DAN FEYEN
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To: The Senate Committee on Housing, Commerce and Trade
From: Sen. Dan Feyen
Re: Senate Bill 830

Hello, Chairman Jagler and committee members. Thank you for taking the time today to hear testimony on Senate Bill 830.

Wisconsin's unemployment level has been at record lows the past few months yet our state is facing a workforce shortage. Our state doesn't have the population necessary to fill these gaps. We need to find a way to attract and retain talented workers to Wisconsin so our state's economy can continue to flourish.

One way we can help support Wisconsin's businesses is through workforce housing. Having an affordable place to live can be a barrier to workers interested in moving here for a job. Senate Bill 830 would make changes to the current low-income housing tax credit program run by the Wisconsin Housing and Economic Development Authority (WHEDA).

WHEDA's Low Income Housing Tax Credit Program incentivizes workforce housing projects in Wisconsin. Under the program, a person may claim an income or franchise tax credit in the amount allocated to them by WHEDA for a qualified low-income housing project.

Currently, the person eligible may claim the tax credit for six years, beginning with the year the housing project was placed in service. As drafted, Senate Bill 830 would extend the credit from six to ten years to match the federal program. However, based on concerns raised yesterday in the Assembly committee hearing, we are drafting an amendment that would keep the credit period at six years.

Senate Bill 830 would also increase the annual cap of the credit from $42M to $70M. Additionally, this bill would require that WHEDA allocates at least 35% of these tax credits to projects in rural areas. Finally, this bill makes a technical change to the program to allow certain insurers of these housing developments to receive the credit as well.

With these changes, WHEDA estimates that an additional 4 developments per year would be approved for the program. These projects might not happen without this tax credit incentive. Wisconsin needs more workers and making common sense changes to an already existing tax credit program meant to spur affordable housing development is a step in the right direction.

Thank you again for your time and consideration. With that, I am happy to answer any questions the committee has.

DAVE ARMSTRONG

STATE REPRESENTATIVE • 75TH ASSEMBLY DISTRICT

Testimony on Senate Bill 830
February 3, 2022

Thank you for the opportunity today to speak on behalf of Senate Bill 830.

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. For federal tax purposes, developers whom WHEDA has certified may claim the credit for up to ten years. However, for Wisconsin tax purposes, developers may claim the credit for only six years. SB 830 aligns the Wisconsin tax credit with the federal credit by extending it to ten years, although my office is having an amendment drafted to SB 830's companion to remove this change, based on committee feedback at the recent Assembly Ways and Means hearing. SB 830 also increases the total amount of LIHTC credits that may be claimed by all certified developers at a given time from $42 million to $70 million. I believe there will be other speakers today who will explain in greater detail how LIHTC works on the ground and what SB 830 means for their projects.

The other major portion of SB 830, 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 830 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 830 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.

Thank you for your consideration.

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WHEDA

TO: Members of the Senate Committee on Housing, Commerce and Trade

FROM: WHEDA

RE: Senate Bill 830 (Changes to the Low Income Housing Tax Credit)

DATE: February 3, 2022

The Wisconsin Housing and Economic Development Authority (WHEDA) supports Senate Bill 830 as a way to meet the affordable housing needs in communities across the state.

The State Housing Tax Credit Program administered by WHEDA, has been, and continues to be one of the most effective and efficient tools in the toolbox to address the affordable housing shortage in Wisconsin. In 2021, WHEDA awarded $35.1 million in federal and state housing tax credits, advancing housing opportunity and economic recovery in Wisconsin through creation of 2,200 affordable housing units.

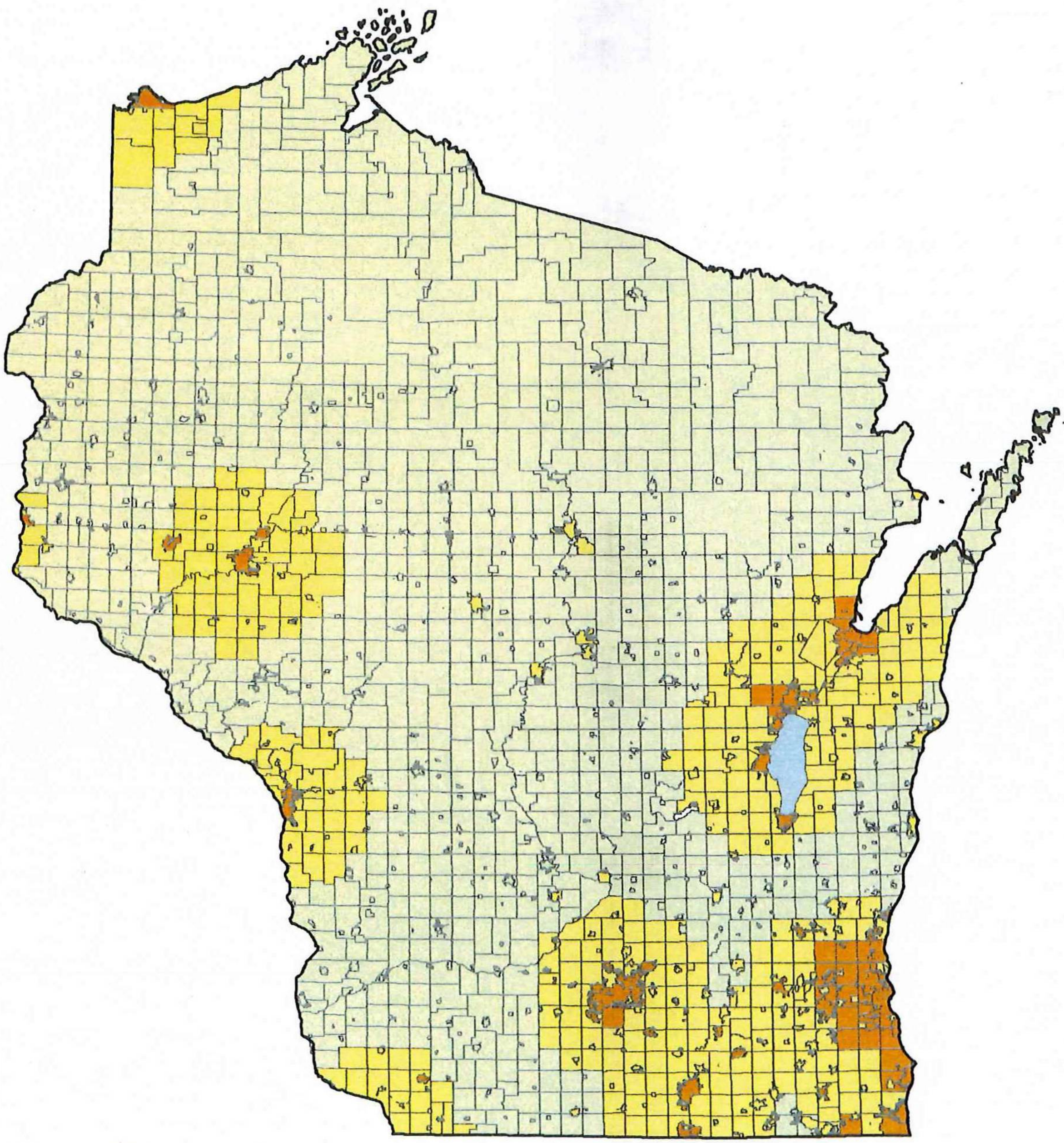
Building on this success, SB 830 increases the existing housing tax credit program for rental housing from $42 million in Wisconsin tax credits a year to $70 million a year and changes the credit period from 6 years to 10 years. WHEDA estimates that these changes will result in four additional developments being approved annually, adding up to 40 additional developments. The bill would have an even greater impact if the increase to $70 million a year was coupled with the current 6-year credit period, rather than the extension to 10 years.

The legislation also includes a preference for rural communities with a 35% set aside. Recognizing the challenges in rural communities, some similar to urban centers and some unique, WHEDA has created and enhanced a rural set aside in its Qualified Allocation Plan (QAP) for the competitive federal Low Income Housing Tax Credit. In addition, WHEDA launched an ongoing Rural Affordable Workforce Housing Initiative featuring WHEDA financing tools that provide immediate resources along with community-led pilots to identify long-term housing strategies that can be replicated in other parts of the state.

WHEDA looks forward to continuing to work with developers, lenders, housing groups, community leaders and elected officials to leverage our collective strengths and develop innovative solutions to help address Wisconsin's ever-changing housing landscape.

If you have any questions, please contact Kim Plache, WHEDA Interim Executive Director, at Kim.Plache@WHEDA.com or at (262) 412-4123.

Municipal Urban-Rural Classification 3-class version (MURC3)



Rural
≥25 miles from a 6 and ≤9,999 residents
(1a, 1b, 2a, 2b, 3a, 3b, 4a, 4b)

Small Urban
≥25 miles from a 6 and ≥10,000 residents
(2c, 3c, 4c)
or
<25 miles from a 6 and ≤9,999 residents
(5a, 5b)

Urban
<25 miles from a 6 and ≥10,000 residents
(5c, 6)

WI ORH
Office of Rural Health
August 2016

SUGAR CREEK CAPITAL
A forward approach.
17 West Lockwood Avenue
St. Louis, MO 63119
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TO: Chairman Jagler and Members of the Senate Committee on Housing, Commerce and Trade
FROM: Chris Hite, President, Sugar Creek Capital
DATE: February 3, 2022
RE: Testimony in support of Senate Bill 830, relating to the low-income housing tax credit

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The Low-Income Housing Tax Credit program, commonly referred to as LIHTC, is the largest and most successful program in the United States for building and preserving quality, affordable housing. As states look for ways to effectively use their resources to expand on this work, state housing tax credit programs have quickly become the preferred tool at both the development and government levels. State housing credit programs have risen in use because they are efficient, spur economic activity, and are highly accountable.

State housing tax credits, in fact, are the most efficient way to help the federal tax credit program serve more families. Just like additional equity can buy down a mortgage and lead to lower monthly payment for a typical homeowner, the equity generated by a state credit program allows for reduced rents for the long haul. The reality is that alternative funding options like loans must be paid back. Even grant funds create taxable events that cost a deal money, but the equity generated from a state credit program stays in the deal, meaning lower—more affordable—rents. Further, creating new loan or grant programs introduces new levels of administrative overhead and bureaucracy, while a state credit program can simply piggyback on the existing, established federal tax credit infrastructure.

State credits are also a key tool to spur economic activity and jobs. Not only are more affordable apartment homes needed in growing population centers, but an expanded state credit program would allow private equity to fill the financing gaps that currently exist in rural deals. Senate Bill 830 would extend the credit from six to ten years. It would also increase the annual cap of the credit from $42M to $70M. Additionally, this bill would require that WHEDA allocates at least 35% of these tax credits to projects in rural areas. Finally, this bill makes a technical change to the program to allow certain insurers of these housing developments to receive the credit as well.

All this work is done with increased accountability compared to other funding programs because state credit programs only pay for success. The private market shoulders the up-front costs, and the Wisconsin taxpayers do not spend a dime until the apartments are built and families begin to move into their new homes. Even then, tax payments are spread over a further 6 years, with a 15-year recapture period, to maximize accountability and compliance during operations.

I respectfully ask for your support of Senate Bill 830.