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## New Wisconsin State LIHTC Spurs Affordable Senior Housing Development

**TERESA GARCIA, MARKETING MANAGER, NOVOGRADAC**

Wisconsin's new state low-income housing tax credit (LIHTC) proved to be a game-changer for a new construction affordable housing development in Fitchburg, Wis., a suburb of Madison.

Regional developer E.J. Plesko & Associates Inc. had planned Fitchburg Senior Apartments for years, but being able to leverage both federal and state LIHTCs helped the development take the next step to address the severe affordable housing shortage in the area.

Fitchburg Senior Apartments will have 160 one- and two-bedroom apartments. Amenities include two club rooms with kitchens and fireplaces, a library, a screened-in porch, a wellness center and underground parking. Retail, health care services and public transportation are within walking distance and an adjacent public golf course will offer residents a picturesque view.

"We bought the property in 2005," said David Gevers, vice president and director of development for E.J. Plesko & Associates Inc., a longtime developer of

senior housing. "We were looking at what we could do with the parcel of land and identified the needs of the neighborhood, particularly as they relate to affordable senior housing."

Two aging apartment buildings on the site were demolished in 2007 to make way for new development, but the national economic downturn sidelined redevelopment plans. That is, until Wisconsin created a state LIHTC in 2018.

"The state [LIHTC] program was instrumental in allowing this project to go forward," said Gevers.

Advantage Capital, which invested state LIHTC equity in Fitchburg Senior Apartments through Hunt Capital Partners' Fund entity, helped draft the legislative text for the state LIHTC. Ruth Sorrell,

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a principal at Advantage Capital, took the lead on drafting the bill text.

One priority was to make sure the new program was the right size. Sorrell said that state programs that are too big can be difficult to enact, while programs that are too small might not generate enough investor interest to garner competitive pricing. The bill proposed \$42 million in state credit to be awarded annually and claimed \$7 million per year for six years. The other main priority for the legislation was to pair the state LIHTC with the federal 4 percent LIHTC to help unlock unused volume cap.

“I took a crack at drafting the legislation with input from various stakeholders,” said Sorrell. “The final version passed incredibly fast with high majorities.”

Former Wisconsin Gov. Scott Walker signed the state LIHTC into law in March 2018 and the Wisconsin Housing and Economic Development Authority (WHEDA) began accepting applications for the first allocation round two months later. Fitchburg Senior Apartments was one of nine allocation award recipients under

*Image: Courtesy of JLA Architects of Madison, Wisconsin*  
**Fitchburg Senior Apartments in Fitchburg, Wis., is being constructed with federal and state low-income housing tax credit equity.**

the inaugural round of the new state LIHTC, a six-year, 4 percent LIHTC program that largely matches the federal incentive. WHEDA provided \$24.5 million in debt to Fitchburg Senior Apartments and awarded the development \$933,000 in state LIHTCs and \$933,000 in 4 percent federal LIHTCs.

“This [state LIHTC] is a separate resource that can be used on its own, but when paired [with the federal credit], it can unlock unused volume cap—it opens the floodgates potentially so much more to leverage existing federal resources,” said Paul Olsen, vice president of Advantage Capital. “Hopefully with the first year of this program being successful, it will show local- and state-level lawmakers that it really does work as advertised.”

“Since the inception of the state housing tax credit program in 2018, the statewide impact has been quite significant,” said WHEDA executive director Joaquin Altoro. “After two rounds of allocations, \$7,369,167 in tax credit awards will move forward 22 developments that will create 2,040 units of rental housing.” Altoro was recently appointed as WHEDA’s executive director by Wisconsin Gov. Tony Evers.

Hunt Capital Partners Tax Credit Fund 27 provided federal LIHTC equity. “The equity derived from both

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the federal and state credits is so substantial that it would be impossible to do it without either,” said James Crowder, director at Hunt Capital Partners.

Fitchburg Senior Apartments is one of the first developments in Wisconsin to use the income-averaging set-aside, said WHEDA’s director of commercial lending, Sean O’Brien, a Fitchburg resident who drives past the Fitchburg Senior Apartments site every day to and from work. Fitchburg Senior Apartments will offer apartments to senior households earning between 30 percent and 80 percent of the area median income (AMI).

Early plans for the development called for 100 percent of the units to be at 60 percent AMI, but O’Brien said that the advent of the income-averaging set-aside helped close financing gaps and reduce market risk.

“This is a market that can sustain units at above 60 percent [AMI] rents, so we can use this as a test case,” said O’Brien. “We’re going from 100-plus units all at 60 AMI and now we’re able to produce 30 to 80 percent AMI units, so the market risk has been extremely reduced and on top of that, without significant spending resources. It’s a definite win for the state.”

Fitchburg Senior Apartments is scheduled for completion in June 2020 and project partners expect the development will spur further investment in the neighborhood.

“The nature of community development is you hope it’s not one and done,” said Earl Chase, Hunt’s director of acquisitions. “You hope it’s catalytic. The size and scale of this [development] and the visibility it has in the community will create opportunities for more housing similar to it.” ❖

### Fitchburg Senior Apartments

#### FINANCING

- ◆ \$24.5 million in debt from the Wisconsin Housing and Economic Development Authority
  - \$14.2 million in long-term, tax-exempt bonds
  - \$3.2 million construction plus loan
  - \$2.9 million in short-term, tax-exempt bonds
  - \$2.7 million in tax increment financing-project mortgage loan account
  - \$1.5 million in Housing Trust Funds
- ◆ Federal LIHTC equity from Hunt Capital Partners Tax Credit Fund 27
- ◆ State LIHTC equity from Advantage Capital, facilitated by Hunt Capital Partners

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CORRESPONDENCE AND EDITORIAL SUBMISSIONS

**Alex Ruiz**  
**alex.ruiz@novoco.com**  
**415.356.8088**

ADVERTISING INQUIRIES

**Christianna Cohen**  
**christianna.cohen@novoco.com**  
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