

2027 Innovative Set-Aside.

Introduction

The Wisconsin Housing and Economic Development Authority (WHEDA) is pleased to announce the 2027 Innovative Set-Aside (ISA), a strategic initiative designed to promote innovative approaches to increasing cost-efficiency in Housing Tax Credit (HTC) development. This pilot effort provides greater flexibility in project design to help lower development costs and increase the production of affordable housing units. ISA will also serve as a testing ground for potential program enhancements that may inform future WHEDA HTC policy updates.

Applications for the 2027 ISA will be accepted concurrently with WHEDA's 2027 Competitive HTC funding cycle, with the goal of selecting no fewer than one metro and one non-metro project as defined in the 2027-2028 QAP.

Eligibility & Threshold Requirements

To qualify for consideration under the ISA, projects must meet all application threshold requirements as outlined in WHEDA's Application Threshold Checklist and Qualified Allocation Plan (QAP), with the following exceptions:

1. Project Type

- Only new construction developments are eligible. Adaptive reuse and acquisition/rehabilitation projects do not qualify under this set-aside.

2. Modified Design Requirements (per Appendix M)

- Development Requirements (Section B): The 100% visibility requirement for Apartment style units is reduced to 25%. The visibility requirements for Townhomes, Stacked Flats, or One/Two Dwelling units remains at 20%. The requirement for individual storage lockers is waived.
- Building Envelope (Section C): Requirements are waived.
- Sustainable Design (Section F): The Green Building Certification requirement is waived. ISA awardees must comply with the Focus on Energy program participation requirements. The HERS Index Score requirements are not applicable as those relate to Rehabilitation projects, which aren't eligible for the ISA.

3. Affordability

- A minimum of 80% of project units must be restricted to households earning 80% of Area Median Income (AMI) or below. Up to 20% of units may be unrestricted/market rate.

4. Innovation Proposal

- Applicants must submit a proposal (maximum 1,500 words) describing the innovative elements of their development and how the project will achieve measurable and replicable cost savings.

Note: Applications submitted under the ISA cannot be submitted under other set-asides. ISA awards will count toward the applicant's overall competitive tax credit cap. The maximum credit allocation for any ISA project is \$1.2 million.

Application Process

1. Project Concept Stage

Applicants must submit an initial application including all items on the Project Concept Threshold Checklist

2. Full Application Stage

Full Applications will be evaluated for threshold eligibility and ranked on the proposed hard construction costs per rentable square foot.

To be considered for selection under the Innovative Set-Aside (ISA), applicants must also submit a Project Proposal at the Full Application stage.

This proposal (limited to 1,500 words) is a critical component of the application and must address the following three questions:

- Cost Efficiency & Unit Production

How does this project effectively reduce overall development costs while increasing the total number of affordable housing units produced?

2027 Housing Tax Credit Program

Innovative Set-Aside

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○ Innovation in Affordable Housing

What innovative strategies, technologies, or design concepts are being introduced through this development that represent a new or improved approach to affordable housing in Wisconsin?

○ Scalability & Replicability

How can the proposed innovations or cost-saving strategies used in this project be scaled or replicated in other communities across the state to help meet Wisconsin's broader affordable housing needs?

Evaluation of Cost

Proposals will be evaluated on the basis of lowest hard construction cost per rentable square foot.

3. Post-Award Oversight

WHEDA will conduct subsequent budget reviews at key project milestones: Application Two (Carryover), financial closing, and Application Three (8609).

- If hard construction costs materially exceed the Project Concept budget WHEDA will have the discretion to apply a penalty.
- If costs exceed the approved budget by **more than 30%**, the tax credit award will be revoked.

Contact Information

Please contact WHEDA at HTC.FAQ@WHEDA.com for any questions or additional guidance.