

Workforce Housing Program

Proposed Code Changes for Compliance Monitoring

Workforce Housing Program

- Adopted in 2006
- Requires projects of 10+ units to provide a percentage as workforce
 - Allows additional density in exchange for a higher percentage
 - On-site, Off-site, In Lieu Payment
- Units must be rented/sold to eligible households at set rents/prices
 - Typically 4 income 'buckets' covering 60% to 140% of AMI
- For-sale units restricted for 15 years, recurring; rentals for 30 years
- Currently 1300+ rentals, several hundred for sale units

Proposed Workforce Housing Code Changes

- Compliance Monitoring Process
- Fees and Utility Charges

Applicability/Transition

- Definitions and clarifications regarding fees and utilities, and the real-time compliance verification, would apply to all projects
- Elimination of utility allowance and annual report would apply to new projects approved going forward
- Existing projects with covenants that include utility allowance & annual report could “Opt In” through a covenant amendment

Rental Compliance Process Today

Unit Level:

New Tenant

(Income Category & Rent)



Lease Addendum
submitted and reviewed
w/i 10 days



Adjustments if any

Project Level:

Annual Report



Verify “bucket”
compliance

Compliance Process Issues

Unit Level:

New Tenant



Lease Addendum
submitted and reviewed
w/i 10 days



Adjustments if any

Project Level:

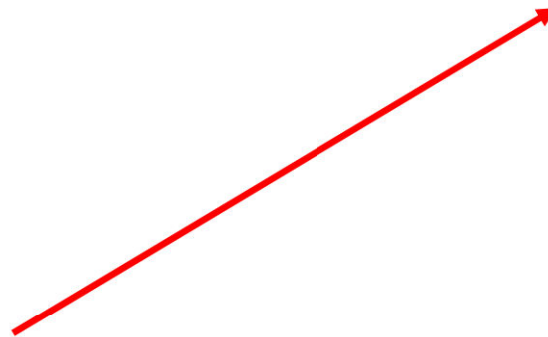
Annual Report

Previously unreported
tenants

Overcharges &
ineligibility issues

Verify "bucket"
compliance

Enforcement
Challenges



Fees and Utility Allowance Issues

- Workforce Housing Program intent: affordable, predictable rent for tenants
- Accomplished through:
 - Published Schedule with Max WHP rents
 - Utility Allowance: \$50/\$75 reduction if utilities not included
 - If one or more utilities are included in base rent, difference between utility cost and utility allowance is credited/charged to tenant
 - “Utilities” – specified by County “including but not limited to water, sewer, gas and electric”
- Recent years:
 - New fees, often ascribed to “utility,” charged to tenant above the Max WHP Rent
- Result: significant additional cost to tenant, inconsistent with program intent

Summary of Proposed Changes: Fees & Utility Allowance

- Eliminate the required \$50/75 utility allowance
- Define all fees and utilities as either:
 - Mandatory (paid by all/no control)
 - Any fees, services, and unmetered utilities which are mandatory for all residents
 - Capped by Max WHP Rent
 - Voluntary (optional/controlled by tenant)
 - Any optional services selected by the tenant, and any utilities or services for which tenant has a separate, individual meter or account
 - Not capped by Max WHP Rent
- Property manager retains flexibility to set up fees/utilities as optional or mandatory

Mandatory and Voluntary Fee Examples (New Projects & Opt-Ins)

Fee/Charge	Charged to...	Then...
Pet Fee	Pet owners only	Voluntary, charged above WHP rent
Storage Area/Garage	Tenants opting in	Voluntary, charged above WHP rent
Electricity, metered	All tenants, based on individual use	Voluntary, charged above WHP rent
Internet	Tenants opting in	Voluntary, charged above WHP rent
<i>Internet</i>	<i>All tenants</i>	<i>Mandatory, capped by WHP rent</i>
Water, unmetered (RUBS, etc)	All tenants, based on a formula	Mandatory, capped by WHP rent
<i>Water, sub-metered</i>	<i>All tenants, based on individual use</i>	<i>Voluntary, charged above WHP rent</i>
Common area electric	All tenants	Mandatory, capped by WHP rent
Valet Trash Service	All tenants	Mandatory, capped by WHP rent
<i>Valet Trash Service</i>	<i>Tenants opting in</i>	<i>Voluntary, charged above WHP rent</i>
Solid Waste Removal	All tenants	Mandatory, capped by WHP rent

Utility Allowance Today: water, sewer, gas, electric

- Rent & Mandatory Fees must not exceed published Max WHP Rent
- Most projects must also provide utility allowance \$50/\$75

One or More Utility Included in Base Rent no separate charge to tenant for included utilities	No Utility Included in Base Rent tenant pays separate charge to property, utility, or 3rd party
<p>1) Rent + Mandatory Fees \leq Max WHP Rent 2) Cost of utility provided – Utility Allowance added/subtracted from above</p> <p>\$1350 rent + \$30 mandatory fees = \$1380 = Max WHP Rent for 1 BR</p> <p>Ex 1: \$40 water cost - \$50 utility allowance = \$10 credit Tenant pays up to \$1380 - \$10 = \$1370</p> <p>Ex 2: \$60 water cost - \$50 utility allowance = \$10 charge Tenant pays up to \$1380 + \$10 = \$1390</p>	<p>1) Rent + Mandatory Fees \leq Max WHP Rent 2) Utility allowance subtracted from above</p> <p>\$1350 rent + \$30 mandatory fees = \$1380 = Max WHP Rent for 1 BR</p> <p>Tenant pays up to \$1380 - \$50 utility allowance = \$1330</p>

Proposed Utility/Fee Structure (no Utility Allowance)

- Rent + Mandatory Fees must not exceed published Max WHP Rent

Compliant Rent

Rent + Mandatory Fees \leq Max WHP Rent

Tenant pays Rent + Mandatory Fees
plus any Voluntary Charges, including any
metered or sub-metered utilities

Page 4, Definitions

Mandatory Fees

Fees required to be paid by all tenants in a rental development that includes WHP rental units. These fees include but are not limited to charges assigned by virtue of ratio utility billing or similar unmetered allocation arrangements. For projects subject to a Utility Allowance pursuant to a Master Restrictive Covenant, Mandatory Fees shall not include charges assigned by virtue of ratio utility billing or similar unmetered allocation arrangements for water, sewer, gas, or electric service provided directly to the unit and not to common areas.

Utility Allowance

A monthly rent reduction to help offset WHP tenant-paid costs of water, sewer, gas and/or electric service provided directly to the unit and not to common areas, that are billed to the WHP tenant by the WHP rental unit owner or designee, the utility, or a third party. If the cost of one or more of these utilities is borne by the WHP rental unit owner and not billed to the WHP tenant by the WHP rental unit owner or designee, the utility, or a third party, the utility allowance is applied against such cost and any difference is credited or charged to the WHP tenant.

Summary of Proposed Changes: Unit Compliance

- Eliminate Annual Report
- Replace with ongoing Compliance Tracking Process:
 - PM notifies PBC of lease commencement, to obtain current prices, etc
 - PM markets units, including posting WH unit information on-site
 - Prior to/at lease execution:
 - PM completes Rent Calculation Worksheet & Lease Addendum with prospective tenant and provides to PBC prior to or at lease execution (<10 days per RC)
 - PBC reviews & responds w/i 3 days; PM corrects any issues w/i 10 days
 - PM provides copy of verified forms to County and tenant w/i 3 days of PBC OK
 - Unit is considered compliant at later of: date compliant documents were submitted to PBC, or event date (lease start, lease renewal, or tenant recertification)

Project Compliance

Staff tracks ongoing project compliance, contacting property managers to assess situations and provide assistance

Unit #	Lease Start Date	Lease End Date	Income Certification Date	Total Household Income	WHP category	Bedroom number	Max WHP rent in effect	Total monthly rent per worksheet	Max WHP Rent in effect with Utility Allowance	WHP rent per worksheet	Worksheet on-file	Overcharge	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	
104	8/7/2022	9/6/2023	8/7/2022	\$85,000.00	MOD 1.2	1	1725	1725	1675	1675	yes	--																		
106	8/5/2022	10/4/2023	8/5/2022	\$125,000.00	MIDDLE.2	1	2415	2000	2365	1950	yes	--		25	30	31	30	31	31	31	28	31	30	31	30	31	31	30	4	
107	10/31/2022	10/30/2023	12/19/2022	\$118,500.00	MIDDLE.2	1	2415	2050	2365	2000	yes	--				1	30	31	31	31	28	31	30	31	30	31	31	30	30	
110	8/5/2022	8/4/2023	8/5/2022	\$66,219.00	LOW.2	1	1380	1380	1330	1330	yes	--		27	30	31	30	31	31	31	28	31	30	31	30	31	4			
220	8/5/2022	8/4/2023	8/5/2022	\$70,000.00	LOW.2	1	1380	1380	1330	1330	yes	--		27	30	31	30	31	31	31	28	31	30	31	30	31	4			
225	8/8/2022	10/7/2023	8/5/2022	\$63,700.00	LOW.2	1	1380	1380	1330	1330	yes	--		24	30	31	30	31	31	31	28	31	30	31	30	31	31	30	7	
304	10/21/2022	11/20/2023	10/21/2022	\$90,000.00	MOD 1.2	1	1725	1725	1675	1675	yes	--				22	30	31	31	31	28	31	30	31	30	31	31	30	20	
310	8/5/2022	10/4/2023	8/5/2022	\$81,400.00	MOD 1.2	1	1725	1725	1675	1675	yes	--		27	30	31	30	31	31	31	28	31	30	31	30	31	31	30	4	
312	9/23/2022	9/22/2023	9/23/2022	\$89,120.00	MOD 1.2	1	1725	1725	1675	1675	yes	--			8	31	30	31	31	31	28	31	30	31	30	31	31	22		
320	1/25/2023	4/24/2024	1/25/2023	\$86,000.00	MOD 1.2	1	1725	1725	1675	1675	yes	--								7	28	31	30	31	30	31	31	30	30	
325	8/5/2022	9/4/2023	8/5/2022	\$82,000.00	MOD 1.2	1	1725	1725	1675	1675	yes	--		27	30	31	30	31	31	31	28	31	30	31	30	31	31	4		
408	8/13/2022	11/12/2023	8/13/2022	\$99,440.00	MOD 2.2	1	2070	1985	2020	1935	yes	--		19	30	31	30	31	31	31	28	31	30	31	30	31	31	30	12	
410	9/1/2022	8/31/2023	9/1/2022	\$83,414.00	MOD 1.2	1	1725	1725	1675	1675	yes	--				30	31	30	31	31	28	31	30	31	30	31	31			
411	1/3/2023	3/2/2024	1/3/2023	\$94,150.00	MOD 2.1	1	1898	1865	1848	1815	yes	--								29	28	31	30	31	30	31	31	30	30	
418	11/30/2022	1/29/2024	11/30/2022	\$102,917.00	MOD 2.2	1	2070	1925	2020	1875	yes	--					1	31	31	31	28	31	30	31	30	31	31	30	30	
420	8/5/2022	8/4/2023	8/5/2022	\$107,999.84	MOD 2.2	1	2070	1925	2020	1875	yes	--		27	30	31	30	31	31	31	28	31	30	31	30	31	4			
425	2/18/2023	4/17/2024	2/18/2023	\$106,262.00	MOD 2.2	1	2070	1925	2020	1875	yes	--									11	31	30	31	30	31	31	30	30	
712	1/21/2023	4/20/2024	1/21/2023	\$118,457.00	MIDDLE.2	1	2415	2055	2365	2005	yes	--								11	28	31	30	31	30	31	31	30	30	
725	12/1/2022	11/30/2023	12/1/2022	\$118,562.00	MIDDLE.2	1	2415	2015	2365	1965	yes	--						31	31	31	28	31	30	31	30	31	31	31	30	
729	9/23/2022	12/22/2023	1/6/2023	\$120,000.00	MIDDLE.2	2	2898	2822	2848	2772	yes	--				8	31	30	31	31	28	31	30	31	30	31	31	30	30	
												--																		
					Days								0	427	727	832	911	1069	1174	1142	1302	1260	1302	1260	1302	1161	908	680	570	
					Weeks								0.0	61.0	103.9	118.9	130.1	152.7	167.7	163.1	186.0	180.0	186.0	180.0	186.0	165.9	129.7	97.1	81.4	
					Weeks required								186	186	180	186	180	186	186	168	186	180	186	180	186	186	180	186	180	
					Occupancy rate								0%	33%	58%	64%	72%	82%	90%	97%	100%	100%	100%	100%	100%	89%	72%	52%	45%	
					LOW								0.0	8.3	9.9	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	6.7	4.3	0.7	0.0
					MOD 1								0.0	2.9	6.3	7.7	8.0	8.0	8.2	9.4	10.0	10.0	10.0	10.0	10.0	10.0	9.8	5.9	3.1	2.7
					MOD 2								0.0	1.6	3.9	4.1	5.7	8.5	10.5	10.4	11.0	11.0	11.0	11.0	11.0	11.0	10.1	10.0	10.0	9.3
					MIDDLE								0.0	1.0	4.2	5.0	6.7	8.0	9.2	11.0	11.0	11.0	11.0	11.0	11.0	10.8	10.0	8.1	7.0	
					WHP Units								0.0	13.8	24.2	26.8	30.4	34.5	37.9	40.8	42.0	42.0	42.0	42.0	42.0	37.5	30.3	21.9	19.0	

Compliance Enforcement

Code enforcement for projects that:

- Fail to maintain at least 90% of WHP unit obligation for more than 60 days, or
- Fail to provide requested documentation or correct compliance issues within 10 days

Additional potential code enforcement for failing to:

- Notifying PBC of lease commencement, market/post WHP units
- Provide a copy of final RCW or LA to County and to tenant
- Notify tenant of recertification 60 days prior
- Notify PBC of change of ownership or PM

Evaluation of the Financial Impact of the Proposed Code Changes

Matt Kowta, MCP
Managing Principal
BAE Urban Economics

Attachment B: Overview of Proposed Administrative Changes and Potential Financial Impacts

A. Changes in procedures for lease administration	Benefit			Cost			Neutral	Comments
	Low	Medium	High	Low	Medium	High		
1. Post WHP housing openings onsite				x				New requirement
2. Post WHP housing openings on County WHP Dashboard.				x				New requirement
3. Fill out Rent Calculation Worksheet (RCW) to accompany WHP Lease Addendum (LA) submittal to County							x	New requirement formalizing current practice, but intended to eliminate errors and eliminate need for retroactive adjustments.
4. County reviews RCW and LA for accuracy and responds to PM within three (3) days.	x							Currently done in 10 days.
5. If needed, make any corrections to RCW and LA and submit to County within ten (10) days.							x	PMs already obligated to make corrections. New procedure seeks to eliminate need to make retroactive adjustments.
6. Provide copies of verified RCW and LA forms to tenant within three (3) days of County sign-off.				x				New requirement
7. WHP units considered compliant at later of: date compliant documents were submitted to PBC, or effective date of lease start/renewal/income re-verification							x	Establishing a clear definition.
8. No longer required to submit annual reports on WHP leases		x						
9. Respond as necessary to County inquiries about status of expired leases, etc.							x	PMs must already frequently respond to County inquiries
10. Establish definition of trigger for finding of non-compliance:								
a. Not meeting at least 90% of WHP unit obligation for more than 60 days, or							x	Establishing a clear standard for enforcement trigger.
b. Do not provide requested documentation or correct compliance issues within 10 days							x	Not a change from restrictive covenants for existing projects.
c. Additional defaults include failure to:								
i. Notify PBC of lease commencement; failure to market/post WHP units availability				x				Only posting in office and county dashboard are new requirements
ii. Provide a copy of final RCW or LA to tenant				x				New requirement
iii. Notify tenant of income re-verification 60 days prior				x				New requirement
iv. Notify PBC of change of ownership or property manager within 30 days.							x	Not a change from restrictive covenants for existing projects for providing requested documentation. Establishing a clear standard for corrections and enforcement trigger.

B. Changes in procedures for calculating allowable WHP rents	Benefit			Cost			Neutral	Comments
	Low	Medium	High	Low	Medium	High		
1. Elimination of required \$50 or \$75 monthly utility allowance (deduction) from maximum allowable WHP rents for studio to 2-bedroom units and 3-bedroom units and larger, respectively.		x*	x**					Allows property owner to charge higher WHP rent.
2. Revised definition of what ongoing fees and charges can be charged <u>in addition</u> to maximum allowable WHP rents:								
a. Complex-wide utilities, fees, or services that are passed through and billed directly to tenants via a property management company or third-party billing service and are "Mandatory" for all tenants within the complex are capped by (i.e., must be included in) the maximum WHP rents.							x	Formalizing current practices. County is currently enforcing program intent to keep costs to tenants, including Mandatory fees capped by the published WHP rent schedule.
b. Voluntary Fees or "Optional" services selected by the tenant and are not mandatory for all units in the complex are not capped by (i.e., do not have to be deducted from) maximum WHP rents.							x	No change from how program is currently administered.
c. Utilities or Services for which tenant has a separate, individual account are not capped by maximum WHP rents.							x	Formalizing current practices.

Notes:

* Benefit is medium for complexes that pay complex-wide utilities and bill tenants for their share; with loss of utility allowance, they will also lose ability to recoup "true up" amount if actual utility cost exceeds utility allowance.

** Benefit is high for complexes that have separate utility metering/sub-metering for tenants to pay utilities directly or to compensate owner for the full cost of their usage

Sources: Palm Beach County, BAE, 2023.

Attachment C: Illustrative Rent Impact Scenarios

Note: The examples on this page are not meant to portray the actual dollar impacts to any particular WHP rental housing unit, but to illustrate the differences in net income to a property owner under existing regulations versus the proposed regulations.

Building Operating Assumptions for All Scenarios

Actual Monthly Utility Cost (Water, Sewer, Gas, Electric) is \$75

All tenants are required to pay monthly security fee and pest control fee.

Building pays Cable TV/Internet company and bills tenants who opt in to service.

Scenarios	Existing Regulations			Proposed Regulations		
	Existing Regulations Will Continue to Apply to Existing Projects That Do Not Opt-In to Code Changes					
	Existing Projects			New Projects, Existing Projects that Opt-In to Code Changes		
	Owner Paid Utilities Passed Through		Tenant Pays Utilities Separately Metered	Owner Paid Utilities Passed Through		Tenant Pays Utilities Separately Metered
(Unmetered/Ratio)	(Submetered)	A3	(Unmetered/Ratio)	(Submetered)	B3	
A1	A2		B1	B2		
Maximum WHP Rent (per unit per month)	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200
Utility allowance Deducted from Max WHP Rent	\$50	\$50	\$50	\$0	\$0	\$0
Mandatory Charges Deducted from Max WHP Rent	\$30	\$30	\$30	\$105	\$30	\$30
Adjusted Maximum Rent After Utility Allowance and Mandatory Charges (Monthly Rent/WHP Unit)	\$1,120	\$1,120	\$1,120	\$1,095	\$1,170	\$1,170
Tenant Pays Mandatory Charges to Owner Capped by Max WHP Rent (a)						
Pest Control	\$5	\$5	\$5	\$5	\$5	\$5
Security	\$25	\$25	\$25	\$25	\$25	\$25
Tenant Pays Voluntary Charges to Owner in Addition to Max WHP Rent (b)						
Cable TV/Internet (optional)	\$50	\$50	\$50	\$50	\$50	\$50
Total Utility Cost (Water, Sewer, Gas, Electric)	\$75	\$75	\$75	\$75	\$75	\$75
Utility Cost Paid by Owner	\$75	\$75	\$0	\$75	\$75	\$0
Utility Cost Paid by Renter to Owner	\$75	\$75	\$0	\$75	\$75	\$0
Utility Cost Paid by Renter to Utility Company	\$0	\$0	\$75	\$0	\$0	\$75
Total Rent, Mandatory Charges, Voluntary Charges, Utility Cost Collected by Owner	\$1,275	\$1,275	\$1,200	\$1,250	\$1,325	\$1,250
Minus Utility Cost Paid by Owner	(\$75)	(\$75)	\$0	(\$75)	(\$75)	\$0
Minus Cost of Voluntary Services to Owner (b)	(\$50)	(\$50)	(\$50)	(\$50)	(\$50)	(\$50)
Net Income to Owner	\$1,150	\$1,150	\$1,150	\$1,125	\$1,200	\$1,200
Total Costs Paid by Tenant	\$1,275	\$1,275	\$1,275	\$1,250	\$1,325	\$1,325

Notes:

Yellow shaded cells represent changes from status quo.

(a) Owner incurs costs for entire complex whether they recoup from tenants as mandatory charge or not.

(b) Assumes cost to Owner to provide Cable TV/Internet is equal to charge to Tenant and owner can avoid cost if tenant does not opt in to service.

Sources: Palm Beach County, BAE, 2023.

Next Steps

- BCC Permission to Advertise
- LDRAB Review
- BCC Adoption Hearing

Questions and Comments?

- Today: please raise your hand
- Through 8/23: email to mbello@pbcgov.org
- Ongoing: participate in next steps