2017/2018 Qualified Allocation Plan – Amendment #2
State Housing Tax Credit
June 2018

WHEDA

A. *Introduction*

On March 28, 2018, Governor Scott Walker signed Wisconsin 2017 Act 176, which created the Wisconsin Housing Tax Credit program. A copy of Act 176 can be found at https://docs.legis.wisconsin.gov/2017/related/acts/176.

The Wisconsin Housing Tax Credit was designed to be complement to the federal 4% Low Income Housing Tax Credit, and follows the vast majority of rules that are currently in place for the federal housing tax credit program. However, there are some key differences between the state and federal programs:

a) The state HTC will have a six-year credit period, versus the 10-year federal credit period
b) The state HTC includes a preference for properties located in a city, town or village with a population of 150,000 or less
c) If a development consists of more than one building – for the state HTC, the development is placed in service in the taxable year in which the last building of the qualified development is placed in service. For the federal HTC – each building is assigned a specific placed-in-service date.
d) The state HTC ceiling will be limited to $7 million per year

WHEDA will allocate the state HTC, and will provide necessary allocation and compliance monitoring information to the Wisconsin Department of Revenue.

Amendments to the QAP

1. WHEDA intends to provide targeted subordinate loan for properties utilizing the state tax credit - these subordinate loans will be structured very similarly to subordinate loans that WHEDA has provided during the past 18-24 months for bond-financed transactions. Criteria for the subordinate loan can be found below.
    a. Rural areas
        i. Properties located in areas meeting (a) USDA's Rural Development Property Eligibility Criteria, (b) the Census Bureau definition of non-metropolitan counties
        ii. Sizing: No more than $1 of subordinate loan proceeds for every $6 of permanent tax-exempt bond debt
        iii. Rate: 2.5%
        iv. The total 2018 subordinate loan pool for nonmetropolitan counties will be limited to $2 million
    b. Southeast Wisconsin
        i. Defined as any property in:
            1. Kenosha County
            2. Racine County

        3. The Milwaukee County communities of Franklin, Oak Creek, Hales Corners, Greenfield, Greendale, St, Francis, Cudahy and South Milwaukee.
        4. The Waukesha County communities of Big Bend, Muskego, New Berlin, the Village of Mukwanago and the Town of Vernon
        5. Note: All Walworth County communities are eligible for the Rural subordinate debt option described above
    ii. Sizing: No more than $1 of subordinate loan proceeds for every $10 of permanent tax-exempt bond debt
    iii. Rate: 3.0%
    iv. Total 2018 subordinate loan pool for Southeast Wisconsin will be limited to $3 million
    v. Limited to new construction of non age-restricted housing
c. Final approval of subordinate loans will follow WHEDA's loan policy

2. The current QAP allows 4% tax credit transactions to request to be released from the tax credit income and rent requirements after the 15-year tax credit compliance period is completed (referred to as an "opt-out"). For reference – 9% tax credit properties are required to maintain the tax credit income and rent restrictions for 30 years. The opt-out option after 15 years for 4% federal and state tax credit properties will be eliminated. The 2019/2020 QAP also includes a removal of the opt-out provision for 4% transactions.