







# Tony Evers

Office of the Governor | State of Wisconsin

Dear Friends of Affordable Housing:

I am pleased to announce that Wisconsin's ongoing commitment to affordable housing will continue through federal and state Housing Tax Credits. These tax credits are vital to expanding access to affordable housing, driving economic development, and extending the reach of community services.

The 2023-2024 Qualified Allocation Plan, prepared in accordance with Section 42 of the Internal Revenue Code, goes beyond the statutory requirements established by Congress and addresses Wisconsin's very real housing needs in new and innovative ways. The plan provides greater consideration for the unique needs of our rural communities, promotes sustainability, as well as encourages housing options for veterans, working families and those needing supportive services. It is my vision that this plan will promote the efficient development of safe, affordable housing where it is needed most.

WHEDA has been the sole administrator for Housing Tax Credits in Wisconsin since the federal program was established in 1986 and began implementing the Wisconsin Housing Tax Credit program in 2018. Since 1986, WHEDA has awarded more than \$500 million in Housing Tax Credits, resulting in the development and rehabilitation of more than 56,000 units of rental housing for low- to moderate-income families, seniors, and vulnerable community members.

Affordable housing is essential to the safety, health, and well-being of our kids and families, workers, and communities. I am confident that the tax credits available under this plan will produce and preserve high quality affordable rental units. Working together, we can ensure all citizens of Wisconsin have equitable access to quality, safe, affordable housing.

Sincerely,

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

Tony Evers  
Governor

HOUSING TAX CREDIT  
2023-2024 QUALIFIED ALLOCATION PLAN  
FOR THE STATE OF WISCONSIN

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## I. INTRODUCTION

Thank you for your interest in the Wisconsin Housing Tax Credit (HTC) Program. The Governor has appointed Wisconsin Housing and Economic Development Authority (WHEDA) to administer this program in Wisconsin. In accordance with Section 42 of the Internal Revenue Code (the “Code”), WHEDA has developed this Qualified Allocation Plan (the “Plan”) to establish the criteria and process for the allocation of the Housing Tax Credit (the “Credit”) to qualified rental housing developments in Wisconsin. WHEDA will implement this Plan following approval of the Plan by the WHEDA Board of Directors, a public hearing, and final approval of the Plan by the Governor. This Plan shall govern calendar years 2023 and 2024.

### OBJECTIVES OF THE QUALIFIED ALLOCATION PLAN

<i>WHEDA will execute the following objectives in a transparent and responsible manner:</i>	
<b>Core Pillars</b>	<b>Objectives</b>
Increase supply of affordable housing	<ul style="list-style-type: none"> <li>• Housing for very-low income families and seniors</li> <li>• Housing with services, including those experiencing homelessness and veterans</li> </ul>
Employ place-based strategies	<ul style="list-style-type: none"> <li>• Coordinate housing development with housing &amp; community development plans</li> <li>• Encourage and increase supply of affordable housing in high housing need areas including rural and high growth areas</li> <li>• Incentivize the delivery of affordable housing which meets the life cycle needs and priorities of the communities</li> </ul>
Seek innovative ways to leverage capital	<ul style="list-style-type: none"> <li>• Collaborate with foundations, employers, industry leaders, and other key stakeholders to find new opportunities for leverage</li> <li>• Build capital stacks which reflect local, state, and federal funding opportunities</li> </ul>
Increase economic opportunity	<ul style="list-style-type: none"> <li>• Encourage homeownership and equity building</li> <li>• Increase tenant stabilization through integrated resident services and property management</li> <li>• Cultivate local ecosystem of affordable housing practitioners</li> <li>• Encourage high quality supportive services design, partnerships, and outcomes</li> </ul>

## II. THE 9% CREDIT RESERVATION & ALLOCATION PROCESS

### A. Amount of Credit to be Allocated

The amount of annual 9% Credit authority is based on an estimated \$2.60 per-capita derived from population estimates released by the Internal Revenue Service (the "IRS"). For calendar years 2023 and 2024, WHEDA's per-capita 9% Credit authority is estimated to be approximately \$16.2 million. In addition to per-capita Credit, WHEDA may have returned Credit from previous Credit years to allocate. WHEDA staff may also elect not to allocate remaining Credit.

The 9% Credit will be divided into six Set-Asides. Applicants are required to choose the Set-Aside in which they will compete. These Set-Asides are General, Nonprofit, Preservation, Rural, and Supportive Housing. The Innovative Housing Set-Aside will be allocated in accordance with the definition below. To leverage this limited public resource to the furthest extent possible, the maximum Credit that will be awarded to any one development in the General, Nonprofit, Rural, Innovation and Supportive set-asides will be limited to \$1,400,000. In the Preservation set-aside, the maximum Credit that will be awarded to any one development will be limited to \$1,000,000.

WHEDA staff will rank all applications by score within the appropriate Set-Aside, and allocate Credit to the highest scoring applications to the extent that Credit is available to fully fund the next highest-scoring application within the Set-Aside. WHEDA staff may then allocate any remaining Credit at their discretion.

All developments applying for additional 9% or State Credits (in excess of the development's original Credit request) in a subsequent year must compete with all other applications submitted in the selected Set-Aside. Such additional Credit applications shall not include a Developer's Fee higher than the development's original request - the maximum developer fee for a property will be established at the approval of the Carryover or Tier One application.

A partial credit award will only be made if needed to reach the 10% non-profit requirement mandated by the IRS, or the scenario in which credits have been returned, or received by WHEDA that would otherwise expire if not allocated before the end of the year.

All developments applying for the remainder of a partial award in a subsequent year, so long as the request for credit does not exceed the original request, will not be required to compete with other applications submitted in the selected Set-Aside. Applications are required to meet threshold requirements including the minimum score threshold. Applications that request a credit amount exceeding their original application will be treated entirely as an additional credit application, and will compete with other applications in that Set-Aside.

The Set-Asides are:

- 1. General Set-Aside.** Thirty Two and one half percent (32.5%) of the State housing per-capita Credit will be made available in the General Set-Aside.
- 2. Nonprofit Set-Aside.** Ten percent (10%) of the State housing per-capita Credit must be set aside for qualified nonprofit organizations that have a majority ownership interest in a Credit development.

If nonprofit applications score insufficient points to qualify for Credit in the Nonprofit Set-Aside, they will be transferred to the General Set-Aside to be ranked by score.

The nonprofit must be named as the “Primary Applicant/Developer”, must sign the HTC application, and must be a “qualified nonprofit organization” as defined in Section 42 of the Code and submit a fully completed Appendix B with the initial HTC application. Applicants in the Nonprofit Set-Aside will be required to provide evidence that they have staff with residential development experience and a controlling interest in the property. Applications determined by WHEDA to be ineligible for this Set-Aside will be moved to the General Set-Aside.

- 3. Preservation Set-Aside. Ten percent (10%)** of the State housing per-capita Credit will be set aside for the preservation of qualifying federally assisted housing units or HTC properties that have completed the 15-year compliance period. Applications must propose a minimum of 20% of eligible basis or \$20,000/unit in hard cost rehabilitation, whichever is greater, to qualify for this Set-Aside.

Federally Assisted Housing Preservation includes low-income housing developments subsidized under the following or similar programs: Section 236, Section 221(d)(3) Below Market Rate (BMIR), Section 221(d)(3) Market Rate with Section 8 rental assistance, Section 8 project-based new construction, Section 202, Section 811, Section 221(d)(4), public housing, Section 515- Rural Rental Housing Program, Rural Development, USDA, and NAHASDA or other tribal subsidies. Existing properties with project-based vouchers for a minimum of 75% of the units are eligible to apply in the Preservation Set-Aside.

- 4. Rural Set-Aside.** Twenty five percent (25%) of the State housing per-capita Credit will be set aside for developments in qualified rural locations.

To qualify for the Rural Set-Aside, a development must be both: 1) located in an area that meets USDA Rural Development’s Property Eligibility criteria (for Multifamily Housing) and 2) listed on WHEDA’s Rural Eligible Municipalities available on [wheda.com](http://wheda.com).

Applications in the Rural Set-Aside will not be eligible for points in the Mixed-Income Incentive scoring category.

9% Housing Tax Credit Rural Set-Aside applications have the option to apply with an income averaged unit mix to utilize the income averaging option that include low income units from 20% CMI to 80% CMI, provided that the average does not exceed 60% of CMI with these restrictions:

- Applications electing the Income Averaging option must be 100% low-income.
- Low Income units above 60% of CMI may not exceed 60% CMI Housing Tax Credit rents at the time of application.

- 5. Supportive Housing Set-Aside.** Twelve and one half percent (12.5%) of the State housing per-capita Credit will be set aside for developments intending to provide supportive services in at least 25% of the units for individuals and/or families who are chronically homeless or prone to homelessness and who require access to supportive services to maintain housing.

To qualify for the Supportive Housing Set-Aside the applicant must:

- Submit an executed Certification (see Appendix T to the Application) committing to certain conditions
- Submit firm commitments for rental subsidy for a minimum 25% of the total development units from a public housing authority or government entity having such authority, and must clearly state support of the project.

Examples of allowable rental assistance include: Project-based Section 8 HAP or vouchers, operating subsidy or capitalized operating fund, or other rental subsidy assistance provided by a public housing authority or other government entity.

- 6. Innovative Housing Set-Aside.** Ten percent (10%) of the State housing per-capita Credit will be set aside for developments that are submitted in the general cycle and satisfy all threshold requirements but would not otherwise receive an award due to insufficient score but that meet a strategic priority of the Authority.
- The credits in this set-aside will be allocated concurrently with the established competitive application cycle timeline.
  - Applicants cannot apply for an award under this Set-Aside.

**9% Credit and 4% Federal & State Credit Timeline**

	<b>2023</b>	<b>2024</b>
Management Agent Certification Application Deadline	September 15, 2022	September 15, 2023
9% Tax Credit Application Submissions Due-HTC Online Application & Paper Application Documentation*	Nov 18, 2022 - Jan 27, 2023	Nov 17, 2023 - Jan 26, 2024
State HTC Application Submissions Due-HTC Online Application & Paper Application Documentation	Nov 18, 2022 - Jan 27, 2023	Nov 17, 2023 - Jan 26, 2024
WHEDA Publication of Preliminary Awards (see <a href="http://www.wheda.com">www.wheda.com</a> )	Approx. May 2023	Approx. May 2024
WHEDA Credit Calculation & Reservation Issuance	Approx. May 2023	Approx. May 2024
Due Date for Second HTC Application and Paper Documentation. WHEDA Issuance of Carryover Agreement*	Due Approx. Nov 2023 (180 days after Reservation issuance)	Due Approx. Nov 2024 (180 days after Reservation issuance)
10% Test Deadline (see <a href="http://www.wheda.com">www.wheda.com</a> for documentation requirements) *	Due 30 days prior to twelve months after Carryover issuance	Due 30 days prior to twelve months after Carryover issuance
Mandatory Construction/Rehabilitation Start Date*	July 31, 2024	July 31, 2025
Mandatory Construction/Rehabilitation Start Date for properties with 4% Federal and State HTCs	July 31, 2024	July 31, 2025
Building(s) placed in service *	No later than December 31, 2025	No later than December 31, 2026
Submission of Final (Third) Application See <a href="http://www.wheda.com">www.wheda.com</a>	Due within <b>180</b> days of PIS date of latest PIS date for projects with 2 or more BINs	Due within <b>180</b> days of PIS date of latest PIS date for projects with 2 or more BINs
WHEDA Issuance of 8609 Form(s) & mandatory Land Use Restriction Agreement (LURA)	After receipt and approval of satisfactory third review (or tier two for 4%) documentation	After receipt and approval of satisfactory third review (or tier two for 4%) documentation
WHEDA Ongoing Compliance Monitoring Procedures	Post 8609 issuance	Post 8609 issuance

\* 9% Credits Only



**a. Application Deadline**

WHEDA will prepare and make an application available to all interested applicants. The application will include a prescribed form and a list of required additional documentation. All initial and subsequent HTC applications must be submitted via WHEDA's electronic application system. Payment of the appropriate nonrefundable application fee(s) (See Section XII, Tax Credit Allocation Fees) must be submitted by the Application Deadline by ACH/Wire or by check. If the HTC application is not fully executed by all applicants, (Primary Applicant and Co-Applicant), the HTC application will be disqualified.

WHEDA will accept HTC applications according to the calendar noted on the previous page. All HTC applications must be submitted electronically by 5:00 p.m. CST. The nonrefundable fee(s) should be paid by wire/ACH no later than the due date. Alternatively, checks will be accepted by mail, postmarked no later than the submittal due date, or hand-delivery, received in WHEDA's Madison office by 5:00 p.m. CST no later than the due date. WHEDA may accept applications after this period should WHEDA determine it has not received an adequate quantity of quality applications.

WHEDA's HTC Application contains all scoring criteria details and all submittal checklists. Applicants are required to review all application Appendices. All of these materials are located by application year on [www.wheda.com](http://www.wheda.com).

WHEDA will charge fees at the time of issuance of the Reservation Agreement, Carryover Allocation Agreement (Tier One for 4% applications), 8609(s), and for ongoing HTC monitoring. Fees are detailed in Section XII, Tax Credit Allocation Fees.

Within the Competitive Housing Tax Credit programs (9% and State HTCs), a developer may receive up to two awards of HTCs in any year and in any combination of 9% or State HTCs. No more than one award may be made to a single developer within each Set-Aside.

If there is a developer and a co-developer, the total amount credits awarded to a project will count toward this cap for both the primary developer and co-developer. Projects that include a co-developer will be required to submit a development agreement or Memorandum of Understanding which describes the payment of developer fees and development duties to be performed by each party. Developers, co-developers, and consultants having an Identity of Interest or otherwise may be treated as a single developer if WHEDA concludes at its discretion that the structure is intended to circumvent the annual limit on HTCs to a developer.

## b. Initial Application Review & Site Visit

WHEDA will review all applications for completeness, including, but not limited to, the following:

- The application is complete with all required additional documentation, and threshold items. See the Application Submission Checklist accompanying the Application
- The development meets the basic occupancy and rent restrictions of Section 42 of the Code
- The organization applying for the Credit will have an ownership interest in the development unless the development is Public or Tribal Housing Authority
- Nonprofit applicants applying in the Nonprofit Set-Aside must meet the “qualified nonprofit organization” requirements of the Code, and have submitted a completed Appendix B
- The developments owned or operated by any member of the development team in the State of Wisconsin, or any other state, are in compliance with the Code and are operating in a manner acceptable to WHEDA, with no occurrences of HTC properties in foreclosure, default or placement in receivership within five years prior to the submission of the application
- Environmental issues or administrative proceedings do not exist that would adversely affect the ability to timely proceed
- The applicant is sufficiently ready to proceed based on site control and permissive zoning

As required by the Code, WHEDA will also notify the appropriate official's office in the local jurisdiction of the proposed Credit development location and solicit comments.

A WHEDA representative will contact a member of the development team to discuss the proposed development, arrange a site/market visit, and meet with representatives of the development team.

## c. Market Approval Threshold

WHEDA requires all applications include a recent market study, prepared by a WHEDA approved third-party market analyst. A list of WHEDA approved market study providers can be found on [www.wheda.com](http://www.wheda.com).

Market strength is a threshold determination based on the market study provided in the application, analysis by WHEDA staff, and other sources including WHEDA internal occupancy data. The market study must adhere to the standards published on [www.wheda.com](http://www.wheda.com). WHEDA may request additional information from the applicant during the market review process. All applications, including those financed with tax-exempt bonds, must meet

the market approval threshold as determined by WHEDA. WHEDA, at its option, may elect to contract its own third-party market study to evaluate information provided by the developer.

WHEDA reserves the right to reject applications for market feasibility if, in its sole opinion, it believes that an insufficient market exists for the proposed development, the proposed site is not appropriate for rental housing, or that the proposed development will have a negative impact on existing multifamily housing or other developments in the market area currently under construction or lease-up.

#### **d. Financial Feasibility Threshold**

Section 42 of the Internal Revenue Code states, in part "the housing credit dollar amount allocated to a project shall not exceed the amount the housing credit agency determines is necessary for the financial feasibility of the project and its viability as a qualified low-income housing project throughout the credit period". Therefore, WHEDA will evaluate the financial feasibility as a threshold item. Feasibility is determined by a variety of factors including: projected operating expenses, replacement reserves, rents, other income, vacancy assumptions, debt service, and expected equity proceeds. WHEDA also requires 80% committed funds at time of initial application. The distribution of units of various bedroom sizes is required to be proportionate to the distribution of units at various income limits such that within each income band that the project will serve, no fewer than 10% of each bedroom size provided within the project may be designated at that income band.

WHEDA reserves the right to reject applications or reduce Credit requests/allocations at any stage of the allocation process per Section 42 requirements, based on financial infeasibility, or excessive Credit request. WHEDA Further reserves the right to reject applications during Initial Application review which, in WHEDA's opinion, have inadequate or excessive development budgets.

WHEDA limits total development cost for any one development under a formula based on location, number of units, and other project specific components. Public housing authorities and tribal housing authorities are exempt from this if they are the primary applicant and HOPE VI or Choice Neighborhoods or NAHASDA (or similar to NAHASDA) funding is a source of funds. This is a threshold item and applications exceeding this standard will be rejected. See current year application and its appendices for calculation and methodology.

Requirements contained in any MOU executed by and between WHEDA and the US Department of Housing and Urban Development (HUD), Wisconsin Rural Housing Service (aka USDA RD), or others will be applied to the underwriting of applications combining both Credits and other federal funding. Subsidy layering reviews required under these MOUs will be

conducted and may result in a reduction of Credit. By applying for Credit, applicants acknowledge that their Credit application materials may be shared with the aforementioned agencies in the underwriting of these Credit applications. A copy of the applicable MOU will be made available to applicants upon request.

Developments with HUD or Rural Development financing and/or project-based subsidies have special application submittal requirements that may impact feasibility. See the Application Submittal Checklist and various appendices of the Credit application.

WHEDA reserves the right to reject 9% Credit applications if it believes the development could reasonably be accomplished utilizing 4% credits and tax-exempt financing. WHEDA may use the following assumptions for this determination: WHEDA's current tax-exempt loan rates, longer amortization, a subsidized second mortgage, utilization of the Wisconsin HTC, and modification of the unit mix, or reasonable deferment of developer fees.

Acquisition-rehab proposals (except for adaptive reuse developments) must provide:

- A Capital Needs Assessment report (CNA) of the subject property completed within the past 18 months. The CNA must be completed by a WHEDA approved third-party CNA provider. A list of WHEDA approved CNA providers can be found on [www.wheda.com](http://www.wheda.com).

Applicants requesting Acquisition Credit must provide:

- An "as-is" market value appraisal no more than 12 months old conducted by a third-party appraiser certified under the requirements of the State of Wisconsin general certification of real estate appraisers. The values established shall be used for any acquisition portion of the Credit calculation, subject to WHEDA review and approval.

Land Use Restriction Agreement (LURA). Owners of developments funded from any HTC program will be required to enter into a Land Use Restriction Agreement (LURA) with WHEDA for a mandatory 30-year period. No "opt-out" provision will be included.'

#### **e. Application Scoring & Minimum Scoring Threshold**

Applications are scored based on various scoring criteria. Applicants will self-score a portion of these criteria in the Application. However, WHEDA will make the final determination of the applicant's score. WHEDA requires a minimum threshold point score for all applications which will be noted in the application.



**f. Threshold Cure Period**

At WHEDA’s discretion, there will be a pre-defined 5 day period cure period during the competitive application review period. The cure period will be limited to threshold failures solely identified by WHEDA. No opportunities will be offered to cure threshold deficiencies beyond the 5 day period.

**g. Scoring Categories**

Detailed scoring criteria, instructions and tie-breakers are located within the Credit application itself on [www.wheda.com](http://www.wheda.com).

Scoring Category	Max Points
1. Lower-Income Areas	5
2. Energy Efficiency and Sustainability	25
3. Mixed-Income Incentive	12
4. Serves Large Families (Three-bedroom or larger units)	5
5. Serves Lowest-Income Residents	63
6. Supportive Housing	15
7. Veterans Housing	5
8. Rehab/Neighborhood Stabilization	25
9. Universal Design	18
10. Financial Leverage	36
11. Eventual Tenant Ownership	3
12. Project Team	8
13. Areas of Economic Opportunity	28
14. Rural Areas Without Recent HTC Awards	8
15. Workforce Housing Communities	12
16. Community Service Facilities	5

WHEDA calculates and ranks the score for each application in each Set-Aside and determines which applications meet or exceed a minimum established scoring threshold. WHEDA will publish a list of awarded applications, as well as those that are on-hold or ineligible on [www.wheda.com](http://www.wheda.com) at the conclusion of each HTC allocation round.

**h. Submission & Review of Additional Documents**

The highest-ranking applicants within each Set-Aside and for which Credit is deemed likely to be available are able to continue in the process. WHEDA will subsequently issue to the highest- ranking applicants a Credit Reservation letter shortly after the credit award announcement.

Additional required application materials must be submitted to WHEDA within 180 days of the issuance of the Credit Reservation. Failure to meet all threshold requirements within the 180-day period will render applications ineligible for further consideration.

At its sole discretion, WHEDA may approve a written request for an extension. See Section IX, Tax Credit Allocation Fees. In the event an application is unable to proceed in the Credit process, WHEDA, at its discretion, may award credits to the next highest-ranked scored application that meets or exceeds the minimum scoring threshold.

**i. 9% Credit Calculation & Reservation**

**a. Credit Calculation:**

WHEDA will reserve the calculated Credit amount after the development has received market approval, received financial feasibility approval, achieved sufficient scoring rank, and has satisfactorily submitted all requested additional documentation. WHEDA determines the amount of Credit reserved through information received and the amount requested in the application. The actual reservation amount may not equal the dollar amount requested in the application. The Code requires that WHEDA determine that "the housing Credit dollar amount allocated to the development does not exceed the amount the housing Credit agency determines is necessary for the financial feasibility of the development and its viability as a qualified low-income housing project throughout the Credit period." In making this determination, WHEDA will consider the following:

- The sources and uses of funds and the total financing planned for the development
- Any proceeds or receipts expected to be generated by tax benefits
- Percentage of the housing Credit dollar amount used for development costs
- The reasonableness of operating expenses, rent and vacancy assumptions, and proposed debt service coverage, the development and operational costs of the proposed development
- An analysis of the appropriate Credit amount based on an "equity gap" model

The Code allows the possibility of receiving a Credit reservation equal to as much as 130% of qualified expenditures. The increased basis is allowed in areas defined by HUD as "qualified census tracts" (QCTs) or "difficult development areas" (DDAs). See Appendix E of the HTC application for a list of QCTs and DDAs. WHEDA will provide periodic guidance to applicants regarding the maximum QCT basis boost that may be requested by applicants.

The Housing and Economic Recovery Act of 2008 allows WHEDA to designate areas or projects to receive up to a 30% “HFA basis boost”. WHEDA expects to publish its “HFA and QCT boost policy” annually subject to market conditions and project feasibility. Applicants should monitor [www.wheda.com](http://www.wheda.com) for the latest information. WHEDA reserves the right to revise its policy at any time. WHEDA will provide periodic guidance to applicants regarding the maximum HFA basis boost that may be requested by applicants.

The Code allows Credit to be awarded to that portion of a building used as a community service facility not in excess of 25% of the total eligible basis, if the building is located within a qualified census tract. Such “community service facility” may include childcare, workforce development, healthcare, etc., and must be designed primarily to serve individuals whose income is 60% or less of county median income.

Under certain circumstances described in the Code, buildings financed under the Native American Housing Assistance and Self-determination Act of 1996 (NAHASDA) are eligible for the 9% Credits.

#### **b. Reservation of Credit**

WHEDA will issue a letter reserving the determined Credit amount to qualifying applicants shortly after the announcement of preliminary awards. An applicant may not transfer Credit to another development or another development site. WHEDA will not allow changes to the development that affect scoring after the reservation letter has been issued without its written approval. All developments receiving a reservation of Credit will be required to erect a WHEDA construction sign meeting specifications outlined in Appendix L of the HTC application.

In those cases in which a Reservation Agreement (and the Reservation Fee) are not returned to WHEDA by the deadline within the Reservation Agreement, WHEDA will consider this a rejection of the credit on behalf of the applicant.

#### **j. Second & Third Application Reviews & Credit Allocation**

The Internal Revenue Code requires that WHEDA evaluate the HTC application three times: 1) at initial application; 2) at carryover allocation; and 3) at the time the building(s) is (are) placed in service. On each occasion, the applicant must submit a complete Credit application via WHEDA’s electronic application platform and certify to all Federal, State, and local subsidies expected to be available to the development.

The process requires that applicants provide detailed and accurate information concerning all development costs at each evaluation. Applicants with Reservations will be subject to cancellation of the Reservation if they

are unable to provide WHEDA with satisfactory evidence of progress toward timely completion of the proposed development, or if there are significant changes to the proposed development from the approved application.

**The second review** is due from the applicant no later than **180** days after the date of the Reservation issuance. WHEDA will review financial feasibility and revised costs based on information provided by the applicant in the second review application to determine the appropriate amount of Credit to be allocated. Provided the second evaluation is in order, WHEDA will issue a Carryover Agreement at the time of completion of the second evaluation. Developments allocated Credit must be placed in service a) during the calendar year in which the allocation took place - **OR** - b) apply for a Carryover Agreement within **180 days** of the issuance of the Credit Reservation.

A valid Carryover Agreement, per the Code, requires that the taxpayer incur costs that exceed 10% of the taxpayer's "reasonably expected basis" or total development cost no later than 12 months after the date the Carryover Agreement is issued. The owner must submit a third-party accountant's review certifying that the required 10% expenditure has occurred, or is likely to. WHEDA requires a breakdown of expenditures as well as proof of expenditure by the specified deadline.

In those cases in which the Carryover Agreement (and the Carryover Fee) are not returned to WHEDA by the deadline within the Carryover Agreement, WHEDA will consider this a request for an extension.

WHEDA will require evidence that construction/rehabilitation of the property is underway by July 31 of the calendar year following the year of the initial 9% HTC awards. Applicants who do not meet the mandatory construction start date will not be allowed to apply for HTCs in the next cycle, unless construction has started a minimum of 30 days before the next HTC application deadline unless written approval by WHEDA is granted. WHEDA will require evidence that an AIA Form 102 Cost-Plus Guaranteed Maximum Price construction contract has been executed - a copy of the contract will be submitted with other evidence that construction/rehab is underway. WHEDA will also require a copy of the first construction draw report containing a statement from the 3rd party inspecting architect that the plans and specifications incorporate WHEDA's requirements for Universal Design Scoring and Appendix M Design Requirements. WHEDA will also require evidence of satisfaction of Appendix L - Construction Signage.

**The third and final review** is conducted after the development has been placed in service. WHEDA will again review financial feasibility, revised costs and the equity requirement based on information provided by the applicant in a third updated application to determine the appropriate amount of Credit to



be allocated. Submission of an application for final allocation must be made within 180 days of the project's placed-in-service date or the latest placed-in-service date for projects with two or more Building Identification Numbers. See Section IX Tax Credit Allocation Fees.

A final allocation of Credit cannot be made until 1) the development building(s) has/have been placed in service, and the applicant provides all items on WHEDA's 8609 Submission Checklist. This includes a third-party cost certification to actual development costs or any other documents WHEDA may require to carry out the requirements of the application, the Qualified Allocation Plan for the State of Wisconsin, or IRS regulations.

Please see [www.wheda.com](http://www.wheda.com) for the Final (8609 Submission) Review Checklist for a complete list of required items to be submitted with the Final Application. WHEDA will require evidence (within the Operating Agreement) that Operating Reserves remain in place for a minimum of 15 years. WHEDA will also require a copy of the final construction draw report containing a statement from the 3rd party inspecting architect that the project was built in accordance with WHEDA's requirements for Universal Design Scoring and Appendix M Design Requirements.

WHEDA requires execution of a Land Use Restriction Agreement (LURA) mandated under Section 42 of the Code that commits to extend use for low-income housing for a mandatory 30-year period with no "opt-out" provision for developments funded with 4% or 9% Housing Tax Credits.

Owner/Taxpayer must provide WHEDA with a recorded LURA (or LURAs, if recorded in more than one office) as part of Review 3. In the event Owner/Taxpayer is unable to produce a recorded version of the LURA that meets WHEDA's approval, WHEDA will not issue a Form 8609 to Owner/Taxpayer.

The above requirements must be submitted in an acceptable form to WHEDA. Upon receipt, review and acceptance of all required materials, WHEDA will allocate Credit and send a completed original of IRS Form(s) 8609 to the owner. WHEDA will forward a photocopy of Form(s) 8609 to the IRS. WHEDA will assess fees for the re-issuance of 8609 form(s) at the Owner's request for non-WHEDA errors. This fee must be paid in full prior to WHEDA mailing or faxing the revised/corrected 8609 forms to the Owner.

If WHEDA at any time has reason to believe that the development: 1) will not be placed in service in a timely fashion; 2) fails to comply with the requirements for a Carryover Allocation; 3) is not in compliance with Section 42 of the Code; or 4) that the application contains misrepresentations, WHEDA may revoke the Credit allocation.

In addition, WHEDA reserves the right to deduct up to 5 points within the Project Team scoring category on subsequent HTC applications should it

discover developer/applicant noncompliance on previous tax credit awards. Deductions shall apply no less than 12 months from the date of determination. Examples include, but are not limited to: failure to incorporate design/amenity/accessibility/green building elements, failure to include special needs services for which the developer received points or were threshold certification items at initial application, failures which would have reduced the total amount of points scored on the initial application, or modifications to the unit mix that were not approved by WHEDA. WHEDA, at its discretion, may choose to bar participation in the HTC programs for those development team members with repeated or excessive noncompliance violations.

### III. THE STATE AND FEDERAL 4% CREDIT RESERVATION & ALLOCATION PROCESS

#### a. Introduction

On March 28, 2018, Wisconsin 2017 Act 176, created the Wisconsin Housing Tax Credit program. A copy of Act 176 can be found at <https://docs.legis.wisconsin.gov/2017/related/acts/176>.

The Wisconsin Housing Tax Credit was designed to complement to the federal 4% Housing Tax Credit (HTC), and follows the vast majority of rules that are currently in place for the federal tax credit program. However, there are some key differences between the state and federal programs:

- The Wisconsin HTC will have a six-year credit period, versus the 10-year federal credit period
- The Wisconsin HTC includes a preference for properties located in a city, town or village with a population of 150,000 or less
- If a development consists of more than one building - for the state HTC, the development is placed in service in the taxable year in which the last building of the qualified development is placed in service. For the federal HTC - each building is assigned a specific placed-in-service date.
- The HTC ceiling will be limited to \$7 million per year minimum

WHEDA will allocate the state HTC, and will provide necessary allocation and compliance monitoring information to the Wisconsin Department of Revenue.

#### b. Application Process

The items described below create a competitive application process for 4% federal and state HTCs. Those applications meeting threshold requirements will then receive an application score. WHEDA will allocate state HTCs to the highest-scoring applications until a total of \$7 million of awards have been made. WHEDA does not intend to make partial awards of state HTCs during this application round.

Properties that have an existing Federal 4% HTC award that have begun construction/rehab or have closed with their investor and lender(s) will not be allowed to apply for an additional allocation of Wisconsin Housing Tax Credits.

WHEDA will accept federal and state HTC applications according to the calendar noted within Section II(1) of the QAP. All applications must be submitted via WHEDA's electronic application system by 5:00 p.m. CST. The nonrefundable fee(s) should be paid by wire/ACH no later than the due date. Alternatively, checks will be accepted by mail, postmarked no later than the submittal due date, or hand-delivery, received in WHEDA's Madison office by 5:00 p.m. CST no later than the due date. WHEDA may accept applications after this period should WHEDA determine it has not received an adequate quantity of quality applications.

No application may include a request for more than \$1,200,000 of state HTCs. Additionally, no member of the development team - applicant and/or co-applicant - may receive more than two awards of state HTCs in any year.

There is no limit on the amount of federal 4% tax credits that may be requested.

The Set-Asides are:

**1.Rural Set-Aside.** Twenty five percent (25.0%) of the State housing per-capita Credit will be made available in the Rural Set-Aside.

To qualify for the Rural Set-Aside, a development must be both: 1) located in an area that meets USDA Rural Development's Property Eligibility criteria (for Multifamily Housing) and 2) listed on WHEDA's Rural Eligible Municipalities available on [wheda.com](http://wheda.com).

Applications in the Rural Set-Aside will not be eligible for points in the Mixed-Income Incentive scoring category.

For projects that are eligible for this State of Wisconsin 4% Rural Set-Aside, the Tax Credit Percentage Rate for the purposes of sizing the State Portion of the Annual Credit Amount may be designated at a rate that exceeds that of the 4% Credit and which will be published annually at [www.wheda.com](http://www.wheda.com).

**2.Small Urban Set-Aside.** Twenty percent (20.0%) of the State housing per-capita Credit will be made available in the Small Urban Set-Aside.

To qualify for the Small Urban Set-Aside, a development must be listed

on WHEDA's Small Urban Eligible Municipalities available on [wheda.com](http://wheda.com).

For projects that are eligible for this State of Wisconsin 4% Small Urban Set-Aside, the Tax Credit Percentage Rate for the purposes of sizing the State Portion of the Annual Credit Amount may be designated at a rate that exceeds that of the 4% Credit and which will be published annually at [www.wheda.com](http://www.wheda.com).

**3.General Set-Aside.** Fifty five percent (55.0%) of the State housing per-capita Credit will be made available in the Balance of State Set-Aside.

**c. Threshold Requirements**

WHEDA will review the application to confirm that the development meets the requirements of the Plan, including a determination that the application meets the market threshold, financial feasibility threshold, and minimum scoring threshold. WHEDA also requires 80% committed funds at time of initial application. The distribution of units of various bedroom sizes is required to be proportionate to the distribution of units at various income limits such that within each income band that the project will serve, no fewer than 10% of each bedroom size provided within the project may be designated at that income band.

Applications for state HTCs must also meet the following application threshold requirements:

1. Within Appendix M (WHEDA Design Requirements), the 100% visitable unit requirement will be reduced to 50%. 20% visitability will continue to be required for single-family, duplex and townhome style construction.

Applications meeting the threshold requirements will then be assigned an application score based on the scoring categories in the 2023/2024 QAP.

In the event that WHEDA does not receive more than \$7 million of applications that meet the threshold requirements – all applications meeting threshold requirements, including minimum score, will receive a federal and state HTC award.

**d. Threshold Cure Period**

At WHEDA's discretion, there will be a pre-defined 5 day period cure period during the competitive application review period. The cure period will be limited to threshold failures solely identified by WHEDA. No opportunities will be offered to cure threshold deficiencies beyond the 5 day period.

**e. Underwriting Criteria**

The following criteria will be used to underwrite applications for federal



and state 4% tax credits:

1. **Income Averaging.** The Consolidated Appropriations Act of 2018 created a third minimum set-aside option for tax credit properties. In addition to the existing options to set-aside a minimum of 20% of units for households at or below 50% of County Median Income or a minimum of 40% of units for households at or below 60% of County Median Income, the Internal Revenue Code now allows an option to set-aside a minimum of 40% of units for households with an average income of no more than 60% of CMI. The new provision allows households as high as 80% CMI to qualify as a low-income household. WHEDA will accept 4% HTC applications that include low income units from 20% CMI to 80% CMI, provided that the average does not exceed 60% of CMI.
  - a. Applications electing the Income Averaging option must be 100% low-income. Properties with market rate units will be required to select the 20% @ 50% CMI or 40% at 60% CMI set-aside option.
  - b. Low Income units at or above 60% of CMI may not exceed 95% of the HTC gross rent limit, and may not exceed 90% of estimated market rents (as noted in the market study)
2. **State HTC Pricing.** WHEDA will publish periodic guidance prior regarding the expected pricing range for state HTC applications.
3. Applicants should use the WHEDA Tax-Exempt Financing Rate as directed by WHEDA's published guidance.
4. Applications will be required to maintain a Debt Coverage Ratio of 1.15 to 1.40 during the 15 year compliance period.
5. **Vacancy rate.** WHEDA will continue to use a vacancy rate of 7% for new properties. Existing properties with a vacancy rate of 5.0% or less in the three previous years will be allowed to include a vacancy rate of 5% in the application - copies of operating statements for each of the three years noted above must be included with the tax credit application. In the absence of those operating statements, a vacancy rate of 7% will be used by WHEDA.
6. Commercial Income will not be considered when determining the Debt Coverage Ratio
7. WHEDA will continue to allow a maximum developer fee of no more that 20% for applications utilizing the federal and state 4% HTC. In those cases in which the Developer Fee exceeds the standard WHEDA Developer Fee policy, a minimum of one-half of the developer fee must be deferred. Developer fees for any projects using the 4% credit will be limited to a maximum of \$40,000 per unit.
8. Applicants should not include any new WHEDA subordinate debt within the Proposed Funding Sources for the property unless WHEDA provides guidance for applications in specific locations

#### f. Timeline

Approval of a 4% state and federal HTC application does not constitute a loan approval by WHEDA. Tax-exempt bond loan applications will follow WHEDA's typical loan approval process.

Upon completion of threshold and scoring reviews, WHEDA will announce the federal and state HTC awards and issue Reservation letters for the federal and state tax credits. For those tax credit applications that included a WHEDA loan addendum, WHEDA will begin the loan approval process at that time.

The Reservation letter for all federal and state HTC 4% awards will require that all items necessary to complete the Tier One letter (see the Credit Award Checklist referenced in Section E above) be submitted to WHEDA by a specified date. There will be no extensions and failure to submit the required Credit Award Checklist items by the deadlines listed in the Reservation will lead to a revocation of the HTC Reservation.

Developers pursuing other providers for tax-exempt debt will be required to meet the timeline described above.

In the event that WHEDA does not receive a sufficient number of qualifying applications to fully-utilize the annual state HTC ceiling, additional federal and state HTC applications may be accepted later in each year. Later applications would be processed as they are received by WHEDA - those meeting threshold requirements would receive a federal and state HTC award. WHEDA also retains the ability to roll-over unawarded state HTCs to the following year.

**g. HTC Applications That do not Include a WHEDA Tax-Exempt Bond Loan Request**

Non-competitive Federal and Federal and state HTC projects will require the issuance of volume-cap tax-exempt bonds to meet the 50% test for 4% transactions. In those cases in which WHEDA is not providing a credit-enhanced tax-exempt bond-funded loan, the following parameters will apply:

1. Local Issuance
  - The Volume Cap allocation will be limited to 60% of the property's expected Aggregate Basis
  - Volume cap amounts may be limited by WHEDA's "Volume Cap Allocation to Local Issuers" policy
2. Private Placement with No Credit Enhancement
  - The Volume cap allocation will be limited to 60% of the property's expected Aggregate Basis
  - Fees will be equal to the greater of (a) 1.5% of the loan amount or (b)\$125,000; plus the cost of bond issuance
  - The Bond Commitment Fee shall be due upon acceptance of the Bond Commitment Letter and will be equal to one half of the estimated issuance fees

3. Volume cap used for construction loans only
  - WHEDA will not provide credit enhancement for construction-only loans with a non-WHEDA perm debt source

All items above in section (g) are subject to change at WHEDA's discretion. All Projects will be subject to the same timelines as projects requesting a WHEDA Tax-Exempt Bond Loan which will be incorporated into the conduit bond-commitment and or the tier one agreement.

**h. Second and Third Application Reviews & Credit Allocation**

- a. The procedures described in Section II.j. above (Second and Third Application Reviews & Credit Allocation for 9% HTCs) shall follow for State and Federal 4% Credit Allocations. Projects using the State Credit will be issued a State Credit Allocation Certificate concurrently with the 8609 issuance.

**IV. THE FEDERAL NON COMPETITIVE 4% CREDIT RESERVATION & ALLOCATION PROCESS**

All initial noncompetitive HTC applications must be submitted via WHEDA's electronic application system between the first Monday of January and 5:00 p.m. CST on the first Friday of December each calendar year. The nonrefundable fee(s) and required additional documentation must also be submitted to WHEDA's Madison office during this period.

Applicants applying for Noncompetitive Credit for a development financed by WHEDA or locally issued tax-exempt bonds must follow a two-tier application process.

Applicants are encouraged to submit the first application prior to commencing construction of the development. WHEDA will review the application to confirm that the development meets the requirements of the Plan, including a determination that the application meets the market threshold, financial feasibility threshold, and minimum scoring threshold. Developments may rely on the Plan and form of application in effect for the year in which they make their first application. In its review of the first application, WHEDA also confirms that 50% or more of the aggregate basis of building(s) and land is being financed with tax-exempt bonds. Since all HTC applications must meet the market threshold, financial feasibility threshold, and minimum scoring threshold, developers are encouraged to make the first application for Credit as early in the development process as possible.

Applicants submit the second application at the time of request for Credit allocation (assignment of the building identification numbers [BINs] and Form 8609). In addition to the approval of the first and

second Tax Credit applications, Applicants must meet the following requirements to qualify for the final allocation of Credit:

- a. The governmental unit that issues the bonds must make a determination of allowable Credit under rules similar to those required in Section 42(m)(2)(A)&(B), and will be required to provide an affidavit in a form acceptable to WHEDA that it has made this determination
- b. If there has been a change in Owner entity since the "Tier One" letter, include a photocopy of the original signed and dated organizational documents filed with the Wisconsin Department of Financial Institutions, change the Owner information on the application for Credit, and note the correct Federal Identification number on the application for Credit
- c. Applicants must submit evidence of applicable Tax Credit percentage election in accordance with Section 42(b)(2). If no such election is submitted, WHEDA will issue an allocation based on the appropriate percentage prescribed by the law
- d. Submit all items referenced under "The third and final review" in Section 10 above
- e. Owners of developments funded with Noncompetitive (4%) Credits will be required to enter into a Land Use Restriction Agreement (LURA) with WHEDA for a 30-year period.

The Consolidated Appropriations Act of 2018 created a third minimum set-aside option for tax credit properties. In addition to the existing options to set-aside a minimum of 20% of units for households at or below 50% of County Median Income or a minimum of 40% of units for households at or below 60% of County Median Income, the Internal Revenue Code now allows an option to set-aside a minimum of 40% of units for households with an average income of no more than 60% of CMI. The new provision allows households as high as 80% CMI to qualify as a low-income household.

WHEDA will accept 4% HTC applications that include low income units from 20% CMI to 80% CMI, provided that the average does not exceed 60% of CMI.

- a. Applications electing the Income Averaging option must be 100% low-income. Properties with market rate units will be required to select the 20% @ 50% CMI or 40% at 60% CMI set-aside option.
- b. Low Income units at or above 60% of CMI may not exceed 95% of the HTC gross rent limit, and may not exceed 90% of estimated market rents (as noted in the market study)

Within Appendix M (WHEDA Design Requirements), the 100% visitable unit requirement will be reduced to 50%. 20% visitability will continue to be required for single-family, duplex and townhome style construction.

WHEDA will charge an application fee and additional review fees for all tax-exempt bond financed developments. See Section IX, Tax Credit Allocation Fees.



## V. COMPLIANCE MONITORING PROCEDURES

The Code requires housing Credit agencies to monitor all Credit developments to determine whether they are complying with the requirements of the Credit program. The monitoring requirement applies to all buildings placed in service for which the Credit is, or has been, allowable at any time. WHEDA's internal monitoring process is outlined in the HTC Compliance Manual and the Compliance Policy for Extended Use Period, which are provided on the Internet at [www.wheda.com](http://www.wheda.com).

Once the Form(s) 8609 is (are) issued, WHEDA will only allow changes to the development affecting the selection criteria on which the allocation of Credit was awarded upon satisfactory evidence that the change is necessary for the ongoing financial viability of the development.

All Credit developments are required to comply with the following regulations: The owner of a Credit development must keep records for each qualified building for *each year* in the compliance period. These records must include:

- a. The owner of a Credit development must certify annually to WHEDA under penalty of perjury, on forms and in a manner prescribed by WHEDA, that:
  - The development meets the minimum set-aside test applicable to the development
  - The owner has received an annual Resident Income Certification from each qualifying resident and documentation to support that certification
  - Each qualifying unit in the development is rent restricted under Section 42(g)(2) of the Code
  - All units in the development are for use by the general public (as defined in §1.42-9), including the requirement that no finding of discrimination under the Fair Housing Act, 42 U.S.C. 3601-3619, occurred for the development. A finding of discrimination includes an adverse final decision by the Secretary of the Department of Housing and Urban Development (HUD), 24 CFR 180.680, an adverse final decision by a substantially equivalent State or local fair housing agency, 42 U.S.C. 3616a(a)(1), or an adverse judgment from a Federal court
  - The buildings and each residential unit in the development are suitable for occupancy (taking into account applicable health, safety, accessibility, building codes and regulations or other habitability standards), and the government unit responsible for making health, safety, or building code inspections did not issue a violation report for any building or residential unit in the development
  - Either there has been no change in the eligible basis as defined in Section 42(d) of any building, or there has been a change, and the nature of the change, including any new Federal funds received
  - All resident facilities included in the eligible basis under Section 42(d) of the Code of any building in the development, such as swimming pools, other recreational facilities, parking areas, washer/dryer hookups, and appliances,

are provided on a comparable basis without a Separate fee to all residents in the buildings

- If a qualifying unit in the development becomes vacant during the year, reasonable attempts are made to rent that unit to residents having a qualifying income and while the unit is vacant, no units of comparable or smaller size are rented to residents not having a qualifying income
- If the income of residents of qualifying units increases above the limit allowed in Section 42(g)(2)(D)(ii), the next available unit of comparable or smaller size in the building will be rented to residents having a qualifying income
- Either there has been no change in the applicable fraction as defined in Section 42 (c)(1)(B), or there has been a change, and the nature of the change
- The development complies with the requirements or special provisions on which the allocation was based as outlined in the allocation documents, including, but not limited to, special set-asides and the requirement under Section 42(h)(6)(B)(iv) that an owner cannot refuse to lease a unit in the development to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1927, 42 U.S.C. 1437s (for buildings subject to Section 13142(b)(4) of the Omnibus budget Reconciliation Act of 1993, 107 Stat. 312, 438-439)
- All qualifying units in the development are used on a non-transient basis (except for transitional housing for the homeless provided under Section 42 (i)(3)(B)(iii) or single-room-occupancy units rented on a month-by-month basis under Section 42(i)(3)(B)(iv) of the Code)
- The development complies with the requirements for all Federal or state housing programs (e.g.) RHS assistance, HOME assistance, Section 8, FHA, tax-exempt financing or other programs), as applicable
- If the owner received its Credit allocation from the portion of the State ceiling set-aside for a development involving “qualified non-profit organizations” under Section 42(h)(5) of the Code, the nonprofit entity materially participates in the operation of the development within the meaning of Section 469(h) of the Code, as applicable
- The development is otherwise in compliance with the Code, including any Treasury Regulations, the applicable State Allocation Plan, and all other applicable laws, rules and regulations
- There has been no change in the ownership or management of the development or any such changes have been reported to the State Monitoring Agency
- The applicable fraction as reported to the IRS for each building in the development at the close of the most recent tax year
- Rent charged to existing tenants (excluding households receiving rental assistance) has not increased by more than 5% annually, including due to changes in utility allowance calculations.
- Rent increases may not occur mid-lease.

b. WHEDA requires that an owner of a Credit development submit to WHEDA

during the compliance period, at times and in a manner prescribed by WHEDA, which may include transmission via e-mail or through a website, the following information:

- The Form 100 owner's certification as described in Section (a) above
  - Unit event information including data as described in Section (a) above
  - Utility documentation as required by the Code of Federal Regulations (26 CFR §1.42-10) and described in WHEDA's Tax Credit Program Compliance Monitoring Manual
  - Copy of signed 8609s the owner submits in the first year Credit is claimed
  - Other documentation as required
- c. WHEDA has the right to perform inspections of any Credit development through the end of the compliance period, including any extended use period. IRS regulations mandate that at least once every three (3) years WHEDA must conduct on-site inspections of all buildings in the development and review at least 20 percent (20%) of the development's low-income units. An inspection includes a physical inspection of any building and units in the development, as well as a review of the records described in Section (a) above.

As provided in the Code, WHEDA and USDA Rural Development have entered into a Memorandum of Understanding ("MOU") whereby developments financed by Rural Development will be inspected by Rural Development. Rural Development will provide the result of such reviews to WHEDA.

- d. WHEDA will provide prompt written notice to the owner of a Credit development if WHEDA does not receive the required certifications or discovers through inspection, review or any other manner, that the development is not in compliance with the provisions of Section 42. In general, the owner will have an opportunity to correct noncompliance within **90 days** from the date of notification to the owner. However, in the case of non-submission of reports or fees, the owner will have **30 days** from the date of written notification in which to submit any missing report(s), information, or documentation. This includes, but is not limited to: Unit Status Report, annual Owner's Certificate of Continuing Compliance, utility allowance documentation, initial information, and fees. During the correction period, an owner must supply any missing certifications and bring the development into compliance with the provisions of Section 42. WHEDA may extend the correction period for up to six (6) months if it determines there is good cause for granting an extension.
- e. WHEDA is required to file Form 8823, Low-Income Housing Credit Agencies Report of Noncompliance, with the Internal Revenue Service no later than 45 days after the end of the correction period described above, including any extension, whether or not the noncompliance or failure to certify is corrected.

- f. Compliance with the requirements of Section 42 is the responsibility of the owner of the development for which the Credit is awarded. WHEDA is relying solely on the quality and accuracy of the information presented by the owner's agent. This does not prohibit the IRS or WHEDA from detecting future violations. The IRS has issued no guidance on what constitutes a cure, therefore the IRS may overturn any cure deemed reasonable by WHEDA. WHEDA's obligation to monitor for compliance does not make WHEDA liable for an owner's noncompliance.
  
- g. WHEDA will charge an annual fee to the development for conducting compliance monitoring. The annual fee is due March 15 of each year during the compliance period. WHEDA will also charge an initial compliance monitoring fee payable after the Form 8609 is issued. A late charge will be assessed for documentation or fees that are not received by the due date. WHEDA's Compliance Monitoring Fee Schedule and Compliance Monitoring Fee Policy is included in WHEDA's HTC Compliance Manual and the Qualified Allocation Plan. Fees will be charged on all units within each development and drawn via Automated Clearing House (ACH) agreement. WHEDA will only accept payment via ACH agreement. Monitoring fees are as follows:

**Initial Compliance Fee** (Payable after 8609 issuance)

The Initial Compliance Fee is a one-time fee payable after 8609 issuance. For developments of 15 or fewer units the fee is \$800.00. For developments of 16 or more units, the fee is \$55.00 per unit with a maximum of \$5,000.00.

**Initial 15 Year Compliance Period and Extended Use Period** (Electronic Unit Status Report Submission)

WHEDA Financed	\$30.00 per unit annually
Rural Development	\$30.00 per unit annually
All Other	\$45.00 per unit annually

## VI. PUBLIC REVIEW PROCESS FOR THE QUALIFIED ALLOCATION PLAN

WHEDA will convene public hearings to receive oral and/or written comments regarding this Plan. After the hearings, the Plan will be presented to the Governor of the State of Wisconsin for approval.

## VII. ADMINISTRATION OF, AND MODIFICATIONS TO, THE PLAN

WHEDA's Director of Commercial Lending shall oversee the implementation,

administration and interpretation of this Plan by WHEDA staff, including: the preparation of forms of all applications, certifications, scoring sheets and other documents; and the implementation of fair and reasonable processes for consideration of objections that may be raised by Credit applicants to decisions made by staff who administer the Credit program.

WHEDA's Members Loan Committee may amend this Plan from time to time to implement policy or program changes that the Committee deems to be in the best interests of the citizens of the state of Wisconsin.

The Director of Commercial Lending may amend this Plan to implement administrative changes, make clarifications and technical corrections, and conform the Plan to the requirements of the Code.

WHEDA Staff shall distribute a copy of each change made to this Plan to the WHEDA Board of Members promptly after the change takes effect.

WHEDA's Board of Members may, notwithstanding anything in this Plan to the contrary, allocate Credit to developments irrespective of points scored, if the allocations are: in compliance with the requirements of the Code; in furtherance of the housing priorities stated herein; and determined by the Board to be in the best interests of the citizens of the state of Wisconsin.

## VIII. STATEMENT OF POLICY

The Code requires that the Plan provide selection criteria that include: (i) development location, (ii) housing needs characteristics, (iii) development characteristics, including whether the development includes the use of existing housing as part of a community revitalization plan, (iv) sponsor characteristics, (v) tenant populations with special housing needs, (vi) public housing waiting lists, (vii) tenant populations of individuals with children, (viii) developments intended for eventual tenant ownership, (ix) the energy efficiency of the project, and (x) the historic nature of the project.

The Plan must: (i) set criteria used to determine housing priorities which are appropriate to local conditions, (ii) give preference to: (I) developments serving the lowest-income tenants, (II) developments obligated to serve qualified residents for the longest period, and (III) developments located in qualified census tracts which contributes to a concerted community revitalization plan. The Agency must provide a procedure to monitor for noncompliance, notify the IRS of noncompliance and monitor for noncompliance with habitability standards through regular site visits.

The Plan may also include other criteria WHEDA deems appropriate and, except for the inclusion of the specified preference items, WHEDA has discretion with regard to the relative weight of these criteria.



WHEDA is also given the discretion to determine the appropriate amount of Credit allocated to developments selected under the plan. In developing this Plan, WHEDA considered the Wisconsin Consolidated Plan as well as its experience in creating affordable housing throughout Wisconsin.

WHEDA is responsible for allocating only the amount of Credit to a given development required to make that development economically feasible. This decision shall be made solely at the discretion of WHEDA, but in no way represents or warrants to any person that the development is, in fact, feasible or viable.

WHEDA's review of documents submitted in connection with this allocation is for its own purposes. By allocating the Credit, WHEDA makes no representations to the applicant, owner, or any other entity regarding adherence to the Code, Treasury regulations, or any other laws or regulations governing the Housing Tax Credit.

No member, officer, agent, or employee of WHEDA shall be personally liable concerning any matters arising out of, or in relation to, the allocation of the Credit. WHEDA reserves the right to revoke Credit in the case of misrepresentations made to WHEDA by any member of the development team.

All decisions regarding allocations of Credit and any subsequent decisions pertaining to participation in the Housing Tax Credit program throughout the lifetime of the project shall be considered final at the sole discretion of WHEDA. WHEDA expects that all representations in the initial and all subsequent applications for Housing Tax Credits will be completed in the final construction of the project. Modifications will not be approved except in cases of severe hardship even if the changes do not impact scoring or the results of the competitive application cycle of the amount of the allocation of Credit. Recipients of Housing Tax Credits who wish to request a modification to a project or appeal an outcome of a decision may submit the request in writing for consideration.

## IX. NONCOMPLIANCE & PREVIOUS PERFORMANCE

WHEDA will review the compliance history and overall performance of members of the development team. The development team is defined as the developer, applicant, owner, management agent, contractor, general partner or managing member of the ownership entity, or any related entity which controls, is controlled by, or under common control with any of the foregoing. Penalties may be imposed if any of the development team members are found to have:

- 1) Submitted information to WHEDA that, when verified by WHEDA or other third-party review, is found to materially affect the qualified basis of the building or other representations made in the application for Credit which have not been explicitly approved by WHEDA;
- 2) Failed to make the required 10% expenditure for two or more allocations in the five calendar years preceding the application;
- 3) Returned Credit for two or more allocations in the previous five calendar year period(s);
- 4) Not made satisfactory progress on existing allocations;

- 5) Been issued an IRS form 8823 with line 11(p) marked as “out of compliance.” Line 11(p) states: “Building is no longer in compliance nor participating in the low-income housing Tax Credit Program (attached explanation)”;
- 6) Is determined to have outstanding compliance fees or compliance reports;
- 7) Any individual with ownership of 20% or more within the managing member/general partner is found to have unpaid taxes or child support in the State of Wisconsin.

Noncompliance or unsatisfactory performance may result in any member of the development team:

- 1) To be assessed negative points against future applications for Credit;
- 2) To be denied participation in the Credit Program including competitive and noncompetitive HTCs for a period of up to three years.

Assessment of the penalty of barring of participation in the Credit Program will require approval by the Board of Directors and will go into effect immediately upon the determination.

## X. WHEDA EMERGING BUSINESS PROGRAM

The WHEDA Emerging Business Program was created to encourage the involvement of small businesses owned, operated, and controlled by persons who are at an economic disadvantage. Participation is required with an award of Low Income Housing Tax Credits (HTC) within the State of Wisconsin. The participation goals are located in the Emerging Business Program Manual and can be found on WHEDA’s website <https://www.wheda.com/Emerging-Business-Program/>

This Emerging Businesses dollar goals (established by county) are based on percentages of allowable construction cost to include (Not an all-inclusive list): general contracting, grading, excavation, concrete, paving, framing, electrical, carpentry, roofing, masonry, plumbing, painting, asbestos removal, trucking, and landscaping *and* the following soft costs: planning, architectural and engineering fees.

Developers of Tax Credit developments in these counties must use their best efforts to meet the Emerging Business participation goal and report to WHEDA their results. A business qualifies for participation if it is certified as: 1) a Disadvantaged Business Enterprise; 2) an Emerging Business Enterprise; 3) a Minority Business Enterprise; 4) an 8a; 5) a Small Business Enterprise; or 6) a Women Business Enterprise.

The Workforce Development Program is a companion program to the Emerging Business Program. This program was created to help both unemployed and underemployed individuals obtain living wage jobs in areas and counties surrounding the HTC developments. The goal is to hire 12 area residents from 12 of the 16 Divisions of Labor. The hires can be obtained from the following

divisions: 01 General Requirements; 02 Site Construction; 03 Concrete; 04 Masonry; 05 Metals; 06 Wood and Plastics; 07 Thermal Moisture Protection; 09 Finishes; 11 Equipment; 14 Conveying Systems; 15 Mechanical; and 16 Electrical.

Please refer to the Emerging Business Program Manual for a complete overview of the Emerging Business and Workforce Development Program.

## XI. WHEDA INTERNET SITE

The following materials will be made available on WHEDA’s Internet site at [www.wheda.com](http://www.wheda.com) or within WHEDA’s HTC Electronic Application system.

- Qualified Allocation Plan
- Housing Tax Credit Application, Scoring Exhibit and Appendices
- Management Agent Certification Worksheet
- Market Study Guidelines
- Approved List of Market Study Providers
- Capital Needs Assessment Guidelines
- Approved List of Capital Needs Assessment Providers
- Periodic Updates on Wisconsin’s Tax Credit Program
- List of Applicants for the Current Year
- List of Awarded Projects for the Current Year
- Income and Rent Limits
- Archived Documents from Previous Tax Credit Cycles

## XII. TAX CREDIT ALLOCATION FEES

WHEDA will charge fees for filing, reviews, extensions, and document revisions as follows. These fees must be paid in full before further processing of the Application. These fees apply to activities in the calendar years for this QAP and will be applied regardless if the Initial Application was submitted previously.

### HTC Application Fees

24 units or fewer:	<b>\$1,000</b>
Over 24 units:	<b>\$2,000</b>

### WHEDA Multifamily Loan Application Addendum\*\*

24 units or fewer:	<b>\$250</b>
Over 24 units:	<b>\$500</b>

\*\*9% Applications: Do not submit the Loan Application fee until award is made.

4% HTC Applications: Submit loan fee with Loan Addendum if applying for WHEDA Bond financing.

**Reservation Agreements, Carryover Agreements, Tax-Exempt Tier One or Tier Two Agreements, and 8609s**

Reservation Agreement	5.0% of the annual Credit amount per Agreement for properties with 9% HTC. 5.0% of the annual federal Credit amount and 2.5% of the annual state credit amount for properties with 4% federal and state HTCs
Carryover Agreement	5.0% of the annual Credit amount per Agreement for properties with 9% HTCs
Tier One Agreement	5.0% of the annual federal Credit amount and 2.5% of the annual state credit amount for properties with 4% federal and state HTCs. 5.0% of the annual federal Credit amount for properties with federal 4% HTCs
Tier Two Agreement	2.5% of the annual federal Credit amount. No fee will be assessed for properties with federal and state 4% HTCs
8609s	\$500 plus \$100 per 8609 issued (limited to a maximum of \$2500)

**Fees for Document Reissuance**

Document	First Reissuance	Each Subsequent Reissuance
Reservation/Tier 1 Letter	\$500	\$1,000
Carryover/Tier 2 Letter	\$500	\$1,000
8609(s) -Each 8609 form (not to exceed \$5,000)	\$250/ea	\$500/ea
Amended Carryover	\$1,000	\$2,000

**Fees for Time Extensions and/or Incomplete Application Packages (30 day minimums. Not pro-rata)**

Carryover /Tier 1 Application (Review 2)	1.00% of annual Credit reserved per 30-day extension - maximum of three extensions*
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10% Test	1.00% of annual Credit allocated for a 30-day extension - maximum of one extension
Mandatory Construction Start Date	1.00% of annual Credit allocated for a 30-day extension - maximum of one extension
8609 Application (Final Application)	\$1,000 for each 30-day period if not received within 180 days of the placed in service date or the latest placed in service date for projects with more than one building identification number

\* Carryover must be approved by WHEDA before the end of the calendar year of the allocation of Credit

In those cases in which a required submission is not returned to WHEDA by the deadline noted within the document, WHEDA will consider this a request for an extension, with the fee established in this document to be assessed.