
Wisconsin Legislative Council

AMENDMENT MEMO



Memo published: January 17, 2020

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2019 Assembly Bill 544

**Assembly Substitute
Amendment 1**

2019 ASSEMBLY BILL 544

2019 Assembly Bill 544 contains the following three components, each of which is affected by the substitute amendment.

Workforce Housing Tax Credit

The bill creates a workforce housing tax credit for projects to construct or renovate residential real property. A project must be located in a county having less than a specified population density¹ and in an area where a lack of adequate housing is a barrier to finding additional manufacturing workers. The real property must be occupied by residents having a household income not exceeding a specified limitation.²

The Wisconsin Housing and Economic Development Authority (WHEDA) allocates certificates for the tax credit. For any given project, WHEDA may award the certificate to the lender financing the project, to the business benefitted by the project, or to the developer of the project.

A tax credit certificate may not be allocated after December 31, 2021. The aggregate amount of tax credits may not exceed \$10,000,000.

Transfer of WHEDA Funds to General Fund

The bill directs WHEDA to pay \$10,000,000 from its surplus fund to the Department of Administration (DOA) for deposit in the general fund.

Report on Economic Development Revolving Loan Funds

The bill requires DOA annually to submit a report to the Joint Committee on Finance (JCF) regarding funds held by DOA in connection with an economic development revolving loan fund that is funded by a federal community development block grant. Among other items, the report must describe loan fund expenditures DOA intends to make in the next year. The bill authorizes JCF to object to an intended expenditure and to reallocate those funds, consistent with federal requirements.

¹ According to 2017 data, the following counties exceed the population density limitation: Brown, Calumet, Dane, Eau Claire, Kenosha, La Crosse, Milwaukee, Outagamie, Ozaukee, Racine, Rock, Sheboygan, Walworth, Washington, Waukesha, and Winnebago.

² Generally, the limitation is 115 percent of area median gross income or statewide median gross income, whichever is greater.

ASSEMBLY SUBSTITUTE AMENDMENT 1

In summary, **Assembly Substitute Amendment 1** affects the three components of the bill by:

- Replacing the tax credit with a pilot program of financial assistance for workforce housing.
- Eliminating the general fund transfer of WHEDA funds and instead using those funds for the pilot program.
- Removing the authority of JCF to object to the intended expenditure of DOA revolving loan funds.

Additionally, **Assembly Substitute Amendment 1** adds new provisions regarding an existing WHEDA housing rehabilitation loan program.

Workforce Housing Pilot Program

In lieu of creating a tax credit program, the substitute amendment requires WHEDA to establish a workforce housing pilot program.

Under the pilot program, WHEDA may award grants, loans, loan guarantees, or other financial assistance to encourage the creation of single- and multi-family workforce housing. An eligible project must be located in a county in which more than 25 percent of the residents live in a rural area.³ The initial purchase price for a single-family home constructed or rehabilitated under the program must not exceed a specified limitation.⁴

Under the pilot program, WHEDA awards the financial assistance to a rural county or to a city, town, or village in a rural county. WHEDA must give highest priority to projects in the most rural communities.

WHEDA must develop a process for the competitive award of assistance and submit the proposed pilot program and competitive process to JCF for passive review.

Use of WHEDA Funds for the Pilot Program

In lieu of the transfer of WHEDA surplus funds to the general fund, the amendment directs WHEDA in the 2019-21 fiscal biennium to allocate \$10,000,000 of its surplus fund to make awards under the pilot program.

The amendment also authorizes WHEDA to make expenditures from the \$10,000,000 allocation for the purpose of expanding any program supporting workforce housing in rural counties that was included in WHEDA's 2019-20 surplus expenditure plan.

Report on Economic Development Revolving Loan Funds

The amendment retains the annual DOA report required by the bill, but it removes the provision authorizing JCF to object to an intended expenditure and to reallocate the funds.

³ The amendment authorizes WHEDA to determine the standard for a "rural area" from among standards established by the U.S. Department of Agriculture. According to information supplied by WHEDA in advance of the committee's executive session, the following counties would not meet the standard WHEDA anticipates using: Brown, Dane, Eau Claire, Kenosha, Milwaukee, Outagamie, Racine, Waukesha, and Winnebago.

⁴ Generally, the limitation is 90 percent of the average purchase price for a single-family residence in the area of the project during the last 12 months.

WHEDA Housing Rehabilitation Loan Program

WHEDA administers an existing means-tested lending program, known as the “home improvement advantage program,” in which homeowners may apply for loans to finance certain housing rehabilitation projects such as additions, repairs, or energy conservation measures.

Under **current** law, WHEDA designates the lenders authorized to make and service the loans from among categories of lenders such as a local government agency, a bank, or a credit union. The **amendment** adds to the categories of eligible lenders the following: a community development corporation or any nonprofit or other entity meeting criteria established by WHEDA.

Under **current** law, WHEDA may specify an interest rate that is lower than the ordinary interest rate for four types of rehabilitation loans. The **amendment** adds a fifth type of rehabilitation loan eligible for the lower rate: any eligible rehabilitation loan in a rural county (as defined in the workforce housing pilot program portion of the substitute amendment).

BILL HISTORY

Assembly Substitute Amendment 1 was introduced by Representative Nygren and others on December 19, 2019. On January 7, 2020, the Assembly Committee on Housing and Real Estate voted to recommend adoption of Assembly Substitute Amendment 1, and passage of Assembly Bill 544, as amended, by votes of Ayes, 9; Noes, 0.

EL:ksm