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908 East Main Street, Suite 501
Madison, Wisconsin 53703

P.O. Box 1728
Madison, Wisconsin 53701-1728

T 608.266.7884 | 800.334.6873

To: Assembly Committee on Housing and Real Estate

From: Elmer Moore Jr., CEO and Executive Director, Wisconsin Housing and Economic Development Authority

Date: May 18, 2023

RE: Workforce Housing Package

Chairman Brooks, Vice Chair Penterman, and members of the Assembly Committee on Housing and Real Estate.

I am Elmer Moore, Jr., CEO and Executive Director of WHEDA, the Wisconsin Housing and Economic Development Authority. I am here today to share information on the Workforce Housing Package and Assembly Bill 39 (AB39), legislation aimed at addressing challenges Wisconsin faces in providing affordable housing.

Wisconsin needs more than 120,000 rental units to meet the needs of its residents. Nearly 170,000 residents pay more than half their income on rent or mortgage payments. That number should be no more than 30 percent of a household's income. Without access to decent, stable, and affordable housing our Wisconsin workforce struggles to afford necessities such as quality food, childcare, and transportation.

Various factors contribute to the insufficient supply of housing: scarcity of land, restrictive land-use controls, insufficient infrastructure, expensive building materials, cumbersome permitting processes, and NIMBYism. The severity of these barriers varies from place to place, but taken as a whole, they almost always hamper the production of housing.

I thank Representative Brooks, Senator Quinn, and the many authors of the Workforce Housing package for spearheading efforts to address our housing crisis and for including us in the discussion of how WHEDA can be an instrument for these bills.

We also appreciate the proposed creation of new loan products, expansion of the Housing Rehabilitation Loan program in Assembly Bill 267 (AB267) and the expansion of the State Housing Tax Credit (HTC) program in AB39. We are confident that WHEDA can administer these proposed programs, should each proposal receive appropriate investment from the state.

Assembly Bill 264 (AB264), the Residential Housing Infrastructure Revolving Loan Program, is an opportunity to spur development by offering 0% interest loans to finance infrastructure for affordable housing projects. To be eligible for the funding, the municipality must voluntarily revise zoning ordinances and other regulations that impact development time and costs. WHEDA has heard anecdotally that this is an area of great need and opportunity.

AB264 ensures that affordability is maintained through income limits on renters and homeowners, and reporting requirements on rents that are not to exceed 30% of 100% of the Area Median Income (AMI) for 10 years.

AB264 includes language on both rural and senior housing set-asides and a semi-annual application process. This legislation gives WHEDA the flexibility to operate the loan program while setting strong parameters to measure eligibility, cost reductions, needs of a community, and loan terms.

We do, however, recommend the removal of Page 6, Line 17, which prevents money in the fund from being invested under WHEDA's sound financial practices. We use monies in the fund to cover real and necessary costs administering the program, so freeing WHEDA to invest money may recuperate some of those costs, leaving more of the funds to deploy. We would otherwise be forced to split any appropriations from the state for this fund into multiple FDIC insured accounts to prevent unexpected losses. WHEDA feels the safe and responsible investment of the fund is the most preferable solution. A similar change is recommended for Assembly Bill 265 (AB265) and Assembly Bill 268 (AB268) as well.

Like the Residential Infrastructure Revolving loan program (AB264), the Main Street Housing Rehabilitation Loan Program (AB265) and the Commercial-to-Housing Conversion Loan Program (AB268) contain many of the same conditions for project eligibility. The 10-year affordability periods for rental and homeownership are included as is the 30% rural set-aside in both these bills. Additionally, the political subdivisions that are home to a project must work to reduce the costs for developers and show their efforts to WHEDA using a cost reduction analysis form for loan eligibility.

The fourth piece of legislation, AB267, provides technical improvements to current law. In 2022, the Wisconsin Legislature created a workforce housing rehabilitation loan program administered by WHEDA, under 2021 Wisconsin Act 221 (Act 221). This proposal gained unanimous support in the Senate and nearly unanimous support in the Assembly, and helped bring to light the rehabilitation needs of single-family homeowners across the state living in aging housing stock.

More than 60 percent of single-family structures in Wisconsin were built before 1980. Many require substantial repair, modernization, or energy-efficiency upgrades. While Wisconsin's current housing stock and established neighborhoods provide great value compared to new construction, these homes need investment and rehabilitation to maintain decent, safe, and sanitary conditions for many years to come.

While Act 221 helped highlight this issue, the legislation included no state appropriation and prevented WHEDA from borrowing capital at reasonable rates, due to the lack of an implementable repayment schedule. Under Act 221, the loans would be repaid upon the sale or transfer of title of the home, or when the home is vacated by the owner and the owner's family. This uncertain repayment schedule and other concerns in Act 221 prevented WHEDA from implementing the program.

WHEDA is glad to see renewed interest in addressing issues in the Housing Rehabilitation Loan Program, both through AB267 and in Governor Evers' budget proposal, which is similar. A new technical fix is required in AB267, where the cap on the loan is limited to $50,000 or "125% of the assessed value of the residence" (Page 3, lines 21-23). WHEDA recommends the correction reflect the "appraised" value, rather than the "assessed" value.

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Finally, AB39 expands the State HTC program. We appreciate Representative Armstrong's efforts to increase the amount of credits and effectiveness of the program by raising it from $42 million to $100 million. WHEDA first supported Governor Evers' proposal to expand the State HTC program through the 2023-2025 biennial budget to $100 million, as well.

The State HTC program has been administered by WHEDA since its creation in 2017. It continues to be one of the most effective and efficient tools to address the affordable housing shortage in Wisconsin. In years 2021, 2022, and 2023, WHEDA administered a competitive process awarding $99.5M in Federal and State HTCs, of which $21 million came from the State HTC program. Since 2021, the State and Federal HTC programs have supported the development of more than 4000 affordable housing units in communities like Ashland, Ashwaubenon, Green Bay, Eau Claire, Hayward, Sun Prairie, and Barron.

AB39 would expand the existing program under WHEDA's administration from $42 million to $100 million without requiring any financial support from the state. WHEDA estimates 13 additional developments would be awarded annually, creating approximately 858 extra units a year. This would be especially impactful in rural areas where the cost to build is higher and more credits are needed per unit developed.

Thank you for the opportunity to provide testimony on AB39, AB264, AB265, AB267, and AB268. On behalf of the entire WHEDA staff, we appreciate the opportunity to support the development of legislation addressing Wisconsin's shortage of affordable housing.

We look forward to continuing to work with you and the authors of these bills to meet our technical needs in these proposed programs. We hope to see appropriate state investment for them to work as intended. I would be happy to answer any questions you may have at this time.

Contacts: Kim Plache, Deputy Director, Kim.plache@wheda.com;
Samantha Linden, Policy Analyst, Samantha.linden@wheda.com