



redevelop

DOWNTOWN BURLINGTON



*A Guide to Available Financial Incentives
& Tools for Redevelopment*

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Introduction

Downtown Burlington currently offers a wide array of investment opportunities for private developers and business owners. Vacant and unused buildings are available for redevelopment into stores, restaurants, offices, and residential units. Revitalization of downtown properties is advantageous to developers, future tenants, and the greater community for several reasons. Among these are:

- **Central Location.** Available properties are located in the heart of the city near jobs, restaurants, activities, and other amenities. Downtown establishments decrease travel time for residents and promote walkability in the area.
- **Architecture.** Several buildings in the downtown feature unique, historically significant architecture. Many of Burlington's downtown properties are listed in the National Register of Historic Places due to their historic and architectural significance.
- **Sustainability.** The greenest building is one that is already built. Reuse of an existing building prevents materials from going to the landfill and is the ultimate form of recycling. Developers working on rehabilitation projects also have the opportunity to implement green building techniques.
- **Jobs.** Downtown spaces often attract independent, locally-owned businesses which will create additional jobs within the Burlington community. Those working downtown are likely to support other nearby businesses.
- **Revenue.** Vacant and dilapidated properties in downtown Burlington often bringing in little or no property tax revenue, but have the potential to increase the property tax base in the city. Redevelopment will increase the value of the property, contributing a greater amount to the community's tax base.
- **Safety.** Empty, neglected buildings can be a fire hazard and can invite unwanted criminal activity if there are no people present throughout the day.
- **Downtown as a Destination.** Downtown Burlington currently has stores and restaurants which attract people to the area. New establishments can build on what is already available creating a larger mixed-use district. This will make downtown a destination for non-residents and tourists, as well as local residents.

There are numerous **Financial Incentives** in place to support investment and redevelopment in Downtown Burlington. This document provides an outline of what is currently available to investors as well as business and property owners. For more information on each of the incentives, please click on the corresponding links.

Historic Preservation Incentives

Downtown Burlington is home to several historic buildings in need of investment. Restoring these buildings can be particularly challenging because rehabilitation must meet historic preservation standards. Fortunately, there are many available incentives at the federal and state level to increase project feasibility and offset any additional costs of historic preservation. Properties located in a historic district or on the National Register of Historic Places are eligible for historic preservation incentives. A [map](#) and [listing](#) of National Register properties in Burlington and additional information are available on the City of Burlington's Historic Preservation Committee [website](#).

Federal Historic Tax Credits

A **26% Federal Tax Credit** is available for the certified rehabilitation of historic structures including those on or eligible for the National Register of Historic Places or contributing properties in a registered historic district. The credit is equal to 26% of the amount spent on certified rehabilitation, and is generally claimed for the tax year that the rehabilitated building is placed in service. The standard federal tax credit is 20%, but because Burlington was considered a disaster area after recent flooding, an additional 6% tax credit has been made available. A **10% Tax Credit** is also available for non-residential properties which have not received historic designation, but were occupied prior to 1936. The application process consists of two or three parts depending on the type of property. The three parts are as follows:

- Part 1 - Evaluation of Significance of the Property
- Part 2 - Description of Rehabilitation Work
- Part 3 - Request for Certification of Completed Work

Part 1 is not needed for properties already listed on the National Register of Historic Places, but Parts 2 and 3 must be completed by all applicants. Applications are accepted on an ongoing basis and should be submitted well in advance of the project start date

[A Guide to the Federal Historic Preservation Tax Incentives Program](#)

[Historic Preservation Tax Incentives Booklet](#)

[State Historical Society of Iowa's Federal Tax Credit Information](#)

State Historic Tax Credits

A **25% Tax Credit** is offered by the State Historic Preservation Tax Credit Program for qualified rehabilitation costs of properties on the National Register of Historic Places, those determined eligible by the State Historic Preservation Office, those contributing to historic districts, and local landmarks. To be eligible for the credit, qualified costs of renovations for commercial or mixed-use properties must exceed 50% of the assessed value of the building. Applications for state historic tax credits consist of a three part process similar to that of the federal historic credits. For projects under \$500,000, applications are accepted throughout the year until all available credits are reserved. For projects over \$500,000, applications are accepted only during the first 10 business days of July. State and federal historic tax credits can be combined.

[State Historical Society of Iowa's State Tax Credit Information](#)

Historical Resource Development Program

The State Historical Society of Iowa offers a **Historic Preservation Matching Grant** as part of the Historical Resource Development Program (HRDP). Applications are considered for the treatment, protection, or rehabilitation of sites, buildings, structures, objects or districts that are listed on the National Register of Historic Places. The match ratio of the grant depends on the type of applicant (nonprofit, individual, business). An individual applicant must provide a \$.75 match for every grant dollar awarded. At least a \$.50 must be a cash match while \$.25 can be an in-kind match. Applicants are encouraged to request \$50,000 or less. Application deadlines occur once a year, generally in May.

HRDP also offers an **Emergency Grant of up to \$15,000** to protect a threatened historic property listed on the National Register of Historic Places or determined eligible for the National Register by the State Historic Preservation Office. There is no specific deadline for the application and the review process only takes a couple of weeks.

[State Historical Society of Iowa's Historical Resource Development Program](#)
[Historical Resource Development Program Emergency Grants Information](#)

Downtown Incentives

Design Assistance

Because Burlington is a Main Street Community, Main Street Iowa offers **Design Assistance at No Cost** and no obligation to downtown business and property owners. A Main Street Iowa design consultant will work with business or property owners to develop feasible maintenance and façade improvements to buildings in the downtown district. Along with finished architectural renderings of possible improvements, the owner receives suggestions regarding signage, awnings, paint colors, and appropriate care. For more information download the application below and call Downtown Partners, Inc. (DPI) at 319.752.6365 to schedule a design visit.

[Design Assistance Application](#)

Façade Improvement Loan Program

DPI sponsors a façade improvement loan program intended to stimulate improvements to the exterior of downtown commercial buildings. Owners and/or tenants of existing buildings within the SSMID (Self Supporting Municipal Improvement District) project area are eligible. Tenant applicants are required to submit written evidence of the building owner's approval of the application. **Loans up to \$5,000** are available, but at least 50% of the cost of the façade improvement project must be paid for by the owner. The loans terms are three years at 0% interest. Monthly installments are paid directly to DPI. Applications are available online and at the Downtown Partners office. The DPI Design Committee will review each application and design to determine if it meets the criteria. For more information contact DPI at 319.752.6365.

[Façade Loan Improvement Program Guide and Application](#)

Main Street Mortgage Loan Program

A partnership between Main Street Iowa, the Iowa Finance Authority, and the Federal Home Loan Bank of Des Moines offers **Loans of \$50,000-\$250,000** for rehabilitation of upper floor housing or commercial properties or for new construction on lots in historic commercial districts in downtowns of Main Street Communities such as Burlington. Projects must meet Main Street Iowa's vision of a revitalized historic commercial district. Loans for the program will have terms between 3 and 15 years, with up to a 30-year amortization. The interest rate is fixed at 1.35% above the Iowa Finance Authority's cost of funds for the proposed loan term. Loans are awarded on an ongoing basis.

[Main Street Iowa/Iowa Finance Authority Loan Program](#)

Upper Story Residential Redevelopment

Forgivable Loans of \$50,000 per dwelling unit are available for rehabilitation of upper story apartments. Units which receive this funding must be rented to income qualified households, and the rent charged cannot exceed a predetermined rate. Loans will be forgiven after 15 years if the property owner complies with rent and income restrictions during this time. For more information, contact Sara Hecox at the Southeast Iowa Regional Planning Commission at 319.753.4311 or shecox@seirpc.com.

City of Burlington Incentives

The City of Burlington offers various incentives for construction and development within the corporate limits of the community.

Business Enterprise Zones

Businesses locating or expanding in an established Enterprise Zone may be eligible to receive certain local and state tax incentives.

Eligibility requirements for Business Enterprise Zone incentives:

- The business must make a minimum qualifying investment of \$500,000 over a three year period. Qualifying investment includes the cost of land, buildings, improvements to buildings, manufacturing machinery and equipment, and/or computer hardware.
- The business must create or retain at least 10 full-time, project-related jobs over a three year period and maintain them for an additional two years.
- The business must provide all full-time employees with a standard medical and dental insurance plan of which the business pays 80% of the premiums for employee-only coverage, pays 50% of the premiums for family coverage, or provides a monetarily-equivalent benefit package.
- The business must pay new or retained employees a starting wage which is equal to or greater than 90% of the average county or regional wage, whichever is lower.
[Wage thresholds requirements](#)
- The business cannot be a retail establishment or a business whose entrance is limited by coverage charge or membership.

- The business cannot close or relocate its operation in one area of the state and relocate substantially the same operation in the Enterprise Zone.
- The local Enterprise Zone Commission and IDED must approve the business' application for Enterprise Zone program incentives prior to project initiation.

Available Tax Incentives for those eligible:

- A local property tax exemption of up to 100% of the value added to the property to a period not to exceed 10 years may be available.
- Additional funding for training new employees. If applicable, these funds would be in addition to those authorized under the Iowa New Jobs Training Program.
- A refund of state sales, service, or use taxes paid to contractors or subcontractors during construction.
- For distribution center projects, a refund of sales and use taxes paid on racks, shelving, and conveyor equipment.
- An investment tax credit of up to a maximum of 10% of the qualifying investment, amortized over 5 years. This tax credit is earned when the corresponding asset is placed in service and can be carried forward for up to seven additional years or until depleted, whichever occurs first.
- The State's refundable research activities credit may be increased while the business is participating in the program.

Individual Enterprise Zones may have additional requirements. Contact the Iowa Department of Economic Development along with relevant local organizations to determine eligibility. Businesses locating or expanding in an Enterprise Zone may apply for benefits by completing an application. Local Enterprise Zone Commissions review applications and, upon approval, forward them to the Iowa Department of Economic Development for final approval.

[City of Burlington Enterprise Zone Map](#)

[City of Burlington Enterprise Zone Information](#)

[Iowa Dept. of Economic Development Business Enterprise Zone Information](#)

Housing Enterprise Zones

Developers and contractors building or rehabilitating housing in Burlington's Enterprise Zone may be eligible to receive state tax incentives.

Eligibility requirements for Housing Enterprise Zone incentives:

- The developer or contractor must build or rehabilitate at least four single-family homes or at least one multi-family building containing three or more units in a certified Enterprise Zone.
- The housing must, when completed and made available for occupancy, meet HUD Housing Quality Standards and local housing codes.
- The housing project must be completed within two years of the start of construction or rehabilitation.
- The local Enterprise Zone Commission and IDED must approve the developer or contractor's application for Enterprise Zone program incentives prior to project initiation.

Available Tax Incentives for those eligible:

- A refund of state sales, service or use taxes paid during construction.
- An investment tax credit of up to 10% of the investment directly related to the construction or rehabilitation of the housing.* The tax credit is based on the new investment used for the first \$140,000 of value for each home or unit. This tax credit is earned when the home or unit is certified for occupancy and can be carried forward for up to seven additional years or until depleted, whichever occurs first.

*If the project is, in part, financed through federal, state, and local government tax credits, grants, and forgivable loans, these amounts cannot be included for purposes of calculating the investment tax credit.

[City of Burlington Enterprise Zone Map](#)

[City of Burlington Enterprise Zone Information](#)

[Iowa Dept. of Economic Development Housing Enterprise Zone Information](#)

Tax Increment Financing (TIF)

Tax Increment Financing (TIF) is an economic development tool which allows the City of Burlington to earmark property tax revenues generated from an increase in assessed value within a defined TIF district. The captured revenues from the TIF are used for further investment within the district, such as infrastructure improvements. TIF proposals must be submitted to the City of Burlington Finance Department and will be reviewed on a case by case basis.

[What is TIF?](#)

[Burlington TIF Districts Map](#)

[City of Burlington TIF Information](#)

Urban Revitalization Tax Exemption

The City of Burlington offers a tax abatement program for various types of property. In order to qualify, the improvements must increase the assessed value by at least 15%. Commercial property utilized for retail purposes may abate a maximum value of \$5,000,000. Multifamily housing, or residential property assessed as commercial, may abate 50% of the increased valuation, up to \$50,000 per dwelling unit.

The exemption schedule options include:

- A 3-year, 100% tax exemption
- 10-year sliding scale: 80% - year 1, 70% - year 2, 60% - year 3, 50% - year 4, 40% - years 5 & 6, 30% - years 7 & 8, 20% - years 9 & 10.
- 10-year, 75% exemption for residential assessed as commercial

The exemption is applicable up to a \$75,000 increase in assessed value, as determined by the County Assessor. Properties located in a Tax Increment Financing District are not eligible for tax abatement. Applications are accepted continuously and are available through the City Finance Department.

[City of Burlington Tax Abatement Information](#)

[Urban Revitalization Tax Exemption Application](#)

Energy Efficiency Incentives

By incorporating energy-efficiency into rehabilitation projects, investors can receive tax benefits and other incentives in addition to lower monthly utility bills and energy savings.

Alliant Energy Incentives

The energy-efficient commercial buildings measure provides a tax deduction of up to \$1.80 per square foot for new or renovated buildings that exceed the ASHRAE 90.1-2001 standard by 50%.

There are deductions for:

- Interior lighting
- HVAC systems
- Hot water heating systems
- Building envelope

A partial deduction of \$.60 per square foot can be taken for measures affecting the building envelope, lighting or heating and cooling systems. The credits have been extended through December 31, 2013.

There is also a new tax credit for Combined Heat and Power (CHP). Systems smaller than 50 MW with a minimum efficiency of 60% (20% of energy produced must be electric energy, and 20% must be thermal energy) can qualify for a 10% investment tax credit on the first 15 MW.

[Energy-Efficiency and Renewable Energy Tax Credits Sheet from Alliant Energy Iowa Business Rewards](#)

Other Incentives

New Market Tax Credits

The New Market Tax Credit (NMTC) program allows an investor to receive a tax credit of 39% of the cost of the investment against Federal income taxes over a period of seven years. For years 1-3, the investor may receive a credit equal to 5% of the total amount paid for the stock or capital interest at the time of purchase. For years 4-7, the credit is 6% annually. In order to receive New Market Tax Credit funds, an organization must be certified as a Community Development Entity (CDE).

To qualify as a CDE, an organization must:

- be a domestic corporation or partnership at the time of the certification application;
- demonstrate a primary a mission of serving, or providing investment capital for, low-income communities or low-income persons; and
- maintain accountability to residents of low-income communities through representation on a governing board of or advisory board to the entity.

[Community Development Financial Institutions Fund Information on the New Market Tax Credit Program](#)

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