Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2023 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **23-3062/1**	Introduction Number **SB-0295**

Description
commercial-to-housing conversion 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 **23-3062/1**	Introduction Number **SB-0295**	Estimate Type **Original**
Description commercial-to-housing conversion revolving loan fund and loan program		

Assumptions Used in Arriving at Fiscal Estimate

Senate Bill 295 (SB295) creates a commercial-to-housing conversion program and fund administered by the Wisconsin Housing and Economic Development Authority (WHEDA).

SB295 currently includes no appropriation of General Purpose Revenue (GPR) from the State of Wisconsin to WHEDA, but legislators identified a $150 million appropriation for SB295 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.

SB295 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).

SB295 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 SB295. 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 SB295 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 SB 293, SB 294, and SB 295 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.