

APPENDIX P INNOVATION SET-ASIDE

A. INTRODUCTION

Innovation is a core value at the Iowa Finance Authority as we continually look to turn new ideas in housing and finance into reality. The Innovation Set-Aside is an opportunity to demonstrate innovations and advance affordable housing in a way that may not always be possible in the 9% Tax Credit round. The most competitive projects in this set-aside will have multiple innovations and support the Iowa federal housing tax credit (LIHTC) Program mission and goals that include partnerships, affordability, durability, and location.

One project may be selected to apply under the Innovation Set-Aside for the 2027 LIHTC Allocation Round. If the selected project meets program requirements, the project may receive up to \$1.4 million in federal housing tax credits and is eligible for up to a 30% Basis Boost per QAP Section 5.8. Interested applicants must submit a pre-application. IFA will review pre-applications and identify finalists to present on their concept at the 2026 HousingIowa Conference. IFA will announce the selected Innovation Set-Aside Applicant at the HousingIowa Conference.

B. TYPES OF INNOVATION

Innovations may include, but are not limited to the following:

- Target Population/Purpose. All projects must comply with Internal Revenue Code Section 42(g)(9) General Public Use Requirement as well as all federal civil rights legislation including Fair Housing laws, and any state or local civil rights legislation.
- Operations
- Developer Partnerships
- Data-driven decision making and data sharing
- Affordability
- Construction or Durability
- Energy Efficiency
- Financing Structure

C. INNOVATION PRE-APPLICATION REVIEW AND SELECTION

1. All Applicants interested in participating in the Innovation Set-Aside during the 2027 allocation year must submit a completed pre-application no later than May 1, 2026, by 4:30 p.m. Central Time. Late submissions will not be accepted.

2. The pre-application will be available in the Iowa Finance Authority online application no later than February 16, 2026. [Online Application](#)
3. A \$500 fee is due upon submission of the pre-application. IFA will donate the pre-application fees received to a housing related charitable purpose of IFA's discretion.
4. IFA will review submitted Innovation Set-Aside pre-applications for completeness, preliminary feasibility, purpose, and impact for the residents, community, or industry. The pre-application does not require location, site control, financing, architecture, costs and proforma, or a fully complete qualified development team; however, partnerships are part of the pre-application. All pre-applications must include a Qualifying Entity as defined in the 2026-2027 Second Amended Qualified Allocation Plan ("QAP").
5. IFA reserves the right to disqualify any proposal that does not comply with and cannot meet Internal Revenue Code Section 42 requirements.
6. The IFA team will select up to four finalists to present at the Innovation Set-Aside competition for the opportunity to submit a 2027 LIHTC Innovation Set-Aside full application. IFA reserves the right to select no finalists.
7. Selected finalists for the Innovation Set-Aside competition will be notified by email no later than July 1, 2026. Finalists must accept the opportunity to compete in the Innovation Set-Aside competition by July 10, 2026. Finalists must make an in-person presentation at the 2026 HousingIowa Conference that will be open to conference attendees.
8. A review panel will assess the Innovation Set-Aside finalist pre-applications and presentations. The review panel may be comprised of IFA staff, IEDA staff, and industry professionals in such fields as architecture, energy, construction, finance, health and human services, housing policy, and supportive services. Finalists should be prepared to answer questions from the panel and conference attendees.
9. Following the presentations, the review panel may recommend up to one finalist to submit a 2027 application under the Innovation Set-Aside. IFA may accept the review panel's recommendation; however, IFA reserves the right to not select any finalists for the 2027 LIHTC Innovation Set-Aside. IFA will announce which finalist, if any, is eligible to submit a 2027 LIHTC Innovation Set-Aside application at the 2026 HousingIowa Conference.

D. 2027 LIHTC INNOVATION SET-ASIDE APPLICATION REQUIREMENTS

1. The finalist selected to submit a 2027 LIHTC Innovation Set-Aside application, if any, will be the only eligible Applicant for the 2027 LIHTC Innovation Set-Aside.
2. The finalist may submit the LIHTC application any time up to the 2027 application submission due date as set forth in the QAP. Award of credit may also be made prior to June 2027, if the full complete application is submitted prior to the 2027 application submission due date.
3. IFA may award up to one project no more than \$1,400,000 in LIHTC in the Innovation Set-Aside.

4. The project described in the 2027 LIHTC Innovation Set-Aside application must be materially consistent with the project presented at the 2026 Housinglowa Conference and in the pre-application. IFA has the sole discretion to determine whether the project submitted in the 2027 LIHTC Innovation Set-Aside application is materially consistent with the project presented at the 2026 Housinglowa Conference and in the pre-application.
5. An application for this set-aside will not be considered for a 2027 LIHTC Award in any other Set-Aside or the General Set-Aside. An application for the same project may not be submitted separately for consideration outside of the Innovation Set-Aside.
6. The project must have a positive cash flow, no funding gap and meet financial feasibility requirements.
7. The project must meet all building codes (local, state, and federal).
8. All IRS requirements must be met.
9. IFA reserves the right not to make an award in the Innovation Set-Aside. If no Innovation Set-Aside award is made, the \$1,400,000 in Tax Credits will be awarded in the General Set-Aside.
10. All LIHTC awards are subject to IFA Board approval.

E. 2026-2027 QAP APPLICATION REQUIREMENT EXCEPTIONS

All QAP requirements must be met except for the following exceptions to the 2026-2027 QAP requirements.

1. QAP 1.3A: Per Unit Tax Credit Cap does not apply to the Innovation Set-Aside.
2. QAP 1.3B: Project Cap. The maximum award amount is \$1,400,000.
3. QAP 1.3C: Developer, General Partner/Managing Member Cap may be exceeded and does not apply to an Innovation Set-Aside.
4. QAP 1.3E: Community Cap does not apply to the Innovation Set-Aside.

QAP 2.6H Application Deficiency Period. If the Innovation Set-Aside Applicant submits the LIHTC Application prior to March 1, 2027, the Application Deficiency Period will not apply, and the Applicant will have more than one opportunity to correct deficiencies up until May 2027 to resolve all deficiencies to prepare for a June 2027 award.

5. QAP 4.3D: Permanent debt not required. The project can have permanent debt but does not need to have debt.
6. QAP Section 6 Scoring Criteria, 2.6(I) Scoring Determination, 7.2 Selection Criteria, and 7.4 Tiebreakers do not apply. The Innovation Set-Aside does not have scoring criteria.

7. QAP 7.7 Waiting List does not apply. The finalist selected during the 2026 HousingIowa conference is the only Applicant allowed for the 2027 LIHTC Innovation Set-Aside.
8. QAP 14.4 through 14.6 Minimum Development Characteristics - Requests for exceptions specific to an innovation shall be submitted through the Exceptions Tab in the Application prior to Application submission due date. Exceptions may be requested after award, if needed.
9. IFA may make other exceptions depending on the nature of the innovation. Submit requests through the Exceptions Tab in the Application prior to the Application submission due date. Exceptions may be requested after award, if needed.