

**2021 Assembly Bill 526****HOUSING IMPACT NOTE**

**SUMMARY:** The proposed bill authorizes a housing authority to acquire, construct and operate mixed-use or mixed-income developments within its area of operation. Under the bill, these developments may not serve persons with incomes exceeding 120 percent of the “median income for the area” unless authorized by HUD. The bill also increases the threshold amount under which a housing authority that is undertaking a project must obtain bids and award the contract to the lowest qualified and competent bidder. Under existing state statute, the threshold amount is defined as \$25,000. The bill increases the threshold amount to \$50,000.

**IMPACTS:** The proposed changes under AB 526 impact the provision of housing in Wisconsin in the following ways:

- 1. Policies, strategies and recommendations of the state housing strategy plan.** The proposal’s effects on the state Consolidated Plan are indeterminate. Wisconsin’s Consolidated Plan calls for the expansion of safe, sanitary, affordable housing for low- and moderate-income homeowners and renters as well as improving the affordable rental housing and homebuyer opportunities for all households, especially those with severe residential cost burdens. Wisconsin’s Consolidated Plan also prioritizes increasing economic opportunity in Wisconsin’s communities, focusing on both workers and businesses.

It could be argued that AB 526 is consistent with the state Consolidated Plan as it allows housing authorities to provide housing to persons with moderate incomes rather than only to those of low incomes, as currently allowable under law. By providing housing to persons of mixed income, housing authorities may still house those in need of housing and are unable to find affordable housing in the current market. It could also be argued that mixed-use developments may include space for case management services to be provided to tenants, thus increasing the likelihood for successful placement in permanent housing or retention of permanent housing. In addition, increasing the threshold under which housing authorities must obtain a qualified bid, may potentially streamline the process of a construction project, reducing its costs and increasing the likelihood of more projects being completed.

However, it could be also argued that without capping the percentage of moderate-income persons served by new housing developments, allowing housing authorities to serve persons of moderate income could result in that segment of the population in need of housing being exclusively served by new developments built by housing authorities. Further, it could be argued that allowing housing authorities to construct space that may be used for commercial purposes may be considered outside of the scope of a housing authority’s purpose under federal and state statute. Additionally, it could be argued that the existing statutory threshold for obtaining bids for projects under ch. 985 may result in a lower cost to construct and by raising the threshold, a project’s costs may escalate.

- 2. The cost of developing, constructing, rehabilitating, improving, maintaining or owning single family or multifamily dwellings.** It could be argued that increasing the threshold under which housing authorities must obtain a qualified bid under AB 526 may potentially streamline the process

of a project, reducing its costs and increasing the likelihood of more projects being completed. However, it could be also argued that the existing statutory threshold for obtaining bids for projects under ch. 985 may result in a lower cost to construct and by raising the threshold, a project's costs may escalate. The potential cost changes due to any changes to the bidding threshold changes under AB 526 are indeterminate at this time.

3. **The purchase price of new homes or the fair market value of existing homes.** The provisions of AB 526 are unlikely to impact the purchase price of new homes or the fair market value of existing homes from either a local or a statewide perspective.
4. **The cost and availability of financing to purchase or develop housing.** The provisions of AB 526 are unlikely to impact the cost and availability of financing to purchase or develop housing from either a local or a statewide perspective.
5. **Housing costs as defined in s. 16.301 (3) (a) and (b).** S. 16.301 (3) (a) defines "housing costs" as any of the following:
  - a. The principal and interest on a mortgage loan that finances the purchase of the housing.
  - b. Closing costs and other costs associated with a mortgage loan.
  - c. Mortgage insurance.
  - d. Property insurance.
  - e. Utility-related costs.
  - f. Property taxes.
  - g. If the housing is owned and occupied by members of a cooperative or an unincorporated cooperative association, fees paid to a person for managing the housing.

S. 16.301 (3) (b) defines "rented housing" costs as any of the following:

- a. Rent.
- b. Utility-related costs, if not included in the rent.

The provisions of AB 526 are unlikely to impact housing costs as defined in s. 16.301 (3) (a). It could be argued that increasing the threshold under which housing authorities must obtain a qualified bid under AB 526 may potentially streamline the process of a project, reducing its costs which could be reflected in rents paid by qualifying tenants. However, it could be also argued that the existing statutory threshold for obtaining bids for projects under ch. 985 may result in a lower cost to construct and by raising the threshold, a project's costs may escalate. The potential cost changes to rent under s. 16.301 (3) (b) due to any changes to the bidding threshold changes under AB 526 are indeterminate at this time.

6. **The density, location, setback, size, or height of development on a lot, parcel, land division, or subdivision.** The provisions of AB 526 are unlikely to impact the density, location, setback, size, or height of development on a lot, parcel, land division, or subdivision.

7. **The relative impact of the effects of the bill on low- and moderate-income households.**

The proposed bill authorizes a housing authority to acquire, construct and operate mixed-use or mixed-income developments within its area of operation. Under the bill, these developments may not serve persons with incomes exceeding 120 percent of the “median income for the area” unless authorized by HUD. The bill also increases the threshold amount under which a housing authority that is undertaking a project must obtain bids and award the contract to the lowest qualified and competent bidder. Under existing state statute, the threshold amount is defined as \$25,000. The bill increases the threshold amount to \$50,000.

The Bill may create inconsistencies between its definition of moderate income under s. 66.1201 (3) (mg) and the definition of moderate income under 24 CFR 91.5, which defines moderate income as not exceeding 80 percent of the median income for the area.

It could be argued that authorizing a housing authority to acquire, construct and operate mixed-use or mixed-income developments within its area of operation may potentially increase the likelihood of additional low- and moderate-income households in Wisconsin being able to secure safe, sanitary and affordable housing. However, it could be also argued that providing these additional resources, protections and requirements may result in higher competition for affordable housing and a reduction in available supply due to these additional factors.

Prepared by the Department of Administration

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