



REPORT RURAL WORKFORCE HOUSING INITIATIVE

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

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REPORT: RURAL WORKFORCE HOUSING INITIATIVE

WHEDA envisions a future where all Wisconsinites have safe, secure homes. We strive to address disparities and remove barriers in access to housing for renters and homeowners. Rural communities suffer from disparities created by increased costs of housing production, high rates of second-home ownership, homes converted to short term rentals, and misconceptions on affordable workforce housing, among many others.

The shortage of affordable workforce housing in rural Wisconsin poses far-reaching challenges. Access to safe, affordable shelter is fundamental to the sustainability of our communities because housing provides a foundation for public health, economic well-being, and environmental stewardship. If Wisconsin is to thrive, rural communities require effective tools and support to develop affordable workforce housing.

This report on the Rural Workforce Housing Initiative (RWFHI) satisfies the requirement to prepare a report of results for the WHEDA Board by December 31, 2022. This report includes historical information on the development of the RWFHI and contemporary information on the components of the initiative as well as the status of the pilot communities.

I. Background

In October 2019, Assembly Bill 544 (AB 544) was introduced requiring WHEDA to set aside \$10 million to address rural workforce housing development concerns. WHEDA leadership worked with our legislative partners and reached a solution to establish and administer an initiative to support workforce housing in rural counties, codified in Assembly Substitute Amendment 1 to AB 544. When the Legislature adjourned in April 2020, the legislation failed to become law.

In service of WHEDA's mission and despite no passage by the Legislature, the WHEDA Board approved the creation of the RWFHI in December 2019. On February 19, 2020, the Board approved the RWFHI Pilot Plan and in May 2020, funding was committed through the amended Dividends for Wisconsin plan, which was then approved by the Joint Committee on Finance.

There were three components to execute the RWFHI plan, in the spirit of the legislative compromise. The first component was the dedication of funds to support rural multifamily workforce housing, including a loan pool targeting housing tax credit projects in rural communities. The targeted loan pool enhanced the financial viability of rural projects. The second part of the plan was to expand single-family home improvement and renovation loan products in targeted rural areas. To be considered rural, a community must be within a county in which more than 25 percent of the county's residents reside in an area that meets the standards established by the United States Department of Agriculture. Third was the delivery of a Rural Workforce Housing Initiative Pilot, which was originally

included in the legislative proposal. More detail on each of the components is outlined throughout this report.

As part of the RWFHI, WHEDA has closed \$4.5 million of subordinate soft debt for multifamily rural projects, used to leverage \$45 million of additional multifamily loans to rural projects and build 1,109 total units. For single-family rural loans, WHEDA has closed \$2.1 million used for the purchase and rehabilitation of single-family housing in rural communities. WHEDA has committed \$1.6 million to one of the three selected pilot communities and encumbered another \$3.4 million for the other two communities.

The initial commitment of \$10 million has currently been met and surpassed in closed, committed, and encumbered deals. These funds came from the Dividends for Wisconsin plans over several years and are crucial to ensure that WHEDA fulfills the commitments made to these communities, our Board, and to our legislative partners.

While the supplemental financing tools tackle technical gaps in existing programs, the RWFHI pilot establishes an adaptive framework to identify needs, evaluate options, and implement solutions identified by the communities involved. To succeed, the pilots require the support and participation of many partners.

II. Rural Multifamily Workforce Housing

The need for multifamily housing in rural areas is large, but the rising costs to build this type of housing is often prohibitive to developers. To that end, WHEDA established the Multifamily Rural Workforce Initiative Loan fund and allocated \$2.25 million to it in May of 2020. WHEDA has closed \$4.5 million of subordinate soft debt and leveraged an additional \$45 million in multifamily loans to rural projects since May of 2020 (see [Figure A](#)).

In addition to the creation of the subordinate loan pool for rural multifamily developments, WHEDA's established products in multifamily financing continue to serve individuals and families in rural communities.

One such resource that has had an impact in rural communities is the Federal and State Housing Tax Credits (HTC) programs. WHEDA has been the sole allocator and administrator of the Federal HTC in Wisconsin since the program started in 1986. In 2018, Wisconsin Legislators also created the State HTC program to encourage additional multifamily development to meet the growing need for new rental stock.

In 2021, WHEDA increased the Federal HTC committed specifically to projects in rural communities from 15% to 25% of the overall allocation. Five rural projects were awarded 21% of the Federal credits to build 187 units in 2021. The total allocation of credits was \$3.47 million.

Last year, WHEDA also established a 25% set-aside for rural projects in the State HTC program. This area has seen the greatest increase in awards, with 33% of credits awarded

to two rural projects in 2021, for the creation of 124 rural units. The total allocation was \$2.31 million for rural projects. WHEDA has seen an increase in state awards in rural areas and statewide since federal changes in 2021 also increased the value of the State HTC.

WHEDA established a 20% set-aside for Small Urban projects in 2021, as well. Small Urban areas are municipalities that are located 25 miles or more from an Urban Area and contain more than 10,000 residents, or areas located less than 25 miles from an Urban Area with fewer than 9,999 residents. Two Small Urban projects received 16% of the State HTCs in 2021 to build 125 units, with a total allocation of \$1.15 million.

Increasing the set-asides resulted in more applications for rural projects applying for and receiving tax credits. More multifamily housing projects in rural communities are being awarded credits due to the implementation of the RWFHI. Still, gaps in access remain large and a greater financial impact is needed to address the challenges of multifamily housing in rural communities than WHEDA can provide alone. Advancing equity in rural developments and increasing access to safe and secure housing for people across Wisconsin relies on strong partnerships.

III. Single Family Home Improvement Loan Product (HILP)

The RWFHI Plan approved by the Board in February 2020 included the expansion of a single-family home improvement and renovation loan product. This product has only recently been developed, but much remains to be implemented. Originally intended to be implemented in 2020, the COVID-19 pandemic forced WHEDA staff to turn attention toward ensuring homeowners and renters had safe and stable housing, especially when the “Safer at Home” shelter-in-place order came from state and federal governments and before the federal moratorium on residential evictions was announced in September 2020. Many staff hours in the first months of the COVID-19 pandemic were spent ensuring WHEDA borrowers understood and could access any assistance available so they could stay current in their mortgages and in their homes.

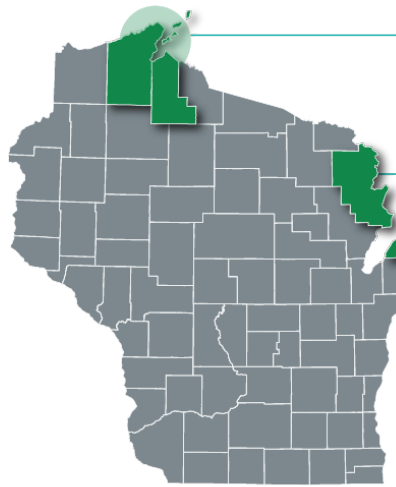
Despite the challenges that came with a global pandemic, WHEDA staff remained committed to serving people in need of access to affordable housing. The demand for a home improvement loan product remains and staff have once again placed their full attention on developing and implementing a comprehensive product. We intend to launch the single family Home Improvement Loan Program (HILP) in the first quarter of 2023.

Following the initial announcement of the program, WHEDA’s Single Family Department received a significant show of interest from lenders who are interested in offering the product to current homeowners and that interest is expected to grow significantly. Detailed estimates will be available once the product and its training requirements are finalized.

IV. Rural Workforce Housing Initiative Pilots

In the spring and summer of 2020, WHEDA staff planned and released a Request for Proposals (RFP) for Human Centered Design firms and a Request for Applications (RFA) from rural communities who were interested in engaging with WHEDA on pilot programs. Pilot communities were selected through a competitive process to allow WHEDA to

Pilot Communities



prioritize and work with communities that demonstrated a readiness to create solutions that can work across rural Wisconsin. Additional favorable criteria included land use policies and local ordinances that support affordable workforce housing, data to support housing needs, a diverse Pilot Design Team, and an openness to innovative solutions with new collaborative partners.

In the fall of 2020, WHEDA announced the three pilot communities chosen from a pool of 13 applications. The communities of Door and Marinette counties and Chequamegon Bay were selected. WHEDA has partnered with each community to create pilot programs and products to assist in solving the unique rural workforce housing issues they are experiencing.

A. Door County Pilot

The first community WHEDA began working with was Door County. Since the pilot kickoff, the Door County Team has worked collaboratively to evaluate and prioritize a set of key areas of need that impact local workforce housing, and to understand those needs through research and engagement with community stakeholders.

Challenges identified in Door County include public perception of affordable housing, zoning and land use policies, the increasing cost of development, and limited tools to finance infrastructure. These same challenges were also identified in the other pilots, demonstrating that many rural communities share similar concerns. Even with shared challenges, each community addressed their obstacles with unique solutions.

In the first phase of the Door County pilot, the research and engagement phase, three concepts to address the challenges were identified for further exploration. Those concepts were access to financing, development of new construction, and changes to public perception.

After completing phase one, the team hosted a series of brainstorming sessions with over 40 attendees representing local employers, developers, community members, and affordable housing experts. The sessions yielded a wealth of ideas and insights, from which the team selected top ideas to build into tangible concepts. Armed with concept feedback from a series of public feedback sessions and in conjunction with industry experts and WHEDA staff, the Door County team completed the pilot design process by settling on two solutions, to which WHEDA has committed \$1.6 million.

The first solution is an affordable workforce housing fund that WHEDA committed \$1.5 million to, with a matching contribution from the community. Door County succeeded in matching the funds from county allocations and philanthropic gifts. The second solution is an affordable housing competition that WHEDA approved an additional \$100,000 grant to help provide consulting services. These solutions are both in the process of being launched in the coming months.

B. Marinette County Pilot

Marinette County is the second community to participate in the pilot. The Marinette County pilot design team began the process in July 2021 using information collected in a housing study completed in 2018. The Marinette pilot is focused on the concepts of positive community engagement, developer attraction, and rehabilitation of existing housing stock for further exploration and implementation. WHEDA's financial commitment to Marinette County will be presented to the Board once a finalized proposal is received.

C. Chequamegon Bay Pilot

The Chequamegon Bay pilot is in phase one. This community is the largest geographical pilot, encompassing Ashland and Bayfield Counties as well as the Red Cliff Band of Lake Superior Chippewa and the Bad River Band of Lake Superior Chippewa. The pilot design team is exploring creative building models that encourage small scale and scattered affordable housing development, while working to change public perceptions and become a housing development and zoning-friendly community. Funding gaps and lack of infrastructure exist in this pilot as well. WHEDA's financial commitment to Chequamegon Bay will be presented to the Board once a finalized proposal is received.

IV. Conclusion

From these pilots, WHEDA learned that each community we partnered with was unique and had different levels of commitment and buy-in. While many of the same challenges were identified, the solutions each community favored and explored were different. Having a strong level of diverse community leadership on the pilots is integral to their success, as these communities will be self-supported in the long term. It takes the commitment

and collaboration from public, private, and nonprofit partners, as well as individuals and residents to stay close to the issues and design and implement strong solutions.

WHEDA also had the chance to better understand the regulations that control these cities, some of which hindered pilot design teams in their scope and implementation of projects. Additionally, WHEDA was not yet able to make impacts in certain areas in which communities identified challenges, such as infrastructure improvements and zoning policy changes. While staff and pilot design teams did not move forward with concepts to tackle such challenges as pilot solutions, each issue presents the opportunity for members of the communities and other interested stakeholders to band together in reaching solutions.

The RWFHI was created to identify possible solutions to remove barriers to the development and rehabilitation of affordable workforce housing, and to create scalable solutions for rural communities across Wisconsin. As the initiative continues, and once it has been completed in all three pilot communities, WHEDA will be able to collect a full spectrum of data, measure the outcomes, and deploy the learnings to advance affordable housing access and development across rural communities throughout the state. A more comprehensive report on these pilot projects will be available at that time, which staff estimates to be at the end of the fiscal year in June 2023. The final report will also summarize WHEDA's overall recommendations for solutions that can be scaled to assist other communities within Wisconsin.

FIGURE A

MULTIFAMILY LOANS CLOSED IN RURAL AREAS - JAN 2020 - OCT 2022

Project #	Project Name	City	Total Units	LI Units	Perm Loan (\$)	Const. Loan (\$)	Sub Loan (\$)	Total (\$)	Closing Date
6408	Prairie House Apartments	Sauk City	28	25	1,250,000	350,000	300,000	1,900,000	3/6/2020
6497	The 1300	River Falls	50	50	4,420,992	3,015,159	325,000	7,761,151	3/31/2020
6486	Oak Grove Development Phase 2-Additional Loan	Horicon			176,280		107,925	284,205	4/1/2020
6486	Oak Grove Development Phase 2	Horicon	20	20	2,294,000	689,531	600,000	3,583,531	4/1/2020
6343	Maple Leaf Apartments	Manawa	20	20	160,000			160,000	5/20/2020
6434	Driftless 3 Apartments	New Glarus	34	33	1,250,000	650,000	290,000	2,190,000	7/1/2020
6302	Barton School Apartments	West Bend	40	34	1,722,829		260,000	1,982,829	8/31/2020
6449	Kilbourn Apartments	Wisconsin Dells	60	51	5,872,967	2,127,033		8,000,000	10/15/2020
2408	One Penny Place	Woodruff	51	51	900,000			900,000	11/2/2020
6456	Oak Ridge Apartments	Adams	24	24	413,000			413,000	5/11/2021
6553	Bristol Commons	Bristol	48	48	2,919,999	7,500,000		10,419,999	7/28/2021
6582	Historic Wausau	Wausau	94	94	2,849,137	13,099,137	249,317	16,197,591	7/30/2021
6095	Fall River Meadows Apartments	Fall River	24	24	360,793	2,560,000		2,920,793	8/20/2021
6117	The Meadows Apts (aka Darlington Farmworkers)	Darlington	32	32	3,000,000	2,500,000		5,500,000	10/6/2021
6191	Sawyer School Lofts	Sturgeon	15	15	1,400,000	797,000	360,000	2,557,000	10/8/2021
6538	Cuba City I and II Apartments	Cuba City	36	36	500,000	1,201,300		1,701,300	11/19/2021
9010	Oak Meadow Senior Apartments	De Pere	55	55	4,127,000	1,500,000	515,000	6,142,000	1/28/2022
6205	Smith School Lofts	Oshkosh	31	31	3,210,000	1,650,000	318,000	5,178,000	3/23/2022
6154	The Grove Apartments	Stevens Point	102	102	4,689,122	16,313,706	336,000	21,338,828	3/29/2022
111057	Okato Manor	Oconto	74	71	2,810,000	7,386,228	300,000	10,496,228	5/31/2022
111128	New Richmond DT	New Richmond	50	50	754,000	7,474,210	522,000	8,750,210	6/2/2022
6537	Summit Apartments	Barneveld	34	34	361,214	1,625,000	313,786	2,300,000	7/27/2022
6877	Brooke Street Lofts	Fond du Lac	62	62	2,030,000	9,050,000	780,000	11,860,000	7/29/2022
111027	Superior View Cottages	Superior	50	50	2,330,000	6,819,481	2,100,000	11,249,481	9/19/2022
111030	Berkshire Ashwaubenon	Ashwaubenon	75	63	5,250,000	8,205,500	-	13,455,500	10/26/2022

1,109 1,075 55,051,333 94,513,285 7,677,028 157,241,646