

# 2025-26 Qualified Allocation Plan for the State of Wisconsin

## Summary of Major Changes

---

### Objectives

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

Core Pillars	Objectives
Increase supply of affordable housing	<ul style="list-style-type: none"> <li>• Increase affordable housing choices for low- and moderate-income households</li> <li>• Increase housing with high quality services supporting those experiencing homelessness and veterans</li> </ul>
Employ place-based strategies	<ul style="list-style-type: none"> <li>• Coordinate housing development with housing &amp; economic 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>
Encourage innovative ways to leverage capital	<ul style="list-style-type: none"> <li>• Collaborate with key stakeholders to find new opportunities for leverage</li> <li>• Build capital stacks which reflect additional sources such as governmental, employer and philanthropic funding opportunities</li> <li>• Incentivize efficient use of Credits to maximize impact on statewide housing needs</li> </ul>
Increase economic opportunity	<ul style="list-style-type: none"> <li>• Increase tenant stabilization through integrated resident services and property management</li> <li>• Cultivate local ecosystem of affordable housing practitioners</li> <li>• Housing access that enables residents to achieve improved life outcomes</li> </ul>

## **Competitive Applications (9% and State HTC)**

### **Set-Asides**

- Set-Asides will be limited to geographic definitions of General, Small Urban, and Rural. Definitions will remain as established but dataset determining eligibility will be updated.
- Fulfillment of Set-Asides will be evaluated collectively between both credit types (9% and State) rather than independently. Applicants may be offered a credit type other than that which was requested.
- Projects qualifying for previous non-geographic Set-Asides (Preservation, Supportive, and Nonprofit Set-Asides) can compete in all geographic areas through accommodations in scoring criteria.
  - Nonprofit-led projects may be funded over higher-scoring projects if necessary to satisfy statutory requirement of allocating at least 10% of available Credits to nonprofit-led projects.
  - No fewer than 10% and no greater than 15% of the competitive credits are allocated to projects that rehabilitate existing rental housing. Projects under these criteria are funded over higher-scoring projects if necessary.
- Approximately \$1.2 million of the 9% Credit available will be set aside for developments that employ innovative methods to meet the strategic priorities of the Authority. For 2025, WHEDA may select a development that was not awarded credits under an existing Set-Aside. Any development selected for the Innovative Set-Aside will still need to meet threshold requirements.
- For 2026, WHEDA intends to determine a new innovative theme. WHEDA will announce the theme, threshold and scoring criteria in early calendar year 2025.

### **Credit calculation and underwriting**

- Applications in all Set-Asides will be permitted to elect the Average Income Test unit designation.
- Maximum credit award per project is lowered from \$1.4 million to \$1.2 million.

### **Application Submission Process and Timeline**

Changes to the competitive application process are intended to lower the barrier for applicants to submit project concepts and for WHEDA to make a quicker initial determination of project alignment with Objectives of the QAP.

**9% Credit and State + Federal 4% Credit Application Cycle Timelines:**

Milestone	Due Date (2025 Cycle)	Due Date (2026 Cycle)
Project Concept Submission	December 6, 2024	December 5, 2025
Notification of Project Concept Determinations	January 2025	January 2026
Full Application Submission	March 21, 2025	March 20, 2026
Announcement of Awards	May 2025	May 2026
Application Two Submission	November 2025	November 2026
10% Test Deadline (9% Credit Only)	Approx. October 2026	Approx. October 2026
Mandatory Construction/Rehabilitation Start	July 31, 2026	July 31, 2027
Placed in Service (PIS) Deadline (9% Credit Only)	No later than December 31, 2026	No later than December 31, 2027
Notification of PIS to WHEDA	Due within 30 days of PIS date	
Application Three Submission (8609)	Due within 180 days of PIS date	

**Project Concept Approval Stage:**

Introducing Project Concept Approval stage prior to full application submission.

- **Submission requirements:**
  - Project narrative
  - Proposed unit mix and population target
  - Preliminary overview of sources and uses of the development budget
  - Credit request
  - Site control
  - Development Team overview
  
- **Selection process and criteria:**
  - WHEDA evaluation of how the project meets housing needs.
    - Credit Efficiency Score
  - Distribution of projects among Set-Asides
    - Requests for up to 150% of available credits within each geographic Set-Aside will be invited to proceed.
  - Distribution of projects among markets
    - WHEDA may decline projects within individual market areas to achieve a greater distribution across the state if any single market is overrepresented in the Project Concept stage.

## **Full Application Stage:**

Selected Project Concepts will be invited to submit a full application in the competitive cycle.

- **Submission Requirements**
  - Complete Multifamily Application (MFA) workbook
  - Financing commitments for at least 80% of project sources
  - Supporting documentation for development team
    - Organizational chart
    - Entity documentation
    - Development agreement
  - Building and site design and due diligence requirements
    - Permissive zoning
    - Appendix M acknowledgement
    - Schematic design architectural plans
    - Phase I ESA
    - Capital needs assessment (rehab projects only)
  - Market analysis
    - WHEDA is exploring changes to the evaluation of market for proposed applications.
  - All scoring documentation
- **Selection process:**
  1. Review all applications for satisfaction of all Threshold requirements.
  2. Score all applications based on submitted documentation and awarded points.
  3. Rank applications by score within each Set-Aside and Credit type requested.
  4. Ensure satisfaction of statutory requirement for 10% of 9% Credits allocated to Nonprofit-led developments. If this is not met, the next highest scoring Nonprofit-led projects in any Set-Aside will be funded until the 10% requirement is exceeded.
  5. If Credits remain to fulfill the target allocation percent identified in the QAP within any Set-Aside after all eligible projects have been designated to receive an award, WHEDA may elect to extend Credit to an eligible project that requested the other competitive Credit type under the same Set-Aside.
  6. WHEDA may then allocate any remaining Credit based on availability of credit and alignment with the Objectives of the QAP.
- Projects that are not funded in the Full Application Stage can resubmit in the subsequent application cycle without repeating the Project Concept application.

## **Placed in Service Notification:**

Introducing requirement to notify WHEDA when a project places in service to improve WHEDA monitoring of status and transition of projects to Compliance team for monitoring.

## **Noncompetitive Federal 4% HTC**

Changes in the noncompetitive application process are in anticipation of the continuing trend of an increasing demand for Tax-Exempt Bonds. The changes impact the application window for noncompetitive 4% Credits (4% Credits), sizing of TE Bonds per project, and new deadlines associated with both the 4% Credit and the TE Bonds.

- Application window will open after the conclusion of the State HTC cycle to prioritize reservation of TE Bonds for competitive projects awarded State HTC. TE Bond allocations available for 4% Credit transactions may be limited in any calendar year.
- Introduction of a Reservation stage for 4% Credits and TE Bonds to document project eligibility for Credit and preliminary amount of Credit and TE Bonds prior to Tier One issuance.
- Introducing new timeline requirements for projects using the 4% Credit:

### **4% Credit Application Cycle Timelines:**

<b>Milestone</b>	<b>4% Credit Due Date (2025 Cycle)</b>	<b>4% Credit Due Date (2026 Cycle)</b>
Announcement TE Bonds Available for 4% Credits	May 2025	May 2026
Initial Application Period (Combined Application for 4% Credit and TE Bonds)	May 2025 - December 2025	May 2026 - December 2026
Reservation of 4% Credit and TE Bonds	30 days after receipt of complete Initial Application	
Application Two Submission (to secure Tier One Agreement)	180 days after issuance of Reservation	
Construction Start Deadline	90 days after issuance of Tier One (but no sooner than 90 days after executing bond commitment)	
Placed in Service Notification	Due within 30 days of PIS date	
Application Three Submission (to secure Form 8609)	180 days after Placed in Service Date	

## **Sizing of Tax-Exempt Bonds**

Tax Exempt Bonds using new volume cap will be limited to the following sizing parameters per project:

- WHEDA Tax-Exempt Bond Financing
  - The Volume cap allocation will be limited to 60% of the property's expected Aggregate Basis
- Conduit Bond & Local Issuance
  - The Volume Cap allocation will be limited to 55% of the property's expected Aggregate Basis

Applications for TE Bonds related to 4% Credits will only be accepted during the Initial Application Period (between the May and December of the calendar year or until all volume cap available has been committed).

## **Scoring**

Proposed changes in scoring categories:

### **Geographic Scoring Categories**

- Updating datasets and changing some definitions of existing criteria
  - Increasing sensitivity of evaluation of proximity to employment opportunities to achieve closer alignment of housing near jobs.
- All projects on Federally Designated Tribal Land will be eligible for points in Rehab/Neighborhood Stabilization scoring category.
- Removing points for Rural and Tribal Areas without Recent Tax Credit Award.

### **Tenancy Scoring Categories**

- Removing points for Mixed Income Communities to remove barrier of adoption of Average Income Test (AIT). Market rate units may be included at applicant discretion but not combined with AIT election.
- All units committed in the Supportive Housing scoring category will be required to be permanently Set-Aside for eligible tenants in place of the current policy to allow leasing to general population if eligible tenant cannot be located in a 30-day period.
- Removing requirement for ground floor private entrances for large family units and adding points for senior housing as an alternative to large family units.

### **Building Design Scoring Categories**

- Increasing scoring opportunities for higher levels of sustainability certifications and adoption of renewable energy and energy efficiency features to align with federal funding opportunities.

### **Development Process and Finance Scoring Categories**

- Developer Team points will be adjusted as follows:
  - Up to two points will be available for projects incorporating an Emerging Developer into the ownership structure at 24% ownership or 49% ownership levels.
  - Two points will be available for projects with a nonprofit serving as Lead Developer
  - Up to two points will be available for Developer Capacity Score. Additional details about the calculation of the Capacity Score will be shared in advance of the Cycle opening.
  - Replacing Leverage Score with new Credit Efficiency Score.
  - Focusing on Credits per unit with a stronger relationship to units created.

## **Strategic Business Program**

The WHEDA Strategic Business Program (formerly known as the Emerging Business Program) encourages contracting with economically disadvantaged businesses and union contractors. Participation is encouraged with an award of Credits within the State of Wisconsin. The participation goals are located in the Strategic Business Program Manual and can be found on WHEDA's website.

The Strategic 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 who meet the Strategic Business participation goals are eligible to receive a refund of one-third (33%) of their Reservation fee. Developers must report their results to WHEDA in conjunction with their 8609 documentation. A complete set of documents required will be available on WHEDA's website.

Please refer to the 2025-2026 QAP Strategic Business Program Manual for a complete overview of the Strategic Business program and requirements.