



Item #46

To: Mayor and City Council

From: Tasheik Kerr, Management Analyst

Date: May 10, 2019

Subject: Presentation by Jim Thompson regarding strategies for maintaining downtown buildings

At the February 2018 City Council Goal-Setting Session, the City Council directed staff to invite Jim Thompson from Main Street Iowa to present to the City Council at a regular meeting regarding what types of strategies are being utilized to maintain downtown buildings. Staff has invited Jim to present at the May 14 City Council Meeting. Jim has provided staff with the ten strategies below.

Tax Increment Financing TIF

TIF is a method to incite businesses to locate or expand operations in an area by directing the tax revenues generated within the TIF district for investment in the district. City Councils or Boards of Supervisors may use the property taxes resulting from the increase in taxable valuation caused by the construction or substantial rehabilitation of commercial facilities to provide economic development incentives within the district.

Urban Revitalization Area Plan

The Urban Revitalization Act, Chapter 404 of the Code of Iowa, is intended to encourage development, redevelopment, and revitalization within a designated area of a city by authorizing property tax development incentives to the private sector. Qualified real estate within a designated area may be eligible to receive a total or partial exemption from property taxes on improvements for a specified number of years, with the goal of providing communities with a long-term increase or stabilization in the local tax base by encouraging new construction which might not otherwise occur.

The revitalization area is:

- an area which is appropriate as an economic development area as defined in Section 403.17 of the Code of Iowa
- an area which is appropriate for public improvements related to housing and residential development, or construction of housing and residential development.

The need for economic development and the promotion of housing and residential development in the Revitalization Area is necessary in the interest of the public welfare of the residents of the city and the Revitalization Area substantially meets the criteria set forth in Section 404.1 of the Act.

Community Catalyst Building Remediation Program

<https://www.iowaeconomicdevelopment.com/Community/Catalyst>

Helping grow stronger communities and vibrant downtown areas. The Community Catalyst Building Remediation Program assists communities with the redevelopment, rehabilitation or deconstruction of buildings to stimulate economic growth or reinvestment in the community.

- Maximum grant: \$100,000 (Funding based on annual availability)
- 40% of funds will be awarded to cities with populations under 1,500
- Funds available for the rehabilitation of one commercial building per community or two buildings with same ownership that are adjacent
- Deconstruction is allowed in dire situations or for safety reasons
- City must be the applicant and provide financial and/or in-kind resources

CDBG Downtown Revitalization Projects

<http://www.iowaeconomicdevelopment.com/CDBG/DowntownFund>

Projects funded through this program must have long-lasting benefits for the downtown area that contribute toward a comprehensive downtown revitalization effort. The projects must take place in the downtown or historic commercial center of the community and are meant to support and demonstrate innovation. Projects must take place in communities with a population of less than 50,000 people. All funded projects must meet the CDBG national objective to prevent or eliminate slum or blight. Projects shall also follow applicable HUD requirements such as environmental reviews, historical property reviews, Davis-Bacon wage requirements, and

public participation requirements. All projects shall agree to follow the Iowa Green Streets Criteria. Projects funded from the downtown revitalization fund must be part of a comprehensive downtown revitalization effort. Applicants may apply for up to \$500,000.

Main Street Iowa Challenge Grants

(<https://www.iowaeconomicdevelopment.com/MainStreetIowa>)

Historic Tax Credits <https://iowaculture.gov/history/preservation/tax-incentives>

The State Historic Preservation Office (SHPO) of the State Historical Society of Iowa administers the State Historic Preservation Tax Incentive Program, and participates in the certification process for the Federal Historic Preservation Tax Incentives and county Historic Property Tax Exemption programs. The entire rehabilitation project must meet the Secretary of the Interior's Standards when utilizing historic tax credits.

Federal Historic Preservation Tax Incentives Program

20% of qualified rehabilitation costs

Description: 20% of qualified rehabilitation costs are available as a credit against federal income taxes on income-producing historic properties. Rehabilitation work on historic properties must be "substantial" (an IRS test) and meet the Secretary of the Interior's Standards for Rehabilitation and Guidelines for Rehabilitating Historic Buildings. Applications and photos must be reviewed by the SHPO and be approved by the National Park Service.

Eligibility Requirements: Properties must be listed on the National Register or be evaluated as National Register eligible and then listed within 30 months after claiming the credit on IRS tax forms. (A 10% tax credit is also available for non-historic, non-residential, income-producing properties built before 1936. These properties can neither be listed on the National Register nor be a contributing resource in a National Register-listed historic district.)

Statewide Historic Projects

Description: 25% of qualified rehabilitation costs are available as a credit against the owner(s) state income taxes. Properties do not need to be

income-producing. The SHPO cannot reserve credits for more than three years into the future. For a residential property or barn constructed before 1937, the cost of a qualified rehabilitation project must exceed either \$25,000 or 25% of the assessed value (less the land value) - whichever is less. For commercial properties, the rehabilitation project must exceed 50% of the assessed value of the property (less the land value) before rehabilitation. If there is no assessed value the insured value can be used. Rehabilitation work must meet the Secretary of the Interior's Standards for Rehabilitation and Guidelines for Rehabilitating Historic Buildings.

Eligibility Requirements: Properties must be listed on or eligible for listing on the National Register of Historic Places or barns constructed before 1937 or barns that are eligible or listed on the National Register of Historic Places.

ADA Federal Tax Credit (<http://www.ada.gov/taxcred.htm>)

This federal tax credit was created to help small businesses cover ADA-related eligible access expenditures. A business that for the previous tax year had either revenues of \$1,000,000 or less or 30 or fewer full-time workers may take advantage of this credit. This federal tax credit can cover 50% of the eligible access expenditures in a year up to \$10,250 (maximum credit of \$5000). In addition the tax deduction is available to all businesses with a maximum deduction of \$15,000 per year for the other costs the credit doesn't cover. The tax deduction can be claimed for expenses incurred in barrier removal and alterations.

Targeted Small Business Program

(<http://www.iowaeconomicdevelopment.com/Entrepreneurial/TSB>)

The Targeted Small Business (TSB) Program of Iowa is designed to help women, minorities and the disabled overcome some of the major hurdles to starting or growing a small business in Iowa. The TSB program makes microloans available to qualified Iowa small business owners.

To become certified, a business must:

- be located in Iowa
- operate for a profit
- have less than \$4 million in annual gross income, computed as an average of the preceding three fiscal years.
- be majority-owned (51 percent or more), operated and managed by a female, minority group member or a person with a disability.