Romaine Robert Quinn

State Senator • 25th Senate District

From: Senator Romaine Robert Quinn

To: Senate Committee on Insurance, Housing, Rural Issues, and Forestry

Re: **Testimony on Senate Bill 178**

Relating to: changes to the low-income housing tax credit

Date: April 17, 2025

Thank you, fellow committee members for considering Senate Bill 178 today.

As we continue to talk about the demand for affordable housing, one tool Wisconsin has at its disposal to address this critical issue is the Low Income Housing Tax Credit (LIHTC) program, which is administered by the Wisconsin Housing and Economic Development Authority (WHEDA).

The LIHTC program encourages the development or rehabilitation of low-to-moderate income housing by offering income tax credits to the owners or investors in qualifying properties.

SB 178 removes barriers to access the credit by making changes to the program, which include:

- Requiring WHEDA to allocate at least 35% of the credits each year to projects in rural areas, if enough qualified applicants from rural communities reach the threshold. Rural areas of the state are especially in need of increased housing stock and this provision will ensure that small communities are prioritized.

- Eliminating the requirement that qualified projects be financed with tax-exempt bonds, in order to give WHEDA financing flexibility if the ability to issue such bonds becomes constrained.

- A technical change to allow an insurer who is a shareholder of a tax-option corporation, a partner in a partnership, or a member of a limited liability company to claim the credit.

Supporting these changes will show a commitment to advancing the LIHTC program as an important tool to use in bolstering the available housing supply for Wisconsin's workforce. Thank you for your consideration in supporting SB 178 today.

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DAVE ARMSTRONG

STATE REPRESENTATIVE • 67TH ASSEMBLY DISTRICT

Testimony on Senate Bill 178
April 17, 2025

Thank you for the opportunity today to speak on behalf of Senate Bill 178.

Communities across the state are facing housing shortages, but I believe rural cities, towns, and villages are in particular need of increased housing stock. As Barron County's director of economic development, I see firsthand how the lack of affordable housing makes it difficult for employers to recruit employees.

One important tool for addressing this shortage is the Low Income Housing Tax Credit program, within the Wisconsin Housing and Economic Development Authority. LIHTC 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 $42 million, which works out to $7 million in new credits awarded each year. However, going into the 2025 cycle, WHEDA had already received applications for projects totaling $20 million in credits. *Clearly, there is a demand for the program.*

SB 178 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 10 miles from municipalities with populations of 50,000 or more. 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 178 leaves that provision in place but also ensures that truly small, rural communities are not overlooked. (In a year when there are not enough qualified applicants from rural communities to hit the threshold, the 35% minimum will not apply.)

SB 178 makes a few other changes, including removing the current requirement that LIHTC projects be financed with tax-exempt bonds. This change expands the number of projects that qualify. While SB 178 does not itself increase the $42 million annual cap on credit allocations, I was pleased to see that Governor Evers included an increase in his budget proposal, and I am working to help an increase at some level survive the budget process.

Thank you for your consideration.

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WHEDA

To: Senate Committee on Insurance, Housing, Rural Issues, and Forestry
From: Wisconsin Housing and Economic Development Authority
Date: April 17, 2025
RE: 2025 Senate Bill 178 and Senate Bill 180

Chairman Quinn, Vice-Chairman Stafsholt, and members of the Senate Committee on Insurance, Housing, and Rural Issues,

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 Senate Bill 178, on changes to the State Housing Tax Credit (HTC) Program, and Senate Bill 180, on changes to three other programs administered by WHEDA and created by the Legislature: Infrastructure Access Loan, Vacancy-to-Vitality Loan, and Restore Main Street Loan programs.

I thank Senator Quinn, Representative Brooks and Representative Armstrong, and the many authors of these proposals, 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.

At WHEDA, the State Housing Tax Credit and the three programs created by the Legislature are utilized by developers of affordable housing to fill gaps in their financing and help get developments across the financial finish line. In return, the housing that is built has to remain affordable for individuals across a spectrum of incomes. SB 180 and SB 178 are designed to enhance all four programs at WHEDA, to encourage developers and governmental units to take increased advantage of these financial tools to build more housing.

SB1 78 makes changes to the State HTC program, which is one of the greatest tools WHEDA has to incentivize the development of affordable rental housing. Structured as a public-private partnership similar to the federal HTC program, the State HTC program currently requires that eligible projects be financed from the sale of federally tax-exempt bonds. SB 178 eliminates this requirement, providing WHEDA the flexibility to use financing from the sale of tax-exempt bonds when feasible, but not requiring it if the ability to issue these federally tax-exempt bonds becomes constrained.

WHEDA anticipates that the amount of authority to issue federally tax-exempt bonds allocated to Wisconsin annually will become a limiting factor in the near future. Removing this requirement will give WHEDA the necessary flexibility to use all of the HTC without compromising other housing priorities that rely on federally tax-exempt bonds, such as WHEDA's First-Time Homebuyer program. WHEDA supports the elimination of this requirement in SB1 78.

WHEDA

WHEDA appreciates the authors' attempts to spread the allocation of awards across the State – a goal that WHEDA incentives through its Qualified Allocation Plan- by including a requirement that 35% of annual awards go to eligible projects in rural communities. This requirement also provides for flexibility, in that it is not binding in application cycles where WHEDA does not receive 35% of eligible applications in rural areas, which is also defined in the legislation. WHEDA is currently nearing the end of its 2025 competitive application cycle, so our recommendation would be to alter the date of initial applicability of this section to include only future Qualified Allocation Plan cycles.

SB 178 does not include an expansion to the State HTC program, which WHEDA believes would have the greatest impact on increasing affordable housing development. WHEDA recommends an expansion of the program from $42 million to $100 million, which would more than double the resources made available each year through this effective program.

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 SB 178 and SB 180, including the many matching recommendations from Governor Evers' biennial budget.

WHEDA feels that the modifications included in SB 180 will decrease transaction costs, leverage local and state resources, and increase the loan size and application to each competitive loan cycle. WHEDA sees great opportunity to deploy theses resources faster for the development 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 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 SB 180 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 SB 180. 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 SB 180 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 SB 178 and SB 180. WHEDA appreciates the chance to offer these recommendations and provide our support for these proposals. 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.

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