

PUBLIC NOTICE
REQUEST TO HUD FOR DETERMINATION OF CONFLICT OF INTEREST

Palm Beach County Department of Economic Sustainability (DES) will submit to the U.S. Department of Housing and Urban Development (HUD), a request for a determination of whether or not a conflict of interest prohibited by 24 CFR 570.611 is posed by the situation described herein.

Neighborhood Renaissance, Inc. (NRI), a Florida nonprofit corporation and developer of affordable housing, utilized NSP2 funding from Palm Beach County (the County) to successfully acquire and rehabilitate 70 single-family housing units which were leased to eligible beneficiaries. Recently, the County and NRI entered into an agreement whereby NRI will sell up to 20 of the NSP2 homes to eligible homebuyers, generating program income for the County's NSP2 Program. In turn, the County will return a portion of that program income to NRI through a NSP funding agreement to develop a 36-unit affordable multifamily rental complex.

NRI, owner/seller of the NSP2 single-family homes, has entered into a listing agreement with broker Your Way Home Realty, Inc. (YWHR) which would earn a commission on the sales of the NSP2 homes. YWHR is a taxable corporation that is a wholly-owned subsidiary of NRI.

YWHR was formed in 2014 to assist low and moderate-income families in the purchase, sale, and lease of affordable, quality homes. It is a licensed real estate broker to practice real estate for a fee, which helps to fund NRI's cost of delivering affordable homes to low and moderate-income households. As the sole shareholder, NRI receives all net proceeds, which are used to further the mission of the parent nonprofit corporation. NRI's governing board of directors are 10 volunteers and receive no compensation for their duties. All board members file annual conflict of interest disclosures and have attested that they have no financial interest or receive benefits related to any of NRI's programs or activities, including the sale of the agency's NSP 2 homes, either for themselves or those with whom they have business or immediate family ties.

Certain employees and board members of NRI are also employees or officers of NRI, certain NRI employees perform services for YWHR. The formation of YWHR was authorized by NRI's governing board of directors as a mechanism to help pay for professional staff to carry-out its affordable home ownership programs including the sale of NSP2 homes to income qualified homebuyers. YWHR also lists NRI properties on the MLS giving tremendous exposure to the universe of home buyers and avoids the cost of hiring a third party vendor. YWHR has no salaried employees and is staffed by NRI employees. NRI employees are required to complete timesheets for services performed for YWHR. NRI bills YWHR for all services provided and reports the invoiced amounts as a receivable from YWHR on its financial statements. As the proposed sales commissions are received, payment toward outstanding expenses owed to NRI for services rendered is promptly made. Any remaining profit, if any, is remitted after taxes to NRI.

An independent Certified Public Account's audit of NRI and subsidiary YWHR concludes that significant intercompany transactions and balances between NRI and YWHR have been eliminated in consolidation. NRI asserts that the fact that intercompany transactions and balances are eliminated means that there cannot be a conflict of interest between the companies since their

financial interests have been consolidated, and for such financial purposes they are essentially a single entity. The audit was performed in accordance with Government Auditing Standards, issued by the Comptroller General of the United States and in accordance with auditing standards generally accepted in the United States of America.

NRI and its legal counsel assert that no employee, agent, board member, or officer has obtained or will obtain a financial interest or benefit from the relationship between NRI and YWHR, including any commission received by YWHR for the sale of the NSP-assisted homes.

NRI legal counsel opines that the relationship and dealings between NRI and YWHR do not present a conflict prohibited under 24 CFR 570.611; Florid Statutes, Chapter 112, Part III and Chapter 420, Part VII, or Florida Administrative Code, Chapter 67-37.

The County Attorney's Office opines that the relationship and dealings between NRI and YWHR do not present a conflict of interest prohibited pursuant to applicable State and local statutes.

HUD will be requested to make a determination as to whether the situation poses a conflict of interest prohibited by 24 CFR 570.611.

For additional information, please contact Carlos Serrano, Director of Strategic Planning and Operations, DES, at (561) 233-3608 or cserrano@pbcgov.org.

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