

**PALM BEACH COUNTY  
BOARD OF COUNTY COMMISSIONERS**

**WORKSHOP SUMMARY**

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**Meeting Date:** February 26, 2019

**Department:** Administration

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**I. EXECUTIVE BRIEF**

**Title:** Housing Units for Homeless, Extremely Low & Low Income-IST Project Plan

**Summary:** Staff was directed to develop a proposal for the use of the \$25,500,000 Infrastructure Sales Tax (IST) funding allocated by the Board for housing units for Homeless, Extremely Low and Low Income. The attached white paper accomplishes that direction and provides a proposed four (4) Project Plan components and allocations of the IST funding. As proposed, the Project Plan includes the following initiatives: (1) Cottage Homes-\$4,000,000; (2) Tax Deed/Seed Funding-\$2,500,000; (3) Mixed Income Development-\$14,000,000 and Municipal Incentive Funding-\$5,000,000. Staff is seeking Board direction on the proposed four (4) Project Plan components and allocation of the \$25,500,000 IST funding. Since the \$25,500,000 is received at \$2,550,000, annually for 10 years, Staff intends to use the Board direction and priorities to develop a time specific funding plan which will reflect the anticipated receipt of the IST funding. **(Housing & Economic Sustainability/Community Service)Countywide (DB)**

**Background and Policy Issues:** On November 8, 2016, the voters of Palm Beach County approved an Infrastructure Surtax Project Plan for one cent, maximum 10 years beginning January 1, 2017 (or if the surtax generates \$2.7 billion before September 1<sup>st</sup> of any year), creation of an oversight committee to audit spending for compliance with approved projects, and the following allocations: 50% to the School District, 30% to the County, and 20% to the Municipalities. On April 4, 2017, the Board approved the County's project list of approximately \$709 million to be funded from the proceeds of the infrastructure surtax. The plan included an annual allocation of \$2,550,000 for housing units for the homeless, extremely low income and low income totaling \$25,500,000 over the 10-year period.

**Attachments:**

1. Housing Units for Homeless, Extremely Low & Low Income IST Project Plan White Paper

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**Recommended by:**  2/20/19  
**Assistant County Administrator** **Date**

**Approved By:**  2/21/19  
**County Administration** **Date**

**II. FISCAL IMPACT ANALYSIS**

**A. Five Year Summary of Fiscal Impact:**

<b>Fiscal Years</b>					
<b>Capital Expenditures</b>					
<b>Operating Costs</b>					
<b>External Revenues</b>					
<b>Program Income(County)</b>					
<b>In-Kind Match(County)</b>					
<b>NET FISCAL IMPACT</b>					
<b>#ADDITIONAL FTE</b>					
<b>POSITIONS (CUMULATIVE)</b>					

Is Item Included in Current Budget?                      Yes      No  
 Does this item include the use of federal funds?      Yes      No

**Budget Account No:**

Fund            Agency            Organization            Object

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

**C. Departmental Fiscal Review:**

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**III. REVIEW COMMENTS:**

**A. OFMB Fiscal and/or Contract Dev. and Control Comments:**

*Robert Kew* 2/20/19  
 OFMB *PKD* 2/20 *AK* 2/20 *AK* 2/20

*Dr. J. Jewell* 2/20/19  
 Contract Dev. & Control

**B. Legal Sufficiency**

*D.C.H.* 2/20/19  
 Assistant County Attorney

**C. Other Department Review**

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 Department Director

**(THIS SUMMARY IS NOT TO BE USED AS A BASIS FOR PAYMENT.)**

February 25, 2019

To: Honorable Mayor Mack Bernard and  
Members of the Board of County Commissioners

From: Faye W. Johnson, Assistant County Administrator  
Nancy Bolton, Assistant County Administrator



Re: **Housing Units for Homeless, Extremely Low & Low Income  
IST Project Plan --- February 26, 2019 Workshop**

This white paper's primary objective is to get Board direction on the proposed four (4) Project Plan components and allocation of the \$25,500,000 Infrastructure Sales Tax (IST) funding for "Housing Units for Homeless, Extremely Low and Low Income". It identifies the method of operation, the proposed operating entity, and the potential funding source for the operational costs. Staff intends to use the Board direction to develop the time specific funding plan and bring it back to the BCC for approval at a later date.

### **Background**

As has been discussed at length in various housing forums, there are numerous factors which drive up the cost of housing, including land availability/cost, construction cost, and regulatory requirements. Component costs include low usable density, low lot coverage (setbacks, buffering, pervious area and so on), lengthy approval processes, extension of infrastructure (roads, water sewer, drainage) and impact fees to name the most commonly cited. To further address level of service deficiencies in the areas of homeless, extremely low and low income housing services, the Board allocated \$31,200,000 from the one-penny sales tax revenue and directed staff to bring back a proposal for the use of the funds to address this need. As presented at the December 4, 2018 BCC meeting, \$5,700,000 of the funds has been allocated to the second Housing Resource Center (HRC2), which is a separate IST Project. Staff intends to bring back a proposal on the HRC2 to the Board at the June 26, 2019 workshop.

This Project Plan is presented for the Board's discussion and direction on the remaining \$25,500,000 IST funding. The four (4) Project Plan Components are designed to take a multi-pronged approach to assist in reducing the shortage of affordable-workforce housing for homeless, extremely low and low income individuals and families. Household incomes cannot exceed 80% of the County's Area Median Income (AMI) in place at the time the projects are implemented. Based on the current AMI of \$74,300, the maximum household income would be \$61,500 (adjusted for family size). IST funding began to accrue in FY 17 and budgetary allocations are anticipated to be received in annual increments of \$2,550,000 for ten (10) years. **The Board should keep in mind that in all cases where IST funding is utilized, there is a statutory requirement for the property/building to remain in the ownership of the County, City or Housing Authority. It should also be noted that IST funding cannot be used for operations or operating costs in any scenario. All operating costs would need to be from a source other than IST funding.**

### **Plan Overview**

This IST Project Plan is premised primarily on a partnership between the County and the local Housing Authorities, and also includes Nonprofits and Municipalities to a lesser extent. In March of 2018, the Board held an inaugural roundtable discussion with the seven local Housing Authorities: Belle Glade, Boca

Raton, Delray Beach, Riviera Beach, West Palm Beach and Palm Beach County. Collectively, the Authorities reported a combined waiting list of more than 11,000 for housing units and over 5,000 for housing vouchers. The County's partnership with the Housing Authorities, along with other stakeholders, is essential to addressing the critical need for safe, decent and affordable housing. The Authorities typically serve clients earning incomes under 80% of area median income which is the target income group of the IST Project Plan. In addition, the Housing Authorities also engage in special projects and development activities. Staff believes their experience and expertise could be utilized to assist the County to successfully implement the IST Project Plan. This IST partnership could also help fulfill the Board's commitment to strengthen communication and coordination with the local Housing Authorities. The proposed four (4) components and IST funding amounts, outlined in Attachment 1 and summarized herein, include the following:

- Cottage Homes: (\$ 4,000,000)
- Tax Deed & Incentive Funding: (\$ 2,500,000)
- Mixed Income Development: (\$14,000,000)
- Municipal Incentive Funding: (\$ 5,000,000)

### **Project Plan Four (4) Program Components**

#### **(1): Cottage Homes**

##### *Development Overview.*

Current land development regulations have been crafted to address issues associated with ever expanding suburban development and in an attempt to make development pay for itself while delivering substantial homeowner amenities. The result is that the majority of new housing units in the unincorporated area of the County have been developed within a series of master planned communities with an overall density that rarely achieves or exceeds 5 units per acre (the suburban form of residential development). The suburban form of development is not affordable for a large segment of the general population. Compounding this is the scarcity of raw land left within the Urban Service Area for new construction. What does remain is largely at the western fringe in areas with limited services.

Staff believes the inclusion of a more traditional form of development in unincorporated areas could be successful. Offering modest size (25' - 30' x 100') lots could assist our efforts to facilitate development of housing products that are within the economic reach of the extremely low and low income segments of the local population. This form of development is most commonly associated with the urban areas of West Palm Beach, Lake Worth, Boynton Beach, and Delray Beach (including some aging unincorporated areas), which at the time of development did not face many of the previously mentioned component costs. There are numerous areas within municipal and adjacent unincorporated areas where such lots remain in place and are served by existing infrastructure. Because these lots were previously platted with higher density (20 units/acre not being atypical) and are thus vested in their current configuration, no series of development approvals or lengthy review procedures are required. Such projects can proceed straight to building permit review and issuance. Setbacks on those lots can be reduced below current zoning standards to dimensions that are proportionate to the width and depth of each individual lot. The relatively modest size of the resulting unit reduces land and construction costs and the ongoing expenses of home ownership thereafter. The local market appears to accept this smaller lot form, as there are

several privately funded projects in pockets throughout the urban service area of the County which have been developed in the last few years with market prices in a range of \$150,000- \$200,000 per unit.

The Cottage Homes project will be located on the County-owned property which previously housed the Lake Worth Tax Collector's Office on Military Trail south of 10<sup>th</sup> Avenue North. Authorization to demolish the existing building and re-use the property for the project was approved by the BCC at the September 26, 2017 Board meeting. The project is intended to showcase how a small lot form of development could address housing affordability and gracefully integrate with other residential structures of all sizes. Following the project's completion, staff recommends pursuing code changes in the unincorporated areas and within the municipalities that do not have codes which support this form of development in order to support these affordability objectives.

#### Development and Operations Overview

The cottages will serve families with children under the age of 18 who are homeless as documented through the Coordinated Entry system, score no higher than a 3 on the Vulnerability Index Service Prioritization Decision Assistance Tool (VI-SDPAT) and are taken from the by-name acuity list. The VI-SDPAT is used for both singles and families to determine risk and prioritization when providing assistance to homeless and at-risk of homelessness persons. The VI-SDPAT helps identify and prioritize who should be recommended for each housing and support intervention, moving the discussion from simply who is eligible for a service intervention to who is eligible and in greatest need of that intervention. Families within this category are typically working and have a semi-structured support system. It is estimated that each family will stay an average of 21 months but no longer than 24 months. Family size will be limited to two people per bedroom. Tenants of rental units developed using IST (i.e. Cottage Homes) would be permitted to use Tenant Based Rental Assistance (TBRA), to rent eligible units, in accordance with the Federal Regulations.

Staff recommends that a single Request for Proposal (RFP) be solicited among all Housing Authorities<sup>1</sup> which exist in Palm Beach County. The RFP would offer to convey the property and up to \$4,000,000 to accomplish the development of the Cottage Home Project. The RFP would set forth the minimum number of units to be constructed, the min and max square footage for each unit, and other key design considerations. Due to the use of IST funding, the property and improvements must always remain in Housing Authority ownership and as such, the units would all be rentals. The RFP would also require the Housing Authorities to be responsible for the perpetual maintenance of the project, renewal/replacement, operation and provision of wrap around services. Proposals would be evaluated on a number of selection criteria such as: 1) quality of units to be constructed; 2) funding assistance required for the operations; maintenance, renewal/replacement (if any), 3) quality and extent of wrap around services to be provided; 4) funding assistance required for wrap around services (if any), and 5) time to complete. The Housing Authorities may partner/contract with private parties and not for profit entities as necessary to fulfill the requirements of the RFP. IST dollars can only be used for capital improvements and cannot be used for operational costs. If funding assistance is required for operations,

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<sup>1</sup> It is the opinion of County Attorney's Office that the County can convey property/improvements to a municipality or housing authority providing they contractually agree to follow all statutory requirements for IST funding as well as all statutory guidelines governing design (CCNA) and construction (competitive bidding). This would be accomplished by either; 1) a transfer restriction in the agreement indicating that any further sale of the property is subject to County prior approval, and/or 2) a recorded deed restriction placing owners on notice of the restriction.

maintenance, renewal/replacement and/or wrap around services, a non-IST funding source will be required.

## **(2): Tax Deed Surplus Property Conveyance & Incentive Funding**

### Housing Authorities Tax Deed Surplus Property Conveyance

The purpose of this Project Plan component is to increase the use of residentially zoned properties received by tax certificates for extremely low and low income individuals and/or families. Pursuant to this program, the County would use Housing Authorities<sup>2</sup> as the County's implementing entity, to convey parcels received through tax deeds that will accommodate three (3) or more units on the site for the production of single family and/or low density multi-family housing for extremely low, very low and low income individuals/families. Mixed income level projects (moderate through extremely low), not requiring IST funding, would also be considered. Housing Authorities may accept conveyance of tax deed property for affordable housing purposes subject to a deed restriction. Nothing in this option precludes the County from retaining buildable lots for the direct provision of for-sale attainable, affordable units.

### Housing Authority Incentive Funding

This program subcomponent provides an additional source of funding to the Housing Authorities. A Housing Authority may seek incentive funding for properties other than those conveyed by tax deed. Likewise, a Housing Authority is not required to seek IST funding for improving a tax deed conveyed property. The County would issue an open request for funding from Housing Authorities (Proposer or Award Recipient) seeking incentive funding for homeless, extremely low or low income projects. The County would provide partial capital funding from allocated IST funding (the amount of the funding could be as high as 80% of the project capital costs associated with Housing Authority owned and operated housing projects serving the homeless). County IST funds could be used as a local match to State and Federal funding secured by a Housing Authority, which could include but is not limited to, LIHTC, Vouchers, SAIL, competitive grants, etc. Solicitations will continue until all IST funds allocated to this component were awarded. If IST funding is granted for a project, the land and improvements must remain in Housing Authority ownership.

### Operations Overview

If no IST funds are requested/used, there is no operational requirement attached to this option as the property would be owned and become the responsibility of the owner. However, if the Housing Authority requests IST funds as incentive funding, then the land and units must remain in the Housing Authority's ownership and the costs of operation would be borne by the Housing Authority and must be accomplished through non-IST funding sources.

## **(3): Mixed Income Development**

### Development Overview

The purpose of this project is to use **SURPLUS** civic sites that are generally 10 acres or larger for the development of mixed income, single and multi-family units. For the purposes of this component, a

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<sup>2</sup> See previous footnote

surplus civic site is referred to as a Parcel. The County would issue a solicitation to Housing Authorities as developers of a Parcel to master plan the entire Parcel for a mixed income (extremely low, very low, low) affordable, workforce single family and other low density multi-family housing<sup>3</sup> along with all common amenities. Mixed income level projects, moderate through extremely low, will be more favorably considered and would require non-IST funding for the moderate-income units. The Housing Authorities would be encouraged to partner with not for profits for the development and on-going management of the property. The units would include permanent supportive housing for those persons with extremely low and very low income, including those on a fixed income such as social security or social security disability.

The County would donate the Parcel and be responsible for securing the appropriate zoning to accomplish the project. The RFP respondent would propose a mixed unit development specifically identifying: 1) the number of units for each income category; 2) a conceptual plan identifying the layout of the units demonstrating how units identified for each income level will be dispersed throughout the entire development and how the Project will transition to the adjacent market rate developments; 3) the funding required; 4) approach to the delivery of the units; 5) the amount of capital funding assistance required for the construction of the extremely low, very low and low income units; 6) the plan for managing the deed restrictions on the units to be sold; 7) the plan for managing the rental units compliant with the IST requirements; and 8) past experience and ability to successfully execute the Project. THE RESPONDENTS WILL NEED TO BE VERY CREATIVE IN THE MASTER PLANNING AND DESIGN OF THE PARCEL SO THAT THE UNITS FOR EACH INCOME LEVEL ARE DISPERSED, BUT ENSURE THAT IST FUNDING IS ONLY USED FOR THE CONSTRUCTION OF RENTAL UNITS DEED RESTRICTED TO EXTREMELY LOW, VERY LOW AND LOW INCOME INDIVIDUALS AND FAMILIES. IST FUNDING CAN NOT BE USED FOR SITE INFRASTRUCTURE, ANY UNIT TO BE SOLD, OR ANY UNIT NOT DEED RESTRICTED TO EXTREMELY LOW, VERY LOW, AND LOW INCOME INDIVIDUALS AND FAMILIES.

All units would be managed by the successful Housing Authority or its project property manager partner. There would be no County operational or on-going funding contribution. The County's funding of the land, zoning and costs of construction for the low, very low and extremely low units will be sufficient to maintain appropriate lease rates.

#### **(4): Municipal Incentive Funding**

##### Development Overview

The purpose of the Municipal Incentive Funding component is to encourage municipal participation in the siting, delivery and operation of housing for homeless, extremely low and/or low income individuals and families by allowing the municipality to make all decisions relating to siting, design, and construction of the project.<sup>4</sup> The County's contribution would be funding in the form of a grant subject to the statutory use requirements for IST funding and the selection of design consultants. The grant would not be subject to repayment.

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<sup>3</sup> Market rate units will be allowed but may not exceed 20% of the units.

<sup>4</sup> It is the opinion of County Attorney's Office that the County can provide IST funding or convey property/improvements where IST funding was used to a municipality or housing authority providing they contractually agree to follow all statutory requirements for IST funding as well as all statutory guidelines governing design (CCNA) and construction (competitive bidding). This would be accomplished by either; 1) a transfer restriction in the agreement indicating that any further sale of the property is subject to County prior approval, and/or 2) a recorded deed restriction placing owners on notice of the restriction.

The County would issue a series of solicitations for proposals from municipalities or municipality/Housing Authority partner teams (Proposer or Award Recipient) seeking incentive funding for homeless, extremely low or low income projects within their municipal limits. The County would provide partial capital funding (the amount of the funding would be as high as 80% of the capital costs associated with municipal owned and operated housing projects serving the homeless). Proposals for extremely low could receive 50% and low income housing projects could receive 40%. County funds could be used as a local match to State and Federal funding secured by a municipality, which could include but is not limited to, municipal IST funds, general funds, CDBG, HOME, HOPWA, competitive grants etc. Solicitations will continue until all IST funds allocated to this component were awarded.

#### Operations Overview

Responsibility for operating the units would be 100% the responsibility of the Award Recipient using whatever non- IST funding sources/donations are available to them. The solicitation will require that the Proposer identify the sources of funding for the operation.

### **Approach to Implementation**

Facilities Development & Operation's (FDO) role in implementing the overall program will be to: 1) act as the lead in the development and management of the solicitation and/or negotiation of agreements for developers and/or operators of County-owned parcels, 2) act as the lead in the development of all agreements with other governmental entities; 3) prepare all documents relative to the transfer of land to another governmental entity, and 4) prepare a checklist of all applicable restrictions to each type of unit for use by Housing and Economic Sustainability and Community Services.

Housing and Economic Sustainability's role in implementing the overall program will be to: 1) administer executed developer agreements with other governmental entities to ensure that the other party is complying with the terms of the agreement, as appropriate 2) provide eligibility assistance to other governmental entities on determining individual and family eligibility, as appropriate 3) Identify potential non-IST funding sources to implement the Large Mixed Income Development component, 4) monitor and evaluate the performance of the entities as appropriate, and 5) develop the form of a report to the BCC regarding the success of the programs. Specifically for the Cottage Homes component, DHES will be the prime "user" department for the Cottage Homes development RFP. DHES staff support for the administration of IST projects will be addressed through the budget process; as appropriate.

Community Service's role in implementing the overall program will be to: 1) administer executed agreements with contracted operators for County owned units in the Cottage Home and the Large Mixed Income Developments, 2) development of the program for how wrap around services are to be provided to all homeless individuals in each program component, 3) provide eligibility assistance to individual and family eligibility, as appropriate, 4) monitor and evaluate the performance of the entities as appropriate, 5) make annual funding recommendations for non-IST funding necessary to implement the wrap around and supportive services required, 6) vet and make housing placements to Cottage Home development as well as any other development that is restricted to homeless individuals and families, and 7) develop the form of a report to the BCC regarding the success of the programs. Specifically for the Cottage Homes component, Community Services will be the prime "user" department for the Cottage Homes operator RFP.



Attachments

1. Summary of Program Components

- C: Verdenia C. Baker, County Administrator  
Jonathan Brown, Director Housing and Economic Sustainability  
Sherry Howard, Assistant Director Housing and Economic Sustainability  
James Green, Director Community Services  
Taruna Malhotra, Assistant Director Community Services  
Wendy Tippett, Director Human Services  
Audrey Wolf, Director Facilities Development & Operations  
Ross Hering, Director Property and Real Estate Management  
Eric McClellan, Director, FDO Strategic Planning  
Fernando DelDago, Director Capital Improvements  
James Brako, Assistant County Attorney  
David Behar, Assistant County Attorney

ATTACHMENT 1  
SUMMARY OF PROGRAM COMPONENTS

Program Component	Summary
Cottage Homes	<ul style="list-style-type: none"> <li>a. Funding Level:               <ul style="list-style-type: none"> <li>i. \$600,000-\$900,000 - Value of Property</li> <li>ii. \$4,000,000 IST Funding</li> </ul> </li> <li>b. Target Population: Homeless</li> <li>c. Ownership: LAND AND IMPROVEMENTS MUST REMAIN IN COUNTY<sup>5</sup>, MUNICIPAL OR HOUSING AUTHORITY OWNERSHIP SO LEASES ONLY.</li> <li>d. Development: Housing Authority Funding Agreement subject to terms of statute governing IST funding and following CCNA statutory requirements.<sup>6</sup></li> <li>e. Operation: Housing Authority</li> </ul>
Housing Authority Tax Deed/Incentive Funding	<ul style="list-style-type: none"> <li>a. Funding Level: Up to \$2,500,000 in IST funding for improvements to real property with individual projects not to exceed 80% of project capital cost. Mixed income level projects (moderate through extremely low) will be considered, if no IST funding is required.</li> <li>b. Target Population: Extremely Low, Very Low and Low income Individuals and/or Families.</li> <li>c. Ownership: Housing Authority. PROPERTY CONVEYED WITHOUT IST FUNDING ASSISTANCE CAN BE SOLD SUBJECT ONLY TO ELIGIBILITY RESTRICTIONS. IF IST FUNDING ASSISTANCE IS RECEIVED, LAND AND IMPROVEMENTS MUST REMAIN IN HOUSING AUTHORITY OWNERSHIP SO THESE UNITS WOULD BE LEASE ONLY and would be subject to terms governing IST funding and following CCNA statutory requirements for the selection of design professionals and design-build contractors.<sup>7</sup></li> <li>d. Operation: Housing Authority (self-performed or contracted operator)</li> </ul>
Mixed Income Development	<ul style="list-style-type: none"> <li>a. Funding Level: Up to \$14,000,000 in IST funding for housing units to be deed restricted and leased to low, very low and extremely low income individuals and families.</li> </ul>

<sup>5</sup> It is the opinion of County Attorney's Office that use of Infrastructure Sales Tax funding is for capital projects that constitute government facilities.

<sup>6</sup> It is the opinion of County Attorney's Office that the County can convey property/improvements to a municipality or housing authority providing they contractually agree to follow all statutory requirements for IST funding as well as all statutory guidelines governing design (CCNA) and construction (competitive bidding). This would be accomplished by either; 1) a transfer restriction in the agreement indicating that any further sale of the property is subject to County prior approval, and/or 2) a recorded deed restriction placing owners on notice of the restriction.

	<ul style="list-style-type: none"> <li>b. Target Population: Workforce, Affordable, Extremely Low and Low Individuals and/or Families. Mixed income level projects, moderate through extremely low, will be more favorably considered and would require non-IST funding for the moderate-income units.</li> <li>c. Ownership: Any unit and the parcel of land that underlies that unit that is funded IST proceeds will remain in the ownership of the Housing Authority and/or County and will be deed restricted to low, very low and extremely low income individuals and families. The remainder of the unit could be sold to private individuals and families meeting the workforce and affordable eligibility criteria.</li> <li>d. Operation: Housing Authority</li> </ul>
Municipal Incentive Funding	<ul style="list-style-type: none"> <li>a. Funding Level: \$5,000,000</li> <li>b. Target population: Homeless (up to 80% IST finding on land and/or improvements), Extremely Low (up to 50% IST funding on land and/or improvements) and Low Income up to 40% IST funding on land and/or improvements) individuals and families.</li> <li>c. Ownership: Municipality or Housing Authority subject to terms of statute governing IST funds and following CCNA statutory process. IMPROVEMENTS MUST REMAIN IN MUNICIPAL OR HOUSING AUTHORITY OWNERSHIP SO LEASES ONLY.</li> <li>d. OPERATION: Municipality or Housing Authority (self performed or contracted operator).</li> </ul>