PBC Housing Steering Committee
Wednesday, August 11, 2021
9:00 a.m. - 10:30 a.m.
Meeting Summary

Attendance: Morris "Skip" Miller (Chair), Sammy Alzofon, Mary Lou Bedford, Derrick Berry, David Brandt, Jonathan Brown, Sherry Brown, Charlotte Burnett, Edith Bush, Whitney Cherner, Phyllis Choy, Jonathan Dolphus, Terri Ferguson, Maxine Gayle, Lesley George, Dodi Glas, Sam Goodstein, Scott Hansel, Ryan Harding, Donaldson Hearing, Stephanie Heidt, Michael Howe, Michele Jacobs, Annetta Jenkins, Elliott Johnson, Cindee LaCourse-Blum, Joseph F. Lo Bello, Jim Lyons, Teresa McClurg, Arthur Menor, Dorritt Miller, Terri Murray, Michael Odum, Joan Oliva, F. Martin Perry, Shelly Petrolia, Amanda Radigan, Kevin Ratterree, Mercedes Rodas, Patrick Rutter, C.S. Smith, Katy Smith, Ken Thomas, Jennifer Thomason, Whitney Walker, Michael Weiner, Jack Weir, Anna Yeskey. **Guest Speakers/Moderator:** David Brandt, Clarence Brown, Jonathan Brown, Morris "Skip" Miller, Jack Weir, Larry Zabik, Debbie Zomermaand. **Staff:** Suzanne Cabrera, Leslie Mandell, Eralda Agolli

Welcome & Purpose – Development of a Countywide Housing Plan

Focus: To educate the Steering Committee and stakeholders about the number of affordable and workforce housing units that can realistically be financed with the proceeds of the $200M bond issue that will be presented to the PB County Commissioners in March 2022

Purpose

- The Housing Needs Assessment conducted by FIU found that 100,000 PBC residents are spending more than 30% of their income on housing, and 10,000+ are spending 50+% of their income on housing due to the shortage of affordable and workforce housing. The Steering Committee is gathering information to incorporate into the housing plan that will identify concrete steps that can be implemented to increase the production of affordable and workforce housing while also making current housing more attainable.
- Presentations to educate the Steering Committee and the Stakeholders have centered on the four pillars that will be incorporated into the housing plan: Finance, Planning and Regulatory Barriers, Neighborhood Revitalization and Racial Equity

Note: All bios are located at https://www.hlcpbc.org/initiatives/housing-plan-meetings-and-resources/

Update on County Covid Funding

Jonathan Brown, Director for PBC Housing and Economic Development (see attached bio)

- Review of the ARPA Recovery & Resilience plan (see attached PP)
  - Assistance programs: Grocery card, food delivery, rent and utility assistance, the State CRF funds (rent and utility assistance, RREAP programs (Legal Aid, FL Rural Legal Services)
  - Mortgage assistance: Round 1: 1,289 applications submitted, 962 funded $7.5M. Round 2: 897 applications submitted, 620 funded $4.6M
  - COVID Relief Funds from FL: $318,437 for mortgage assistance for 39 applicants and $2,878,225 for emergency repair assistance for 157 applicants
  - Community Services is administering through the Emergency Rental Assistance Fund: 6,661 payments for electric bills $21M; program is still operational and active.
  - CDBG COVID funds received from HUD for 80%AMI: received 450 applications; assisted 259 families ($2M). Round 2 beginning week of August 14.
  - American Rescue Plan (ARP) signed into law 3/11/2021: To address some of the systematic public health and economic challenges found in low end communities and some of the issues found with people of color.
  - Counties and cities w/population 50,000+ will receive a direct allocation from the Treasury. Governments w/population <50,000 population can receive state funding
  - Encumbrance deadline - need to commit dollars by 12/31/2024. Expenditure deadline: 12/31/2026
  - State of Florida received ~$8.9B from the Treasury. Municipalities w/population <50,000 can apply to the state for these funds. (Refer to chart for exact amount.)

- The Board of County Commissioners approved the county's submitted plans relating to the categories of projects and the proposed amounts. Expecting ~$60M for increasing the retention and supply of affordable workforce housing.
  - Eligible activities based on the ARP Act (building stronger communities through investments in housing and neighborhoods): Services to address homelessness; Affordable housing development to increase supply; Housing vouchers; Residential counseling and more
  - Assistance for some of these categories, specifically affordable housing development to increase supply, must take place in qualified census tracts as identified through the act
  - County Plan: To retain and increase supply of affordable workforce housing within those census tracts (see map for clarification)

- Questions & Answers
  - Specific strategies have not yet been identified, but the goal is to use the dollars to retain and increase the supply of houses within those qualified census tracts to keep those houses that are affordable workforce or to increase the supply in those census tracts.
  - The County is working on strategies now to present to the county administration, and then the board of County Commissioners. This should be rolled out within the next two months.
  - Definition of affordable and workforce housing for purposes of this funding:
    Affordable housing: 0-140AMI
    Workforce housing: 60-140AMI
  - How can organizations access funds: County just closed an RFP for our home program. Expecting to take SHIP recommendations to the board of County Commissioners on 8/17. RFP's will be issued after that. No determination yet about ARPA dollars until the Board of County Commissioners determine how those dollars will be used

<u>Topic Experts on Finance (Bond Discussion)</u>

Moderator: David Brandt, PBC Housing Finance Authority, Executive Director
Skip Miller will discuss public funding and direct revenues and expenditures on the part of Palm Beach County. Clarence Brown will highlight how the surtax program has been used as a funding source for affordable housing in Miami-Dade County.

<u>Morris "Skip" Miller, Partner at Greenspoon Marder</u>
Pros and Cons of different types of bond issues

- General obligation bonds: Secured by a pledge of the full faith and credit of the county. County would need to have a referendum. If referendum passes, county is authorized to borrow the money and pay for it through ad valorem taxes. The ad valorem taxes are a separate line item on the tax bill.
- The county would benefit by issuing general obligation bonds because it is limited in the amount of ad valorem taxes they can impose to 10 mils (the 10 mils is exclusive of voter-approved debt and would not count against the county's 10 mils.)
- Any increases in tax rates set by the county need to be approved by a super majority the County Commission. The County has more flexibility if doing a bond issue because it is separate.
- Limitation: The Florida constitution stipulates that the proceeds of general obligation bonds can only be used to finance or refinance capital projects; the county might not be able to use the proceeds to make second mortgage loans because that may not be considered a capital project.
- Limitation: When Florida governments issue general obligation bonds, proceeds must be used as a "paramount public purpose". The predominant purpose of the expenditure has to be public; any private benefit would be incidental. There are some restrictions on what can be done with general obligation bonds: the ad valorem tax would be levied on all property in the county, not just the unincorporated areas.
- Other types of financing would be secured by a promise to pay from revenue streams, some of which are only collected by the county in the unincorporated area.
- Option #2: Issue bonds that are not secured by a specific revenue stream or ad valorem taxes – a covenant to budget and appropriate from legally available non ad valorem revenues. The county would promise every year to put money in the budget to pay the debt service on the bonds, but only legally available non-ad valorem revenues can be used as the source of repayment. Revenue examples: franchise fees, licensing and permit fees, charges for

services, interest, earnings, federal and state funding. Revenue prohibited for housing: gas tax revenues, tourist development, and tax revenues. If the county were to borrow in that fashion, there would be more flexibility regarding how the money could be used because the limitations would be the same as what can be used for that funding source.

- Advantage instead of using general obligation bonds:
  - Anything that can be done with franchise fees can be done with a bond issue payable from franchise fees.
  - The county is not required to have a referendum.
- Because the county has issued hundreds of millions of bonds that are secured and structured in this manner, non-ad valorem revenues have to be at least double what the debt service is on all the obligations that's payable from those revenue streams. (Refer to recent memo in presentation.) The county debt service was ~ $114M/year; as bonds get paid off that debt service drops. If the county were not to issue any new bonds by 2014, the debt service would drop from $114M to $66M, so the county can borrow more money and still provide all the services that it's providing.
- Bonds on a tax exempt or taxable basis:
  - Same restrictions for issuing bonds on a tax-exempt basis
  - General obligation bonds have to be used for capital purposes (may be an issue with some of our Considerations)
  - There are limits on the % of bond proceeds that can be used for "private business use". If doing a tax-exempt rental housing, we might only be able to finance "affordable" as opposed to work workforce; we may be limited with tax-exempt bonds to only financing rentals for people with incomes ≤60-80 AMI.
    There would be less restrictions for taxable bonds. The county should be able to use borrowed money for the same things that can be done with the revenue streams that would go to repay the borrowed money.
- Note: When governments borrow money, they engage a specialist law firm (bond counsel); any decision about what the county can or can't spend with bond proceeds would be decided by the county bond counsel. (See sample scenarios) If the county decided to move forward with a bond issue, they would have the permission to answer some of those questions. When governments borrow money, they can test the legality of what they're doing (i.e., bond validation proceeding); and can file a lawsuit in court and ask the court to determine if what they want to do is valid.
- On a $200M bond issue, the annual debt service would be on a $20M issue of taxable bonds that are secured by a covenant to budget and appropriate would be ~$7M/year.

Clarence Brown, Division Director for Community Development; Public Housing and Community Development (PHCD) Department of Miami-Dade County
Dedicated funding sources for affordable housing to fund gap financing (difference between the cost of producing a unit and what someone can afford.)

Miami-Dade County Surtax Program

- Miami-Dade is the only FL county utilizing the discretionary surtax program. Every county can, through ordinance, adopt the Doc stamps program as part of the county's authority.
- Requirements: Surtax ≤140%AMI; 50% of the money must go towards low-income housing; statutory requirement - at least 35% of the money must go towards rentals; at least 35% for homeownership.
- Doc stamps dollars is $0.70/$100 on a transaction. Surtax program only looks at commercial transactions, not single family. Surtax program: doc stamps would only require $0.60/$100; the surtax is the additional $0.45 (which comes back to the community for housing activity). It provides many opportunities for housing and housing development.
- Collections based on commercial activities, so revenue varies (ex: $8M/year or $60M/year. ($5.5M-July 2021)
  - Last five fiscal years: collected ~$167M; also $71M in repaid loans. (Surtax is a loan program.)
  - Loans are forgivable and are considered grants
  - Categories: multifamily county-wide development, senior housing, Innovation, small projects (for smaller developers).
    - Will allocate $3M-$12M for individuals to apply. County ordinance requires a competition.

- Usage of Surtax Funds
  - 35% rental, 35% homeownership, 10% administrative costs, balance for other housing needs
  - Primarily for gap financing: additional subsidy needed to augment a tax-exempt bond deal using low-income housing tax credits; or if not using traditional financing from the Florida Housing Finance Corporation
- Homeownership Application Requests
  - Individuals who have been conveyed county land may apply anytime, and there are no deadlines. Process includes evaluation, scoring, ranking, and then present to the board for recommendations. Individuals with county land may apply as long as funding is available. (Currently, $20M is available for homeownership for non county owned lands.)
  - Their board recently released some program restrictions ($205K was the maximum sales price) and approved using either the SHIP or home standard (looking at either 90% of market values from Treasury or 95% of values from FHA, thus increasing the maximum sales price of $318K.)

<u>Questions and Answers</u>

- What is the scoring and ranking criteria for funding for a rental housing project?
  #1 criteria: Ready to proceed: cleared permits, leveraging of funds (use less county funding), building close to transportation access)

<u>Jack Weir, President Eastwind Development</u>
Topic: Workforce multi-family rental (60%-140% AMI) (refer to bar graphs)

Affordable Housing - ≤60%AMI. Tax credit program, basically tax-exempt bonds, and housing credits.

- Two different types of construction in four different AMI categories
  - Midrise (4-story elevator building with surface parking)
  - Highrise (8-story structured parking (in a more urbanized area)
    - Costs more because of the structured parking and also the type of construction
    - Land is less where structured parking is involved
    - Ex: 200 units for each project with county median rents
      - 25% of units set at workforce housing levels
      - Factors to consider: return of cost: cost to develop, net operating income generated, have to clear a return on cost threshold in order to attract equity investor (majority of equity comes from an outside investor, i.e., institution)
      - Threshold 6%-6.5% in terms of return on cost (unless you are self-financing – rare – you won't attract the equity to get the development off the ground)
      - More challenging due to land and construction cost increases
- Example #1: 25% of the units at 120%AMI
  - Gap is $10,000/unit. *$200M bond issue as a potential catalyst for the development of 20,000 units over a decade; math works out to $10,000/unit.
  - Gap (due to the rent reduction on 25% of the units) you're reducing the NOI; the way you make up for that would be the gap financing of ~$10,000/unit. 120%AMI is a little bit below mark.
  - Gap expands to $40,000/unit due to higher construction costs. Locality for this type of project would have higher rents, so it could attract higher debt, perhaps higher equity and shrink this gap.
- Example #2: 4 Descending ladder categories (PBC workforce housing program setup)
  - 140%, 120%AMI, 100%AMI, and 80%AMI
  - 12-13 units in each of the income categories. Gap becomes $17,000/unit ($3.4M)
  - Gap on the midrise building is $17,000/unit. There is still have a very high leverage ratio of private finance; there may be certain things to do to shrink the gap, so this is achievable.
  - Highrise: the gap under this static exercise is bigger, but the gap can shrink with more debt and equity financing based on the location and the rents of the market units in here.
- Example #3:
  - Midrise at 80%AMI: Significantly below market; a significantly greater reduction in the net operating income and the return on cost.

- Gap is $34,000/unit. (A 200-unit project would rise to $6.8M; for a high rise would be $13M - very prohibitive from the standpoint of the # of units you get without additional measures to boost the private debt and the equity there.)

➢ Example #4: 60% AMI. (Tax exempt bond, 4% low-income housing tax credit).
There's a certain amount of debt that can be supported by 60%AM; equity determined by the price of tax credit. Note: The gap financing that is contemplating is $10,000/unit; $2M put into these workforce units, but 25% of the units are rent restricted. In the deed restriction you'll have restrictions on all the units - no allowances for condo conversions; won't be used for Airbnb or VBRO or any of these other features.
  - Housing Needs Assessment divided the population growth of PBC by the average household size, then compared that to the #units being brought online each year: showed there was a shortage of 2,000+ units/year, meaning that at all income levels we were not producing enough housing to service the population growth in the existing population.
  - Everybody benefits if you can increase the production of housing units of any type to close that gap.
  - There may be more tools available in the near future besides bond financing to provide the gap financing funding source.
  - Federal funds may become available, particularly in non entitlement jurisdictions to target lower AMI levels.
  - County and municipalities can lower costs by either waiving or reducing impact fees or building permit fees.
  - Density bonuses can be provided, reducing the land basis (which reduces the cost/unit, which reduces the gap.)
  - Use TIFF financing for parking structures and shared parking agreements (which lowers the cost and the gap)
  - Use property tax abatements to boosting NOI (if you provide this rent restriction, your taxes will be lower, or you will be provided a specialized tax abatement)
  - Land can be provided at a lower than market cost in return for affordability.

<u>Debbie Zomermaand, Financial Advisor to the Broward County Housing Finance Authority</u>
"Affordable multi-family with 4% federal low-income housing tax credit (up to 60% of AMI)"
Affordable rental housing and the gap that's created there as a result of targeting lower income

➢ Broward County has been creating their own gap financing program.
➢ With 100% of the units, it's 60%AMI. If you apply for funds through other resources, you'll have to do deeper targeting of income levels, thus increasing the gap. The lower the income, the higher the gap will be. You need to determine the targeting market and balance the lower average income and the higher gap with what the individual community or county wants to deliver.
➢ Keeping the units as rental for the regulatory period (ex: 30 years) is really important because it increases the likelihood that the homes will continue to be workforce housing.
➢ Getting the units delivered quickly is hard.
➢ Work with Florida Housing to ensure that the programs are set up to be eligible for the awarding of their funds
➢ Get rental units in the area where residents are actually living (not an Airbnb or second homes).

<u>Questions & Answers</u>
➢ Broward County's RFA process for selecting which project will receive funding? What are some of the criteria? The most important criteria is fast delivery of the units. More points were awarded if the developer could demonstrate that they were shovel ready and could move right away. If the developer did not meet that deadline, he had the ability to rescind $100,000/month for every month that you were late. More units are a bigger criteria and leveraging or location comes into play. Broward County puts out their application after the Florida Housing application schedule has come out.
➢ Have most of the projects done so far been a combination of sale as well as Broward funding?
Yes, but bringing the sale in after the fact results in the county committing more money than Florida Housing. The county is trying to leverage it. If there were $7.5M, it would be $2.5M over three deals. County needs some Florida Housing money to make deals work.
➢ How much per year has Broward County been contributing and how many units have you gotten as a result? The last RFP was $15M, so $10M-$15M/year.

- Weir noted that leveraging is tricky in a workforce context. In the affordable context, everybody is playing by the same rules - they have to do 60%AMI and maybe they have any ELI set aside, but workforce housing, if you employ a leveraging test, which will push you towards the higher AMI units, may not be serving the need.

<u>Larry Zabik, Founder, Zabik & Associates</u>
"Owner Occupied Single Family and Condominium/Townhouse: Affordable and Workforce"
Affordable/Workforce for Sale Housing and The Gap That's Created There as a Result of Targeting Lower Income

- Projects that we've worked on in the last five years that show what the gap is, particularly for new, affordable owned housing
- Zabik has managed ~2,500 low-income housing tax credit units as well as 50 single family affordable homes, with 50 single family homes in the pipeline. They represent eight nonprofits in Palm Beach County that are working on affordable housing.
- Different opportunities to contribute to affordable housing (each plan is different)
- Challenges
  - There is never enough money.
  - The affordable housing community struggles because, unlike the market rate and the for-profit firms, we're not sitting with the equity.
  - To be able to run the projects as well as the equity to build the projects and then wait for people to purchase them at the end where you get most of your income for the project.
- Example #1: La Joya Village Rental project (Lake Worth Beach, built in 2015).
  Used 11 different fund sources. Had low-income housing tax credits, land contributed by Lake Worth Beach. Negotiated reduced utility connection fees. Used some NSP 2 money; had county assistance, a Federal Home Loan bank grant. Financing wasn't finished until the project was finished.
- For Purchase Example #2: Davis Landing West (24 single family homes with the Community Land Trust of County and the Treasure Coast, completed in 2018)
  - Combination of funding sources
  - Gap: Overall development costs: $237,500/unit; 1,700 SF homes with single car garages
  - Fair amount of infrastructure the county forced us to do that we had to spend.
  - Units sold averaged $165,000, with a range of 80%-120%AMI. Gap was $72,000/unit 3-4 years ago.
- For Purchase Example #3: Villa of Solana (in development, 2022)
  - Working with the Riviera Beach Community Development Corporation.
  - Estimated development costs $275,000/unit
  - Targeting a lower AMI – 80%-100%AMI
  - Riviera Beach, CRCDC has a Buyers Club, with a lot of people learning about home ownership.
  - Gap: $105,000/unit; 38%
  - Utilizing many different funding sources
    - Sales price - the majority of the funding source
    - Riviera Beach will also contribute
    - CHDO grant, private grant
    - Down payment assistance (most of the buyers will be first time homebuyers)
    - Exploring the workforce housing exchange to contribute
    - Palm Beach County Impact Fee Grant Waiver Program

- For Purchase Example #4: Davis Commons (Community Land Trust of PBC and the Treasure Coast & Community partners (in development).
  - Have jointly purchased a piece of property off of Davis Rd.
  - 20 townhomes with estimated development cost about $290,000
  - Sales price $180,000 and 100%AMI.
  - Gap: $110,000
  - Challenges
    - How to find a way to cover the gap
    - New construction: being able to pay for the work and then get most of your money at the end of the job

- Options
  - Multi layered financing and coordination for these projects
  - Continue coordination of all of the affordable housing on a county wide basis
  - Lobby for local government waivers to put into their ordinances and into their rules the ability to make this a priority and to support the projects
  - Push for impact fee waivers and subsidies; critical utility connection fees; permit fee waivers
  - Encourage expedited planning, zoning, building, and permitting approvals
  - Encourage expansion of the role of the PBC DES role as a clearinghouse
  - Encourage expansion of the role of the PBC Housing Finance Authority (David Brandt has been instrumental to ensure that we can use the HFA as a bank for our repeated projects

<u>Questions, Answers & Comments</u>

Jonathan Brown: The County is already participating in many of the above projects, including impact fee waivers; Davis Landon received both CHODO and SHIP funding.

Taxes & Insurance:

- Debbie Zomermaand: Begin to keep a chart of taxes and insurance for both homeownership and rentals, which are huge expense items for all of the developments. Make sure that 80% homeowners can still continue to pay the taxes and insurance.
- Clarence Brown: Miami-Dade County, has various tools (i.e., restrictive covenants), where the property is sold to an affordable buyer. Taxes are actually kept lower based on the restrictive covenants. The county provides that restrictive covenant to the property appraiser so that the homeowner is not impacted by a huge increase in value.
- Community Land Trust model: the land is taken out of the tax equation as well.

<u>HFA Support</u>

Larry Zabik: HFA support is for construction financing. Almost all of the Zabik projects use the HFA as their bank to pay for construction. As units are sold, the loan is paid. The end is getting financing from a variety of sources. Homebuyers would qualify for a mortgage; even the lower AMIs, who may mathematically qualify, but their credit may not be quite as good. Other assistance may include either down payment assistance or grants or whatever we need to get them in at that price point.

Broward County uses similar programs as well, and also has a revolving loan fund for the potential development of single-family homes.

Skip Miller: HOA fees can also add to homeowners' expenses, and many people don't even realize that extra expense.

Cindee LaCourse-Blum: An income restricted buyer, is buying a home from the Community Land Trust for an affordable below market price, which doesn't include the price of the land, but typically includes additional subsidy to bring that price to a true affordable price. In exchange, the buyer is purchasing the improvements only and is leasing the land under a 99-year renewable boundary that essentially gives them what feels like complete home ownership. They get a traditional conventional mortgage, but our 99-year ground lease has resale restrictions that require that whenever the home is resold, it's only resold to another income eligible buyer for an affordable price that is predetermined in the ground lease. When the home is sold, the buyer knows that they will only get a portion of that appreciation, but what they're able to benefit from is being able to pay off a mortgage, they have more security than renting a house, and they also qualify for the federal tax benefit of homeownership. Most of the buyers are paying less in a mortgage than what they were paying for rent.

<u>Use of capital magnet funds or new market tax credits for aggregating single family development projects:</u>

Brown: The county has applied for a number of times on the economic development side, but not for housing, but will explore housing using NMTC. In 2019, the county partnered with the Bank of Belle Glade but weren't successful. Now looking at opportunities to continue to apply for new market tax credits, but we will definitely factor in housing. FYI, new market tax credits can only be used for rental housing, not permanent housing or for sale housing.

LaCourse-Blum: The NMTC program is now giving new market tax credits for permanent or for sale housing. LaCourse-Blum will send out a presentation received from Community Partners in South Florida that talks about the program. The CLT was included in an application that was about equity housing, but they now fund other types of ownership housing.

Low interest constructing financing from PBCHFA units produced through the PBC Workforce Housing Program are also flagged with the property appraiser, so they are not appraised at full price.

Brown: The county is interested in looking at the opportunities using those new market tax.
Community Partners (Scott Hansel) will be providing a training on it.

Chat Question: Request for the different agencies to prepare a breakdown of the number and type of units produced, at what income level and the amount of subsidy received and HOA fees.

Miller thanked the panelists for a very informative session.

<u>Other Business</u> – None

<u>Next Meeting</u> - moved to one day later
Thursday, September 9 9:00-10:30 a.m.

<u>Future Meeting Topics</u>

September:	Review outline draft of Housing Plan
October:	Planning & Regulatory
November:	Community Revitalization
December:	Racial Equity
Next Steps:	Begin to draft actual housing plan, review recommendations

Note: All handouts will be distributed to everyone. Meeting summaries are on the HLC website; recordings will be added to the website shortly.
Notify Suzanne Cabrera if you need any information.