



John Nygren

WISCONSIN STATE REPRESENTATIVE ★ 89TH ASSEMBLY DISTRICT

Co-Chair, Joint Committee on Finance

**Testimony in Support of Assembly Bill 544
Assembly Committee on Housing and Real Estate**

October 24, 2019

Chair Jagler and members of the Assembly Committee on Housing and Real Estate. Thank you for the opportunity to testify in support of Assembly Bill 544 today.

One issue that I have repeatedly heard about in my district, and most likely in yours as well, is the lack of workforce housing. The concerns that I heard led me to author this bill with Senator Testin.

The lack of adequate housing for workers is a contributing factor in employers not being able to attract employees to their growing businesses. Employers in rural areas can have an even harder time recruiting employees due to the lack of adequate housing and we have seen rural areas benefit less from existing state incentives. The need for workers is topping surveys by the state chamber. Additionally, a recent report from the Wisconsin Realtors Association outlines the need for workforce housing and recommends tax incentives as one way to reduce workforce housing costs.

This bill would create a temporary nonrefundable state tax credit for worker housing, new or rehabilitation in 56 rural counties. There would have to be a need for manufacturing workers in the area and a lack of housing a factor in this need. Wisconsin has the second highest concentration of manufacturing workers of any state in the nation and the job openings rate for manufacturing this summer reached the highest level this century in the U.S.

The credit awards would be capped at \$10 million and be fully offset by WHEDA surplus funds. The max offset of a project would be 50% of the costs so at a minimum, this bill should invest \$20 million into workforce housing over the next two years, but it will likely result in even more when other state, local, federal, or private funds are used for the projects.

To fund the tax credit, WHEDA can access previous year's surplus funds, this year's funds, or next year's to make the \$10 million transfer. Over the last two years, the surplus funds have exceeded \$46 million. Since 2001 \$22.6 million has been transferred from WHEDA's surplus funds to either the General Fund or the old Department of Commerce.

The bill also includes a reporting requirement on Community Development Block Grant funds that is intended to provide transparency on roughly \$50 million in funds currently spread around local communities that the state is trying to get reissued as grants for economic development projects, to include housing.

Again, this tax credit program is temporary. This is so it can be assessed at its conclusion by the Legislature to determine if it should be made permanent. We are attempting to think outside the box - to fill a need we have heard about in all corners of the state. This bill is not a silver bullet and I am sure there are ways we can work together to improve it.

Thank you again for the opportunity to testify in support of Assembly Bill 544 today and I look forward to working with you and others to tackle this timely issue for the benefit of our state.



PATRICK TESTIN

STATE SENATOR

DATE: October 24, 2019

RE: **Testimony on 2019 Assembly Bill 544**

TO: The Assembly Committee on Housing and Real Estate

FROM: Senator Patrick Testin

Thank you members of the Assembly Committee on Housing and Real Estate for accepting my testimony on Assembly Bill 544.

A recent report by the Wisconsin Realtors Association outlined the shortage of workforce housing that exists throughout the state. The report shows that there has been a decline in homeownership, an increase in housing costs, and a continued decline in overall housing. The report echoes concerns that I have heard from a number of rural communities that I represent.

The lack of affordable housing has led to difficulties for employers looking to hire and attract employees and is a reason that workers do not want to locate to certain parts of the state. Most existing state incentives are tailored for housing that is limited to low-income earners and these are usually awarded to more urban populations. This legislation puts an emphasis on rural Wisconsin and would be a partnership between the state and employers seeking workers.

Assembly Bill 544 would create a temporary nonrefundable state tax credit. The tax credit is transferrable and could be claimed by a business, developer, or financial institution. The credit awards would be capped at \$10 million and would be awarded through the end of 2021.

Under this bill, eligible housing projects will be limited to the 56 counties with density of 155 persons per square mile or less. Additionally, there would have to be a need for manufacturing workers in the area and a lack of housing as a factor in this need.

This would be a temporary tax credit that would be utilized until the end of 2021. At the conclusion of the program, a report must be submitted the Joint Finance Committee (JFC), allowing the legislature to evaluate the benefits of the tax credit and discuss future needs moving forward.

Thank you again for listening to my testimony and I hope that you will join me in supporting this bill.



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TESTIMONY BEFORE THE COMMITTEE ON HOUSING AND REAL ESTATE
Assembly Bill 544
Workforce Housing Tax Credits
Thursday, October 24, 2019

Thank you to Chairman Jagler and committee members for holding a public hearing on Assembly Bill 544 today. This legislation creates a temporary non-refundable state tax credit for new or rehabilitated worker housing that would be applicable in 56 rural counties throughout Wisconsin.

I am very proud to represent a rural district in southwest Wisconsin. The people in my community have a tremendous work ethic, passion, and innovative spirit. They are small business owners, family farmers, and entrepreneurs.

My regional economic development leaders work extremely hard each and every day with area employers to help them succeed and grow. They have been telling me that one of the biggest challenges they face in recruiting new employers to our region or getting current employers to expand, is the lack of affordable housing for new employees.

Recently, the Southwestern Regional Planning Commission completed a housing and workforce study for the region that identified the pressing need for affordable workforce housing. The study identified a significant need for medium priced housing between \$100,000 and \$200,000. It also discussed the need to rehab older housing stock to meet the current needs of younger home buyers. It is my belief that this legislation would help address these needs for our employers and communities in rural Wisconsin.

Representative Nygren and Senator Testin deserve a lot of credit for their leadership on this issue. My hope is that with the passage of this bill, we can help address the workforce housing concerns of rural Wisconsin.

Thank you for your time today.



Testimony for the Assembly Committee on Housing and Real Estate: Assembly Bill 544

WHEDA affirms commitment to workforce housing, raises serious concerns about AB544/SB484

Good morning, members of the Assembly Committee on Housing and Real Estate and thank you Chairman Jagler and Vice Chairman Allen. I'm Kim Plache, deputy executive director of the Wisconsin Housing and Economic Development Authority. We are grateful for the opportunity to speak here today regarding Assembly Bill 544, which relates to workforce housing tax credits and economic development revolving loan funds.

Wisconsin's business community ranks the labor shortage as the state's top policy issueⁱ and in many communities, a critical shortage of workforce housing is likely limiting companies' ability to attract and retain skilled workers.ⁱⁱ

Since 1972, the Wisconsin Housing and Economic Development Authority has worked to stimulate the state's economy and improve the quality of life for Wisconsin residents by providing affordable housing and business financing products. Through the years, WHEDA has financed 75,000 affordable rental units, helped more than 130,000 Wisconsin families purchase a home and made more than 29,000 small business and agricultural loan guarantees.

During FY2018-19 alone, WHEDA provided more than \$427.5 million in mortgages to help 3,450 individuals and families purchase a home. WHEDA also provided more than \$185 million in economic development and multifamily lending across the state and allocated \$19 million in federal housing tax credits.ⁱⁱⁱ

Now, with new leadership, a recent restructuring that prioritizes innovation, and several programmatic changes underway, WHEDA stands ready to accelerate its support for workforce housing. As a self-supporting public corporation, WHEDA intends to use its authority to continue to support the communities and people we have served for over 47 years. We will do this by working more closely than ever with our partners in the Legislature and stakeholders, including developers, local communities, financial institutions and the Wisconsin Realtors Association, among others. To be clear, we are talking about our continued service to our neighbors – the people who teach and care for our children, work on farms, make our manufacturers more productive, watch over our aging parents, cut our hair and provide the personal services we depend on. They are central to our mission.

Before addressing the workforce housing gap, let's start by exploring some of the reasons Wisconsin is falling behind. A recent Wisconsin Realtors Association report highlights factors including fewer housing starts, rising construction costs tied to the labor shortage and outdated land use regulations.^{iv} Affordability also plays a factor and a number of studies have documented the state's slower-than-average personal income growth^v as well as racial and other disparities.^{vi} Meanwhile, housing studies conducted by Marinette County,^{vii} the City of Stevens Point,^{viii} Grant County^{ix} and others point to challenges including aging housing stock, the poor physical condition of existing homes, a desire among younger workers for different housing amenities, a

shift in interest toward rental units and the lack of available land with the infrastructure improvements necessary for development.

Just as no single factor is to blame for a workforce housing crisis that's been years in the making, no single, short-term fix will come close to addressing our workforce housing challenges. And unfortunately, in the case of Assembly Bill 544/Senate Bill 484, the proposed fix would do more harm than good. Among the serious concerns shared by WHEDA and many of our financial partners are the following:

- WHEDA uses the proceeds from the sale of tax-exempt bonds and borrowing from regional and national financial institutions to fund the majority of its programs. Any transfer of WHEDA reserves from the Dividends for Wisconsin Plan to fund a new, proposed program by the Legislature would be considered a state raid by credit rating agencies as well as WHEDA's lending partners. This would likely result in a negative credit watch. Any negative impact to WHEDA's rating increases our cost of funds, limits our borrowing power and reduces our ability to serve low- and moderate-income working people all across the state.
- The new program would reduce funding for WHEDA programs that significantly support our mission, which was established by the State Legislature in 1972. The \$10 million program cost is equivalent to approximately two years of average Dividends Plan reserves and would limit our ability to serve lower income, working residents. These funds are typically dedicated to gap financing for multifamily developments that serve lower income households, supporting our single-family mortgage lending and the WHEDA Foundation Housing Grant program. The new program would also require substantial staff time to establish and administer.

- The transfer would severely harm WHEDA's ability to fund low-cost, single-family home purchases. WHEDA mortgage interest rates would rise and the number of loans to help first-time home buyers would decrease as a result of redirecting WHEDA funds to this new program. Furthermore, access to down payment assistance would be significantly reduced. Last year, 82% of WHEDA home buyers used \$12 million of our down payment assistance to purchase their first home.
- By using the \$10 million directly, the proposed legislation also would eliminate one of the most important aspects of WHEDA's programs - leverage. WHEDA funding is currently leveraged at an average ratio of 10 to one, meaning that each WHEDA dollar leverages 10 times its value from other public and private sources to advance affordable housing. In real numbers, a \$10 million reduction in WHEDA reserves would result in a direct loss of at least 800 units of affordable housing for low- to moderate-income workers.
- On top of these costs and lost opportunities, the program itself would deliver a limited, one-time benefit which is not sustainable. While we don't know the authors' assumptions, WHEDA estimates that the \$10 million program cost would result in 80 to 130 units of workforce housing.

In documenting the statewide underproduction of more than 19,000 housing units among the state's 20 largest counties from 2006-2017, the Wisconsin Realtors study proposes several collaborative ideas. Solving Wisconsin's workforce housing challenge is a collective process that requires input and resources from both public and private partners; it is not a one program, one-size-fits-all solution, as each community has unique needs. WHEDA will continue to work with the WRA, communities and other partners to explore alternative proposals and play a key role in stepping up to this workforce housing challenge.

In addition, with new leadership and an increased focus on the needs of our rural communities, WHEDA also has been examining opportunities for innovation within existing statutory parameters.

Finally, through its more than 50 community meetings and listening sessions over the past year, WHEDA staff have identified barriers in some communities that prevent them from accessing available financial resources and professional expertise. Moving ahead, WHEDA intends to pilot an effort with communities that have well-developed housing plans to facilitate engagement with financial partners, eliminate known barriers and provide technical assistance to get urgently needed housing projects underway. WHEDA believes that a flexible, open approach to community engagement holds the greatest chance for sustainable success because it can be tailored to the unique needs of communities and local employers.

We thank you for your time and we would welcome the opportunity to collaborate with you and others so that our best ideas can help build the foundation for new housing and economic opportunities throughout our great state.

Contacts: Kim Plache, WHEDA deputy executive director, 608-267-2307, Kim.plache@wheda.com; Jennifer Sereno, WHEDA public affairs, 608-770-8084, Jennifer.sereno@wheda.com

ⁱ [Economic Outlook Survey: Wisconsin's Economy Remains Strong, But Optimism Wanes. Wisconsin Manufacturers and Commerce. December 20, 2018.](#)

ⁱⁱ [Special Report: Falling Behind. Wisconsin Realtors Association. Sept. 3, 2019.](#)

ⁱⁱⁱ [Wisconsin Housing and Economic Development Authority 2018 Annual Report.](#)

^{iv} [Special Report: Falling Behind. Wisconsin Realtors Association, Sept. 3, 2019.](#)

^v [States Recorded Widespread Economic Gains in 2018. Barb Rosewicz, Joanna Biernacka-Liestro and Joe Fleming. The Pew Charitable Trusts. May 3, 2019.](#)

^{vi} [Race in the Heartland: Wisconsin's Extreme Racial Disparity. Center on Wisconsin Strategy, University of Wisconsin-Madison. October 2019.](#)

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- vii [Marinette County Housing Study. 2017-2018.](#)
 - viii [City of Stevens Point Housing Study. July 2017.](#)
 - ix [Grant County Housing and Workforce Study. April 2019.](#)



Joaquín Altoro: Remarks on Assembly Bill 544 before the Assembly Committee on Housing and Real Estate

Good morning, members of the Assembly Committee on Housing and Real Estate and thank you Chair Jagler and Vice Chair Allen. I'm Joaquín Altoro, appointed to lead the Wisconsin Housing and Economic Development Authority. We appreciate the work of your committee and we're grateful for the opportunity to address the need for additional workforce housing as well as the substance of Assembly Bill 544.

In meeting with legislators, community leaders, our partner lenders and others, I've been asked about my vision for WHEDA. WHEDA has been serving the people of Wisconsin in rural and urban communities for decades with a well-established mission and vision. At the same time, it is my intent to forge an organization with greater capacity to accomplish our objectives.

I want WHEDA to achieve higher output, find efficiencies and build innovative partnerships that achieve results. It's clear we also need to find new ways to serve our rural communities and to stretch our programs to serve a broader range of workforce and employer needs. That's one reason why, in my first 100 days, we have restructured to create the WHEDA lab - a department created to focus on innovative solutions to some of our toughest challenges.

I know that there are important housing issues across the entire state and the critical workforce housing shortage is key among

them. In fact, this is not just an issue in Wisconsin, it is an issue throughout the nation. My counterparts at housing finance authorities in other states are facing the same challenges.

Here in Wisconsin, we're fortunate to have bipartisan recognition and momentum to address the problem in ways that we expect other states will look to as a model. WHEDA is recognized as a national leader and we believe the shared solutions we develop will further Wisconsin's leadership on this issue.

However, the challenges we need to overcome are many. In our rural communities, rents do not cover debt. Construction costs are skyrocketing at speeds we've not seen in decades. Developers are not flocking to rural communities. Lastly, Wisconsin's income growth has been lagging.

All this has created a perfect storm. But in our role as leaders, it's our responsibility now and for the benefit of future generations. At WHEDA, we don't see this as a problem, we see this as an opportunity.

Kim has touched on some of the work we are doing and to accomplish it, we will need your help. We're here to listen to you, to learn from your experiences and also to share our concerns over proposals that may diminish our ability to achieve our mission effectively.

You have our commitment to apply our skills, experience and resources in ways that deepen our impact, equally to affordable and workforce housing.

We welcome your questions and would be happy to schedule any follow-up meetings if you would like to learn about our progress in more detail.



Dividends for Wisconsin 2019-20: Plan Highlights

Q: What is WHEDA's Dividends for Wisconsin plan?

A: Wisconsin law requires WHEDA to develop an annual plan for the use of its unencumbered general reserve funds. Known as the Dividends for Wisconsin plan, funding is generated from interest on WHEDA's loans and investments; loan origination and servicing fees; tax credit allocation and monitoring fees; and housing management services.

Established in 1972, WHEDA is a self-supporting public corporation that receives no state tax dollars for its operations. Its mission is to stimulate the state's economy and improve the quality of life for Wisconsin residents by providing affordable housing and business financing products.

Q: What's new for 2019-20?

A: For 2019-20, WHEDA's unencumbered general reserve funds total \$16.7 million, a sizeable total for the Dividends for Wisconsin plan, although down from the prior year. During 2018-19, the Dividends for Wisconsin plan totaled \$29.4 million, an unusually high number due to the sale of the Madison office building to the Wisconsin Department of Administration, which generated approximately \$19 million. The current year totals reflect strong stewardship of the single-family and multifamily lending programs as well as revenue generated from other programs such as fees from two rounds of state housing tax credits and net interest revenue generated by the loan portfolio purchased from Department of Veteran's Affairs.

The 2019-20 plan reflects the leadership of WHEDA's new executive director, Joaquín Altoro, who has restructured the organization to emphasize responsiveness and innovation. By funding initiatives in rural areas and further supporting existing programming, the plan extends WHEDA's benefits across a greater geographic area and accelerates production of workforce housing.

Q: What are some of the priorities outlined in the plan?

A: The plan reflects the changing market landscape and will focus on the development of new initiatives that connect the dots for regions, populations, industries and innovations. Factors such as lagging municipal approvals, rising construction costs due to a severe labor shortage and outdated land use regulations have contributed to a housing shortfall for working people with low to moderate incomes.

To address the housing gap and encourage a broader range of economic opportunities for all residents, the plan focuses on:

- **Affordable housing.** The plan focuses on working families, seniors and people with limited incomes. WHEDA may supplement existing encumbrances or establish new ones with up to \$9 million of additional resources. Some \$4 million of this total will center on single family lending and strategic initiatives to expand rural lending and lending to underserved populations and communities. A total of \$5 million will be dedicated to Housing Tax Credit Gap Financing, a rural initiative designed to attract development into rural areas, and an effort to pair Housing Tax Credit and Opportunity Zones. Some 39 percent of all Opportunity Zones in the state are in rural census tracts and by pairing housing tax credits with Opportunity Zones, rural communities will have new ways to access equity to develop affordable housing for working people.
- **Economic development.** WHEDA may encumber general reserves of up to \$1 million to help Wisconsin business owners through partnerships with commercial and community lenders as well as local government. The partnerships allow WHEDA to leverage its funds to reach more small businesses and farmers.
- **Grants and services.** Since the 1980s, WHEDA has granted funds to local governments and nonprofits to create emergency and transitional housing for the homeless, senior citizens and people with disabilities and other special needs. In addition, WHEDA has supported the Governor's Council on Homelessness with grant funds for nonprofit housing providers that assist Wisconsin's homeless population. In 2020, WHEDA may encumber up to \$3.5 million for grants and services including the launch of pilots and targeted initiatives created by the new WHEDA Lab. This will further leverage WHEDA's

capacity to offer tailor-made services and build partnerships with communities, in order to quickly bring new products to market.

- **Authority operations.** WHEDA also is requesting \$3.2 million to be reserved for the relocation of its Madison offices.

WHEDA recognizes that the gap in workforce housing as well as challenges in rural areas of the state are top of mind for state businesses and communities. The 2019-20 plan will accelerate production and rehabilitation of housing by working to leverage additional funds and providing the flexibility needed to meet local needs.

WHEDA welcomes feedback on these efforts as we seek to spark further housing innovation.

Contacts: Kim Plache, WHEDA deputy executive director, 608-267-2307, Kim.plache@wheda.com;
Jennifer Sereno, public affairs, 608-770-8084, Jennifer.sereno@wheda.com

LOCATIONS & EMPLOYEES



STATEWIDE
8 Regional Employees

MADISON OFFICE
140+ Employees

MILWAUKEE OFFICE
5+ Employees

201 W. WASHINGTON AVE.
MADISON, WI 53703

611 W. NATIONAL AVE.
MILWAUKEE, WI 53204

12 TEAMS

- Finance
- Project Management
- Administration
- Executive Office
- Business and Community Engagement
- Risk and Compliance
- WHEDA Lab
- Commercial Lending
- Marketing
- Single Family
- Legal
- IT

EST. 1972

BY THE WISCONSIN LEGISLATURE

OUR MISSION

WHEDA's mission is to stimulate the state's economy and improve the quality of life for Wisconsin residents by providing affordable housing and business financing products.

Fiscal Year 2018-2019 Impact



SINGLE FAMILY HOUSING

Provide low, fixed interest rate mortgages to individuals and families to purchase a home.

WHEDA Advantage Loans

Households Served	3,450
Total Lending	\$427,517,165



MULTIFAMILY HOUSING

Offer favorable rates and terms to construct, rehabilitate and preserve affordable rental housing.

Multifamily Housing Loan Closings

Total Units Created	1,646
Total Lending	\$169,523,521

Federal Housing Tax Credit Awards

Total Units Created	2,534
Total Tax Credits Awarded	\$19,273,489



ECONOMIC DEVELOPMENT & AGRIBUSINESS

Provide financing that puts more capital directly into businesses and farms.

Small Business Financing

Businesses Served	26
Total Financing	\$15,835,020



WHEDA FOUNDATION GRANTS

Assist in the improvement of the state's housing for special needs populations.

Housing Grant Awards

Total Units Supported	589
Total Grants Awarded	\$513,824

OUR IMPACT

- ✓ Financed more than 75,000 affordable rental units
- ✓ Helped more than 130,000 families purchase a home
- ✓ Made more than 29,000 small business and agricultural loan guarantees
- ✓ Allocated more than \$370 million in federal and state housing tax credits to 1,290 multifamily developments
- ✓ Awarded 1,116 housing grants totaling nearly \$24 million to special-needs housing providers
- ✓ Received \$575 million in federal New Market Tax Credits to promote equity investment and create thousands of jobs in low-income urban and rural areas

PORTFOLIO PROJECTS

Key projects exemplify challenges, opportunities facing Wisconsin affordable housing expansion



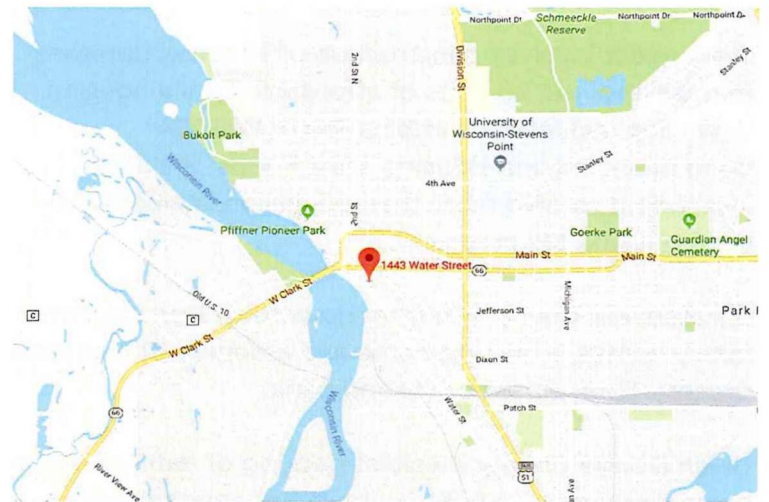
Berkshire Stevens Point

Stevens Point, Wis. population 26,293

The Berkshire Stevens Point project involves construction of 88 units of senior housing in the City of Stevens Point. With WHEDA construction loans totaling \$12.5 million, the development is the recipient of a 2019 4 percent Federal/State Housing Tax Credit Award as well as a recipient of 2019 Housing Trust Fund Award.

The units in the project are set aside for low-income households with a range of 30 percent to 80 percent of the county median income.

The project involves redevelopment of a blighted surface parking lot and is supported by \$2 million in TIF financing from the City of Stevens Point. The project is expected to be completed in March 2021. The five-story project is considered to be in a non-metropolitan, underserved area with high housing needs. The borrower, General Capital Acquisitions, has elected to utilize income averaging with five units at 30 percent CMI, 49 units at 50 percent CMI, 11 units at 60 percent CMI and 23 units at 80 percent CMI.



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Dodge County Housing - Oak Grove Horicon Townhomes

Oak Grove Development

Horicon, Wis. population 3,611

The Dodge County Housing Authority's Oak Grove Development is close to the downtown area and meets a need for workforce housing in this rural community.

The project involves construction of 10 rental duplexes that will provide 20 units of affordable family housing. Financing included a combination of WHEDA bond financing and Housing Trust Funds. WHEDA investment totaled more than \$6 million, including state housing tax credits.

Located less than a mile from downtown Horicon, the project is near a high school and adjacent to other single-family homes, a nursing home and a duplex. The development is close to a community center, medical clinic, grocery, library, post office and bank.

Given Dodge County's waitlist backlog of families who require an affordable three bedroom unit, the project is being developed to fulfill a significant need for energy efficient, well-located affordable family housing in Dodge County. The Phase 2 non-traditional site plan is inspired by the Ross Chapin-designed pocket neighborhood projects in Washington State, and represents the first time this concept is being brought to Wisconsin as an affordable development.

Other partners in the project include investor National Equity Fund and construction lender Horicon Bank.



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STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION

Tony Evers, Governor
Joel Brennan, Secretary

**Department of Administration
Testimony on Assembly Bill 544
Committee on Housing and Real Estate
Thursday, October 24, 2019**

Chairman Jagler, Vice-Chair Allen, committee members, good morning. My name is Brian Vigue and I am the Legislative Liaison for the Department of Administration. It is my pleasure to appear before you today. I am representing the Department of Administration regarding Assembly Bill 544, specifically regarding the portion of the bill dedicated to the reports on economic development revolving loan funds.

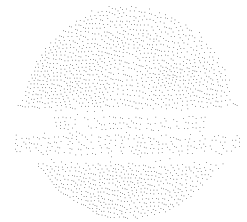
DOA's Division of Energy, Housing and Community Resources (DEHCR) administers Wisconsin's Small Cities Community Development Block Grant Program, which serves communities with less than 50,000 residents and counties with less than 200,000 residents. The primary purpose of the CDBG program is the development of viable communities through the provision of decent housing, a suitable living environment, and the expansion of economic opportunities, principally for the benefit of persons of low and moderate income (LMI).

In administering the CDBG program, the Department and its predecessor the Department of Commerce, issued grants to Units of General Local Government (UGLG's) which in turn loaned the funds to businesses that created jobs for LMI persons. These loans, when repaid, capitalized locally administered revolving loan funds (RLF's) which made additional loans for the sole purpose of economic development. As a response to concerns raised by HUD, including the volume of funding sitting un-spent in local accounts, the Department implemented the CDBG-CLOSE program which liquidates the remaining funding and closes all CDBG Economic Development Revolving Loan Funds. UGLG's that administer an Economic Development Revolving Loan Fund are required to participate in the CDBG-CLOSE program.

CDBG-CLOSE reduces the barriers for use of federal funding, keeps locally-generated funds in the communities that generated them and maintains local decision-making for those funds. As part of its public outreach, DEHCR staff met with hundreds of local government officials, CDBG Economic Development RLF administrators and stakeholder groups regarding CDBG-CLOSE to educate them on the program, address their concerns and provide technical assistance so they can independently determine how their communities can best leverage the program.

Under the CDBG-CLOSE program, all locally held CDBG Economic Development Revolving Loan Funds will be held for the Units of General Local Government (UGLG) that administered the funds to have non-competitive access to as grants. Depending upon the size of the RLF Closeout Account balance, some UGLG's may be eligible to apply for 3 or more projects. Eligible activities for CDBG-CLOSE include:

1. Public Facilities;
2. Housing Rehabilitation Conversion;
3. Economic Development projects;



- 4. Public Facilities for Economic Development projects;
- 5. Planning projects
- 6. Broadband/high speed internet access for low and moderate income (LMI) residents;
- 7. Mitigation measures specifically those that address natural hazard risks;
- 8. Public services.

As written, AB 544 would potentially create considerable uncertainty for communities that are participating under CDBG-CLOSE. As stated above, under the CDBG-CLOSE program, communities have their locally generated funds held for non-competitive access. As long as the projects UGLG's determine are needed in their communities meet federal CDBG requirements, DEHCR is likely to award funding for these projects. Further, any expenditures made under CDBG-CLOSE are provided to communities on a reimbursement basis. The Department does not forecast expenditures made under the program. Should JFC object to an expenditure, it could potentially cause a dislocation in revenues to local communities that are unable to fill that hole due to the size of their tax base.

The CDBG-CLOSE program is already underway and has issued multiple awards to communities. Communities have spent considerable time and effort to develop eligible projects, submit grant applications to DEHCR for review, sign agreements with sub-contractors and incur project-related costs. Any uncertainty in a communities' ability to fulfill its obligations could negatively impact these local projects. Legislation that removes local decision making and control over project costs will be detrimental to participating communities.

Thank-you for the opportunity to provide testimony to the committee today. I am happy to answer any questions that you may have.

City of Marinette

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Steve Genisot, Mayor

sgenisot@marinette.wi.us

October 23, 2019

**Wisconsin Assembly, Committee on Housing and Real Estate
Workforce Housing Legislation Testimony for Public Hearing
RE: AB-544, Support for Workforce Housing Tax Credits and Economic
Development Revolving Loan Funds**

**Dear Chairman Jagler, Vice Chairman Allen and other distinguished
committee members, I want to thank you for this opportunity to address
AB-544.**

**I urge you to pass this important legislation. The City of Marinette is
constantly striving to increase workforce housing, to develop our
Downtown, and support our large manufacturing and small local
businesses. Our City is proud to have a strong manufacturing base of
employers as well as a vibrant tourism industry with infrastructures in
place to support them. We are constantly striving to find new and
innovative ways to support and develop our dynamic and diverse business
culture and our community. We need your help with our overall goal: To
preserve and expand economic development, educational growth, tourism
and governmental relations in a collaborative effort that will improve our
business climate and enhance the free enterprise system and quality of life
in our community.**

**Our largest employer, Fincantieri, Marinette Marine is also the world's
largest supplier of US Navy Vessels of the Littoral Combat Ship series. This
company is a modern shipbuilding powerhouse with 550,000 square feet of
manufacturing and employing over 1,385 people, along with a larger
contingency of 500-plus contract workers of which affordable housing is
either unavailable or with a common problem of a one hour commute time.
FMM has recently completed a \$73.5 million capital expansion program and
is planning to bring even more employees into production because of great**

demand for their technologically advanced vessels and their record of delivering ships ahead of schedule and within contracted costs they have a history dating back 200 years with expansions taking place on an ongoing basis. The company has a good working relationship with the City of Marinette but workforce housing, parking, additional economic development is crucial – so crucial that ship-building technical skills are being taught as electives in the Marinette School District and local colleges and technical schools prepare students for this industry. In an ongoing roundtable discussion, business leaders like Jan Allman, CEO of Marinette Marine Corporation asks: What can be done to help out the economic needs of the area?


Another industry, Winsert, Inc. is a supplier of cast-valve seat inserts for engines and has a strong global presence. The corporate headquarters and manufacturing plant houses an 87,000 square foot facility. In 2016 they opened a 10,000 square foot materials research center to support their 195 employee-driven plant. In 2019 they began another expansion yet in the same year have struggled with overtime wages due to the lack of technical labor to support their facility. A progressive company, they have been a Green Tier Participant since 2007 and are proud of the fact that they are 'located in Northeast Wisconsin where their workers can thrive'. Their company's request to the City of Marinette is to use all incentives available to bring more workforce into the area. The need for workforce housing is real and the City is losing potential business as a result.

One last example is Veriha Trucking, a professional, safety-conscious transportation company that started with one driver and one truck over forty years ago and now has over 250 trucks and over 800 trailers on the road throughout the 48 states and parts of Canada. The business moved to Marinette in the 1980's to allow for expansion but has employees that are in such need of housing that they are working to create workforce housing on their own just to supply the company's housing needs. This is also a company that maintains its core values of: Safety; Personal Development; People First; Go The Extra Mile; and Sustainable Results.

We want these great businesses mentioned to remain in our City. We are known for our Bay and river waters where the fishing is world-class and our blue-collar workforce challenges the next person to make the best product.

Development incentives and housing are urgently needed. I am listening to what our employers - big and small are saying. I hear what our residents are saying. We need this collaborative effort with the State of Wisconsin. Please pass AB-544 in support of Workforce Housing Tax Credits and Economic Development Revolving Loan Funds. These are incentives that can only help in the real struggle to bring additional skilled workforce to a small-city where residents can raise a family, get great schooling, enjoy the outdoors and earn a good wage.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Genisot". The signature is fluid and cursive, with a horizontal line extending from the end.

**Steve Genisot
Mayor**