Iowa's Historic Preservation Tax Credit

Tax Credits Program Evaluation Study

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By

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Preface

During the 2005 Legislative Session the Iowa Department of Revenue received an appropriation to establish the Tax Credits Tracking and Analysis Program to track tax credit awards and claims. In addition, the Department was directed to assist the legislature by performing periodic economic studies of tax credit programs. This is the third study completed for the Historic Preservation Tax Credit.

As part of the evaluation, an advisory panel was convened to provide input and advice on the study's scope and analysis. We wish to thank the members of the panel:

Dan Hansen	Iowa Economic Development Authority
Jake Christensen	Christensen Development
Liesl Eathington	Iowa State University
Steve King	Formerly of the Iowa Department of Cultural Affairs
Bulent Uyar	University of Northern Iowa

The assistance of an advisory panel implies no responsibility for the content and conclusions of the evaluation study.

This study contains descriptions of some components of the Historic Preservation Tax Credit program. Nothing in this study should be construed as legal advice or guidance about the program. This information is provided solely to give the reader of this study background on certain elements of the program. Summaries of the Historic Preservation Tax Credit laws and regulations in this study are not binding on the Iowa Economic Development Authority, the Iowa Department of Cultural Affairs, the Iowa Department of Revenue, or the State of Iowa.

This study and other evaluations of Iowa tax credits can be found on the Tax Credits Tracking and Analysis Program web page on the Iowa Department of Revenue website.

Executive Summary

The Iowa Historic Preservation Tax Credit was enacted in tax year 2000. The tax credit was established to help with the costs of rehabilitating certain historic buildings, to ensure that character-defining features and the spaces of buildings are retained, and to revitalize surrounding neighborhoods.

The tax credit equals 25 percent of the qualified rehabilitation expenditures incurred for the substantial rehabilitation of eligible commercial and residential property in Iowa. The annual tax credit award cap is currently $45 million.

The Historic Preservation Tax Credit program was modified during the 2016 Legislative session. Since August 15, 2016, this tax credit has been administered by the Iowa Economic Development Authority with the assistance of the State Historic Preservation Office at the Iowa Department of Cultural Affairs. For projects registered prior to August 15, 2016, the program is administered by DCA pursuant to the statutes and rules that apply to projects registered prior to August 15, 2016.

These are the major findings of the study:

Historic Preservation Tax Credit Reservations and Awards

- Through June 2019, over $475 million in Historic Preservation Tax Credits have been reserved for 1,045 different projects in Iowa.

- Through June 2019, 894 Historic Preservation Tax Credits have been issued to 542 unique projects, totaling $402 million.

- Projects that have been awarded tax credits were spread across 65 counties in Iowa. The credits are concentrated among urban counties with Polk, Scott, Dubuque, and Linn counties accounting for more than 70 percent of total awards. Among the 542 projects, 104 were located in Polk County, totaling $123.7 million and accounting for 30.7 percent of total awarded tax credits, which was the highest among all counties.

Historic Preservation Tax Credit Transfers

- There were 345 transfers of original tax credit certificates through September 2019. The total amount of tax credits transferred was $219.4 million or 54.5 percent of total awards.

- Among those transferred tax credits, $95.8 million (43.7%) was transferred to banks to be claimed against Iowa franchise tax, $75.2 million (34.3%) was transferred to corporations to be claimed against corporation income tax, $31.7 million (14.4%)

was transferred to individuals to be claimed against individual income tax, and $16.8 million (7.6%) was transferred to insurance companies to be claimed against insurance premium tax.

Historic Preservation Tax Credit Claims

- Through September 2019, there were 1,161 Historic Preservation Tax Credit claims exceeding $324.3 million.

- Among the 1,161 claims, $69.7 million (21.5%) was claimed against Iowa individual income tax, $129.3 million (39.9%) was claimed against Iowa corporation income tax, $100.3 million (30.9%) was claimed against Iowa franchise tax, and $24.9 million (7.7%) was claimed against Iowa insurance premium tax.

Historic Preservation Tax Credit Application Analysis

- Between July 2009 and July 2019, applicants of 181 Historic Preservation Tax Credit projects reported total project funding of $959.3 million.

- These 181 projects were categorized into five project types based on the reported uses of the properties after rehabilitation: residential, residential rental, commercial, mixed use, and non-commercial. Mixed use projects accounted for 50.5 percent of the total project funding ($524.5 million), the highest among all project types. Residential projects accounted for 4.9 percent of the total project funding ($50.5 million), the lowest among all project types.

- The average ratio of private funds to Historic Preservation Tax Credit was 2.63 for large projects and 3.73 for small projects. The average ratio of non-state funds to Historic Preservation Tax Credit was 3.78 for large projects and 4.45 for small projects.

Economic Impacts of the Historic Preservation Tax Credits

- It is expected that neighboring properties would see an increase in assessed values, in addition to the property value increases experienced by those rehabilitated historic properties themselves. In a case study on the city of Burlington, Sioux City, and Muscatine, comparing neighboring property values of rehabilitated historic properties (focus group) and properties slightly farther away (control group), the growth rates of property values of the focus group between 2012 and 2018 were higher than those of the control group for commercial properties, but mixed for residential properties.

- Using the REMI model, the economic impact of the Historic Preservation Tax Credits awarded during FY 2015 through 2018 was estimated. The first estimate was based on the assumption that if there were no tax credit awards zero rehabilitation expenditures would have been spent on the historic projects but new construction would have occurred to create the same spaces. It was estimated that for every million dollars of rehabilitation expenditures between 2015 and 2018 for projects receiving tax credits, about 9 more jobs were supported and $0.57 million of personal income was added to the economy.

- Using the REMI model, the second estimate was based on the assumption that if there were no tax credit awards, zero rehabilitation expenditures would have been spent and no new construction would have occurred to create the same spaces. It was estimated that for every million dollars of rehabilitation expenditures between 2015 and 2018 for projects receiving tax credits, about 26 more jobs were supported and $1.56 million of personal income was added to the economy.

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I. Introduction

The Historic Preservation Tax Credit was enacted to encourage the rehabilitation of historic properties in Iowa. These preservation activities ensure that character-defining features and the spaces of buildings are retained in Iowa communities.

Section II describes the program. The Federal Historic Preservation Tax Incentives Program and historic preservation tax credit programs from other states are introduced in Section III. Research on the economic and environmental impact of property rehabilitation tax credits are summarized in Section IV. Section V provides descriptive statistics of tax credit awards, transfers, and claims. Section VI reviews existing literature and discusses economic activities at the project properties and neighboring properties. Section VII concludes the report.

II. Description of the Iowa Historic Preservation Tax Credit

Iowa's Historic Preservation Tax Credit was enacted during the 2000 Legislative Session and became effective July 1, 2000. This tax credit, currently administered by the Iowa Economic Development Authority (IEDA) with the assistance of the State Historic Preservation Office (SHPO) at the Iowa Department of Cultural Affairs (DCA), was established to help with the costs of rehabilitating historic buildings and to revitalize surrounding neighborhoods. The tax credit award equals 25 percent of the qualified rehabilitation expenditures (QRE) incurred for the substantial rehabilitation of eligible property in Iowa, where QRE is defined in accordance with the Federal Historic Preservation Tax Incentives Program.

Substantial rehabilitation for commercial property means rehabilitation expenditures must equal at least $50,000 or 50 percent of the assessed value of the property prior to rehabilitation, excluding the value of the land, whichever is less. For residential property or barns, in order to meet the standard of substantial rehabilitation, rehabilitation expenditures must equal at least $25,000 or 25 percent of the property's assessed value prior to rehabilitation, excluding the land, whichever is less.

A property must meet one of the following criteria to be eligible for the tax credit:

- The property is listed on the National Register of Historic Places or is eligible for such a listing.
- The property is designated as having historic significance to a district listed in the National Register of Historic Places or is eligible for such designation.
- The property or district is designated as a local landmark by a city or county ordinance.
- The property is a barn constructed before 1937.

A. The Historic Preservation Program Prior to the 2016 Legislative Changes

The Historic Preservation Tax Credit has been modified multiple times since its enactment. In 2000, the annual award cap for the program was established at $2.4 million for fiscal year 2001 awards. The cap was raised to $6.4 million effective for fiscal year 2006. In 2007, the cap was increased to $10 million for fiscal year 2008, $15 million for fiscal year 2009, and $20 million for fiscal year 2010 and subsequent years. In 2009, the cap was increased again to $50 million per year starting in fiscal year 2010; however, the additional $30 million of tax credits were limited to reservations for tax years beginning on or after January 1, 2010. Similar restrictions were placed on fiscal years 2011 and 2012. With the economic slowdown in 2010, the cap was reduced 10 percent to $45 million per year beginning in fiscal year 2013 and has remained at that level since then.

As the cap was increased, different categories under which projects could be awarded were added and the program name was expanded to Historical Preservation and Cultural and Entertainment District Tax Credit. In 2014, all but the small project category with a set aside of 5 percent of the cap, $2.25 million, were eliminated from the program administration. A small project has QRE of $750,000 or less.

Along with the increase in the annual program cap and award categories over time, the tax credit which was originally a nonrefundable tax credit was made transferrable in 2003, allowing tax credit recipients to sell the tax credits to third parties who could claim them against their Iowa tax liability. Initially, recipients of the tax credit also had the option to claim the credit as a partially refundable credit, receiving up to 75 percent of the awarded amount. Effective in tax year 2007, the credit was made fully refundable, which allows the taxpayer to receive a refund from the State when the tax credit claim amount exceeds tax liability. The tax credit could originally be claimed against individual income and corporation income taxes; eligibility was expanded to franchise tax (paid by financial institutions), moneys and credits tax (paid by credit unions), and insurance premium tax in 2002.

The Iowa Department of Cultural Affairs administered the tax credit from its inception until 2016 when primary program administration was transferred to the Iowa Economic Development Authority. The program administration prior to the 2016 legislation was described in detail in the Department's previous evaluation study (Jin, 2015).

B. The Historic Preservation Program After the 2016 Legislative Changes

The Historic Preservation and Cultural and Entertainment District Tax Credit was modified during the 2016 Legislative session and the name was shortened to the Historic Preservation Tax Credit. For projects registered prior to August 15, 2016, the program continues to be administered by DCA pursuant to the statutes and rules that apply to projects registered prior to August 15, 2016. For projects registered on or after August 15, 2016, the program is administered by IEDA in consultation with the SHPO at DCA.

The application process generally consists of the following steps:

- The applicant submits a Part 1 application to IEDA to identify a project's eligibility, such as the building's historic significance. DCA helps review the Part 1 application.

- If the Part 1 application is approved, the applicant submits the Part 2 application to provide a detailed description of the rehabilitation project which must meet the Secretary of the Interior's Standards for Rehabilitation and Guidelines for Rehabilitating Historic Buildings (Standards). DCA also helps review the Part 2 application.

- If the Part 2 application is approved, the applicant submits a Part 2B application which is used to score the applicant's rehabilitation plan and financial readiness. If the project is awarded a sufficient registration score, satisfies other requirements of the application and program, and sufficient tax credits are available, IEDA may register the project. Small projects can complete this Part 2B at any time; any other project must wait for an open application round offered by IEDA. Those rounds occur once or twice each fiscal year.

- Once the project is registered, the applicant enters into an agreement with IEDA to establish the maximum amount of the tax credit award and the terms and conditions that must be met in order to receive the tax credits. An applicant must enter into and comply with an agreement in order to participate in the program and receive any tax credit award. In acknowledgement that projects often experience cost overruns during the rehabilitation process, the allocated tax credit award includes a maximum additional credit allowed. For a project with final qualified rehabilitation expenditures of not more than $750,000, the maximum overrun is fifteen percent. For a project with final qualified rehabilitation expenditures between $750,000, but less than $6 million, the maximum overrun is ten percent. For a project with final qualified rehabilitation expenditures above $6 million, the maximum overrun is five percent.

- Once the rehabilitation is complete and the property is placed in service, the applicant submits the Part 3 application to IEDA. Then, IEDA evaluates whether the completed work meets the federal standards and the other requirements of the agreement, laws, and regulations of the program. DCA helps review the Part 3 application.

- If the Part 3 application is approved, EDA issues a tax credit certificate to the eligible taxpayer stating the amount of tax credit. The taxpayer can then either claim the tax credit or transfer the Historic Preservation Tax Credit.

As noted above, IEDA is required to award at least five percent of annual tax credit award limit to small projects, which are defined as projects with final QRE of $750,000 or less. If during the fiscal year, IEDA awards an amount of tax credits that is less than the maximum aggregate tax credit award limit, the difference between the awarded amount and the aggregate limit, up to ten percent of the aggregate limit, can be rolled over to the following fiscal year and awarded during that fiscal year. If an allocated tax credit is irrevocably declined by the applicant or revoked by IEDA before the end of the following fiscal year, that amount of credit can be reallocated to a new project during that same fiscal year it was revoked.

Registered projects generally have 36 months to complete the rehabilitation work after the commencement date which must be by the end of the fiscal year in which the project is registered. The applicant must annually certify to IEDA that work remains in compliance with the agreement. IEDA may find the taxpayer in default and may revoke the tax credit award if the taxpayer or the qualified rehabilitation project no longer meets the requirements of the agreement before a tax credit certificate is issued.

III. Comparison with Other States' Historic Preservation Tax Credits

A. Description of the Federal Historic Preservation Tax Incentives Program

Since 1976, federal law has provided a tax credit equal to 20 percent of QRE for the qualified rehabilitation of certain historic buildings for income-producing uses and 10 percent of QRE for certain non-historic pre-1936 buildings. The federal program is administered by State Historic Preservation Offices (SHPO) and by the Technical Preservation Service, which is a part of the National Park Service under the U.S. Department of Interior (DOI), along with the Internal Revenue Service (IRS). As noted previously, in Iowa, SHPO is part of DCA.

To be eligible for the federal program, a building must be designated as historic. To qualify as historic, a building must be listed individually in the National Register of Historic Places, be a contributing building of a historic district that is listed in the National Register of Historic Places, or be a contributing building of a Local Historic District that has been certified by DOI as substantially meeting National Register criteria.

The Federal Historic Preservation Tax Incentives Program is limited to income-producing, depreciable property (either commercial or residential rental property). Therefore, a personal residence does not qualify for the federal credit. The rehabilitation must meet the definition of a substantial amount of investment. During a 24-month period selected by the taxpayer, rehabilitation expenditures must exceed the greater of $5,000 or the adjusted basis of the building and its structural components. QRE for the federal credit include renovation costs, such as labor costs and material costs, for work undertaken on the historic building, as well as architectural and engineering fees, legal expenses, development fees, and other construction-related costs, if such costs are added to the basis of the property and are determined to be reasonable and related to the services performed. Acquisition costs, furnishing costs, new additions that expand the building, new building construction, parking lots, sidewalks, and landscaping are not QRE under the federal program.

The Federal Historic Rehabilitation Tax Credit is nonrefundable, which means that claimants can only use tax credits up to their federal tax liability. Any remaining credits can be carried back one year and forward 20 years, or until the credit is exhausted, whichever is sooner. The federal tax credit is not transferrable.

The Tax Cuts and Jobs Act, signed December 22, 2017, affects the Rehabilitation Tax Credit for amounts that taxpayers pay or incur for qualified expenditures after December 31, 2017. The legislation requires taxpayers take the 20-percent credit ratably over five years instead of in the year they placed the building into service. Also, the 10 percent rehabilitation credit for the pre-1936 buildings was eliminated.

B. Description of Other States' Historic Preservation Tax Credits

As of July 2019, 34 states (including Iowa) have active state tax credit programs for preservation of historic properties. Most states award tax credits to both qualified private residential and commercial historic properties (see Table 1). Vermont is the only state that does not award tax credits to private residential properties. Utah, West Virginia, and Wisconsin do not award tax credits to commercial properties.

Including Iowa, there are 16 states offering a 25 percent tax credit to eligible participants. Delaware has the highest percentage (100 percent) for certified historic properties which are kept or taken care of by residents (resident curatorship). Montana offers a tax credit equal to 25 percent of the federal tax credit received by the applicants. Because the federal tax credit is 20 percent of QRE, Montana's tax credit is effectively about 5 percent of QRE, which is the lowest tax credit rate among all 34 states.

To qualify for tax credits, 27 states impose minimum expenditure requirements on historic preservation projects. Seven states do not have such requirements. There are 19 states that have established a project award cap limiting the amount of tax credits awarded to a single project for at least some types of projects. Georgia has created a category of large economic development projects with award caps equal to $10 million, the highest project cap among all the states. Wisconsin has an award cap of $10,000 for residential projects, which is the lowest cap for residential projects among all the states. Iowa does not have a project award cap.

Fourteen states, including Iowa, have established an overall program award cap. Of these states, Massachusetts has the highest program award cap of $50 million every year. The lowest program award cap exists in Indiana at $250,000 per year. Iowa has a $45 million program award cap. Only nine states have both a project award cap applicable to at least some projects and a program award cap. Hawaii, Iowa, Louisiana, Massachusetts, and Vermont have only a program award cap.

Fifteen states, including Iowa, allow the tax credits to be transferred, which means entities that have received tax credit awards can sell their tax credits to other taxpayers.

Iowa is one of six states with a refundable credit, which means that claimants can receive a tax refund if their tax credit exceeds their tax liability. New York offers refundability only for residential projects. Only Alabama and Iowa offer both transferability and refundability for all projects.

Illinois is the only state with a nonrefundable tax credit that does not allow unused tax credits to be carried forward to future tax years to offset future tax liabilities. Most states set the carry forward period between 4 and 20 years. Nebraska and New York allow unused tax credits awarded to some projects to be carried forward for an unlimited number of future tax years until all tax credits are claimed. Missouri not only allows the unused tax credits to be carried forward for 10 years, but also permits them to be carried back for 3 years, which means that the unused tax credits could be used to offset Missouri tax liabilities in tax years before the project was completed.

Among Iowa's neighboring states, Illinois, Minnesota, Missouri, Nebraska, and Wisconsin offer historic preservation tax credits. Minnesota, Nebraska, and Wisconsin have lower tax credit rates at 20 percent while Illinois and Missouri offer rates matching Iowa at 25 percent. All neighboring states offer nonrefundable credits while Iowa offers refundable credits, but Missouri and Nebraska also allow the credits to be transferred like Iowa. Illinois, Nebraska, and Wisconsin have project award caps. Illinois and Nebraska have annual program award caps of $15 million, one-third of the Iowa program cap. Minnesota and Missouri do not have an annual program cap.

IV. Analysis of Iowa Historic Preservation Tax Credit Awards and Claims

Data on Historic Preservation Tax Credit allocations, awards, transfers and claims are available in the Iowa Department of Revenue's Tax Credit Awards, Claims & Transfer Administration System (CACTAS).

A. Historic Preservation Tax Credit Allocations and Awards

Between July 1, 2000 and June 2019, $475.8 million of Iowa Historic Preservation Tax Credits have been reserved under the award cap for fiscal year 2001 through fiscal year 2019 (see Table 2). The total number of projects with reservations is 1,045.

Not all projects that have received tax credit reservations made under the caps for fiscal years 2001 through 2019 have been awarded tax credits through the end of fiscal year 2019. Of the 1,045 reservations, 894 Historic Preservation Tax Credits have been awarded to 542 unique projects, totaling $402.4 million (see Table 3). The count of awards exceeds projects receiving awards because prior to 2014, projects with cost overruns could receive additional awards to reflect those preservation expenditures in later fiscal years if funds were available. The total awarded amount is 84.6 percent of total reserved tax credits. The average award amount per project was $742,518.

Historic Preservation projects awarded tax credits since the inception of the program were spread across 65 counties in Iowa. The projects are concentrated among urban counties with projects in Polk, Scott, Dubuque, and Linn counties accounting for more than 71 percent of the awarded tax credits (see Table 4). There were 104 projects in Polk County, with awards totaling $123.7 million and accounting for 30.7 percent of total awarded tax credits, the highest among all counties. Projects in the next highest nine counties received about 57.1 percent of total awards. The combined awarded tax credits for projects located in the other 55 counties accounted for 12.1 percent of total awarded credits ($48.7 million).

The Census Bureau defines rural counties as counties of fewer than 50,000 people. Using the 2010 Census population estimation data by county, Iowa counties, except for Polk, Linn, Scott, Black Hawk, Johnson, Woodbury, Dubuque, Pottawattamie, Story, and Dallas County, are all rural counties. The share of awards issued to projects in Iowa's rural counties accounted for 15.1 percent of total awards.

Because awards are concentrated in urban areas, a better measure of how these State benefits were spread across the state is a per capita measure. To measure the per capita Historic Preservation Tax Credit awards, the amount of tax credits awards by county is divided by county population (see Figure 1). The total tax credit award per capita was $575 for Dubuque, the highest among all counties. The other six counties with a per capita award of more than $200 were Adair ($241), Adams ($219), Polk ($274), Poweshiek ($333), Scott ($441), and Woodbury ($212).

B. Historic Preservation Tax Credit Transfers

As noted in Section II, the Iowa Historic Preservation Tax Credit can be transferred. Some taxpayers receiving awards prefer to sell the tax credits at a discount to other taxpayers in order to obtain capital upfront instead of waiting to claim the tax credit possibly years later. Taxpayers who purchase the tax credits can claim the full value of the tax credit using a transferred tax credit certificate issued by the Iowa Department of Revenue (IDR). There were 345 original tax credit certificates transferred between January 2001 and June 2019; transfers were administered by the Iowa Department of Revenue beginning in 2007 (see Table 5). The total amount of tax credits transferred issued to-date is $219.4 million or 54.5 percent of total awards.

Among those transferred tax credits, 43.7 percent ($95.8 million) were transferred to banks to be claimed against the Iowa franchise tax, the highest among all tax types (see Table 6). There were 76 transfers to corporations, totaling $75.2 million, and 91 transfers to individuals, totaling $31.7 million. There were 43 transfers to insurance companies, totaling $16.8 million, about 7.6 percent of total transferred tax credit claims. Because some awards were split and transferred to more than one entity, the number of original certificates transferred is fewer than the final number of transferred certificates.

Since 2015, awardees have been required to report the monetary consideration they received from selling the Historic Preservation Tax Credits. On average, sellers have received 91.8 cents on the dollar.

C. Historic Preservation Tax Credit Claims

Thorough Historic Preservation Tax Credit claim data are first available for tax year 2006 when the IA 148 Tax Credits Schedule was introduced, although some claims in 2006-2009 were missed and a few claims for tax year 2005 were identified. Between tax years 2006 and 2018 1,161 Historic Preservation Tax Credit claims exceeding $324.3 million have been identified, where collection and verification of tax year 2018 claims are incomplete (see Table 7).

Among the 1,161 claims, 744 were made against Iowa individual income tax and fiduciary tax, totaling $69.7 million (21.5%) (see Table 8). About 39.9 percent of the total claims were against Iowa corporation income tax liability, totaling $129.3 million. There have been 144 claims made against Iowa franchise tax and 41 claims made against Iowa insurance premium tax, most of which were claimed by taxpayers that purchased the tax credits through the transfer process. Claims against franchise tax totaled $100.3 million and claims against insurance premium tax total $24.9 million.

V. Historic Preservation Tax Credit Application Analysis

When Historic Preservation Tax Credit program participants complete applications, they are required to provide information such as the project funding sources, the description of rehabilitation projects, and the distribution of project expenditures.

Between FY 2015 and 2019, Part 3 applications were approved by DCA and IEDA for 181 Historic Preservation Tax Credit projects. Those 181 projects reported total project funding of $959.3 million, which can include funding for portions of the projects that were not qualified for the tax credit (see Table 9). The application asks respondents to provide sources for that funding, with specified categories for private external financing, internal financing, various federal and State tax credits, and other. Total private external financing, including bank loans, bonds, and equities, was $428.9 million, accounting for 44.7 percent of the total reported project funding. Total internal financing, defined as project owner’s funds, was $93.8 million and accounted for 9.8 percent of the total. Reserved Iowa Historic Preservation Tax Credits totaled $195.7 million, accounting for 20.4 percent of the total reported project funding. Federal Historic Rehabilitation Tax Credits accounted for 14.3 percent of self-reported project funding, although like the Iowa tax credit, the federal tax credit is not awarded until after the final application is approved which occurs after the application is submitted. Other funding sources included State grants, forgivable loans, and local subsidies, accounting for 2.7 percent of total project funding.

The Iowa Historic Preservation Tax Credit program encourages investment in historical buildings, but with the credit covering at most 25 percent of QRE, the projects require private investment or public investment from sources other than the State government. For every one dollar of reserved Iowa Historic Preservation Tax Credit awards for the 181 projects, respondents indicated that $2.67 in private funding, defined as private external financing and internal financing, was invested in Iowa (see Table 9). For every one dollar of reserved Iowa Historic Preservation Tax Credits, $3.80 of non-State funds was invested in Iowa. Non-State funding is defined as private funding, any Federal Historic Rehabilitation Tax Credit or Federal Low Income Housing Tax Credit reported by the applicant, and local funding sources, such as city grants and local forgivable loans.

The application also collects information on the distribution of total project expenditures between labor, materials, and other costs. Labor costs accounted for 40.3 percent of reported total project funding over all projects (see Figure 2). Material costs accounted for 32.2 percent and other costs accounted for 27.5 percent of reported total project funding. Information on what purchases comprised the other costs was not collected in the application. Based on information provided by developers, other costs mainly include costs for professional services (such as an architect, legal services, or engineering consulting services), public services (such as license and permit applications), and financing fees.

The application data includes the uses of the historic properties before and after rehabilitation. These 181 projects were categorized into five project types based on the reported uses of the properties after rehabilitation: residential, residential rental, commercial, mixed use, and non-commercial. The residential group consists of properties with uses such as single family housing, residential condo, and townhouse. The residential rental group includes properties with reported uses such as apartment, low-income apartment, and senior housing. The commercial group includes uses such as retail, restaurant, office, warehouse, and storage. The mixed use group includes properties reporting both residential/residential rental and commercial uses. The non-commercial group consists of properties with reported uses such as a church, museum, barn, artist studio, or community center.

Along with the property use information, applicants provide more detailed information on changes in various space types as a result of the rehabilitation, including residential space, low-income residential space, retail space, restaurant/bar space, office space, warehouse space, manufacturing space, educational/museum/library space, hotel or other lodging space, and parking space (see Table 10). As expected, residential projects and residential rental projects increased residential space, low-income residential space, and parking space for those residents. Developers undertaking commercial projects reported transforming warehouse and low income housing space into retail, restaurant, office, school, manufacturing, and hotel space. Mixed use projects, which include both commercial and residential uses, only decreased office spaces, warehousing spaces and manufacturing spaces. In total, those historic rehabilitation projects reduced vacant spaces by about 2.4 million square feet.

The mixed use project type accounted for more than half of the total project funding reported on the applications at $524.5 million, the highest among the five project types (see Figure 3).[1] Residential rental projects had the second highest share with $197.0 million of reported project funding, accounting for 19.0 percent. The project type with the smallest share of project funding was residential with $50.5 million, accounting for 4.9 percent of total reported funding. Commercial properties accounted for 17.5 percent of total funding while non-commercial projects accounted for the remaining 8.1 percent.

There were 49 mixed use projects awarded final Historic Preservation Tax Credits between fiscal year 2015 and 2019 (27.1% of total number of projects, 50.5% of total funding), the highest among all project types (see Figure 4). The average reported funding per project was $10.7 million, also the highest. A total of 45 commercial projects (24.9% of total number of projects, 17.5% of total funding) were completed during these fiscal years, which was the second highest number among all of the project type groups. The average reported project funding of $4.0 million for commercial projects. There were 38 residential projects (21.0% of total number of projects, 4.9% of total funding) with average reported project funding of $1.3 million, which was the lowest average among all groups.

Non-commercial projects had the highest ratio of private funding to tax credit awards and the highest ratio of non-State funding to tax credit awards (see Figure 5). For every dollar of reserved Historic Preservation Tax Credits, $4.51 of private funding and $5.27 of non-State funding was reported by non-commercial property owners.[2] The residential rental project type had the lowest ratio of private funding to tax credit awards of $2.10, suggesting for every dollar of the reserved Historic Preservation Tax Credit, $2.10 of private money was invested. The ratio of non-State funding to tax credit awards for the mixed use projects was $3.60, the lowest among all project types.[3] Ratios of private funding to tax credit awards for residential projects and commercial projects were $2.54 and $2.76, respectively. Ratios of non-State funding to tax credit awards for residential projects and commercial projects were $3.91 and $3.61, respectively.

Applicants for the Historic Preservation Tax Credit for non-commercial projects reported that they spent 45.7 percent of total expenditures on labor, the highest percentage among all project types, and 16.4 percent of total expenditures on other costs, the lowest among all project types (see Figure 6). The share of labor costs was lowest for

[1] There were occasionally discrepancies between total funding for projects and total expenditures reported on the application.
[2] The ratio of private funding to tax credit award equals total private funding of all projects divided by the total reported tax credit awards. The ratio of non-State funding (private funding plus federal tax credits) to tax credit award equals total non-State funding of all projects divided by the total reported tax credit awards.
[3] Projects defined as non-commercial could qualify for the Federal Historic Rehabilitation Tax Credit under certain circumstances.

residential projects at 36.9 percent with other costs comprising 30.6 percent, which was the highest among project types. The share of material costs was relatively steady across the project types, fluctuating from 31.1 percent for mixed use projects to 37.8 percent for non-commercial projects.

With millions in expenditures, and over 40 percent going for labor costs, the Historic Preservation Tax Credit program should stimulate economic activity in the construction industry during the rehabilitation period. However, if out-of-state employees are hired or materials are purchased from out-of-state vendors, the spillover benefits from that economic activity is more limited. To assess the amount of Iowa economic activity resulting from the projects, the survey asks applicants to provide the share of total project expenditures spent on Iowa-sourced goods and services and Iowa shares for each of the spending categories. Over all of the projects completed and awarded tax credits between FY 2015 and FY 2019, applicants reported that 82.7 percent of total project expenditures was spent on Iowa sourced goods and services. Among the five project types, applicants with commercial projects reported spending 84.8 percent of expenditures in Iowa, the highest share (see Figure 7). Residential projects had the lowest Iowa share at 74.4 percent of total project expenditures.

Applicants with commercial projects reported the highest Iowa share of labor at 92.3 percent, but also the lowest Iowa share of materials (68.8%) and the highest Iowa share of other costs (93.6%). Mixed used projects and residential rental projects had an Iowa share for other costs of more than 80 percent. Residential and non-commercial projects had an Iowa share of other costs less than 80 percent.

Residential projects reported an average of 44 construction workers hired to complete a residential project, with average labor cost of $11,048 per worker (see Figure 8). Both the number of workers and the average wages per worker for a residential project were the lowest among all project types, likely because the amount of time worked was shorter. Mixed use projects hired the highest average number of workers (100), also the average wages per worker was the highest, $41,214. Non-commercial projects paid the second highest average wages per worker, $33,986, and residential rental projects reported the third highest average wages per worker, $33,279. It should be noticed that the data had limitations; these projects likely employed the greater number of workers for a shorter time than other projects, thus the calculated lower average wages.

Among these 181 awarded projects, there were 81 small projects, with QRE of $750,000 or less. For large projects with QRE of more than $750,000, every dollar of the reserved Historic Preservation Tax Credit was matched with $2.63 of private funds, which was lower than small projects ($3.73) (see Figure 9). For large projects, every dollar of the reserved Historic Preservation Tax Credit was matched with more than $3.78 of non-State funds, also lower than small projects ($4.45).

Across all of the size categories, more than 40 percent of project expenditures were reported as being spent on labor (see Figure 10). The share of material costs for small projects was close to 40 percent and the share of other costs was less than 17 percent. For large projects, the share of material cost was below 32 percent and the share of other costs was below 28 percent. This suggests that larger historic preservation projects spend more on economic activities beyond construction.

VI. Economic Analysis

A. Literature Review

Related literature before 2015 was reviewed in Jin (2015). A few studies analyzing economic impacts of the federal Historic Tax Credit program and similar state programs are reviewed in this report.

Kinahan (2016) used difference-in-difference models to estimate impacts of the federal Historic Tax Credit program on five large cities: Philadelphia, Cleveland, Richmond, St. Louis, and Baltimore. The study found that both the median housing value and the median rent increased in Census tracts where projects receiving the federal tax credits were located, compared to the control tracts without such projects.

Rutgers (2019) utilized the Preservation Economic Impact Model (PEIM), a comprehensive economic model developed by Rutgers University Center for Urban Policy Research for the National Park Service, to estimate the economic effects of the rehabilitation of income-producing historic properties supported by the Federal Historic Tax Credit for the Fiscal Year 2018. In FY 2018, the total estimated Federal Historic Tax Credit claim was about $1.4 billion, supporting the rehabilitation projects with a total investment of $7.7 billion. In FY 2018, these rehabilitation investments were estimated to generate approximately 129,000 jobs, $7.4 billion in GDP, and $5.4 billion in income.

Lendel et al., (2015) used IMPLAN model software to estimate economic impact of Ohio Historic Preservation Tax Credit between 2007 and 2014. The total tax credit claim was estimated to be about $700 million, supporting 238 projects with a total investment of $3.5 billion in Ohio. Those projects were estimated to create 15,458 jobs and increase GDP by $6.1 billion by the end of 2015. Project property values after the rehabilitation were estimated to increase by 355.1 percent and the adjacent property values were estimated to increase by 55.1 percent.

Using IMPLAN model software, Tuck (2018) estimated that the Minnesota Historic Rehabilitation Tax Credit generated a total of $715.2 million of economic activity in fiscal year 2018. The total number of jobs created was estimated to be 3,630. The total tax credit claim was estimated to be $75.3 million.

B. Economic Impacts on Property Values in Neighboring Communities

Many believe that preserving the historic characteristics of properties in Iowa is a worthy goal; however a measurement of the importance of the historic characteristics is out of the scope of this study. This section uses the case study method to analyze the secondary economic impacts of the program on a project's neighboring properties within the community. Specifically, the property value growth in properties adjacent to the property receiving the tax credit (focus property) is compared with the property value growth for properties farther from the project property in the neighborhood in the same city (control property). The hypothesis is that the growth rate in property values of focus properties should be higher than that in the control properties, similar to the results found by Haninger, Ma, and Timmins (2017).

Muscatine, Sioux City, and Burlington were chosen for this case study because they are considered medium-sized cities in Iowa, and are home to multiple completed Historic Preservation Tax Credit projects. Although metropolitan areas such as Des Moines and Cedar Rapids also have multiple completed projects, they were not selected because the value of the incentives provided to those projects relative to the economic activity in these areas is small, and it would prove difficult to separate the impacts of the Historic Preservation Tax Credit program from other economic development programs and general economic activity.

Between 2012 and 2018, there were two completed Historic Preservation Tax Credit program projects in Muscatine, seven completed Historic Preservation Tax Credit program projects in Sioux City, and seven completed Historic Preservation Tax Credit program projects in Burlington. The two completed projects in Muscatine were both designated as small projects completed on residential houses, totaling $0.78 million of project costs, no other government funding, and approximately $108,000 in Historic Preservation Tax Credit awards. The seven completed projects in Sioux City were all large commercial projects, totaling $56.8 million of project costs, $11.5 million of other government funding, and $10.1 million of Historic Preservation Tax Credit awards. The seven completed projects in Burlington included two small projects and five large projects, totaling $21.9 million of project costs, $4.5 million of other government funding, and $4.9 million of Historic Preservation Tax Credit awards.

The spillover impacts on neighboring properties are expected to be narrowly experienced. Only neighboring properties, both commercial and residential, within a roughly two-block radius surrounding each of those project properties were selected as focus properties.

The next step in the analysis was the selection of control properties. Not all properties in Burlington, Sioux City, and Muscatine are suitable to be used as the control properties. Control properties must be similar to the focus properties, but not directly impacted by projects under study. Because economic activity in different areas of each city could have significantly different impacts on property values, it was necessary to select control properties in the same general neighborhood. Commercial and residential properties within the 0.1 mile radius of each project property, but outside the two-block radius, were selected as control properties. Thus, control properties are close to focus properties so that general economic factors within the city should be the same. At the same time, control properties are far enough away from the project property receiving the Historic Preservation Tax Credit award such that the program should have little impact on the control properties' assessed values.

The observations used to measure the impact of the project are the assessed property values of focus properties and control properties in 2012 and 2018. Recall these awarded projects were started and completed between those years. There were both commercial and residential properties in the focus group and the control group in Burlington (see Table 11). In Sioux City, only commercial properties were selected for the groups. In Muscatine, only residential properties were selected for the groups.

Properties in the control and the focus groups in Burlington had relatively similar assessed values prior to the historic renovation projects. The average assessed value of commercial properties of the focus group was $119,400, lower than that of the control group ($134,400). The median assessed value of commercial properties of the focus group was $48,900, slightly higher than that of the control group ($42,600). For those selected residential properties in Burlington, both the average assessed value ($132,900) and the median assessed value ($109,600) of the focus group were higher than those of the control groups (the average assessed value of $96,500 and the median assessed value of $86,400).

For those selected properties in Sioux City, the average assessed value ($1.3 million) and the median assessed value ($200,000) of the focus group before the awarded projects started were much higher than those of the control group (the average assessed value of $259,500 and the median assessed value of $54,000). In Muscatine, the average assessed value ($180,000) and the median assessed value ($189,000) of the residential properties in the focus group were also much higher than those in the control group (the average assessed value of $106,000 and the median assessed value of $88,000).

For commercial properties in both Burlington and Sioux City, focus groups experienced a relatively larger increase of average assessed property value between 2012 and 2018, than those for control groups. For residential properties in the focus group in Burlington, the increase of the average assessed value was under $9,000 and the increase of the median assessed value was $3,800. For the control group, the increase of the average assessed value was over $10,000 and the increase of the median assessed value was $9,200. Apparently, the control group of the residential properties experienced a larger increase in average assessed values. For residential properties in the focus group in Muscatine, the average assessed value of the focus group experienced a slight increase between 2012 and 2018, while the control group decreased. The median assessed values decreased for both the focus group and the control group. Without the rehabilitation projects supported by the credits, the values of focus properties could drop even more.

The assessed values of properties in the focus groups in Sioux City and Muscatine were significantly higher than those of properties in the control groups prior to the awarded projects. Thus, the percentage changes of the median assessed values between 2012 and 2018 were used to measure the impacts of awarded projects on neighboring communities (see Figure 11).

In Burlington, the median assessed value of commercial properties in the focus group grew by 82.8 percent between 2012 and 2018, higher than the 41.3 percent for the control group. For the residential properties in Burlington, the average assessed values in focus group only increased by 3.5 percent between 2012 and 2018, lower than the growth of 10.6 percent in the control group.

For commercial properties in Sioux City and residential properties in Muscatine, median assessed values for both focus and control groups declined between 2012 and 2018. But, the decreases in focus groups were smaller than those in control groups.

The results of the case study suggest that the awarded projects, aided by government funding including the Historic Preservation Tax Credit, help improve property values for adjacent commercial properties. But their impacts on adjacent residential properties were mixed and inconclusive.

C. Estimated Impacts of Historic Preservation Tax Credits on the Broader Economy

In this study, the Regional Economic Models, Inc (REMI) model is used to estimate the impact of rehabilitation expenditures supported with the Iowa Historic Preservation Tax Credit between 2015 and 2018, based on the information provided in the applications of projects completed after fiscal year 2015. The REMI model is an economic modeling software tool that incorporates aspects of four major modeling approaches: Input-Output, General Equilibrium, Econometric, and Economic Geography. The model is used here to estimate the economic impact of the tax credit by estimating increased economic activity compared to scenarios where no tax credit exists.

The direct economic impact of the tax credit, predominately rehabilitation expenditures on construction labor, is the key input used to estimate the tax credit’s immediate impact on the broader economy in the REMI model. The indirect and induced impacts during rehabilitation are changes in sales, income, or jobs in sectors within the region that supply goods and services to the construction sectors, and the increased sales within the region from household spending of the income earned in the construction and supporting sectors.

A major complication with this economic impact analysis is that the probability of a rehabilitation project moving forward without the tax credit award is unknown. Therefore, assumptions about the share of rehabilitation projects which would not have been implemented without the tax credits are necessary to complete any analysis. If the assumption is that all rehabilitation projects would have been undertaken without the tax credits, then economic impacts of the Historic Preservation Tax Credit are zero because the tax credit would only replace private investment and not induce any additional investment. Therefore, only if it is assumed that some rehabilitation projects were reliant on a tax credit award from the State to be completed does the credit result in any economic benefit.

To provide an upper bound estimate of the economic impact, this analysis assumed the share of rehabilitation projects which would not have been implemented without the tax credits was 100 percent. Under this assumption, two possible scenarios were considered about construction activities without the tax credits. In the first scenario, it was assumed that if no tax credit was awarded, then no rehabilitation expenditures would have been spent in Iowa, but the same amount ($1.1 billion) of new construction expenditures would have been spent to provide the same type of space to the real estate market. In this scenario, the direct impact of the Historic Preservation Tax Credit is the difference between the estimated number of construction jobs supported by the historic rehabilitation projects and those supported by the new construction projects. That difference is due to the fact that rehabilitation projects usually are more labor intensive than new construction projects, according to industrial experts from the advisory panel of this study.

The number of construction jobs supported by the rehabilitation projects was reported by applicants through their tax credit application. The number of construction jobs supported by the new construction was estimated using the REMI model.

The direct impact of new construction on personal income, mostly the increased wages of construction workers, is an estimated $307.9 million (see Table 12). Using the REMI model, it was estimated that the indirect and induced impact of new construction would have been an additional $322.6 million of personal income. Compared to the scenario with no rehabilitation but the same expenditures on new construction, for every million dollars of expenditures, about 9 jobs were supported. For every dollar of expenditures, an estimated $0.57 of personal income was also added to the economy.

In the second scenario, it is assumed that if no tax credits were awarded, no rehabilitation expenditures would have been spent in Iowa and there would also have been no new construction expenditures to create space for the real estate market. The direct impact then includes the full Iowa share of labor costs reported on applications and the corresponding number of construction jobs because no economic activity was assumed to occur otherwise.

Between 2015 and 2018, the total Iowa number of created jobs was estimated to be 13,817 (see Table 12). The indirect and induced impacts included 14,396 created jobs with $874.6 million of personal income in the broader economy. For every million dollars of rehabilitation expenditures, about 26 jobs were supported under this assumption. For every dollar of rehabilitation expenditures, an estimated $1.56 of personal income was also added to the economy.

The Department’s 2014 study of the Historic Preservation Tax Credit completed this same analysis using REMI (Jin, 2014), these economic impact estimates are higher than those in the previous study. The reason for the improved estimated economic impacts of these awarded projects could be that the ratio of direct jobs created to the reported expenditure was higher after 2014 than before. The new process of scoring applications and awarding to the highest scoring projects implemented after the 2014 Legislative changes to the administration of the tax credit might help the State provide tax credits to more economically beneficial projects than those selected under the old lottery awarding process used before FY 2015.

VII. Conclusion

This evaluation study deepens the understanding of the Iowa Historic Preservation Tax Credit beyond the Department’s 2014 evaluation study of this program. The program has gained increasing attention because of the recent legislative changes to the program.

This analysis used the REMI model to estimate the impact on the broader economy. Assuming that no rehabilitation project would have been implemented without the state tax credits, in the scenario of no new construction occurring, the estimated impacts were about 26 jobs and $1.56 million of personal income for every million dollars of rehabilitation expenditures. Under the same assumption, but assuming equal new construction would have occurred, the estimated impacts of the incentivized rehabilitation were 9 jobs and $0.57 million of personal income for every million dollars of rehabilitation expenditures.

In a case study using the cities of Burlington, Sioux City, and Muscatine, which compared neighboring property values of rehabilitated historic properties (focus group) and properties slightly farther away (control group), the growth rates of property values of the focus group between .2012 and 2018 were higher than those of the control group for commercial properties, but inconclusive for residential properties.

Focusing on measuring economic impacts of the tax credit program, the study did not attempt to measure the intangible benefits that result from rehabilitation of Iowa’s historic properties such as ensuring character-defining features and the spaces of buildings are retained in Iowa communities. Despite its limitations it is hoped that this evaluation study provides a positive contribution to the understanding of the Iowa Historic Preservation Tax Credit.

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Iowa's Historic Preservation Tax Credit

Tax Credits Program Evaluation Study

Tables and Figures

Table 1. Summary of Federal and States' Tax Credits

Government	Credit Name	Enactment Year	Tax Credit Rate		Minimum Expenditure Requirement	Project Award Cap	Annual Program Cap	Transferable	Refundable	Carry Forward
			Residential	Commercial						
Federal	Rehabilitation Tax Credit	1976	20% of QRE for income producing property Private residences do not qualify	20% of QRE for income-producing property	$5,000 or adjusted basis of the property	None	None	No	No	20 years
Alabama	Historic Preservation Tax Credit	2013	25% of QRE for certified historic buildings and 10% of qualified expenditures for pre-1936 non-historic buildings	25% of QRE for certified historic buildings and 10% of qualified expenditures for pre-1936 non-historic buildings	50% of the owner's original purchase price or $25,000, whichever is greater	$5 million for commercial project and $50,000 for residential project	$20 million	Yes	Yes	None
Arkansas	Historic Rehabilitation Income Tax Credit	2009	25% of QRE	25% of QRE	$25,000	$400,000 on income-producing property and $25,000 on non income-producing property	$4 million	Yes	No	5 years
Colorado	Historic Property Preservation Tax Credit	1990	20% of QRE	20%-30% of QRE	$5,000	$1 million for commercial project and $50,000 for residential project	None	No	No	10 years
Delaware	Historic Preservation Tax Credit	2001	30% of QRE	20% of QRE, 100% if a certified historic property qualifying for credit award is a resident curatorship (limited to $5,000)	$5,000	$30,000 per homeowner. No cap for income-producing property	$5.1 million	Yes	No	10 years

Government	Credit Name	Enactment Year	Tax Credit Rate		Minimum Expenditure Requirement	Project Award Cap	Annual Program Cap	Transferable	Refundable	Carry Forward
			Residential	Commercial						
Georgia	Rehabilitated Historic Tax Credit	2002	25% of QRE	25% of QRE	$5,000 for residential property in targeted area. For other areas, the lesser of $25,000 or 50% of the adjusted basis of the building	$100,000 cap for homes, $300,000 cap for certified structures, $5 million and $10 million for projects with large investment and job creation	$25 million	Yes	No	10 years
Hawaii	Historic Preservation Tax Credit	2019	30% of QRE	30% of QRE	None	None	$1 million	No	No	10 years
Illinois	Historic Preservation Tax Credit	2012	25% of QRE	25% of QRE	$5,000 or 50% of the purchase price of the property	$3 million	$15 million	No	No	None
Indiana	Historic Homeowner Tax Credit and Historic Commercial Property Tax Credit	1976	20% of QRE	20% of QRE	$10,000	None for residential properties but $100,000 for other project types	$250,000	No	No	15 years
Iowa	Historic PreservationTax Credit	2001	25% of QRE	25% of QRE	For residential property and barns $25,000 or 25% of assessed value excluding land. For commercial property $50,000 or 50% of assessed value excluding land	None	$45 million, $2.25 million for small projects and $42.75 million for all others	Yes	Yes	3 years if choose nonrefundable
Kansas	Historic Preservation Tax Credit	2002	25% of QRE, for nonprofit 30% of QRE	25% of QRE, for nonprofit 30% of QRE	$5,000	None	None	Yes	No	10 years
Kentucky	Historic Preservation Tax Credit	2005	30% of QRE	20% of QRE	$20,000	$60,000 for owner-occupied residences. $400,000 for other property	$5 million	Yes	No	7 years

Government	Credit Name	Enactment Year	Tax Credit Rate		Minimum Expenditure Requirement	Project Award Cap	Annual Program Cap	Transferable	Refundable	Carry Forward
			Residential	Commercial						
Louisiana	Historic Preservation Tax Credit	2005	20% of QRE	20% of QRE	$10,000	None	$5 million	Yes	No	5 years
Maine	Credit for Rehabilitation of Historic Properties	2008	25% of QRE for general projects and 30% for affordable housing	25% of QRE for general projects and 30% for affordable housing	$5,000	$5 million	None	No	Yes	None
Maryland	Sustainable Communities Tax Credit	1997	20% of QRE	20% of QRE	$5,000 for owner-occupied residences; $25,000 for commercial projects	$50,000 per owner-occupied residential project and small commercial projects; $3 million for commercial property	None	No	Yes	None
Massachusetts	Historic Rehabilitation Credit	2003	20% of QRE	20% of QRE	25% of the adjusted basis of the property	None	$50 million	Yes	No	5 years
Minnesota	Historic Structure Rehabilitation Tax Credit	2011	20% of QRE	20% of QRE	The greater of $5,000 or the adjusted basis of the property	None	None	No	No	5 years
Mississippi	Rehabilitation Tax Credit	2006	25% of QRE	25% of QRE	$5,000 for owner-occupied residences; 50% of total basis for commercial property	None	None	No	No	10 years
Missouri	Historic Preservation Tax Credit	1998	25% of QRE	25% of QRE	50% of the adjusted basis of the structure	None	None	Yes	No	10 years carry forward and 3 years carry back

Government	Credit Name	Enactment Year	Tax Credit Rate		Minimum Expenditure Requirement	Project Award Cap	Annual Program Cap	Transferable	Refundable	Carry Forward
			Residential	Commercial						
Montana	Historic Building Preservation Tax Credit	1990	5% of QRE	5% of QRE	$5,000 or adjusted basis of the property	None	None	No	No	7 years
Nebraska	Historic Tax Credit	2014	20% of QRE, but single-family detached residences do not qualify	20% of QRE	$25,000 or 25% of the property's assessed value	$1 million	$15 million	Yes	No	Unlimited
New Mexico	Cultural Property Preservation Tax Credit	1984	50% of QRE	50% of QRE	None	$25,000 for projects outside Arts and Cultural Districts. $50,000 for projects located inside Arts and Cultural Districts	None	No	No	4 years
New York	Historic Properties Rehabilitation Tax Credit	2003	20% of QRE for owner-occupied residences	20% of QRE	At least $5,000 and at least 5% of the QRE spent on the exterior of the building	$50,000 for residential projects. $5 million for commercial projects	None	No	Yes, for residential projects	Unlimited
North Carolina	Historic Rehabilitation Tax Credits	1998	15% of QRE for owner-occupied residences	15%-25% of QRE for income producing property	$25,000 for owner-occupied residences	$22,500 for owner-occupied residences	None	No	No	9 years
North Dakota	Renaissance Zone Historic Preservation Tax Incentives	1999	25% of QRE	25% of QRE	None	$250,000	None	No	No	5 years
Ohio	Historic Preservation Tax Credit	2006	25% of QRE	25% of QRE	None	$5 million	None	No	Yes	None
Oklahoma	Credit for Qualified Rehabilitation Expenditures	2006	20% of QRE for rental residential property	20% of QRE	$5,000 or adjusted basis of the property	None	None	Yes	No	10 years
Pennsylvania	Historic Preservation Incentive Credit	2013	25% of QRE	25% of QRE	None	$500,000	$3 million	Yes	No	8 years

Government	Credit Name	Enactment Year	Tax Credit Rate		Minimum Expenditure Requirement	Project Award Cap	Annual Program Cap	Transferable	Refundable	Carry Forward
			Residential	Commercial						
South Carolina	Historic Preservation Tax Credit	1976	25% of QRE	10%-25% of QRE	$15,000 for residential projects	$1 million	None	No	No	5 years
Texas	Historic Structure Tax Credit	2013	25% of QRE	25% of QRE	$5,000	None	None	Yes	No	5 years
Utah	Historic Preservation Tax Credit	2006	20% of QRE	Not Eligible	$10,000	None	None	No	No	5 years
Vermont	Downtown and Village Center Program Tax Credits	1983	Not Eligible	Range between 10% and 50% of QRE	$5,000	None	$2.2 million	Yes	No	9 years
Virginia	Historic Preservation Tax Credit	1997	25% of QRE	25% of QRE	25% of the assessed value of the buildings for residential projects, 50% for commercial projects	None	None	No	No	10 years
West Virginia	Rehabilitated Buildings Investment Credit	1996	25% of QRE	Not Eligible	None	None	None	No	No	5 years
Wisconsin	Supplement to Federal Historic Rehabilitation Tax Credit	1988	20% of QRE	Not Eligible	None	$10,000 for residential projects, $3.5 million for commercial projects	None	No	No	15 years

Sources: State revenue agencies and U.S. Department of the Interior (the National Park Service)

Note: QRE include renovation costs, such as labor costs and material costs, for work undertaken on the historic building, as well as architectural and engineering fees, legal expenses, development fees, and other construction-related costs, if such costs are added to the basis of the property and are determined to be reasonable and related to the services performed.

Table 2. Historic Preservation Tax Credit Allocations by Award Year

Reservation Year	Number of Reserved Projects	Total Reserved Tax Credits	Average Reserved Tax Credits
2001	18	$2,400,001	$133,333
2002	14	$2,400,000	$171,429
2003	8	$2,400,000	$300,000
2004	5	$2,400,000	$480,000
2005	7	$2,325,000	$332,143
2006	16	$6,400,000	$400,000
2007	19	$6,599,999	$347,368
2008	23	$9,800,001	$426,087
2009	47	$14,966,072	$318,427
2010	122	$44,867,467	$367,766
2011	186	$44,703,623	$240,342
2012	74	$26,960,281	$364,328
2013	47	$43,802,782	$931,974
2014	133	$39,500,763	$296,998
2015	76	$57,889,281	$761,701
2016	88	$41,808,645	$475,098
2017	63	$56,819,432	$901,896
2018	58	$46,017,154	$793,399
2019	41	$23,726,982	$578,707
Total	1,045	$475,787,483	$455,299

Source: Iowa Department of Revenue CACTAS Award Database

Note: Additional allocations for 2019 and 2020 have been issued by IEDA, but those details are currently not in the CACTAS database.

Table 3. Historic Preservation Tax Credits Awarded by Award Year

Reservation Year	Number of Awards	Total Awarded Tax Credits	Average Awarded Tax Credits	Share of Reserved Tax Credits Issued
2001	18	$2,400,001	$133,333	100.0%
2002	14	$2,400,000	$171,429	100.0%
2003	8	$2,400,000	$300,000	100.0%
2004	5	$2,400,000	$480,000	100.0%
2005	7	$2,325,000	$332,143	100.0%
2006	16	$6,400,000	$400,000	100.0%
2007	19	$6,599,999	$347,368	100.0%
2008	23	$9,800,001	$426,087	100.0%
2009	47	$14,966,072	$318,427	100.0%
2010	112	$44,656,279	$398,717	99.5%
2011	173	$40,527,725	$234,264	90.7%
2012	63	$22,414,502	$355,786	83.1%
2013	42	$43,472,782	$1,035,066	99.2%
2014	94	$38,465,139	$409,204	97.4%
2015	66	$57,419,781	$869,997	99.2%
2016	79	$35,986,047	$455,520	86.1%
2017	49	$38,601,555	$787,787	67.9%
2018	41	$27,326,192	$666,492	59.4%
2019	18	$3,883,893	$215,772	16.4%
Total	894	$402,444,968	$450,162	84.6%
Unique Projects	542		$742,518	

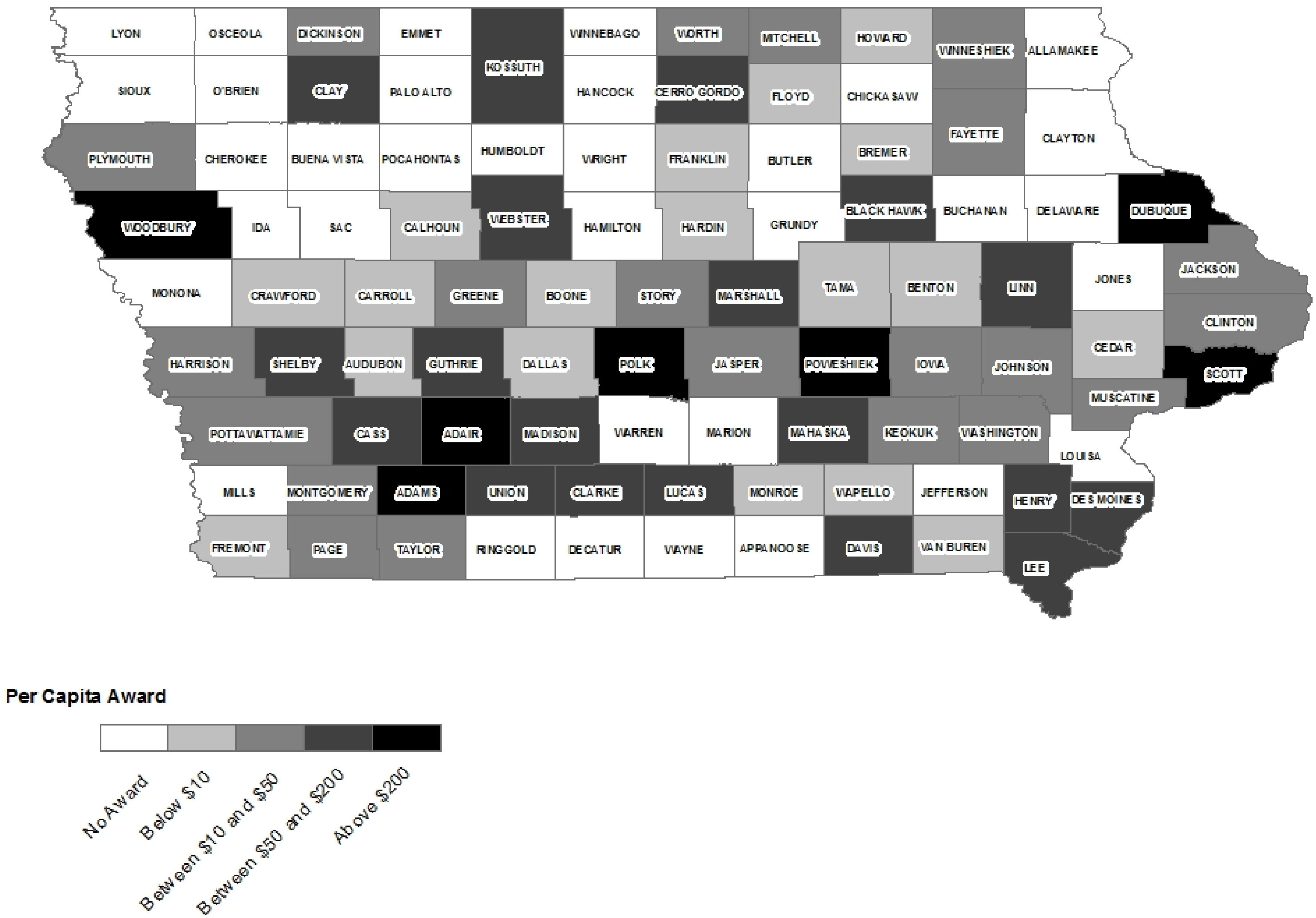
Source: Iowa Department of Revenue CACTAS Award Database

Table 4. Historic Preservation Tax Credit Awards by County

County	Number of Projects	Total Awards	Share of Total Awards	Average Award
POLK	104	$123,727,054	30.7%	$1,189,683
SCOTT	73	$75,146,375	18.7%	$1,029,402
DUBUQUE	50	$54,995,921	13.7%	$1,099,918
LINN	60	$32,117,429	8.0%	$535,290
BLACK HAWK	30	$23,002,068	5.7%	$766,736
WOODBURY	15	$21,702,005	5.4%	$1,446,800
POWESHIEK	13	$6,185,585	1.5%	$475,814
CERRO GORDO	8	$5,794,944	1.4%	$724,368
WEBSTER	3	$5,645,777	1.4%	$1,881,926
DES MOINES	13	$5,384,504	1.3%	$414,193
Other Counties	173	$48,743,306	12.1%	$281,753
Total	542	$402,444,968	100.0%	$742,518

Source: Iowa Department of Revenue CACTAS Award Database

Figure 1. Historic Preservation Tax Credit Award Per Capita by County, Award Years 2015-2019



Source: Iowa Department of Revenue CACTAS Award Database

Table 5. Historic Preservation Tax Credit Awards Transferred by Reservation Year

Reservation Year	Number of Transfers	Amount Transferred	Share of Tax Credits Awarded
2001-2006	14	$1,908,144	10.4%
2007	42	$3,535,756	53.6%
2008	15	$3,364,795	34.3%
2009	31	$10,570,486	70.6%
2010	34	$26,273,023	58.8%
2011	68	$17,495,925	43.2%
2012	14	$18,511,759	82.6%
2013	22	$19,744,177	45.4%
2014	24	$26,592,188	69.1%
2015	21	$33,335,949	58.1%
2016	35	$24,939,970	69.3%
2017	11	$20,001,300	51.8%
2018	13	$12,909,214	47.2%
2019	1	$187,500	4.8%
Total	345	$219,370,186	54.5%

Source: Iowa Department of Revenue CACTAS Transfer Database

Table 6. Historic Preservation Tax Credit Transfers by Transferee Tax Type

Tax Type of Purchaser	Number of Transfers	Amount Transferred	Share by Tax Type	Average Period between Transfer and Claim (in Years)
Individual Income Tax	91	$31,679,230	14.4%	0.59
Corporation Income Tax	76	$75,159,048	34.3%	0.04
Franchise Tax	135	$95,762,978	43.7%	0.30
Insurance Premium Tax	43	$16,768,930	7.6%	0.48
Total	345	$219,370,186	100.0%	0.38

Source: Iowa Department of Revenue CACTAS Transfer and Claim Databases

Table 7. Historic Preservation Tax Credit Claims by Tax Year

Tax Year	Number of Claims	Total Claims	Average Claim
2005 and 2006	35	$4,941,541	$141,187
2007	36	$6,118,216	$169,950
2008	51	$14,327,908	$280,939
2009	64	$8,926,769	$139,481
2010	115	$33,757,967	$293,548
2011	101	$23,977,710	$237,403
2012	100	$39,353,053	$393,531
2013	117	$20,429,334	$174,610
2014	78	$30,480,867	$390,780
2015	140	$39,719,704	$283,712
2016	246	$57,127,027	$232,224
2017	62	$41,629,124	$671,437
2018	16	$3,554,584	$222,162
Total	1,161	$324,343,804	$279,366

Source: Iowa Department of Revenue CACTAS Claim Database

Note: Tax years 2017 and 2018 claims are incomplete.

Table 8. Historic Preservation Tax Credit Claims by Tax Type

Tax Type	Number of Claims	Total Claims	Percentage of Total Claims	Average Claim
Individual Income Tax	744	$69,670,850	21.5%	$93,644
Corporate Income Tax	230	$129,335,700	39.9%	$562,329
Franchise Tax	144	$100,305,389	30.9%	$696,565
Insurance Premium Tax	41	$24,949,212	7.7%	$608,517
Total	1,161	$324,343,804	100.0%	$279,366

Source: Iowa Department of Revenue CACTAS Claim Database

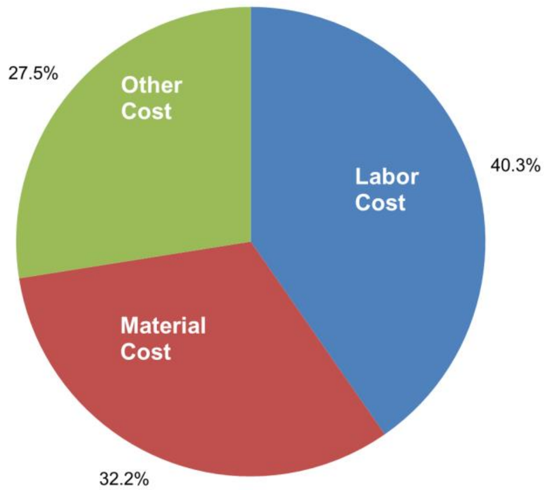
Table 9. Self-Reported Sources of Project Funding for Projects Receiving Historic Preservation Tax Credit Final Awards, FY 2015 – FY 2019

Funding Sources	Total Amount of Funding	Share	Average Amount	Median Amount
Private External Financing	$428,911,286	44.7%	$2,369,676	$288,000
Internal Financing	$93,799,921	9.8%	$518,232	$42,000
State Historic Preservation Tax Credit	$195,654,827	20.4%	$1,080,966	$263,158
Federal Historic Rehabilitation Tax Credit	$136,723,234	14.3%	$755,377	$128,445
Federal Low Income Housing Tax Credit	$58,078,006	6.1%	$320,873	$0
Iowa Enterprise Zone Investment Tax Credit	$10,208,131	1.1%	$56,399	$0
Iowa Workforce Housing Tax Credit	$10,044,234	1.0%	$55,493	$0
All Other Funding Sources	$25,893,237	2.7%	$143,057	$0
Total Project Funding	$959,312,876	100.0%	$5,300,071	
Number of Projects	181			
Ratio of Non-State Funds to State Historic Preservation Tax Credit	$3.80			
Ratio of Private Funds to State Historic Preservation Tax Credit	$2.67			

Source: Applications for the State Historic Preservation Tax Credit Awards

Note: Private funds include private external financing and internal financing. Non-State funds include private funds, Federal Historic Rehabilitation Tax Credits, and Federal Low Income Housing Tax Credits.

Figure 2. Distribution of Total Self-Reported Costs for Projects Receiving Historic Preservation Tax Credit Applications, FY 2015 – FY 2019



Source: Applications for the State Historic Preservation Tax Credit Awards

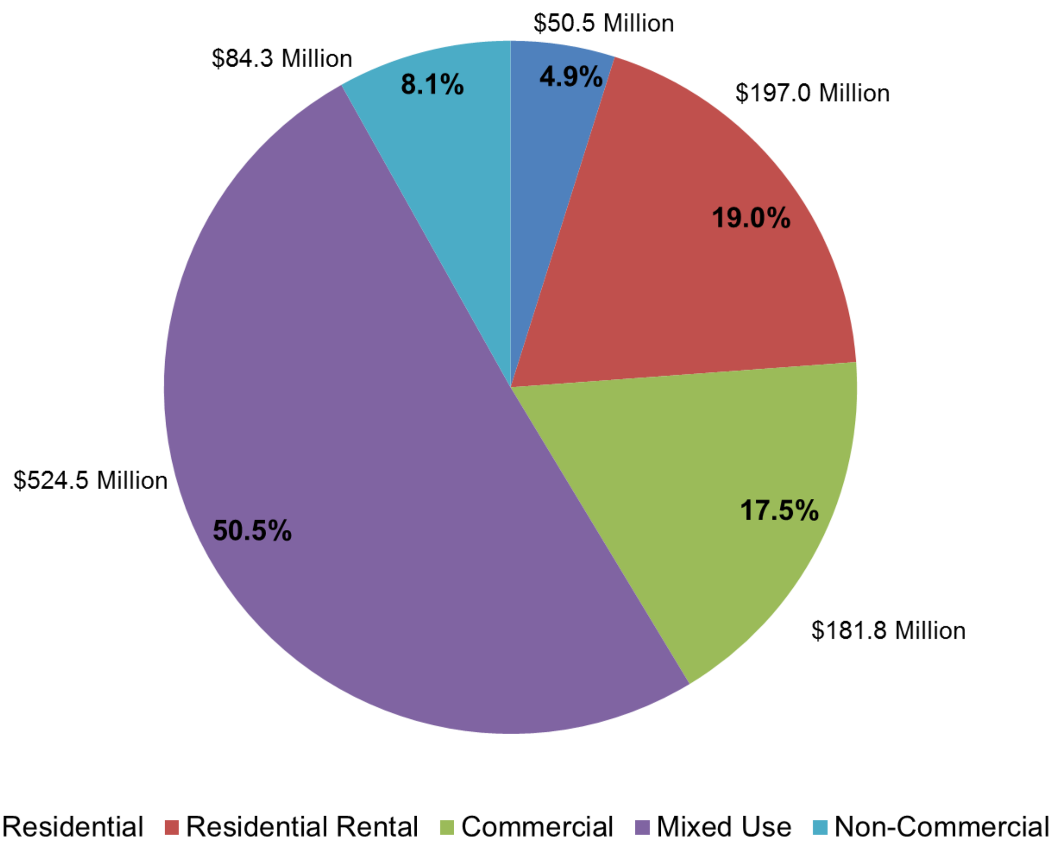
Note: Other costs include financing fees, professional services and public services such as licensing and regulation compliance.

Table 10. Historic Preservation Project Space Change by Project Type for Projects Receiving Historic Preservation Tax Credit Final Awards, FY 2015 – FY 2019

Space Use	Residential	Residential Rental	Commercial	Mixed Use	Non-Commercial
Residential Space	Increase	Increase	No Change	Increase	No Change
Low-Income Residential Space	Increase	Increase	Decrease	Increase	No Change
Retail Space	No Change	Decrease	Increase	Increase	Increase
Restaurant/Bar Space	No Change	Increase	Increase	Increase	No Change
Office Space	Increase	Decrease	Increase	Decrease	Increase
Warehouse Space	Decrease	Decrease	Decrease	Decrease	Increase
Manufacturing Space	No Change	No Change	Increase	Decrease	Increase
Educational/Museum/ Library Space	No Change	Decrease	Increase	No Change	Increase
Hotel or Other Lodging Space	Decrease	Decrease	Increase	Increase	No Change
Parking Space	Increase	Increase	Decrease	Increase	Decrease

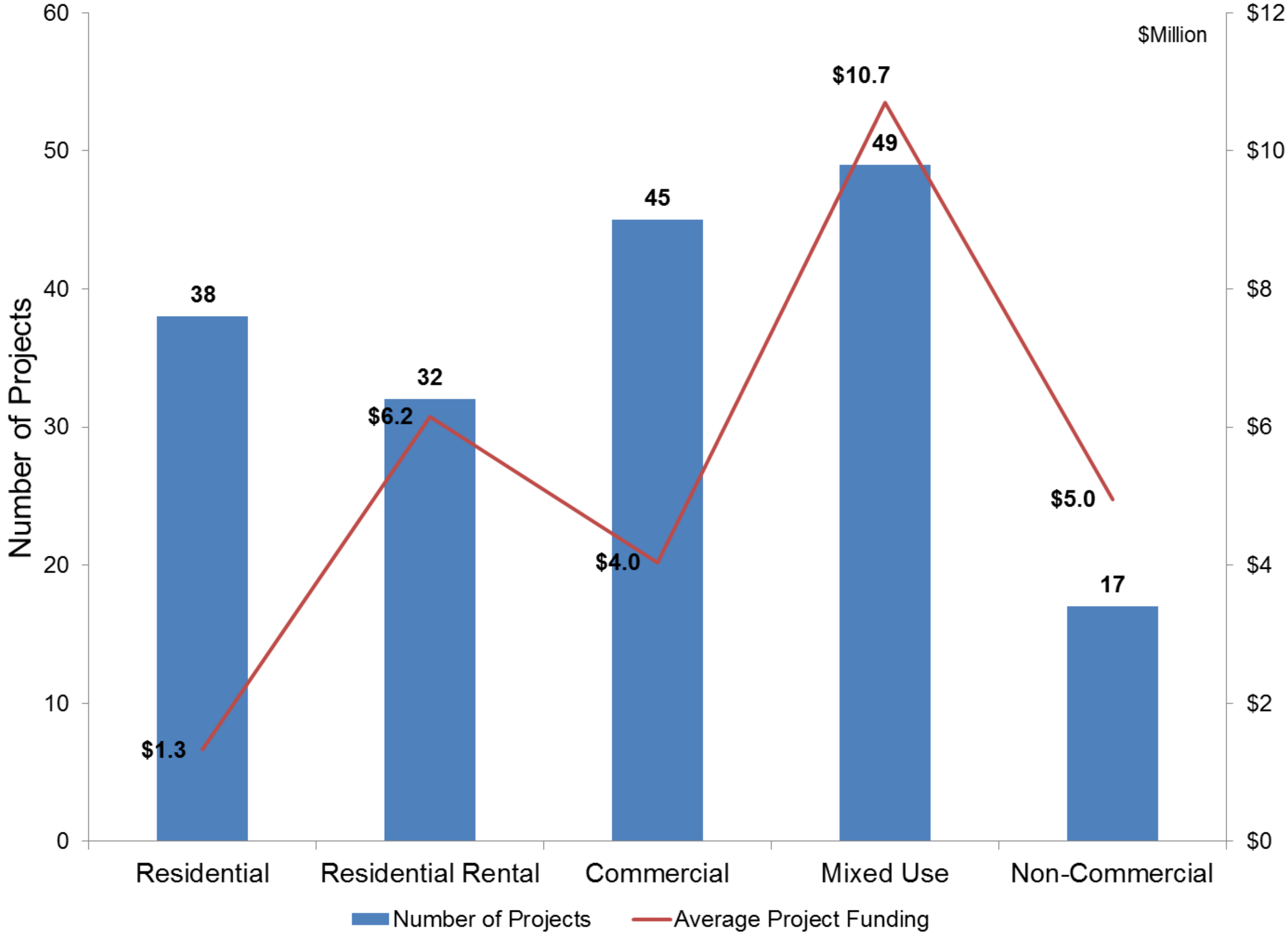
Source: Applications for the State Historic Preservation Tax Credit Awards

Figure 3. Distribution of Self-Reported Project Funding by Project Type for Projects Receiving Historic Preservation Tax Credit, FY 2015 – FY 2019



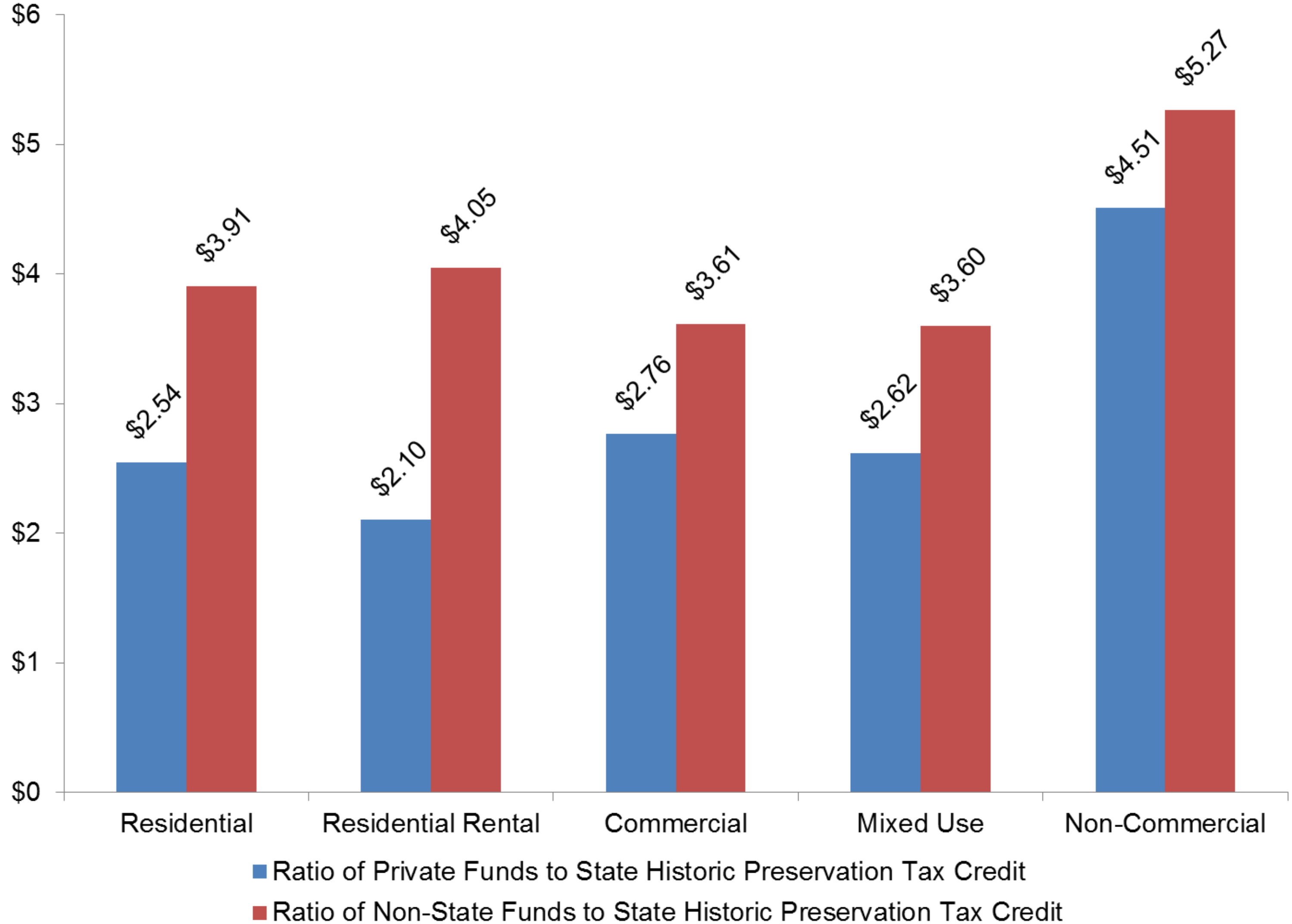
Source: Applications for the State Historic Preservation Tax Credit Awards

Figure 4. Number of Historic Preservation Tax Credit Projects and Average Self-Reported Project Funding by Project Type, FY 2015 – FY 2019



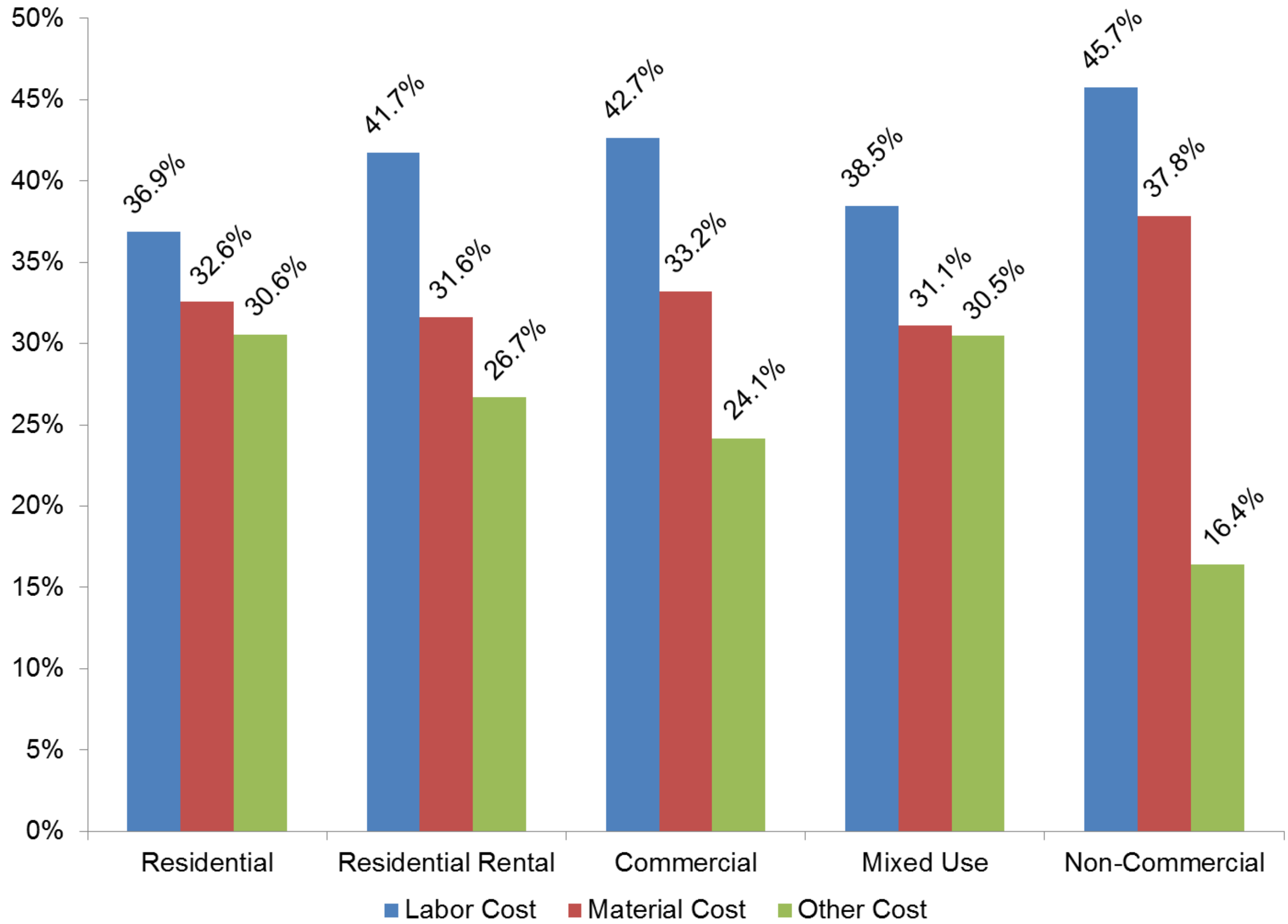
Source: Applications for the State Historic Preservation Tax Credit Awards

Figure 5. Ratios of Self-Reported Private Funding and Non-State Funding to Tax Credit Awards by Project Type for Projects Receiving Historic Preservation Tax Credit Final Awards, FY 2015 – FY 2019



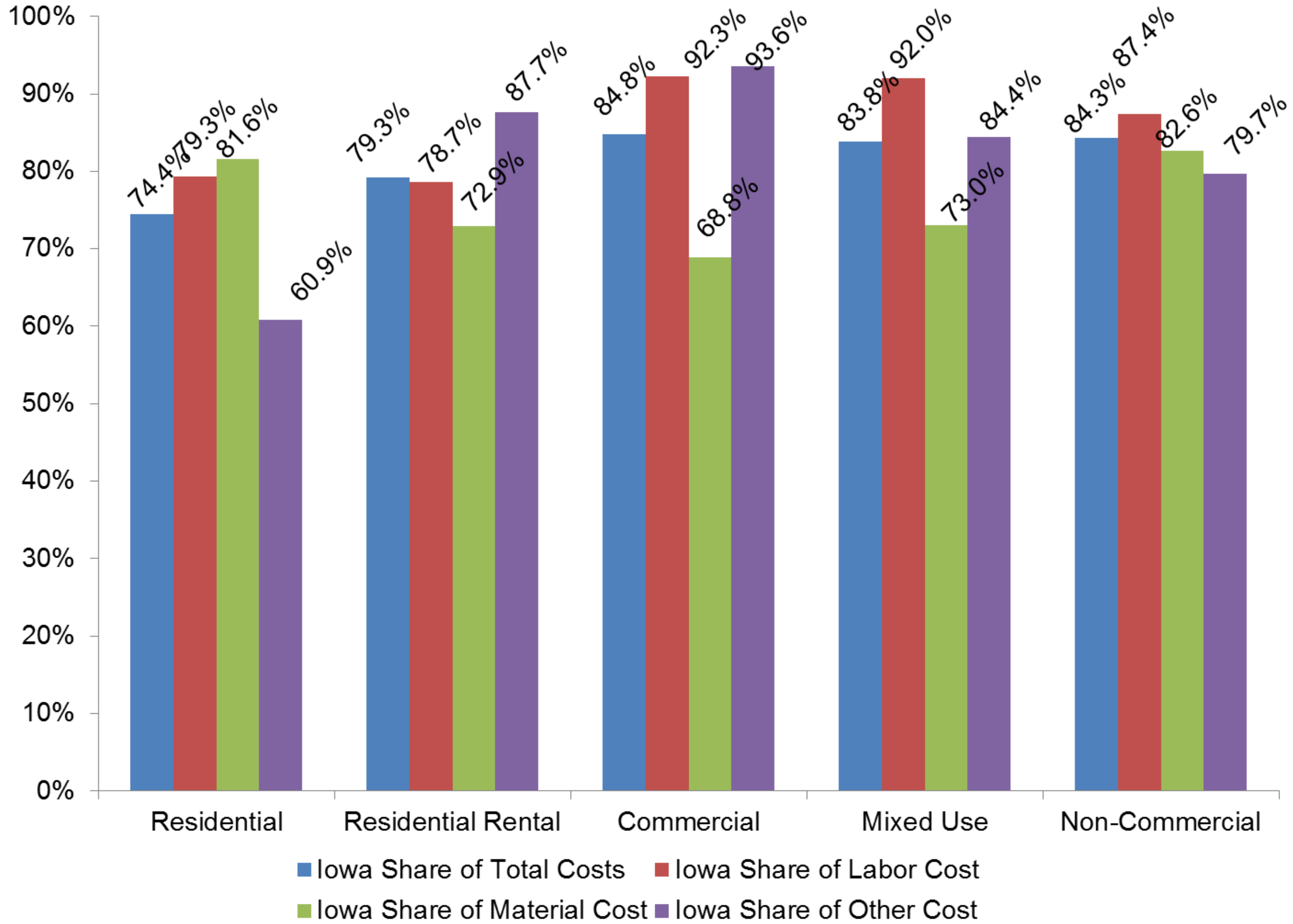
Source: Applications for the State Historic Preservation Tax Credit Awards

Figure 6. Distribution of Self-Reported Total Project Expenditures by Project Type for Projects Receiving Historic Preservation Tax Credit Final Awards, FY 2015 – FY 2019



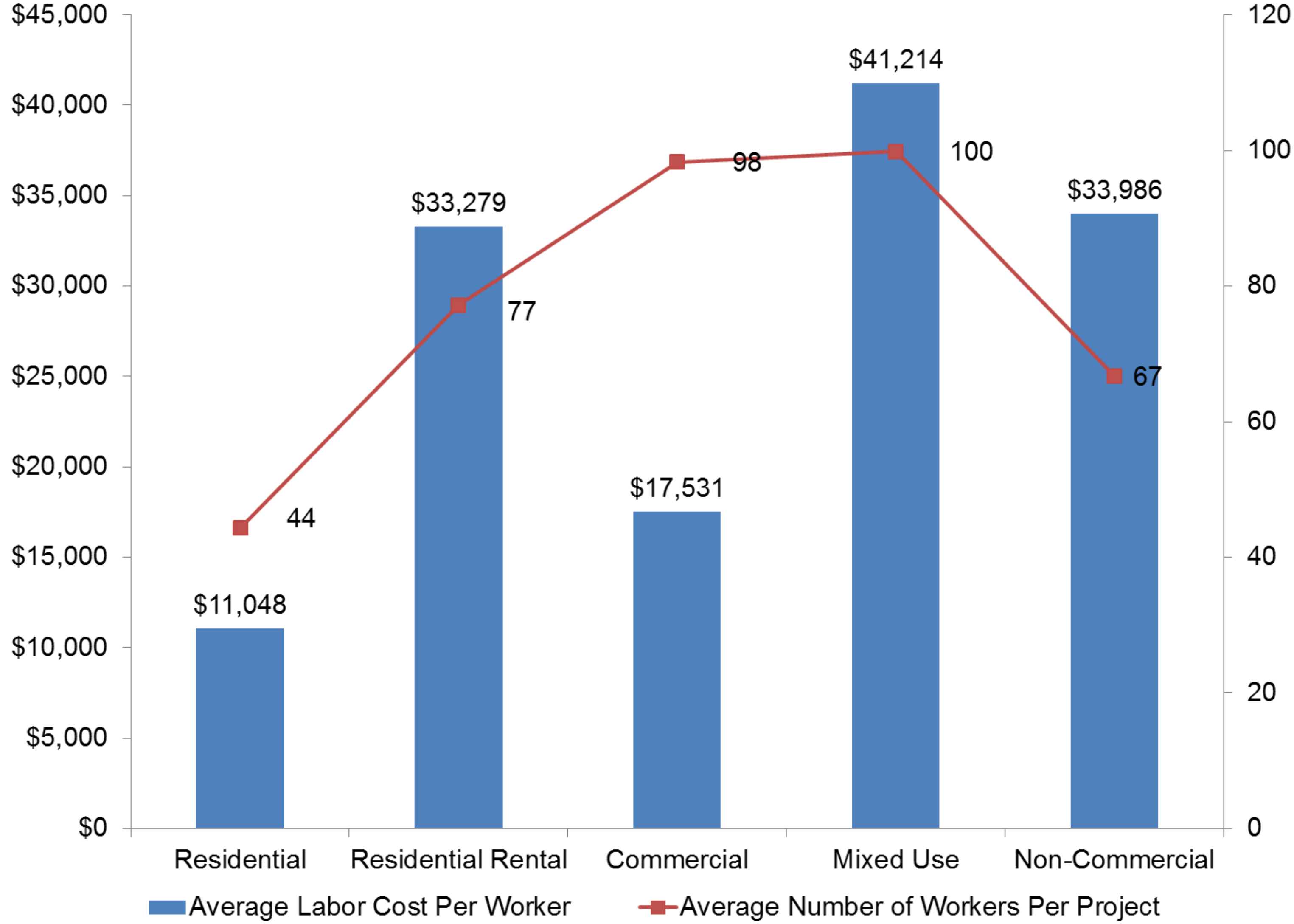
Source: Applications for the State Historic Preservation Tax Credit Awards

Figure 7. Iowa Shares of Self-Reported Historic Preservation Project Costs by Project Type, FY 2015 – FY 2019



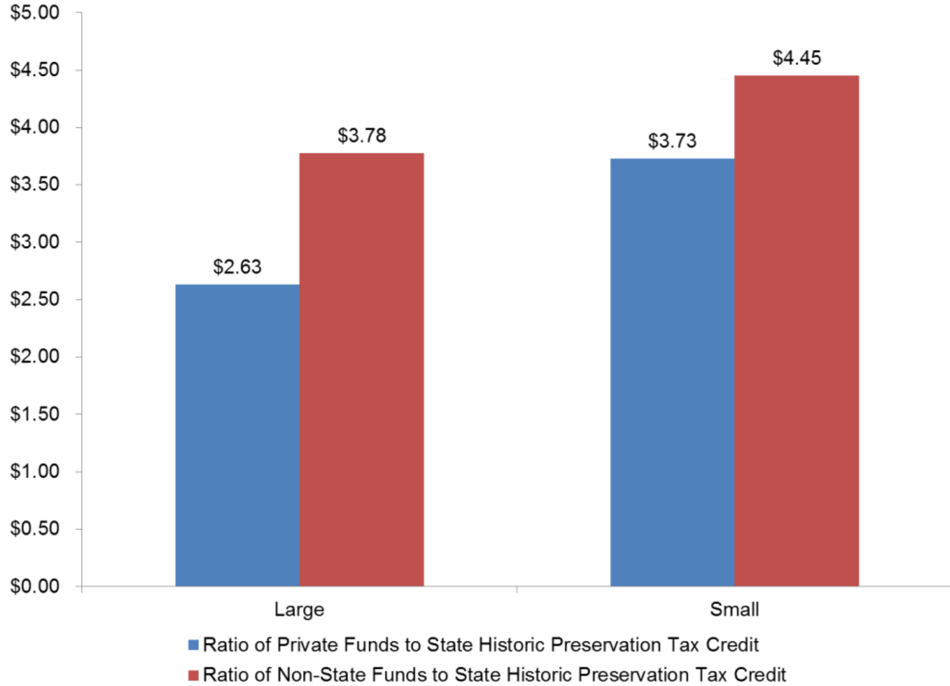
Source: Applications for the State Historic Preservation Tax Credit Awards

Figure 8. Average Labor Cost per Worker and Average Number of Workers per Historic Preservation Project by Project Type, FY 2015 – FY 2019



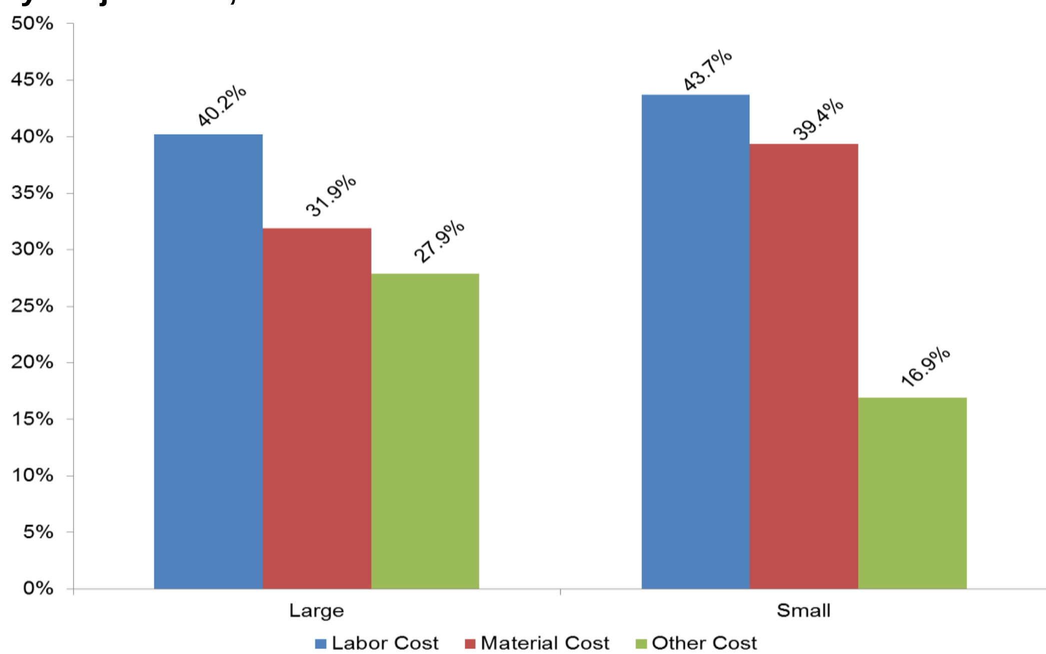
Source: Applications for the State Historic Preservation Tax Credit Awards

Figure 9. Self-Reported Historic Preservation Project Private Funding Ratio and Non-State Funding Ratio by Project Size, FY 2015 – FY 2019



Source: Applications for the State Historic Preservation Tax Credit Awards

Figure 10. Distribution of Self-Reported Total Historic Preservation Project Costs by Project Size, FY 2015 – FY 2019



Source: Applications for the State Historic Preservation Tax Credit Awards

Table 11. Summary Statistics of Focus Group and Control Group in Burlington, Sioux City, and Muscatine, Assessment Years 2012 and 2018

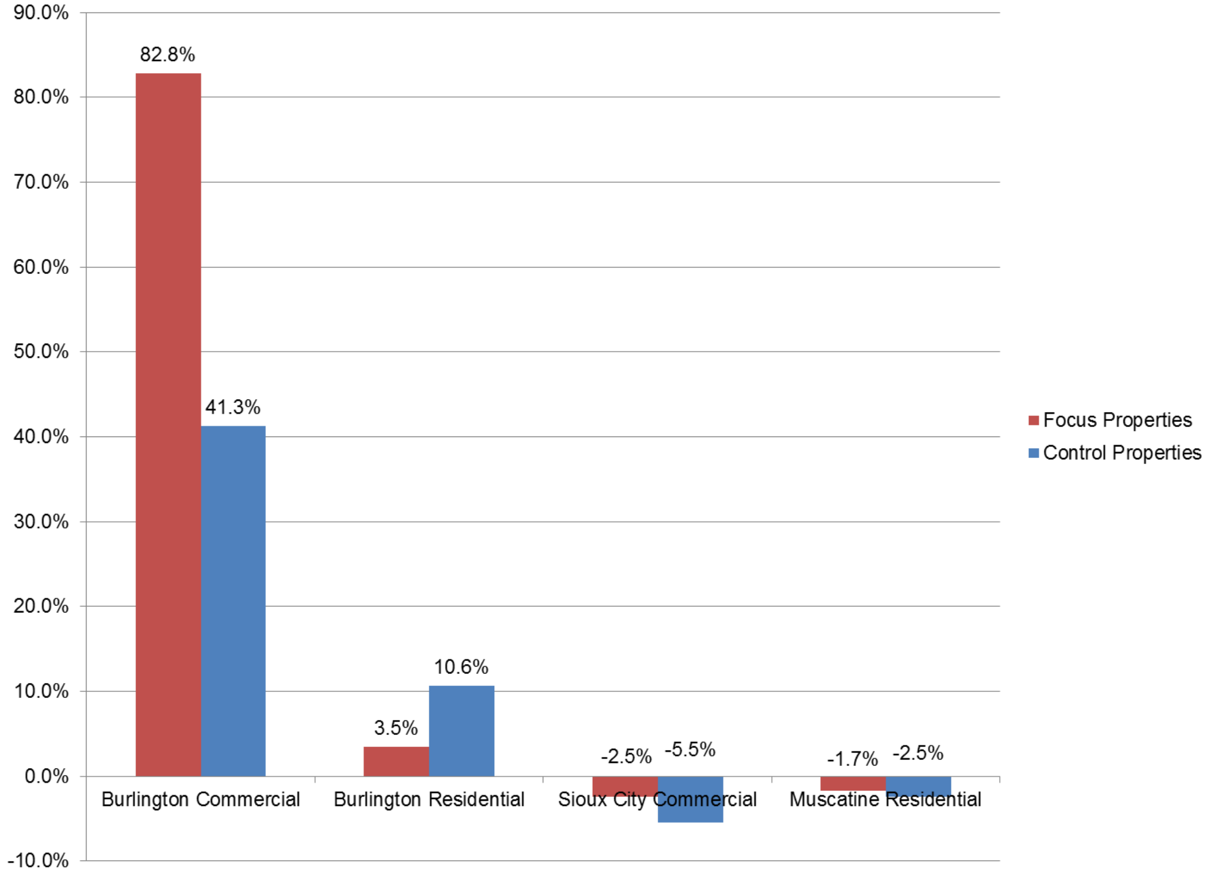
	Burlington					
	Commercial			Residential		
	Number of Properties	Average Assessed Value	Median Assessed Value	Number of Properties	Average Assessed Value	Median Assessed Value
Focus Group						
2012	85	$119,376	$48,900	21	$132,852	$109,600
2018	85	$161,147	$89,400	21	$141,743	$113,400
Control Group						
2012	61	$134,402	$42,600	56	$96,452	$86,400
2018	61	$134,533	$60,200	56	$106,750	$95,600

	Sioux City Commercial		
	Number of Properties	Average Assessed Value	Median Assessed Value
Focus Group			
2012	67	$1,251,001	$200,000
2018	74	$1,579,682	$195,100
Control Group			
2012	118	$259,475	$54,000
2018	124	$238,110	$51,050

	Muscatine Residential		
	Number of Properties	Average Assessed Value	Median Assessed Value
Focus Group			
2012	31	$179,496	$188,540
2018	31	$180,210	$185,350
Control Group			
2012	87	$105,721	$88,000
2018	87	$104,504	$85,840

Source: Iowa Economic Development Authority, Property Tax Division, Des Moines County Assessor Office, Woodbury County Assessor Office, and Muscatine County Assessor Office

Figure 11. Growth Rates of Median Assessed Value of Focus Properties and Control Properties in Burlington, Sioux City, and Muscatine, Between 2012 and 2018



Source: Iowa Economic Development Authority, Property Tax Division, Des Moines County Assessor Office, Woodbury County Assessor Office, and Muscatine County Assessor Office

Table 12. Estimated Direct, Indirect, and Induced Impacts of Historic Preservation Expenditures in Iowa, 2005-2013

Scenarios	Project Start Year	Total Expenditures ($ Million)	Direct Impact		Indirect and Induced Impact		Total Impact			
			Jobs	Personal Income ($ Million)	Jobs	Personal Income ($ Million)	Jobs	Personal Income	Jobs per Million $ of Expenditure	Personal Income per $
New construction expenditures occur	2015-2018	$1,098	5,067	$307.9	5,309	$322.6	10,376	$630.4	9	$0.57
No new construction expenditures	2015-2018	$1,098	13,817	$839.5	14,396	$874.6	28,213	$1,714.1	26	$1.56

Source: Applications on the State Historic Preservation Tax Credit Program and REMI software

The REMI model incorporates aspects of four major modeling approaches: Input-Output, General Equilibrium, Econometric, and Economic Geography.

Direct Impact: Construction jobs and earnings directly caused by rehabilitation expenditures.

Indirect and Induced Impact: Indirect effects are the changes in sales, income or jobs in sectors within the region that supply goods and services to the construction sectors. Induced effects are the increased sales within the region from household spending of the income earned in the construction and supporting sectors.
Assumption: Without tax credit awards, there would have been no rehabilitation expenditures.