process rather than wholesale program changes.[28]

The results were submitted to Department of Cultural Affairs Director Mary Cownie in May. Proposed guidelines that came out of her office in August 2013 was what one member of the stakeholder group describes as a completely different approach to the program.[29] While some of the stakeholder recommendations remained, other changes had been added. The new package that received legislative approval in spring 2014 and went into effect July 1, 2014 included:

- Reduction of the ninety-day review period for applications from a rule to non-binding goal.[30] Approval deadlines are as important for state tax credit funding as they are for federal funding. Prior to the rule change, any application not acted on within 90 days was automatically approved; the deadline gave SHPO staff a strong incentive and applicants a reasonable expectation of a timely process.
- Addition of the Iowa Department of Revenue (IDR) as a partner with SHPO/Department of Cultural Affairs in the administration of the program.
- Addition of a contract with the state after the Part 2 work plan had been approved. This contract phase included submission of additional financial information and added several months to the tax credit approval process.
- Submission by all projects, large and small, of three different qualified rehabilitation expense (QRE) forms—the first with the Part 2 application, a second during the contract phase and a third with the Part 3. This poorly designed form comes with no instructions despite the fact it has been in use for several years. It requires applicants to divide expenses into oddly named categories, leaving responses open to misinterpretation. This results in emails back and forth between SHPO, IDR and applicants, costing all parties additional time and money.

- The additional requirement that projects with expenses of over $100,000 must use a CPA to review and certify costs as part the Part 3 process. Previously, only large projects had this requirement.
- Implementation of online submissions for applications and supporting documents and photos.
- Required applicant/staff meetings prior to submission of Part 2 work plans.

Some of the changes were due to concerns that some projects were receiving more tax credits than they were due as a result of applicants using dollars from different state funding sources or federal dollars administered by the state.[31] SHPO's new partner, the IDR, wanted more financial information. It was also concerned that the provisional tax credit amounts listed in the Part 2 approval notification letter, despite the presence of strong qualifying language, seemed to guarantee the final tax credit award.[32]

Impact on Current Projects

The impact of the July 2014 program changes were not immediately felt. New administrative rules had to be approved; that task took several months to complete. Getting all applications moved to the online system also took staff time.

The online submission process has worked smoothly. The system reduces printing and mailing costs; the software functions well with few operating hiccups.[33]

Required staff/applicant meetings prior to the Part 2 work plan submissions appear to have resulted in work plans requiring less amendments.[34] Unfortunately, they have not produced quicker turnaround times for Part 2 review times. They have also added additional preparation time to the overall application process.[35]

The program's wheels came off in the contract phase that followed the approval of Part 2 work plan. Much of the current controversy surrounds what is seen as the IDR's intervention into this additional program step.

The significance of the contract process and how many months it would add to individual applications did not become apparent immediately because it took several months before applicants reach that added step. Part 3 approvals of projects in the pipeline prior to the rule changes have also been impacted by IDR's participation in program oversight and its more detailed review of the accompanying QRE form.

For developers, time is money; many secured construction loans based on a predictable construction timetable and availability of tax credits. Under the earlier process, with the Part 2 approval letter in hand, applicants were able to go to lenders and put together loan agreements.

Under the new rules, no tax credit amount is specified until the contract is drawn up. One participant describes it as "twenty nine projects, half pregnant;"[36] while work plans may be approved, there is no longer provisional tax credit amounts listed in the approval notification. The director of the IDR believed that the old language allowed applicants to improperly leverage the state to get mortgages.[37]

Applicants with completed projects are also waiting longer to receive tax credits. This has delayed their ability to transfer the asset or, with the cash option, pay off loans. At least one bank that had been an active tax credit partner has told developers it will no longer participate in the program.[38]

The squeaky wheel gets the grease, and large project developers, frustrated by delays, are making the most noise. The Smart Growth Coalition, which includes among its members some of the largest and most experienced tax credit users in the state, called a meeting with the SHPO and IDR in January 2016 to discuss concerns. They charged that the IDR has inserted itself beyond its authority to review the program and its interpretation of the administrative rules.[39] Some felt that they were suspected of committing fraud; in February, the Director of Cultural Affairs went on record to state this is not the case.[40]

In a follow up email to supporters, the group noted its intention to seek legislation eliminating the IDR from review of historic tax credits.[41] The result was House Bill 2412 which is currently making its way through the 2016 legislative session.[42]

The key change is the replacement of the Department of Revenue with the Iowa Economic Development Authority as SHPO's partner. IEDA oversees other tax credit and grant programs, including those that fund some of Iowa's Main Street programs. Smart Growth believes they will have a better understanding of economic development issues and the financial deadlines facing developers.[43] Unfortunately, other needed changes are missing.

How Small Projects Are Being Hurt

Dealing with changes in administrative rules has taken up staff time. Projects filing both federal and state applications, which are identical, tend to be processed first due to the thirty-day NPS guideline for federal applications. Approvals for small state-only applications, many of which are owner-occupied residences, tend to be closer to ninety days.[44]

Anecdotal examples include:

- The part 2 application for a residential project with expenses of less than $100,000 was not approved for six months after being misplaced at SHPO during the transition to the online submission process. Once approval came, the owner submitted materials required to generate his contract in November 2015. In mid-March 2016, he is still awaiting an agreement.[45]
- The Part 2 work plan for another residential project with expenses of $70,000 that included a handful of very clear cut items—a roof, kitchen cabinets, a few fireplace tiles, limited painting—took almost four months to approve. It was caught up in the more pressing business of rules changes and large project administration. Its contract process added an additional three months. The tax certificate arrived in September.[46]

The added requirement for all projects over $100,000 to have Part 3 CPA certification means that some small projects now must comply. The certification process is complex; there are few CPAs doing the work. Estimates range from 3-5% of overall rehab costs for small projects, a proportionally greater amount than for large projects.[47] It is sometimes easier for an experienced developer to locate such a resource than it is for a homeowner who may never have need of it again.

Another issue is the qualified rehabilitation expense (QRE) form and its missing instructions. IDR is scrutinizing these forms being submitted during the contract and Part 3 phases. It often appears that IDR reviewers are unfamiliar with the work plan that generated the expenses in the form. Any costs put into the "furnishings" or "cement" categories seem to be treated with suspicion or automatically deemed unqualified expenses.[48] While review is certainly within the purview of the agency, reviewers often appear to be applying the same criteria to QREs for owner-occupied properties as they are for income-producing properties despite the fact that the form clearly delineates the type of property under review. Other requests appear to be out of the scope of IDR authority.

- After reviewing a QRE form for an owner-occupied, residential property, the IDR asked for the depreciation schedule for electrical fixtures. Unlike landlords rehabbing income-producing residences, owners cannot depreciate any improvements to their properties. It is difficult to understand why a state revenue agency would not be aware of this basic IRS rule.[49]

- For another residential application, which was using only private funds,[50] IDR required copies of the owner's mortgage agreement. It would appear that IDR wanted to know that the owner had sufficient funding to cover rehab costs. However, financial readiness has never been a requirement for the small project fund.[51]

Many applicants are hesitant to push SHPO and IDR for fear that retribution will follow. As one said, "What if I complain and they come back and say, 'Well, we're not going to approve anything.'"[52]

Finally, there are still not enough small project fund applicants each year to exhaust allocated dollars.[53] While this means that all applications deemed eligible can be approved, it may also point to continued barriers to entry and the difficulty individuals are having in accessing the program.

Getting Back on Track

Iowa's HTC program is an important asset to state, to people engaged in preserving large and small historic structures and to the communities who benefit from their activity. Between 2009 and 2014, almost $120 million in state historic tax credits helped fund 158 rehabilitation projects with rehab costs totaling almost $622 million. Every one dollar of Iowa tax credits, attracted an additional $3.20 in investment.[54]

It is extremely critical that the program continue to move forward with timely application reviews and approvals during what appears to be another upcoming round of changes to the Iowa code and the administrative rules. Assuming the bill moving through the legislature is approved, SHPO and its new partner IEDA would be wise to ask for additional changes to the current legislation and address other concerns through new administrative rules:

- Within House File 2412 and final legislation enacted affected Chapter 404A:
    - Remove CPA certification requirement for all small projects or for any project that is funded privately.
- Within new administrative rules:
    - Change non-binding review deadlines for Part 1, 2, and 3 state applications for all projects to thirty days to match the NPS guidelines.
    - Set shorter non-binding deadlines for contract phase.
- As part of operating procedures:
    - Write instructions for the QRE form to clarify appropriate items to be included in each category.
    - Require those reviewing the forms to read the project's Part 2 work plan.
- To further assist small project applications:
    - Add a SHPO small project ombudsman or technical resource person responsible for reviewing these applications, making site visits and providing training targeted to this group.
    - Consider scaling requirements for small project applications under $100,000, with a goal of making these applications more streamlined.

A final consideration would be to add additional SHPO tax credit reviewers. This funding could come from raising Part 2 and 3 application fees on the largest projects or request a larger budget allocation from the Iowa legislature.

The SHPO recognizes that all project applicants—and to a greater extent small projects—have been impacted by changes to the historic tax credit program. Administrators are willing to listen to recommendations from users. However, with potential rules changes looming on the horizon, the likelihood of further disruption is high. Both SHPO and its potential new partner IEDA must be diligent in continuing to deliver on this important historic preservation and economic development asset.

Endnotes

Please Note: A number of people interviewed for this paper asked not to be identified. When a quote from the same person follows in succession, the footnote is noted "Ibid." When different anonymous sources are quoted in succession, they are noted as if referencing a different source.

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[1] Iowa's government calendar runs on a fiscal year beginning on July 1. The historic tax credit program was approved by the legislature in 2000. The tax credits became effective with the state's fiscal year of 2001 which began July 1, 2000. Data tables in state reports reference the fiscal year.

[2] Zhong Jin, "Iowa's Historic Preservation and Cultural and Entertainment District Tax Credit. Tax Credits Program Evaluation Study," December 2014, *Iowa Department of Revenue,* 7, accessed March 19, 2016, at https://tax.iowa.gov/sites/files/idr/Historic%20Preservation%20Tax%20Credit%20Evaluation%20Study.pdf.

[3] Rebecca McCarley, in discussion with author, February 24, 2016. McCarley heads Spark Consulting and is an architectural historian who works regularly with SHPO to do National Register nominations and tax credit applications. In 2004, she began working on legislation impacting state historic tax credits through an advocacy group called The Iowa Cultural Coalition, including the addition of the small projects fund. McCarley was also appointed to a 2013 Governor's Task Force appointed to review and recommend changes to the HTC program.

[4] Internal Revenue Service, "Market Segment Specialization Program, Rehabilitation Tax Credit,"1-1, quoted in Place Economics, "Catalyst for Change. The Federal Historic Tax Credit: Transforming Communities," *National Trust for Historic Preservation*, June 2014, accessed March 10, 2016, at http://www.preservationnation.org/take-action/advocacy-center/policy-resources/Catalytic-Study-Final-Version-June-2014.pdf.

[5] Rutgers University, Bloustein School of Planning and Public Policy, "Annual Report on the Economic Impact of the Federal Historic Tax Credit for FY 2013, Technical Preservation Services," *National Park Service,* forthcoming in late 2014, cited in Place Economics, "Catalyst for Change. The Federal Historic Tax Credit: Transforming Communities," *National Trust for Historic Preservation*, June 2014, 3, accessed March 10, 2016, at http://www.preservationnation.org/take-action/advocacy-center/policy-resources/Catalytic-Study-Final-Version-June-2014.pdf.

[6] Place Economics, "Catalyst for Change. The Federal Historic Tax Credit: Transforming Communities," 6.

[7] Zhong Jin, "Iowa's Historic Preservation and Cultural and Entertainment District Tax Credit. Tax Credits Program Evaluation Study," 15.

[8] "Historic Tax Credits," accessed March 17, 2016, at http://www.occ.gov/topics/community-affairs/publications/fact-sheets/fact-sheet-historic-tax-credits.pdf.

[9] Jin, "Iowa's Historic Preservation and Cultural and Entertainment District Tax Credit," 22-23.

[10] Ibid, 50. The statistic is significant in showing the appeal for relatively small projects. The data from 2001 to 2006 includes data on projects prior to the creation of the "small projects" fund, so all 212 of the projects with costs under $500,000 are not classified as such within program reports.

[11] Ibid, 49.

[12] Zhong Jin and Mike Lipsman, "Iowa's Historic Preservation and Cultural and Entertainment District Tax Credit Program Evaluation Study," *Iowa Department of Revenue,* March, 2009, 30, accessed March 19, 2016, athttps://tax.iowa.gov/sites/files/idr/HistoricPreservationCreditStudyMar09.pdf. In the earliest years of the

program, tax credits were awarded in the year of the projected completion date. Thus, the 2009 study was able to project awards into future years.

[13] "Sold" is a term frequently but incorrectly used. Federal historic tax credits may be legally syndicated by creating ownership agreements under which investors becomes partners with access to tax credits and their benefits. Michael R. Allen, "Why We Need the Federal Historic Tax Credit," March 18, 2014, accessed March 16, 2016, at https://nextcity.org/daily/entry/why-we-need-the-federal-historic-tax-credit.

[14] "The Secretary of the Interior's Standards for Rehabilitation," accessed March 17, 2016, at http://www.nps.gov/tps/standards/rehabilitation/rehab/stand.htm.

[15] "Tax Incentives for Preserving Historic Properties," accessed March 16, 2016, at http://www.nps.gov/tps/tax-incentives.htm.

[16] "Historic Preservation Tax Incentives," 6-7, accessed March 17, 2016, at http://www.nps.gov/tps/tax-incentives/taxdocs/about-tax-incentives-2012.pdf.

[17] Ibid, 9-10, 4-6.

[18] "NPS Regulations-36 CFR 67, (4) and (6)," 390-391, accessed March 15, 2016, at http://www.nps.gov/tps/tax-incentives/taxdocs/36cfr67.pdf.

[19] Jin, "Iowa's Historic Preservation and Cultural and Entertainment District Tax Credit," 6, 11, 38-42.

[20] The annual program cap began at $2.4 million in 2000, then rose to $6.4 million for 2006, then $10 million in 2008, $15 million for 2009, $20 million in 2010. In 2009, the figure for 2010 was raised to $50 million per year. The cap was lowered to $45 million beginning fiscal year 2013 and has remained at this level. Jin, "Iowa's Historic Preservation and Cultural and Entertainment District Tax Credit,"37.

[21] Brooke Hayes-Upton, email with author, March 22, 2016. Hayes-Upton is Finance Director for Neighborhood Housing Services of Davenport Iowa. NHS rehabs older housing stock in Davenport's urban core neighborhoods and provides mortgage loans for moderate income people using federal and state housing funds. Almost all the funding available is income restricted.

[22] Lori Norem, in discussion and emails with author, February 2, 2016. Norem is an accountant with the Iowa Department of Revenue.

[23] Steve King. King is Iowa Deputy SHPO.

[24] "Historic Preservation and Cultural and Entertainment District Tax Credit—Eligible Property," accessed March 10, 2016, at http://coolice.legis.iowa.gov/cool-ice/default.asp?category=billinfo&service=iowacode&input=404A.

[25] Rebecca McCarley.

[26] Richard Verrier, "Incentives to Woo Hollywood Productions Were Suspended amid Allegations of Abuses, the State's Former Film Chief Is Accused of Official Misconduct and Six Filmmakers Are Charged with Fraud," *Los Angeles Times,* January 19, 2011, accessed February 29, 2016 at http://articles.latimes.com/2011/jan/19/business/la-fi-ct-onlocation-20110119 and *Newton Daily News*, "Nebraska Filmmaker Guilty of Tax Credit Fraud in Iowa," February 2, 2015, accessed March 18, 2016, at http://www.newtondailynews.com/2015/02/02/nebraska-filmmaker-guilty-of-tax-credit-fraud-in-iowa/afcveh5/ and Robert W. Wood, "When Too Good Tax Deals Become Fraud," *Forbes*, May 31, 2011, accessed March 18, 2016, at http://www.forbes.com/sites/robertwood/2011/05/31/when-too-good-tax-deals-become-fraud/#4d9e56c16c2c, and Jason Clayworth, "Iowa Pays $2 Million To Settle Film Lawsuit," *The Des Moines*

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[27] Anonymous participant, in conversation with author.

[28] Rebecca McCarley.

[29] Changes were also described as "major" in a newspaper article following the April 2014 vote. William Petroski, "Iowa Senate OKs Revisions to Historic Preservation Credits," *Des Moines Register*, April 21, 2014, accessed March 20, 2016, at http://www.desmoinesregister.com/story/news/politics/iowa-politics/2014/04/21/iowa-historic-preservation-tax-credits/7980827/.

[30] "State Tax Credit," accessed March 17, 2016 at https://iowaculture.gov/history/preservation/tax-incentives/state-tax-credit.

[31] Between 2008 and 2011, the state was receiving additional rehabilitation dollars tied to severe flooding as well as federal stimulus dollars following the 2008 financial crisis. These sources also found their way into historic preservation projects. Steve King.

[32] Steve King.

[33] Author assessment.

[34] Steve King.

[35] Anecdotal evidence based on experience of author and others she had interviewed. The author is currently working on six different applications.

[36] Anonymous participant, in discussion with author.

[37] Anonymous participants, in discussion with author.

[38] Anonymous participant, in discussion with author.

[39] Anonymous participant, in discussion with author.

[40] "Two State Agencies Will Work Together to Administer State Historic Tax Credit Program," *Business Record,* February 4, 2016. Attached in email sent to author. Publication requires a subscription for digital access.

[41] Kris Hubbell, "Smart Growth" email, January 15, 2016. Saddoris is Vice President for Development, Hubbell Realty. Hubbell is a developer of large tax credit projects of many varieties and a leader in the Smart Growth Coalition.

[42] "House Bill 2412," accessed March 19, 2016, at https://www.legis.iowa.gov/publications/search/document?fq=id:767601&q=HF 2412.

[43] "Two State Agencies Will Work Together to Administer State Historic Tax Credit Program."

[44] Based on author's experience, and comparing time frames for projects approved prior to the rules changes.

[45] Anonymous small project participant, in discussion with author.

[46] Ibid.

[47] Based on author's conversations with a CPA and other applicants looking for this resource.

[48] Based on author's experience and discussions with other applicants.

[49] Based on one of author's client applications.
[50] Part of the reason for the 2014 changes was because the IDR believed that some applicants were incorrectly using more than one state funding source, in effect "double dipping." This should not be an issue when private funds make up 100% of rehabilitation costs.

[51] Under existing rules, financial readiness is only graded for applications vying for limited dollars in the large projects pool.

[52] Anonymous small project applicant, in discussion with author.

[53] Jin, "Iowa's Historic Preservation and Cultural and Entertainment District Tax Credit," 37.

[54] Ibid, 52.

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