

Wisconsin Housing and Economic Development Authority

Fiscal Year 2020-21 Annual Report



WHO WE ARE

The Wisconsin Housing and Economic Development Authority's (WHEDA's) mission is to stimulate the state's economy and improve the quality of life for Wisconsin residents by providing affordable housing and business financing products. We provide the tools to help people and communities realize their hopes and dreams.



Single Family Housing

We provide low, fixed interest rate mortgages to individuals and families to purchase a home.



Multifamily Housing

We offer favorable rates and terms to construct, rehabilitate, and preserve affordable rental housing.



Economic Development

We support economic development with financing that puts more capital directly into businesses and farms.



WHEDA Foundation

We provide grants to help improve the state's housing for low-income residents.

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LETTER FROM THE GOVERNOR



If Wisconsin is to thrive, our workforce, our families, and our seniors require access to safe, affordable housing. This past year WHEDA continued its work to advance housing equity and economic opportunity for the people of our state. This work was critical in supporting both our rural and urban communities. To understand the impact WHEDA's mission has on our state's economy, it is important to connect the dots that link affordable housing, business growth, job creation, education, and community well-being.

One of WHEDA's most impactful resources is its housing tax credit program. The tax credits drive economic vitality, leverage private capital, strengthen the local employment base, and provide housing security for our most vulnerable residents. This past spring, I announced \$35.1 million in WHEDA federal and state housing tax

credit awards. WHEDA's allocation of these tax credits will promote housing stability and economic recovery by advancing 2,200 affordable rental units in 19 communities statewide.

To bring new energy and diverse voices to expand equity in affordable housing, I fully supported WHEDA's changes and improvements to its qualifications for the 2021 housing tax credit awards. One of these changes included an increase in the competitive scoring for projects submitted by established developers that provided emerging developers with at least a 24% ownership stake. This decision resulted in 18 awarded tax credit projects with minority developer collaboration. Without inclusive representation on the development team, affordable housing will fall short of its potential to also advance social equity.

In 2022, WHEDA will celebrate its 50th year as a housing leader and innovator. I look forward to working with WHEDA to help secure the housing, health, educational, and economic future of our diverse communities, both large and small, and improve the quality of life for everyone that lives and works in our great state.

A handwritten signature in black ink that reads "Tony Evers".

Tony Evers
Governor

LETTER FROM THE EXECUTIVE DIRECTOR



At WHEDA we are working with developers, lenders, housing groups, community leaders, and elected officials to leverage our collective strengths and develop innovative solutions to help address Wisconsin's ever-changing housing landscape. As this landscape continues to evolve, WHEDA is listening to its stakeholders, strengthening its critical partnerships, and adapting its programs to expand housing equity and economic opportunity throughout Wisconsin.

Providing resources to help communities make positive changes, improve the quality of life for people, and stimulate Wisconsin's economy are what drives WHEDA employees. Our employees have demonstrated tremendous commitment and flexibility in carrying out our mission during a challenging time fueled by the pandemic and an uncertain economic climate.

This past year, WHEDA employees continued their collective work to increase homeownership, advance affordable rental housing, and expand economic development. Highlights include:

- \$386 million in mortgage lending to help 2,684 people realize the dream of homeownership
- \$135 million in multifamily lending and tax credits to create 3,226 affordable housing units
- \$67 million in contracts awarded to 98 minority- and veteran-owned firms working on the construction of tax credit developments
- \$1.5 million in vendor purchases from certified minority-, disabled veteran- and women-owned businesses
- \$1.4 million in business financing to help 12 businesses and farms expand operations
- \$1 million in grants awarded to 34 emergency and transitional nonprofit housing providers

In addition to this financial impact, we continued our strategic efforts to expand affordable housing. Some of these efforts included hosting a virtual housing conference, launching a first-of-its kind supportive housing institute, holding an emerging developer forum, conducting research on the disparities among African American and Latino homeownership rates, and supporting a rural affordable workforce housing pilot design process. This work brought WHEDA and its partners together to explore innovative practices, industry leading insights, and cutting-edge projects that address unmet housing needs.

Next year is WHEDA's 50th anniversary. We look forward to celebrating this milestone with our partners and continuing our collaborative work to drive systemic change and build a more equitable, sustainable place for all Wisconsinites to call home.

Kimberly M. Plache

A handwritten signature in black ink that reads "Kimberly M. Plache". The signature is written in a cursive, flowing style.

WHEDA Interim Executive Director

ADVANCING HOUSING EQUITY



Affordable housing is critical in supporting Wisconsin's working families, employers, and the economic well-being of our communities. WHEDA is advancing housing equity by increasing homeownership opportunities; improving access to quality, affordable rental units; launching new housing strategies; and providing grants to help improve housing for low-income people.

Homeownership

WHEDA works closely with a wide range of partners in Wisconsin's homeownership community including loan officers, real estate agents, home buyer counseling agencies, mortgage insurers, and many others to offer affordable mortgages with financing options to fit the unique needs of first-time home buyers.

This past year, WHEDA began statewide research on African American and Latino homeownership to help guide future mortgage lending strategies. These efforts supported WHEDA's strategy to expand its Easy Close down payment assistance loan. For many prospective home buyers, the lack of savings for a down payment is a major barrier to buying a home. WHEDA's Easy Close was previously capped at 3.5% of a home's purchase price. Starting in 2020, Easy Close is available at 6% of a home's purchase price to significantly reduce the amount of cash needed at closing.

Homeownership builds wealth, strengthens communities, and in many cases allows home buyers to save money compared to what they would pay in monthly rent. WHEDA closed \$386 million in home loans in fiscal 2021 and continues its strong commitment to help more Wisconsinites achieve the goal of buying a home by looking for innovative ways to increase homeownership among diverse communities, large and small, all across Wisconsin.

Multifamily housing

WHEDA provides low-cost financing for the construction, rehabilitation, and preservation of affordable rental units for families, seniors, and persons with special needs. Loans at favorable rates and terms as well as state and federal housing tax credits are the primary WHEDA resources to help bridge the housing affordability gap in Wisconsin.

ADVANCING HOUSING EQUITY



In fiscal 2021, WHEDA closed \$101 million in multifamily lending and awarded \$35 million in federal and state housing tax credits to help support over 3,000 units of affordable rental units throughout the state. WHEDA is grateful for the progress that has been made this past year and looks forward to convening with its community, developer, and lender stakeholders to leverage collective strengths and develop new strategies for an even greater impact in the future.

Key strategies that began in 2021 include a rural affordable workforce housing initiative and a supportive housing institute. The rural affordable workforce housing initiative features WHEDA financing tools that provide immediate resources along with community-led pilots to identify long-term housing strategies that can be replicated in other parts of the state.

This past year, WHEDA partnered with CSH – a national leader in supportive housing – to connect developers and community service providers with training, tools, and financing to help expand the supply of supportive housing. WHEDA and CSH have just launched a first-of-its-kind Wisconsin Supportive Housing Institute. The Institute is expected to increase supportive housing development in communities across Wisconsin by training teams on ways to reduce the time it takes to obtain funding for supportive housing by improving the planning and development process.

Annual housing grant program

The WHEDA Foundation's annual housing grant program is an essential resource to support emergency, transitional, and permanent housing for Wisconsin's most vulnerable residents. Grant recipients are on the front lines working to help families in crisis, those experiencing homelessness, or low-income persons unable to access quality, affordable housing.

Since 1985, the WHEDA Foundation has awarded \$26,968,000 in grants to assist Wisconsin housing providers in both rural and urban communities. The 2021 program awarded \$1,000,000 to 34 organizations resulting in the creation or improvement of 845 beds/housing units. Through the housing grant program WHEDA is helping to improve housing stability for people in the deepest need.

EXPANDING ECONOMIC OPPORTUNITY



Small businesses and farms are the backbone of Wisconsin's economy. When it comes to supporting business development, WHEDA provides more than financing tools. It also fosters economic opportunity through its supplier diversity initiative, emerging business program, and expanded partnerships with diverse developers.

Business financing tools

Working with local banks, community development financial institutions, economic development organizations, and other entities, WHEDA offers loan guarantees, participation loans as well as federal resources that support economic development and agribusiness in Wisconsin

In fiscal 2021, WHEDA supported 12 businesses and farms with nearly \$2.5 million in financing. This lending activity is critical for small business growth and job creation as it provides capital that could not otherwise be secured through traditional financing.

Supplier Diversity

The business community and the economy succeed when opportunity is widely shared and represents all interests. WHEDA's procurement practices strive to provide vigilant stewardship of resources, inspire stakeholder confidence through consistent and transparent processes, and ensure the vendor community has access to open and fair competition.

WHEDA exceeded its targets for purchases from certified minority-, disabled veteran- and women-owned businesses during fiscal 2021. In all, these targeted purchases accounted for \$1,563,844 or 10.3% of WHEDA's total \$15.1 million in discretionary spending, up from \$859,700 during fiscal 2020.

Nurturing a diverse supply chain drives competition and opens the door to innovation among vendors. By being thoughtful and intentional with its internal purchasing policies and procedures, WHEDA has been able to significantly increase its partnerships with minority-owned businesses.



EXPANDING ECONOMIC OPPORTUNITY



Emerging Business Program

When WHEDA allocates federal or state tax credits, developers that receive a tax credit allocation are encouraged to use emerging businesses as well as hire local unemployed and underemployed construction workers to build their projects.

During this fiscal year, 24 developments from the 2018 tax credit award cycle participated in the emerging business program. This activity generated over \$67 million in contracts for 98 minority- and veteran-owned firms. These contracts represented 26% of total construction costs.

Developers participating in the latest construction round of the emerging business program also employed 166 local workers. WHEDA's emerging business program is a collaborative effort to advance equitable economic development and is a powerful catalyst for job creation.

Expanded partnerships with diverse developers

Diverse developers hold a significant stake in building greater equity in affordable housing projects throughout Wisconsin. Because of this, WHEDA increased housing tax credits scoring points within its 2021 Qualified Allocation Plan (QAP) for established developers' projects in which emerging developers held a 24% ownership stake. This change in WHEDA's QAP resulted in more than doubling the number of diverse developers participating in the housing tax credit awards.

The experiences and insights of emerging developers have brought innovative ideas and diverse voices to the affordable housing landscape. Through these new partnerships, WHEDA is working to eliminate barriers and improve the odds for diverse entrepreneurs while securing a brighter housing future for Wisconsin.

WHEDA BY THE NUMBERS

Single Family Housing



| | |
|--------------------------|---------------|
| Households served: | 2,684 |
| Total mortgage lending: | \$386,047,046 |
| Loans serviced: | 27,509 |
| Partner lenders: | 142 |
| Down payment assistance: | \$10,554,980 |

Multifamily Housing



| | |
|---|---------------|
| Loans closed: | 35 |
| Total units: | 883 |
| Total multifamily lending: | \$101,596,350 |
| Total units supported with housing tax credits: | 2,343 |
| Total credit allocation: | \$35,129,135 |

WHEDA BY THE NUMBERS

WHEDA Foundation



| | |
|------------------------------------|-------------|
| Total housing providers supported: | 34 |
| Total communities served: | 29 |
| Grant funds awarded: | \$1,000,000 |
| Beds/units improved or created: | 865 |

Economic Development



| | |
|--|-------------|
| Total businesses and farms served: | 12 |
| Total loan guarantee amount: | \$1,124,800 |
| Total New Markets Tax Credits allocated: | \$1,366,000 |

Emerging Business Program



| | |
|--------------------------------------|--------------|
| Participating developments: | 24 |
| Participating businesses: | 98 |
| Total contracts awarded: | \$67,123,173 |
| Percent of total construction costs: | 26% |
| Local workforce hires: | 166 |

FINANCIALS

Statements of Revenues, Expenses and Change in Net Position

For the Fiscal Years ended June 30, 2021 and 2020 (millions of dollars)

| | 2021 | 2020 | Favorable/Unfavorable | |
|---|--------------|--------------|------------------------------|---------------|
| | | | Amount | % |
| Mortgage income | \$62.1 | \$62.8 | \$(0.7) | (1.1) |
| Mortgage-backed investment income (net) | 20.5 | 82.5 | (62.0) | (75.2) |
| Investment income (net) | 7.0 | 12.6 | (5.6) | (44.4) |
| Interest expense and debt financing costs | (51.9) | (59.1) | 7.2 | 12.2 |
| Net Interest Income | 37.7 | 98.7 | (61.0) | (61.8) |
| Mortgage service fees | 7.4 | 8.4 | (1.0) | (11.9) |
| Pass-through subsidy revenue | 196.0 | 194.0 | 2.0 | 1.0 |
| Grant Income | 5.3 | 4.8 | 0.5 | 10.4 |
| Other | 17.2 | 18.3 | (1.1) | (6.0) |
| Net Interest and Other Income | 263.6 | 324.3 | (60.7) | (18.7) |
| Direct loan program expense | 16.8 | 15.0 | (1.8) | (12.0) |
| Pass-through subsidy expense | 196.0 | 194.0 | (2.0) | (1.0) |
| Grants and services | 1.1 | 2.5 | 1.4 | 56.0 |
| General and administrative expenses | 22.8 | 21.7 | (1.1) | (5.1) |
| Other expense | 0.1 | 0.1 | 0.0 | 0.0 |
| Change in Net Position | 26.8 | 91.0 | (64.2) | (70.6) |
| Net Position, Beginning of Year | 935.3 | 844.3 | 91.0 | 10.8 |
| Net Position, End of Year | 962.1 | 935.3 | 26.8 | 2.9 |

Schedule may not foot due to rounding

Net Interest Income dropped significantly during fiscal 2021, ending the year at \$37.7 million. Both the mortgage-backed securities and traditional mortgage portfolios contracted. The decline was driven by very high prepayment levels resulting from historically low interest rates. The decline in revenue was largely offset by reduced debt interest and issuance expenses. *Governmental Accounting Standard Board Statement No. 31* requires that the Authority periodically adjust the investments to reflect current market value. The cumulative adjustment for fiscal year 2021 was a write-down of \$12.8 million which when compared to the write-up of \$46.0 million in the prior fiscal year explains much of the change in net income. While the Authority doesn't intend to actually realize these gains, the adjustment can lead to significant swings in the recorded value of the portfolio.

Direct loan program expense increased by 12.0% or \$1.8 million during 2021. A significant increase in the loan loss provision was the primary contributing factor to the increase in expenses in this area during the year.

Pass-through subsidy revenue and expense represent subsidy proceeds and other financial assistance received by the Authority and transferred to or spent on behalf of secondary projects. Revenues and expenses of the pass-through subsidy programs are equal resulting in a net effect, on the Authority's financial statements, of zero.

FINANCIALS

Statements of Net Position

June 30, 2021 and 2020 (millions of dollars)

| | <u>2021</u> | <u>2020</u> | <u>Increase/Decrease</u> | |
|--|-----------------------|-----------------------|--------------------------|----------------------|
| | | | <u>Amount</u> | <u>%</u> |
| Cash and cash equivalents | \$747.7 | \$657.6 | \$90.1 | 13.7 |
| Mortgage loans and interest receivable | 1,194.8 | 1,207.6 | (12.8) | (1.1) |
| Mortgage-backed security investments and interest receivable | 1,104.5 | 1,152.4 | (47.9) | (4.2) |
| Investments and interest receivable | 164.7 | 142.0 | 22.7 | 16.0 |
| Net pension asset | 4.6 | 2.4 | 2.2 | 91.7 |
| Other assets | <u>13.1</u> | <u>4.0</u> | <u>9.1</u> | 227.5 |
| Total Assets | <u>3,229.4</u> | <u>3,166.1</u> | <u>63.3</u> | <u>2.0</u> |
| Accumulated decrease in fair value of hedging | 28.1 | 41.5 | (13.4) | (32.3) |
| Deferred outflow of resources - pension | 7.4 | 5.1 | 2.3 | 45.1 |
| Deferred outflow of resources - OPEB | <u>1.4</u> | <u>1.1</u> | <u>0.3</u> | 27.3 |
| Total Deferred Outflow of Resources | <u>36.9</u> | <u>47.7</u> | <u>(10.8)</u> | <u>(22.6)</u> |
| Accrued interest payable | 13.0 | 15.4 | (2.4) | (15.6) |
| Bonds and notes payable | 2,097.2 | 2,042.2 | 55.0 | 2.7 |
| Interest Rate Swap Agreements | 28.1 | 41.5 | (13.4) | (32.3) |
| Net OPEB liability | 2.2 | 2.3 | (0.1) | (4.3) |
| Other liabilities | <u>152.4</u> | <u>169.5</u> | <u>(17.1)</u> | (10.1) |
| Total Liabilities | <u>2,292.9</u> | <u>2,270.9</u> | <u>22.0</u> | <u>1.0</u> |
| Deferred inflow of resources - pension | 10.2 | 7.2 | 3.0 | 41.7 |
| Deferred inflow of resources - OPEB | <u>1.1</u> | <u>0.4</u> | <u>0.7</u> | 175.0 |
| Total Deferred Inflow of Resources | <u>11.3</u> | <u>7.6</u> | <u>3.7</u> | <u>48.7</u> |
| Net investment in capital assets | 1.4 | 0.8 | 0.6 | 75.0 |
| Restricted by bond resolutions | 645.6 | 638.3 | 7.3 | 1.1 |
| Restricted by contractual agreements | 299.1 | 280.6 | 18.5 | 6.6 |
| Unrestricted | <u>16.0</u> | <u>15.6</u> | <u>0.4</u> | 2.6 |
| Total Net Position | <u>\$962.1</u> | <u>\$935.3</u> | <u>\$26.8</u> | <u>2.9</u> |

Schedule may not foot due to rounding

The Authority saw continued asset growth during fiscal 2021, ending the year at \$3.2 billion. However, both the mortgage backed security and mortgage portfolios experienced contraction during fiscal year 2021. While Single Family originations grew by \$9.3 million or 2.54%, Multifamily originations fell 4.1% or \$8.4 million. The significant increase of \$183.7 million in prepayment levels was the primary factor in the combined portfolio balance reduction.

The Mortgage loans and interest receivable portfolio ended the fiscal year at \$1.2 billion which represented a \$12.8 million or 1.1% decline from fiscal year 2020. Mortgage-backed security investments of \$1.1 billion, reflected a decrease of \$47.9 million over the prior year. The combined portfolio balance of \$2.3 billion represents a decrease of \$60.7 million or 2.6%.

Liabilities ended the year at \$2.3 billion, up \$22.0 million over fiscal 2020. The entire increase was attributable to new bonds that were issued to finance both Single Family First Time Home Buyer (FTHB) mortgages and Multifamily loans. There was one Single Family bond issue in fiscal year 2021 totaling \$175.0 million. In addition, \$158.0 million in bonds were issued in the Multifamily program. Proceeds were used to fund new loans in both lines of business.

Overall, net position increased \$26.8 million during fiscal year 2021. The various lending programs and investments within the Authority's business segments generated the change in net position. The business segment contributions for fiscal year 2021 are as follows: (\$2.7) million in Single Family bond resolutions, \$9.1 million in Multifamily Bond and Housing Revenue bond resolutions, \$20.2 million in the General Fund (including subsidiary change in net position) and \$167,000 in State of Wisconsin Programs.

WHEDA STAFF

(As of 12/1/2021)

Sam Adams
Michael Alberson
Kate Allen
Terry Anderson
Tamra Armstrong
Mark Auchtung
Chris Bailey
Rebekah Bailey
Kevin Bavlnka
Dan Besteman
Michelle Bjelde
Larry Blomberg
Candi Boley
Lisa Bollig
Donna Boyes
Stacy Bradley
Maureen Brunker
Tonya Buchner
Anie Cartier
Matthew Case
Michael Clark
Melissa Craig
Paige Craig
Kathi Curtin
Ruth Deakin
Casey Dilley
Brittany Disch
Joe Durow
Stefanie Elder
Deb Elliott
Mark Emmrich
Fernando Escobar
Danny Escuder
Bianca Foltz
Keenan Fonner
Matt Fortney
Emily Francis
Angelita Garcia
Cvetelina Geltemeyer
Kain Gerena
Sherry Gerondale

Rebecca Giroux
Brodie Goodman
Mortitz Goodquist
Elizabeth Green
Jesse Greenlee
Dilnoza Griffiths
Tyler Grover
Christopher Haack
Sam Haile
Ian Halwig
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Robin Harris
David Helgeson
Tracy Hendrickson
Cory Henschel
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Kathleen Kober
Sandy Koch
Gwenn Kromke
Tracy Kysely
Tonya Lambeth
Donna Lazenby
Sara Levander
Erin Libecki
Chee Lor
Stephen Lowe
Kirk Maguire
Kari Maguire
Jamie Malliet
Marty Maloney
Lisa Manske
Mike Maretti
Brenda Marquardt

Pam Marshall
Darla Marshman
Connie Martin
Scott Martin
Michelle McKoy
Nathan Meuer
Grant Milks
Kayin Moore
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Jillian Wielgat
Jamie Wiese
Sue Wilberding
Jake Williams
Tammy Wourms
Mai Xiong
Afiqah Yazan
Dan Zadra
Justine Zadra
Jennifer Zorr

NEW WHEDA OFFICE

WHEDA is building a new corporate headquarters nestled in the growing East Washington Avenue corridor on Madison's Isthmus, just eight blocks northeast of the State Capitol. The new office will have Leadership in Energy and Environmental Design (LEED) building features including an innovative, sustainable building design; systems to reduce water consumption; energy efficient HVAC mechanicals; location near public transportation; a rooftop garden and bird-safety glass to minimize impacts to wildlife. WHEDA will welcome employees to the new office early 2022.



Renderings provided courtesy of Potter Lawson, Inc., Madison, Wisconsin



WHEDA

TOGETHER WE BUILD WISCONSIN®

Wisconsin Housing and Economic Development Authority

www.wheda.com

