

# Workforce Housing – If You Build It, They Will Come

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Thomas Cameron, Attorney, Quarles & Brady

Amy Harriman, Attorney, Quarles & Brady

Elmer J. Moore, Jr., Executive Director

Wisconsin Housing and Economic Development Authority

Don Bernards, Partner, Baker Tilly

# Agenda

- 1. Introductions**
- 2. Terminology**
- 3. What Can WHEDA Do For You?**
- 4. Current State/Hurdles/Opportunities with Workforce Housing Development Finance**
- 5. Staying Legal While Getting Projects Done**
- 6. Questions**

# About Us



**Thomas Cameron**

**Attorney, Quarles & Brady**

(414) 277-5527 | [thomas.cameron@quarles.com](mailto:thomas.cameron@quarles.com)



**Elmer J. Moore, Jr.**

**Executive Director, Wisconsin Housing and Economic Development Authority**

(608) 266-7884 | [elmer.moore@wheda.com](mailto:elmer.moore@wheda.com)



**Amy Harriman**

**Attorney, Quarles & Brady**

(608) 283-2463 | [amy.harriman@quarles.com](mailto:amy.harriman@quarles.com)



**Don Bernards**

**Partner, Baker Tilly**

(608) 240-2643 | [donald.bernards@bakertilly.com](mailto:donald.bernards@bakertilly.com)

## Area Median Income

- The midpoint of an area's (county or metropolitan area) income distribution
- Based on family size
- Calculated annually by the U.S. Department of Housing and Urban Development (HUD)
- Wisconsin Median Family Income for Fiscal Year 2023: \$96,300
  - Median Family Income (MFI) = Family of 4

## Affordable Housing

Housing which qualifies as “Low Income Housing”, “Very Low-Income Housing” or “Extremely Low-Income Housing”

## Low Income Housing

- Housing for individuals or families with a combined income of 80% or less than their area median income
- Calculated annually by HUD

## Very Low-Income Housing

- Housing for individuals or families with a combined income of 50% or less than their area median income
- Calculated annually by HUD

# Extremely Low-Income Housing

- Housing for individuals or families with a combined income of 30% or less than their area median income
- Calculated annually by HUD

# Terminology

## FY 2023 State Income Limits

### Wisconsin

#### Median Family Income

\$96,300

#### Very Low-Income Limit (VLIL)

50% of Median\*

1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
\$33,250	\$38,000	\$42,800	\$47,550	\$51,350	\$55,150	\$58,950	\$62,750

#### Extremely Low-Income Limit (ELIL)

30% of Median\*

1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
\$19,950	\$22,800	\$25,650	\$28,500	\$30,800	\$33,100	\$35,350	\$37,650

#### Low-Income Limit (LIL)

80% of Median\*

1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
\$53,300	\$60,900	\$68,500	\$76,150	\$82,200	\$88,300	\$94,400	\$100,500

Chart from huduser.gov

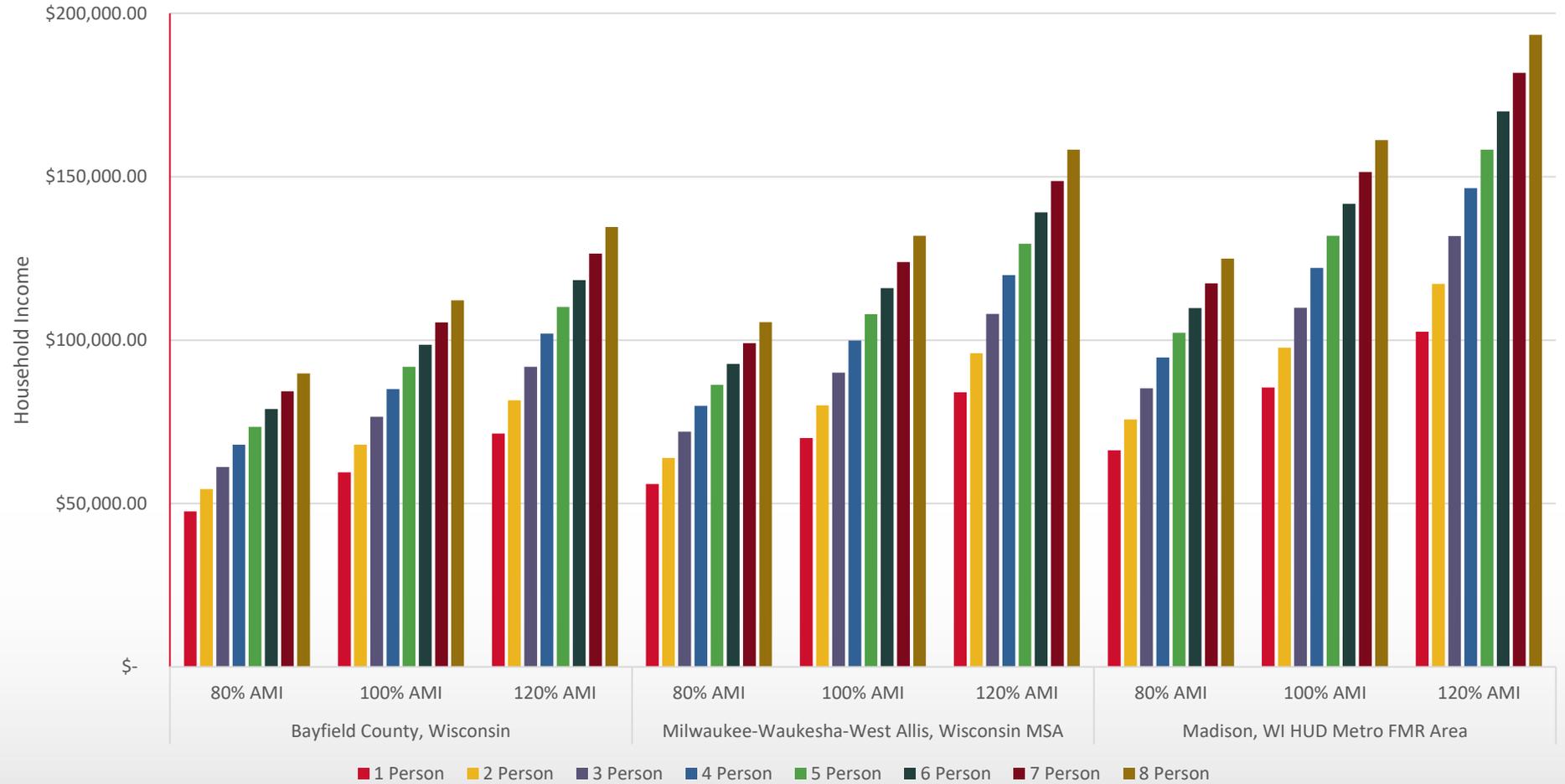
## Workforce Housing

- Not defined by HUD
- Can mean anything you want
- Housing for individuals or families with a combined income between 80% and 100% or 120% of their area median income

# Terminology

## Workforce Housing

Workforce Housing Income Ranges in Practice



## Workforce Housing

- 100% AMI for a Family of Four in Bayfield County: \$85,000

### What Does That Look Like?

- Starting Pay for School District of Bayfield Teacher = \$41,656
- Starting Pay for City of Washburn EMT = \$46,342.40

Theoretical Housing Budget (30% of pre-tax income) = \$2,200 / month

- Bayfield County Housing Statistics:

- Median Gross Rent (2018 – 2022): \$828 / month
- Median Monthly Cost of Owner-Occupied Housing (2018 – 2022): \$1,433
- Median Value of Owner-Occupied Housing (2018 – 2022): \$214,700

## Workforce Housing

- 100% AMI for a Family of Four in Milwaukee MSA: \$99,900

### What Does That Look Like?

- Starting Pay for Milwaukee Public School Teacher = \$50,737
- Starting Pay for Milwaukee Fire Fighter = \$51,216.80

Theoretical Housing Budget (30% of pre-tax income) = \$2,550 / month

- City of Milwaukee Housing Statistics:

- Median Gross Rent (2018 – 2022): \$982 / month
- Median Monthly Cost of Owner-Occupied Housing (2018 – 2022): \$1,437
- Median Value of Owner-Occupied Housing (2018 – 2022): \$157,800

## Workforce Housing

- 100% AMI for a Family of Four in Madison HUD Metro FMR Area: \$122,100

### What Does That Look Like?

- Starting Pay for Madison Metropolitan School District Teacher = \$48,656
- Starting Pay for Madison Fire Fighter = \$57,641.48

Theoretical Housing Budget (30% of pre-tax income) = \$2,650 / month

- City of Madison Housing Statistics:
  - Median Gross Rent (2018 – 2022): \$1,291 / month
  - Median Monthly Cost of Owner-Occupied Housing (2018 – 2022): \$1,974
  - Median Value of Owner-Occupied Housing (2018 – 2022): \$326,600

## Single-Family Housing

A standalone residential structure, designed to be occupied by one household



# Terminology

## Multifamily Housing

Any residential property with more than one housing unit, such as a duplex, townhome or apartment complex



# Terminology

## Subdivision

When a plot of land is divided into two or more parcels



## Brownfield

A property which had previous development on it



## Greenfield

A previously undeveloped site







## Staying Legal While Getting Projects Done

- Step 1: What Is Your Goal?
- Step 2: Identify a Path
- Step 3: Avoid Landmines
- Step 4: Execute the Plan
- Step 5: Repeat



## Step 1: What Is Your Goal?

- Increase Tax Base
- Housing
- Number of Units
- Affordable Housing
- Workforce Housing
- Market Rate Housing
- Specific Location
- Owner-Occupied Housing
- Rental Housing
- Mixed Use Development
- Local Government Led
- Developer Led
- Other Preferences



## Step 2: Identify a Path (or What's In Your Toolbox?)

### Knowledge is Power: Gather Information

- How much support from elected officials?
- What properties are for sale?
- What properties with development or redevelopment potential are not yet for sale?
- Who is interested in working with you?



## **Step 2: Identify a Path (or What's In Your Toolbox?)**

### **Public Private Partnerships: Identify Potential Partners**

- Local Employers
- Local Financial Institutions
- Developers
- Management Companies
- Other Governmental Entities
- Nonprofit Organizations



## Step 2: Identify a Path (or What's In Your Toolbox?)

### Low-Cost Tools

- Process Improvements
- Matchmaking Developers and Sellers
- Matchmaking Developers with Other Resources
- Zoning Code Changes
- Comprehensive Plan Changes



## Step 2: Identify a Path (or What's In Your Toolbox?)

### Medium-Cost Tools

- Grants or Loans to Individuals
- Down Payment Assistance
- Reevaluate Impact Fees
- Acquire Available Properties



## Step 2: Identify a Path (or What's In Your Toolbox?)

### High-Cost Tools

- Water and Sewer Upgrades
- Incentives for Developers
- Local Government as Developer



## **Step 2: Identify a Path (or What's In Your Toolbox?)**

### **Paying for the Path Forward: Funds on Hand**

- General Fund
- Utility Revenues
- Tax Increment
- Special Assessments



## **Step 2: Identify a Path (or What's In Your Toolbox?)**

### **Paying for the Path Forward: Borrow Money**

- General Obligation Borrowing
- Utility Revenue Bonds
- Tax Incremental Revenue Bonds
- Community Development Authority or Housing Authority Bonds
- Redevelopment Authority Bonds
- “Essential Function” Bonds



## **Step 2: Identify a Path (or What's In Your Toolbox?)**

### **Paying for the Path Forward: State and Federal Funds**

- ARPA
- Community Development Block Grants / Section 108
- Other Grant Programs



## **Step 2: Identify a Path (or What's In Your Toolbox?)**

### **Paying for the Path Forward: Low Income Housing Tax Credits**

- 4% Non-Competitive Tax Credits
- 9% Competitive Tax Credits



## **Step 2: Identify a Path (or What's In Your Toolbox?)**

### **Paying for the Path Forward: Leverage Identified Partners**

- Monetary Contributions from Partners
- In Kind Contributions from Partners



## Step 3: Avoid Landmines

### Inclusionary Zoning

- No city, village, town or county may enact, impose, or enforce an inclusionary zoning requirement
- “Inclusionary zoning” means a zoning ordinance, regulation, or policy that prescribes that a certain number or percentage of new or existing residential dwelling units in a land development be made available for rent or sale to an individual or family with a family income at or below a certain percentage of the median income



## Step 3: Avoid Landmines

### Nollan-Dolan Exactions

- The government cannot condition the issuance of a land-use permit on the applicant giving up a portion of their property, including financial property, unless there is a “nexus” and “rough proportionality” between the government’s demand and the proposed land use



## **Step 3: Avoid Landmines**

### **Appropriately Mitigate Your Legal Exposure**

- Insurance
- Indemnification
- Guarantees



## Step 4: Execute the Plan

- Gather Partners and Information
- Complete Appropriate Community Outreach
- Prepare All Necessary Documents
- Obtain All Necessary Approvals
- Follow Through to Completion



**Step 5: Repeat**

# Questions?

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# Workforce housing

If you build it, they will come

March 1, 2024  
9:30 – 10:45 a.m.



# Agenda

- Current state/hurdles with workforce housing development finance
- Workforce housing AMI's/market rate
- Examples of workforce/LIHTC transactions
- Land use/zoning issues and recommendations
- Financing and other related recommendations
- Case study
- Financing gap fillers

# Why is challenging to put a workforce housing project together?

## Jefferson County project

### Key variables today

Interest rate

7-year treasury + 210 bps

6.38%

Construction costs

two story walk-up

\$ 180,000

40 units - mix of studio, 1, 2 and 3 bedrms

Achievable market rents range from \$925 - \$1,450

Note: These are approximately the 60% AMI level

Total project costs

\$ 8,400,000

First mortgage underwritten (30-year amortization)

4,800,000

57%

Other sources needed

\$ 3,600,000

43%

# Workforce housing and AMI's

- In many rural areas, workforce, market and affordable rents may all be around the same level (which may around 60% AMI)
- What are 60% and 80% income levels - in Marathon County, as an example, for a family of four:
  - 60% income \$55,620
  - 80% income \$74,160
- In rural areas and with tax credits with tax-exempt bonds, you can now go up to 80% AMI

60%

FAMILY SIZE COUNTY:	ONE	TWO	THREE	FOUR
Brown	40,140	45,840	51,600	57,300
Calumet	42,600	48,660	54,720	60,780
Chippewa	38,400	43,860	49,320	54,780
Columbia	41,160	47,040	52,920	58,740
Dane	51,300	58,620	65,940	73,260
Dodge	36,300	41,460	46,620	51,780
Door	36,600	41,820	47,040	52,260
Douglas	37,980	43,380	48,780	54,180
Dunn	36,540	41,760	46,980	52,140
Eau Claire	38,400	43,860	49,320	54,780
Fond du Lac	37,440	42,780	48,120	53,460
Grant	35,700	40,800	45,900	51,000
Green	39,480	45,120	50,760	56,400
Green Lake	35,700	40,800	45,900	51,000
Iowa	40,260	46,020	51,780	57,480
Jefferson	39,240	44,820	50,400	55,980
Kenosha	39,780	45,480	51,180	56,820
Kewaunee	40,140	45,840	51,600	57,300
La Crosse	39,240	44,880	50,460	56,040
Lincoln	36,300	41,460	46,620	51,780
Manitowoc	35,880	41,040	46,140	51,240
Marathon	38,940	44,520	50,100	55,620
Milwaukee	42,000	48,000	54,000	59,940
Monroe	36,120	41,280	46,440	51,600
Oconto	35,700	40,800	45,900	51,000
Oneida	36,000	41,160	46,320	51,420
Outagamie	42,600	48,660	54,720	60,780
Ozaukee	42,000	48,000	54,000	59,940
Pepin	36,120	41,280	46,440	51,600
Pierce	52,200	59,640	67,080	74,520
Polk	35,700	40,800	45,900	51,000
Portage	38,640	44,160	49,680	55,140

80%

FAMILY SIZE COUNTY:	ONE	TWO	THREE	FOUR
Brown	53,520	61,120	68,800	76,400
Calumet	56,800	64,880	72,960	81,040
Chippewa	51,200	58,480	65,760	73,040
Columbia	54,880	62,720	70,560	78,320
Dane	68,400	78,160	87,920	97,680
Dodge	48,400	55,280	62,160	69,040
Door	48,800	55,760	62,720	69,680
Douglas	50,640	57,840	65,040	72,240
Dunn	48,720	55,680	62,640	69,520
Eau Claire	51,200	58,480	65,760	73,040
Fond du Lac	49,920	57,040	64,160	71,280
Grant	47,600	54,400	61,200	68,000
Green	52,640	60,160	67,680	75,200
Green Lake	47,600	54,400	61,200	68,000
Iowa	53,680	61,360	69,040	76,640
Jefferson	52,320	59,760	67,200	74,640
Kenosha	53,040	60,640	68,240	75,760
Kewaunee	53,520	61,120	68,800	76,400
La Crosse	52,320	59,840	67,280	74,720
Lincoln	48,400	55,280	62,160	69,040
Manitowoc	47,840	54,720	61,520	68,320
Marathon	51,920	59,360	66,800	74,160
Milwaukee	56,000	64,000	72,000	79,920
Monroe	48,160	55,040	61,920	68,800
Oconto	47,600	54,400	61,200	68,000
Oneida	48,000	54,880	61,760	68,560
Outagamie	56,800	64,880	72,960	81,040



# Low-income housing tax credits are a powerful tool for the State

- In the past five years, credits have been awarded to projects in:
  - 48 counties
  - Creating 10,160 units of housing with incomes ranging from 30% AMI to market rate
  - State credit, which allows for 80% of units, has about doubled the production of affordable/workforce housing in the state

# Wausau Townhomes - Wausau



# Trolley Station - Marinette



# Spartan Lofts - Sparta



# Traylor Place Apartments - Madison



# Issues that cause time delays and money



Excessive minimum lot sizes; excessive parking requirements



Delays, long processes



Conditional-use rather than by-right for many housing types.



Many zoning ordinances have limited areas or ban completely building “missing-middle” and multifamily homes



Regulations which increase finish level not related to health/safety

# Recommendations to zoning/entitlements to help with workforce housing development

- Smaller lot sizes, reduced setbacks
- Reduced parking requirements
- Allow developers flexibility to meet market demands for different sizes of units and configurations. For new neighborhoods, encourage a variety of styles, sizes and type
- Encourage or incentivize workforce housing near jobs and transit
- Allow accessory dwelling units (“ADUs”) in all residential zoning districts by right
- Allow “missing middle” housing types in many residential zoning districts. Encourage townhouses and condo developments
- Expedited permitting and development approval processes for workforce housing
- Allow multifamily development (by right) in at least one zoning district
- Examine the “zoning yield” of current and future development areas in the city.
  - (How many units can actually be built on each parcel based on the current zoning?)
  - Can the current zoning actually allow developers to produce the number of units and the types of units our plan says we need? If not, how can we change the zoning?

## **A user's guide to Wisconsin neighborhood affordability**

- Reducing large lot sizes to increase density and make standards applicable to old and new neighborhoods alike
- Home setbacks of 20-30 feet can be reduced to increase density
- Allow multiunit housing in areas once or currently zoned for single family homes to allow construction of multiunit housing
- Allow accessory dwelling units in all single-family districts
- Allow multifamily construction in commercial districts
- Shift the focus on parking from how many spaces to where the parking is located
- Provide developers with a clear, predictable approval process
- Prioritize the municipal review of workforce or affordable housing applications

# Financing best practices/recommendations for workforce housing

- Use tax incremental financing (TIF) to leverage workforce housing for new construction and/or acquisition/rehab
- Affordable housing “amendment” when tax incremental district (TID) closing
- Consider acquiring vacant or foreclosed properties for city to act as developer
- Create requests for proposal (RFPs) for developers. Partner with not-for-profits to get a mix of market rate and affordable units, some with services/disabled
- Partner with not-for-profits and/or experienced developers of mixed-income housing. City helps developers pull together multiple funding sources

# Financing best practices/recommendations for workforce housing (cont.)

- Help recruit/attract developers with site-selection assistance and/or “shovel ready” sites
- Local or regional staff help direct developers to various funding sources
- Create technical assistance and funding opportunities. Concerted leadership at administrative and legislative levels
- Put together a workforce housing committee including various stakeholders from city, county and private employers

# Being your own developer/owner

- Using essential function bonds as financing to develop workforce housing
  - Non-recourse debt
  - Long interest only periods
  - High leverage available

CASE STUDY

# Fairway Glen - Monona, WI



*Three parcels in TID #7 were home to a UW Health Clinic that relocated to Broadway.*



# Fairway Glen



## **Fairway Glen, (cont.)**

- The City of Monona provided TIF for the project to help with demolition
- A community bank was the first mortgage lender
- A subordinate mortgage was received from a Community Development Financial Institution (“CDFI”)

CASE STUDY

# Madison and Main - Waunakee



## Madison and Main, (cont.)

- Key components:
  - Brownfield site cleaned up by the municipality and went through an RFP process
  - Project is on Main Street with 78 units of rental housing and 4,000 square feet of retail space
  - Financing included a workforce housing first mortgage from the Wisconsin Housing and Economic Development Authority (WHEDA). This financing requires 20% of the units at 80% and the balance market rate
  - HOME funds were received from the county as eight units are targeted for persons with disabilities. This provided a second mortgage on the property

## **Various sources/examples to help fill the gap**

- City funds
- City TIF
- County funds
- Employer funds (Dane County, Sheboygan County)
- Board of Commissioners of Public Lands
- Capital Magnet Funds
- Wisconsin Economic Development Corporation Brownfield Grant
- Federal Home Loan Bank – Affordable Housing Program (AHP)

## Various sources/examples to help fill the gap, (cont.)

- Energy investment tax credits
  - Solar and geothermal
  - Electric vehicle charging station
- Focus On Energy
  - Rebates for energy efficiency from the Inflation Reduction Act – up to \$14,000 per unit for electrification
- United Way

# WHEDA – a great partner for workforce housing

- WHEDA permanent debt – 7/10 loan program
- 20% at 80% and the balance at market
- WHEDA gap sources
  - Capital Magnet Funds
  - National Affordable Housing Trust Funds
  - \$525 million in new lending for workforce housing

# \$525 million in lending from WHEDA

- **Vacancy-to-Vitality** - converts vacant and underutilized commercial properties to housing
  - Subordinate financing, max loan amount of \$1 million or 20% of project costs, whichever is less
  - Reserved for households up to 100% of the area median income (AMI)
  - Terms:
    - Rate = 3% (1% for community with less than 10,000 people OR full senior development)
    - Term and amortization to match primary debt
- **Restore Main Street** - will help rehab second and third floor rental housing over commercial space
  - Subordinate financing, max of \$20,000 per unit or 25% of rehab costs, whichever is less
  - Terms:
    - Rate = 3% (1% for community with less than 10,000 people)
    - Term and amortization to match primary debt

# \$525 million in lending from WHEDA, (cont.)

- Infrastructure Access Loan - covers the cost of installing replacing, upgrading or improving public infrastructure related to workforce or senior housing
  - Eligible applicants: Developers and governmental units
    - Developers can apply for the lesser of total infrastructure costs or 20% of the total development costs, including land of the home supported by the project
    - Governments are able to apply for the same amount as developers, but can also apply for the lesser of the public infrastructure costs are 10% of the total cost of development, including land of the home supported by the project
      - Developers can use their 20% to pay for infrastructure that's directly related to the project
      - Governmental units can use the additional 10% for infrastructure that will serve the project, but it'll be public infrastructure, so any public infrastructure that's needed to serve the housing development would qualify, but it can also serve other housing in the area as well
      - Developer is able to apply for the funding on their own so they can apply on their own for the 20%, they can partner with a governmental unit to get the extra 10% but a governmental unit is unable to apply on their own without an accompanying development application (see how it works below)
        - Rebecca said she would need to get clarification on whether housing authorities would need to partner with a developer to apply since they are quasi-government and also developers
  - Terms: Same as the two programs above, 3% rate unless in a community with less than 10,000 people, term/amort to follow primary debt



## **\$525 million in lending from WHEDA, (cont.)**

- Municipalities: The housing element of the comprehensive plan has to have been updated within five years at the application date
  - The comprehensive plan also has to have been updated at least once in the last 10 years and is compliant within state statutes
  - legislation also requires the municipality to take cost reduction measures on or after January 1, 2023
    - Examples: Increasing density, waiving impact fees, waiving any other fees that can be tied to some kind of a cost reduction for the development
    - There's a lot of flexibility and latitude and calculating what the cost reduction is
    - But the municipality needs to be descriptive and show the math of those savings
    - If necessary, zoning needs to be in place to allow for residential housing

# Vacancy to Vitality - Brookfield - 203 units

