

**PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS
AGENDA ITEM SUMMARY**

Meeting Date: **October 22, 2024**

Consent Regular
 Ordinance Public Hearing

Department: **Facilities Development & Operations**

I. EXECUTIVE BRIEF


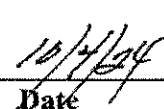

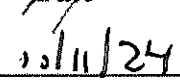
Motion and Title: Staff recommends motion to approve: Amendment No. 4 to the Developer and Operator Agreement (R2021-0148) (Agreement) with the West Palm Beach Housing Authority (WPBHA) for the Prosperity Village Cottage Homes project (Project) to modify the rent structure for the first two years of operations and extend the Project schedule.

Summary: On January 12, 2021, the Board of County Commissioners (BCC) approved the Agreement with WPBHA for the development, ownership and operation of the Project, a small lot housing pilot project upon 1.36 acres of County-owned real property fronting Military Trail and Clements Street in western Lake Worth Beach. The Agreement has been thrice amended; on August 17, 2024 (R2021-1059) and on January 4, 2022 (R2022-0033) to extend the date by which WPBHA was to complete design and permitting; and on November 15, 2022 (R2022-1394) to increase the Project budget and to cap the amount of construction savings to be transferred, at Project completion, to the initial Renewal/Replacement (R/R) Project reserve. The Agreement provides that construction of the Project would take 340 days to completion, with an additional 60 days for Project close-out and occupancy. Construction commenced in March 2023, as a result, project completion should have been attained in February 2024. The Project encountered certain issues that impacted and delayed the date of completion, including but not limited to, conflicting electrical utilities work. As a result, in April 2024, WPBHA requested an extension to Project schedule. Amendment No. 4 to the Agreement memorializes the date of construction commencement and extends the date of completion to October 31, 2024, with an additional 30 days for close-out and lease-up. Section 12.2 of the Agreement provides the rent structure for the initial year of occupancy of the Project. In the approximately four (4) years that have passed since the initial rent structure was approved, the national economy has experienced significant price increases partially resulting from the aftermath of the COVID19 pandemic. Therefore, in June 2024 (as later modified in September 2024), WPBHA requested an increase to the rent structure as it deems it unfeasible to operate the Project under the rent structure established in the original Agreement in January 2021. Amendment No. 4 to the Agreement provides for a revised rent structure 20% higher than the one originally approved under the Agreement. Two-bedroom units will rent for \$718 per month; three-bedroom units will rent for \$876 per month. Staff has found this increase to be in alignment with the reported Consumer Price Index (CPI) change for the period of January 2021 to August 2024. **This project is funded from the Infrastructure Sales Tax Fund. (FDO Admin) District 3/Countywide (MWJ)**

Background and Policy Issues: On January 12, 2021, the BCC approved the Agreement with the WPBHA for the development, ownership and operation of the Project. In April 2024, WPBHA notified County staff that an extension to the Project's schedule would be necessary. In June 2024 (as later revised in September 2024), WPBHA notified staff that revisions to the initial rent structure would be necessary.

Attachments:

1. Location Map
2. Amendment No. 4

Recommended By:	 Department Director	 Date
Approved By:	 County Administrator	 Date

II. FISCAL IMPACT ANALYSIS

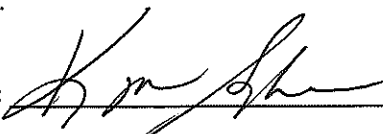
A. Five Year Summary of Fiscal Impact:

Fiscal Years	2025	2026	2027	2028	2029
Capital Expenditures		_____	_____	_____	_____
Operating Costs	_____	_____	_____	_____	_____
External Revenues	_____				
In-Kind Match (County)	_____	_____	_____	_____	_____
NET FISCAL IMPACT	_____	_____	_____	_____	_____
# ADDITIONAL FTE POSITIONS (Cumulative)	_____	_____	_____	_____	_____
Is Item Included in Current Budget:	Yes	x	No	_____	
Does this items include use of federal funds?	Yes	_____	No	x	
Does this items include use of state funds?	Yes	_____	No	x	

Budget Account No: Fund 3950 Dept 411 Unit Q001 Object Varies

B. Recommended Sources of Funds/Summary of Fiscal Impact:

This item carries no fiscal impact.


C. Departmental Fiscal Review: 

III. REVIEW COMMENTS

A. OFMB Fiscal and/or Contract Development Comments:

<p><u>ASD/CAE 9/27/24</u> OFMB CA 9/27 Edu 9.27</p>	<p><u>Brands Maddox 10/1/21</u> Contract Development and Control</p>
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B. Legal Sufficiency:

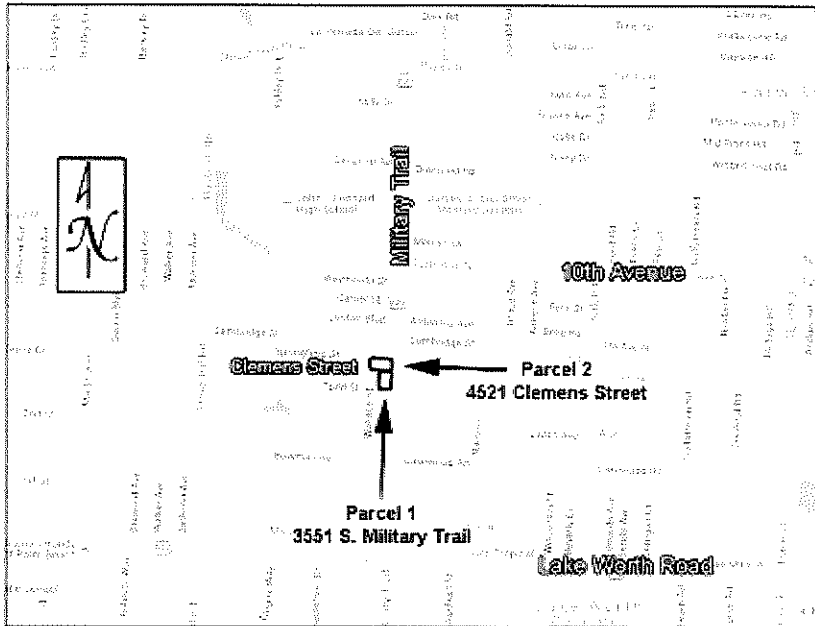

Assistant County Attorney 10/8/24

C. Other Department Review:

James E. Green
Department Director
Community Services

ATTACHMENT 1

Location Map



ATTACHMENT 2
AMENDMENT NO. 4 TO THE AGREEMENT

**AMENDMENT NO. 4
TO THE DEVELOPER AND OPERATOR AGREEMENT**

This Amendment No. 4 (“Amendment”) is made and entered into on October 22, 2024 by and between **Palm Beach County**, a political subdivision of the State of Florida, by and through its Board of County Commissioners (“County”), and the **West Palm Beach Housing Authority**, a public body corporate and politic created under Section 421 of the Florida Statutes (the “Authority”).

WITNESSETH

WHEREAS, on January 12, 2021, the parties hereto entered into the Developer and Operator Agreement (R2021-0148), which has been amended by Amendment No. 1 dated August 17, 2021 (R2021-1059), by Amendment No. 2 dated January 4, 2022 (R2022-0033) and by Amendment No. 3 dated November 15, 2022 (R2022-1394) (collectively, the “Agreement”);

WHEREAS, the Agreement provided for the development and operation of the Prosperity Village Cottage Homes (the “Project”);

WHEREAS, Exhibit K of the Agreement provided that construction of the Project would take 340 days, with an additional 60 days required for Project close-out and occupancy;

WHEREAS, the Project encountered certain issues that impacted and delayed the date of completion, including but not limited to, conflicting electrical utilities work and as a result, in April 2024, the Authority requested an extension to Project’s schedule;

WHEREAS, Section 12.2 of the Agreement provided the rent structure for the initial year of occupancy of the Project;

WHEREAS, in the approximately four (4) years that have passed since the initial rent structure was approved, the national economy has experienced significant price increases partially resulting from the aftermath of the COVID19 pandemic;

WHEREAS, as a result of the aforementioned price increases, in June 2024 and later modified in September 2024, the Authority requested an increase to the rent structure as it deems unfeasible to operate the Project as per the rents established in January 2021 when the Parties entered into the Agreement; and

WHEREAS, the parties desire to amend and modify certain provisions of the Agreement.

NOW THEREFORE, in consideration of the mutual covenants, promises and representations contained herein, the Parties agree as follows:

1. Recitals. The above recitals are true and correct and incorporated herein by reference.

2. Revised Project Development Schedule. The Project schedule is memorialized and modified as follows:

- a. Construction Commencement – March 6, 2023
- b. Project Completion – October 31, 2024
- c. Preparing and Recording of Legal Documents – November 15, 2024
- d. Occupancy and Lease-Up – November 30, 2024

3. Agreement Modifications. The following provisions of the Agreement are modified as follows:

a. Section 12.2 “Rent Structure for Tenants Placed by the County” is deleted in its entirety and replaced with the following:

12.2 Rent Structure for Tenants Placed by the County. The initial rent structure for the tenants placed at the Facility for the initial two years of occupancy is attached hereto as **Exhibit H Revised**.

b. Exhibit H “Rent Structure and Operational Pro Forma” is deleted in its entirety and replaced with **Exhibit H Revised** attached hereto and incorporated herein.

3. All Other Terms Affirmed. In all other respects, the terms and conditions of the Agreement shall remain in full force and effect and are hereby ratified and affirmed by the parties hereto.

4. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of Florida, without regard to conflicts of law.

THE REMAINDER OF THIS PAGE IS LEFT BLANK INTENTIONALLY

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to the Agreement to be executed as of the day and year first above written.

ATTEST:

**JOSEPH ABRUZZO
CLERK & COMPTROLLER**


**PALM BEACH COUNTY, a political
subdivision of the State of Florida, by and
through its Board of County
Commissioners**


By: _____
Deputy Clerk

By: _____
Maria Sachs, Mayor

**APPROVED AS TO
LEGAL SUFFICIENCY**

**APPROVED AS TO TERMS
AND CONDITIONS**

By:  _____
Assistant County Attorney

By:  _____
Director,
Facilities Development & Operations

WITNESSES:

**WEST PALM BEACH HOUSING
AUTHORITY, a public body corporate and
politic created under Section 421 of the
Florida Statutes**

By: 
Witness Signature

By: 
Executive Director

Henrietta Copeland
Print Witness Name

EXHIBIT H REVISED
RENT STRUCTURE AND OPERATIONAL PRO FORMA
(PAGE 1 OF 2)

UNIT MIX & RENT SCHEDULE			(Info from Rent Matrix)						
Bed	Bath	Type	# of Units	Avg Unit Size (SF)	% Median Income	Max Gross Rents	Utility Allowance	Max Net Rents	Rent Per S.F.
2	1	Affordable	6	981	30%	\$718	\$0	\$718	\$.73
2	2	Affordable	6	1,018	30%	\$718	\$0	\$718	\$.70
3	2	Affordable	5	1,200	30%	\$876	\$0	\$876	\$.73

1. The proposed rent increase is provided for the initial two years of occupancy at which time a review of actual and projected costs would be necessary to make necessary adjustments based on occupancy data. As the project is new construction, maintenance and repair costs are kept to a minimum, primarily accounting for preventive maintenance.
2. The rent structure represents a 4% per year increase from the base year of 2020, through and including 2025. Over five years, the rent increase would be 20% from the base year. Note, the average pro forma rental increase assumes 2% per year.
3. Rental increase at a rate of 4% are necessary due to increased operating costs and initial low rent structure proposed in 2020. The novel concept of small cottage transitional home required additional considerations for unit turnover in year 2.

**EXHIBIT H REVISED
RENT STRUCTURE AND OPERATIONAL PRO FORMA
(PAGE 2 OF 2)**

Prosperity Village Cottage Homes
Stabilized Pro Forma

09/12/24

17 units (Income)

* Expenses include the community center (18 units)

	Annual	Per Unit Annual
Revenue		
Gross Potential Rent	\$155,952	\$12,999
Other Income	\$0	
Total Income	\$155,952	\$12,999
Vacancy	4% - \$5,238	
Concessions/Loss to Lease	0% \$0	
Collection Losses	0% \$0	
Total Effective Gross Income (EGI)	\$149,714	\$9,807
Expenses		
Administrative	\$6,800	\$371
Accounting & Auditing fees	\$1,700	\$94
Equipment Leasing	\$400	\$33
Marketing and Promotions	\$0	\$0
Grounds Maintenance	\$18,000	\$1,000
Repairs and Maintenance	\$10,000	\$556
Maintenance Labor	\$4,500	\$250
Pest Control	\$4,200	\$233
Termite	\$3,049	\$169
Unit Turnover	\$12,199	\$717
HVAC	\$2,343	\$133
Plumbing	\$3,600	\$200
Electrical	\$3,600	\$200
Cleaning	\$1,400	\$100
Utilities	\$12,708	\$748
Cable	\$600	\$33
Evictions	\$185	\$9
Solid Waste Assessment	\$1,800	\$100
Management Fee	\$24,000	\$1,333
Insurance	\$25,500	\$1,416
Taxes	\$0	\$0
Monitoring Fee	\$0	\$0
Reserves	\$8,640	\$492
Total Operating Expenses	\$145,838	\$8,178
<input type="checkbox"/> Per Unit Over - <input checked="" type="checkbox"/> Checked against Operating Budget Detail Sheet	\$0	\$0
Net Operating Income	\$3,884	
Debt Service Payments		
First Mortgage	\$0	\$0
Second Mortgage		
Third Mortgage		
Total Debt Service Payments	\$0	\$0
Cash Flow After Debt Service	\$3,884	\$0

NOTES:

1. Unit turnover is based on 17 units being vacated at the end of Year 2
2. Marketing and Promotions will be limited to WPBHA website
3. Evictions assumption based on one eviction filing cost
4. Repairs and Maintenance & Labor reduced as initial 2yr occupancy