Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2023 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number 23-3060/1	Introduction Number SB-0293

Description
residential housing infrastructure revolving loan fund and revolving loan program

Fiscal Effect

State:

- ☐ No State Fiscal Effect
- ☒ Indeterminate
  - ☐ Increase Existing Appropriations
  - ☐ Decrease Existing Appropriations
  - ☐ Create New Appropriations
  - ☐ Increase Existing Revenues
  - ☐ Decrease Existing Revenues
  - ☒ Increase Costs - May be possible to absorb within agency's budget
    - ☐ Yes ☒ No
  - ☐ Decrease Costs

Local:

- ☐ No Local Government Costs
- ☐ Indeterminate
  1. ☐ Increase Costs
     ☐ Permissive ☐ Mandatory
  2. ☐ Decrease Costs
     ☐ Permissive ☐ Mandatory
  3. ☐ Increase Revenue
     ☐ Permissive ☐ Mandatory
  4. ☐ Decrease Revenue
     ☐ Permissive ☐ Mandatory
  5. Types of Local Government Units Affected
     ☐ Towns ☐ Village ☐ Cities
     ☐ Counties ☐ Others
     ☐ School Districts ☐ WTCS Districts

Fund Sources Affected

☐ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEGS

Affected Ch. 20 Appropriations

Agency/Prepared By	Authorized Signature	Date
WHEDA/ Samantha Linden (608) 266-2921	Sherry Gerondale (608) 267-1076	6/13/2023

Fiscal Estimate Narratives

WHEDA 6/13/2023

LRB Number **23-3060/1**	Introduction Number **SB-0293**	Estimate Type **Original**
Description residential housing infrastructure revolving loan fund and revolving loan program		

Assumptions Used in Arriving at Fiscal Estimate

Senate Bill 293 (SB293) creates a residential housing infrastructure revolving loan fund administered by the Wisconsin Housing and Economic Development Authority (WHEDA).
SB293 currently includes no appropriation of General Purpose Revenue (GPR) from the State of Wisconsin to WHEDA, but legislators identified a $500 million appropriation for SB293 during the 2023 Assembly Committee on Housing and Real Estate public hearing, May 18, 2023. WHEDA has used the identified appropriations from that day in the assumptions for this analysis.

SB293 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 $1,474,154. The increased costs are related to additional staffing for the implementation and administration of the residential housing infrastructure revolving loan 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 in total).

Under Amendment 1 to SB293, WHEDA has the authority invest unused portions of the funds. WHEDA estimates that this authorization will require a .5 full time employee (FTE) in WHEDA's Finance Department. The single .5 FTE will be adequate for investing the appropriation under SB293 and the appropriations under AB265 and AB268. The full cost of this position is included in annual approximate cost of SB293.

SB293 creates a requirement that WHEDA develop a marketing strategy for the residential housing infrastructure revolving loan program and fund. Such a program will require two limited term employees (LTE) in year one to develop and implement a marketing strategy.

WHEDA estimates that under the $500 million appropriation, there will be on average $1.6 million available for each eligible project. This assumes that project costs are approximately $8 million, as a loan may be made for up to 20% of project costs to developers. Loans made to municipalities can be up to 10% of total project costs under Amendment 1 to SB293, as well.

At $1.6 million per project, WHEDA estimates that the program may aide in developing 313 projects over the life of the program. At this production capacity, Commercial Lending (CL) will need one full time employee (FTE) underwriting staff during program development, with an additional .5 FTE underwriting staff and .5 FTE servicing support staff positions added in year two. This staffing assumption is based on a four year initial deployment period. If a larger number of smaller loans are made or if the funds are deployed more quickly, staffing needs would increase.

WHEDA estimates that the Risk and Compliance (R&C) department will need nine additional staff to meet the program requirements of SB293. One Portfolio Risk Officer (PRO) and one Commercial Loan Specialist (CLS) will be needed after program implementation; in year three, an additional PRO and CLS will be necessary to administer the fully implemented residential housing infrastructure revolving loan program. One Quality Assurance Analyst (QA) will be required during year one as well.

As are projects place 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 & Occupancy Reviews (MORs) will be required starting in year 2 of the program. One HMO will be required in year one, a second HMO will be required in year two, and a final HMO will be required in year four. One Housing Technician (Tech) will be necessary in year one as well.

Note: If no appropriation is made to SB293 for the residential housing infrastructure revolving loan 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 residential housing infrastructure 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 SB293, SB294, and SB2958, 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.