



DAN FEYEN

STATE SENATOR

18th Senate District
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<http://legis.wisconsin.gov/senate/18/feyen>

To: The Senate Committee on Housing, Rural Issues and Forestry
From: Sen. Dan Feyen
Re: Senate Bill 40

Hello members of the committee, thank you for taking the time to hear testimony on SB 40.

This bill takes the very successful Low-Income Housing Tax Credit and expands it, increasing the annual cap from \$42 million to \$100 million.

In 1986, the Federal Low Income Housing Tax Credit was created by President Reagan to spur private investment into workforce and affordable housing. The goal of this program was to address a growing housing crisis and replace a government housing program with a market-based approach. Since 1986, this program is responsible for 60,000 homes and \$10 Billion in wages and income in Wisconsin alone.

In 2018, Wisconsin's Low-Income Housing Tax Credit was created and is already responsible for the development of 56 properties and nearly 5,000 units.

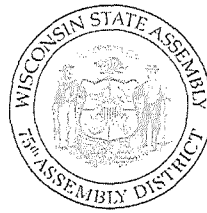
With increased cost-of-living, inflation and economic uncertainty, there continues to be huge demand for affordable housing. It is estimated that Wisconsin's housing stock is currently underbuilt by 26,000 units in the largest 20 counties alone. Additionally, 43,000 Wisconsin seniors are spending more than half their income on housing.

SB 40 removes barriers to access this credit by eliminating the requirement that a "qualified development" be financed with tax-exempt bonds.

The bill also focuses on the needs of our rural communities, by requiring WHEDA to award 35% of the credits each year to rural areas, if possible. This is not a mandate, but ensures the credit is helping developments in every corner of our state.

Wisconsin is facing workforce shortages throughout many sectors of our economy. Increasing the credit from \$42 million to \$100 million will bolster our workforce, by increasing our available housing supply. With more housing, we can bring more people into our state to work and live.

Thank you again for having a public hearing on this bill. I am happy to answer any questions.



DAVE ARMSTRONG

STATE REPRESENTATIVE • 75TH ASSEMBLY DISTRICT

Testimony on Senate Bill 40 May 18, 2023

Thank you for the opportunity today to speak on behalf of Senate Bill 40.

The Wisconsin Housing and Economic Development Authority (WHEDA) administers the Low Income Housing Tax Credit (LIHTC) program, which encourages the development or rehabilitation of low-to-moderate-income housing by offering income tax credits to the owners of or investors in qualifying properties. The total amount of LIHTC credits that may be claimed by all certified developers at a given time is currently \$42 million. SB 40 increases this cap to \$100 million. I believe there will be other speakers today who will explain in greater detail how LIHTC works on the ground and what SB 40 means for their projects.

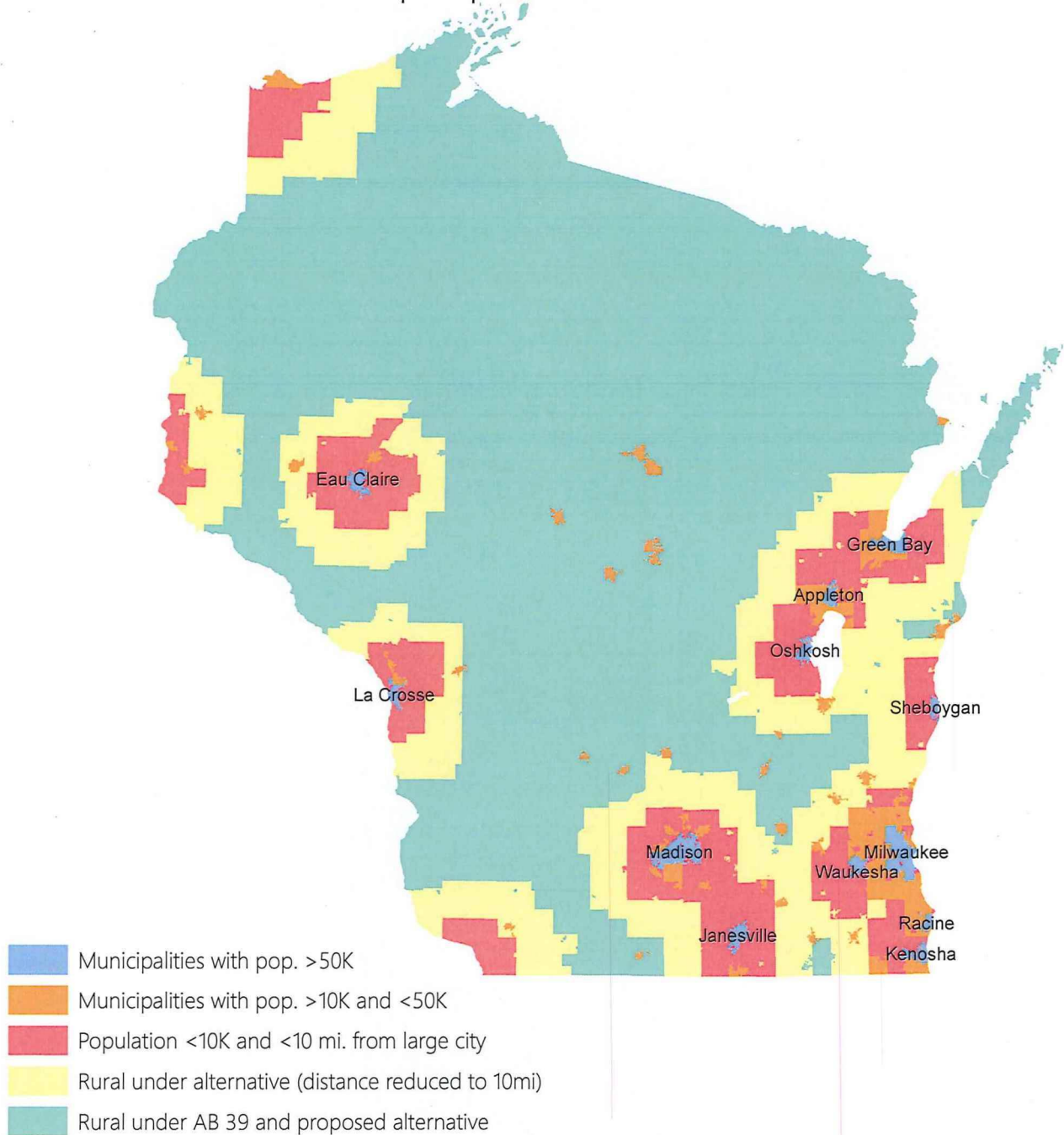
The other major portion of SB 40, which is particularly important to me as the Director of Economic Development for a rural county in northwestern Wisconsin, requires WHEDA to set aside at least 35% of its annual LIHTC allocations for qualified projects in rural areas, which the bill defines as municipalities with fewer than 10,000 residents that are at least 25 miles from municipalities with populations of 50,000 or more. Communities across the state are facing affordable housing shortages, but I believe rural cities, towns, and villages are in particular need of increased housing stock, and these changes will assist to satisfy that need. While current law does require WHEDA to give preference to qualified projects in “smaller communities”, the definition it uses – 150,000 or less – includes cities like Green Bay, Kenosha, Racine, and Appleton. Although these communities are certainly smaller than Milwaukee and Madison, they are still major cities by Wisconsin standards. The set-aside in SB 40 leaves that provision in place but also ensures that truly small, rural communities are not overlooked. (If there is a year when there are not enough qualified applicants from rural communities to hit the threshold, the 35% minimum will not apply.)

Lastly, SB 40 makes a technical change that will allow insurers that are shareholders of tax-option corporations, partners in partnerships, or members of limited-liability companies to claim the credit.

At the request of the Department of Revenue, Assembly Amendment 1 removes a carryback provision from the original bill. The amendment also includes a technical change DOR requested that corrects an inconsistency in current law.

Thank you for your consideration.

Rural/nonrural areas under 2023 Assembly Bill 39 and proposed alternative



Rural population under AB 39: 1,150,119
 Nonrural population under AB 39: 4,799,037
 Rural population under proposed alternative: 1,848,762
 Nonrural population under proposed alternative: 4,100,394



Data Sources: Municipal boundary data from Minnesota Geospatial Commons, U.S. Census Bureau, and Wisconsin Legislative Technology Service Bureau. Population estimates from Minnesota State Demographic Center, U.S. Census Bureau, and Wisconsin Department of Administration.

PLEASE SUPPORT AB 39 / SB 40: *Housing Development Tax Credit Bill*

PRIORITY STATEMENT:

The Wisconsin Economic Development Association (WEDA) **SUPPORTS** Assembly Bill 39 / Senate Bill 40, important legislation that will enhance the current Wisconsin Low-Income Housing Tax Credit to better address the state's housing shortage and ultimately help Wisconsin employers recruit and retain workers. This simple, straightforward legislation would encourage the construction of much-needed multi-family housing that is affordable for Wisconsin workers and families.

BACKGROUND:

Like much of the nation, Wisconsin is currently experiencing a severe housing shortage, which has created a quality-of-life issue for Wisconsin residents and has magnified the significant workforce challenges faced by employers. The housing crisis touches every corner of the state and includes both a lack of owner-occupied housing and a shortage of rental units. In fact, according to a recent report, Wisconsin has a shortage of more than 120,000 rental units. Another new report by *Forward Analytics* found that Wisconsin needs to build up to 227,000 new housing units between 2020-30 to keep up with current demand, with most of the state's housing demands being driven by the need to accommodate younger individuals entering the workforce.

Simply put, there is not enough affordable housing to meet the needs of Wisconsin workers and their families. It is a key factor in the state's workforce shortage crisis and is a huge impediment to recruiting and retaining employees in the Badger State. WEDA believes it is critical for state policymakers to offer tools to help encourage the construction of needed housing in communities throughout the state.

BILL SUMMARY:

Under current law, the Low-Income Housing Tax Credit Program, which is administered by the Wisconsin Housing and Economic Development Authority (WHEDA), can allocate up to \$42 million in annual tax credits to spur the development of low-to-moderate income housing. AB 39 / SB 40 would increase the allowable amount of annual tax credits allocated by WHEDA to \$100 million. The bill also requires WHEDA, if possible, to direct at least 35% of the tax credits each year for housing projects in rural areas. In addition, the legislation expands eligibility for the tax credit program by removing the requirement that projects must be financed with tax-exempt bonds.

ACTION REQUESTED:

Please support AB 39 / SB 40, legislation to incentivize the construction of affordable housing for Wisconsin workers and families and to help ensure enough housing is being built to keep up with demand. If passed, this legislation will play a key role in addressing the state's housing crunch and the larger workforce shortage crisis that is threatening future economic growth.

To: Senate Committee on Housing, Rural issues, and Forestry
From: Elmer Moore Jr., CEO and Executive Director, Wisconsin Housing and Economic Development Authority
Date: May 18, 2023
RE: Workforce Housing Package

Chairman Quinn, Vice Chair Jagler, and members of the Senate Committee on Housing, Rural Issues, and Forestry.

I am Elmer Moore, Jr., CEO and Executive Director of WHEDA, the Wisconsin Housing and Economic Development Authority. I am here today to share information on the Workforce Housing Package and Senate Bill 40 (SB40), legislation aimed at addressing challenges Wisconsin faces in providing affordable housing.

Wisconsin needs more than 120,000 rental units to meet the needs of its residents. Nearly 170,000 residents pay more than half their income on rent or mortgage payments. That number should be no more than 30 percent of a household's income. Without access to decent, stable, and affordable housing our Wisconsin workforce struggles to afford necessities such as quality food, childcare, and transportation.

Various factors contribute to the insufficient supply of housing: scarcity of land, restrictive land-use controls, insufficient infrastructure, expensive building materials, cumbersome permitting processes, and NIMBYism. The severity of these barriers varies from place to place, but taken as a whole, they almost always hamper the production of housing.

I thank Representative Brooks, Senator Quinn, and the many authors of the Workforce Housing package for spearheading efforts to address our housing crisis and for including us in the discussion of how WHEDA can be an instrument for these bills.

We also appreciate the proposed creation of new loan products, expansion of the Housing Rehabilitation Loan program in Senate Bill 297 (SB297) and the expansion of the State Housing Tax Credit (HTC) program in SB40. We are confident that WHEDA can administer these proposed programs, should each proposal receive appropriate investment from the state.

Senate Bill 293 (SB293), the Residential Housing Infrastructure Revolving Loan Program, is an opportunity to spur development by offering 0% interest loans to finance infrastructure for affordable housing projects. To be eligible for the funding, the municipality must voluntarily revise zoning ordinances and other regulations that impact development time and costs. WHEDA has heard anecdotally that this is an area of great need and opportunity.



SB293 ensures that affordability is maintained through income limits on renters and homeowners, and reporting requirements on rents that are not to exceed 30% of 100% of the Area Median Income (AMI) for 10 years.

SB293 includes language on both rural and senior housing set-asides and a semi-annual application process. This legislation gives WHEDA the flexibility to operate the loan program while setting strong parameters to measure eligibility, cost reductions, needs of a community, and loan terms.

We do, however, recommend the removal of Page 6, Line 17, which prevents money in the fund from being invested under WHEDA's sound financial practices. We use monies in the fund to cover real and necessary costs administering the program, so freeing WHEDA to invest money may recuperate some of those costs, leaving more of the funds to deploy. We would otherwise be forced to split any appropriations from the state for this fund into multiple FDIC insured accounts to prevent unexpected losses. WHEDA feels the safe and responsible investment of the fund is the most preferable solution. A similar change is recommended for Senate Bill 294 (SB294) and Senate Bill 295 (SB295) as well.

Like the Residential Infrastructure Revolving loan program (SB293), the Main Street Housing Rehabilitation Loan Program (SB294) and the Commercial-to-Housing Conversion Loan Program (SB295) contain many of the same conditions for project eligibility. The 10-year affordability periods for rental and homeownership are included as is the 30% rural set-aside in both these bills. Additionally, the political subdivisions that are home to a project must work to reduce the costs for developers and show their efforts to WHEDA using a cost reduction analysis form for loan eligibility.

The fourth piece of legislation, SB297, provides technical improvements to current law. In 2022, the Wisconsin Legislature created a workforce housing rehabilitation loan program administered by WHEDA, under 2021 Wisconsin Act 221 (Act 221). This proposal gained unanimous support in the Senate and nearly unanimous support in the Assembly, and helped bring to light the rehabilitation needs of single-family homeowners across the state living in aging housing stock.

More than 60 percent of single-family structures in Wisconsin were built before 1980. Many require substantial repair, modernization, or energy-efficiency upgrades. While Wisconsin's current housing stock and established neighborhoods provide great value compared to new construction, these homes need investment and rehabilitation to maintain decent, safe, and sanitary conditions for many years to come.

While Act 221 helped highlight this issue, the legislation included no state appropriation and prevented WHEDA from borrowing capital at reasonable rates, due to the lack of an implementable repayment schedule. Under Act 221, the loans would be repaid upon the sale or transfer of title of the home, or when the home is vacated by the owner and the owner's family. This uncertain repayment schedule and other concerns in Act 221 prevented WHEDA from implementing the program.

WHEDA is glad to see renewed interest in addressing issues in the Housing Rehabilitation Loan Program, both through SB297 and in Governor Evers' budget proposal, which is similar. A new technical fix is required in SB297, where the cap on the loan is limited to \$50,000 or "125% of the assessed value of the residence" (Page 3, lines 21-23). WHEDA recommends the correction reflect the "appraised" value, rather than the "assessed" value.

Finally, SB40 expands the State HTC program. We appreciate Representative Armstrong's efforts to increase the amount of credits and effectiveness of the program by raising it from \$42 million to \$100 million. WHEDA first supported Governor Evers' proposal to expand the State HTC program through the 2023-2025 biennial budget to \$100 million, as well.

The State HTC program has been administered by WHEDA since its creation in 2017. It continues to be one of the most effective and efficient tools to address the affordable housing shortage in Wisconsin. In years 2021, 2022, and 2023, WHEDA administered a competitive process awarding \$99.5M in Federal and State HTCs, of which \$21 million came from the State HTC program. Since 2021, the State and Federal HTC programs have supported the development of more than 4000 affordable housing units in communities like Ashland, Ashwaubenon, Green Bay, Eau Claire, Hayward, Sun Prairie, and Barron.

SB40 would expand the existing program under WHEDA's administration from \$42 million to \$100 million without requiring any financial support from the state. WHEDA estimates 13 additional developments would be awarded annually, creating approximately 858 extra units a year. This would be especially impactful in rural areas where the cost to build is higher and more credits are needed per unit developed.

Thank you for the opportunity to provide testimony on SB40, SB293, SB294, SB295, and SB297. On behalf of the entire WHEDA staff, we appreciate the opportunity to support the development of legislation addressing Wisconsin's shortage of affordable housing.

We look forward to continuing to work with you and the authors of these bills to meet our technical needs in these proposed programs. We hope to see appropriate state investment for them to work as intended. I would be happy to answer any questions you may have at this time.

Contacts: Kim Plache, Deputy Director, Kim.plache@wheda.com;
Samantha Linden, Policy Analyst, Samantha.linden@wheda.com





May 17, 2023

Rep. Rob Brooks- Chairman
State of Wisconsin Assembly Housing Committee
Sen. Romaine Quinn – Chairman
State of Wisconsin Senate Housing Committee

RE: Support for AB 39- Modifications to the State Housing Tax Credit Program

Thank you for the opportunity to voice my support as well as request your support for Assembly Bill 39. This Bill, which would more than double the size of the very successful State Affordable Housing Tax Credit, has numerous benefits for the entire state of Wisconsin.

Northpointe Development is a Workforce and Senior Affordable Housing Developer located in Oshkosh, WI. Since our creation, we have developed over 2,000 housing units in Wisconsin. Over the past few years, we have utilized the State Affordable Housing Tax Credit to bring high impact and quality affordable housing to communities across the state. The State Affordable Tax Credit program has proven that it can increase total housing production in Wisconsin but can also widen the locations, communities, and types of housing projects that can be developed. Northpointe Development has used this program to build housing in both rural and urban locations as well as new construction, adaptive reuse of historic buildings, and quality senior affordable housing. In addition to all the addressing the need for more housing, this program also generates substantial construction jobs and taxes. By my estimations, increasing the program to \$100 million annually will generate over \$500 million of total development cost. Northpointe Development works solely with Wisconsin based contractors, and I can attest that the majority, if not all, of the workers on our job sites are Wisconsin residents.

Our first project using the program allowed us to convert a historic school in Oshkosh, WI into 33 Senior Affordable Housing Units. Our most recent project will allow us to build 65 workforce housing units in Viroqua, WI that will also include 6000 sq ft for a daycare and 2500 sq ft of retail space. Overall, we have or will be developing projects in Antigo, Viroqua, Oregon, McFarland, Madison, Fitchburg, and Oshkosh. These projects, which would not have been developed without the program, will provide an additional 458 quality homes at an affordable monthly cost to the residents. 200 of those homes will be senior affordable housing.

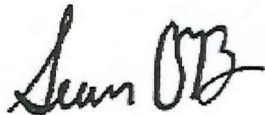
Success of the program and overall benefits:

- **6 years of allocations (2018-2022)**
- **54 awards**
- **Effective financial leverage tool and gap resource**
- **Approximately 4,600 additional affordable units**

- **Approximately \$225 million in total development cost annually**
- **Significantly opens options to build or rehab housing from size, sites, municipalities, etc.**
- **Provides a much-needed solution to new housing in rural communities.**

Thank you again for the opportunity to voice my support for Assembly Bill 39. We ask that when deciding your position on the bill that you please consider the many benefits of the program, the need for more housing across the state, and how increasing the State Program would add to success story started in 2018.

Sincerely,

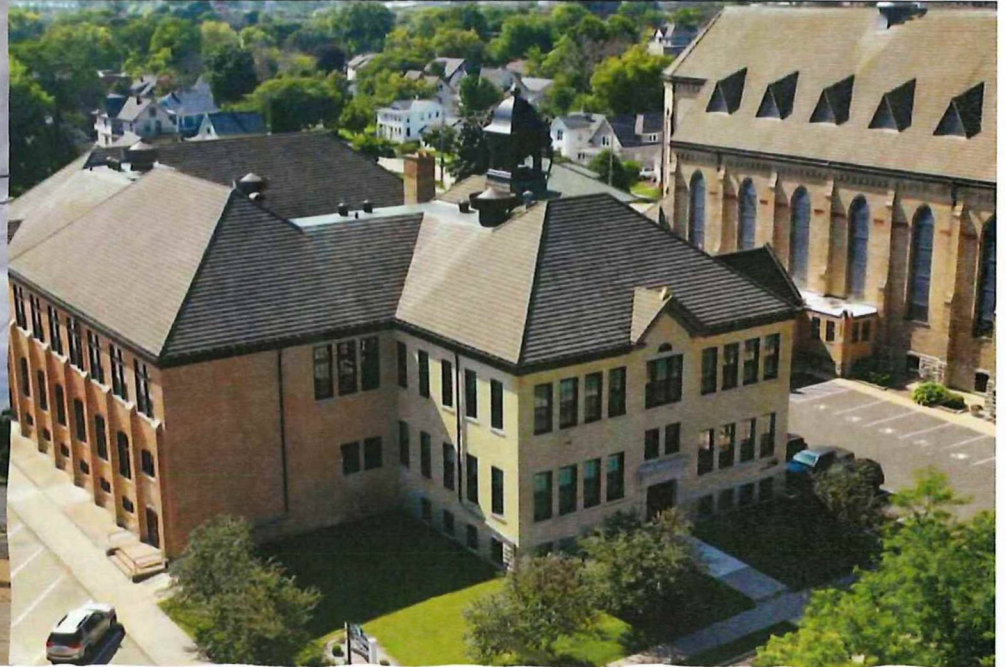
A handwritten signature in black ink that reads "Sean O'Brien". The signature is written in a cursive, flowing style.

Sean O'Brien
Principal
Northpointe Development Corporation
www.northpointedev.com

Attachments:



Before



After

Oshkosh WI



Cabrini School Senior Apartments -33 units



Viroqua, WI

65 units of workforce housing, 6000 sq ft daycare, 2500 sq ft retail



THE COMMONWEALTH COMPANIES

24 S. Brooke St.
Fond du Lac, WI 54935
www.commonwealthco.net

Date: May 18, 2023

Rep. Rob Brooks – Chairman
State of Wisconsin Assembly Housing Committee
Sen. Romaine Quinn – Chairman
State of Wisconsin Senate Housing Committee

RE: Support for AB 39- Modifications to the State Housing Tax Credit Program

Dear Committee Members:

First off, thank you all in advance for your consideration of this important bill.

Commonwealth is a national developer of affordable housing based in Fond du Lac, WI. We have developed more than 100 housing projects nationwide, and continue to expand our reach. The bulk of our work has been right here in our home state of Wisconsin. To date, we have developed 61 apartment communities, housing over 3500 Wisconsin families. Our development efforts span 30 counties and 41 different Wisconsin communities.

Commonwealth is in strong support of this bill and the need to expand the Wisconsin affordable housing tax credit. The existing program has been a documented success since its inception in 2018. Commonwealth has utilized the state housing credit on a number of our own projects. This valuable resource has been critical to ensuring the financial viability of those important affordable housing communities. However, speaking from our experience in other states, Wisconsin can be doing more to address the affordable housing crisis in our state. The expansion of the state housing credit is an opportunity to do just that, and remain competitive with other comparable states.

One thing I would like to highlight is the need to better address affordable housing in non-metro areas. Commonwealth has certainly done deals in metro areas, and will continue to do so going forward. However, we have long been a developer of housing in non-metro areas. These are markets where we are comfortable operating and have had success. We have a number of staff who grew up in rural communities and understand the challenges that places like Richland Center, for instance, are up against.

We currently have 7 projects underway in WI; albeit in varying stages of development. They are in communities like Mosinee, Ashland, Fond du Lac, and Kaukauna to name a few.

One project of particular note is in Barron, WI. We expect to close and commence construction on this development in the next 45 days. While this is extremely exciting, it's really long overdue. The road to addressing an unmet housing need in this small community has been challenging.

The combination of rising construction costs and spiking interest rates have created large funding gaps. This has led to delays in closing and commencement of construction while we attempt to solve the financial shortfall.



THE COMMONWEALTH COMPANIES

24 S. Brooke St.
Fond du Lac, WI 54935
www.commonwealthco.net

Rural communities like Barron are exhausting the resources they have to secure quality rental housing for their residents. However, their existing local resources are limited, and their hands are tied financially when attempting to help bridge funding gaps. This can make it challenging for communities like Barron to attract new outside investment and affordable housing development.

We are confident that had the expanded state affordable housing credit program been an accessible resource to Aspen Grove Townhomes in Barron, that we would have closed and commenced construction months ago. This would have put us that much closer to addressing the unmet housing demand locally.

Non-metro communities often struggle to retain residents and support their local economy and employers without quality affordable housing. The expansion of the state credit is an opportunity to solidify these important developments and make them more economically viable. Non-metro housing projects can work very well with the right set of resources.

Finally the expansion of the state credit will continue to keep developers like Commonwealth and many others in the local affordable housing industry committed to developing housing in all corners of our state.

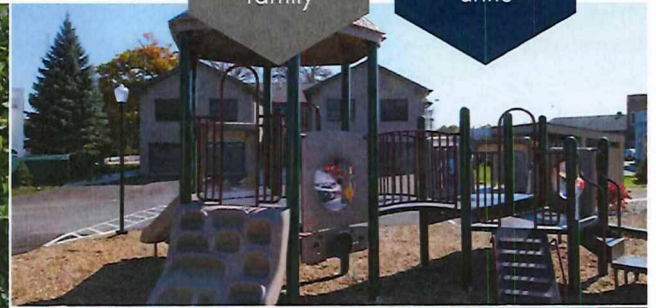
Thank you for your consideration, and I ask for your support of Assembly Bill 39.

Respectfully,

Dan Kroetz
Senior Vice President - Development
The Commonwealth Companies
C: 608.438.8415
d.kroetz@commonwealthco.net

Fond du Lac Townhomes

737 E Scott Street, Fond du Lac, Wisconsin 54935



Fond du Lac Townhomes offers 48 units of family housing, with locations on the east and west side of the city in Fond du Lac, WI. Each spacious 2 & 3-bedroom townhome includes a private entrance, private patio, attached garage, in-home washer & dryer and more. Additionally, residents have access to a community room, playground and on-site property management office.

Opened: 11/05/2010

Total Cost: \$5,231,000

Initiative: WI Focus on Energy



For more information, go to:

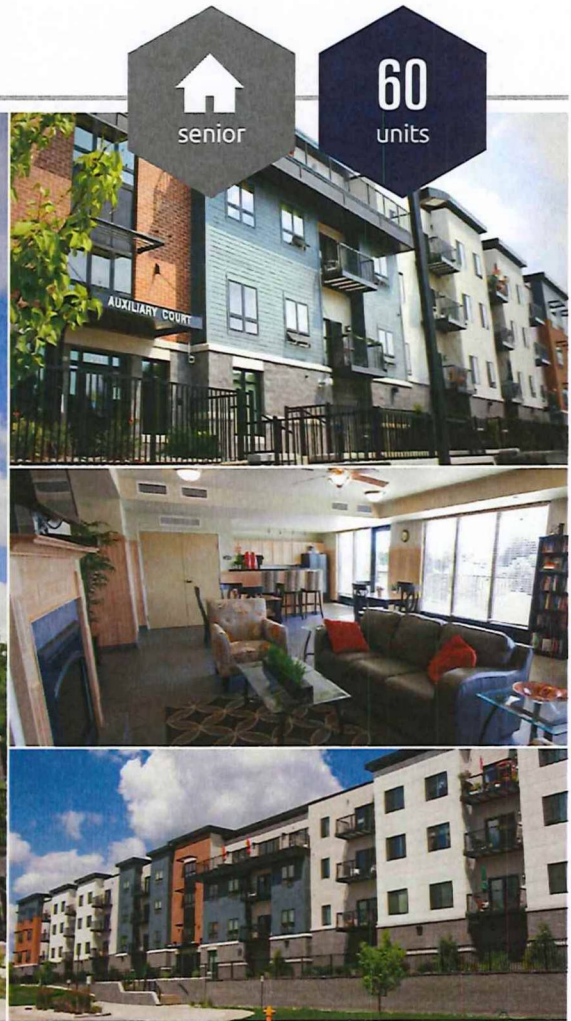
www.commonwealthco.net

P: 920.922.8170

E: info@commonwealthco.net

Auxiliary Court

📍 201 Auxiliary Court, West Bend, Wisconsin



Auxiliary Court is a 60 unit, senior housing development located in downtown West Bend, Wisconsin. The community offers 2-bedroom apartment homes with private balconies and in-unit washers & dryers. Additionally, the development includes underground parking, elevator, a beauty salon, community room, internet café, and a fitness center. The property has been at 100% occupancy (with an active wait list) since opening in 2012.

Opened: 3/16/2012

Total Cost: \$9,401,552

Financing Partners: PNC Bank, Wisconsin Preservation Fund



For more information, go to:

www.commonwealthco.net

P: 920.922.8170

E: info@commonwealthco.net

Muskego School Apartments

📍 S75 W17476 Janesville Road, Muskego, Wisconsin 53150



family &
senior

40

units



Muskego School Apartments offers 40 units of family and senior housing. Each spacious 3-bedroom townhome includes an attached garage, private entrance, private patio, walk-in closets, in-unit washer and dryer, extra storage and more. Additionally, the adaptive reuse of Muskego Elementary School provides 1 & 2-bedroom homes with a mix of historic charm and modern features. All residents have access to a community room, fitness center, business center and on-site property management office.

Opened: 10/01/2020

Total Cost: \$7,765,702

Initiative: WI Green Build Homes



For more information, go to:

www.commonwealthco.net

P: 920.922.8170

E: info@commonwealthco.net

Beacon Avenue Cottages

610 E Beacon Avenue, New London, Wisconsin 54961



Beacon Avenue Cottages offers 40 units of family housing. Each spacious 2 & 3-bedroom cottage boasts a bright and sunny authentic Cape Cod feel and includes a private entrance, attached garage, private patio, large kitchenette and more. Additionally, residents have access to a clubhouse, business center, fitness center and on-site property management office.

Opened: 01/15/2018

Total Cost: \$5,400,000

Initiative: WI Green Build Homes



For more information, go to:

www.commonwealthco.net

P: 920.922.8170

E: info@commonwealthco.net

River Flats

📍 206 N Jackson Street, Janesville, Wisconsin 53548



River Flats offers 92 units of family housing located near the heart of downtown Janesville. Each 2 & 3-bedroom home features a spacious floor plan with large closets, energy-efficient appliances, in-unit washer & dryer, and more. Additionally, residents have access to a community room, fitness center, business center, underground parking, and on-site property management office.

Opened: 5/25/2021

Total Cost: \$18,218,800

Financing Partners: NEF, AHP, NHTF, TIF



For more information, go to:

www.commonwealthco.net

P: 920.922.8170

E: info@commonwealthco.net



PROPOSED APARTMENTS

CANDY LANE - BARRON, WI





Wisconsin Housing Preservation Corp.

Mary Wright, President
David Ginger, Vice President

May 18, 2023
State Housing Tax Credit Testimony

-
- The Wisconsin Housing Preservation Corp is a non-profit housing developer and owner, headquartered in Madison
 - We are the state's largest owner of affordable workforce and senior housing, with 9,000 units located in 57 of the state's 72 counties – we are truly a statewide housing provider
 - Approximately 35% of our portfolio has utilized the federal and state housing tax credit programs
 - WHPC is proud to be the first organization to close a transaction using the State Housing Tax Credit after its creation in 2018
 - The state housing tax credits allowed us to rehabilitate four workforce housing and senior properties in Eau Claire, Chippewa Falls and Superior
 - We utilized the state credit program a second time in 2019 to upgrade a pair of workforce properties in southeast Wisconsin
 - For those of us who work in the workforce and senior housing world, assembling capital sources to allow us to create and upgrade workforce and senior housing is an ongoing challenge
 - The cost of lumber, nails, PVC, pipes and skilled tradespeople who are employed to construct housing costs the same whether they are part of high-end, market-rate housing or a workforce housing development
 - It is not unusual for WHPC – and other workforce and senior housing developers – to assemble more than a half-dozen sources of tax credits, financing and grants to develop a new property or substantially rehabilitate an existing property
 - Within the past 2+ years, WHPC completed a 40-unit workforce housing property – with 10 units targeted for residents with disabilities - in New Glarus, which required seven sources of capital
 - A WHPC rehab transaction completed at the same time required eight sources of capital
 - Searching for those finite capital sources is a time-consuming process, that inevitably adds to the costs of completing a new development
 - This capital challenge requires that we build units that are efficient as possible, while also resulting in housing that we, our financial partners, and the cities and villages where that housing is built, can be proud of
 - The recent spike in interest rates has certainly limited the amount of loans that workforce and senior housing can support
 - So, housing tax credits are becoming a vital component of that capital stack

Prairie Haus – 30 workforce housing units and 10 units for adults with disabilities in New Glarus
Wisconsin Housing Preservation Corp



Rhinehaus – 65 independent senior units in Rhinelander
Wisconsin Housing Preservation Corp

