DAVE ARMSTRONG

STATE REPRESENTATIVE • 67TH ASSEMBLY DISTRICT

Testimony on Assembly Bill 194
May 8, 2025

Thank you for the opportunity to testify on behalf of Assembly Bill 194.

Last session, the legislature enacted three programs intended to address Wisconsin's housing shortage – the Infrastructure Access Program, the Restore Main Street Program, and the Vacancy-to-Vitality Program. Together, these programs were allocated $475 million for loans available to developers and local governments.

However, despite universal recognition of the need for more housing, there has been relatively little demand for these programs, and just over $16 million has been awarded so far. To understand the reasons for this, the original bill authors, including me, reached out to stakeholders to identify obstacles to participation. We had several productive conversations, and we were able to develop the legislation before you today.

Perhaps the biggest barrier to participation in any of the programs is the current prohibition on using the loans for projects that benefit from historic tax credits or tax incremental financing. AB 194 will allow "stacking". AB 194 will also allow loans to be secured by corporate guarantees, not just personal guarantees, which was another major sticking point. In addition, while current law requires local governments to have updated the housing portion of their comprehensive plans within the last five years in order for a project in their community to qualify for a loan, AB 194 lets them meet this condition by certifying that the current comprehensive plan provides an adequate housing supply.

AB 194 also includes changes to individual programs. For example, to ensure that the Restore Main Street and Vacancy-to-Vitality programs will distribute loans across Wisconsin, no area served by a given regional planning commission may receive more than 12.5% of the appropriated funds. (The Infrastructure Access Program already includes a similar provision.)

With regard to the Vacancy-to-Vitality Program specifically, AB 194 makes two important changes. First, only housing developments with at least 16 units currently qualify, but AB 194 expands eligibility to developments with at least four units in communities with populations of 10,000 or less. This will help small towns that feel the housing pinch, but for which 16-plus new units may be unfeasible. Second, AB 194 will allow participating developers to convert vacant commercial buildings into mixed-use developments – not just into housing, as under current law – as long as the loan is used for costs associated with the residential portion of the project.

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If the lack of participation in the three programs so far has any silver lining, it is that there is currently more money available for all of them than expected at this point, as the funding was already appropriated. For that reason, AB 194 makes the loans in each program more generous, which should generate interest from developers and local governments.

In all three programs, the cap as a percentage of a developer's project costs will increase to 33%. The cap for local governments under the Infrastructure Access Program will double to 20%. The Restore Main Street Program's *dollar* cap will also increase, while the Vacancy-to-Vitality Program's dollar cap will be eliminated completely.

With these and other changes included in AB 194, I believe the three housing programs the Legislature created last year will play an important role in helping Wisconsin's housing stock catch up with current and future demand. I look forward to hearing the rest of today's testimony and am open to feedback for an amendment.

Thank you for your consideration.

Romaine Robert Quinn

State Senator • 25th Senate District

From: Senator Romaine Robert Quinn

To: Assembly Committee on Housing and Real Estate

Re: **Testimony on Assembly Bill 194**

Relating to: modifications to housing programs under WHEDA

Date: May 8, 2025

Thank you, committee members for considering Assembly Bill 194 today.

Last session, the bipartisan workforce housing package created new loan programs at WHEDA with significant investment to help expand access to affordable housing for working families. AB 194 constitutes important modifications suggested by WHEDA and stakeholders to improve the legislation passed last session in three housing loan programs: Infrastructure Access Program, Restore Main Street Program, and Vacancy-to-Vitality program.

Based on the first round of applications and stakeholder feedback, it is clear the programs have been underused because the current level of financing does not make some developments financially feasible. This bill lifts the loan caps in all three programs, allowing additional capital to ensure more projects get underway.

Further changes in the Vacancy-to-Vitality program will allow mixed-use development projects and make projects in rural areas with a lower number of dwelling units eligible for a loan.

Some of the other modifications that apply to all three programs include:

- Eligible projects may benefit from a tax incremental district (TID) and use historic tax credits. Many communities that are supportive of workforce housing have implemented a TID where housing is planned and incentivized but then are unable to utilize these programs if a project includes TID financing.
- Municipalities must show they have reduced the cost of housing within the community, not just the eligible project, requiring details on how much time or money has been saved and the percentage decrease in housing costs due to cost saving measures.
- Allows no region of the state to receive more than 12.5% of the amounts in each program's revolving loan fund. This provision mirrors the requirement that already applies to the Infrastructure Access Program.

These changes will allow the WHEDA programs to be more successful. Thank you for your consideration in supporting Assembly Bill 194.

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Summary of changes to WHEDA housing loan programs under Assembly Bill 194

Infrastructure Access Program

Background: This program allows a residential housing developer to apply for a loan to cover the costs of installing, replacing, upgrading, or improving public infrastructure related to workforce housing or senior housing. (2023 WI Act 14)

- Under current law, loans to developers are capped at 20% of total project costs and loans to municipalities are capped at 10% of total project costs. This bill increases the cap to 33% for a developer and 25% for a municipality.

Restore Main Street Program

Background: This program allows an owner of rental housing to apply for a loan to cover the costs to improve housing located on the second or third floors of an existing building with commercial space on the ground level. (2023 WI Act 15)

- Under current law, loans to developers are capped at $20,000 per dwelling unit or 20% of project costs, whichever is less. This bill increases the cap to $50,000 per dwelling unit or 33% of total project costs, whichever is less.

Vacancy-to-Vitality Program

Background: This program allows a developer to apply for a loan to help cover the cost of converting a vacant commercial building to workforce housing or senior housing. (2023 Act 18)

- Under current law, loans to developers are capped at $1 million or 20% of the total project costs, whichever is less. This bill allows loans to developers to provide up to 33% of total project costs.

- Recognizing the need for rural commercial conversion, this bill will reduce the minimum amount of workforce housing from 16 to four dwelling units to be eligible for a loan if the housing development is located in a community with a population under 10,000.

- The bill allows a project converting a vacant commercial building to a mixed-use development that contains residential housing, but a loan awarded must be for costs associated with constructing residential housing within the mixed-use development.

Summary of changes to WHEDA housing loan programs under Assembly Bill 194

Changes to All Three Programs

- The bill permits eligible projects to benefit from a tax incremental district (TID) and use historic tax credits. Many communities that are supportive of workforce housing have implemented a TID where housing is planned and incentivized but then are unable to utilize these programs if a project includes TID financing.

- In addition to current law which requires a municipality to show that it has reduced the cost of housing in connection with the eligible project, the bill requires a municipality show it has reduced the cost of housing within the community by revising ordinances or regulation. The bill requires details on how much time or money has been saved and the percentage decrease in housing costs due to cost-saving measures.

- The bill allows a municipality to satisfy the loan eligibility condition that it update the housing element of its comprehensive plan by certifying that the plan ensures enough housing for current and future needs. This aligns with current statute that requires communities to plan for housing availability, affordability, and growth.

- The bill allows a loan to be secured by a corporate guarantee in addition to the current law requirement of a personal guarantee.

- For the Main Street and Vacancy-to-Vitality programs, the bill requires WHEDA to divide the state into regions based on the regional planning commission regions. No region may receive more than 12.5% of the amounts in the program's revolving loan fund. This provision mirrors the requirement that already applies to the Infrastructure Access Program.

- Conversations and research completed by the Special Committee on State-Tribal Relations highlighted the inability for tribal governments to utilize these workforce housing programs. The bill allows a loan to be awarded for projects on tribal reservation or trust lands not subject to property taxes if the land is designated as such on the effective date of this bill.

To: **Assembly Committee on Housing and Real Estate**

From: **Wisconsin Housing and Economic Development Authority**

Date: **May 8, 2025**

RE: **2025 Assembly Bill 194**

Chairman Brooks, Vice-Chairman Murphy, and members of the Assembly Committee on Housing and Real Estate,

I am Samantha Linden, the Legislative Liaison for WHEDA, the Wisconsin Housing and Economic Development Authority. Sherry Gerondale, WHEDA's Chief Financial Officer, and I are here today to share information on Assembly Bill 194, on changes to three programs administered by WHEDA and created by the Legislature: Infrastructure Access Loan, Vacancy-to-Vitality Loan, and Restore Main Street Loan programs.

I thank Representative Armstrong and Senator Quinn, plus the many authors of this proposal, for their bipartisan efforts to address Wisconsin's housing crisis, and for including WHEDA in the discussions of how the state can incentivize and encourage more multifamily and single-family housing development for Wisconsin's workforce.

Housing is not a partisan issue, as every community in Wisconsin experiences a housing problem of one type or another. WHEDA is encouraged by the immense bipartisan effort behind AB 194 including the many matching recommendations from Governor Evers' biennial budget.

WHEDA feels that the modifications included in AB 194 will decrease transaction costs, leverage local and state resources, and increase the loan size and number of applications to each competitive loan cycle. WHEDA sees great opportunity to deploy resources faster for the development of additional workforce housing because of these changes.

WHEDA also supports the modification to expand eligibility to federally recognized American Indian Tribes and bands in Wisconsin. We believe this will ensure sovereign nations can access these funding sources for more affordable housing development on reservation and trust lands and thank the Special Committee on State-Tribal Relations for their work on this topic.

Ensuring these products work for governmental units and developers as they are intended to by the Governor and the Legislature is part of WHEDA's work as stewards of the funds invested by the State. WHEDA supports the modifications in AB 194 that are designed to increase the utilization of these loan products.

There are a few areas that WHEDA would like to see additional improvements made in AB 194, many of which we are already engaged with the Authors to address. The first is a clarification of date of applicability of these modifications, as WHEDA has just opened a competitive application cycle for Infrastructure Access, Vacancy-to-Vitality, and Restore

Main Street Loan Programs. Secondly, WHEDA would recommend the elimination or increase in the cap for each region established by AB 194 in the Vacancy-to-Vitality and Restore Main Street loan programs. WHEDA would additionally recommend an amendment to eliminate or increase the same 12.5% cap in Infrastructure Access loan program.

Finally, WHEDA recommends including language that clarifies income-qualification requirements after the initial sale of Single Family owner-occupied housing developed under the Infrastructure Access and Vacancy-to-Vitality loan programs. The current statute requires that subsequent purchasers in the 10-year affordability period must also meet the income-restrictions of the initial purchaser. Once homes are sold to the initial purchaser WHEDA and the developers are no longer connected to the homeowners or a subsequent sale of the homes. As such, in subsequent sales there is no straightforward mechanism to confirm a buyer meets the income restrictions.

Again, thank you for the opportunity to work with Legislators on the development of AB 194. WHEDA appreciates the chance to offer these recommendations and provide our support for this proposal. The state has a housing shortage of more than 120,000 units and existing homes are aging, according to the National Low Income Housing Coalition. This is not a crisis that WHEDA alone can address, so we are grateful for our partners in the Governor and the Wisconsin Legislature for your support as well.

We'd be happy to answer any questions you may have at this time.

Contact:

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Sherry Gerondale, Chief Financial Officer
sherry.gerondale@wheda.com

To: Assembly Committee on Housing and Real Estate

From: Cori Lamont, Vice President of Legal & Public Affairs

Date: May 8, 2025

RE: AB 194/SB 180 – Modifications to WHEDA housing programs

The Wisconsin REALTORS® Association (WRA) supports AB 194/SB 180 making modifications to the WHEDA financing tools to fund workforce and senior housing relating to (a) new residential housing infrastructure, (b) rehabilitation of Main Street properties, and (c) conversion of vacant commercial buildings.

Background
Wisconsin's housing crisis is directly tied to supply and affordability. With inventory levels at historic lows and median home prices continuing to rise, the state faces a significant shortage of workforce and senior housing.

Root Causes for Low Housing Inventory

Lagging New Construction and Rising Construction Costs. From 1994 to 2005, Wisconsin issued 30,000 new home permits annually. In comparison, only 12,837 permits were issued in 2024—despite a 10% increase from the prior year. Experts estimate that 14,000 to 22,700 new units must be built annually to meet the projected need of **140,000 housing units by 2030.** Site work alone accounts for nearly 8% of total construction costs, according to the National Association of Home Builders (NAHB)[1].

Burdensome Regulation. Per the NAHB, **more than 40%** of the multifamily development costs are regulation - 12% of those costs coming early—zoning, site work, studies, etc. According to a 2022, Wisconsin Institute for Law and Liberty report[2], **$88,500** is added to the price of a **single-family** home in the Midwest due to regulation. And developers wait an average of 14 months before construction can begin.

Housing Affordability Continues to Decline
With a median home price of $310,000—the second highest in the Midwest—Wisconsin's housing affordability crisis is worsening. The shortage of supply is driving up prices, making it harder for first-time and middle-income buyers. In 2024, five counties saw median home prices exceed $500,000[3], and Wisconsin's high property taxes are further squeezing affordability.

AB 194, WHEDA Loan Program Modifications
While the $525 million investment in WHEDA loan programs in 2023 was a step toward addressing the workforce and senior housing shortage, the implementation has revealed a need for improvement. Just over $16 million has been awarded to date, creating only 967 housing units. With unspent funds due back to the state by January 1, 2031, reforms are essential.

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[1] https://www.nahb.org//-/media/NAHB/news-and-economics/docs/housing-economics-plus/special-studies/2025/special-study-cost-of-constructing-a-home-2024-january-2025.pdf

[2] Priced Out of House and Home: How Laws and Regulation Add to Housing Prices in Wisconsin.

[3] Dane, Door, Ozaukee, Vilas, and Waukesha https://www.maciverinstitute.com/research/the-housing-crisis-hits-wisconsin.

AB 194 includes the following changes.

1. **Allows Stacking if using WHEDA loans.** One of the biggest challenges to development is securing financing. The capital stack refers to the structured combination of funding sources – such as loans, equity, and tax credits – used to finance a project. By removing the specific statutory prohibition on using WHEDA loans in conjunction with historic tax credits and within Tax Incremental Districts (TIDs), AB 194/SB 180 helps developers to build a complete capital stack, making projects more likely to move forward.

2. **Continues to Encourage Regulatory Reform.** A key goal of the WHEDA loan programs—beyond increasing housing supply—has been to encourage local governments to adopt regulatory reforms that reduce housing costs. When communities voluntarily implement these reforms, developers become eligible to apply for loans to support local housing projects. AB 194 strengthens this approach by making targeted modifications to the existing regulatory reform framework.

   Cost Reductions. Local government revisions to ordinances or regulations must both support the specific project and apply more broadly to residential housing within the community. The required cost reduction analysis must include estimated time or cost savings for the developer, as well as the estimated percentage reduction in housing costs for each reform measure.

   Updated Housing element. Local governments may satisfy the requirement to update the housing element of their comprehensive plan (within the last five years) by adopting an ordinance or resolution certifying that the plan provides an adequate housing supply to meet current and future demand.

3. **Expands Use of the Vacant Commercial Conversion Loan**

   Encourages rural development. The bill clarifies that that loans may be used in communities with over 10,000 in population for housing developments with 16 or more units, and communities with 10,000 or fewer residents for developments with 4 or more units.

   Supports mixed-use housing. Loans can now be used to convert vacant commercial buildings into mixed-use developments, provided the project includes residential housing.

4. **Increases Loan Awards.** AB 194 increases loan award amounts to better reflect the funding levels needed to encourage housing development:

   Developer Infrastructure loan: Increased to 33% of total development costs, including land acquisition, for residential housing supported by the eligible project.

   Local government infrastructure loan: Increased to 25% of total development costs for residential housing supported by the eligible project.

   Main Street: Raised to $50,000 per dwelling unit or 33% of the total housing rehabilitation project cost, whichever is less.

   Commercial Conversion: Covers up to 33% of total project costs related to constructing residential housing.

We respectfully request your support for AB 194/SB 180. If you have questions or need additional information, please contact Cori Lamont at 262.309.2724 or CoriL@wra.org.

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To: Assembly Committee on Housing and Real Estate
From: Toni Herkert, Government Affairs Director, and Evan Miller, Government Affairs Specialist
League of Wisconsin Municipalities
Date: May 8, 2025
RE: Assembly Bill 194 - Related to Modifications to WHEDA Housing Loan Programs

Chairman Brooks, Vice-Chair Murphy, and Committee Members,

My name is Toni Herkert, and I am the Government Affairs Specialist with the League of Wisconsin Municipalities. The League is a nonpartisan, nonprofit membership organization that advocates for the interests of our over 600 member cities and villages, large and small, throughout the state.

Thank you for the opportunity to provide testimony today in support of Assembly Bill 194 relating to modifications to the Wisconsin Housing and Economic Development Authority's (WHEDA) housing loan programs. Last session, the League was one of a handful of groups at the table as the Legislature passed a historic investment in affordable workforce housing in Wisconsin. Of the $525 million dedicated to residential development, $475 million was dedicated to three new loan programs.

Since passage, the League has increased its member education efforts related to affordable housing and how municipalities can be part of the solution. This includes More Housing Wisconsin, an initiative by the League, Wisconsin Builders Association, and Wisconsin Realtors Association to produce monthly briefing papers and educational videos that serve as a practical toolkit for municipal officials. Among the many suggested actions in these papers are examples of proactive steps taken in two dozen different municipalities looking to incentivize housing developments. The League's monthly magazine, *The Municipality*, has also dedicated substantial space to the issue of housing and has highlighted even more examples of municipalities taking the lead in solving Wisconsin's housing crisis.

Despite interest in the shared partnership between state government, local governments, and businesses to promote housing growth in Wisconsin, to date, just over $16 million has been awarded from the three new housing programs. The interest in and eligibility for these programs is not keeping pace with current demand, as Wisconsin needs to generate at least 140,000 housing units by the end of the decade. That number increases to 230,000 housing units if we hope to grow and house our working age population.

While some important and notable projects have been funded since these programs launched, statutory roadblocks have been identified by the bill authors in partnership with stakeholders that warrant the legislation being considered here today. Assembly Bill 194 will address significant barriers to these WHEDA programs and unlock additional housing opportunities throughout the state. Among the numerous changes proposed in this legislation that are supported by the League include:

- allowing tax incremental financing and historic tax credits to be stacked with housing loans to ensure that all financing gaps and cost constraints may be addressed
- increasing the maximum loan amounts that may be awarded in all three programs, measured either as a percentage of project cost or a per unit dollar figure

- lowering the number of dwelling units that must be created in the Vacancy-to-Vitality Program for municipalities under 10,000 in population from 16 or more to 4 or more, and
- allowing mixed-use developments to qualify for the Vacancy-to-Vitality Program while still ensuring available housing loan funds are only used for the residential portion of the development.

Since the creation of the Infrastructure Access Program, Restore Main Street Program, and Vacancy-to-Vitality Program, League members of all sizes throughout the state have shown substantial interest in these programs. In some cases, the barriers in current law have prevented those municipalities from assisting developers in taking advantage of these programs. The four changes briefly detailed above all have been concerns posed by our members, which is why the League is here today in support.

While these changes are positive steps to improve accessibility to the WHEDA housing loan programs, the League would like to note some challenges our members see in other aspects of Assembly Bill 194.

First, under all three programs, current law requires local governments to reduce the cost of housing in connection with the eligible project. Assembly Bill 194 requires that the changes to reduce the cost of housing must be implemented across the municipality as well as in connection to the eligible project. Some examples the League notes in our publications of municipalities that have changed their approach to housing have started with a single project. This allows their constituents, who are also the constituents of Wisconsin's 33 Senate Districts, to see that their concerns about reducing lot sizes or removing parking requirements, to name a couple examples, do not result in the feared changes to community character and allow for more resident buy-in when broader changes are later considered.

Further, some League members have raised concerns that their municipalities have already made dramatic changes to reduce the cost of housing, but those changes occurred prior to January 1, 2023. If they were required to find new and unique changes to reduce the cost of housing community wide for developers that wish to apply for a loan, they may be unable to meet the eligibility requirements as there are a limited suite of options on a community-wide basis. This would jeopardize developers seeking to qualify for these programs. The League would encourage the January 1, 2023 date to be pushed back to January 1, 2020. In addition, if the legislation requires community wide modifications, there is no need to include the in connection with an eligible project language.

Second, for all three programs, current law requires that local governments update the housing element of their comprehensive plan within the five years immediately preceding the date of the loan application. Assembly Bill 194 provides an alternative, allowing this condition to be satisfied if, within that five-year period, the local government adopts an ordinance or resolution certifying that the housing element provides an adequate housing supply that meets demand. While the League appreciates the added flexibility for this eligibility requirement, we would note that municipalities do not provide housing.

In discussions with members around the state, we've repeatedly heard concerns from municipalities that have done all they can to attract housing developers yet aren't seeing new housing developments. Some of the examples of what these primarily smaller cities and villages in rural areas have done include limiting building permit fees to a flat $50 for all projects, implementing smaller or no lot size requirements, eliminating parking requirements, if they ever existed, and pre-building associated infrastructure. When these communities have reached out to developers, they've received the cold shoulder as developers would rather work in more urban and suburban areas. Despite their best efforts, those municipalities have been unable to provide housing, which is why the League would encourage the added language to be changed to require the local government to certify that the housing element of its comprehensive plan *promotes* an adequate supply of housing rather than *provides* that housing.

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Third and finally, in the Restore Main Street and Vacancy-to-Vitality Programs, Assembly Bill 194 requires that no more than 12.5% of the total amounts appropriated for each program are provided to any one regional planning commission (RPC) jurisdiction. While the League understands and appreciates the goal of ensuring regionality in housing growth and a statewide distribution of the funds, it's our belief this provision could inhibit the goal of more housing in Wisconsin. For example, the Southeastern Wisconsin RPC, home to 29 cities, 67 villages, and 50 towns that host 35% of the state's population, may have a greater need for more housing units than other portions of the state. The League would encourage the consideration of a higher percentage that may be dedicated to any one RPC territory while still maintaining the provision of regional distribution.

The League will continue to be available to any legislator that wishes to discuss the promotion of more housing developments in Wisconsin. Housing has been a legislative priority for the League for two sessions now. Our members are very interested in the state and local partnership to incentivize more housing and grow our communities. Municipalities did not create the housing crisis, but the League would like to help our members be part of the solution.

Thank you for your consideration of this legislation and the League's comments on Assembly Bill 194. I would be happy to answer questions now or you can contact myself at therkert@lwm-info.org or Evan Miller at emiller@lwm-info.org.