



PATRICK TESTIN

STATE SENATOR

DATE: February 27, 2020
RE: **Testimony on Senate Bill 484**
TO: The Senate Committee on Utilities and Housing
FROM: Senator Patrick Testin

I would like to thank Chairman LeMahieu and members of the committee for accepting my testimony on Senate Bill 484.

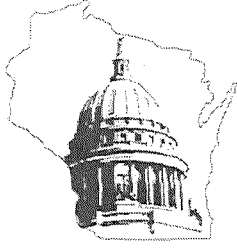
A report last year by the Wisconsin Realtors Association outlined the shortage of workforce housing that exists throughout the state. The report showed that there has been a decline in homeownership, an increase in housing costs, and a continued decline in overall housing. The report echoes concerns that I have heard from a number of rural communities that I represent.

The lack of affordable housing has led to difficulties for employers looking to hire and attract employees and is a reason that workers do not want to locate to certain parts of the state. Most existing state incentives are tailored for housing that is limited to low-income earners and these are usually awarded to more urban populations.

We changed this legislation through a substitute amendment and worked closely with the Wisconsin Housing and Economic Development Authority (WHEDA) to address some initial concerns. As amended, SB 484 requires WHEDA to establish and administer a pilot program that would allow rural communities to develop workforce housing projects. WHEDA must award financial assistance, allocated from their \$10 million surplus fund, for workforce housing projects in at least three communities in one or more rural counties.

At the conclusion of the program, a report must be submitted to the Joint Finance Committee (JFC), allowing the legislature to evaluate the benefits of the pilot program and discuss future needs moving forward.

Thank you again for listening to my testimony and I hope that you will join me in supporting this bill.



John Nygren

WISCONSIN STATE REPRESENTATIVE ★ 89TH ASSEMBLY DISTRICT

Co-Chair, Joint Committee on Finance

Testimony in Support of Senate Bill 484
Senate Committee on Utilities and Housing
February 27, 2020

Thank you Chair LeMahieu and members of the Senate Committee on Utilities and Housing for hearing Senate Bill 484 today.

One issue that I have repeatedly heard about in my district, and most likely in yours as well, is the lack of workforce housing. The concerns that I heard led me to author this bill with Senator Testin.

The need for workers is topping employer surveys. For 10 employer surveys in a row conducted by Wisconsin Manufacturers and Commerce, dating back to 2015 the worker shortage has been above 65 percent as far as an employer's challenge to find workers. The lack of adequate housing for workers is a contributing factor in employers not being able to attract employees to their growing businesses.

The Wisconsin Realtors Association released a report on the shortage of workforce housing. They state that housing permits have dropped from 30,000 in 2004 to less than 12,500 in 2017. They listed financial incentives for housing in rural areas as one remedy to this issue.

Employers in rural areas can have an even harder time recruiting employees due to the lack of adequate housing and we have seen rural areas benefit less from existing state incentives. It is more challenging to make the financing work to build housing in rural communities.

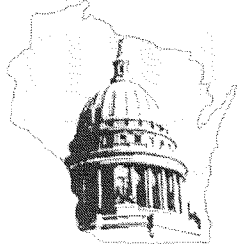
This bill would create a pilot program for worker housing, new or rehabilitation in an estimated 63 rural counties. The bill would fund a minimum of 3 projects in communities in rural counties. The funding would be awarded on a competitive basis.

This bill would spend no new state General Fund dollars. The program would be funded with \$10 million of WHEDA surplus funds. Projects would score better with matching funds so this program is designed to increase the investment into rural workforce housing beyond the \$10 million with other state, local, federal, or private funds.

Over the last two years, the surplus funds have exceeded \$46 million. Since 2001 \$22.6 million has been transferred from WHEDA's surplus funds to either the General Fund or the old Department of Commerce. The Legislature earmarking these funds is not a new concept.

The bill also includes a reporting requirement on Community Development Block Grant funds that is intended to provide transparency on roughly \$50 million in funds currently spread around local communities that the state is trying to get reissued as grants for economic development projects, to include housing.

This pilot program is temporary. This is so it can be assessed at its conclusion by the Legislature to determine if it should be made permanent. We are attempting to think outside the box - to fill a need we have heard about in all corners of the state. This bill has received the endorsement of the WHEDA Board and the WHEDA Executive Director. It is supported by the Realtors, the Wisconsin Economic



John Nygren

WISCONSIN STATE REPRESENTATIVE ★ 89TH ASSEMBLY DISTRICT

Co-Chair, Joint Committee on Finance

Development Association, the Builders Association, Wisconsin Manufacturers and Commerce, the League of Municipalities, Rural Wisconsin Health Cooperative, the Association of Local Health Departments and Boards, the Public Health Association, and numerous housing organizations.

This bill passed the Assembly Committee on Housing and Real Estate unanimously and passed the full Assembly last month.

Thank you for the opportunity to speak in support of Senate Bill 484 today and I look forward to working with you and others to tackle this timely issue for the benefit of our state.



Testimony for the Senate Committee on Utilities and Housing: Senate Substitute Amendment 1 to Senate Bill 484

WHEDA affirms commitment to rural affordable workforce housing through \$10 million pilot, additional financing

Wisconsin's rural communities face unique challenges in addressing an acute shortage of affordable workforce housing.

Through Senate Substitute Amendment 1 to Senate Bill 484, the Wisconsin Housing and Economic Development Authority (WHEDA) intends to respond to these evolving housing challenges with a first-of-its-kind rural, affordable workforce housing pilot and additional financing tools designed specifically for rural communities.

The \$10 million effort has been endorsed by WHEDA's board of directors and reflects significant collaboration among WHEDA leadership, staff and members of the Legislature. The proposal incorporates the perspectives of many stakeholders and further strengthens Wisconsin as a leader in innovative housing strategies.

Substitute Amendment 1 introduces concepts that allow WHEDA to leverage its resources for greater benefit by engaging with existing partners in new ways and by encouraging potential partners to consider new opportunities in rural communities.

Specifically, the rural affordable workforce housing pilot and other initiatives in the bill respond to an affordable housing gap that has emerged in rural communities for many reasons. Participants at a series of statewide listening sessions organized by WHEDA have pointed to factors including rising construction costs; limited developer interest due to the smaller scale of rural projects; aging housing stock; few affordable rental options; zoning and infrastructure challenges; and limited financing for new construction and renovation projects.

As now proposed in the substitute amendment to SB 484, the rural workforce housing pilot would select at least three communities for a participatory process with WHEDA and other partners to understand local needs, develop solutions and implement action by WHEDA and other stakeholders.

The pilot is anticipated to include both single and multifamily initiatives and is intended to strengthen partnerships among rural communities, developers, lenders and nonprofits. Applications will be reviewed and scored on a competitive basis.

In addition to the rural workforce housing pilot, WHEDA will dedicate funds to support rural workforce housing, including a loan pool targeting housing tax credit projects in rural communities. The targeted loan pool will enhance the financial viability of rural projects, which typically have fewer units than larger urban projects.

WHEDA also is seeking to expand a single-family home improvement and renovation loan product in targeted rural areas through partnerships with local lending institutions, nonprofits and community development organizations.

The rural workforce housing pilot and new financing tools and funding are to be provided in part through an amended Dividends for Wisconsin Plan that also is awaiting legislative action.

WHEDA is an independent authority and no state tax dollars are to be used. WHEDA recognizes that progress on statewide housing challenges requires adaptation and collaboration to leverage resources and drive results. While the rural workforce housing pilot and new financing tools represent a significant investment by WHEDA, it will take the commitment of other public, private and nonprofit partners to turn the tide on these issues.

Delivering results will be critical in attracting and retaining the workforce rural Wisconsin businesses need to remain competitive. WHEDA is grateful for the collaboration that has brought the substitute amendment to this point and looks forward to working closely with legislative and other partners in the weeks and months ahead.

Contacts: Kim Plache, WHEDA deputy executive director, 608-267-2307, Kim.plache@wheda.com; Jennifer Sereno, WHEDA public affairs, 608-770-8084, Jennifer.sereno@wheda.com