



WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

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Good Afternoon Committee Co-Chair Darling, Committee Co-Chair Vos and committee members. Thank you for the opportunity to provide testimony to the Legislative Joint Committee on Finance about the Wisconsin Housing and Economic Development Authority, and the proposed 2011-2013 state budget.

I am Wyman Winston, WHEDA's Executive Director. I have with me today my Executive Asst. Mary Ann McCoshen.

I have been the Executive Director at WHEDA since January 3rd of this year, but I am no stranger to WHEDA or the state housing efforts. I have been involved in every major state housing initiative going back to 1981.

I spent 14 years at WHEDA as a Senior Manager, from 1987 through 2001. I served in two management positions, first as Multifamily Director and later Director of WHEDA's Emerging Markets Product Group. I launched the Low Income Housing Tax Credit (LIHTC) program at its inception, worked on solving challenges to preserve WHEDA's oldest housing portfolio and prepared the initial proposal for WHEDA to participate in the federal Housing Voucher program.

One of the key factors in my decision to return to WHEDA was my firm knowledge that Wisconsin has a workforce with the skills, ingenuity, and capability to compete in the global economy. So I enthusiastically answered Governor Walker's call to serve and help him achieve his ambitious goal of creating 250,000 jobs for Wisconsinites.

Governor Walker is reforming how government looks, how it operates and how it prioritizes the spending of taxpayer dollars. This includes the Governor's proposal to consolidate all housing under the auspices WHEDA.

Governor Walker proposes the transfer of state housing programs from the Department of Commerce to WHEDA, including: (1) Housing Cost Grants and Loans, or Housing Cost Reduction Initiative [HCRI]; (2) Transitional Housing Grants; (3) State Shelter Subsidy Grant; (4) Local Housing Organizations Grants [LHOG]; and (5) Interest-Bearing Real Estate Trust Account [IBRETA].

WHEDA is more than up to the challenge.

I like to refer to the Authority as the best, greatest untold story in Wisconsin. The State Legislature appropriated \$250,000 in seed money to begin operations 39 years ago, the appropriation was returned to the State in nine years. Since then WHEDA has invested billions of dollars into apartments, homes and businesses across our 72 counties. We have helped create countless success stories, helping hard-working families improve their housing, buy their first home or find rental housing that fit their modest incomes.

WHEDA is a public body corporate and politic created in 1972 by the Wisconsin Legislature. We provide low-cost financing for housing for low and moderate income families and small businesses. WHEDA raises capital in the public finance marketplace.

WHEDA has three major loan programs: Single Family Housing, Multifamily Housing and Economic Development. The Authority manages a number of state and federal programs including the Wisconsin Development Reserve Fund, the Home Improvement Loan Program, the Low Income Housing Tax Credit Program, and the New Market Tax Credit Program.

Our funding is derived primarily through the issuance of bonds, both tax-exempt and taxable. The proceeds then are used to make loans to finance low and moderate-income housing.

WHEDA's total statewide housing and economic development impact in the state of Wisconsin from 2000 to 2010 was an estimated \$4.3 billion:

Single Family Housing

- WHEDA has funded over 30,000 single family home loans statewide totaling over \$3.3 billion for Wisconsin families seeking homeownership.

Multifamily Housing

- WHEDA awarded over \$78 million in Low Income Housing Tax Credits (LIHTCs), \$780 million over 10 years, to over 250 multifamily development providing approximately 13,500 housing units.
- WHEDA provided over \$410 million in financing to 215 multifamily developments, creating approximately 13,000 housing units.
- Through ARRA, WHEDA has awarded over \$175 million in federal stimulus funds to 73 housing projects creating 4,700 units, and an estimated 3,500 jobs.

Economic Development

- WHEDA has awarded over \$227 million in New Markets Tax Credits to 23 projects, creating over 5,000 direct permanent jobs, 5,100 permanent jobs in related businesses and 4,200 temporary construction jobs.
- WHEDA provided over 500 Small Business Guarantees totaling nearly \$50 million. These guarantees created 1,500 full time jobs, and retained 1,650 more.
- WHEDA provided over 4,700 Agricultural Loan Guarantees totaling over \$134 million. These deals were primarily Credit Relief Outreach Program (CROP) Guarantees, and Farm Asset Reinvestment Management (FARM) Guarantees.

WHEDA Foundation Grants

- WHEDA awarded 385 grants totaling \$6.7 million on behalf of the WHEDA Foundation. Funds are made available annually through the Housing Grant Program competition.
- The program's mission is to assist in the improvement of the state's housing supply for special needs populations.

We are poised to launch our newest mortgage product this summer. So, despite the collapse of the housing market a number of years ago, WHEDA is fiscally sound. Standards & Poors just completed, last week, an Issuers Credit Rating of AA- on the Authority. We are considered a leader in the housing industry. We accomplish all we do through our work with our partners including Realtors, Bankers, Realists, local communities, non-profits and developers big and small.

Committee members, you are now in the process of tackling your single most important piece of business: the next state budget.

Governor Walker calls his proposed 2011-13 state budget a "reform budget." Undoubtedly the governor's budget will reshape our state's fiscal approach in a significant and long-term manner. His budget will also establish a level of stability, continuity and synergy for the State's invaluable housing assets. I am confident that WHEDA will be a good steward of the State's Housing programs by helping meet Governor Walker's goal of 250,000 new jobs for Wisconsinites.

Why the transfer is good for the State:

- WHEDA is an experienced provider of housing to low and moderate income families. We have been in this business since 1972.
- WHEDA is an experienced provider of special needs housing, housing rehabilitation and originally launched Wisconsin's Stewart B. McKinney Homeless Initiative.
- WHEDA and our customers are regular users of some of the transferred programs
- WHEDA was created to produce low and moderate income housing
- In 1976 WHEDA became the first state housing financing agency to successfully market long-term bonds specifically allocated to finance low income multifamily developments.
- WHEDA has an established network of Community Relations staff that covers every County in the State, working with non-profits, housing authorities and developers to meet local housing needs.

Governor Walker's proposed 2011-13 state budget allocates \$40,709,100 in each year of the biennium for a total of \$81,418,200.

WHEDA fully supports this philosophy and is prepared to take on those added responsibilities. I appreciate the Governor's understanding and assurance that WHEDA is properly equipped to take on additional housing duties. The issue of housing is essential to a growing economy and that's why WHEDA is such a pivotal player.

Historically the State housing assets have been splintered and experience long periods of instability bouncing from one State agency to another.

- WHEDA has successfully managed dual roles of housing and economic development.
- WHEDA is perfectly suited to take on the additional housing responsibilities from the Commerce Department called for in the Governor's budget.
- WHEDA and/or our customers have historically worked with housing staff and used the state's housing programs.
- WHEDA will look to consolidate and integrate the State housing program into the Authority.
- Again, I speak with the utmost confidence and with good reason.

WHEDA has the synergy, the mission, focus and legacy of serving tens of thousands of Wisconsin families

WHEDA collaborates with businesses, lenders, community banks, credit unions, insurers, and developers. These relationships throughout WHEDA's proud history have been strong. They have been solid. They have been successful. And I have every confidence they will continue to

serve all of us very well. WHEDA has been through countless challenges. I am gratified that our expertise always seems to see us through.

We at WHEDA firmly believe we possess the institutional knowledge, background, passion and determination to meet our job creation/economic development challenges.

When that happens, when more jobs are created and more people are working and more people are buying homes...just think about the magnitude of the economic ripple effect it will create.

When it happens, we all win. And that's the whole idea: putting people back to work, back in homes, and back to being proud, productive contributors to our great state!

Again, thank you for this opportunity to address the committee. If you have any questions, I (we) will be more than happy to answer.

FACTS

RATINGS

- We are fiscally sound, as of June 30, 2010, WHEDA's Issuer's Credit Rating from Moody's Investors Services was Aa3

mortgage originations

- There was a decline in mortgage originations and an increase in profitability in fiscal year 2010 compared to fiscal year 2009. The decline in mortgage originations and investment performance, however, has been offset by lower cost of debt. That resulted in improved performance for fiscal year 2010.

loan portfolio

- As WHEDA moved into fiscal year 2011, we expect to stabilize our loan portfolio balance by the end of the year thanks to some new single family loan products. WHEDA continues to partner with the Federal National Mortgage Association or Fannie Mae, the Federal Housing Authority or FHA, and others to offer mortgage funding for first-time home buyers throughout Wisconsin.
- Total assets at the end of fiscal year 2010 were \$3.7 billion, a 2.8 percent increase from the previous year. WHEDA had net income of \$23.9 in fiscal year 2010, a 4.5 percent increase in net assets.
- WHEDA introduced the Fannie Mae Advantage, a new single family loan program. As of June 30, 2010, \$9.7 million in loans were sold to Fannie Mae, where WHEDA then purchased the pooled mortgage-backed security (MBS). As of June 30, 2010, \$38.2 million in additional loans had originated and were being held for future sale.

Urban Initiative

- During my first stint with WHEDA, I created WHEDA's Urban Initiative to invest \$100 million in Milwaukee's poorest neighborhoods, in retail development, property renovation and in-fill residential development. WHEDA has a solid track record of assisting local

communities through this model. Let me give you an example: Lindsay Heights.

Lindsay Heights is a large central city Milwaukee neighborhood spanning from Walnut Street on the south to Locust Street on the north and from I-43 on the east to 20th Street on the west. It is one of Milwaukee's oldest African-American working-class neighborhoods.

Lindsay Heights was once falling apart, an area plagued by crime. Houses were torn down decades ago to make way for freeways. Some of those promised freeways never developed, leaving plenty of empty lots. Residents moved out. So did businesses. Lindsay Heights was characterized by blight, crime, drugs, and despair.

In November of 2008, the Milwaukee Journal Sentinel interviewed some Lindsay Heights residents, including Harriet Dorsey. Harriet was 102 years old. Dorsey told the newspaper that in 1998, hers was the only house left on the block. When Dorsey was asked why she stayed, she said her husband, John bought her that house.

With lots of empty land and in need of help, Lindsay Heights got it from WHEDA that targeted the neighborhood for a renaissance.

The WHEDA project built 165 new houses in Lindsay Heights. Many more were renovated. Today, there is a lot less empty land, a lot less blight, more homes, more promise, and a more attractive feel to Lindsay Heights. Neighbors today walk the streets together. They work with local police to foster safety.

And the most important element of this successful endeavor: WHEDA and Lindsay Heights proved that new home building was possible in the central city. Nearly three years ago, major philanthropist Joseph Zilber designated Lindsay Heights as one of two neighborhoods to be part of his 10-year, \$50-million effort to improve low-income-areas of the city.

NMTC

- Another weapon WHEDA has in its arsenal to help accomplish our goals: The New Markets Tax Credit program. It was originated by Congress in 2000 to promote economic development in low-income communities by providing tax incentives to investors who make equity investments in urban and rural low-income communities.
- Since 2004, the Wisconsin Community Development Legacy Fund, a nonprofit organization that includes WHEDA, has received allocations of New Markets Tax Credits totaling \$420 million.