



2023-2024 Qualified Allocation Plan Listening Sessions

March 31st & April 5th, 2022

AGENDA:

1. Welcome and goals for today
2. Overview of the Housing Tax Credit program
3. Review of major changes in 2021-2022 QAP & results
4. Small group discussions





OVERVIEW OF THE HOUSING TAX CREDIT PROGRAM

MISSION OF THE HOUSING TAX CREDIT PROGRAM

The Housing Tax Credit (HTC) program was created in 1986 to encourage private investment in the development and rehabilitation of rental housing for low- to moderate-income families, seniors, and persons with special needs.

- Governed by Section 42 of the Internal Revenue Code and corresponding Federal Regulations.
- Allocated to each state according to a population-based formula

The tax credit is a dollar for dollar offset to federal tax liability

- Equity investments reduce need for debt to support rent and income restrictions on units created
- Generally, the credit is received over 10 year period, but WHEDA imposed affordability requirements extend for 30 years



TYPES OF HOUSING TAX CREDITS

9%

Federal

- Competitive application process
- Approximately \$15.5 million allocated per year
- One allocation cycle per year

4%

Federal

- Non-Competitive
- Tied to state's tax-exempt bond volume cap
- Year-round allocation
- Must meet minimum scoring requirements for 9% program

4%

State

- Created in 2018
- Competitive
- \$7 million available each year
- Paired with Federal 4%
- One allocation cycle per year



WHAT IS THE QUALIFIED ALLOCATION PLAN?

The QAP is a tool that WHEDA uses to influence how Wisconsin's share of annual housing tax credits are allocated to affordable housing properties

- Establishes priorities in the form of core pillars and objectives
- Specifies the criteria WHEDA will use to select projects competing for tax credits
- Defines application process and program rules



STATE OF WISCONSIN QAP OBJECTIVES

WHEDA will execute the following objectives in a transparent and responsible manner:

Core Pillars	Objectives
Increase supply of affordable housing	Housing for very-low income families and seniors
	Housing with services, including those experiencing homelessness and veterans
Employ place-based strategies	Coordinate housing development with housing & community development plans
	Encourage and increase supply of affordable housing in high housing need areas including rural and high growth areas
	Incentivize the delivery of affordable housing which meets the life cycle needs and priorities of the communities
Seek innovative ways to leverage capital	Collaborate with foundations, employers, industry leaders, and other key stakeholders to find new opportunities for leverage
	Build capital stacks which reflect local, state, and federal funding opportunities
Increase economic opportunity	Encourage homeownership and equity building
	Increase tenant stabilization through integrated resident services and property management
	Cultivate local ecosystem of affordable housing practitioners
	Encourage high quality supportive services design, partnerships, and outcomes





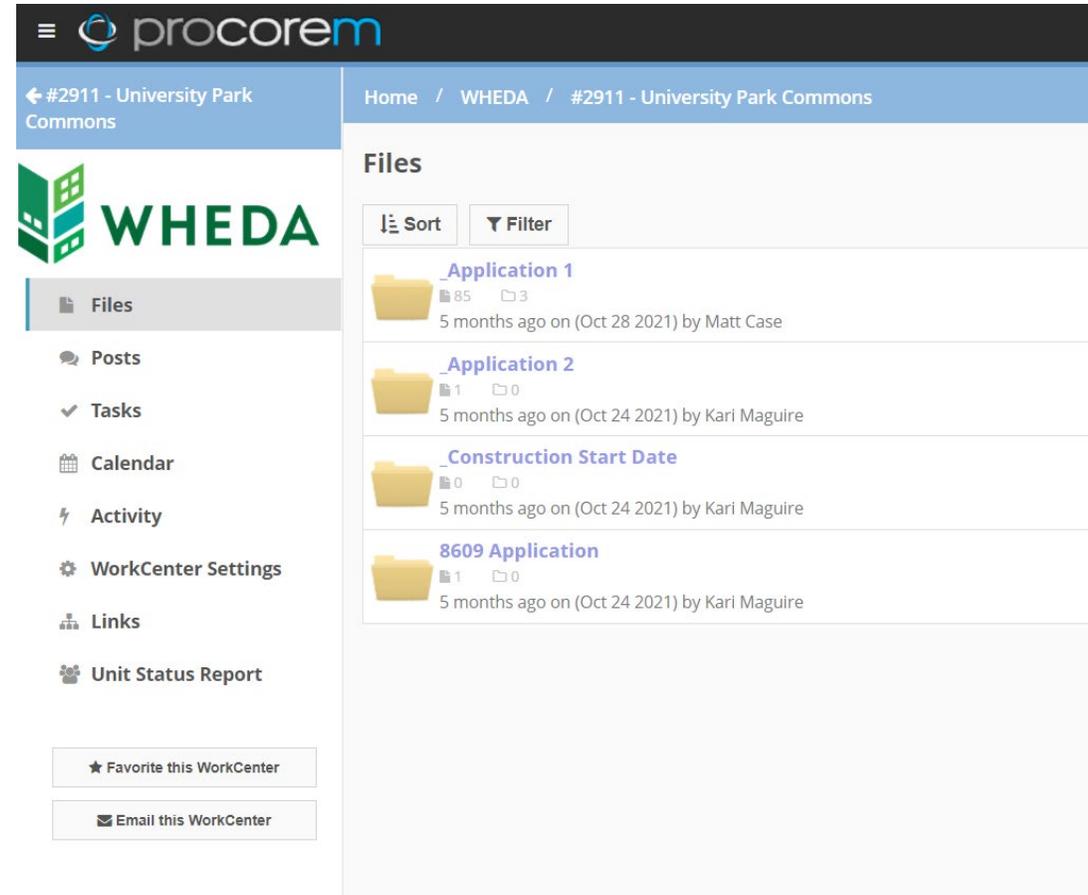
MAJOR CHANGES AND OUTCOMES: 2021-2022 QAP



THRESHOLD CHANGES

APPLICATION SUBMISSION

- Transitioned to electronic submission
 - Applications are submitted through the online portal Procorem
 - Transitioning subsequent project submissions to Procorem, including Carryover, Tier 1 and 8609 applications
 - Printed binders are no longer required
- Transitioned to new application submission platform
 - Retirement of LOLA
 - New Multifamily Application Workbook



The screenshot displays the Procorem web interface for a specific project. The top navigation bar shows the breadcrumb path: Home / WHEDA / #2911 - University Park Commons. The main content area is titled "Files" and contains a list of folders:

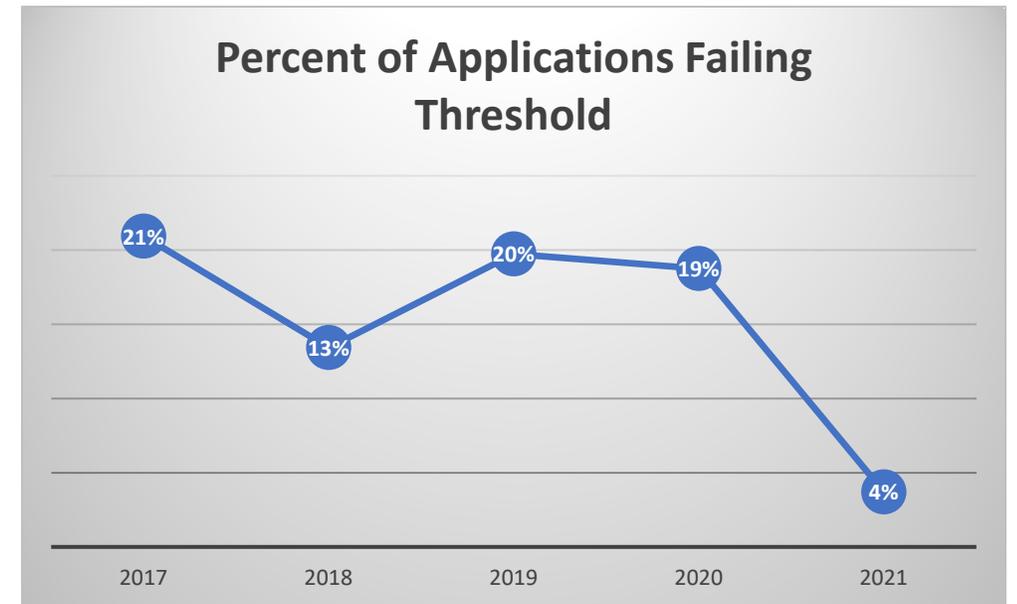
- _Application 1**: 85 files, 3 subfolders, created 5 months ago on Oct 28, 2021 by Matt Case.
- _Application 2**: 1 file, 0 subfolders, created 5 months ago on Oct 24, 2021 by Kari Maguire.
- _Construction Start Date**: 0 files, 0 subfolders, created 5 months ago on Oct 24, 2021 by Kari Maguire.
- 8609 Application**: 1 file, 0 subfolders, created 5 months ago on Oct 24, 2021 by Kari Maguire.

The left sidebar provides navigation options: Files (selected), Posts, Tasks, Calendar, Activity, WorkCenter Settings, Links, and Unit Status Report. At the bottom of the sidebar, there are two buttons: "★ Favorite this WorkCenter" and "✉ Email this WorkCenter".



INTRODUCTION OF A CURE PERIOD

- Created an opportunity for applicants to cure administrative or technical deficiencies to threshold requirements during the competitive application cycle
- Result:
 - 15 Cure Letters sent out in 2021 cycle
 - 13 Cure Letters sent out in 2022 cycle
 - Significant reduction to average number of applications not meeting threshold requirements



COMMITTED SOURCES & READINESS TO PROCEED

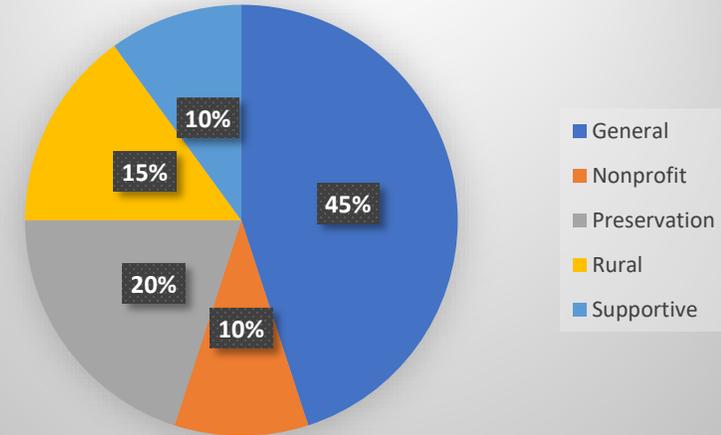
- Lowered threshold requirement of committed sources at initial application from 85% to 80% of total capital stack
- Introduced National Housing Trust Fund as an available source at time of application for eligible projects
 - Up to \$500,000 for Rural or Supportive Set-Aside applications in the 9% program and Rural and Small Urban applications in the State Credit program
- Two scoring categories were moved to threshold requirements
 - Permissive zoning
 - Wisconsin Green Built Homes score of 150



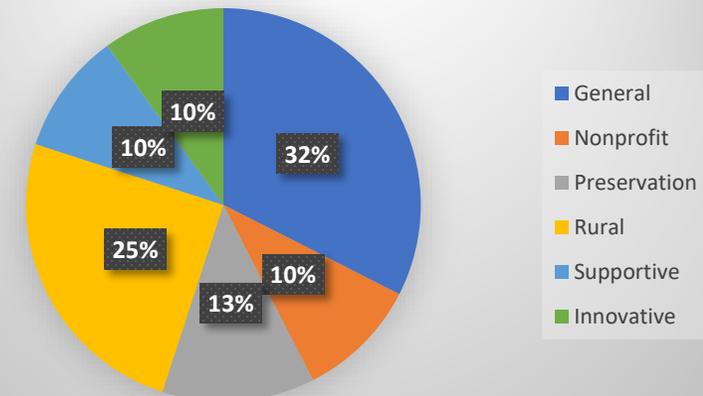
TAX CREDIT SET-ASIDES

- Established Set-Asides in the State Credit program
 - General: 55%
 - Rural: 25%
 - Small Urban: 20%
- Changes in the 9% program Set-Asides:
 - Changed eligibility requirement in the Supportive Housing Set-Aside from 50% of units to 25% of units designated as Supportive Housing
 - Lowered maximum credit award from \$1.4 million to \$1.2 in 2022 cycle
 - Changed percentages of credits allocated between set-asides
 - Added Innovative Housing Set-Aside

2019-2020 9% Set-Asides

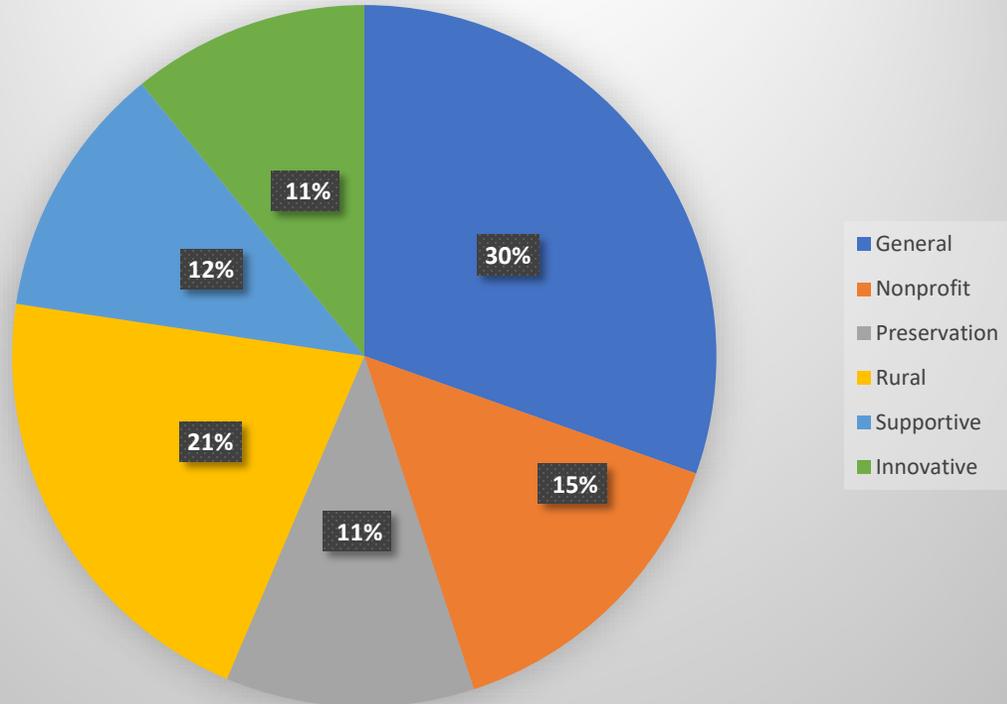


2021-2022 9% Set-Asides

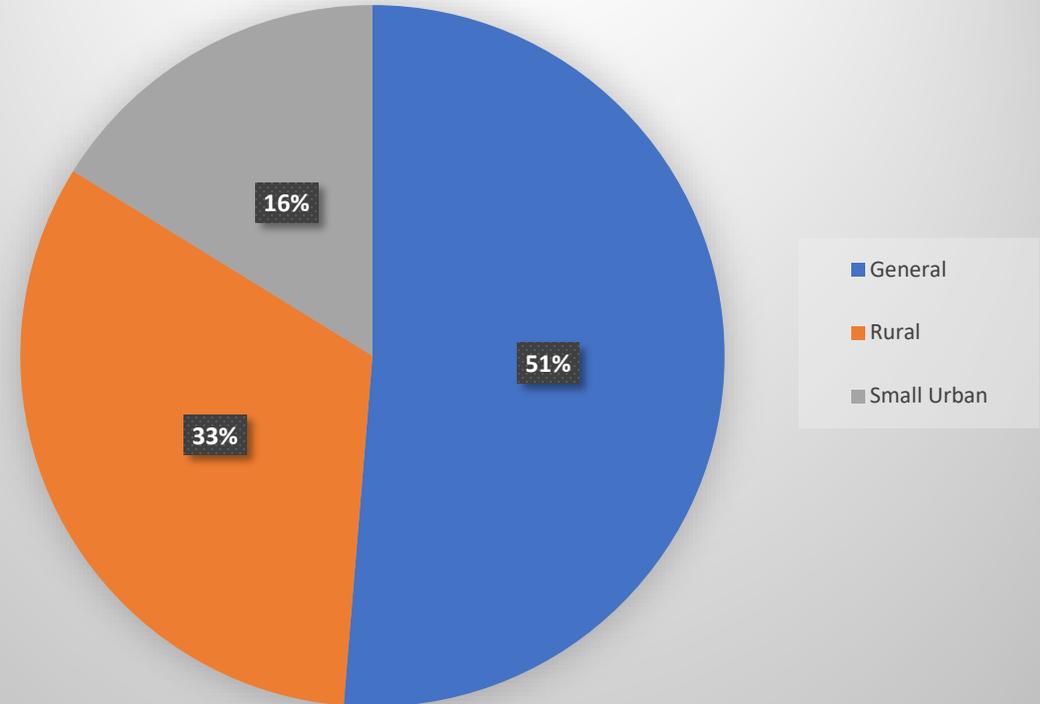


2021 CREDIT AWARDS BY SET-ASIDE

9% Credit Set-Asides

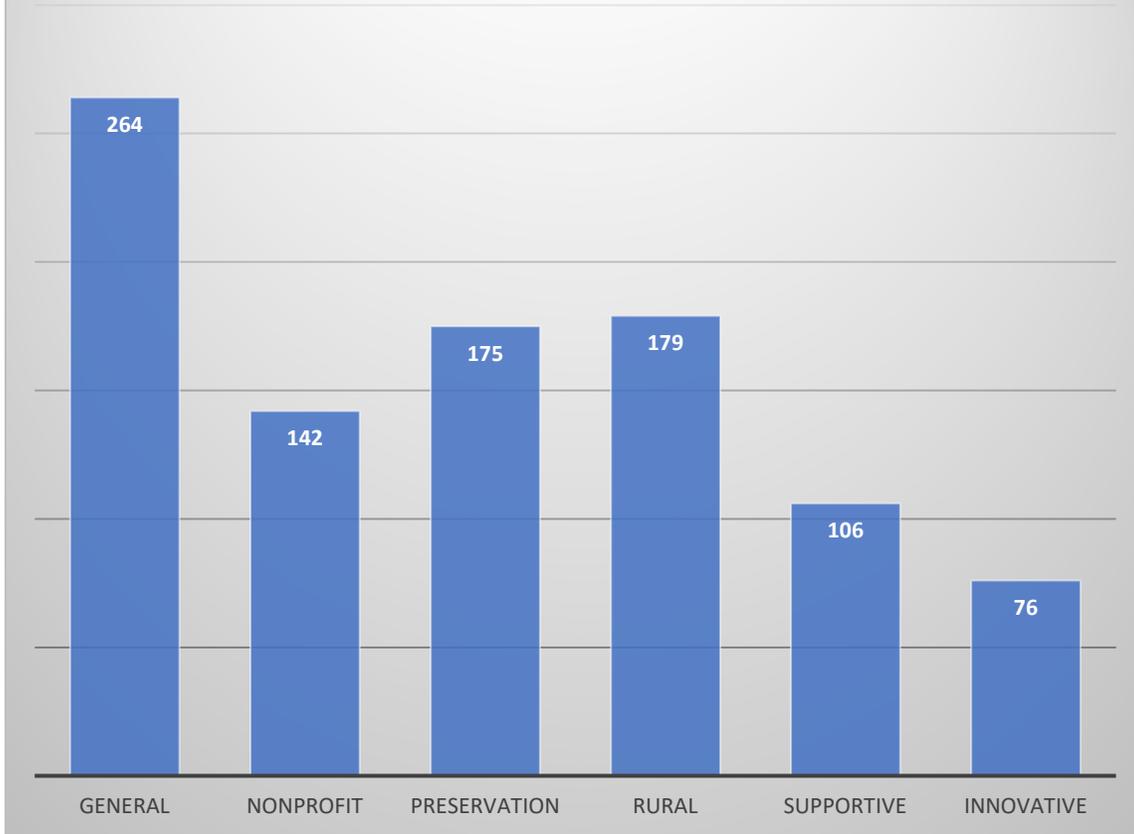


State Credit Set-Asides



UNITS APPROVED IN 2021 9% CYCLE

942 Low Income Units Approved

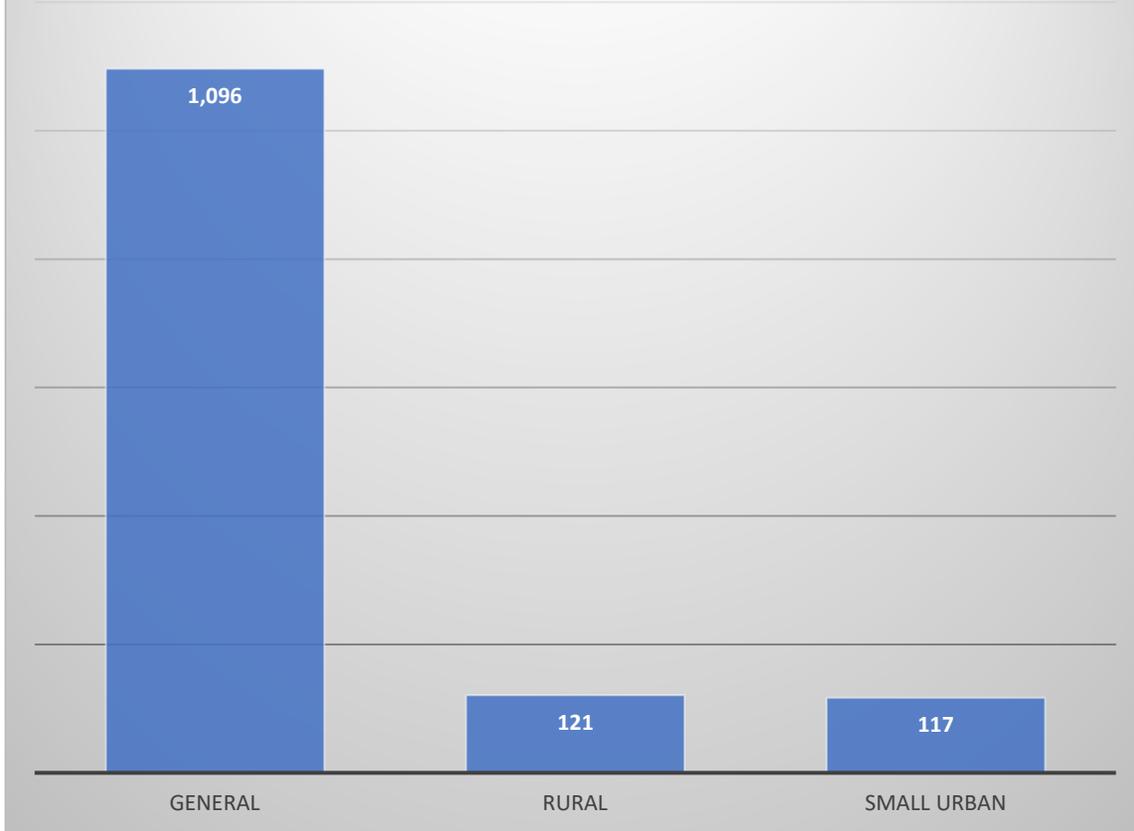


Average Credits/Low Income Unit

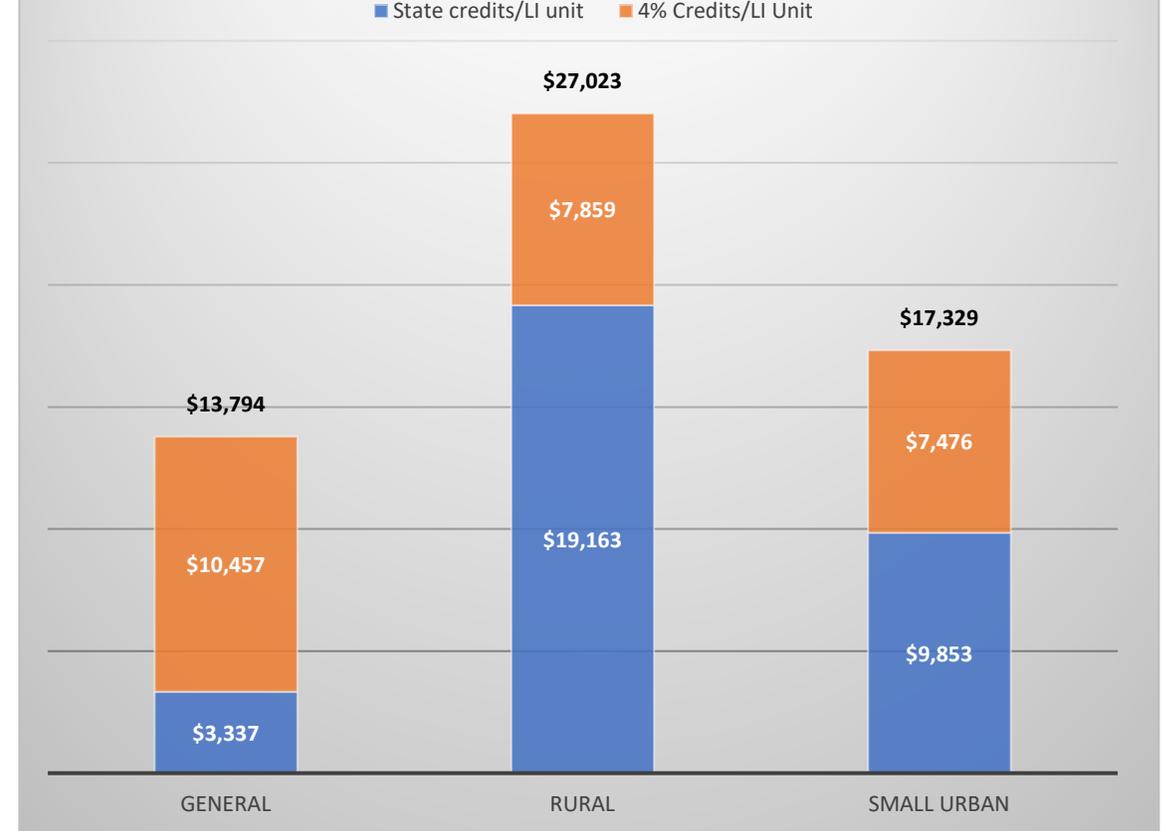


UNITS APPROVED IN 2021 STATE CREDIT CYCLE

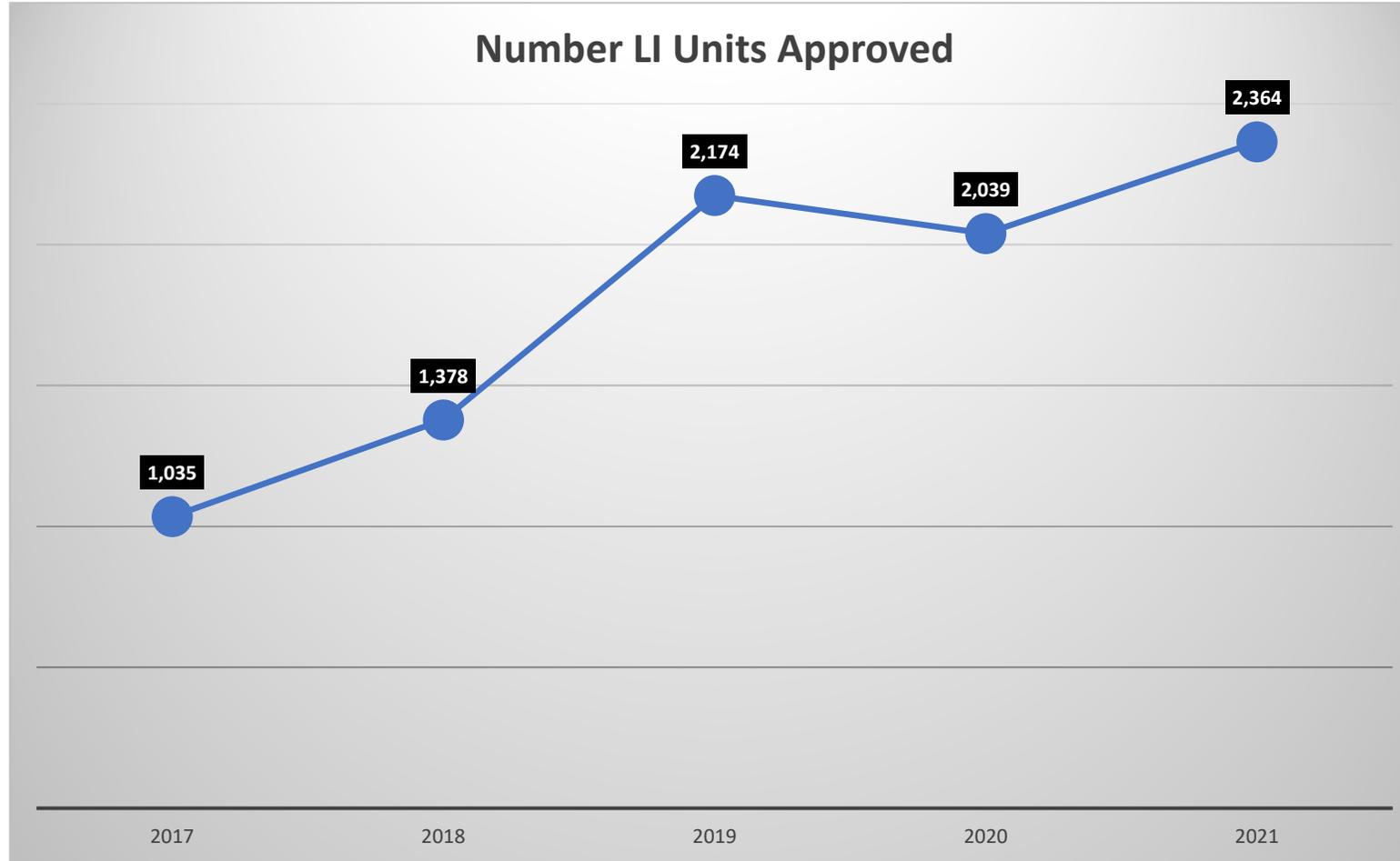
1,344 Low Income Units Approved



State and 4% Credits / LI Unit by Set-Aside

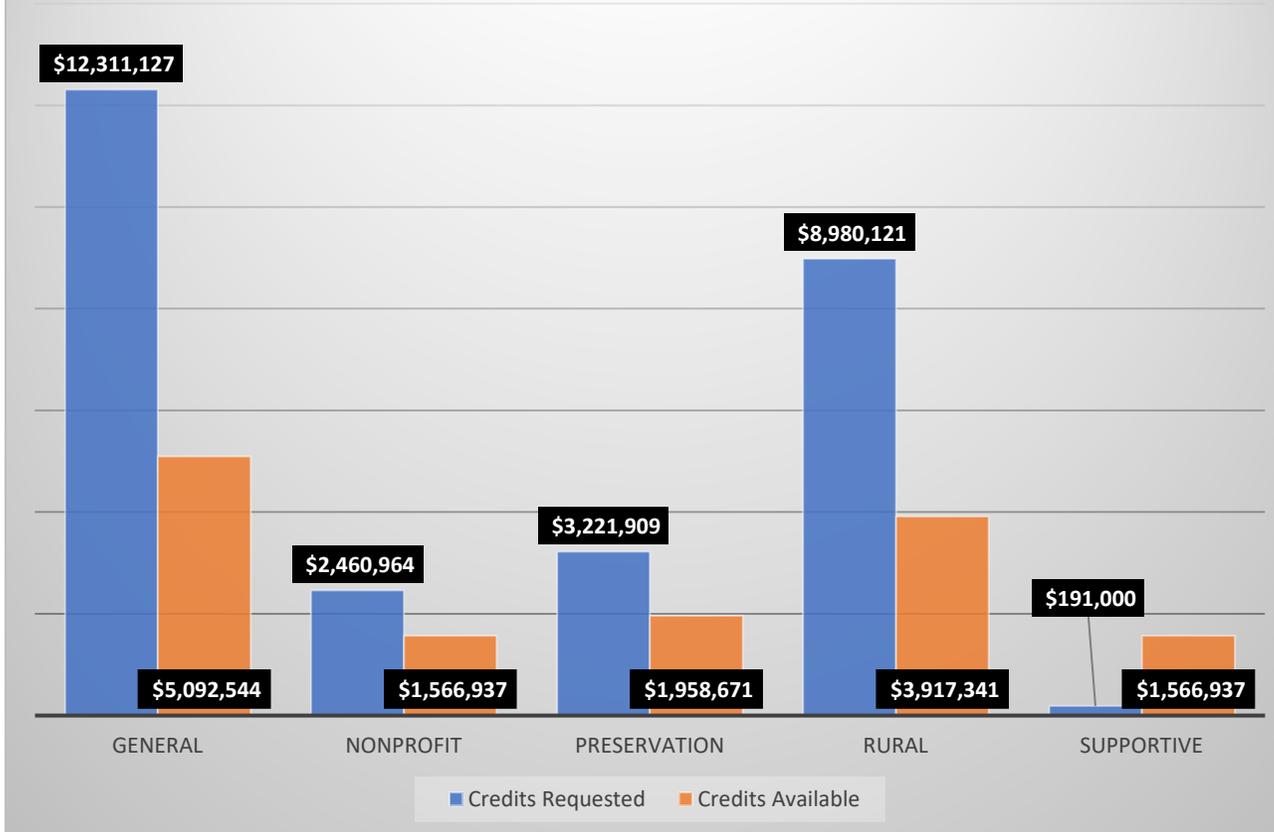


LOW INCOME UNITS CREATED

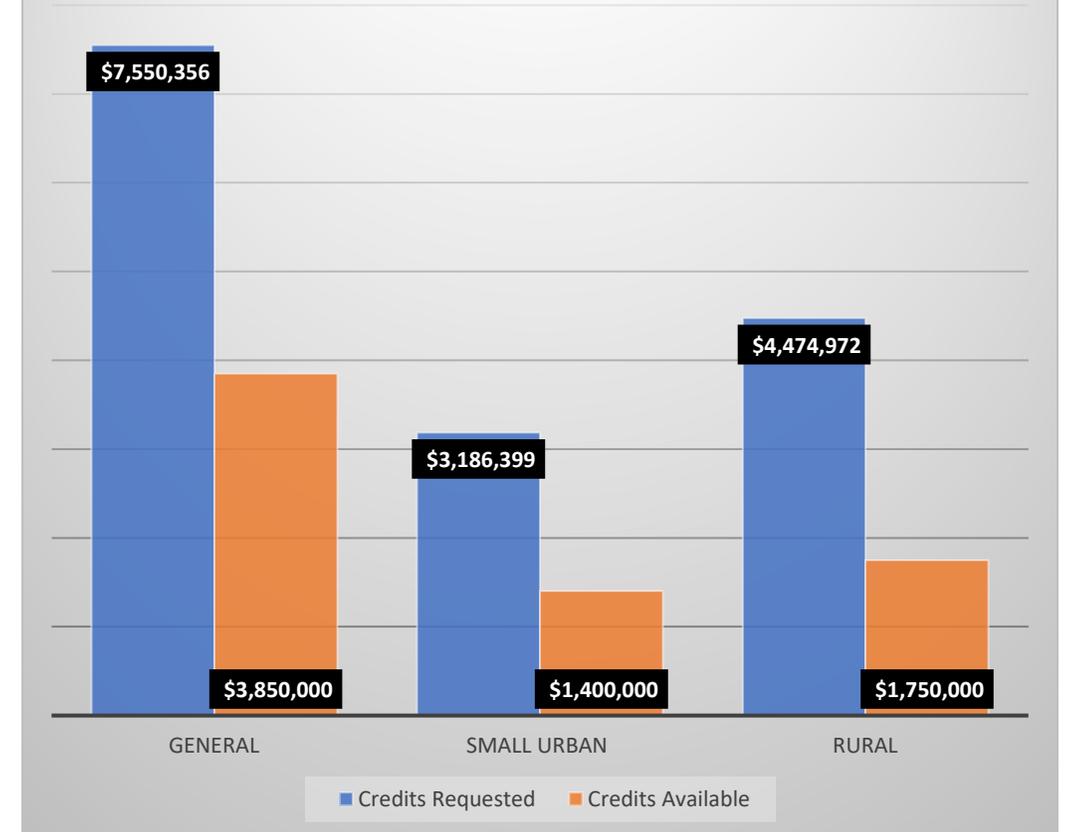


2022 APPLICATION CYCLE

2022 9% Applications



2022 State Credit Applications





SCORING CHANGES

2021-2022 SCORING CATEGORIES

Scoring Category	Max Points
1. Lower-Income Areas	5
2. Energy Efficiency and Sustainability	20
3. Mixed-Income Incentive	12
4. Serves Large Families (Three-bedroom or larger units)	5
5. Serves Lowest-Income Residents	60
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	12
13. Areas of Economic Opportunity	28
14. Rural Areas Without Recent HTC Awards	8
15. Workforce Housing Communities	12
16. Community Service Facilities	5



ENERGY EFFICIENCY & SUSTAINABILITY

Changes in the 2021-2022 QAP:

- Increased minimum Wisconsin Green Built Home (WGBH) Standard score from 150 to 200 points to earn Sustainable Design points
- The Walk Score points were eliminated
- The Public Transportation points were increased from 4 points to 5 points
- The Non-Smoking points were moved to a threshold requirement

Result:

- 100% of eligible applications earned points for Sustainable Design
- 87.5% of eligible applications earned points for Public Transportation
- Average total Energy Efficiency & Sustainability score of awarded applications: 19.4/20



FINANCIAL LEVERAGE

Changes in the 2021-2022 QAP:

- Changed from basing calculation on HTC equity to annual credit allocation
- The rungs and calculations will be adjusted as required to maintain proportionality.
- Introduced a second leverage scoring scale for use by projects competing in the Rural Set-Aside which allows those projects to be approximately 60% less efficient in credit use and still achieve scoring outcomes.
- Introduced a four point deduction in points to applications using Historic Tax Credits to further restrict allocation of credits based on large amount of additional equity in the project

Result:

- Average score of awarded applications: 34.1/36



DEVELOPMENT TEAM

Changes in the 2021-2022 QAP:

- Added points for applications that include an emerging developer or co-developer
 - 3 points made available for at least 49% ownership
 - 2 points made available for at least 24% ownership
- Added requirement that the developer fee paid to emerging developer must equal at least one half of their ownership percentage held
 - Example: An emerging developer owning 24% of the project must receive at least 12% of the developer fee
- Increased points for applications that include lead Developer that has participated in four or fewer HTC properties as a lead developer or owner
- Removed points for physical occupancy percentages

Result:

- 58% of awarded applications included an emerging developer
 - 37% of these held ownership of at least 49% of the project



AREAS OF ECONOMIC OPPORTUNITY

Changes in the 2021-2022 QAP:

- Added requirement that the point for developments in areas with high rated school districts would only be available for developments serving families
- Expanded the points for projects located counties in which renters pay at least 30% of their income toward rent.
- The low unemployment rate category was eliminated

Result:

- Average score of awarded applications: 18.3/28
- Most significant differentiator of all scoring categories



RURAL HOUSING WITHOUT RECENT HTC AWARDS

Changes in the 2021-2022 QAP:

- Increased points available from 5 to 8
- Added Tribal areas as eligible categories independent of counties (2022 cycle only)

Result:

- 11% of awarded projects earned these points
- Two new counties served



WORKFORCE HOUSING COMMUNITIES

New scoring category!

- Added up to 12 points for projects based on these factors:
 - Top Job Centers
 - Net Job Growth
 - Individual Employer Growth

Result:

- 100% of eligible applications earned points
- Average score of awarded applications: 11.4



COMMUNITY SERVICE FACILITIES

New scoring category!

- 5 points added for applications that include IRS qualified Community Service Facilities included in eligible basis as part of the housing tax credit project. Projects must be located in a Qualified Census Tract (QCT) to be eligible.

Result:

- 45% of eligible applications earned points
- 15 new Community Service Facilities approved in 2021 cycle





NEXT STEPS

PROCESS TO DEVELOP A NEW QAP

- Gather stakeholder feedback
 - Listening Sessions
 - Survey
- Synthesize information
 - Analysis of past outcomes
 - Survey of best practices
- Recommend changes
 - WHEDA Staff
 - QAP Advisory Committee
- Seek approval
 - WHEDA Executive Office
 - WHEDA Board
 - Governor Evers





SMALL GROUP DISCUSSIONS

SMALL GROUP DISCUSSIONS

- Small group discussions led by WHEDA staff
- Discussions will include preselected questions with time for other topics to be addressed
- Once your discussion has concluded you are free to leave

Breakout will start in **4 seconds**

Moving people into breakout rooms

