

DRAFT - SUBJECT TO CHANGE

**PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS**

WORKSHOP SUMMARY

Meeting Date: January 28, 2025

Department: Housing & Economic Development

I. EXECUTIVE BRIEF

Title: Palm Beach County Housing Bond Allocation Process (Process)

Summary: On June 21, 2022, the Palm Beach County Board of County Commissioners (BCC) approved the issuance of a \$200M General Obligation Bond (Bond) for the purpose of financing all or a portion of newly created workforce and affordable housing within Palm Beach County. On October 3, 2023, the BCC adopted Resolution R2022-0626 which included General Guidelines approved by the voters such as housing definitions, a 20-year Bond term, a competitive process for award of funding to developers and compliance monitoring for approved projects. These General Guidelines cannot be changed without voter approval. The balance of the Process (pages 3-7) includes additional implementation details regarding the funding criteria such as project requirements, loan terms, deed restrictions, project selection, credit underwriting, and compliance. This portion of the Process can be modified through BCC approval.

The County has considered 12 projects to date received through Requests for Proposals issued in January and March 2024. During the May 7, 2024 Commission Meeting, the BCC provided additional project parameters including a 15% preferred limit of Bond fund towards the total project cost and base rents for Workforce Housing Projects of no more than 110% of the Area Medium Income (AMI). The BCC requested to reevaluate the Process. Two (2) stakeholder meetings that included housing developers, financial institutions, non-profits, public housing authorities, municipalities and other interested parties were held on November 25, 2024 and January 8, 2025 to gather additional input on the current Process for the distribution of the remaining Bond funds. Countywide (HJF)

Background and Policy Issues: N/A

Attachments:

- 1) Palm Beach County Housing Bond Proceeds Allocation Process (Redline)
- 2) Summary of Stakeholder Meeting Notes
- 3) Partners4Housing
- 4) Area Medium Income/Rent Chart

Recommended By: Jonathan Brown 1/13/2025
Department Director Date

Approved By: _____
Assistant 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					
Program Income					
In-Kind Match (County)					
NET FISCAL IMPACT					

# ADDITIONAL FTE POSITIONS (Cumulative)					
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Is Item Included In Current Budget? Yes _____ No _____
 Does this Item include the use of Federal funds? Yes _____ No _____
 Does this Item include the use of State funds? Yes _____ No _____

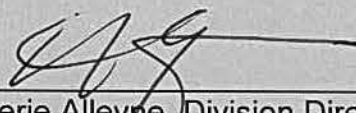
Budget Account No.:

Fund _____ Dept. _____ Unit _____ Object _____ Program Code/Period _____

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

No fiscal impact.

C. Departmental Fiscal Review:



 Valerie Alleyne, Division Director II
 Finance and Administrative Services, DHED

III. REVIEW COMMENTS

A. OFMB Fiscal and/or Contract Development and Control Comments:

_____ OFMB _____ Contract Development and Control

B. Legal Sufficiency:

 Assistant County Attorney

C. Other Department Review:

 Department Director

Palm Beach County

Bond Proceeds Allocation Process⁻¹⁰⁻⁰³⁻²⁰²³

1. GENERAL GUIDELINES (as approved by the voters)

A) Background

On June 21, 2022, Palm Beach County Board of Commissioner (BCC), by Resolution R-2022-0626 approved the issuance of \$200 million General Obligation (GO) taxable bond for the purpose of financing all or a portion of the costs of increasing workforce and affordable housing in Palm Beach County and calling for a bond referendum which was approved by voters of Palm Beach County on November 8, 2022.

B) Bond Program (*Exhibit A of the Bond Referendum*)

Workforce and Affordable housing units will consist of the acquisition, construction and equipping of the following:

- **Condominiums:** a for-sale housing type characterized by multiple attached housing units within a single structure or multiple structures where housing units are individually owned and common areas are under joint ownership.
- **Multi-family Rental Units:** a rental housing type characterized by multiple attached housing units within a single structure or multiple structures under singular ownership, where individual housing units are rented to tenants through leasehold agreements.
- **Single-family homes:** a for-sale housing type characterized by one single detached housing unit per structure and property under individual ownership.
- **Townhomes:** a for-sale housing type characterized by two to four attached multi-story units per structure where housing units are individually owned and common areas are under joint ownership.

Projects can be mixed-income and mixed-use; however, bond financing will only be available for the eligible housing units that meet the County requirements.

C) Project Financing

Projects may be financed combining public and/or private funding sources.

D) Definitions

- **Mixed-income** means projects that provide housing for households whose income range could qualify as affordable, workforce and market rate.
- **Mixed-use** means projects that have residential and non-residential components.
- **Affordable housing** means housing that is affordable to households whose income does not exceed 80% of the Area Median Income (AMI) Using the FY

2022 AMI chart, for a household of 4, the maximum income is \$73,600, subject to annual adjustment.

- **Workforce housing** means housing that is affordable to households whose income is between 60% AMI and 140% AMI. Using the workforce housing chart for 2022, the eligible household income must be between \$54,180 – \$126,420, subject to annual adjustment.

E) Bond Issuance

- 1) Required Board of County Commissioners (BCC) authorization and voter approval of \$200 million General Obligation (GO) housing bond
- 2) Bonds can be issued all at once or in tranches
- 3) Taxable bond issuance has a 20-year term

F) Allocation Process

- 1) Request for Proposals for developers will be issued by the County and will award loans through a competitive process for countywide development projects.
- 2) Bonds will fund loans for permanent financing for multi-family rental projects and loans for construction financing for homeownership/for-sale units.
- 3) Awards subject to be reclaimed, if the project has not begun construction within one year of final BCC approval.
- 4) All awards must be approved by the Board of County Commissioners.

G) Compliance and Monitoring

- 1) Projects must provide annual financial reports prepared by Certified Public Accountant.
- 2) Report of the utilization of restricted units by project must be submitted to the County, as required.
- 3) Projects subject to review by Palm Beach County Office of the Inspector General and the Palm Beach County Internal Auditor.
- 4) Compliance reviews will be conducted by the County.

2. FUNDING CRITERIA AND PROCESS

The BCC maintains the right to modify the following sections of the Bond Proceeds Allocation Criteria Process at any time.

A) PROJECT REQUIREMENTS

1) Housing units (rental and for-sale) constructed with bond proceeds shall be identified as “County Assisted” Housing Units.

a) At least 50% of the County-Assisted homeowner (for-sale) units shall serve households with incomes no greater than 120% AMI.

b) All County-Assisted Workforce housing multifamily rental units shall serve households with incomes no greater than 110% AMI.

~~b)c)~~ The minimum number of County Bond funded units created in any multi-family rental project is based on whether a project has a municipal development order mandating the creation of affordable and/or workforce housing units. Units created as part of another local government obligation are not eligible for Bond proceeds. In order to be eligible to receive Bond proceeds, the project must meet one of the following criteria:

i. For projects that do not have any other local government obligation to create affordable or workforce housing units, the greater of ten (10) units or ten percent (10%) of the total project units must be created to apply for Bond proceeds.

ii. For projects that have other local government obligation to create affordable or workforce housing units, all Bond funded units must be in addition to those units created by the other local government obligation. There is no minimum requirement for the number of additional Bond funded units.

~~e)d)~~ For projects located within a municipality, the municipality shall provide funding or another form of assistance (i.e. expedited permitting, land donation, fee waiver, etc.) to the bond-financed project developed within its jurisdiction. Developers must ensure the project meets municipal requirements associated with the proposed expedited permitting or other forms of assistance.

2) Housing Bond Loan Program (HBLP) funding for multifamily rental development will be limited to a percentage of the total development cost of the project. The amount of the cap will be based on the following criteria:

a) 15% of total development cost

i. The project has 9% Low Income Housing Tax Credit (LIHTC) funding and/or State Apartment Incentive Loan (SAIL) funding with 4% LIHTC credit funding.

b) 20% of total development cost

- i. The project has Housing Finance Authority or State tax-exempt bond with 4% LIHTC.
 - c) 25% of total development cost
 - i. ≥65% of units will be Affordable Housing Units
 - ii. No SAIL funding
 - iii. No LIHTC funding
- 2)3) All for-sale units constructed in whole or in part with bond financing, must be sold to individuals or families who are income certified and approved by the Department of Housing & Economic Development (DHED).
- 3)4) Maximum sales price and resale provisions will follow the requirements approved by the County. Principal, interest, tax and insurance payment (PITI), as well as the condominium and/or homeowners association fees cannot exceed the maximum debt-to-income ratio limits the County will establish.
- 4)5) Bond funds cannot be used for housing units that serve to meet a Palm Beach County Workforce Housing Program (WHP) obligation, including the use of the Exchange Option or a municipal obligation resulting from a development approval process. However, bond funds may assist other housing units within a project that are **additional** to those units serving the WHP obligation / Exchange Option or municipal obligation.
- 5)6) Principal owners involved in housing projects must be compliant with housing agreements issued by the State of Florida, as well as counties and municipalities within the State, or unless otherwise approved by the County.

B) Disbursements, Loan Terms and Repayments

- 1) Disbursements

Disbursements from bond proceeds / loan funds will be paid out to a project based on construction draw process or a cost reimbursement process. The use of a construction draw or cost reimbursement process must be approved by the County.
- 2) Project Surety

Bond funded projects will require a Payment and Performance Bond or Letter of Credit.
- 3) All Multifamily Rental developments may be required to provide a Completion and Underwriting Deficit Guarantee.
- 3)4) Rental Units
 - a) Projects providing **workforce housing units** will have a loan term up to 20 years, with interest rates ranging from 1% – 3% (the range of interest rates is subject to change), and a fully amortized loan for the full term. Each proposal submitted should have a minimum Debt Service Coverage Ratio, which will be established as part of the RFP process. Loans may be fully

amortizing or may be interest only during the first 10-years of the loan. For workforce housing project in which the remaining housing units qualify as affordable housing units, the payment of loan debt service may be subject to available cash flow, if required by the senior lender.

b) Projects awarded to for-profit developers providing **affordable housing units** will have a loan term up to 20 years with an interest rate of 1.0%. Projects awarded to non-profit developers will have a loan term up to 20 years with an interest rate of 0%. Loans may be fully amortizing or may be interest only during the first 10-years of the loan. Loans may also have an option for a longer amortization, with a final balloon payment at the end of the 20-year term. Payment of loan debt service is subject to available cash flow. Cash flow is defined as project cash flow from rental income and other income generated by the Project, less (i) all sums due or currently required to be paid under the documents executed in connection with the senior loans, including, without limitation, debt service payment on senior loans, project reserves, and (ii) operating expenses, including any deferred developer fees, as specifically defined in the loan agreement. A certification of Project income and expenses, certified by an independent Certified Public Accountant, will be provided annually to the County for use in County's sole discretion to determine net cash flow and the payments due hereunder. All unpaid principal and interest is due at loan maturity. Each proposal submitted should have a minimum Debt Service Coverage Ratio, which will be established as part of the RFP process.-

b)c) Loan payments for multifamily rental projects may be deferred until primary loan conversion or 30 months from primary construction loan closing whichever comes first.

4)5) For-Sale Units

- a) All for-sale projects will have a construction loan with a term up to 3 years, and an interest rate of 1.0% with repayment upon sale of the units. For-sale projects awarded to non-profit developers will have a loan term up to 3 years with an interest rate of 0%, and repayment due upon sale of the units.
- b) Sale price for all for-sale units shall not exceed ~~sales prices~~ 80% of the average area purchase price as defined/determined by Florida Housing Finance Corporation for Palm Beach County's Workforce Housing Program and amended from time to time County.

6) Non-profit developers must meet the following requirements/definitions:

- a) Must be recognized as an not-for-profit organization by the IRS for at least one year prior to RFP submittal; and
- b) The not-for-profit entity owns at least 51% interest in the general partner or managing member of the developer entity.

C) **Deed Restriction and Period of Affordability**

1) Rental Units

- a) Minimum affordability period (i.e. the length of time the units will be deed restricted) will be no less than ~~30~~50 years. The affordability period will commence once occupancy is documented for the final bond assisted unit. Should other project development funding sources require an affordability period longer than 30 years; the County's deed restriction for affordability will match the longest required period. Buyout, reduction or removal of affordability restrictions will not be permitted.
- b) Maximum rents / rent limits for the County-assisted multi-family units cannot exceed the approved multi-family rental rates issued by Florida Housing Finance Corporation, as adjusted by Palm Beach County for the applicable income tier and housing unit size.
- c) Maximum rent limits for workforce housing units serving households 80% – 110% AMI cannot exceed 90% of the County's published rent limit.
- d) Rent adjustments (increases) are only permitted at tenant's lease renewal.

2) For-Sale Units

- a) All for-sale units developed with bond financing will have deed restrictions with a minimum affordability period of 15 year recurring, starting upon sale of the unit to the homeowner. Buyout, reduction or removal of restrictions or requirements will not be permitted.

D) Re- Sale Requirements

1) Rental Units

- a) If the project development is sold, or 50% (aggregate) or more of the ownership changes to a non-affiliated entity, the loan must be satisfied, and the deed restriction will remain in place until the end of the affordability period. This excludes non-affiliated ownership changes where the Low-Income Housing Tax Credit (LIHTC) syndicator / investor changes. If there is an assignment by a general partner or managing member of its ownership interest to another entity which was a project partner at closing of the County Loan, the County will review and evaluate the change in ownership to see what amount of the bond loan, if any, should be repaid.
- b) The County shall be given a 60-day notice of intent to sell (by certified mail) when a project, funded in whole or in part with bond funds, is being sold, or 50% (aggregate) or more of the ownership changes to a non-affiliated entity.

2) For-Sale Units

The County shall be given a 60-day notice of intent to sell (by certified mail) when

any of the Bond funded for-sale housing units are being re-sold during the period of affordability. The County shall retain the first right of refusal to purchase the home at the approved sales price or identify an eligible buyer to purchase the home at the approved price. DHED must approve the eligibility of all buyers prior to re-sale.

E) Project Selection and Loan Award

- 1) Responsiveness review and evaluation of proposals will be conducted by DHED.
- 2) A Selection Committee comprising of County staff will review applications and recommend projects to be funded by the Board of County Commissioners for conceptual approval.
- 3) All conceptually-approved projects will undergo third party credit underwriting and if successful, funding award will be presented to the Board of County Commissioners for final approval. DHED may also assist with the underwriting of proposals.
- ~~3)4)~~ All project submittals must include a disclosure of all litigations involving project owners, partners, and principals from the past 10-years.

F) Credit Underwriting and Cost Certification

- 1) Projects will undergo credit underwriting to assess (in part) the credit worthiness of the developer, right sizing of State/County/Municipal funding and the viability of the project. The underwriting report will consist of a Preliminary Letter Report (PLR) and a Compete Underwriting Report (CUR).
 - a) The PLR will be used to identify any outstanding issues and to assist in defining the comprehensive loan term sheet, as well as provide information to the BCC for final approval of the project.
 - b) The CUR will be used as a final report to confirm all costs, financing, and other project details prior to closing.
- ~~4)2)~~ Credit underwriting will not be required on for-sale projects consisting of 50 County-assisted units or fewer.
- ~~2)3)~~ Costs associated with credit underwriting will be paid for by the developer and third party credit underwriters will be procured by the County.
- ~~3)4)~~ In instances where non-County funding for projects require credit underwriting, unified credit underwriting will be considered on a case-by-case basis.
- ~~4)5)~~ A Third Party cost certification must be submitted by the developer and approved by DHED on all Bond funded for-sale units, prior to the start of construction.

G) Compliance and Monitoring Reports

- 1) Annual audited financial statements will be required from developers regarding projects funded with County bond financing, with the first audit period to correspond with the first year after the project has received its certificate of occupancy (CO).
- 2) Project owners must submit a compliance report on the utilization of restricted units by project to the County on an annual basis or upon request. The County or a third-party monitor will conduct periodic monitoring of projects for compliance with all programmatic requirements, including physical inspections and property management review.
- 3) Annual monitoring fee for rental projects will be \$2,500 (or as amended).

H) Ranking / Scoring Criteria (may include, but not be limited to the following)

1) Rental Unit Projects

- a) Qualifications and Experience
- b) Readiness to Proceed / Project Schedule
- c) Leveraging
- d) Very-low Income Targeting (50% AMI and below units for affordable housing projects)
- e) Quality of Proposed Project
- f) Financial Viability
- g) Rental Affordability
- h) Green Building and Sustainability
- i) Percentage of affordable/workforce housing units

2) For Sale Unit Projects

- a) Qualifications and Experience
- b) Readiness to Proceed / Project Schedule
- c) Financial Viability
- d) Leveraging
- e) Quality of Proposed Project

I) Tenant/Homebuyer qualification

Housing units developed with bond proceeds should ensure rental and ownership policies take into consideration extenuating / extraordinary circumstances and do not impose non-industry standard barriers to occupancy or ownership when assisting low-to-moderate income households. For example, if an individual/family lost their home or was evicted due to a loss of household income related to the COVID-19 pandemic (*or an economic condition recognized by the County*), an eviction or foreclosure on their credit report should not be the sole reason to deny them an opportunity for housing.

Stakeholder meeting - Housing Bond allocation process

November 25, 2024

Meeting summary AI-generated

The meeting discussed experiences and potential changes to the housing bond allocation process, including increasing funding caps, seeking additional funding sources, and addressing homelessness.

1. The purpose of the meeting is to discuss experiences and potential changes to the housing bond allocation process.
2. Housing authorities are requesting priority and extra credit for partnering with them in affordable housing development.
3. Suggestions include increasing the AMI limit to 120% and redefining "shovel ready" projects.
4. Affordable housing projects need funding from multiple sources, including the county and Florida Housing.
5. Developers should be given time to seek funding from other sources, such as Florida Housing.
6. The county should consider a cap higher than 15% for funding affordable housing projects.
7. The justification for increasing the cap should include ensuring that the resulting rents are still affordable.
8. Low rents for affordable housing make it difficult to support debt and require more upfront funding.
9. Sale funding from Florida Housing is limited, so more time is needed for developers to secure additional funding.
10. Housing authorities contribute significant funding to support low- income housing units and should be seen as partners.
11. Homelessness is a growing problem that needs to be addressed, and housing authorities can play a role in finding solutions.
12. Leveraging Florida Housing financing requires securing commitments from the county and timing the application process appropriately.
13. Project-based vouchers can be valuable for leveraging funds in affordable housing projects.
14. Jordan Davis suggests that the county should consider asking developers to fill remaining gaps in projects with their own equity.

15. Terry Murray, representing Partners for Housing Palm Beach County, emphasizes the need for more resources and higher caps on rents to serve low-income residents.
16. Advocacy for allocating \$100 million of the bond for affordable housing, specifically rental and homeownership projects.
17. Request for the removal of the requirement to sell homeownership units at workforce housing prices.
18. Suggestion to consider other funding sources and coordination of funding cycles to make homeownership projects more feasible.
19. Recommendation to set a cap on the bond funding per unit and streamline the approval process to expedite construction.
20. Developers request funding to cover the gap in project costs, which include factors beyond their control.
21. The standard for funding approval should be based on progress and meeting specific criteria on a case-by-case basis.
22. There is a need for more efficient permitting processes and complete plan submissions to avoid delays in project timelines.

ACTION ITEMS

1. Consider the suggestion of allowing up to 20% participation for housing authorities and providing extra credit for private developers partnering with housing authorities
2. Resend the list of asks made by the housing authorities to be shared with the group
3. Consider parameters for maximum rent rates allowed through Florida Housing if the AMI limit is increased
4. Balance the need for affordable housing funding with the financial constraints faced by tenants
5. Evaluate the cap on funding from other sources and consider increasing it to 25%
6. Consider allowing developers to apply for SAIL funding after the RFP process and give them a year to secure the funding
7. Determine if it is possible to reduce 1st last security for tenants if additional funding is provided to developers
8. Address the need for more funding for affordable housing compared to workforce housing due to lower rents and limited ability to support debt.

9. Discuss the increase in social development cost percentage for affordable housing to reduce the funding gap and make projects more sustainable long term.
10. Consider providing more time for developers to secure additional funding, especially for affordable housing projects.
11. Explore the possibility of increasing shovel ready time frame to 12-18 months or longer for financing and approval processes.
12. Schedule another meeting before going to the board on January 28th
13. Evaluate the cap of 15% on rents for serving low-income populations
14. Consider the possibility of providing preliminary site plan approval to projects to indicate feasibility and readiness for development.
15. Evaluate the use of the 15% gap financing for affordable housing and explore alternative funding options.
16. Explore the potential of using county funds to replace SAIL in order to fund additional projects.
17. Consider providing funding commitments prior to SAIL and 9% applications to increase the chances of project success.
18. Consider filling remaining gaps in projects with developer equity
19. Conduct a ten-year study on affordable housing
20. Address the issue of limited resources from Florida Housing in Palm Beach County
21. Explore opportunities to leverage housing vouchers for affordable housing projects
22. Consider removing the requirement for homeownership units to be sold at workforce housing prices and instead restrict them to the maximum sales price.
23. Explore the possibility of keeping a portion of bond funding in the development to reduce the end sales price of homeownership units.
24. Investigate the feasibility of coordinating different funding cycles for homeownership projects to leverage other sources of funding.
25. Consider making a workshop with all parties mandatory before submitting plans
26. Define the requirement of a not-for-profit in the RFPs
27. Adjust the language regarding conflict of interest in the RFPs

- 28. Recommend a completion and operating deficit guarantee for projects**
- 29. Discuss potential changes to bond requirements for workforce housing deals**
- 30. Discuss the possibility of setting the AMI limit for workforce housing at 120% rather than 140%**

Housing Bond and Allocation Process 2nd Stakeholder Meeting January 8, 2025

Date: 08 Jan 2025, 15:29 UTC

Attendees: 15613191406, Ajenkins, Carmen Cepeda, Dan Walesky, Danny Marakovits, HES_LG_CONF_RM_70, Jeff, Joel Flores, John Hurt, Jonathan Brown, Lynda Charles, Mark Adams, Pastor J Brown, Tammy Fields, Wendy Jankun, klo's iPhone, mviteri, prutter, read.ai meeting notes, Suzanne Cabrera, Diane, Justin Gilbert, Diane Andre, MitchellAdelstein, mbraun, Skip Miller, Terri Murray, mlfigueroa, Tim Wheat, Todd Fabbri, CSerrano, dbrandt, Famini, Kevin Miller, Kristian Lastre, Cedric Crear, Dobson-Delray Beach CLT, Greg Gabriel, Jack Weir, James, Tammy McDonald, Rich Gieseler M&T Bank, Jeff Bolton, Kathy Makino, Karriemah Lashley, Ryan Dobson, Benji Power, DDufresne

Meeting Summary

** AI summaries may contain mistakes. Consider checking important information.*

The meeting centered on the housing bond allocation process, discussing previous input and potential revisions, with participants encouraged to share their experiences. Key topics included recommendations for the Board of County Commissioners, concerns about the feasibility of maximum sales prices for homeownership units, and the need for adjustments in underwriting processes to alleviate economic burdens on developers. The group addressed challenges in financing affordable and workforce housing, emphasizing the importance of additional funding sources and the need for clarity in the bond application process. Discussions also covered project approval parameters, the timeline for bond applications, and the necessity of ongoing collaboration to tackle housing issues in Palm Beach County. Participants committed to providing further recommendations and insights in future meetings.

Next Steps

- The meeting aims to gather input from participants regarding their experiences and thoughts on the housing bond allocation process, which will inform potential recommendations for revisions.
- Participants were encouraged to share their recommendations for home ownership opportunities, which will be included in the proposal to the Board.
- Ajenkins indicates that if market conditions change significantly, all stakeholders will need to reconvene to reassess the pricing strategy.
- Ajenkins suggested that the underwriting fee be waived and that local underwriting be applied to the program, which would streamline the process and allow for participation in the bond program.
- Participants were encouraged to share any additional recommendations or insights regarding the nonprofit partnership and the underwriting requirements.

- A suggestion was made to develop a system that could provide gap funding to support bond-funded homeownership projects, which would help bridge the financial gap for developers.
- It was suggested that criteria for funding sources should include efforts made to secure additional funding from municipalities or CRAs for projects located within their jurisdictions.
- Tim Wheat requested a summary of the policy changes being considered by the county to be shared with the stakeholders group after the call.
- The team plans to establish a timeframe of 60 days for projects to be submitted to underwriting after receiving conceptual approval from the board
- It was noted that stakeholders should prepare to share their thoughts or recommendations regarding the 15% cap at the January 28th Board of County Commissioners workshop.
- Participants are encouraged to explore other funding programs that can serve as local match requirements instead of relying on the bond.
- The next steps involve discussing with the board the maximum total project cap for workforce housing and determining if they will maintain the 110% AMI threshold.
- The development community is encouraged to participate in discussions with the board to share insights and experiences from the field regarding the challenges they face.
- The team aims to achieve conceptual approval before June to ensure that the necessary budget numbers are included in the upcoming funding process.
- It is suggested that a conversation with the property appraiser is necessary to address the concerns raised about the legislation.
- The team plans to present a recommendation regarding the bond allocation prior to the upcoming workshop, indicating a need for further refinement of the proposal.
- The team will develop a tiered approach to determine how projects can exceed the 15% cap based on the percentage of affordable units being created and other funding sources.
- The staff will compile a document with recommendations and capture the discussions from the current and previous meetings to present to the board, and they encouraged participants to submit any further comments as soon as possible.
- The next meeting is scheduled for January 28th, where the workshop will discuss the FIU housing study, which will provide insights into current and future housing needs based on the study's findings.
- The comments from the sessions regarding the recommendations will be compiled and included as backup for the upcoming workshop, ensuring that all feedback is considered in future discussions.
- The participants expressed their eagerness to continue discussions regarding housing concerns, indicating a commitment to work together moving forward.

AI Insights

The meeting demonstrated a generally positive atmosphere characterized by constructive discussions and a high level of engagement and participation from attendees. Clear next steps were identified, with scores ranging from 1.0 to 3.0, indicating varying degrees of actionability. Engagement levels were moderate to high, with participants actively contributing to discussions about financing challenges and project approvals. The meeting adhered to its scheduled duration, reflecting effective time management. Overall, the sentiment was predominantly positive, with participants expressing a collaborative spirit and a focus on problem-solving, as evidenced by a sentiment score averaging around 0.5.

Topics & Highlights

1. Housing Bond Allocation Process Discussion

- The meeting aims to gather input from participants regarding their experiences and thoughts on the housing bond allocation process, which will inform potential recommendations for revisions.

2. Discussion on Recommendations for the Board

- There is a concern about ensuring that not all previously discussed recommendations will be included in the presentation to the Board, as some may not have sufficient support.
- Participants were encouraged to share their recommendations for home ownership opportunities, which will be included in the proposal to the Board.

3. Discussion on Homeownership Pricing

- Ajenkins expresses concern that the current maximum sales price for homeownership units is not feasible for most buyers, indicating that it does not reflect the market conditions in their neighborhoods.
- Ajenkins proposes a new maximum sales price of approximately \$450,000 as a compromise that would be more reasonable for clients earning between 100% to 120% of the Area Median Income (AMI).
- Ajenkins mentions that about 20% of the cost of a unit is attributed to land, which influences the proposed pricing strategy.
- Ajenkins indicates that if market conditions change significantly, all stakeholders will need to reconvene to reassess the pricing strategy.

4. Discussion on Maximum Sales Price

- The state's maximum sales price is \$568,557, which is considered too high for program participants. A recommendation was made to set the maximum sales price at 80% of this amount, resulting in a new maximum of \$454,845.
- Cindee LaCourse-Blum expressed concerns that the proposed maximum sales price may not be affordable for 80% AMI buyers and emphasized the importance of ensuring that buyers are underwritten by institutional lenders to avoid purchasing unaffordable homes.

5. Underwriting Process Recommendations

- Ajenkins suggested that the underwriting fee be waived and that local underwriting be applied to the program, which would streamline the process and allow for participation in the bond program.

6. Underwriting Requirements for Nonprofits and For-Profits

- There are concerns regarding the economic burden that underwriting costs impose on developers, especially when the number of units is limited to 50 or less, making it difficult to achieve economic scale.
- The threshold discussed for local underwriting is set at 50 units or less, as anything above this number may not be economically feasible for developers.
- It was agreed to consider waiving underwriting requirements for both nonprofit and for-profit developers building for sale units when the total number of units is 50 or less.
- Participants were encouraged to share any additional recommendations or insights regarding the nonprofit partnership and the underwriting requirements.
- There is a significant challenge in homeownership financing due to the gap between construction costs and the affordability for income-restricted buyers, which affects the viability of projects.
- A suggestion was made to develop a system that could provide gap funding to support bond-funded homeownership projects, which would help bridge the financial gap for developers.

7. Homeownership Development Funding

- Cindee LaCourse-Blum expressed concern about the need for additional funding sources for homeownership development, particularly from municipalities and CRAs, to ensure project viability.
- It was suggested that criteria for funding sources should include efforts made to secure additional funding from municipalities or CRAs for projects located within their jurisdictions.

8. Multifamily Rental Development

- Tim Wheat requested a summary of the policy changes being considered by the county to be shared with the stakeholders group after the call.

9. Feedback and Recommendations from Stakeholders

- The meeting included feedback from two sessions held in December, with 30 different recommendations from stakeholders being reviewed.

10. Discussion on Project Approval Parameters

- The team plans to establish a timeframe of 60 days for projects to be submitted to underwriting after receiving conceptual approval from the board.
- There are concerns regarding the readiness of projects submitted for underwriting, as delays in providing necessary information have been observed.

11. Final Approval and Project Readiness

- Once the board gives final approval, projects must start construction within one year, or the board can rescind the funding based on referendum language.

12. Financing Challenges and Guarantees in Housing Projects

- Participants expressed concern regarding the county's 15% contribution cap, indicating that it does not work effectively for the industry. They emphasized the need for a discussion on this issue at the upcoming January meeting with the Board of County Commissioners.
- It was noted that stakeholders should prepare to share their thoughts or recommendations regarding the 15% cap at the January 28th Board of County Commissioners workshop.

13. Challenges in Bond Application Process

- There are significant challenges in aligning the timing of bond allocations with project readiness, which complicates the application process.
- The bond was never intended to be used as the local match for any state programs, indicating the need for alternative funding sources.
- Participants are encouraged to explore other funding programs that can serve as local match requirements instead of relying on the bond.

14. Entitlements and RFP Process

- There was a concern that the initial RFP requirements regarding entitlements were too strict, which could hinder developers' ability to submit viable proposals.

- It was decided to relax the initial requirements for entitlements to give developers more time to prepare their proposals and site plans.

15. Financing for Workforce Housing Projects

- The board has set a preferred cap of 15% on workforce projects, with some projects allowed to exceed this cap up to 22%.
- The next steps involve discussing with the board the maximum total project cap for workforce housing and determining if they will maintain the 110% AMI threshold.

16. Affordable Housing Challenges

- The group discussed the need to evaluate whether to incorporate certain scoring criteria into the bond allocation process, indicating a decision to consider different approaches to project evaluation.
- Participants expressed concern about the high construction costs and interest rates impacting the feasibility of affordable housing projects, making it difficult to provide units that are affordable for lower-income residents.
- Jack Weir mentioned that construction costs and interest rates are currently very high, which affects the net operating incomes (NOIs) and production costs for housing projects.

17. Challenges in Workforce Housing Development

- Lynda Charles expressed concern that the county's 15% subsidy limit and the rent cap of 110% create significant barriers for workforce housing developers, particularly for smaller projects in urban areas.
- The county has set a preferred cap at 15% for subsidies, although there have been exceptions for certain projects.
- The development community is encouraged to participate in discussions with the board to share insights and experiences from the field regarding the challenges they face.

18. Timeline for Bond Program Applications

- The anticipated opening for the next round of bond applications is targeted for mid-March, with a response period expected to last between 30 to 45 days.

19. Underwriting Process and Timeline

- The underwriting process generally takes between 30 to 60 days, depending on the complexity of the project and the information needed by the underwriters.

- There have been issues with slow communication between the project teams and underwriters, which can delay the underwriting process.
- It was decided to implement additional time limits to avoid extending the underwriting process unnecessarily.
- The team aims to achieve conceptual approval before June to ensure that the necessary budget numbers are included in the upcoming funding process.

20. Approval Process for Projects

- The RFP submission period is approximately 45 days, followed by a review to ensure compliance with the requirements.
- The selection committee will evaluate the projects and make recommendations to the Board of County Commissioners for conceptual approval.

21. Discussion on Property Appraiser and Legislation

- Mitchell Adelstein raises a concern about the specific legislation regarding assessments on units under the live local program, indicating that it may not be an issue in Palm Beach County.
- It is suggested that a conversation with the property appraiser is necessary to address the concerns raised about the legislation.

22. RFP Timeline Discussion

- There is a consensus among participants that a 45-day period for the RFP process is preferable, especially for non-profit organizations.

23. Multifamily Bond Allocation Process

- Dan Walesky expresses a concern that there was a consensus in the last workshop to increase the total limit for multifamily allocations from 15% to 25%, and seeks clarification on how this will be presented.

24. Bond Allocation Process Discussion

- The team plans to present a recommendation regarding the bond allocation prior to the upcoming workshop, indicating a need for further refinement of the proposal.
- It was decided that the bond program can either be a reimbursement or a construction draw process, allowing flexibility in funding.
- There is a concern regarding the need for upfront funding in the bond allocation process, as it may pose risks if projects do not move forward.

25. Funding and Draw Process for Project X

- There are concerns regarding the pre-development costs and the negotiation process for funding, indicating that this has been a challenging area for the team.
- The Board of County Commissioners is looking for a minimum of a 50-year affordability period for housing projects, which will influence recommendations for changes in the housing bond process.
- Interest rates for loans vary based on the type of developer: for-profit workforce housing developers face rates between 1% and 3%, while non-profits can access zero percent rates for affordable rentals.

26. Bond Financing and Affordability Period

- The bond has a 20-year term, and there is a consideration to extend the amortization period to 50 years for projects with a 50-year affordability period.
- The board has set a preferred cap at 15% for project costs that the county would fund in a bond finance transaction, but there is a possibility for projects to exceed this cap based on certain criteria.
- The team will develop a tiered approach to determine how projects can exceed the 15% cap based on the percentage of affordable units being created and other funding sources.

27. Discussion on Bond Finance Developments

- The board has set a financing cap at 15%, while state programs can go up to 30% or even 33% depending on the ELI units. This discrepancy raises questions about the effectiveness of the current cap.
- There are concerns regarding the board's 15% financing cap, as it may hinder project progression. Justin Gilbert pointed out that projects are not moving forward under the current percentage, questioning the board's commitment to facilitating development.
- At least two projects are moving forward with the 15% financing cap, out of a total of four projects discussed. This indicates that while some projects are progressing, the majority may not be under the current conditions.

28. Funding and Development Community Engagement

- Justin Gilbert expressed concerns about the lack of clarity in the funding process for development projects, which can create uncertainty for developers. He highlighted that without a clear understanding of how projects will be funded, it becomes challenging for the development community to engage effectively.
- Justin mentioned that some projects are moving forward due to funding from other county programs or exceptions made to the 15 percent funding cap, indicating that these factors are influencing project viability.

29. Workforce and Affordable Housing Initiatives

- There is a concern regarding the balance of subsidies for individual projects versus the overall number of units produced, as highlighted by Jack Weir.
- The available funding for projects is approximately 110 million dollars, which may increase if some conceptually approved projects do not move forward.
- Terri Murray raised a concern about ensuring a certain percentage of the bond is earmarked for affordable housing, as this is where the bulk of the need lies.

30. Discussion on Affordable Housing Recommendations

- Terri Murray raised a concern about whether any recommendations are being considered for the percentage of affordable homeownership for workforce housing, highlighting the need for clarity in funding allocations.
- The staff has not yet made a decision to break down the funding into specific categories, but they may receive direction from the board to do so in the future.
- The staff will compile a document with recommendations and capture the discussions from the current and previous meetings to present to the board, and they encouraged participants to submit any further comments as soon as possible.

31. Housing for the Homeless

- The Board of County Commissioners is discussing housing for the homeless, with projects eligible for bond funding. The focus is on individuals at 0% to 140% of AMI, indicating a broad range of income levels targeted for assistance.
- There is a concern regarding the need for additional subsidies for housing projects targeting the homeless and extremely low-income individuals, as these projects require layered funding to be viable.
- The next meeting is scheduled for January 28th, where the workshop will discuss the FIU housing study, which will provide insights into current and future housing needs based on the study's findings.

32. Response to Recommendations

- It was decided that there will not be a formal response to the initial recommendations from the nonprofit partners, as the group has already met multiple times to discuss the recommendations and settled on a final document.
- The comments from the sessions regarding the recommendations will be compiled and included as backup for the upcoming workshop, ensuring that all feedback is considered in future discussions.

33. Housing Concerns in Palm Beach County

- The participants expressed their eagerness to continue discussions regarding housing concerns, indicating a commitment to work together moving forward.



**Affordable and Workforce Housing White Paper
for the
Palm Beach County Board of County Commissioners**

Leveraging “Gap” Funding for Affordable and Workforce Rental Housing

About Partners for Housing Palm Beach County

Partners for Housing Palm Beach County, Inc. (P4HPBC) is a 501(c)(3) nonprofit community development corporation based in Palm Beach County, Florida. It is made up of 13¹ mission based nonprofit development organizations focused on the identification of opportunities to coalesce around strategies of collective impact to address the continuum of affordable and workforce housing needs in Palm Beach County.

¹Adopt A Family of the Palm Beaches, Community Land Trust of Palm Beach County and the Treasure Coast, Community Partners of South Florida, Delray Beach Community Development Corporation, Delray Beach Community Land Trust, Delray Housing Group (Delray Beach Housing Authority), Habitat for Humanity of Greater Palm Beach County, Housing Center of the Palm Beaches (West Palm Beach Housing Authority), Neighborhood Renaissance, Pahokee Development Corporation (PADEVCO)(Pahokee Housing Authority), Riviera Beach Community Development Corporation, Spectra Organization (Palm Beach Housing Authority), The Lord's Place.

Overview

Partners for Housing Palm Beach County (P4HPBC) applauds the Board of County Commission (BCC) for taking steps to address Palm Beach County's (PBC) growing affordable housing crisis by approving the \$200 million Bond Referendum in 2022. According to the approved Resolution, the purpose of the Bonds is to finance all or a portion of the costs of Workforce and Affordable housing units in PBC. The Resolution also states that the bonds could be issued all at one time or in part from time to time.

On Oct 3, 2023, the BCC approved the Housing Bond Allocation Process, which was consistent with the language in the Resolution and the referendum to voters. There was no language about Florida Housing Finance Corporation (FHFC) funding requirements, 200K units being produced, a 15% leveraging cap or holding on to the funding to spread it over seven or more years.

On March 30th, 2024, PBC staff issued the Housing Bond Loan Program (HBLP) RFP - Affordable Housing Multifamily Development, consistent with the process approved by the BCC. The guidelines indicated that a selection committee of County staff would recommend projects for conceptual approval. These projects would undergo third party underwriting and then be presented to the BCC for approval. All this information was documented on the Department of Housing and Economic Development (DHED) webpage of the PBC website. DHED followed the process. The developers followed the guidelines in the RFP and the approved process.

At the BCC May 7th and June 4th, 2024, meetings, the BCC disregarded the approved Housing Bond Allocation Process and substantially changed the process with no Public Notice or modification via vote.

This included giving directions to staff to reduce the “Gap” Funding for all projects to 15%. P4HPBC views these actions as imprudent and unsound.

At the June 4th meeting, Affordable Housing developers shared that it was not possible to meet this new guideline. It was also suggested that the Bond Fund be allocated \$50M to Affordable Housing, \$50M to For Sale Housing and \$100M to Workforce Housing. Based on the facts regarding a project’s revenue production for Affordable versus Workforce Housing, such an allocation is not supported from either a financial sustainability or a need-based perspective. The need for “Gap” Funding is greater for Affordable Housing where there is less revenue and fewer resources available. Most of the sources for “Gap” Funding come from the State’s FHFC Low Income Housing Tax Credit program, through highly competitive application processes. PBC developers typically submit numerous applications and only 1 or 2 are awarded. Project gap funding is critical to provide affordable rents to the County’s residents, the majority of whom earn less than \$59,000 and are in the service sector, according to the PBC Affordable Housing Needs Assessment. These residents can afford rent of \$913 for a 1-bedroom unit and \$1096 for a 2-bedroom unit in a county where the average rents for a 1 bedroom are over \$2000 and over \$3000 for a 2 bedroom. Workforce residents are more able to afford such rents as their incomes range to \$138,000. Workforce developers also have access to new funding sources created by the historic Live Local Act.

Recognizing that an additional 6,600 units are needed annually to address the growing need, it was P4HPBC’s expectation that PBC would provide increased access to affordable housing funding utilizing the Bond Program, not less. Capping “Gap” Funding to 15% of total development costs for Affordable Housing projects when insufficient to no other funding sources are available, translates to very few or no new affordable units being developed to meet the continuing Affordable Housing crisis in PBC.

P4HPBC Recommendations

The majority of PBC residents fall within the Affordable Housing range at 80% and below the AMI. Because this group is critical to PB the County’s economic resilience, primarily in the service, retail and hospitality sectors, as well as the health and well-being of its residents, P4HPBC urges the BCC to reconsider the unequitable and dangerous direction in which it is headed with the Bond Funding. PBC needs to fund more affordable housing now, not in 7 or 10 years. P4HPBC strongly recommends that the BCC properly approve a revised process for funding Affordable and Workforce Housing that includes:

- 1) A cap on Affordable Housing Projects funding at 25% of total development costs.
- 2) A cap on Workforce Housing Projects funding at 15% of total development costs.
- 3) Allocation of the \$200M bond fund to \$100M to affordable housing rental projects; \$50M to workforce housing rental projects; and \$50 to workforce housing for sale units.

It is with our dedication and commitment to affordable and workforce housing that this white paper is submitted to our PBC BCC. P4HPBC appreciates your service to our residents.

October 24, 2024

Partners for Housing Palm Beach County Recommended Revisions to the Palm Beach County
Housing Bond Allocation Process for Ownership Development Regarding Max Sales Prices

Currently the maximum sales prices in the PBC's Housing Bond for Homeownership Program are tied to the Maximum Sales Prices by AMI established in the County's Workforce Housing Program (WHP). The WHP provides bonus densities to developers to fill the affordability gap needed to produce these units. The affordability gap is the difference between what a unit costs to build and what an AMI restricted buyer can afford. Bonus densities are not part of the Housing Bond Program and therefore not available to fill the gap in affordability for developers. As such, it is necessary for developers of these homes to bring in additional subsidies to fill the gap in affordability. These subsidies are typically development assistance loans that turn into purchase assistance to the end buyers at closing. Therefore, the maximum sales prices need to be increased to allow the development to capture the additional subsidies and fill the gap between what it costs to develop the units and what the income restricted buyer can afford to pay. For example, it may cost \$380k to build a 3 bedroom/ 2bath house but a 100% AMI homebuyer can only afford a \$280k mortgage.

We are recommending the SHIP Maximum Sales Price in effect at the time of sale be the Max price for the PBC Bond funded units in the Homeownership Program. We understand that the overwhelming majority of buyers are unable to afford this price. However, it will allow for the appropriate subsidies to be included in the deal. As a safeguard to the end purchaser, we are also recommending that households buying units developed through this program, not have a front end ratio higher than 35% and a back end ration not more that 45%. An exception from the lender should be allowed where the back-end ratio cannot exceed 50%.

Palm Beach County 2024 Multifamily Income Limits and Rents

Income Category	2024 Income Limit by Number of Persons in Household									
	1	2	3	4	5	6	7	8	9	10
60%	\$45,000	\$51,420	\$57,840	\$64,260	\$69,420	\$74,580	\$79,680	\$84,840	\$89,964	\$95,105
70%	\$52,500	\$59,990	\$67,480	\$74,970	\$80,990	\$87,010	\$92,960	\$98,980	\$104,958	\$110,956
80%	\$60,000	\$68,550	\$77,100	\$85,650	\$92,550	\$99,400	\$106,250	\$113,100	\$119,952	\$126,806
90%	\$67,500	\$77,123	\$86,745	\$96,368	\$104,123	\$111,840	\$119,528	\$127,245	\$134,946	\$142,657
100%	\$75,000	\$85,695	\$96,390	\$107,085	\$115,695	\$124,280	\$132,805	\$141,390	\$149,940	\$158,508
110%	\$82,500	\$94,268	\$106,035	\$117,803	\$127,268	\$136,720	\$146,083	\$155,535	\$164,934	\$174,359
120%	\$90,000	\$102,840	\$115,680	\$128,520	\$138,840	\$149,160	\$159,360	\$169,680	\$179,928	\$190,210
130%	\$97,500	\$111,410	\$125,320	\$139,230	\$150,410	\$161,590	\$172,640	\$183,820	\$194,922	\$206,061
140%	\$105,000	\$119,980	\$134,960	\$149,940	\$161,980	\$174,020	\$185,920	\$197,960	\$209,916	\$221,911

2024 Median Income : \$104,000

Based on Florida Housing Finance Corporation *Multifamily Rental Programs and CWHIP Homeownership Program*

90%, 100%, 110%, 130% AMI rent limits imputed by Palm Beach County based on FHFC rent limits.

Income Category	2024 Rent Limit by Number of Bedrooms in Unit					
	0	1	2	3	4	5
60%	\$1,125	\$1,205	\$1,446	\$1,671	\$1,864	\$2,056
70%	\$1,312	\$1,406	\$1,687	\$1,949	\$2,175	\$2,399
80%	\$1,500	\$1,607	\$1,928	\$2,228	\$2,486	\$2,742
90%	\$1,688	\$1,808	\$2,169	\$2,507	\$2,797	\$3,085
100%	\$1,875	\$2,009	\$2,410	\$2,785	\$3,108	\$3,428
110%	\$2,063	\$2,209	\$2,651	\$3,064	\$3,418	\$3,770
120%	\$2,250	\$2,410	\$2,892	\$3,342	\$3,729	\$4,113
130%	\$2,438	\$2,611	\$3,133	\$3,621	\$4,040	\$4,456
140%	\$2,625	\$2,812	\$3,374	\$3,899	\$4,350	\$4,798

Ref:\S:HousingBond\Income Limits & Rents 2024.xls