

Workforce Housing Small Cities Set-Aside

Questions about this proposal may be directed to:

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Background: The Workforce Housing Tax Credit program is currently oversubscribed, with the full \$20 million allocated under the existing program allocated for FY2017 and FY2018. IEDA seeks to encourage additional development of workforce housing in smaller communities in rural areas, where developers are less likely to build without additional incentives due to market forces.

Eligibility: IEDA proposes to create a “small cities” set-aside under the Workforce Housing Tax Credit program for small communities. The set-aside would be available for qualifying housing projects taking place in all Iowa communities *except* those located in the 11 most populated counties in Iowa, per the most recent U.S. census data. The top 11 most populated counties include all of the major metro areas, suburbs, and ring cities. There is a significant drop in population after the 11th most populated county.

Tax Incentives: Qualifying projects in small cities would be eligible for the following benefits.

1. 20 percent investment tax credit on qualifying new investment available to registered projects. Under the existing program, projects may only qualify for a 10 percent credit. The 20 percent credit amounts to a maximum of \$30,000 per housing unit. However, the maximum credit *per project* would still be \$1 million, the same as allowed under the existing program, because there is not as much demand to build a higher number of units in smaller communities. For example, using the 10 percent credit under the existing program, a \$1 million credit amounts to approximately 64 units. Under the proposed small cities set-aside using 20 percent credit, a \$1 million credit amounts to 32 units. This is a large project by any standards, and would be especially significant for a smaller community.
2. Refund of sales and use taxes on services and materials. This is already available to all projects under the existing program.
3. Housing projects in small cities would be eligible to build new units on greenfield property (new, non-developed land that is neither Brownfield nor Grayfield property). Under the existing program, a housing development consisting of new units (not redeveloped) may only qualify for credits if it is located on a Brownfield or Grayfield site, unless a distressed workforce housing assessment is completed and approved by IEDA.

Funding: IEDA proposes to allocate \$10 million from IEDA’s \$170 million tax credit cap set forth in Iowa Code section 15.119. This would bring the total amount allocated to Workforce Housing to \$30 million. If the \$10 million is not utilized by projects in small cities, it would be made available to the larger pool of projects.