

### Fiscal Estimate - 2023 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>23-2199/1</b>	<b>Introduction Number</b> <b>AB-0268</b>
<b>Description</b> commercial-to-housing conversion revolving loan fund and loan program	
<b>Fiscal Effect</b>	
<b>State:</b> <input type="checkbox"/> No State Fiscal Effect <input checked="" type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs	
<b>Local:</b> <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs      3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs      4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts	
<b>Fund Sources Affected</b> <b>Affected Ch. 20 Appropriations</b> <input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	
<b>Agency/Prepared By</b> WHEDA/ Samantha Linden (608) 266-2921	<b>Authorized Signature</b> Sherry Gerondale (608) 267-1076
<b>Date</b> 6/13/2023	

## Fiscal Estimate Narratives

WHEDA 6/13/2023

LRB Number	23-2199/1	Introduction Number	AB-0268	Estimate Type	Original
<b>Description</b> commercial-to-housing conversion revolving loan fund and loan program					

### Assumptions Used in Arriving at Fiscal Estimate

Assembly Bill 268 (AB268) creates a commercial-to-housing conversion program and fund administered by the Wisconsin Housing and Economic Development Authority (WHEDA).

AB268 currently includes no appropriation of General Purpose Revenue (GPR) from the State of Wisconsin to WHEDA, but legislators identified a \$150 million appropriation for AB268 during the 2023 Assembly Committee on Housing and Real Estate public hearing, May 18, 2023. WHEDA has used that identified appropriation in the assumptions for this analysis.

AB268 has an indeterminate demand in the market of which WHEDA is not able to provide an accurate estimate and an indeterminate effect on affordable housing in Wisconsin. The assumptions that follow are WHEDA's best estimates at program demand, annual applications, and staff workloads.

WHEDA estimates the cost to implement and administer this program and fund would be approximately \$923,577 annually. The increased costs are related to additional staffing for the implementation and administration of the commercial-to-housing conversion program and fund, review of applications, due diligence, loan closing, loan servicing, asset management, and monitoring during the program's 10-year compliance period. WHEDA assumes that most developers will pair this program with WHEDA's other affordable housing products, which would extend the compliance period (typically 30 years).

AB268 includes a requirement that WHEDA develop a marketing strategy for the residential housing infrastructure revolving loan program and fund. Such a program is estimated to require two limited term employees (LTE) in year one to develop and implement the marketing strategy.

WHEDA estimates that under the \$150 million appropriation and with the requirement that the loans be capped at the lesser of 20% of total project costs or \$1 million, 150 applications could receive funding, before the loans begin to revolve.

WHEDA will require additional staff in the Commercial Lending (CL) department to manage anticipated production capacity. CL will need .5 full time employee (FTE) underwriting staff during program development. Additionally, CL will require .5 FTE servicing support staff positions created in year one, after the program is implemented and as application cycles open.

WHEDA estimates that the Risk and Compliance (R&C) department will need six additional staff to meet the program requirements of AB268. One Portfolio Risk Officer (PRO), one Commercial Loan Specialist (CLS), and one Quality Assurance Analyst (QA) will be needed during program implementation in year one.

As projects are placed in service, Housing Management Officers (HMOs) will be needed to complete annual rent roll reviews, unit analyses, and owner certifications. In addition, on-site Management and Occupancy Reviews (MORs) will be required starting in year two of the program. One HMO will be required in year two, with a second HMO required in year four. One Housing Technician (Tech) will be necessary in year one as well.

Note: If no appropriation is made to AB268 for the commercial-to-housing conversion program and fund, no additional staff will be needed, and no additional costs will be incurred by WHEDA as WHEDA does not maintain a balance sheet sufficient to cover the costs of implementing and administering this loan program.

## **Long-Range Fiscal Implications**

WHEDA's long-range fiscal implications will become clearer as the program is implemented. This is due to increased marketing of the commercial-to-housing conversion revolving loan program and fund, as well as increased eligibility of municipality and developer partnerships. The eight-year claw back of unencumbered funds from the 2023-2024 fiscal year appropriation is another long-range fiscal implication that shall be considered after program development. At this time, WHEDA's long-range fiscal implications are indeterminate.

Both the CL and R&C departments staffing needs will include managerial staff to oversee the programs created in AB 265, AB 264, and AB 268, the Workforce Housing Package. WHEDA estimates that R&C will require two Program Managers, one in both the Risk Division and the Compliance Division. WHEDA estimates that CL will need one managerial staff position to oversee the new staff positions created under these same bills. These managerial costs are spread proportionately to the identified appropriations in the Workforce Housing Package.