

WHEDA Annual Report

Fiscal Year 2022 - 2023



WHEDA works to transform lives, neighborhoods, and communities across Wisconsin. From financing affordable rental housing to empowering new homebuyers to helping small businesses grow—our goal is to make real, positive changes and make sure all people in Wisconsin have an affordable place to call home.

10,232 PEOPLE HOUSED

STRATEGIC VISION

WHEDA completed a new, transformational strategic vision to support a future where all Wisconsinites have an affordable place to call home. This vision will guide our important work now and into the future to help Wisconsin thrive by expanding access to affordable housing choices through our three strategic priorities.



Our Vision:

All people in Wisconsin have an affordable place to call home.



Our Mission:

We help Wisconsin thrive by expanding access to affordable housing choices.



Our Strategic Priorities:

We put people first.
We do what only we were created to do.
We protect housing as a core human need.

The number above represents how many people have been impacted by WHEDA programs this year. The number is based on the average Wisconsin household size of 2.35 multiplied by the 4,354 units financed this fiscal year.

MEMBERS OF THE WHEDA BOARD



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Milwaukee



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MESSAGE FROM THE GOVERNOR

The following text was transcribed from a video address by Governor Evers. Scan the QR code to watch the video.



The need for affordable housing is one of the issues I hear most about as I travel across our state - it's also an issue that connects the dots between some of the most pressing challenges facing Wisconsin today. Expanding access to safe, stable, and affordable housing is a key part of our work to support kids and families, bolster our state's workforce and economy, and ensure our communities continue to grow and thrive.

It's also about connecting the dots. When Wisconsinites have access to affordable housing, we can make sure our kids can focus on their studies and not where they're going to sleep at night; we can make sure that we can recruit and retain talented students and workers; and we can make sure folks have a safe, reliable place to call home.

That's why I'm proud to sign a budget recently that provides the largest investment in our state's history in workforce housing with an historic \$525 million. This funding will help address some of the many issues that we face when it comes to affordable housing, including supporting the development of more workforce housing and ensuring that the housing we do have is safe, sanitary, and well-maintained.

Additionally, another \$32 million in state and federal housing tax credits were distributed earlier this year, which are a vital tool in ensuring developments offer affordable units for individuals, working families, and seniors. In total, this funding will support 23 developments in both urban and rural communities statewide and provide more than 1,500 new affordable housing units - and the great news is that these housing tax credits also leverage \$417 million in additional investment which means more dollars available to create jobs and grow our community-based businesses.

2023 has been a great year for our administration's work to expand access to reliable, affordable housing statewide, and I'm also so looking forward to building on this work in the months and years ahead.

Thank you.



Tony Evers
Governor

MESSAGE FROM THE EXECUTIVE DIRECTOR

The following text was transcribed from a video address by Elmer Moore, Jr. Scan the QR code to watch the video.



To guide our important work and provide a clear vision for the future of housing in our state, this past year WHEDA completed a new transformational strategic vision to support a future where all Wisconsinites have an affordable place to call home. At WHEDA we know that safe, stable, affordable housing is the foundation for the well-being of people and the communities where they live. Our work touches and influences everything from employment to health care, child care, education, family wealth building and everything in between. Whether it's difficulty paying rent or overcrowded living conditions, eviction or homelessness, housing insecurity exposes individuals and families to increased stress. It negatively impacts mental and physical health as well as limits financial well-being.

We will work relentlessly towards our mission to help Wisconsin thrive by expanding access to affordable housing choices through our three strategic priorities. WHEDA's priorities are this: we will put people first, we do what only we were created to do, we protect housing as a core human need.

Our new strategy is vital to directing our efforts in addressing our extraordinary affordable housing crisis. Wisconsin currently needs more than 126,000 rental units to house our citizens. With a statewide average household size of 2.35 people that means we have nearly 300,000 children, adults and seniors. They are our neighbors, our friends, and our co-workers and they need safe, stable, affordable housing to grow and prosper. Addressing this crisis requires us to develop innovative and creative solutions with the support of all levels of government, private businesses, and not-for-profits. With the help of our many partners in fiscal year 2023 we financed 4,300 housing units offering 10,000 Wisconsinites access to a safe, affordable place to call home.

Although we have made a tremendous impact this past fiscal year, much more still needs to be done to address the affordable housing crisis in the years ahead. We can all contribute to the success and the vibrancy of our communities. Earlier this year legislators in the state senate and assembly consulted with WHEDA on a package of bills to develop affordable housing for our state's workforce. These bills signed into law by Governor Tony Evers in June 2023 received a total allocation of \$525 million from the state budget - a historic investment in Wisconsin's housing future. The result of this action is the creation of four new programs administered by WHEDA in alignment with our mission to help Wisconsin thrive by expanding access to affordable housing choices. We look forward to 2024 when we deploy these programs, new resources, and leverage our existing programs for even more housing options over the coming years.

At WHEDA we use our financial strength and our expertise to expand equitable and sustainable options where people want to live, where they want to work, raise a family and thrive. We look forward to having our communities and our housing partners join us in an effort to ensure that all people in Wisconsin have an affordable place to call home.

Elmer Moore, Jr.
CEO

SUPPORTIVE HOUSING IS HEAVEN-SENT



Tracy Swenson wanted to become a physical therapist since the young age of 12. Despite being told it was impossible, she persevered and earned a degree in physical therapy. Her career path led to a school district where she used every tool in her toolbox to help kids succeed. She thrived in an environment that allowed her to work with young people and demanded flexibility and resourcefulness, two qualities that would unknowingly become lifesaving.

Tracy's life instantly changed when she survived a severe car accident while driving to work to meet a patient — André Brown. She sustained multiple injuries, but it was the traumatic brain injury that would cause her the most difficulty. After a long recovery, she tried many times to return to her profession but found it difficult to focus and follow through with patient treatment. Without her primary source of income, Tracy's life became financially unstable leading to homelessness, group homes, and couch surfing.

“I’m not *just* surviving. I have a place that I can call home, and I want that feeling of *being home* for everyone.”

After filling out numerous applications for housing, she found herself with an acceptance at André Apartments, named in honor of community leader, André Brown, who passed away in 2022 and happened to be Tracy's former patient. André was a key inspiration for the creation of the development company, Movin' Out. He lived with significant disabilities and was one of the first children to enroll and successfully participate in the Red Caboose Child Care Center, which now occupies the first floor of the building.



Scan the QR Code to hear from Tracy as she describes her inspiring healing journey and how her quest for an affordable home was undoubtedly aided by her new home's namesake—her angel, André Brown.

WHEDA BY THE NUMBERS



Single Family Housing

Households Served	1,348
Loans Serviced	25,522
Partner Lenders	136
Total Mortgage Lending	\$242,112,124
Down Payment Assistance	\$7,332,996



Economic Development

Total Businesses and Farms Served	10
Total Loans Guaranteed	\$687,600
Total Partner Lending	\$1,764,500



Multifamily Housing

Loans Closed	74
Total Units	1,492
Total Multifamily Lending	\$210,819,088
Total Housing Tax Credits Allocated	\$33,433,966
Total Units Supported with Housing Tax Credits	1,514



WHEDA Foundation

Total Housing Providers Supported	53
Grant Funds Awarded	\$2,013,589
Total Communities Served	34 cities in 27 counties
Beds/Units Improved or Created	1,674

FINANCIALS

WHEDA is not a state agency. We are a self-supporting public corporation that receives no state tax dollars for our operations. Revenues from the interest on loans and investments; loan origination and servicing fees as well as other fee income are used to support WHEDA's operating costs and expenses.

WHEDA has over 50 years of financial strength and commitment to improve housing quality and economic vitality in Wisconsin. Through our financing resources and industry partners we work to increase access to and choice of affordable housing for people in Wisconsin because a safe home is the foundation for prosperity.

To learn more, view the attached financial statements.



Statements of Net Position - Comparative Fiscal Year 2023

The following condensed statements of net position show a summary of changes, in dollars and percentages, between fiscal years ended June 30, 2023 and 2022. The Authority reported a change in net position of \$15.7 million for the year ended June 30, 2023

Wisconsin Housing and Economic Development Authority Statements of Net Position June 30, 2023 and 2022 (Millions of Dollars)

	2023	2022	Increase / (Decrease)	
			Amount	%
Cash and cash equivalents	\$575.8	\$631.3	(\$55.5)	(8.8)
Mortgage loans and interest receivable	1,241.1	1,126.1	115.0	10.2
Mortgage-backed security investments and interest receivable	1,001.7	971.0	30.7	3.2
Investments and interest receivable	189.4	154.4	35.0	22.7
Net pension asset	0.0	5.9	(5.9)	(100.0)
Other assets	63.0	51.7	11.3	21.9
Total Assets	3,071.0	2,940.4	130.6	4.4
Accumulated decrease in fair value of hedging	2.6	5.9	(3.3)	(55.9)
Deferred outflow of resources – pension	13.9	11.0	2.9	26.4
Deferred outflow of resources – OPEB	1.5	1.5	0.0	0.0
Total Deferred Outflow of Resources	18.0	18.4	(0.4)	(2.2)
Accrued interest payable	12.7	12.0	0.7	5.8
Bonds and notes payable	1,966.5	1,886.9	79.6	4.2
Interest Rate Swap Agreements	2.6	5.9	(3.3)	(55.9)
Net Pension liability	3.8	0.0	3.8	-
Net OPEB liability	1.8	2.4	(0.6)	(25.0)
Other liabilities	179.2	151.8	27.4	18.1
Total Liabilities	2,166.6	2,059.0	107.6	5.2
Accumulated change in fair value of hedging derivatives	22.4	10.4	12.0	115.4
Deferred inflow of resources – pension	8.0	13.9	(5.9)	(42.4)
Deferred inflow of resources – OPEB	1.9	1.1	0.8	72.7
	32.3	25.4	6.9	27.2
Net investment in capital assets	17.1	17.9	(0.8)	(4.5)
Restricted by bond resolutions	527.2	539.5	(12.3)	(2.3)
Restricted by contractual agreements	327.1	299.9	27.2	9.1
Unrestricted	18.7	17.1	1.6	9.4
Total Net Position	\$890.1	\$874.4	\$15.7	1.8

Schedule may not foot due to rounding.

The Authority's total asset balance grew \$130.6 million during fiscal 2023, to end at \$3.1 billion. Both the mortgage-backed security and mortgage portfolios experienced growth during fiscal year 2023 as well. While Single Family fundings were down \$52.8 million or 18.34%, prepayments dropped by \$172.0 million or 67.0%. Multifamily fundings rose by 51.5% or \$80.3 million and prepayments remained relatively flat.

The Mortgage loans and interest receivable portfolio ended the fiscal year at \$1.2 billion which represented a \$115.0 million or 10.2% increase over fiscal year 2022. Mortgage-backed security investments rose \$30.7 million to end the year at \$1.0 billion. The combined portfolio balance of \$2.2 billion reflects an increase of \$145.7 million or 6.9%.

Liabilities ended the year at \$2.2 billion, which represents a \$107.6 million increase over fiscal 2022. The change was driven primarily by 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 2023 totaling \$74.9 million. In the Multifamily program, new bond issues totaled \$225.5 million. Proceeds were used to fund new loans in both lines of business.

Overall, net position increased \$15.7 million during fiscal year 2023. 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 2023 are as follows: (\$24.1) million in Single Family bond resolutions, \$11.9 million in Multifamily Bond and Housing Revenue bond resolutions, \$27.2 million in the General Fund (including subsidiary change in net position) and \$708,000 in State of Wisconsin Programs.

Statements of Revenues, Expenses and Change in Net Position – Comparative Fiscal Year 2023

The Authority reported a change in net position of \$15.7 million for the fiscal year ended June 30, 2023. The following table summarizes the Statements of Revenues, Expenses and Change in Net Position of the Authority for the fiscal years ended June 30, 2023 and 2022.

Wisconsin Housing and Economic Development Authority Statements of Revenues, Expenses and Change in Net Position For the Fiscal Years Ended June 30, 2023 and 2022 (Millions of Dollars)

	2023	2022	Favorable/ (Unfavorable)	
			Amount	%
Mortgage income	\$59.9	\$57.1	\$2.8	4.9
Mortgage-backed investment income (net)	(11.9)	(99.1)	87.2	88.0
Investment income (net)	24.8	5.7	19.1	335.1
Interest expense and debt financing costs	(51.2)	(46.3)	(4.9)	(10.6)
Net Interest Income	<u>21.6</u>	<u>(82.6)</u>	<u>104.2</u>	<u>126.2</u>
Mortgage service fees	8.4	8.0	0.4	5.0
Pass-through subsidy revenue	212.8	203.9	8.9	4.4
Grant Income	11.5	4.6	6.9	150.0
Other	17.0	16.7	0.3	1.8
Net Interest And Other Income	<u>271.3</u>	<u>150.6</u>	<u>120.7</u>	<u>80.1</u>
Direct loan program expense	13.3	10.3	(3.0)	(29.1)
Pass-through subsidy expense	212.8	203.9	(8.9)	(4.4)
Grants and services	2.7	1.2	(1.5)	(125.0)
General and administrative expenses	26.7	22.8	(3.9)	(17.1)
Other expense	0.1	0.1	0.0	0.0
Change in Net Position	<u>15.7</u>	<u>(87.7)</u>	<u>103.4</u>	<u>(117.9)</u>
Net Position, Beginning of Year	<u>874.4</u>	<u>962.1</u>	<u>(87.7)</u>	<u>(9.1)</u>
Net Position, End of Year	<u>\$890.1</u>	<u>\$874.4</u>	<u>\$15.7</u>	<u>1.8</u>

Schedule may not foot due to rounding

Net Interest Income increased 126.2% or \$104.2 million during fiscal 2023, ending the year at \$21.6 million. Both the mortgage-backed securities and traditional mortgage portfolios grew during the year. Prepayment levels dropped off sharply due to a significant increase in interest rates. *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 2023 was a write-down of \$43.8 million which when compared to the write-down of \$129.2 million in the prior fiscal year explains much of the change in net income. While the Authority doesn't intend to actually realize these losses, the adjustment can lead to significant swings in the recorded value of the portfolio.

Direct loan program expense increased by 29.1% or \$3.0 million during 2023. 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.