Wisconsin Legislative Council

ACT MEMO

Prepared by: Ethan Lauer, Senior Staff Attorney



August 9, 2023

2023 Wisconsin Act 15 [2023 Assembly Bill 265]

Main Street Housing Rehabilitation Loan Fund

2023 Wisconsin Act 15 creates a main street housing rehabilitation revolving loan fund and loan fund program.

REVOLVING LOAN FUND

The act creates a main street housing rehabilitation revolving loan fund under the jurisdiction and control of the Wisconsin Housing and Economic Development Authority (WHEDA). The fund consists of amounts appropriated to it and amounts received from the repayment of loans. Of the appropriations to the fund in the 2023-25 fiscal biennium, WHEDA must return to the Department of Administration for deposit in the general fund any such amounts not encumbered or expended for an eligible project as of January 1, 2031.

LOANS TO OWNERS OF RENTAL HOUSING

Under the program, an owner of single-family or multi-family rental housing may apply to WHEDA for a loan to cover the costs of housing rehabilitation of existing workforce housing ² that meets the following requirements:

- Is located on the second or third floor of an existing two-story or three-story building with a commercial use on the main floor.³
- Is located in a building that was constructed at least 40 years prior to the date of the loan application.
- Has not been significantly improved for at least 20 years prior to the date of the loan application, as
 determined by WHEDA.
- Is vacant or has been underutilized, as determined by WHEDA.⁴

 $^{^1\,2023\,}W is consinAct 19, the 2023-25\,biennial \,budget \,act, appropriated\,\$100\,million \,to\,the\,fund\,in\,fiscal\,year\,2023-24.$

² "Workforce housing" is housing that costs a household no more than 30 percent of 100 percent of area median income and is for occupancy by individuals whose household median income does not exceed 100 percent of area median income.

³ The space in the building that is devoted to a commercial use must constitute no more than two-thirds of the building's gross square footage.

⁴ In addition, the housing must be subject to property taxation, not have been the subject of a claim for a historic rehabilitation tax credit, and not have received financial assistance from tax increments generated by an active tax incremental district.

For purposes of the loan fund program, "housing rehabilitation" means an improvement to rental housing to maintain the housing in a decent, safe, and sanitary condition or to restore it to that condition, and includes any of the following:

- Repairing or replacing a heating system, electrical system, internal plumbing system, interior wall or ceiling, roof, window, exterior door, or flooring.
- Repairing or replacing insulation or siding.
- Remediating lead paint, asbestos, or mold.

The housing must remain workforce housing for 10 years following initial occupancy. That restriction must be recorded against the residential property with the register of deeds and must run with the land. The owner must submit to WHEDA a certified rent roll showing relevant costs and rent paid during that 10-year period. WHEDA must keep confidential all information an owner submits in connection with a certified rent roll.

A loan may not be awarded unless the owner and the political subdivision⁵ having jurisdiction over the rehabilitation project demonstrate the following to the satisfaction of WHEDA:

- The owner has secured the necessary financial resources for the total cost of the housing rehabilitation project not to be covered by a loan under the program.
- The owner has secured all applicable permits or other approvals.
- The political subdivision has reduced the cost of rental housing in connection with the rehabilitation project by voluntarily revising zoning ordinances, subdivision regulations, or other land development regulations to increase development density, expedite approvals, reduce impact fees, or reduce parking, building, or other development costs with respect to the project.⁶
- The political subdivision is in compliance with applicable requirements relating to comprehensive planning, the housing affordability report, and the new housing fee report.
- The political subdivision has updated the housing element of its comprehensive plan within the five years immediately preceding the date of the loan application.

A loan may not exceed the lesser of \$20,000 per dwelling unit or 25 percent of the total cost of the rehabilitation project.

ADMINISTRATION OF LOANS AND THE LOAN FUND

WHEDA must establish policies and procedures to administer the loan fund and the loan program. The policies and procedures must, to the extent practicable, address credit underwriting guidelines, loan security, and loan repayment requirements. In addition, WHEDA and the owner must enter into an agreement establishing terms and conditions of the loan, among other matters.

⁵ "Political subdivision" means a city, village, town, or county.

⁶ The political subdivision must submit a cost reduction analysis that shows the cost reduction measures, including time-saving measures, undertaken by the political subdivision on or after January 1, 2023, that have reduced the cost of rental housing in connection with the project. The analysis shall clearly show for each time-saving or cost-reduction measure the estimated time or dollar amount saved by the owner and the estimated percentage reduction in rental housing costs.

The act requires that WHEDA set aside 30 percent of the amounts deposited in the fund in the 2023-25 fiscal biennium for a period of at least four years for projects in cities, villages, and towns with a population of 10,000 or less.

WHEDA may charge interest at or below market rates on any loan made from the loan fund or may charge no interest.

Finally, WHEDA must establish a marketing program to advertise the loan program and must submit annual reports to the Legislature.

Effective date: June 24, 2023

For a full history of the bill, visit the Legislature's bill history page.

EL:jal