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# DAVE ARMSTRONG

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STATE REPRESENTATIVE • 75<sup>TH</sup> ASSEMBLY DISTRICT

## Testimony on Assembly Bill 1075 February 14, 2024

Thank you for the opportunity to speak on behalf of Assembly Bill 1075, which addresses a problem the Wisconsin Housing and Economic Development Authority has identified in 2023 Act 14.

Act 14 created a residential housing infrastructure revolving loan program. To ensure that no region of the state could monopolize the loans, Act 14 stated that no area served by a given regional planning commission (or outside any regional planning commission) could receive more than 25% in the loans awarded “in any given application cycle”.

However, after Act 14 became law and WHEDA began to prepare for implementation, it noticed that this regional requirement could be interpreted to mean that if WHEDA received eligible applications from fewer than four regions in an application cycle, it would not be able to award *any* loans. For example, if it received applications from only three regions in a cycle, there is no way to distribute the loans without at least one region receiving more than 25%.

AB 1075 addresses this issue by eliminating the reference to “any given application cycle”. Instead, AB 1075 prohibits any region from receiving more than 12.5% of the funds that were appropriated for the revolving loan in the 2023-2025 biennium. The reduced cap will allow the loans to be distributed across more regions.

It is my hope that the Legislature is able to pass this fix before the end of session so that WHEDA can proceed with administering the residential housing infrastructure revolving loan program.

Thank you for your consideration.

**To: Assembly Committee on Housing and Real Estate**  
**From: Kim Plache, Deputy Executive Director, Wisconsin Housing  
and Economic Development Authority**  
**Date: February 14, 2024**  
**RE: Assembly Bill 1075**

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Good morning, Chairman Brooks and members of the Assembly Committee on Housing and Real Estate. I am Kim Plache, Deputy Executive Director of WHEDA, the Wisconsin Housing and Economic Development Authority. I am here today to share WHEDA's position on the need for changes to deploy the funds awarded last June under 2023 WI Act 14.

We appreciate the creation of the four new loan programs that will help provide the affordable and available housing that Wisconsin needs to thrive. We have already undergone our first funding cycle for two of the loan programs, under Act 15 and Act 18 and have recently made award announcements. Simultaneously, we have undertaken the implementation of Act 14, or what we call our Infrastructure Access Loan Program.

During the program creation process, we have identified a hurdle to our deployment of funds in the language of Act 14, which requires a legislative fix. I believe Assembly Bill 1075 contains the correction we need to deploy the \$275 million appropriated to this program under the 2023-2025 biennial budget. If the change under AB 1075 is not implemented, then it is possible no awards will be made under the Infrastructure Access Loan Program in 2024 or thereafter.

The state statute that resulted from Act 14 indicates that WHEDA is required to create 10 regions in the state, each of which can receive no more than 25% of loans awarded in any given application cycle. Our interpretation of the language is that WHEDA must receive eligible applications from four different regions in an application cycle or we will be prohibited from awarding ANY loans during that cycle, as each region's loan would represent greater than 25% of the total awards.

Wisconsin's housing shortage is a reality that cannot be overlooked. We strongly believe that this requirement eliminates our ability to deploy the funds and contradicts the intent of the legislation. While every application cycle may receive enough eligible applications, WHEDA does not believe the authors intended this limitation to prevent eligible applicants from receiving awards.



Our initial solution was to clarify that no region may receive more than 25% of the amount deposited in the fund in the 2023-2025 fiscal biennium, rather than in number of loans awarded in any application cycle. After discussions with Representative Brooks and Senator Quinn on the desire to spread funds across the state, they proposed lowering the cap to no more than 12.5% of the initial funds.

WHEDA believes that a cap lowered by half will create additional issues for awarding funds in future cycles, such as an increased frequency of the “last loan” in a region, where an eligible project applies for an award that would put the whole region over the 12.5% cap. In that instance, the project would only receive a partial award and no future projects could be awarded in that region until loan repayment begins on early projects. Another potential problem with this cap is that more than half of the regions would have to be fully subscribed and capped in order to avoid the provision in Act 14 where unused funds must be returned to the State at the end of the 7th year.

Still, WHEDA believes that this proposal generally maintains the intent of the legislation, by ensuring that funds are shared throughout the state of Wisconsin and resolves the hurdle to making awards for eligible projects under the Infrastructure Access Loan Program. We support this proposal and its quick movement through the Assembly yet this session.

I appreciate Representative Brooks and Senator Quinn’s time and attention in drafting this legislation.

Thank you for allowing us the opportunity to provide this input on the need for changes that will enable us to deploy these funds throughout Wisconsin. On behalf of the entire WHEDA staff, we appreciate the opportunity to support the development of programs that help to alleviate Wisconsin’s shortage of affordable housing.

We look forward to continuing to work with you to meet the technical needs of these programs. I would be happy to answer any questions you may have at this time.

Kim Plache

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