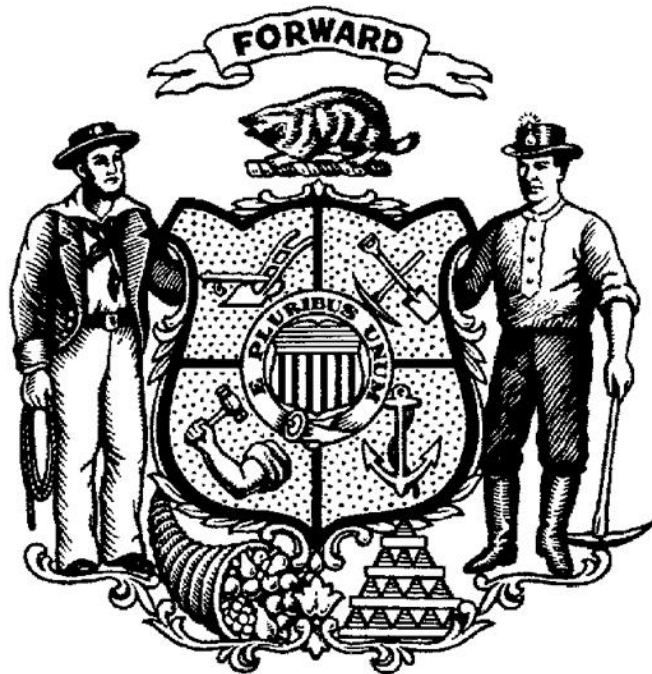


# State of Wisconsin

## Wisconsin Housing and Economic Development Authority



Agency Budget Request

2023 – 2025 Biennium

September 15, 2022

## Table of Contents

Cover Letter .....	3
Description .....	5
Mission .....	<b>Error! Bookmark not defined.</b>
Goals .....	7
Performance Measures .....	8
Agency Total by Program .....	9
Decision Items .....	10



To: Kathy Blumenfeld, Secretary-designee, Department of Administration

From: Elmer Moore, Jr., CEO and Executive Director, Wisconsin Housing and Economic Development Authority

Date: September 15, 2022

Subject: WHEDA proposes budget actions to best continue to provide affordable housing options

---

The Wisconsin Housing and Economic Development Authority (WHEDA) requests continued collaboration and partnership in state budget actions designed to provide a wide range of affordable housing program options for people throughout Wisconsin. During the biennial budget process, WHEDA looks to increase resource availability, and meet market demands in operations.

As was the case for many states across the country, the coronavirus pandemic, rising costs due to national inflation, and scarcity associated with buying and building housing, presented challenges to expanding access to affordable housing. To address these issues and continue its excellent work in expanding access to quality multifamily rental homes, single family mortgages, and business financing, WHEDA must maintain market competitiveness. In order to meet these goals, WHEDA requests consideration of options that would allow us to fully utilize the tools available to us and remain the state's leader in affordable housing in Wisconsin.

Increasing the limit of outstanding bonds backed by the capital reserve fund from \$800 million to our proposed request of \$1.2 billion is necessary to avoid increased costs to issue bonds and higher interest rates, and retain a favorable credit rating on the current bond resolution. This increase is urgently needed as WHEDA is approaching the maximum amount of outstanding bonds backed by the capital reserve fund. If this were to happen, borrowers would face higher interest rates and increased costs due to less favorable credit ratings on bonds not backed by the capital reserve fund. WHEDA might be forced to draw upon its reserve funds which would mean fewer dollars available for down payment assistance and gap financing – ultimately putting housing further out of reach for Wisconsinites from both an affordability and supply perspective.



Tony Evers, Governor

*A public body corporate and politic created under Chapter 234, Wisconsin Statutes*

In celebration of WHEDA's 50<sup>th</sup> anniversary, we are reaffirming our commitment to improve the quality of life for Wisconsin residents by providing affordable housing and business financing. We look forward to continuing this important work in collaboration with you and others so that together, we may accomplish more for the people we are dedicated to serving.

Contacts: Kim Plache, WHEDA Deputy Director, [Kim.plache@wheda.com](mailto:Kim.plache@wheda.com)  
Samantha Linden, WHEDA Legislative Program Policy Analyst, [Samantha.linden@wheda.com](mailto:Samantha.linden@wheda.com)

## **AGENCY DESCRIPTION**

The Wisconsin Housing and Economic Development Authority is governed by a 12-member board of directors composed of public, legislative and ex officio members. Six public members are appointed by the Governor with the advice and consent of the Senate. The chief executive officer of the Wisconsin Economic Development Corporation and Secretary of the Department of Administration serve by virtue of their governmental positions. One senator and one representative of each party are appointed by their respective legislative houses.

The authority is organized into 10 units: Administration, Marketing and Communications, Community and Economic Development, Executive, Finance, Information Technology, Legal, Commercial Lending, Risk and Compliance, and Single Family Housing. The authority's primary functions include financing for home ownership, rental housing and business development. In addition, the authority allocates federal New Markets Tax Credits and Low-Income Housing Tax Credits, as well as oversees the U.S. Department of Housing and Urban Development Section 8 contract administration in Wisconsin.

## **MISSION**

The mission of the authority is to stimulate the state's economy and improve the quality of life for Wisconsin residents by providing affordable housing and business financing products.

## **PROGRAMS, GOALS, OBJECTIVES AND ACTIVITIES**

Note: Goals, objectives and activities have been revised.

### **Program 3: Homeownership Mortgage Assistance**

Goal: Continue to grow as a trusted provider of innovative single-family home loan products and services to expand affordable housing options.

Objective/Activity: Through outward bound sales activity and "features and benefits" marketing, increase the lender network statewide. Continue to innovate the internal process to guarantee top tier lender partnerships and service levels. Locate new sources of funding to ensure a steady stream of down payment assistance will be readily available for first-time home buyers. Through strategic planning, seek new sources of funding to support new products designed to fill gaps in the standard secondary market offerings.

### **Program 5: Commercial lending volume, including multifamily housing and economic development**

Goal: Increase and preserve the supply of multifamily housing for low- and moderate-income families, seniors, and veterans; connect affordable housing with services, including those who are homeless or at risk of becoming homeless; encourage housing development in areas of economic opportunity and rural locations; and coordinate housing development with community development plans.

Objective/Activity: With a variety of financing tools, tax credits and federal resources, the authority can prioritize resource allocations to meet its strategic goals.

Goal: Offer unique business financing programs designed to stimulate Wisconsin's economy, promote economic development in urban and rural areas, and maximize community impact through the creation and retention of living wage jobs.

Objective/Activity: Through loan guarantees, tax credits and other federal resources, create leverage to attract private capital investment for business expansion. Continue to use Wisconsin's allocation of state small business credit initiative funds from the U.S. Treasury as well as seek new funding sources to expand the access of capital to small businesses. Through the Greater Wisconsin Opportunities Fund, the authority's community development entity, the authority has applied for New Markets Tax Credits for the next federal cycle.

Goal: Provide specialized, niche, collateralized loan participation for qualifying economic development projects that represent sound Wisconsin business, but which are unable to attract additional private capital for expansion without the authority.

Objective/Activity: Continue outreach and information services to expand lender partnerships, work with local economic development corporations and community stakeholders to identify opportunities for participation lending, and offer authority participation loans in conjunction with local lenders for business expansion that creates and retains jobs.

## PERFORMANCE MEASURES

### 2021 AND 2022 GOALS AND ACTUALS

Prog. No.	Performance Measure	Goal 2021	Actual 2021	Goal 2022	Actual 2022
3.	Homeownership Mortgage Loan Program loan volume.	\$250,000,000	\$375,439,121	\$275,000,000	\$287,797,400
3., 5.	Capital ratio.	28.1%	29.2%	28%	29.4%
5.	Commercial lending volume, including multifamily housing and economic development.	\$271,800,000	\$201,004,000	\$189,500,000	\$159,331,900

Note: Based on fiscal year.

### 2023, 2024 AND 2025 GOALS

Prog. No.	Performance Measure	Goal 2023	Goal 2024	Goal 2025
3.	Homeownership Mortgage Loan Program loan volume.	\$275,000,000	\$300,000,000	\$300,000,000
3., 5.	Capital ratio.	28%	28%	28%
5.	Commercial lending volume, including multifamily housing and economic development.	\$189,500,000	\$207,800,000	\$207,800,000

Note: Based on fiscal year.

Note: Goals reported for 2023 were estimates completed in 2021. The budget for fiscal year 2023 includes Homeownership Mortgage Loan Program loan volume of \$302,892,100 a capital ratio of 29.5% and Commercial Lending Volume of \$225,100,000. The 2024 and 2025 budgets are not completed until June 2023 and June 2024, respectively. Goals for 2024 and 2025 are subject to changes and may be affected by the status of the financial markets.



# Agency Total by Program

AGENCY TOTAL										0.00%
-----------------	--	--	--	--	--	--	--	--	--	-------

**Decision Item (DIN) - 2000**

**Decision Item (DIN) Title - Adjusted Base Funding Level**

**NARRATIVE**

Adjusted Base Funding Level

# Decision Item by Line

2325 Biennial Budget

<b>DEPARTMENT</b>	<b>CODES</b>	<b>TITLES</b>
	490	Wisconsin Housing and Economic Development Authority
<b>DECISION ITEM</b>	<b>CODES</b>	<b>TITLES</b>
	2000	Adjusted Base Funding Level

	<b>Expenditure Items</b>	<b>1st Year Cost</b>	<b>2nd Year Cost</b>
01	Permanent Position Salaries	\$0	\$0
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$0	\$0
06	Supplies and Services	\$0	\$0
07	Permanent Property	\$0	\$0
08	Unallotted Reserve	\$0	\$0
09	Aids to Individuals & Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt service	\$0	\$0
13		\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
<b>17</b>	<b>TOTAL</b>	<b>\$0</b>	<b>\$0</b>
18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	0.00	0.00
20	Unclassified Positions Authorized	0.00	0.00

## Decision Item by Numeric

<b>Program</b>	<b>Decision Item/Numeric</b>	<b>1st Year Total</b>	<b>2nd Year Total</b>	<b>1st Year FTE</b>	<b>2nd Year FTE</b>
	<b>Agency Total</b>				

# Decision Item by Fund Source

Decision Item/Source of Funds	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
Agency Total				

**Decision Item (DIN) - 4000**

**Decision Item (DIN) Title - Increase Capital Reserve Fund Bonding Limit**

**NARRATIVE**

An increase to the limit of outstanding bonds backed by the capital reserve fund from \$800 million to a proposed request of \$1.2 billion is necessary to avoid increased costs to issue bonds and higher interest rates, and retain a favorable credit rating on the current bond resolution.

## BUDGET REQUEST:

Amend Section 234.18 of Wis. Stats. to increase the limit of outstanding bonds backed by WHEDA's capital reserve fund from \$800 million to \$1.2 billion.

## BACKGROUND:

As WHEDA operates as an independent authority, the state has no liability on bonds issued by WHEDA, and such bonds are not a debt of the state. However, the state does acknowledge a moral obligation to step in, in certain situations. Once such instance of this involves certain bonds issued to finance affordable multifamily housing projects, which bonds are supported by a capital reserve fund authorized under Section 234.15, Wis. Stats. For these bonds, the state has pledged its moral obligation to replenish the capital reserve fund should it become deficient. The total amount of bonds supported by the capital reserve fund is currently limited to \$800 million under Section 234.18, Wis. Stats. WHEDA funds the capital reserve fund as needed and maintains a balance sufficient to cover the maximum amount of debt service expected in one year for the bonds.

This requested increase is needed as WHEDA is at risk of reaching the maximum amount of outstanding bonds backed by the capital reserve fund this year. This is largely attributable to the full implementation of the state housing tax credit and the changes to the federal 4% Low Income Housing Tax Credits (LIHTC), both of which are partnered with tax-exempt bonds as required under federal law. In the four years since the state housing tax credit has been implemented, WHEDA has issued \$542 million of bonds backed by a capital reserve fund. In the previous four years, only \$224 million was issued. This represents an increase of over 140%. We expect the current volume to continue and at this pace, the existing authority will be completely used near the end of 2022, leaving no capacity for 2023 bond issues.

Without this change, WHEDA's ability to finance projects supported with an allocation of state housing tax credits and federal 4% LIHTC would be severely reduced. At a time when the state is facing a significant housing shortage, fewer units of rental housing for low- to moderate-income families, seniors, and persons with special needs would be developed due to lack of affordable WHEDA financing.



Tony Evers, Governor

*A public body corporate and politic created under Chapter 234, Wisconsin Statutes*

# Decision Item by Line

2325 Biennial Budget

<b>DEPARTMENT</b>	<b>CODES</b>	<b>TITLES</b>
	490	Wisconsin Housing and Economic Development Authority
<b>DECISION ITEM</b>	<b>CODES</b>	<b>TITLES</b>
	4000	Increase Capital Reserve Fund Bonding Limit

	<b>Expenditure Items</b>	<b>1st Year Cost</b>	<b>2nd Year Cost</b>
01	Permanent Position Salaries	\$0	\$0
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$0	\$0
06	Supplies and Services	\$0	\$0
07	Permanent Property	\$0	\$0
08	Unallotted Reserve	\$0	\$0
09	Aids to Individuals & Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt service	\$0	\$0
13		\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
<b>17</b>	<b>TOTAL</b>	<b>\$0</b>	<b>\$0</b>
18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	0.00	0.00
20	Unclassified Positions Authorized	0.00	0.00



## Decision Item by Numeric

<b>Program</b>	<b>Decision Item/Numeric</b>	<b>1st Year Total</b>	<b>2nd Year Total</b>	<b>1st Year FTE</b>	<b>2nd Year FTE</b>
	<b>Agency Total</b>				

# Decision Item by Fund Source

Decision Item/Source of Funds	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
Agency Total				