Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2023 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **23-3061/1**	Introduction Number **SB-0294**

Description
a main street housing rehabilitation revolving loan fund and 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
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Fiscal Estimate Narratives

WHEDA 6/13/2023

LRB Number **23-3061/1**	Introduction Number **SB-0294**	Estimate Type **Original**
Description a main street housing rehabilitation revolving loan fund and loan program		

Assumptions Used in Arriving at Fiscal Estimate

Senate Bill 294 (SB294) creates a main street housing rehabilitation loan program and fund administered by the Wisconsin Housing and Economic Development Authority (WHEDA).

SB294 currently includes no appropriation of General Purpose Revenue (GPR) from the State of Wisconsin to WHEDA, but legislators identified a $150 million appropriation for SB294 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.

SB294 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 $1,617,611 annually. The increased costs are related to additional staffing for the implementation and administration of the main street housing rehabilitation loan program and fund, review of applications, due diligence, closing, loan servicing, asset management, and compliance monitoring of developments after completion during the 10-year compliance period.

WHEDA estimates that under the $150 million appropriation and with the requirement that the loans be capped at the lesser of 25% of total housing rehabilitation project costs or $20 thousand per unit, in an eight year period, WHEDA could fund up to 3,000 projects. WHEDA arrived at this estimate assuming that the average project would result in the rehabilitation of four-units and cost $200 thousand, resulting in an average loan from the main street housing rehabilitation loan program to be around $50 thousand.

Assuming this level of demand for this program, WHEDA would require eight new staff in Commercial Lending (CL). CL will need one full time employee (FTE) underwriting staff during program development, with an additional three (3) FTE underwriting staff added in year one in order to meet program demand. Two FTE underwriting staff will be necessary in year two, and a final FTE underwriter will be needed in year three as demand increases for this program. Additionally, CL will require one FTE servicing support staff positions created in year one, after the program is implemented. Note that a larger number of smaller loans or a quicker deployment period will result in an increased staffing need.

WHEDA estimates that the Risk and Compliance (R&C) department will need five additional staff to meet the program requirements of SB294. One Portfolio Risk Officer (PRO), Commercial Loan Specialist (CLS), Quality Assurance Analyst (QA), and Program Specialist (PS) will be needed during program implementation in year one. A second PRO will be needed beginning in year three.

SB294 includes a requirement that WHEDA develop a marketing strategy for the main street housing rehabilitation loan program and fund. Such a program is estimated to require two limited term employees (LTE) in year one to develop and implement a marketing strategy.

Note: If no appropriation is made to SB294 for the main street housing rehabilitation 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 main street housing rehabilitation 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 creation. 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 SB294, SB293, and SB295 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.