





Snapshot of income levels and rents

BAKER TILLY

Bedroom size		INCOME LEVELS		RENT AMOUNTS	
		1	2	1	2
Dane County	50%	34,400	36,700	\$ 960	\$ 1,032
	80%	55,040	58,720	\$ 1,376	\$ 1,651
	100%	68,800	73,400	\$ 1,720	\$ 2,064
Brown County	50%	29,075	31,000	\$ 726	\$ 872
	80%	46,520	49,600	\$ 1,162	\$ 1,395
	100%	58,150	62,000	\$ 1,452	\$ 1,744
LaCrosse County	50%	27,175	29,000	\$ 679	\$ 815
	80%	43,480	46,400	\$ 1,086	\$ 1,304
	100%	54,350	58,000	\$ 1,358	\$ 1,630
Sauk County	50%	25,600	27,300	\$ 640	\$ 767
	80%	40,960	43,680	\$ 1,024	\$ 1,227
	100%	51,200	54,600	\$ 1,280	\$ 1,534

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Source: WHEDA 2018 rent and income limits

Challenges in today's market



- > Rising construction costs
 - > Anecdotally have seen 10% increases per year over the last 5 years
- > Rising interest rates
- > Bureau of Labor Statistics shows 2-3% average wages increases for non-mangers since 2013

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Financing programs around workforce/affordable housing



- > 9% low-income housing tax credits
- > 4% low-income housing tax credits
- > Opportunity Zones

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9% Low-income housing tax credits



- > Administered by WHEDA
- > Annual application
- > Competitive process which typically generates 50-65% of a project's cost
- > 2018 round produced 24 projects totaling 1,314 units
- > Awards in 16 different counties

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Example: 9% unit mix



New construction project in Rural Community

Number of bedrooms	Units	AMI set aside %	SF per unit	Monthly net rent
1 Bedroom	7	30%	740	303
1 Bedroom	4	50%	740	555
2 Bedroom	4	50%	1,070	661
3 Bedroom	5	50%	1,300	750
1 Bedroom	2	60%	740	675
2 Bedroom	6	60%	1,070	765
1 Bedroom	2	Mkt	740	675
2 Bedroom	2	Mkt	1,050	765
3 Bedroom	1	Mkt	1,300	900
Total	33			

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Example: 9% sources and uses



SOURCES

First Mortgage	720,000
City Loan	500,000
FHLB - AHP	400,000
LHHC Equity	4,475,000
Deferred Developer Fee	165,000
	<u>\$ 6,260,000</u>

USES

Land	250,000
Construction	4,460,000
Soft Costs	1,550,000
	<u>\$ 6,260,000</u>

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Items needed from the municipality



- > Evidence of permissive zoning
- > If located in qualified census tract, evidence of a concerted community revitalization plan
- > Additional items which help with competitive scoring:
 - RFP's for city controlled land
 - Financial support
 - Direct loan
 - TIF
 - Rule of thumb is \$15,000 - \$20,000 per unit

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Tax Incremental Financing



- > Tax Act of 2017
 - > Takes away ability to effectively structure up-front dollars
- > Typical structure we are seeing is “pay-as-you-go”
- > Interest rates on TIF loans increasing
 - > This eats away the present value

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4% Low-income housing tax credits



- > Federal program provides about 25-30% of sources of funds
- > Wisconsin legislation passed a state low-income housing tax credit in the spring of 2018 which helps to provide another 15-20% of project sources
- > There has been one round of awards which funded 1,067 units which otherwise wouldn't have been created
- > Awards in Sheboygan, Brown, Kenosha, Pierce, Dane, LaCrosse and Douglas counties

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Example: 4% unit mix



New construction 4% deal in Suburban market				
Beds	Type	AMI set aside %	Square feet	Monthly net rent
1 Bedroom	LHMC	30%	650	471
2 Bedroom	LHMC	30%	900	561
1 Bedroom	LHMC	40%	650	643
2 Bedroom	LHMC	40%	900	768
1 Bedroom	LHMC	50%	650	815
2 Bedroom	LHMC	50%	900	974
1 Bedroom	LHMC	60%	650	935
2 Bedroom	LHMC	60%	900	1,119
1 Bedroom	LHMC	70%	750	1,069
2 Bedroom	LHMC	70%	900	1,374
1 Bedroom + DEN	LHMC	80%	850	1,172
2 Bedroom	LHMC	80%	1,000	1,374
TOTAL		60.00%		

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Example: 4% sources and uses



SOURCES	
First Mortgage	14,500,000
TIF Loan	2,700,000
Seller Loan	900,000
LIHTC Equity	8,830,000
State LIHTC Equity	3,860,000
Deferred Developer Fee	3,300,000
	\$34,090,000

USES	
Land	900,000
Construction	23,800,000
Soft Costs	9,390,000
	\$34,090,000

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Opportunity Zones



- > Created in the 2017 Tax Act
- > Proposed regulations came out October 19, 2018
- > Governor's office designated opportunity zones (must meet certain income levels)
- > Tax benefits to investors who invest their capital gains
- > Due to tax benefits, cash returns needed are less
- > Affordability not required, but we are seeing projects with 80-100% AMI's happen organically

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Example: Opportunity Zones unit mix



Southeast Wisconsin new construction				
Unit size	Number	Unit type	Square feet of unit	Net rent
Studio	5	80%	680	900
1 Bedroom	55	MKT	880	1,200
2 Bedroom	41	MKT	1,200	1,400
1 Bedroom	12	80%	880	1,027
2 Bedroom	7	80%	1,200	1,224
Total Residential	120			

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Example: Opportunity Zones sources and uses



SOURCES	
First Mortgage	13,600,000
TIF Loan	4,544,000
Equity	4,600,000
	<u>\$ 22,744,000</u>

USES	
Land	1,100,000
Construction	19,300,000
Soft Costs	2,344,000
	<u>\$ 22,744,000</u>

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Questions?



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