WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Budget Summary							
				Joint Finance Change to:			
	2022-23 Base	2023-25	2023-25	Governor		Base	
Fund	Year Doubled	Governor	Jt. Finance	Amount	Percent	Amount	Percent
GPR	$0	$100,000,000	$525,000,000	$425,000,000	425.0%	$525,000,000	N.A.

FTE Position Summary
There are no state authorized positions for the Wisconsin Housing and Economic Development Authority.

Budget Change Items

1. WORKFORCE HOUSING REHABILITATION LOAN PROGRAM [LFB Paper 855]

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR	$100,000,000	- $50,000,000	$50,000,000

Governor: Provide $100,000,000 in 2023-24 in a new, continuing appropriation for the workforce housing rehabilitation loan program. Create a workforce housing rehabilitation fund and modify current statutory provisions for workforce housing loans, as described in the following paragraphs.

Fund Creation. Establish a workforce housing rehabilitation fund, under the jurisdiction and control of WHEDA, for the purpose of providing workforce housing rehabilitation loans. Specify that workforce housing rehabilitation loans be made from this fund rather than the housing rehabilitation fund. Specify that the workforce housing rehabilitation fund consist of all of the following: (a) all moneys appropriated under the new workforce housing rehabilitation loan program appropriation; (b) all moneys received from repayment of workforce housing rehabilitation loans; (c) all income from the investment of moneys in the fund; and (d) all moneys received by WHEDA for the fund from any other source.

Fund Uses. Specify that WHEDA may use moneys in the fund to cover actual and necessary expenses of the fund and the loan program. In addition, specify that, at its discretion, the Authority may also use the fund to pay costs associated with marketing its programs and services to the public, including by use of housing navigators.

Loan Issuance and Conditions. Require that, to be eligible for a workforce housing rehabilitation loan, the applicant's home must be the primary residence of the applicant, and remove the requirement that it was constructed before 1980. In addition, clarify that workforce housing rehabilitation loans may be made for structural or safety improvements, as determined by the Authority. Further, specify that the applicant must agree to the terms of the loan, as determined by the Authority, and that such loan terms may include a requirement to repay the loan by making monthly principal and interest payments so that the loan is fully repaid within a given term. In addition, specify that the Authority may defer the repayment or forgive the outstanding balance of any workforce housing rehabilitation loans according to criteria established by the Authority.

Current Law. WHEDA offers the Home Improvement Advantage program (housing rehabilitation loan program) to support financing for improvements to existing homes. Eligible improvements include: remodeling, home repair, making a home accessible to persons with disabilities, energy-efficient appliances, and energy efficiency improvements. Beginning in January, 2023, loans may be for up to $50,000 and have a maximum term of 15 years.

In addition, 2021 Act 221 created workforce housing rehabilitation loans. Eligible rehabilitation activities include removal of lead paint or the following types of structural improvements: (a) repairing or replacing a heating system, electrical system, plumbing system, roof, window, or exterior door; (b) repairing the foundation; and (c) repairing or replacing insulation or siding. Under the workforce housing rehabilitation loan program, the applicant's home must be a single-family residence occupied by the owner and constructed before 1980. The applicant must also meet certain income requirements and agree to pay the loan upon selling or otherwise transferring title to the residence to another person or upon the applicant and their family vacating the residence. WHEDA is authorized to establish an interest rate below market levels or may charge no interest for these loans.

The bill would specify that workforce housing rehabilitation loan terms may include a requirement to repay the loan by making monthly principal and interest payments over a given term, and any other terms determined by the Authority. It would also allow the Authority to defer the repayment or forgive the outstanding balance of any workforce housing rehabilitation loans according to criteria established by the Authority.

Under current law, Home Improvement Advantage and workforce housing rehabilitation loans are funded by the home improvement loan fund. As of June 30, 2022, the fund had a balance of $10.7 million, with assets of $11.5 million, liabilities of $0.8 million, and program encumbrances of $10.7 million. The bill would provide one-time funding of $100 million for the workforce housing rehabilitation loan program to provide separate funding sources for the programs.

Joint Finance: Provide $50 million in 2023-24 in a new, continuing appropriation for deposit in the existing housing rehabilitation loan fund for the workforce housing rehabilitation loan program. The provision would make no changes to program eligibility or conditions.

However, several such changes were made in 2023 Wisconsin Act 17, including: (a) requiring a loan be for an applicant's primary residence; (b) providing a maximum loan term of 15 years, with monthly payments; and (c) specifying additional eligible repair or rehabilitation projects, including asbestos removal or interior wall or ceiling repair.

2. INCREASE CAPITAL RESERVE FUND BONDING AUTHORIZATION [LFB Paper 857]

Governor: Increase the limit of outstanding bonds backed by WHEDA's capital reserve fund from $800 million to $1.2 billion. Under current law, WHEDA manages a capital reserve fund, which must maintain a balance sufficient to cover the maximum amount of debt service expected in one year for all bond issues backed by the fund. As of June 30, 2022, $727 million in outstanding bonds for multifamily housing developments were backed by the capital reserve fund. As WHEDA operates as an independent authority, bonds issued under its authority do not carry the general obligation of the state. However, the state has pledged its moral obligation to the capital reserve should it become deficient. No such deficiency has ever occurred, and this provision would not have a direct state fiscal effect.

WHEDA anticipates reaching the maximum amount of outstanding bonds backed by the capital reserve fund in 2023. This is largely due to demand for the state low-income housing tax credit under 2017 Wisconsin Act 176, as developments awarded state and certain federal housing tax credits also utilize financing from bonding supported by the capital reserve. Bonds with the backing of the capital reserve fund generally receive more favorable credit ratings and result in a lower cost of financing for housing developments.

Joint Finance: Increase the capital reserve fund limit from $800 million to $1 billion.

3. STATE LOW-INCOME HOUSING TAX CREDIT INCREASE [LFB Paper 856]

Governor: Increase the limit on the total amount of state low-income housing credits that may be certified by WHEDA from $42 million to $100 million. In addition, increase the maximum number of years the tax may be claimed from six years to 10 years. Further, require that to be eligible for a state housing credit, qualified low-income housing developments must be allocated the federal low-income housing tax credit and financed with tax-exempt bonds that are subject to the federal volume cap. However, authorize WHEDA to waive, in the Authority's federally-required Qualified Action Plan (QAP), the requirements of tax-exempt bond financing and federal credit allocation, to the extent that WHEDA anticipates that sufficient tax-exempt private activity bond volume cap under federal law will not be available to finance low-income housing projects in any year. [See "General Fund Taxes -- Income and Franchise Taxes."]

2017 Wisconsin Act 176 created a state nonrefundable low-income housing tax credit (LIHTC). The credit is claimable against the state individual income tax, the corporate income/franchise tax, and the insurance premiums tax. WHEDA awards the credit as a match to the federal 4% low-income housing tax credit, which provides a credit equal to 4% of the cost of a project each year for 10 years, generally equal to at least 30% of the present value of construction costs associated with a project. Properties receiving state and federal housing tax credits must reserve at least 20% of units for households with incomes below 50% of county median income, or 40% of units for households with average incomes below 60% of county median income, for at least 30 years. Credits are awarded through a competitive application process, whereby WHEDA assigns scores to the applications based on criteria laid out in the Authority's QAP. Awards are limited to $1.4 million per project. WHEDA is also required by law to give preference to developments located in municipalities with populations fewer than 150,000.

Under the current program, WHEDA may award up to $7 million in state tax credits annually, claimable for six years, for a maximum program total of $42 million annually once the program is fully implemented. The bill would increase the program total to $100 million, claimable over 10 years. The Administration estimates the provision would decrease state income and franchise tax revenues by $1,450,000 in 2023-24 and $7,250,000 in 2024-25, fully phasing in to a decrease of $58 million in 2033-34. Combined with the $42 million limit under current law, the credit is estimated to decrease state tax revenues by $100 million annually beginning in 2033-34. The bill as introduced does not specify the initial applicability of changes to the credit.

Under current law, eligible projects are required to be financed with tax-exempt bonds. The bill would require eligible projects to be awarded federal low-income housing credits and be financed with certain tax-exempt bonds that are issued under the state's share of federal volume cap for private economic development or housing purposes. WHEDA could waive these requirements due to having insufficient tax-exempt private activity bonding available under the federal volume cap in a given year.

Joint Finance: Provision not included.

4. WHEDA HEADQUARTERS PROPERTY TAX EXEMPTION *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

5. STAFF SALARY DETERMINATION *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

6. RESIDENTIAL HOUSING INFRASTRUCTURE REVOLVING LOAN FUND

GPR	$275,000,000

Joint Finance: Provide $275 million in 2023-24 in a new, continuing appropriation for deposit in the residential housing infrastructure revolving loan fund under the jurisdiction and control of WHEDA, as created under 2023 Wisconsin Act 14. The fund would support loans for public infrastructure improvements associated with the construction of workforce or senior housing. Act 14 specifies that any unencumbered or unexpended funds as of January 1, 2031, must be transferred to the balance of the general fund.

7. MAIN STREET HOUSING REHABILITATION REVOLVING LOAN FUND

GPR	$100,000,000

Joint Finance: Provide $100 million in 2023-24 in a new, continuing appropriation for deposit in the main street housing rehabilitation revolving loan fund under the jurisdiction and control of WHEDA, as created under 2023 Wisconsin Act 15. The fund would support loans to improve workforce housing located in upper levels of buildings with street-level commercial uses. Act 15 specifies that any unencumbered or unexpended funds as of January 1, 2031, must be transferred to the balance of the general fund.

8. COMMERCIAL-TO-HOUSING CONVERSION REVOLVING LOAN FUND

GPR	$100,000,000

Joint Finance: Provide $100 million in 2023-24 in a new, continuing appropriation for deposit in the commercial-to-housing conversion revolving loan fund under the jurisdiction and control of WHEDA, as created under 2023 Wisconsin Act 18. The fund would support loans for projects that convert vacant nonresidential properties to workforce or senior housing. Act 18 specifies that any unencumbered or unexpended funds as of January 1, 2031, must be transferred to the balance of the general fund.