Agenda Item #: 4B-1

# PALM BEACH COUNTY BOARD OF COUNTY COMMISSIONERS

#### **AGENDA ITEM SUMMARY**

**Meeting Date:** 

**November 5, 2019** 

[ ] Consent [ ] Ordinance [X] Regular
[ ] Public Hearing

**Department:** 

Housing and Economic Sustainability

### I. EXECUTIVE BRIEF

Motion and Title: Staff recommends motion to: A) approve a HOME Investment Partnerships Program (HOME) funding award of up to \$500,000 to New Urban Community Development Corporation, Inc. (NUCDC) for the Henrietta Townhomes project; B) direct staff to negotiate the HOME funding agreement; and C) delegate authority to the County Administrator, or designee, to execute the agreement, amendments thereto, and all other related documents necessary for implementation of the project.

Summary: Staff recommends Board of County Commissioners' (BCC) approval of a HOME award of up to \$500,000 to NUCDC for the Henrietta Townhomes project (Project) for the refinancing of existing debt on the property. The Project is an 11-unit rental property located at 1301 Henrietta Avenue in West Palm Beach. The Project was developed in 2009 with the following funding: 1) a loan of \$650,000 from the Florida Community Loan Fund; 2) a cash flow dependent loan of \$978,759 in HOME funds from the City of West Palm Beach; and 3) a conditional grant of \$687,096 from the County, consisting of \$337,096 in HOME funds and \$350,000 in State Housing Initiatives Partnership (SHIP) Program funds. The County's affordability restrictions extend through April 12, 2030 and require nine (9) units to be affordable to renters with incomes not exceeding 80% of Area Median Income (AMI) and two (2) units to be affordable to renters with incomes not exceeding 50% of AMI. For several years, the Project has experienced a deficit in its operating budget for which NUCDC has had to secure subsidy from external sources. The situation is untenable, however, and the property is at risk of foreclosure and loss from the County's affordable housing stock. Staff proposes to preserve and stabilize the Project by taking out the existing mortgage held by Florida Community Loan Fund which has a remaining principal balance of approximately \$500,000. This recommended award of \$500,000 in HOME funds will be structured with terms which the Project can support. Underwriting to a 1.15 debt coverage ratio indicates that the Project can support repayment of \$250,000 at a 1.0% interest for 30 years. The \$250,000 balance would be provided as a zero-interest conditional loan that would be forgiven in its entirety at satisfactory conclusion of an affordability period that extends 30 years from closing. As a precondition to the closing on the new loan, the NUCDC will be required to fund a replacement reserve account for repairs and maintenance of the units. associated with the County's existing HOME/SHIP conditional grant will remain in place. Staff is currently working with the City of West Palm Beach to modify its current loan on the Project and to subordinate to the County's first mortgage, if approved. HOME award is contingent on Project approval from the U.S. Department of Housing and Urban Development. These are federal HOME Program grant funds that require a local match provided by the State Housing Initiatives Partnership Program. District 7 (HJF)

**Background and Justification:** On April 21, 2009, the BCC approved a conditional grant agreement (R2009-0657) providing \$687,096 in HOME and SHIP funds to NUCDC for the construction of Henrietta Townhomes. NUCDC completed the Project in 2010 and has since operated it to provide affordable housing for low and very-low income renters.

### Attachment(s):

1. Location Map

2. Letter from NUCDC dated June 13, 2019

	Assistant County Administrator	Date		
Approved By:	Since the Mills	10/31/2019		
-	Department Director	Date		
Recommended By:	Senstownd	10-24-19		

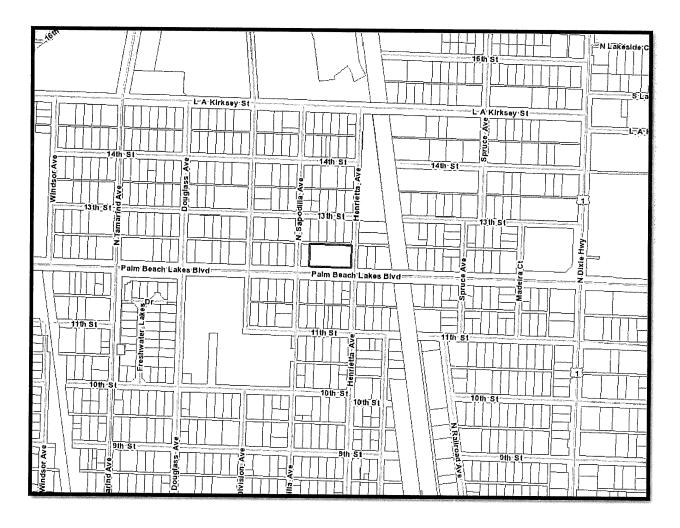
### II. FISCAL IMPACT ANALYSIS

## A. Five Year Summary of Fiscal Impact:

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Assistant County Attorney				, ,		
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C. Other Department Review:		Review:				

Department Director

# **Location Map**



Henrietta Townhomes Project



# HENRIETTA TOWNHOME RENTAL COMMUNITY

New Urban Community Development Corporation (NUCDC) 1700 N. Australian Avenue • West Palm Beach, FL 33407 Phone :(561) 833-1461 • Fax :(561) 833-6050 www.ULPBC.org

June 13, 2019

Jonathan Brown, Director Palm Beach County Housing and Economic Sustainability 100 Australian Ave. 5<sup>th</sup> Floor West Palm Beach, FL. 33406

RE: Henrietta Townhouse Rental Community

Dear Jonathan,

This is a formal request to assist New Urban Community Development Corporation (NUCDC) in its efforts to restructure the debt for the 11-unit townhouse rental community called Henrietta Townhomes. As you know, we have been struggling to operate this rental community and provide much needed affordable rental housing for low income residents since project completion in 2010. Due to the rent structure of low rents, as established by HUD, and a very high mortgage payment which encumbers 41% of the rent income together with increasing operating expenses, this rental community operates at a loss annually. As such we are requesting that the Palm Beach County Department of Housing and Economic Sustainability assist NUCDC refinance the current debt by paying off the loan of approximately \$500,000 to Florida Community Loan Fund and provide NUCDC with a new loan of \$250,000 repayable monthly with the balance of approximately \$250,000 to be forgiven at maturity. This will allow NUCDC to properly operate the property and create reserves at \$700 per unit so as the components age, monies are available for replacements.

This debt restructuring is necessary for the long-term viability of Henrietta Townhomes to ensure its continued contribution to affordable housing in Palm Beach County.

Attached you will find the current operating proforma and the proposed operating proforma after the debt restructuring.

Should you have any questions or require additional information, please do not hesitate to contact please feel free to contact me at (561)833-3736.

Regards,

Patrick Franklin President & CEO

ATTACHMENT 2