



State of Wisconsin
2023 - 2024 LEGISLATURE

LRB-2198/1
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2023 ASSEMBLY BILL 265

May 16, 2023 - Introduced by Representatives HURD, BROOKS, EMERSON, SNYDER, STEFFEN, ROZAR, ALLEN, C. ANDERSON, BEHNKE, BRANDTJEN, DITTRICH, DONOVAN, DOYLE, DUCHOW, EDMING, GREEN, GUNDRUM, JOERS, KITCHENS, MURPHY, O'CONNOR, ORTIZ-VELEZ, PENTERMAN, PETRYK, PLUMER, RETTINGER, SCHMIDT, SCHRAA, SHANKLAND, SINICKI, SWEARINGEN, WICHGERS and KRUG, cosponsored by Senators JAGLER, QUINN, FEYEN, JACQUE, STROEBEL and STAFSHOLT. Referred to Committee on Housing and Real Estate.

AUTHORS SUBJECT TO CHANGE

- 1 **AN ACT to create** 234.661 of the statutes; **relating to:** a main street housing
2 rehabilitation revolving loan fund and loan program.

Analysis by the Legislative Reference Bureau

This bill establishes a main street housing rehabilitation revolving loan fund under the jurisdiction and control of the Wisconsin Housing and Economic Development Authority. The purpose of the fund is for WHEDA to award loans as provided in the bill to owners of rental housing for eligible projects. A project is eligible under the bill if it is for housing rehabilitation of single-family or multifamily rental housing to which all of the following apply:

1. Is located on the second or third floor of an existing two- or three-story building with a commercial use on the main floor, if the space in the building that is devoted to a commercial use constitutes no more than two-thirds of the building's gross square footage.
2. Was constructed at least 40 years prior to the loan application.
3. Has not been significantly improved for at least 30 years prior to the loan application.
4. Is vacant or has been underutilized.
5. Constitutes workforce housing. The bill defines workforce housing based on the ratio of housing costs and the ratio of household income to the area median income of the county in which the rental housing is located, adjusted for family size, as published annually by the federal Department of Housing and Urban Development.

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Under the bill, eligible housing rehabilitation consists of improvements to maintain the housing in a decent, safe, and sanitary condition or to restore it to that condition, including any of the following:

1. Repairing or replacing a heating system, electrical system, internal plumbing system, interior wall or ceiling, roof, window, exterior door, or flooring.
2. Repairing or replacing insulation or siding.
3. Remediating lead paint or asbestos.

In accordance with a semiannual application process established by WHEDA, an owner of rental housing may apply to WHEDA for a loan for an eligible project under the program, but WHEDA may not award the loan unless the rental housing owner and the political subdivision having jurisdiction of the housing rehabilitation project demonstrate to the satisfaction of WHEDA in one or more forms prescribed by WHEDA that all of the following apply:

1. The owner has secured the necessary financial resources for the total cost of the housing rehabilitation project not to be covered by a loan from WHEDA.
2. The owner has secured all applicable federal, state, and local government permits or other approvals for the eligible project.
3. The eligible political subdivision has reduced the cost of rental housing in connection with the eligible project by voluntarily revising zoning ordinances, subdivision regulations, or other land development regulations to increase development density, expedite approvals, reduce impact fees, or reduce parking, building, or other development costs with respect to the eligible project.
4. The eligible political subdivision is in compliance with certain statutory housing planning and reporting requirements.
5. The eligible political subdivision has updated the housing element of its comprehensive plan required by statute within the immediately preceding five years.

If in any application cycle there are insufficient moneys available in the main street housing rehabilitation revolving loan fund to fund all applications that meet the requirements of the bill and are otherwise acceptable to WHEDA, WHEDA is required to prioritize funding loans for eligible projects in eligible political subdivisions that have reduced the cost of rental housing as described in item 3 above with respect to the political subdivision as a whole.

The bill requires that WHEDA enter into an agreement with each owner of rental housing receiving a loan under the bill that establishes the term and other conditions of the loan. The agreement is required to include certain provisions, some of which are to be recorded with the applicable register of deeds and to run with the land, that are designed to ensure that the rental housing rehabilitated using loan proceeds remains workforce housing for at least 10 years.

Additionally, the bill requires WHEDA, for a period of four years, to set aside 30 percent of any moneys appropriated to the fund in the 2023-25 fiscal biennium for rental housing rehabilitation projects in cities, villages, and towns with a population of 10,000 or less. The bill also limits the amount of each loan to \$20,000

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per dwelling unit or 25 percent of the total cost of the housing rehabilitation project, whichever is less.

Finally, the bill prohibits WHEDA from charging any interest on a loan, requires that WHEDA take actions to market the availability of loans under the bill, and requires WHEDA to submit annual reports to the Joint Committee on Finance and legislative committees having jurisdiction over housing relating to the loan program and the main street housing rehabilitation revolving loan fund created under the bill.

Because this bill may increase or decrease, directly or indirectly, the cost of the development, construction, financing, purchasing, sale, ownership, or availability of housing in this state, the Department of Administration, as required by law, will prepare a report to be printed as an appendix to this bill.

For further information see the state fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 234.661 of the statutes is created to read:

2 **234.661 Main street housing rehabilitation revolving loan fund and**
3 **loan program. (1) DEFINITIONS.** In this section:

4 (a) “Area median income” means the area median family income in the county
5 in which the housing is located, adjusted for family size, as published annually by
6 the federal department of housing and urban development.

7 (b) “Eligible political subdivision” means the city, village, town, or county
8 having jurisdiction of an eligible project, as determined by the authority.

9 (c) “Eligible project” means a project for housing rehabilitation of existing
10 workforce housing that satisfies all of the following conditions:

11 1. Is located on the 2nd or 3rd floor of an existing 2-story or 3-story building
12 with a commercial use on the main floor, if the space in the building that is devoted
13 to a commercial use constitutes no more than two-thirds of the building’s gross
14 square footage.

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1 2. Is located in a building that was constructed at least 40 years prior to the date
2 of application under sub. (3) (b).

3 3. Has not been significantly improved for at least 30 years prior to the date of
4 application under sub. (3) (b), as determined by the authority.

5 4. Is vacant or has been underutilized, as determined by the authority.

6 (d) "Housing rehabilitation" means that portion of an improvement to rental
7 housing that relates to an eligible project if the improvement is to maintain the
8 housing in a decent, safe, and sanitary condition or to restore it to that condition,
9 including any of the following:

10 1. Repairing or replacing a heating system, electrical system, internal
11 plumbing system, interior wall or ceiling, roof, window, exterior door, or flooring.

12 2. Repairing or replacing insulation or siding.

13 3. Remediating lead paint or asbestos.

14 (e) "Rental housing" means single-family or multifamily housing offered or
15 intended to be offered for rent that is subject to taxation under ch. 70.

16 (f) "Workforce housing" means rental housing to which all of the following
17 apply:

18 1. The estimated annual housing costs, as defined under s. 16.301 (3), do not
19 exceed, or are not expected to exceed, 30 percent of 100 percent of the area median
20 income, with family size determined using the federal imputed income limitation, as
21 defined in 26 USC 42 (g) (2) (C), and the utility-related costs if not included in the
22 rent equal the utility allowance determined by the federal department of housing
23 and urban development.

24 2. The housing is for occupancy by individuals whose annual household income
25 does not exceed 100 percent of the area median income.

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1 **(2) ESTABLISHMENT OF FUND.** (a) There is established under the jurisdiction and
2 control of the authority a main street housing rehabilitation revolving loan fund, for
3 the purpose of providing loans under sub. (3). The authority may use moneys in the
4 fund to cover actual and necessary expenses, including marketing expenses under
5 sub. (4), incurred to accomplish the purposes of this section and administer the fund.
6 The fund shall consist of all of the following:

- 7 1. All moneys appropriated to the authority for the fund.
- 8 2. All moneys received from the repayment of loans under sub. (3).

9 (b) Of the amounts deposited in the fund under par. (a) 1. in the 2023-25 fiscal
10 biennium, the authority shall return to the secretary of administration for deposit
11 in the general fund all such amounts not encumbered or expended for an eligible
12 project as of the first day of the 8th year beginning after the effective date of this
13 paragraph [LRB inserts date].

14 (c) No moneys in the fund may be invested under s. 234.03 (18).

15 **(3) ESTABLISHMENT AND ADMINISTRATION OF REVOLVING LOAN PROGRAM.** (a) The
16 authority shall establish and administer a main street housing rehabilitation
17 revolving loan program for the purpose of awarding loans under this subsection.

18 (b) From the main street housing rehabilitation revolving loan fund, the
19 authority may award loans to owners of rental housing to cover housing
20 rehabilitation costs for an eligible project. Any owner of rental housing, other than
21 a city, village, town, or county, may apply to the authority for a loan in accordance
22 with the application process established by the authority under par. (c), but the
23 authority may not award the loan unless the owner of the rental housing and eligible
24 political subdivision demonstrate to the satisfaction of the authority in one or more
25 forms prescribed by the authority that all of the following apply:

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1 1. The owner has secured the necessary financial resources for the total cost
2 of the housing rehabilitation project not to be covered by a loan from the authority
3 under this subsection.

4 2. The owner has secured all applicable federal, state, and local government
5 permits or other approvals for the eligible project.

6 3. The eligible political subdivision has reduced the cost of rental housing in
7 connection with the eligible project by voluntarily revising zoning ordinances,
8 subdivision regulations, or other land development regulations to increase
9 development density, expedite approvals, reduce impact fees, or reduce parking,
10 building, or other development costs with respect to the eligible project. For purposes
11 of this subdivision, the political subdivision in cooperation with the owner shall
12 submit to the authority a cost reduction analysis in a form prescribed by the
13 authority and signed by the owner and the head of the political subdivision's
14 governing body that shows the cost reduction measures, including time saving
15 measures, undertaken by the political subdivision on or after January 1, 2023, that
16 have reduced the cost of rental housing in connection with the eligible project. The
17 signed analysis shall clearly show for each time saving or cost reduction measure the
18 estimated time or dollar amount saved by the owner and the estimated percentage
19 reduction in rental housing costs.

20 4. The eligible political subdivision is in compliance with the requirements
21 under ss. 66.1001, 66.10013, and 66.10014, to the extent those requirements apply
22 to the political subdivision.

23 5. The eligible political subdivision has updated the housing element of its
24 comprehensive plan under s. 66.1001 (2) (b) within the 5 years immediately
25 preceding the date of the loan application.

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1 (c) The authority shall establish a semiannual application process for the
2 award of loans under this subsection. If in any application cycle there are insufficient
3 moneys available in the main street housing rehabilitation revolving loan fund to
4 fund all applications that meet the requirements under par. (b) and are otherwise
5 acceptable to the authority, the authority shall prioritize funding loans for eligible
6 projects in eligible political subdivisions that have reduced the cost of rental housing
7 as described in par. (b) 3. but with respect to the political subdivision as a whole.

8 (d) No loan awarded under this subsection may exceed \$20,000 per dwelling
9 unit or 25 percent of the total housing rehabilitation project costs, whichever is less,
10 and the authority shall charge no interest on the loan.

11 (e) The authority shall set aside 30 percent of all moneys deposited in the fund
12 under sub. (2) (a) 1. in the 2023-25 fiscal biennium for a period of not less than 4 years
13 following the effective date of this paragraph [LRB inserts date], for loans under
14 this subsection to owners of rental housing for eligible projects in cities, villages, and
15 towns with a population of 10,000 or less. For purposes of this paragraph, if a single
16 loan supports eligible projects in more than one city, village, or town, the amount of
17 such loan attributable to any one city, village, or town shall be calculated by prorating
18 the loan amount between the cities, villages, and towns based on the number of
19 rental housing units supported by the loan.

20 (f) 1. The authority and each owner receiving a loan under this subsection shall
21 enter into an agreement establishing the term and other conditions of the loan. The
22 agreement shall include, and give the authority the power to enforce, all of the
23 following requirements:

24 a. That the full amount of the loan shall become due upon the owner's sale of
25 the rental housing rehabilitated with loan proceeds.

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1 b. That all rental housing rehabilitated with loan proceeds shall remain
2 workforce housing for a period commencing on the date of the loan and concluding
3 10 years following initial occupancy of all of the rental units of the housing
4 rehabilitated with loan proceeds. This restriction shall be recorded against the
5 rental property with the applicable register of deeds and shall run with the land.

6 c. That the owner of the rental housing, for a period commencing on the date
7 of the loan and concluding 10 years following initial occupancy of all of the rental
8 units rehabilitated using loan proceeds, shall annually submit to the authority a
9 certified rent roll for the housing that sets forth for each rental unit the monthly rent
10 required under the lease, the actual monthly rent received for the preceding year,
11 and an identification of the utilities and their amounts included in the rent. This
12 restriction shall be recorded against the residential property with the applicable
13 register of deeds and shall run with the land. The authority shall use the information
14 provided under this subd. 1. c. to confirm that the rental housing continues to meet
15 the housing costs limitation for purposes of sub. (1) (f) 1. The authority shall
16 calculate the applicable monthly limitation on housing costs for each year by dividing
17 the area median income for the year by 12, with family size determined using the
18 federal imputed income limitation, as defined in 26 USC 42 (g) (2) (C). If in any year
19 the area median income has decreased compared to the prior year, the applicable
20 housing cost limitation shall be calculated based on the most recent area median
21 income information prior to such decrease.

22 2. Any restriction recorded against the property under subd. 1. shall terminate
23 on the date the property is acquired by foreclosure, or by an instrument in lieu of
24 foreclosure, unless the authority determines that the acquisition is part of an
25 arrangement a purpose of which is to terminate the restriction.

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1 (g) In addition to other criteria explicitly provided for under this subsection, in
2 awarding each loan under this subsection, the authority shall take into account only
3 the following in descending order of priority:

- 4 1. Credit risk, collateral, and the need for a loan guarantee.
- 5 2. The estimated reduction in housing costs.
- 6 3. The need for workforce housing in the area.

7 (4) **MARKETING.** The authority shall establish and administer a marketing
8 program to advertise the loans available under this section.

9 (5) **ANNUAL REPORTS.** Beginning in 2024, no later than August 1 of each year,
10 the authority shall submit to the joint committee on finance and under s. 13.172 (3)
11 to the standing committees of the legislature having jurisdiction over matters
12 related to housing a report that includes all of the following:

13 (a) A statement of the condition and balance of the main street housing
14 rehabilitation revolving loan fund.

15 (b) Information concerning each loan awarded under sub. (3), including all of
16 the following:

- 17 1. The date, amount, amortization period, and current status of the loan.
- 18 2. An identification of the owner of rental housing receiving the loan.
- 19 3. A description of the eligible project funded with the loan.
- 20 4. An identification of the eligible political subdivision with respect to which
21 the loan was awarded.

22 (c) The number of dwelling units rehabilitated to date as a result of the loan
23 program and the locations and sale or estimated sale or rental prices of the dwelling
24 units.

25 (END)