

Housing Steering Committee
Wednesday, April 14, 2021
9:00 a.m. - 10:30 a.m.

Morris "Skip" Miller (Chair), Sammy Alzofon, Jesse Bailey, Mary Lou Bedford, Wilneeda Emmanuel (for Mac Bernard), David Brandt, Jonathan Brown, Fab Brumley, Charlotte Burnett, Layren Calvo, Phyllis Choy, Irwin Cineus, Shereena Coleman, Ben Durgan, Mary Evans (for Deborah Buff), Pat Fitzgerald, Lesley George, Scott Hansel, Michael Howe, Michele Jacobs, Annetta Jenkins, Elliott Johnson, Jason Kay, Afifa Khaliqa, Ezra Krieg, Cindee LaCourse-Blum, Matthew Leger, Dorritt Miller, Terri Murray, Maggie Perez, Amy Pettway, Beth Rappaport, Kevin Ratterree, Chuck Ridley, Mercedes Rodas, Barbara Roth, Patrick Rutter, Brian Seymour, Katy Smith, Whitney Walker, Jack Weir, Anna Yeskey. Guests: Sandra Einhorn, Tim Wheat. Staff: Suzanne Cabrera, Leslie Mandell

Introductions - Morris "Skip" Miller, Steering Committee Chair

- Welcomed everyone, asked for introductions

Sadowski Funding Update - Suzanne Cabrera

- 2020: Full funding approval of \$20M for PBC vetoed from budget due to pandemic, but funds still remained in Trust Fund
- 2021: Revised plan diverted 2/3 of fund for climate resiliency and wastewater issues (changing septic to sewer)
- Final funding returned some funds, eliminated taking money for SEED and future sweeps of Sadowski Trust Funds
- Requested that Governor DeSantis reassign the \$225M unallocated funds back to Sadowski Housing Trust Fund
- Hoping for \$200M total for the State, with \$6M for Palm Beach County, which would do little to alleviate PBC's housing crisis. (Update: did not occur)

Purpose of this Committee

- **Housing Summit Steering Committee Background:**
 - Summit Steering Committee initially formed to present a housing summit in 2017. Subsequent to the housing summit, Housing Steering Committee's task was to create policies and action steps to increase the supply and availability of affordable and workforce housing in PBC.
 - HLC commissioned a Housing Needs Assessment administered by the Metropolitan Center at FIU in Miami. (The HNA will be emailed to everyone.) The assessment identified a tremendous need for affordable and workforce housing in Palm Beach County as well as a tremendous shortage of housing, which prompted the need to develop a housing plan to identify specific actions to recommend to the county and municipalities in the county to help alleviate that shortage.
- **Plan for Steering Committee meetings going forward**
 - Three groups will be requested to give input as housing plan is developed
 - Steering Committee: Goal is to approve the plan that is developed by all the other groups
 - Core Group: consists of people on the steering committee who will organize presentations in preparation for developing the housing plan
 - Stakeholders: comprised of individuals and organizations who are affected by the shortage and unavailability of affordable and workforce housing in the county and will give input as the housing plan is developed.
- Goal: To have the community understand the need for more workforce and affordable housing; to support the \$200M Bond Issue that will be presented to the Palm Beach County Commissioners for approval.
- **Topic Areas**
 - Financing
 - Planning and Regulatory
 - Neighborhood Revitalization
 - Racial Equity

Today's Topic: Financing – Introduction of Tim Wheat and Sandra Einhorn by Jack Weir

Guest Speaker: Tim Wheat: How Deals are Made and Obstacles to Building More Affordable Housing in PBC

Introduction: Tim Wheat is an experienced developer of affordable housing using low-income housing tax credit traditionally focusing on households earning $\leq 60\%$ AMI (area median income). (PBC AMI is \$40,000-\$45,000, depending on

the household size.) The Economic Council became involved in affordable and workforce housing in PBC in 2005. Wheat was part of the staff that wrote the Affordable Housing Task Force Report, leading to the adoption of a Commission on Affordable Housing.

- To finance multi-family housing: Two types of income housing tax credits have been the primary vehicle for producing 3M+ units throughout the U.S.: the 9% low-income housing tax credit and the 4% low-income housing tax credit
- Each state sets up their own competitive process to reward and allocate 9% tax credits through what is called a qualified allocation plan
- 9% tax credits available are on a per capita basis, and Florida's most recent total allocation was \$57.M in 2019; slightly higher in 2020; will be reduced slightly in 2021 due to a temporary bump in the allocation of tax credits to states by the Tax Cut and JOBS Act of 2017
- 9% low-income housing tax credit
 - Can raise the majority, but not all of the development sources needed for a prospective development. There are rules for capping the size of tax credit allocations and the total amount of units that can be done in any one multifamily development, which might add some pressure in terms of structuring a transaction where you might need more sources.
 - New advantageous rules
 - 20 at 50: must build 20% of the units affordable to 50% of AMI
 - 40 at 60: must build 40% of the units affordable to 60% of AMI
 - Full benefit of tax credit basis is generated based on the total percentage of affordable units.
 - Most developments are almost 100% or nearly 100% affordable with 60%AMI. (AMI is dictated by family size.)
 - 60% of AMI by HUD is \$36,900/year and increases to \$52,000+/year for a family.
 - New income averaging rules allow you to structure developments where you can have some at extremely low income and some up to 80% of the median income, which is for a family of four over \$70,000 a year in Palm Beach County.
 - Since inception, ~3,000 units have been developed in PBC, much less than the other six large counties.
 - Tax credit is useful because if builders secure an allocation based on what the proposed development can generate, they can sell them, and buyers tend to be syndicators. Sometimes groups that put together large funds of corporate contributors to the fund who use the tax credit to offset their corporate gains.
 - There has been a softening in the tax credit market due to the reduction in corporate income tax rates and with the reduction in Corporate profits, and the result of the pandemic. The rate is now in the upper 80s-low 90s.
 - Banks and insurance companies tend to be the largest purchasers of housing tax credits; investors are being more selective.
 - U.S. developers are looking for areas where they can get a tax credit boost, which has almost become necessary in today's construction cost market.
 - States can also set their own discretionary boosts in allocating 9% credit.
Florida housing has created geographic areas of opportunity where they will provide a basis boost because they want to more effectively integrate affordable housing in communities with higher-than-average education, incomes, and employment, rather than concentrating affordable housing in the most distressed areas.
- Example given using 9% and 4% tax credits (see PowerPoint)
- 4% low-income housing tax credit
 - Was difficult to use but is popular again because it is an actual fixed 4% credit
 - Used to float with interest rates but now that is a fixed 4% credit which means 20% more equity to projects
 - Not as competitive as the 9% credit; allocated in companion with issuances of tax-exempt bonds by local HFA's or Florida Housing Finance Corporation, which gets allocation of \$500M in tax exempt bonds, which are volume capped.
 - Same rules apply to income averaging; most of the developments using the housing tax credit have been developed with 4% credits or some variation of 4% credits in Palm Beach County (~7,000 units)
- Closing thoughts
 - From the developer perspective, tax credit developments and affordable developments are cutting edge and indistinguishable from market rate in many ways.
 - One of the reasons why PBC has had so many bond deals versus 9% credit deals is because when construction costs were lower, PBC's median income was so high compared to the rest of the state, there was a window of opportunity to structure bond deals and make them work with a nominal subsidy. That may happen again with some nominal gap financing.

- The 4% credit is a vehicle for preservation and conversion of existing properties.
- \$52,000/year salary in West Palm Beach for a family of four is an affordable wage; an affordable wage of \$52,000/year in Belle Glade is a different deal. What works for an affordable development in West Palm Beach, Delray Beach, Riviera Beach, Palm Beach Gardens or Royal Palm Beach is not going to be the same metrics in Belle Glade.
- The median income in impoverished communities like the Glades is lower, so we have to think about the structure of those transactions and how we bridge those gaps further when we are trying to produce housing in the Glades, not to mention the costs that come with developing out in the western communities.
- The county went through a rethink process on the workforce housing program, so with the new, more robust 4% credit there is an opportunity to companion the issuance of tax-exempt bonds, the 4% credit, income averaging and perhaps use of the workforce housing program and developer participation to create workforce events, which would be a tremendous way of leveraging resources. The Board of County Commissioners can opt to approve merging those together on a project-by-project basis.
- Recommendation: Consider a more prescriptive way for that to happen, because the marshalling of equity and credit resources to produce more housing and to be at a broad range of income levels is very powerful.
- Think about the form and shape of developments of the future, which will be predominantly in the Eastern Corridor, infill adaptive reuse, and always encourage cities in the county to wherever possible, create overlay and transit-oriented development districts that are very permissive and have form-based zoning that allow for the structuring of affordable housing developments through negotiation with staff and the city on best practices and that also can be mixed-use to attract commercial activity and revenue to bolster the bottom line in developments. (Ex: Hollywood FL)
- Riviera Beach: The 9% credit went to Riviera Beach where Pinnacle and Wendover Housing Partners in Central Florida will be developing a new community called Berkeley Landing, an adaptive, reuse, corridor-sensitive development based on a CRA master plan that also will attract some commercial and live workspace on the US 1 corridor.
- PBC has come up short because, in the past, patterns of development in PBC have clustered affordable housing in a few areas, and Florida Housing has restricted the proximity of developments to other developments, and that has been a barrier. The new paradigm is that Florida Housing wants to see county and municipalities make a local government area of opportunity designation, loan funds to the development as a precondition to applying (as Riviera Beach did with Berkeley Landing); that has led to some greater innovation and cities getting behind developments that may not have occurred in the past.
- The County should support a housing bond as other municipalities and jurisdictions have, or just dedicate a certain amount of funds in their budget (like Broward County is doing now) to try to capitalize its own trust fund.
- The 4% housing credit is a better tool for preservation, and it can also be leveraged to produce more units, but it will take a soft secondary source of money that probably cannot rely on Florida Housing to always provide. Palm Beach County is going to have to take ownership of that process.

Guest Speaker: Sandra Veszi Einhorn

Introduction: Serves as the Executive Director of the Coordinating Council of Broward and the non-profit Executive Alliance of Broward, Florida Housing Finance Corporation Board member. Will talk about her experiences in Broward County regarding housing, advocacy, housing policies, how Broward County has addressed the affordable housing shortage, and the creation of the Affordable Housing Coalition in 2016.

- The Coordinating Council of Broward is comprised of senior executives across business, government and nonprofit that collectively represent the largest health and human service stakeholders in Broward County (no housing advocates). Chaired by former State Senator, current County Commissioner Nan Rich, members include CEOs, the head of the school board, the hospital Systems, Broward Sheriff's Office, the Department of Health, DCF, United Way, The Greater Fort Lauderdale Alliance.
- Results from the Alice Report the impetus for creating the housing coalition plan (first Alice report created by United Way in 2016 - Asset Limited Income Constrained and Employed), which recognized that housing was the #1 issue confronting Broward County households.
- Recognized that housing and the lack of affordability of housing in workforce, childcare and health care professions impact the ability to achieve expected outcomes because housing is the cornerstone of all that.

- Affordable housing includes seniors, youth aging out of foster care, developmental, emotional, or physical disabilities, and veterans. Affordable housing really means the affordability of housing. If monthly expenses are $\geq 30\%$ of your total household income on housing, you need affordable housing.
- Working towards shared solutions
 - Planned a full day housing event in 2017 to engage elected officials, business leaders, nonprofit advocates and others who do not talk about housing or understand what it means to have an affordable housing crisis, resulting in the creation of Housing Broward: An Inclusive Plan.
 - Guiding Principles
 - People of all income levels, not just our workforce, should have a **range of housing options** and should have access to **quality, affordable housing**.
 - Broward's **future prosperity and economic vitality** is tied to its ability to house its workforce. Affordable housing is economic prosperity.
 - The plan requires **creative and flexible approaches** advanced by a **diverse set of partners**.
 - **No silver bullet** will solve the problem and one size fits all approach will not work.
 - It is not just county government or state government - **private sector investment and involvement** are a critical component of building the market and providing affordable housing in all types of neighborhoods.
 - **Public investments in housing** should be strategically focused to achieve particular goals and to attract the maximum amount of private investment.
 - **Increasing the capacity and production of dedicated non-profit housing organizations**, including community development organizations, and community land trusts is essential for program delivery.
 - **Communication and coordination** from a broad, diverse group of stakeholders that connect residents to affordable and supportive housing is essential to a successful housing strategy.
 - Everyone (federal, state, county, municipal nonprofits business leaders) needs to come to the table with an open mind to do things that are unique and innovative.
 - **Affordable housing is market rate housing with a subsidy**, so you are either going to subsidize it on the front end to bring down the cost for the developer, or you are going to subsidize it on the back end in perpetuity. Affordable housing should be built to blend in. It is important to recognize that when you are building the shell, either from market or affordable, that it costs the same - the finishes might cost differently, the amenities might be different, but that basic shell costs the same.
 - Understand that post Hurricane Andrew building standards are some of the strictest in Florida, and that the international influence of real estate in our market increases costs.
 - Four Core Goals
 - Create and preserve dedicated affordable housing units
 - To promote affordability by increasing the overall supply of housing and lowering barriers and costs
 - Helping renters and homeowners maintain housing stability
 - Helping renters and homeowners afford units they locate in the private market
- Priorities for Action
 - Workforce housing is built for 80-120% of AMI, but workforce is $\leq 60\%$ AMI.
 - We are the most cost-burdened region in the entire nation due to low wages and high rents, with essential employees earning $\leq 60\%$ AMI.
 - Critical to look at the entire continuum of housing and recognize that housing is also for folks that are not part of our workforce.
- Housing is You. Me. Us.: Even if you are not cost burdened, you are either employing folks or are relying on cost burdened individuals every day.
- Affordable housing is a crisis that affects everyone
- Integrate message in marketing and PR campaign no one is immune to being impacted by the affordable housing crisis.
- "Those" people already live next door to you, but you do not see them because they are not healthy consumers of the economy - they cannot afford to live where they are, go to restaurants or your city center.
- Everyone is averse to density.
- Your housing plan is only as good as the funding that you are willing to put to it.
- Created Broward Days, a nonpartisan public private partnership where advocacy, i.e., rental assistance, etc. is funneled through.
- Bring together a diverse group of stakeholders to create an inclusive coalition to build broad consensus around the issue of affordable housing to publicize the bond issue

- **Help community understand that the creation of the trust fund will have no additional cost to taxpayers – there will be no tax increase.**
- Emphasize that once funds go into the trust fund, it cannot be moved.
- Create a dedicated funding source for the Housing Trust Fund
- Communicate to all stakeholders that whether you are building warehouse, industrial, residential, all of it has a net need for additional affordable housing units.
- Consider creating a nonprofit fund where nonprofits can access gap financing, pre-development funds and other funds needed to compete with those for profits.

Next meeting – Regulatory Barriers – Wednesday, May 12 at 9:00 a.m.