

whpc

Wisconsin Housing Preservation Corp.

BUILDING BETTER LIVES

ANNUAL REPORT
2019-2020

whpc

Wisconsin Housing Preservation Corp.

A JOINT LETTER FROM THE PRESIDENT AND BOARD CHAIR



OUR MISSION

IS TO PRESERVE, PROVIDE AND PROTECT
AFFORDABLE HOUSING FOR THE LOW AND
MODERATE INCOME CITIZENS IN THE
STATE OF WISCONSIN.



On behalf of the Board of Directors and the Wisconsin Housing Preservation Corp., we are pleased to provide you with our Annual Report.

This past year was transformational for WHPC as we integrated our business operations into our corporate body. Significant time and investment of resources were committed to evolve WHPC from a third-party managed entity to an independent organization.

Succession planning is an important and necessary step to ensure that any company has a well thought out plan and vision for the future. The WHPC Board of Directors and senior management developed and executed our plan. As of October 1, 2020, WHPC now has twenty professionals working with the depth, talent and experience that will allow WHPC to be forward thinking and in control of operations.

WHPC continues its mission to preserve, develop and maintain quality, affordable housing for our most vulnerable populations. In this report, we highlight our communities, and share stories of our organizational change, a day in the life of a property manager, and an innovative approach for integrating workforce housing and special needs residents. We also recognize and thank the many partners we have.

2020 has been a challenging year for all of us. The COVID-19 pandemic has required us to make significant changes in the services and activities we provide at our communities. We continue to work with our valued partners to ensure our residents receive the resources they need to manage through this difficult period. The CARES Act is just one example of a program that provided some needed tenant financial resources for those directly affected by pandemic.

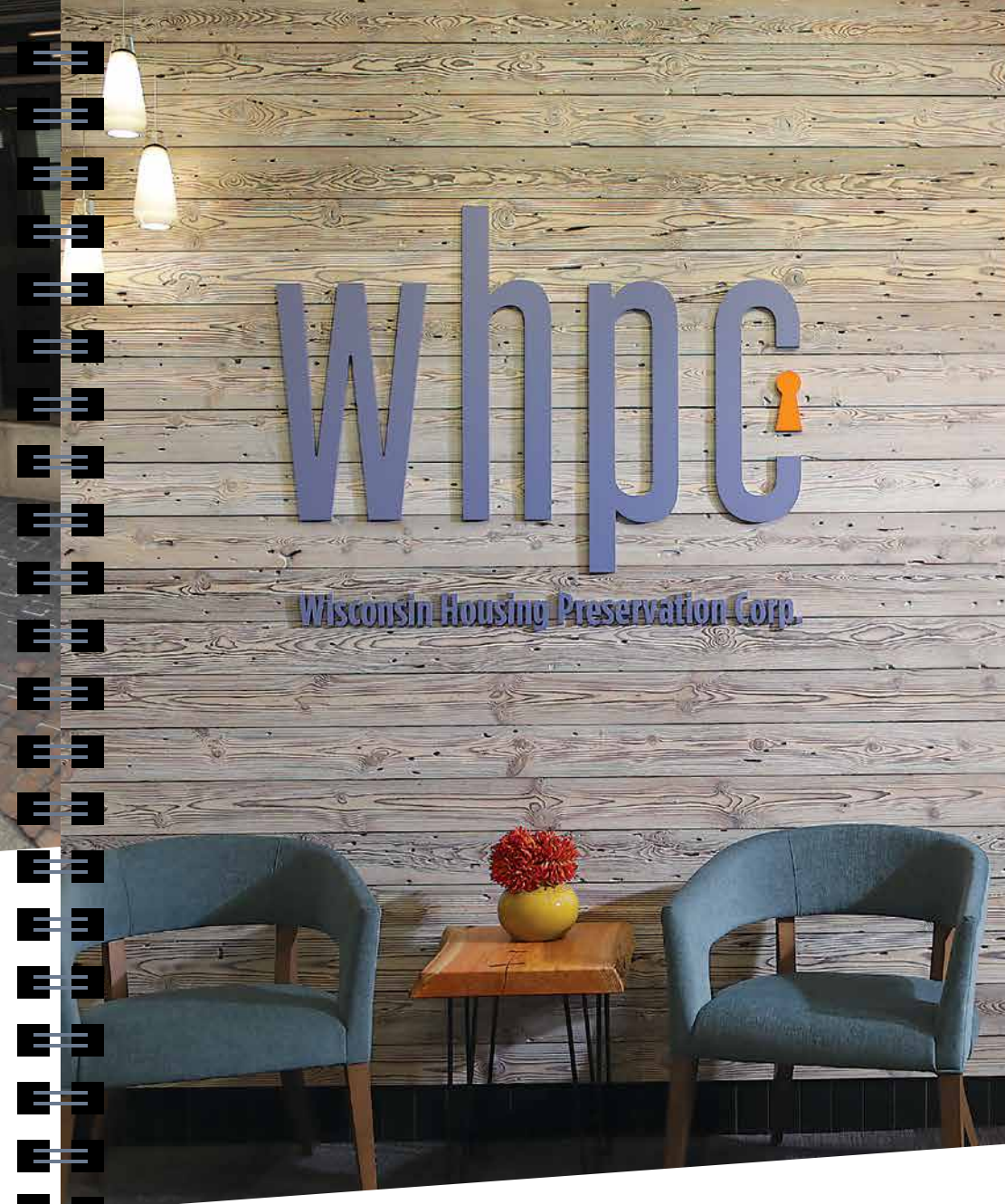
Our financial condition remains strong, affirmed by our S&P rating of AA- and positive outlook. We are in a solid position to grow our assets in the future. We optimistically look forward to developing strategies for the future that will complement and expand our mission.

Thank you for your continued interest in WHPC and for all the good work that is being done to support seniors and families in Wisconsin!

Mary R. Wright
President

David W. Kruger
Board Chair

THE POWER OF PEOPLE DRIVE WHPC'S FUTURE



**WE HAVE A BRIGHT FUTURE
AND WANT TO TAKE THE
ORGANIZATION TO A LEVEL
WHERE IT HASN'T BEEN BEFORE,
AND CHALLENGE US TO THINK
ABOUT MORE INNOVATIVE
APPROACHES FOR HOUSING.**

When Mary Wright became president of WHPC four years ago she joined an organization that had been successfully preserving affordable housing for seniors, families and individuals with special needs for over 15 years. WHPC had established a solid foundation with a strong reputation in the affordable housing industry. WHPC began as a trust which soon after converted to a corporation with a board of directors and a contract president that supervised WHPC's outsourced corporate services and asset management functions. This model worked well for a period, allowing WHPC to grow into an organization that controlled roughly 150 properties comprised of over 8,300 units with a value of more than \$500 million. With a fresh perspective, Mary felt it was time to objectively evaluate the organization's business model due to the size the organization had grown to and the increased complexity and competitiveness that the affordable housing industry had become.

In 2018, Mary and the board of directors set out to evaluate the organization's existing structure and benchmark it against other organizations of similar size, both not for profits and for profit companies, that owned, managed, and developed affordable housing. WHPC engaged a recognizable industry expert to assist in this effort. When the work was complete, the conclusions were clear. WHPC was working under an inefficient and outdated business model. Oversight and control had become more difficult and WHPC's cost structure was higher than its peers.

Based on these results, Mary initiated a strategic process to re-imagine WHPC's future as an independent, internally-staffed, full-service, affordable housing enterprise. Mary immediately realized the key to success was to find the right people to lead the company through the transformation process. Mary began assembling a leadership team with experience from different segments of the affordable housing and real estate

ownership and development industries. A critical individual attribute Mary looked for—those with desire and drive to take on new challenges.

"It's the power of people that really made this happen, people who understand why it needed to happen, and who were eager to roll up their sleeves. We needed to build a team that had a 'I got your back; you got my back' kind of trust" she said. "And that's hard to do when you haven't worked together before."

"My first hire quickly understood the dynamic of what I was dealing with. The hires we made early were pivotal in terms of helping us navigate the biggest

strategic endeavor this organization has ever undertaken." A long-time industry expert and former colleague, David Ginger, was the first hire. Dave was tapped to be vice president and human resources manager. He brought over 26 years of experience in financing and developing affordable properties. A large part of Dave's career was with the Wisconsin Housing and Economic Development Authority (WHEDA) where he oversaw allocations of tax credits for the Low-Income Housing Tax Credit program. At WHPC, Ginger's first responsibility was to lead the hiring process which involved helping evaluate candidates and participating in interviews.

The successive hires that solidified an impressive leadership team included COO Mike Slavish, former president of Hovde Properties, LLC; CFO Joe Carpenter, formally with Oakbrook Corporation, a property management company in Madison; Lee Ferderer, Vice President and General Counsel and former CEO of The Fiore Companies, a privately-held commercial real estate and diversified investment company; and finally Rob Dicke, Assistant VP of Asset Management, former Executive Director for the Dane County Housing Authority. A final piece of the puzzle was to bring on board Nancy Barry, a talented project manager who had worked with WHEDA for 30 years in that same capacity. Barry helped internally orchestrate the planning, implementation and management of critical organizational processes during the transition.

Tapping the Expertise of Industry Peers

When Mary became WHPC's president she immediately reconnected with long-time industry colleague Bill Hinga from Wallick Communities, Inc. Wallick is a well-respected Ohio based privately held organization with a similar property portfolio. After sharing business experiences, Mary realized that Wallick could provide tremendous value to WHPC by giving guidance on industry best practices and by assisting with the transition. The two firms formed a consulting agreement that allowed WHPC to lean on Wallick's industry expertise and its ability to share processes, procedures, and guidance on developing business protocols.

In its consulting role, Wallick provided direct access to its leadership. WHPC studied Wallick's organizational structure and processes and borrowed elements that were applicable to WHPC's new business model. In addition, Wallick served as a sounding board to WHPC's leadership team as they built out the organization.

"We were starting from almost nothing: no policies or procedures, no systems," Nancy Barry said. "It was fun and terrifying at the same time, but with

GOALS AND OBJECTIVES

Wallick's guidance, we defined our business model: how we wanted to be structured, the processes, policies, procedures, systems in place for each of the functional areas that needed to be up and running in a year."

What the Future Holds

Mary is excited about the opportunities that await WHPC. Studies strongly demonstrate that stable housing provides safety and stability in people's lives. Maintaining and developing quality affordable housing has become even more important in a global economy that has forced businesses to be more competitive, often at the expense of paying lower wages.

"We have a really bright future here and I want to take the organization to a level where it hadn't been before and challenge us to think about more innovative approaches for housing," Mary explains. "It's more than just housing. It's a connection to a community's services, jobs, transportation and schools. To be a big

player in the communities of tomorrow, we need to think more innovatively to be in a position to help them with their housing strategies."

Meeting the Needs of Residents

WHPC is going to place a new emphasis on how it can better connect its residents to social services that are available in the communities where residents live. WHPC has added a social services professional to assess needs, explore opportunities, and develop programs to meet this important need.

In 2020, WHPC applied for and received \$1.6 million in grant funding from Housing and Urban Development (HUD) for social service programs for its residents. Each year, WHPC must reapply for these funds. WHPC hopes to expand its effectiveness in the years to come.

The grant dollars allow WHPC to engage its property managers, Lutheran Social Services, and other providers to connect residents to community resources. These services allow residents to improve their overall wellbeing and remain stable in their housing.

"Our mission is about building better lives by preserving housing and also giving people opportunities to improve their lives with better outcomes," Mary said. "Establishing programs with management companies that result in real opportunities for residents to improve their position in life would be a real success story and a positive outcome for society."

Future Growth

The cost savings that WHPC will realize from its restructuring will be reinvested to preserve and develop even more affordable housing for Wisconsin residents. WHPC will explore new and innovative growth strategies. Under new leadership and with a new vision, WHPC can reassess how to deploy capital using different strategies and begin to measure that growth against business goals.

"I look at the big picture beyond doing one off acquisitions," Mary states. "Now we can start thinking about buying property portfolios that makes sense for our future growth but require larger resources. That might mean we consider joint ventures with other companies to strategically build our presence. We want to achieve excellence and be the highest performing affordable housing organization in the state which requires dedication, talent, and work. I feel great about the team we have in place to meet these goals."

Madison Skyline
Sculpture by Barbara Westfall
Art Glass Designer



A New Beginning

As part of our transformation, we relocated our offices to a new location in Madison, Wisconsin. Our team of associates now operates in a creative space with new technology. We have a wonderful workspace where people can be productive and proud of where they work.

We made a sincere effort to source local art pieces for our office to highlight Wisconsin artists.

THE BOARD AND MANAGEMENT HAVE A MULTI-YEAR PLAN TO ACCOMPLISH OUR STRATEGIES, GOALS AND MISSION. SIX AREAS OF STRATEGIC FOCUS ARE IMPORTANT FOR OUR SUCCESS AND FUTURE.

Achieving Financial Results

Achieving strong financial results is critical to maintaining our financial health. Solid financials set the foundation for achieving our strategic goals and objectives. The areas of performance and financial health that we measure include Profitability, Unrestricted Liquidity, Net Worth, Working Capital, Leverage, Capitalization and Credit Rating.

Broaden Our Vision to Include New Ideas/Products That Benefit Our Stakeholders, Partners, Residents, and Communities

As a housing provider to those in need, we recognize the importance of delivering services that help our residents improve their lives. We also recognize that the real estate market is continually changing. We will look to innovate by using new methods of delivering and preserving affordable housing and to new creative ideas to better meet the changing needs of our residents. We will continue to push our boundaries to remain a leader in the industry.

Preserve and Maintain High Asset Quality of Our Portfolio

We take a long-term view of maintaining and improving the housing stock we own. We continuously evaluate each asset to ensure we have healthy reserves for repairs and have a well-defined process for determining rehabilitation needs. We also look for opportunities to recapitalize these assets and regularly assess the risk of the entire portfolio.

Strengthen Our Alignment and Relationship Management with Our Partners

We rely on many major partners to finance, regulate, and invest in our business. A high priority for us is to ensure we develop strong relationships with our partners and are responsive to their needs. We communicate often and meet at least annually to assess performance and review goals and expectations.

Increase Our Visibility and Brand Awareness

As we grow and look to our future, we will make a concerted effort to keep our stakeholders informed. We will also seek to become more visible to the public so that more people understand WHPC and its mission. Looking ahead we plan to update our website to tell our story and provide a greater window of visibility into WHPC. This annual report is just one of the tools we will continue to use to communicate who we are and what we do.

Attract New Sources of Capital

The demand for affordable housing continues to grow. Wage stagnation, and higher costs for childcare, healthcare, and education put significant pressure on families with lower incomes. A growing fixed-income elderly population and an underserved disabled population add to the need for more affordable housing. We want to make sure that these residents have access to quality, well-managed affordable housing.

As our footprint expands, we will look to generate additional resources to fuel the growth needed to address the growing demand. We will seek capital through a variety of sources—patient long lasting resources available to invest in quality housing that can be held in perpetuity for generations to come. We will look to combine traditional debt and equity with nontraditional resources including the possibility of joint ventures with partners that share our mission and strength.

CHALLENGES AS WE NAVIGATE COVID-19

COVID-19 has brought into sharp focus the debilitating social and economic impact a pandemic can have on affordable housing. Multifamily developers, investors and managers face unprecedented challenges as they navigate how to maintain quality, stable housing for those who need it most.

Asset managers at WHPC understood early in the pandemic that organization-wide strategies needed to be in place to effectively monitor and mitigate the spread of the virus. WHPC contracts with eight property management firms who oversee its portfolio, which includes over 8,500 senior and family units.

To address communication challenges faced by property managers, a weekly conference call was established to facilitate up-to-date reports on the effects of COVID-19 on residents.

Managers are now able to report new infections among residents and staff, and share best practices for how to limit transmissions and keep common areas properly sanitized. By the end of summer, few cases were reported at all WHPC properties statewide.

"Management teams have done a great job adapting to the procedures and housekeeping changes we have implemented," said Rob Dicke, WHPC's assistant vice president of asset management. "Early on, acquiring enough PPE masks for staff was difficult and there was some resistance to following protocols. Now, staff and residents are into a good routine."

Dicke points to WHPC's property portfolio as a factor in managing the spread of the virus. While WHPC has larger urban properties primarily serving families, most of its units are in smaller properties located in rural communities with a focus on senior housing. Although seniors are at a higher risk for contracting the virus, they are also less likely to socialize and transmit the virus.

"Our experience with every property we've gone to is that community rooms are locked or sanitized, chairs are stacked in a corner and staff is limiting access to communal spaces," Dicke said. "With schedules in place and staff and residents on the same page with protocols and routines, managing public spaces has become easier."

CARES Act Support

WHPC has been closely tracking expenses during the pandemic and each management company had the option to apply separately for CARES Act funding. To qualify, a property needs to be in a negative operating cash flow position or have insufficient reserves to pay for additional costs related to COVID-19.

WHPC is not in that position, Dicke says, but acknowledges there may be hidden costs, especially in family units, which tend to incur more wear and tear. Since maintenance staff cannot enter occupied units, some work orders have been deferred. Management firms could also apply for CARES Act funding through the Low Income Home Energy Assistance Program, which provides financial assistance to help pay a tenant's utilities.

Inspections and Acquisitions

Assessing the condition of a property has become more challenging during the pandemic. WHPC's asset management policy is to formally assess all properties on an annual basis to ensure they are being properly maintained and to help plan for future capital improvements.

To avoid contact with residents, only vacant units and common areas within the property are accessible to staff. In fact, Boston Capital, a WHPC investor who normally makes annual onsite visits to its investment properties, has preferred virtual inspections, requesting WHPC provide pictures of properties for evaluation.

Although the economy remains mired in a COVID-19-induced recession, interest rates have remained low, which creates opportunities for developers like WHPC who have a strong balance sheet and the capital resources to make acquisitions.

But the pandemic has affected how property deals are transacted. Many lenders now perform virtual appraisals, often using satellite images of street views to identify properties. It's also more challenging to inspect properties onsite to determine the condition of units.

For Dicke, the key to working through these issues is having solid long-term relationships with lenders who know WHPC and its mission, and are familiar with its properties. These relationships have helped WHPC complete Wisconsin deals in Madison, Green Bay and Mt. Horeb despite inconveniences caused by the pandemic.

Managing a Rehab

Rehab construction work has been a challenge during the pandemic. New construction is easier to manage than a rehab because there are no residents to work around. For example, Prairie Haus, a new construction project in New Glarus, Wisconsin, is ahead of schedule because sub-contractors involved with postponed rehab projects have been able to work on it.

Tax credit rehabs have specific timelines in which to complete construction work, typically over two years. That may allow for some scheduling flexibility but can be an issue when tenants want to remain in their units during construction. While exterior rehab work has continued, WHPC has needed to pause interior remodeling to limit contact with residents.

An option to reduce the risk of contact has been to relocate residents for the day while contractors work on their units. "While we would prefer to renovate units when they turn over, we sometimes need to relocate tenants. This is a far more costly approach but sometimes that's what's needed to be done to meet the deadlines," Rob explains.

Future Opportunities

WHPC will likely wait to submit competitive tax credit applications until 2021, Dicke said, due in part to the time and resource commitments involved with transitioning to a new business model. On the other hand, WHPC may consider affordable housing rehab

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NOW EVERYONE FROM STAFF TO RESIDENTS ARE INTO A GOOD ROUTINE."

Rob Dicke
Assistant VP, Asset Management
WHPC

investments using four percent federal tax credits as the application process is far less time consuming. Unlike a nine percent tax credit which has a single, annual application deadline, federal four percent financing is non-competitive and has no application deadline.

During times of uncertainty, investors of affordable housing tend to gravitate to 'plain vanilla' tax credit projects, says Tom Pereira, director of structured finance at Boston Capital. Nine percent new construction deals with government subsidies, such as Section 8, are ideal. The financing structure on affordable housing projects is generally tight because properties don't generate a lot of cash flow. "Rent collections are what everybody is focusing on right now. So, the subsidy certainly alleviates a big part of that concern," he says.

Opportunities may open up for investors who have been sitting on the sidelines during the pandemic. Acquiring or building affordable housing is even more important because of COVID-19. According to the Dane County Wisconsin Housing Needs Assessment Report 2019, the county should build 1,000 units of affordable housing every year for the next 25 years to meet constant future demand.

Will the pandemic affect the number of developers willing to jump back into the affordable housing business? While some may pause or reconsider projects, Dicke doesn't think it will be significant.

"Maybe marginally with the challenge of COVID-19 and higher construction costs," he says. "It's a hard business to get into and demand for tax credits is high and competitive, but even if construction is more expensive or delayed, I don't think we'll see a significant decrease."

Necessity of Affordable Housing

Despite high unemployment and an uncertain economy due to COVID-19, multifamily rent collections throughout the WHPC portfolio have remained steady. If residents have difficulty paying rent, their government-subsidized rent under Section 8 may be reduced. In addition, moratoriums preventing utilities from shutting off services for nonpayment have also helped protect vulnerable residents.

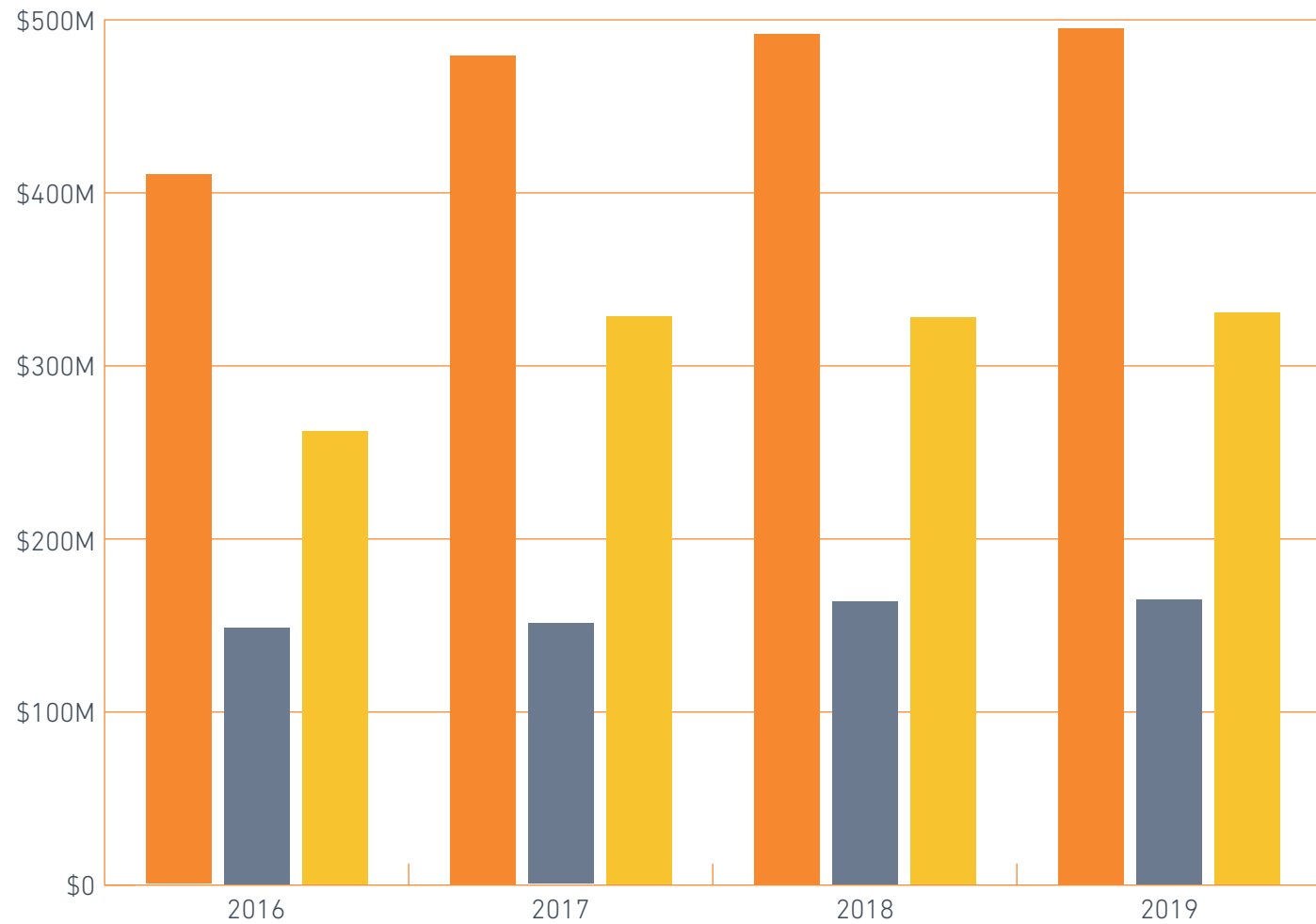
The pandemic crisis highlights the social and economic importance of preserving existing Section 8 housing. It cannot be replaced with tax credit subsidies and once it is lost to redevelopment, it is gone forever. Without significant subsidies, it is difficult to provide affordable housing for low-income households. Organizations like WHPC, whose core principles are about preserving affordable housing, provide a vital safety net for people who lose their job or are injured and cannot work, and have difficulty paying rent.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	\$ 36,015,666	\$ 31,459,996
Short-term investments	12,274,155	12,894,578
Accounts receivable – WHEDA/HUD	356,088	229,281
Accounts receivable – tenants	447,543	346,804
Accounts receivable – other	199,957	250,408
Accrued interest receivable	90,513	79,587
Tenants' security deposits	2,721,624	2,625,980
Funded reserves	40,737,664	38,903,959
Prepaid expenses	1,390,248	1,444,846
Total current assets	\$ 94,233,458	\$ 88,235,439
OTHER FUNDED RESERVES	\$ 104,268	\$ 128,437
RENTAL PROPERTY		
Rental property	\$ 504,049,364	\$ 493,334,112
Less accumulated depreciation	99,614,438	91,673,297
Rental property, net	\$ 404,434,926	\$ 401,660,815
OTHER ASSETS		
Tax credit fees, net	\$ 927,360	\$ 823,195
Long-term investments	42,093	40,743
Construction / acquisitions in progress	1,272,319	832,268
Total other assets	\$ 2,241,772	\$ 1,696,206
TOTAL ASSETS	\$ 501,014,424	\$ 491,720,897

LIABILITIES AND NET ASSETS	2019	2018
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 8,140,215	\$ 9,416,347
Development and other company fees payable	1,944,196	1,847,889
Accounts payable	2,121,990	2,420,186
Construction payable	816,665	1,078,231
Accrued interest	1,736,983	1,578,015
Accrued property taxes and PILOT	512,045	638,789
Prepaid rents	301,418	237,636
Tenant's security deposits payable	2,620,762	2,551,298
Other accrued expenses	832,922	1,007,280
Total current liabilities	\$ 19,027,196	\$ 20,775,671
LONG-TERM LIABILITIES		
Deferred revenue	\$ 245,598	\$ 313,016
Long-term debt, net, less current maturities	287,674,908	282,179,507
Interest rate swaps	2,269,032	891,598
Notes payable	67,013	67,013
Lines of credit, long-term	19,525,570	23,965,407
Total long-term liabilities	\$ 309,782,121	\$ 307,416,541
TOTAL LIABILITIES	\$ 328,809,317	\$ 328,192,212
NET ASSETS		
Net assets without donor restrictions:		
– Noncontrolling interest in LLCs	\$ 80,089,331	\$ 72,803,847
– Other	91,437,206	88,233,118
– TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ 171,526,537	\$ 161,036,965
Net assets with donor restrictions, Capital Magnet Fund	\$ 678,570	\$ 2,491,720
Total net assets	\$ 172,205,107	\$ 163,528,685
TOTAL LIABILITIES AND NET ASSETS	\$ 501,014,424	\$ 491,720,897

2016-2019 BALANCE SHEET GROWTH



CONSOLIDATED STATEMENTS OF ACTIVITIES

NET ASSETS WITHOUT DONOR RESTRICTIONS

	2019	2018
Revenues, gains, and other support		
– Investment income (loss)		
• Investment return, net	\$ 1,151,834	\$ 618,270
• Change in value of interest rate swaps	(1,377,434)	190,958
TOTAL INVESTMENT INCOME (LOSS)	(225,600)	809,228
– Income (loss) from rental activities		
• Rental income, net of vacancies	71,086,624	68,805,897
• Grant revenue	1,272,558	1,692,549
• Other revenue	1,200,761	1,417,909
• Gain on sale involuntary conversion	404,864	666,435
TOTAL INCOME FROM RENTAL ACTIVITIES	73,964,807	72,582,790
Total revenues, gains, and other support	\$ 73,739,207	\$ 73,392,018
Expenses and losses		
– Program expenses		
• Expenses related to rental activities		
• Property management fees	4,517,255	4,370,614
• Asset management fees	5,914,026	6,033,740
• Rental administrative expenses	10,747,484	10,304,543
• Utilities	6,613,029	6,421,390
• Operating and maintenance	15,430,112	13,404,583
• Taxes and insurance	5,952,557	5,656,016
• Financial expenses	14,432,094	13,867,844
• Preservation fees	35,845	34,827
• Depreciation	13,373,388	12,861,807
• Amortization	94,142	84,879
TOTAL EXPENSES RELATED TO RENTAL ACTIVITIES	77,109,932	73,040,243
– TOTAL PROGRAM EXPENSES	77,109,932	73,040,243
– Management and general	1,241,462	766,973
Total expenses	\$ 78,351,394	\$ 73,807,216
– Net assets released from restrictions	1,813,150	508,280
Noncontrolling interest in LLCs	(5,554,717)	(2,758,043)
Net assets, without donor restrictions	2,755,680	2,851,125
Change in net assets without donor restrictions	(2,799,037)	93,082

NET ASSETS WITH DONOR RESTRICTIONS

Grant Revenue	0	3,000,000
Net assets released from restrictions	(1,813,150)	(508,280)
Change in net assets with donor restrictions	\$ (1,813,150)	\$ 2,491,720
Change in net assets	(4,612,187)	2,584,802
Net assets, beginning	163,528,685	150,809,660
Capital contributions, noncontrolling interest	13,499,833	10,257,863
Distributions, noncontrolling interest	(75,087)	(68,665)
Syndication costs, noncontrolling interest	(136,137)	(54,975)
NET ASSETS, ENDING	\$ 172,205,107	\$ 163,528,685

IN RECOGNITION OF OUR PARTNERS



*IT IS CRITICALLY IMPORTANT
TO PARTNER WITH DEDICATED
COMPANIES AND ASSOCIATES
WHO SHARE OUR VISION.*

Since our inception in 2002, WHPC has grown its affordable housing portfolio from 29 rental properties with 1,440 units to 150 properties representing over 8,300 family and senior living apartments.

Today, we are a prominent leader in the affordable housing industry serving over 12,000 residents who need stability and quality homes, social services, and connections to resources, work, and other support. Most of our residents rely on very low incomes that average \$13,000 annually which includes seniors on fixed incomes, the working poor, and families with children.

To achieve our mission to preserve, provide and protect affordable housing for the low- and moderate-income citizens in the state of Wisconsin, it

is critically important to partner with dedicated companies and associates who share our vision. We are fortunate to work with an excellent group of property management firms in Wisconsin who help us serve and take care of the most vital needs of our residents.

A key to our success is the professional talent that our property managers hire to interact regularly with our residents. There are thousands of associates—managers, on-site property managers, maintenance and upkeep staff, service coordinators and accountants who serve our residents, track the financial performance of our communities, and meet stringent regulatory requirements.

Property Management Companies

WHPC and its Board of Directors recognize this incredible group of companies and all associates who have a vital role in serving our residents. Thank you all for your professionalism and quality of service.

ACC Management Group
Cardinal Capital Management, Inc.
Horizon Management Group, Inc.

Meridian Group, Inc.
Nelson Minahan Realtors, Inc.
Oakbrook Corporation

RE Management, Inc.
Reilly-Joseph Company

Community

Our community partners provide significant support and effort in helping us to achieve our mission of Building Better Lives. They provide direct service to our residents through a variety of initiatives including behavioral health, transportation, food and community gardens, education, financial literacy, job counseling and using our community room spaces for the social and recreational programs. These initiatives assist our residents and provide needed resources that enhance their lives.

ADRC – Aging and Disability
Resource Centers
Catholic Charities
Community Action Program (CAP)
agencies throughout the state
Donna Lexa

Growing Community Through Gardening
Home of Our Own (H000)
Horizon Housing Foundation
Hope House of Milwaukee
Kennedy Heights Community Center

Lutheran Social Services
Meridian Group, Inc.
New Concept Self Development Center
UW Extension

Funding

We rely on our lenders and investors to finance, invest, and provide the critical capital to develop and preserve affordable rental housing. Without their contributions, we would not be able to provide quality affordable housing to our residents.

Advantage Capital
Associated Bank
Barings
Bellwether Enterprise Real Estate
Capital
BMO Harris Bank
Boston Capital
CDFI Fund – US Department of Treasury
Cinnaire
Colliers Int.
Community Development Authority
of Madison
Community Development Authority
of Whitewater
Dougherty Mortgage
Elderly Housing Authority of the
City of Racine
Enterprise Community Partners

Fannie Mae
Federal Home Loan Bank of Chicago
First Business Bank
Freddie Mac
Hunt Mortgage Group
Impact Seven
Incredible Bank
Johnson Bank
JP Morgan Chase Bank
Lancaster Pollard / Orix
Merchant
NorthMarq Capital
Park Bank
PNC
Red Stone Equity Partners
Regions Affordable Housing
Richman Group

Royal Bank of Canada
Rural Development
Starion Bank
State Bank of Cross Plains
State of Wisconsin DOA-HOME
Stifel
Strong Blocks
Sugar Creek Capital
U.S. Bank National Association
U.S. Department of Housing and
Urban Development Community
Partners
Walker Dunlop
Waterstone Bank
WHEDA
WNC
Zions Bank

DAY IN THE LIFE OF A PROPERTY MANAGER



"PART OF THIS JOB IS LIKE BEING A SOCIAL WORKER—HELPING PEOPLE WITH JUST ABOUT EVERYTHING—MAKING A REAL CONNECTION AND LENDING A SYMPATHETIC EAR."

Ilicia Zeleznik
Property Manager, Cardinal Capital Management



Q: What's typically your first task of the day?

Thanks to technology, being a property manager can be a 24/7 job. I look at, and respond to emails oftentimes until midnight. I'm the kind of person who cannot relax if things are left unfinished. When tenants email me they know they'll get a fast response. In the morning if I have voicemails it's typically people who are tenant prospects rather than current tenants. I check emails constantly. If a tenant has an emergency, they have a number to call. Those emergency calls are patched directly to my phone and I take those calls any time of day.

Q: Are you part of the decision-making process for accepting new tenants?

Yes. We collect applications and go through the screening process on site. When it comes to the paperwork, once a unit is offered, we collect all the required paperwork for the program. It can be a two or three week process. We let them know if they are approved or denied. If

denied, they can go through the appeals process which is handled through the corporate office. A rental history and background check is performed. We might take into consideration some things that are out of their control, such as a rough patch in their life, or making a bad decision. We try to work with them when they are trying to turn things around.

Q: How do you determine a person's ability to qualify?

We have a pre-approved Tenant Selection Plan that details the Credit, Criminal, and Rental History requirements. We usually don't look at credit scores, rather the amount of negative credit debt, which is often a relief for applicants. We do rent to people who have a lot of debt and can really benefit from an affordable rent to be able to pay on these past debts. Most young people's debt is coming from student loans and medical expenses which can be overwhelming at a young age. So it's nice to be able to offer a rent that can fit within their income.

Q: What if tenants bring friends or relatives to live with them?

We have a guest policy which is designed to prevent additional people from moving in. A tenant's rent subsidy is based on their income and family size. If a friend or family member moves in, their income needs to be documented as part of the rent subsidy consideration. We also perform a criminal background check. If it is just a visiting situation like over the holidays, Wisconsin's standard lease allows for up to 14 consecutive days. Cardinal Capital Management's policy is more lenient, allowing 30 days within a calendar year for visitors.

Q: How is the new management office building being used?

What's nice about the new office building is the organization of it all. And the kitchenette with coffee and cold beverages, and toys and books for the kids. It's a place where some residents just pop in. Some of the younger tenants are still living their lives, not so much social distancing. But the older people

are keeping more space between themselves and others, even distancing from family. Some of the elderly folks can be lonely and need a little TLC.

Q: What's it like juggling tenant's needs, maintenance and repairs?

I'm from here and live locally. That's how I know that the vendors we use: carpet cleaners, plumbers, electricians, and appliance servicers, have been around a long time. When a unit is vacant we use lock boxes as our vendors can come and go at their convenience. It helps to get projects completed faster and it frees up my time which can be used more efficiently to assist my tenants.

Q: What are some of your safety policies?

We are looking forward to a no-smoking policy, but at this juncture tenants are allowed to smoke in their apartment. It's not uncommon to find burns when they move out. For tenants' safety, and per company policy, we have installed a fire-prevention fixture in every unit. Fire-Stop is a small mechanism that attaches magnetically to the range

hood above the kitchen stove. It has a tiny wick, and if heat or flame hits the wick, a baking soda-type substance is released. In addition to the Fire-Stop, our smoke detectors are hard-wired so tenants cannot just take a battery out.

Q: Why and how often do your perform inspections?

We do an annual routine inspection to make sure the tenants are abiding by the rules, and keeping their residence in a clean, safe condition, and to make sure there are no maintenance issues that may have not been reported or even missed by the tenant. If I notice something is amiss, I have maintenance go back in. If we find that a tenant is not keeping their unit in a safe and sanitary condition, we have a process to help them get back on track. We give the tenant a five day housekeeping notice. The tenant can usually get those chores accomplished in five days.

Q: What would you say are some of the skill-sets for your job?

Being a people-person would be at the top of the list. Being patient and compassionate are also essentials.

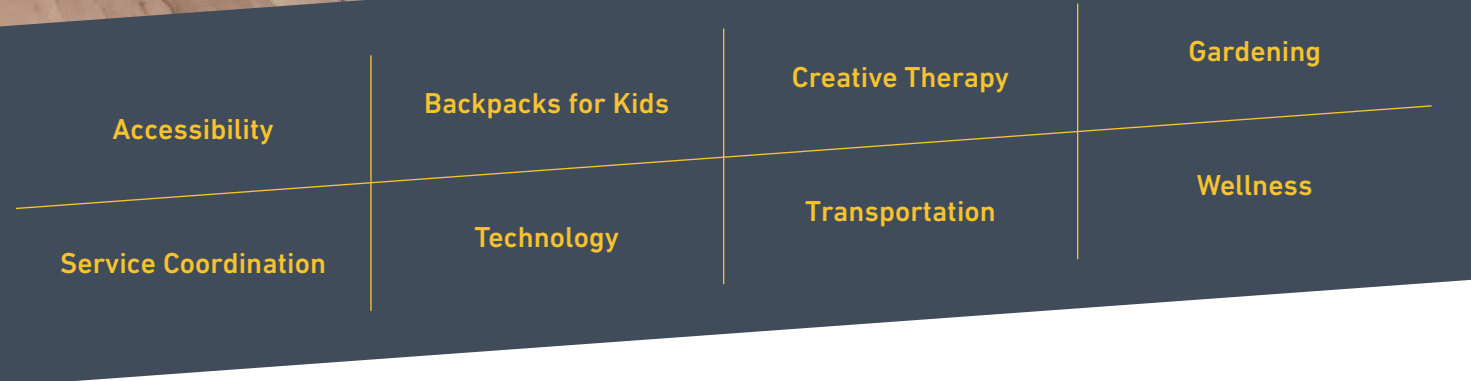
Part of this job in a housing situation like this is like being a social worker, helping tenants with just about everything, making a real connection, and lending a sympathetic ear. I'm on the property often and showcase it a lot. That's why tenants know my name. In fact, during this interview, I could hear someone from their window say, "Look, Ilicia is having her picture taken!"

Q: What do you like most about being a property manager?

I like being able to help people who really need help. I like having the ability to help so many single parents who are doing everything they can to make a better life for themselves and their children. Oftentimes they cannot because they are making minimum wage, and that's all they can do. And for people who are living on social security or disability benefits, that 2 to 3 percent a year increase is not very helpful. It's nice knowing that with all the stresses in today's world, worrying about having a roof over their head is not a concern.

WHAT WE DO

BUILDING BETTER LIVES IS DEDICATED TO IMPROVING THE LIVES OF LOW-INCOME PEOPLE, ONE BUILDING AT A TIME.



WHPC'S PROPERTIES INTEGRATE SERVICES AND ACTIVITIES THAT BENEFIT OUR RESIDENTS AND HELP COMMUNITIES ACHIEVE BETTER LIVES.

WHPC understands that affordable housing provides a place for families to live safely, access better education, utilize public transportation, and take advantage of community programs and services. WHPC recognizes that housing is not an option; it is a necessity.

WHPC's properties are located in 57 of Wisconsin's 72 counties, including our severely underserved rural areas, as well as its large urban communities. We continue growing our presence in the State and working with our

valued partners—lenders, investors, management companies, and, most importantly, our residents.

WHPC fundraising initiatives help us acquire and deliver resources that our residents depend on to lead healthier, more productive and fulfilling lives. Individuals, businesses and organizations can support our efforts and programs by contributing online at whpccorp.org/building-better-lives.

WHO WE SERVE

Stable, affordable housing is crucial to the wellbeing of individuals, families and communities. The security of an affordable place to live empowers individuals to act in their own best interests and prioritize their health, education and job skills.

Through its mission to provide and preserve affordable housing, WHPC acquires, builds and transforms properties into homes that help improve the quality of life for its residents.

THE FOLLOWING THREE STORIES MAKE A CASE FOR WHY WHPC'S INVESTMENT IN AFFORDABLE HOUSING IS THE KEY TO ACCELERATING PROGRESS IN THE GROWTH OF OUR COMMUNITIES.



PRAIRIE HAUS APARTMENTS —
Finding a Home of Their Own
New Glarus, Wisconsin



BARRINGTON AND ENGLEWOOD APARTMENTS —
Townhouse Living for Families in Neighboring Communities
Eau Claire and Chippewa Falls, Wisconsin



HIGHLAND ESTATES —
A Spacious and Scenic Quality of Life
Rhineland, Wisconsin



RHINEHAUS APARTMENTS —
A Spacious and Scenic Quality of Life
Rhineland, Wisconsin



FINDING A HOME OF THEIR OWN

PRAIRIE HAUS APARTMENTS



Inspired by a chance meeting, the new Prairie Haus affordable housing development in New Glarus, Wisconsin, is a powerful example of how housing stability in a thriving community can truly make a difference in people's lives. It is also a testament to the vision and dedication of individuals with a common purpose.

The Village of New Glarus is a small historic community nestled among rolling hills and farm fields in south central Wisconsin, 30 miles from Madison. A strong tourism industry and recent business expansion have led to a modest growth in population. Like many rural Wisconsin communities, New Glarus faces a challenge meeting the growing demand for affordable housing,

especially for individuals and families making a modest living. A shortage of quality housing often forces individuals who work in one community to live and raise families in a different community. This can add a myriad of complexities to daily life, which can sever the valuable social connections that enable people to truly feel at home.

A Chance Encounter

In 2016, Mary Wright, president of the Wisconsin Housing Preservation Corp. (WHPC) and her husband ran into Bill Oemichen, a friend and former colleague, and his family at a restaurant. Both Mary and Bill had served on the

board of Group Health Cooperative of South Central Wisconsin.

While Mary and Bill caught up, Mary introduced herself to his wife, Mary Anne, and their adult daughter Amy, who has autism. The conversation eventually turned to a discussion about how important it was for Bill and Mary Anne to find a place where Amy could live independently, away from home. Mary Anne shared the challenges, frustrations and time spent searching for suitable housing with no success. She also talked about Home of Our Own (HOOO), an organization she and Susan Wallitsch started to bring other families with similar situations together and share resources. Today, HOOO is a 501(c)(3) charitable organization dedicated to assisting families in finding long-term independent living solutions for their special needs adult children.

Mary, having recently been hired as president of WHPC, listened intently, thinking about the similarities of growing affordable housing in Wisconsin and the challenges HOOO encountered looking for suitable independent living for those with special needs. Mary suggested she and Mary Anne meet again.

Soon after, Mary reached out to Mary Anne and, together with Wallitsch, they met to discuss ideas for an innovative affordable housing concept. The HOOO co-founders reiterated the challenges finding independent living arrangements for their children and their vision for affordable housing where young adults with cognitive disabilities could live on their own.

Mary came to recognize that affordable workforce housing could also be part of the solution. It was not long before they concluded that a new, ground up development might be the best result. It was at this meeting the concept for Prairie Haus was born and the long journey to bring it to reality began.

The Development

Prairie Haus is an innovative affordable housing concept designed to address the housing needs of a growing workforce

population while integrating independent living apartments for residents with special needs. The development is situated on a spacious site overlooking the Little Sugar River with a view of historic downtown New Glarus and adjacent to steep rocky bluffs. The \$9 million, 40-unit apartment community offers a mix of one-, two- and three-bedroom apartments. Primary funding for the project is a \$5.6 million Section 42 tax credit allocation from the Wisconsin Housing and Economic Development Agency (WHEDA).

Thirty-eight of the 40 units will be rented to individuals and families who cannot afford the higher market-rate rents being charged in the New Glarus area. Ten units are single-story, grade-level apartments specifically designed for individuals with special needs and feature multiple entry and exit pathways to accommodate and enhance the safety of residents, caregivers and visitors.

Attention to detail has accentuated the interior design and amenities for the special needs units. They feature high ceilings, accommodating floor plans, fixtures that meet or exceed ADA standards, and other specially designed upgrades to accommodate special needs. Outdoor hanging swings have been installed in recreational spaces, which can provide calming and therapeutic experiences for individuals with autism. Residents also have access to a spacious interior common area and kitchen, which allows family and friends to gather and share meals in a safe, comfortable setting.

The Community

In a small community with little history of multi-family housing, a new high-profile development often raises questions and concerns from community members. To garner support for the project, WHPC sponsored several public meetings to introduce the concept to residents, business owners, and municipal leaders, and address their concerns. Parents of children with special needs quickly learned about the project and also participated in the discussions.

"PRAIRIE HAUS IS AN EXAMPLE OF WHAT CAN BE ACCOMPLISHED WHEN THE DEVELOPER, INVESTOR AND COMMUNITY COLLABORATE TO ENVISION AND COMPLETE A FINANCIALLY COMPLEX PROJECT. ALONG WITH THE STRONG COMMITMENT AND HARD WORK OF HOOO, WE RESPONDED TO A NEED AND PROVIDED A HOUSING MODEL SOLUTION FOR THIS COMMUNITY."

Mary Wright
President, WHPC



Together, WHPC and H000 demonstrated the benefits of integrated, stable, safe, and affordable housing for special needs individuals, working adults who grew up and want to stay in the community, and residents new to the community because of a job. In short, the benefits collectively define a strong, vibrant, and compassionate community.

Financing the Development

Each year the federal government allocates low-income housing tax credits (LIHTC) to state housing agencies on a per capita basis as a tool to generate additional affordable housing across the nation. Section 42 of the IRS tax code governs the use of these credits. In Wisconsin, WHEDA selects a limited number of affordable housing projects to receive the annual allocation of federal tax credits. Credits are earned over a ten-year period as long as an awarded project is developed in accordance with the successful application and continually meets the IRS Section 42 low-income housing tax credit rules.

Tax credits are typically sold to investment companies to offset anticipated federal tax obligations or to financial institutions to help satisfy regulatory requirements, such as those prescribed in the Community Reinvestment Act. The developer sells the tax credit to generate most, if not all, the equity needed for a Section 42 project.

In December 2018, WHPC applied for tax credits through WHEDA to fund Prairie Haus. In the spring of 2019, WHPC was fortunate to learn it had received an award of \$5.6 million, which was enough to get the project off the drawing boards. WHPC used the next eight months to combine mortgage financing with other funding sources to fulfill a project budget of nearly \$9 million.

The final piece of the tax credit puzzle was to attract a strategic investor to buy the tax credits and become WHPC's partner in Prairie Haus. WHPC found the perfect partner in Cinnaire, a mission-focused nonprofit community development investment firm based

"THE APPLICATION PROCESS IS COMPETITIVE, AND AWARDS ARE BASED ON A POINT SYSTEM. IT CAN BE A TRICKY PROCESS AS APPLICANTS DON'T KNOW WHO THEY ARE COMPETING AGAINST OR WHAT SCORE IS NEEDED TO WIN THE AWARDS. IT REQUIRES CAREFUL ASSESSMENT WHEN CONSIDERING AN APPLICATION."

David Ginger
Vice President, WHPC

in Michigan (with an office in Madison, Wisconsin) and known for its willingness to participate in out-of-the-box housing solutions in underserved communities.

"Within the affordable housing investment world, a deal is often based strictly on financial numbers," said David Ginger, WHPC vice president. "Cinnaire has a reputation for taking on unique and challenging projects that require more patience, which was attractive to us."

Other financial resources were still needed to fill the funding gap between tax credit equity and the total cost of the project. Partners who stepped up to make Prairie Haus possible included the Federal Home Loan Bank of Chicago through its Affordable Home Program (AHP), the CDFI Capital Magnet Fund program, Johnson Bank as the provider of construction and permanent financing and as sponsor bank for the AHP award, as well as the State of Wisconsin as the federal HOME loan project sponsor. To complete the financial commitments, WHPC and H000 also agreed to contribute in a variety of ways toward the cost of the project.

While financing was coming together, the project architects, Kyle Dumbleton and Chris Gosch of Midwest Modern, refined final design details, costs and schedules. As soon as financing closed in December 2019, 1848 Construction, Inc., led by Principals Jim Anderson



and Brad Crowley, Project Manager Nate Graney and Site Supervisor Justin Rand, began breaking ground for the project. From start to finish, the total development effort took approximately 18 months and we can proudly say Prairie Haus is on schedule to open within budget in December 2020.

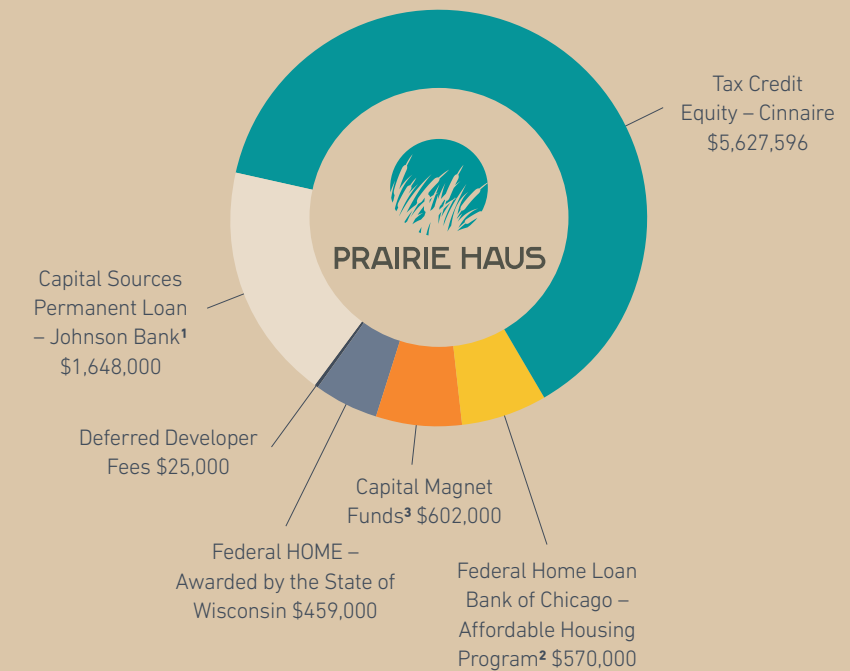
Rents and the Critical Role of Tax Credit Financing

Most Prairie Haus units will be rented to individuals and families with incomes close to or below the average income of the county to satisfy the signature requirement of Section 42 LIHTC funding. To meet the demands for affordable housing in New Glarus, ten of the units will be rented to extremely low-income households (30 percent of county median

The Prairie Haus multi-family affordable housing development in New Glarus, WI required funding from multiple sources before construction could begin. It took 12 to 18 months for WHPC working diligently with various financial resources and the community to complete the transaction. Prairie Haus is on schedule and within budget to open for occupancy in December 2020.

- 1 Johnson Bank also provided a short-term \$6.2 million construction loan
- 2 Johnson Bank was the FHLB-Chicago member applicant for the AHP award
- 3 WHPC received approximately \$3 million of Capital Magnet Funds from the CFFI Fund – to be used for the construction or rehabilitation of affordable housing

PROJECT BUDGET \$8,931,696





“OUR SONS AND DAUGHTERS DESERVE TO GROW UP, TO EMBRACE AS MUCH OF THE NORMAL ACTIVITIES OF LIFE AS ANYONE ELSE CAN, AND PART OF THAT IS MOVING OUT OF YOUR PARENTS HOME AND ESTABLISHING YOUR OWN RELATIONSHIPS WITH YOUR NEIGHBORS AND BEING ABLE TO CHOOSE YOUR OWN FRIENDS.”

Mary Anne and Bill Oemichen



income), 18 units will be rented to those earning 50 percent or less of the county median income, eight units are to be set aside and rented to those at or below 60 percent of the county median income, and two units will be rented for households at 80 percent or below the average county median income. Only two units in the entire complex will be leased at market rates.

The Section 42 tax credit program plays a key role in projects like Prairie Haus. Without tax credit funding, these projects would not be feasible. The application process for credits is competitive. A point-based system is used to determine which projects best meet the needs of low-income individuals and families in Wisconsin. David Ginger who, prior to joining WHPC, was responsible for managing the allocation of federal and state housing tax credits for WHEDA, admits that the process can be tricky. “Applicants don’t know who they are competing against or what score is needed to win the awards. It’s also a balancing act. A property that’s attractive to the tenant and community must also be financially feasible.”

A tax credit application requires careful planning. The fewer credits requested on an application, the better the application may score and win the award. However, if the tax credit award is too low, and additional financing to fill the gap is not available, the project may not be economically feasible. “It looks good on paper, but it puts you in a box,” Ginger says. “It requires careful assessment when considering an application.”

The Story of H000

Mary Anne Oemichen and longtime friend, Susan Wallitsch, each have young adult children with autism. Both wanted their children to be able to live on their own. They first looked locally at options where other families with special care needs had been successful finding safe independent housing. Typically, the solution was an apartment with a full-time, live-in caregiver or a group home with specialized facilities and services. Unfortunately, Mary Anne and Susan often found these arrangements to be expensive and with long waiting lists. Most important, the options they did find

were not always conducive for people with non-verbal behavioral issues and physical health issues.

Unsatisfied with what was available locally, Mary Anne and Susan began meeting with other families in similar circumstances to study and learn more about other options for housing that existed throughout the country. “We all knew our adult children needed a safe, affordable place to live their adult life and it wasn’t going to be in a group home,” Susan said. “Our purpose was to talk about options for a permanent home for our children, and perhaps create or build something together.”

Their research and outreach coupled with a chance meeting with Mary Wright ultimately led to a concept that became Prairie Haus. WHPC and H000 collaboratively developed a unique housing model that meets the needs of those with special needs within a larger affordable housing development project. Office space was integrated into the design allowing H000 to have an ongoing presence at the complex. This

will allow H000 to fund and facilitate social connections with all residents within the complex and to create opportunities for the special needs population to connect with the New Glarus community at large.

Community support was positive throughout the conceptual process. Now that the building is nearing completion, residents, business owners and city leaders have become vocal and financial champions of the project. As an indicator of the success of the vision, demand for the special needs units has been strong with a waiting list for the ten special needs units.

Success Through Partnership

Wright and Ginger attribute the success of Prairie Haus to the positive synergy between public and private groups working together to achieve a common purpose. “Partnership can be an overused word in many business settings, but in this case, it’s actually true,” Ginger said. “You have a Housing Finance Authority in WHEDA that allocates the resources, developers, lenders, investors, parents and the community all working toward



a common goal. This project does not get done without all partners working together.”

As Prairie Haus nears completion and residents will soon move in, Wright reflects on positive feedback about the project from community residents and leaders, and parents of special needs children. It confirms the vision and desire to build more innovative developments like Prairie Haus. She sees this project as an example of what can be accomplished when developer, investor and community collaborate to envision and complete a financially

complex project. “I’m really proud of that because we responded to a need and provided a solution for this community,” Mary said. “Because of the strong commitment and hard work of H000, we also have a social component that provides for special needs, and I feel we will achieve success with this unique housing model.”

Prairie Haus may not be the first development in the country to combine workforce and special needs affordable housing under one roof, but it may very well be the first of its kind in Wisconsin.



TOWNHOUSE LIVING FOR FAMILIES IN

NEIGHBORING COMMUNITIES

BARRINGTON AND ENGLEWOOD APARTMENTS



"MAINTAINING SAFE, SECURE AND CLEAN HOUSING IS ESSENTIAL. WE MONITOR OUR RENTAL COMPLEXES ON AN ONGOING BASIS AND MAKE EVERY EFFORT TO ENSURE THE SAFETY OF OUR RESIDENTS IN ALL OF THE PROPERTIES."

Ilicia Zeleznik
Property Manager, Englewood and Barrington Apartments



TODAY, DEVELOPERS UNDERSTAND THE IMPORTANCE OF BUILDING COMMUNITIES THAT INCORPORATE ADDITIONAL SERVICES AND AMENITIES.

Since the global financial crisis of the last decade, the supply of housing has failed to keep pace with demand, placing upward pressure on rents. Rising construction costs have amplified the problem. Low- and moderate-income families are particularly hard hit when more of their income is consumed by the cost of housing. These conditions are widespread in Wisconsin, from the more urban southern part of the state extending to the far reaches of more rural northern Wisconsin.

In growing communities such as Eau Claire, Chippewa Falls, Superior and Ashland, many low-income households face housing cost burdens that hinder

mobility and financial independence. In communities like these, preserving existing affordable housing is crucial to balancing the supply and demand equation.

In 2019, WHPC acquired buildings in Superior and Ashland from a single owner looking to retire. The seller selected WHPC as a buyer based on its ability to acquire both buildings at the same time. He also took great satisfaction knowing WHPC would put more resources into the properties because these 150 units represented some of the best affordable housing in an area of Wisconsin that could not afford to lose supply.

In conjunction with this purchase WHPC facilitated a transaction that created a new tax credit partnership which combined the newly acquired properties with two communities it already owned, Englewood Apartments in Eau Claire, and Barrington Apartments in Chippewa Falls.

Using tax-exempt financing from WHEDA, federally awarded four percent tax credit equity, and four percent state tax credit equity allowed WHPC to form a new tax credit partnership to purchase all four properties and generate enough funds to make much needed improvements to every building in the portfolio.

The Englewood and Barrington portion of the new 218-unit tax credit portfolio are located in the neighboring cities of Eau Claire and Chippewa Falls. Englewood Apartments in Eau Claire is the larger of the two communities comprised of 36 units in several townhouse style buildings. Barrington Apartments, a 24-unit townhouse style apartment complex, is in the smaller city of Chippewa Falls, just 12 miles from Englewood. Both Englewood and Barrington are nestled into neighborhoods that feature a mix of single-family homes and apartment buildings.

Englewood's design matches the other apartment buildings in its neighborhood. With easy access to the nearby freeway and within walking



"FOR OVER 18 YEARS I'VE ENJOYED LIVING HERE AND HAVE NO PLANS ON MOVING. MY APARTMENT IS SPACIOUS AND MORE THAN PLEASANT—I HAVE MY OWN ENTRANCE AND LAUNDRY ROOM. ONCE I'M IN MY DOOR, IT'S MY OWN SAFE HAVEN THAT I'VE DECORATED WITH MY FAVORITE THINGS."

June W.
Tenant, Barrington Apartments



distance of an elementary school, Englewood is an ideal location for families. Barrington is also located in a neighborhood setting and is an ideal family-oriented location for those who favor a small-town feel.

Both Barrington and Englewood feature two- and three-bedroom apartments. The townhouse-style units have their own private entry. Each townhouse has a small green space for gardening and outdoor seating within a few feet of the entry. The units each have an exterior accessed storage room adjacent to the front door making storing garden tools and outdoor furniture easy and accessible.

Englewood and Barrington were originally developed as affordable housing in the late 70s and early 80s, at a time when housing was constructed without many community amenities. Today, developers understand the importance of



building communities that incorporate additional services and amenities. In family housing, for example, onsite management offices and community space improve the ability to maintain the facility, respond to tenant needs, provide tenant services, and enhance overall security for the community.

Freestanding Office and Community Space

A large piece of the rehab budget for the Englewood-Barrington tax-credit portfolio was used to construct a freestanding office/community building at Englewood.

Because Englewood and Barrington are close in proximity, this new building is capable of serving the residents of both communities. The building was sited in the Englewood community as it had excess land and because of its location in the larger city of Eau Claire where more services were available to draw upon. The freestanding building serves primarily as an onsite management office with community space for small group meetings.

With office space on site, a property manager can be more attuned to the property and be more responsive to residents' needs. The property manager can better monitor the premises while being more accessible to the residents. The community space provides a venue for local service providers to serve residents. Counseling on day-to-day life skills such as budgeting, housekeeping, child rearing and social dynamics are some of the ways the community space is utilized to improve the lives of residents.

Tax Credit Incentives and Section 8 Rental Assistance

Tax credits were not yet created when Englewood and Barrington were constructed in the late 70s and early 80s. The primary program to encourage and support affordable housing was the Section 8 rental assistance program administered by Housing and Urban Development (HUD). This assistance guarantees market rate rental income to the developer for units rented to low-income residents. The program subsidizes the difference between the rent paid by low-income residents, calculated at 30 percent of income, and the market rent established by HUD. The minimum initial contract term is usually 20 years. The Section 8 program had some success in incentivizing owners and developers to create new affordable housing across the U.S.

When Section 8 contracts expire, owners face a choice. An owner can either renew the contract and maintain the project for affordable housing or exit the program and allow the project to convert to market. WHPC faced this choice when it acquired Englewood and Barrington. True to its mission, WHPC continued its participation in the Section 8 program for these properties and also made the same commitment for the two properties in the tax credit partnership.



A SPACIOUS AND SCENIC QUALITY OF LIFE

HIGHLAND ESTATES AND RHINEHAUS APARTMENTS



**WHPC PURCHASED BOTH
PROPERTIES FROM THE SAME
OWNER AT THE SAME TIME...
WHPC COMBINED THEM INTO ONE
PORTFOLIO AFTER THE SALE.**

Highland Estates I and II, a family housing complex, and Rhinehaus, a senior-living facility, located in Rhineland, Wisconsin were originally acquired by WHPC in 1999. The properties were the fourth and fifth acquisitions ever made by WHPC, known then as Wisconsin Housing Preservation Trust.

Both properties were originally built and financed in 1979 through a Housing and Urban Development (HUD) affordable housing subsidy program. An appraisal at the time of sale to WHPC determined the properties were in good condition. Roughly \$500,000 of rehab construction had been invested over the course of two years prior to the sale.

WHPC purchased both properties from the same owner at the same time. To preserve their Section 8 statuses, the acquisition was divided into two government-subsidized HAP (Housing Assistance Payments) contracts, with Highland Estates I and Rhinehaus comprising one contract, and Highland Estates II, the other contract. WHPC combined them into one portfolio after the sale.

Since purchasing the properties in 1999, WHPC had significantly invested in ongoing maintenance and rehab updates of about \$1.8 million at Rhinehaus and \$1.17 million at Highland Estates I and II.

These expenses enabled WHPC to perform necessary maintenance and modest one-off incremental renovations to manage the existing physical condition of the properties, which were already 20 years old at the time they were acquired. In order to revitalize the assets and help stabilize the neighborhoods, it became clear a substantial investment in a complete rehab was needed.

In 2019, WHPC applied for and was awarded a federal nine percent tax credit subsidy of over \$2.3 million by the Wisconsin Housing and Economic Development Authority (WHEDA) for a substantial rehab of both properties, each with its own scope of work. Nine percent tax credit awards are highly competitive and WHPC was fortunate to have been one of just a few developers awarded tax credits that year.

Due to the volume of rehab construction proposed, it was critical to accurately determine construction cost estimates and demonstrate the relevance of the proposed expenditures on the Capital and Needs Assessment portion of the tax credit application. All costs and deadlines are firm. Developers cannot spend more than the costs identified in the scope of work described in the tax credit application and must complete construction within the timeframe proposed.

Once an application is submitted it cannot be revised and there is no opportunity to present it to the WHEDA committee. "You are at the mercy of the reviewers," says Chris Geiger, who has worked on many WHPC properties. "It is

a subjective process often dependent on who is reviewing an application. What a developer may see as a well-prepared application may not be viewed the same way by individuals reviewing it."

To complete the tax-credit contract, WHPC entered into an ownership structure with the majority investor in the deal, Boston Capital. WHPC maintained a small position as the managing stakeholder, which oversees daily operations and housing quality through its property management partner, Meridian Management, Inc. For the next 15 years of the tax credit relationship the vast majority of returns on investment go to Boston Capital.

Highland Estates

When driving through the Highland Estates neighborhood in the heart of Rhineland, one would not think the 30 well-maintained duplexes on three acres of land was government-subsidized Section 8 family housing.

The housing and grounds could be any other neighborhood in the area.

Highland Estates was originally built in 1979 with the assistance of a government subsidy contract through HUD, which allowed the owner to operate the development as low-income housing. WHPC acquired Highland Estates in 1999 and applied for and was awarded the tax-credit subsidy contract in 2019. Construction began in 2019 to give the duplexes a much-needed facelift.

"What is unusual about Highland Estates is that the duplex housing is built on a spacious area, which is not typical of Section 8 family housing," said Geiger. "It's a better grade of housing because you don't have the high density typical of bigger multi-level, multi-family affordable housing complexes."

"It's a fantastic way to build family housing but it's more expensive and not viable in today's market," Geiger added.



Even with a Section 42 tax credit new construction project, you could never afford to build units as duplexes for the same price as you would for a four- or eight-family structure. It's just not feasible to spend the dollars upfront if you can't get the rents to cover costs."

Preserving Section 8 affordable housing is essential because it cannot be replaced with new construction that is affordable for families with low incomes. For this reason, there is little turnover of residents. Highland Estates is comprised of 16 two-bedroom and 14 three-bedroom units.

Highland Estates is nestled in a neighborhood setting with 30 duplexes spread over three acres of green space. The spacious back yards enclose a common area shared by all residents where new playgrounds with equipment was installed. It was part of the rehab to provide a much-needed amenity which residents can access from their back doors.

It is a unique and unusual concept for Section 8 housing, which often is located in large densely populated complexes or the edge of town. Instead, the well maintained units and grounds look like any other neighborhood in the city.

Unit turnover at Highland Estates is less than larger family housing complexes in part because residents appreciate the quality of the housing and want to stay. However, Highland Estates operates like any other Section 8 housing. It is meant to be a solution for families until they improve their economic situation. Residents need to income-qualify at 60 percent of area median income and income is verified annually to insure required thresholds are met. Still, rent is government-subsidized and does provide a safety net for people who lose their job or are unable to work for other valid reasons.

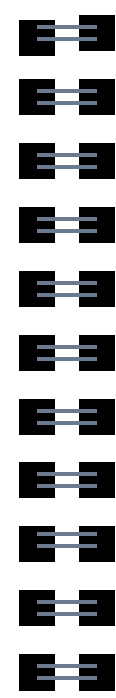
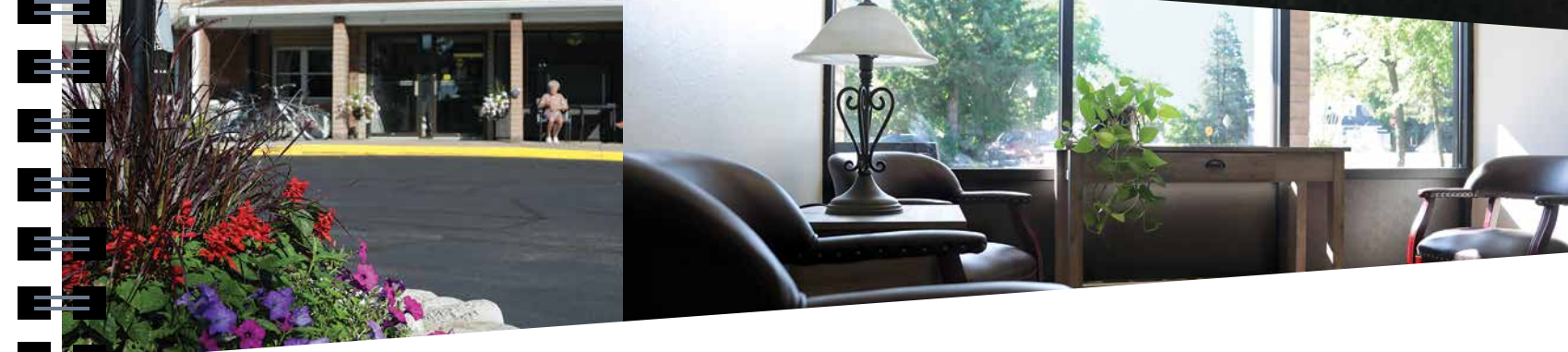
Upon the tax credit subsidy approval, construction began to revitalize the duplexes. Once tax credits are sold to the investors, construction work needs to be completed within a designated timeframe based on when the investors want delivery of tax credits to offset their tax liabilities. Timelines can change based on the particular agreement made with each investor.

Generally, construction can take place at most over a period of 15 to 18 months after a deal is closed. As a matter of policy, WHPC prefers to complete rehabs within one year from the time of closing on the refinancing. Once schedules are

set and tenants are informed about rehab plans and timelines, WHPC can confidently inform the investor they will be able to take and apply the tax credits within the first year of the agreement.

Rehab started in October 2019 shortly after WHPC partnered with the tax credit investor and closed on the transaction. It was scheduled for completion within a year when COVID-19 struck in February of 2020. Work on the exterior of the duplexes did continue as planned. However, interior work was put on hold until guidelines for safe distancing were established and both residents and construction crews were comfortable to resume with protocols in place for masks, gloves and sanitizing agents. Eventually all interior work was completed on schedule with residents in their homes.

While the majority of the rehab work involved exterior improvements, interior units received needed attention. All units were significantly updated but not all units received the same facelift. Every unit received new kitchen cabinets, countertops, sinks and appliances, and bathroom vanities. Central air conditioning was installed in all 30 units. Some units received new furnaces and water heaters.



A substantial percentage of the entire rehab budget—\$240,000—was earmarked for construction to shore up damaged garage foundations and slabs as well as replacing worn concrete walkways and asphalt driveways. Thirteen of 30 roofs with known issues were replaced with plans to eventually replace all roofs as the needs arise.

Rhinehaus Apartments

Rhinehaus is a 65-unit independent-living senior housing complex located in the bustling northern Wisconsin city of Rhinelander. It is situated on a scenic spacious lot across from Hodag Park

along shores of the Wisconsin River with beautiful views from the back overlooking Boom Lake. It has been fully occupied for many years due in large part to its desirable location—just blocks from downtown with access to essential services including doctors, pharmacies, and grocery stores.

What sets Rhinehaus apart from other senior housing is its exceptional location, which is unusual for Section 8 housing and likely can never be duplicated. If not for WHPC purchasing the property, it almost certainly would have been redeveloped or torn down and replaced with new market-rate apartments. Today it would not be economically feasible to

build new affordable housing on the lot with Section 42 tax credit financing.

Built in 1979, the high quality, all brick 40-year-old building was in exceptional shape when WHPC purchased it in 1999. Of the 65 units in the complex, there are 62 one-bedroom and three two-bedroom apartments on three floors.

Although the exterior was structurally sound, WHPC did funnel nearly \$2 million over the next 20 years into various interior rehab updates and general maintenance to keep the units and common areas in good condition. However, just like Highland Estates I and II, Rhinehaus was ready for a more complete facelift of the building,



apartments and grounds after years of performing ongoing repairs.

When the newly awarded tax-credit subsidized rehab work began in 2019, most of the renovations focused on the interior of the building. Because the rehab was completed before the onset of the COVID-19 pandemic, contractors were able to remodel the units with tenants in place. Every unit received new kitchen appliances, bathroom vanities and closet doors. Window air conditioners were replaced in all units.

In the common areas new flooring was installed and the elevator was upgraded. An intercom system and outdoor security surveillance system was installed, and WIFI was provided throughout the building. A new office space was added near the front entrance for the property manager who now serves both the Rhinehaus and Highland Estates properties. And the entry foyer has been redecorated with comfortable seating and side tables with task lighting for those who enjoy a space to read or chat with neighbors.



The community room had always served as an ideal place for residents to socialize, have private parties, play games or watch TV. Looking forward to the time when people can again socialize, the community room has been updated with luxury plank vinyl flooring, modern lighting fixtures and new furnishings. The space includes an area with a computer, printer and Internet. Views from the community room are beautiful in any season. Sliding glass doors open up to an outdoor space with

the river in the distance, the park and tennis courts. New patio furniture and gas grill have been installed along with other outdoor seating.

Both Highland Estates and Rhinehaus are excellent examples of the importance for housing preservation. By acquiring and maintaining this Section 8 housing, WHPC will be able to keep it affordable for the next 15 years. These properties are given a new life and provide quality housing for families and seniors.

"THE MERIDIAN SERVICE COORDINATOR'S MISSION IS TO KEEP RESIDENTS ACTIVE AND PROMOTE THE COMMUNITY-FEEL. THEY MAKE THE SENIORS' LIVES EASIER BY NAVIGATING WHAT THEY NEED MOST AND CONNECTING THEM TO THE OUTSIDE. BY PARTNERING WITH LOCAL SERVICES LIKE ADRC (AGING DISABILITY RESOURCE CENTER), NEW RESIDENTS CAN LEARN ABOUT RESOURCES FOR FOOD PANTRIES AND MEAL PROGRAMS."

Valicia Gilbert
Meridian, Regional Manager



BOARD OF DIRECTORS AND ADVISORS



EXECUTIVE COMMITTEE

MARY R. WRIGHT
PRESIDENT



Mary is President of WHPC and responsible for the leadership and management of \$500 million in assets. With her guidance, WHPC owns 150 developments with over 8,300 units in Wisconsin. Prior to joining WHPC, Mary had several executive-level positions

in the commercial banking industry at Wells Fargo Bank and Johnson Bank in Madison, Wisconsin where she was responsible for business development, client relationships, loan and bond portfolio management, client financial solutions and building bank reputations in the marketplace. As Director of Multifamily Housing at WHEDA, Mary was responsible for lending, tax credit allocation, managing credit risk, asset management and contract management.

Mary serves on several boards and committees including Journey Mental Health Center, National Leased Housing Association, Independent Living, Inc., Access Community Health Centers and Wisconsin Women's Business Initiative Corp. She is a member of TEMPO and the Downtown Madison Rotary. Mary earned a B.S. in Business Administration/Finance from University of Wisconsin-La Crosse, a Graduate School of Banking Degree from Southern Methodist University and completed The Executive Education Program through the Wisconsin Business School at University of Wisconsin-Madison.

DAVID W. KRUGER
BOARD CHAIR



Dave is Chairman and President of The Fiore Companies in Madison, where he develops corporate policies and objectives for the firm's real estate, equity and venture capital investments. He is responsible for all phases of the business, including investment

strategies, management policies and corporate affairs. Guided by over 40 years of experience in negotiating and implementing complex business arrangements, Dave has directed the acquisition, development and successful operation of new projects and investments for the Companies.

In addition to WHPC, Dave serves on several boards including Sub-Zero Group, Inc., National Guardian Life Insurance Company, Oak Financial, Inc. and Caritas Foundation. Previously, he served as Vice Chairman of the Board for WHEDA, a trustee for the State of Wisconsin Investment Board, as well as being a board member for Agrace HospiceCare, Inc. and Johnson Community Development Corporation. A licensed attorney and real estate broker, Dave holds a BBA degree in finance and a law degree from the University of Wisconsin-Madison.

ANN WENZEL
VICE PRESIDENT



Ann recently retired as Assistant Secretary and Associate General Counsel of American Family Mutual Insurance Company, S.I. Prior to American Family, Ann was the General Counsel for WHEDA where she was part of the team that created WHPC.

Her passion for affordable housing is the reason she has been on WHPC's Board of Directors since its inception, serving as Chairman for five years. She is currently Vice President. Ann has over 20 years of senior management experience and over 35 years of working with boards of directors. She currently serves on the Board of Future Wisconsin Housing Fund.

A Marshfield, Wisconsin native, Ann is a graduate of Arizona State University and the University of Wisconsin Law School.

ERBERT JOHNSON
TREASURER



The belief that quality housing is essential to a full and happy life inspired Erbert to join the WHPC Board in 2011. Passionate about a person's right to live a fulfilling life, Erbert sees a board position as the best way to help people achieve that goal.

Through his background in financial management, Erbert believes he is able to provide insight and direction to best practices in transactions and processes necessary for WHPC to be a high performing organization.

Erbert is a Wisconsin native and holds a BBA degree in accounting from the University of Wisconsin. He is a CPA and advises financial institutions. With licenses in investment banking (Series 7 and 63), Erbert has extensive experience in public finance.

Erbert also serves on the Board of Froedtert Hospital Foundation.

RICHARD A. HANSEN
SECRETARY



Richard retired in 2011 as President and CEO of Johnson Financial Group, Inc., a \$6 billion financial services company based in Racine with operations in Wisconsin, Arizona, and Switzerland. Richard was also Chairman and CEO of Johnson Bank, serving on the Board of

Johnson Financial Group, Inc. and Johnson Bank. He was Vice-Chairman of Banque Franck, Galland & Cie SA and Franck Galland U.S. Advisors SA in Geneva, Switzerland. While CEO of Johnson Financial Group, the company was named several times by Fortune Magazine as one of the 100 Best Places to Work in America.

Prior to his work at Johnson Financial Group, he served as President and Chief Executive Officer of Firststar Bank Madison (now US Bank) from 1990 to 1995 and Senior Vice President of Firststar Corporation of Minnesota from 1989 to 1990.

Richard is a graduate of the University of Wisconsin-Milwaukee and a U.S. Army veteran. A Madison native and lifelong Wisconsin resident, he lives in Waushara County. In addition to economic development and affordable housing efforts, he is involved in prairie and forest restoration projects.

JAMES P. CARTER
DIRECTOR



Prior to his retirement, James was associated with Bank Mutual for over 25 years, as General Counsel and Secretary of the bank and its holding company, Bank Mutual Corporation. As General Counsel, he was responsible for overseeing the bank's legal affairs.

Prior to joining Bank Mutual, James was a member of the financial institutions department with the von Briesen & Purtell, S.C. law firm. In addition to serving on the Board of Directors of WHPC, he has also served on the Board as President of Wisconsin Initiatives in Sustainable Housing, Inc., a Board Member of Movin' Out, Inc. and Neighborhood Housing Services of Milwaukee, Inc. James received his undergraduate degree, cum laude, from Marquette University, matriculated at the Georgetown University Law Center and completed his law degree, cum laude, at the University of Wisconsin where he was also an associate editor of the Wisconsin Law Review.

BRETT A. GERBER
DIRECTOR



Brett is President and CEO of Impact Seven, a Wisconsin-based, non-profit, community development corporation, designated as a Certified Housing Development Organization (CHDO) and Certified Community Development Financial Institution (CDFI), and a

member of the Federal Home Loan Bank of Chicago (FHLBC) and NeighborWorks America (NWA). Brett is responsible for oversight of Impact Seven's real estate development, property management, and business lending activities. Prior to Impact Seven, Brett served in roles as CFO and CEO of Indianhead Community Action Agency from 2005 to 2011.

In addition to WHPC, Brett serves on many other boards, some of which include: Greater Wisconsin Opportunity Fund, Wisconsin Community Development Legacy Fund, Community Development Bank Holding, Wisconsin Indianhead Technical College and Ladysmith Public School District. Brett is a Certified Public Accountant and holds a MSE degree in Business Management from the University of Wisconsin-Whitewater and a BBA degree in Comprehensive Accounting from the University of Wisconsin-Eau Claire.

DAN KROETZ
DIRECTOR



Dan is Senior Vice President of Development for the Commonwealth Companies, Inc. Commonwealth is nationally recognized as one of the top affordable housing developers in the country. They are currently active in 18 states with over 100 projects in their development portfolio. Dan

provides leadership and oversight of the development operations for the Commonwealth Companies. He works closely with their team of developers and development support staff to facilitate all phases of the development process.

Dan has over 19 years of real estate experience which includes the acquisition and development of over \$500 million of affordable housing, totaling approximately 5,000 units.

Dan is driven to change the lives of others by providing a safe and stable place to call home. His newly appointed position on the board gives him the opportunity to apply his talents toward the WHPC mission. Dan has a BBA from the University of Wisconsin-Madison with a double-major in Finance and Real Estate.

DAVID STRELITZ
DIRECTOR



Dave manages the new business development and trust administrative functions of Associated Bank's Wealth Management Services for the Milwaukee, Chicago and St. Louis markets. Dave is passionate about working with community charitable organizations. He is currently

President of the Vision Forward Foundation and President of Trinity Housing Resources.

He is a Board Member and currently chairs the Development Committee of the Zoological Society of Milwaukee, board member of the Catholic Community Foundation and on the planned-giving council for Children's Hospital of Wisconsin Foundation and the Outreach committee for St. Elizabeth Ann Seton Parish. Dave has over 30 years of industry experience including consumer and private banking, trust, investment management and real estate advisory services. Dave has a BBA in accounting from the University of Wisconsin-Milwaukee.

PAUL SENTRY
ADVISOR



Paul is Executive Vice President and General Counsel for Park Bank in Madison, Wisconsin.

While serving as a Director of WHEDA, Paul became aware of WHPC's work with affordable housing and sought the position of Board Director. He has served on the WHPC

Board since 2008. He attributes his experience and ability to work with various public and private organizations as having a positive impact in carrying out his work with the WHPC Board.

Paul is a past Director of Wisconsin Health & Educational Facilities Authority and WHEDA and continues to serve as Director on boards for other private companies.

Paul received his Bachelor of Science in Business Administration from Southwest State University, Marshall, Minnesota and J.D. from Marquette University, Milwaukee, Wisconsin.

TIM SHERRY
ADVISOR



Tim has been an Advisor to the WHPC Board since the organization was formed in 2001. He became involved with WHPC through his professional work as a partner with SVA Certified Public Accountants, S.C., where he managed the WHPC account since

its inception. SVA provides audit, tax and other consulting work for the Corporation.

Tim retired from SVA in 2016, but continues to have a passion for affordable housing consulting, tax work and handling real estate transactions. Tim earned his BA in science from Northern Michigan University and is a Certified Public Accountant.

KIMBERLY PLACHE
ADVISOR



As a WHEDA Business and Community Engagement Officer since 2003, Kimberly developed proficiency in all business lines at WHEDA, including multifamily housing, economic development, single family housing, and the WHEDA Foundation. In that role, she

promoted and marketed WHEDA financing products throughout seven counties in Southeastern Wisconsin.

Kimberly created a highly successful, intensive educational program designed to teach emerging developers and other housing partners about WHEDA's Federal Housing Tax Credit program. She also coordinated training sessions for lenders, economic development professionals, and municipal leaders about WHEDA financing tools.

Governor Tony Evers appointed her as WHEDA's Chief Operating Officer effective May 14, 2019. Kimberly also served 14 years as a state Legislator, beginning in the Assembly and finishing in the Senate, and also served as a member of the Racine Unified School Board. A 14-year state legislative career coupled with a wide-ranging 16 years of prior experience with WHEDA has provided invaluable background and experience.

Kimberly has a Master's in Public Affairs from the University of Wisconsin-Madison.



whpc

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