



WHEDA supports the passage of 2023 Assembly Bill 39 / Senate Bill 40 (AB39/SB40) to expand the State HTC Program from \$42 million to \$100 million.

WHEDA has been the sole allocator and administrator of the Federal Low-Income Housing Tax Credit (LIHTC) in Wisconsin since the program started in 1986 under President Ronald Reagan. In 2018, Wisconsin legislators created the State Housing Tax Credit (HTC) program to encourage additional multifamily development, leverage federal funds, and meet the growing need for new rental stock.

By leveraging other funding sources, State HTCs help projects cross the financial finish line and get built. This program has been and continues to be one of the most effective and efficient tools to address the affordable housing shortage across Wisconsin. In fact, all the projects awarded State HTCs in the last five years are a direct result to the Legislature's successful creation of this program.

In 2023, WHEDA awarded \$32 million in both the federal and state programs advancing housing opportunity and economic recovery in Wisconsin through the creation of 1,587 total units, of which 1,474 are affordable. The developments funded in part through these allocations will support a wide range of jobs in communities across the state, from Viroqua to Manitowoc, through construction, property management and maintenance, and of course, for employers hiring and recruiting to fill current openings.

In the 2023 award cycle, WHEDA received applications for the State HTC at nearly two and a half times the available amount. The demand for State HTCs by developers and communities exceeds WHEDA's statutory ability to meet it.

The expansion under AB39/SB40 is urgently needed to develop more rental units across the state, especially in rural areas where the cost to build is higher and more credits are needed per project. Gaps in access are large and greater financial resources are needed to address the challenges of multifamily housing in rural communities than WHEDA alone can provide.

If the expansion had been in place before the 2023 award cycle, all eligible projects would have received a State HTC allocation.

WHEDA has heard from legislators, developers, and local leaders that our desirable and competitive program is not reaching many of the communities that need it most. This problem is especially dire in small and rural areas in which greater flexibility and funding is critical to meet the unique housing and workforce needs of these communities.

This is why, in 2021, WHEDA established a 25% set-aside for rural projects in the State HTC program and the Federal LIHTC program. AB39/SB40 expands this set-aside to 35% and defines rural areas as those with a population fewer than 10,000 and at least 10 miles from any city, village, or town with a population of at least 50,000 under Senate Amendment 2.

Beyond set-asides, WHEDA increased awards in rural areas and statewide when federal changes in 2021 increased the value of the State HTCs through leveraging a portion of the Federal LIHTC program and the use of tax-exempt private activity bonds (PAB). These bonds are currently necessary for the success of the State HTC program, though AB39/SB40 includes a provision to no longer require the use of PAB in financing.

The increase in the State HTC under AB39/SB40 is needed now for the development of affordable and workforce rental stock in Wisconsin. WHEDA asks for your support of this legislation in the 2023-2024 Legislative Session.

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SB40/AB39 Position Paper