

A TRANSFORMATION & REDEVELOPMENT PLAN
FOR
BELLE GLADE GARDENS APARTMENTS
2000 SOUTH MAIN STREET - BELLE GLADE, FL

Prepared by:

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EXECUTIVE SUMMARY

Palm Beach County Housing Authority, Inc. (PBCHA) is proposing a partnership with the current owners of the Belle Glade Gardens Apartment complex, located in Belle Glade, Florida. The property is approximately 60% occupied, but suffers from a significant amount of “deferred maintenance”. PBCHA proposes that the partnership will obtain \$28 Million in financing in order to rehabilitate, re-position, and re-brand the property.

The 33-acre subject property was originally constructed in 1985 and was financed with Tax Exempt Bonds (the complex is located in Census Tract 0082.03, which is a Qualified LMI Census Tract). The property improvements include 32 two-story garden style residential buildings, a daycare center, a Club House, a Storage & Maintenance Building, a Convenience Store, a Laundromat, an Office, a Gate House, 2 Swimming Pools, 2 Basketball Courts, and a Tennis Court.

PBCHA envisions the proposed partnership as an ideal opportunity to create a transformational impact in Belle Glade – a rural community that is in genuine need of forward-thinking revitalization methodologies that can shift the Community’s downward spiral into a viable, self-sustaining trajectory which:

- ☞ Attracts more “Double Bottom Line” Investments to the Region (benefits the community, benefits the private investors)
- ☞ Integrates the Community with the opportunities for advancement such as the new Inland Logistics Center, Palm Beach State College, etc.
- ☞ Serves as a catalyst for the initiatives that will make Belle Glade an **E⁵ Community Of Choice** (Economically Sustainable, Vibrant Education System, Green Environmental products, Employment Center and Energy Efficient Building Systems)

The “campus-like” setting of the property would provide the proposed partnership with a perfect site to create a holistic, sustainable, **live-work-learn** environment that transforms how low-income housing has been traditionally used while optimizing the available human capital to create a prosperous economic engine! PBCHA proposes to re-brand the property (**Belle Glade Campus of Learners** or **BGCL**), and re-position it as a housing development that provides its residents with education, job training, employment and supportive services involving Broadband Wireless computer and Internet technologies within a college campus-style setting for “**Virtual Learning**”.

The re-positioning has positive implications for the surrounding community, as it will integrate large institutional neighbors such as the State College, County Schools District, Belle Glade Housing Authority (Okeechobee Center) and the new Hospital into a transformative synergy thereby enhancing the economic well-being of the residents and businesses in the area.

The project's Business Model embraces revenue generation from multiple sources:

HUD Voucher Program	HUD VASH Voucher Program Veterans Administration	Public & Private Grants
Charter School Appropriation Department of Education	Rental Revenue from Supportive Services Partners	USDA
Low Income Housing Tax Credit	Case Management Fees (Medicaid)	Broadband Wireless Internet Services Fees

This diversity of sources bodes well for the project and bolsters its sustainability. The property could be managed by a third-party Property Management Group under PBCHA's oversight. PBCHA's non-profit affiliate, Leased Housing Corporation, will oversee the Property Management Group – it has thirty-five years of experience in property management.

PALM BEACH COUNTY HOUSING AUTHORITY – PROFILE

Formed in June of 1969, Palm Beach County Housing Authority (PBCHA) is a Special District of the State of Florida charged with the following responsibility from the Office of the Governor:

“The housing authority shall provide for the construction, reconstruction, improvement, alteration or repair of dwelling units for the purpose of improving the state of affordable housing; hold or improve real property; may acquire by gift, grant, bequest, devise, or otherwise any property; investigate into living, dwelling and housing conditions and into means and methods for improving such conditions.”

PBCHA currently owns, manages, and maintains over 3,000+ Affordable Housing Units and (including Public Housing and Section 8 Housing Choice Vouchers). PBCHA also provides support services such as:

- ☞ **Family Self Sufficiency Program** {Job Training/Employment Counseling, Education, Transportation, Child Care, Homeownership Counseling, Credit Counseling}
- ☞ **Resident Services** {PBCHA connects its residents to services that are available in the community (Employment, Family, Senior, and Special Needs), and provides on-site services and programs in addition to creating partnerships with agencies that can help residents improve the quality of their life.}

The Housing Authority is the property owner and landlord of 51 single-family homes throughout Palm Beach County, 495 low rent units, 148 affordable non-subsidized apartments, located at its nine (9) Rental Communities in Palm Beach County:

- ✓ Drexel House (Senior Housing)
- ✓ Dyson Circle
- ✓ Marshall Heights
- ✓ Schall Landings
- ✓ Seminole Manor
- ✓ West Gate Plaza (Senior Housing 80 Project-based Vouchers)
- ✓ Southbay Villas
- ✓ Banyan Club Apartments
- ✓ Quiet Waters (90 Project-based Vouchers)
- ✓

PBCHA’s staff possesses extensive Real Estate Development experience (most recently, it co-developed an eighty unit senior housing complex - the WESTGATE PLAZA in West Palm Beach). Additionally, PBCHA’s Executive Director, Van Johnson’s resume is attached.

In order to effectively maintain its properties, PBCHA’s Property Management Division maintains a robust maintenance crew that is skilled in:

- ❖ HVAC Installation & Maintenance
- ❖ Carpentry, Cabinetry & Woodwork
- ❖ Painting, Drywall Repair & Finishing ❖

These repair crews have created “Centers of Excellence” within the various construction disciplines and have:

- ✓ Lowered PBCHA’s property maintenance expenses by 25% annually

- ✓ Improved response times to customer requests by an average factor of 18 hours per job
- ✓ Elevated and standardized the quality of the maintenance and repair work thereby increasing resident satisfaction by approximately 15% over the past three years
- ✓ Provided PBCHA with bargaining leverage when negotiating with outside contractors on remodeling and rehabilitation work.

PBCHA will continue to transform both the Public Housing and the Affordable Housing market in the region by shifting the way the assets in these sectors are utilized. PBCHA has launched efforts to change these assets from “people warehousing” facilities to:

- 👍 Centers of Academic and Vocational Training Excellence
- 👍 Centers of High Tech Training Excellence
- 👍 Centers of Entrepreneurial Excellence
- 👍 Sources of Career Path Oriented Employment Opportunities
- 👍 Venues for resident re-integration to the traditional housing market

PBCHA embraces these transformational initiatives as the optimal response to a challenging economic climate that is marginalizing “at risk” populations and overburdening civic support systems such as Law Enforcement, Social Welfare, Family & Juvenile Justice, Public Safety, etc. Accordingly, this bold path will build tremendous value for PBCHA’s partners and stakeholders while transforming a very large societal problem into an immense opportunity!!

PROPOSED DEAL STRUCTURE

1. The formation of a Limited Liability Partnership where:
 - ❖ Limited Partner is a Passive Limited Partner with 99.99% ownership
 - ❖ PBCHA's role would be General Partner (Co-Developer/Sponsor) with 0.01% ownership.
2. The Partnership purchases the property for \$7.6 Million
3. Limited Partner will pay \$7.4 Million for its equity in the Partnership (the amount will be Paid Outside of Closing)
4. The Partnership will secure \$20.6 Million in debt & \$7.4 Million in 4% Low Income Housing Tax Credit Financing (the proposed Uses are depicted on the following page)
5. Limited Partner will receive 90% of the net proceeds from the sale of the Tax Credits; PBCHA will receive the remnant (assuming that they are sold for at least \$0.85 per Credit Dollar)
6. Limited Partner will generate its return from the Tax Credits & from its distributive share of both the Operating Profits (50%) and the Operating Losses (100%) that the project will experience, and will therefore fund any Operating Losses until the project's operating income has been stabilized.
7. Limited Partner will cover the upfront development costs necessary to package and syndicate the deal (estimated at \$534,108). Limited Partner will recoup these outlays via a preferred partnership distribution (before any distributions are made to the General Partner).

PROJECT TIME LINE

Task Milestone	Completion Date
Partnership Agreement	Month 1
Project Based Vouchers	Phased Start in Month 2
Loan Closing	Month 6
LIHTC Funded	Month 12
90% Occupancy	Month 20

BENEFITS TO LIMITED PARTNER

- ✓ Limited Partner will benefit from the Tax Credits and any Operating Losses that the deal will generate
- ✓ PBCHA has an exceptional track record in managing Low Income Housing Projects, and has firsthand knowledge about the property and about the challenges that exist in the Glades Region.
- ✓ Limited Partner will maintain ownership stake for a minimum of fifteen years
- ✓ In addition to Project-Based Housing Vouchers, PBCHA will “port in” as many vouchers as the project requires (from anywhere in the Country) thereby increasing the project’s viability.
- ✓ The revenue from the Housing Vouchers will increase topline revenue by approximately 44% over market rate rents.
- ✓ The Campus of Learners concept will prove to be an exceptional recruiting tool for progressive-minded Low Income residents that have the freedom to choose what type of environment they want their families to live in.
- ✓ Supplemental Income will be earned from PBCHA’s implementation of an Energy Performance Contract (HUD will pay the debt service costs associated with installing the Energy Efficient Fixtures)
- ✓ The comprehensive rehabilitation and re-branding of the project will elevate it to a Class-B Property
- ✓ PBCHA has the ability to secure Development Grant funds & Entitlements for additional investment in the property

Belle Glade Campus of Learners - 221 (d) (4) with 4% Tax Credits

EXECUTIVE SUMMARY

Project Name	
Project Location	Belle Glade, FL
Land Area	23.37 acres
Loan Closing Date	9/1/13
Construction Begin	9/15/13
Months of Construction	12
Construction Complete	9/15/14

Key Assumptions

Loan Interest Rate	3.50%
Annual Loan Insurance	0.45%
Amortization	40
Debt Service Coverage	1.150
Revenue Inflation	3.00%
Expense Inflation	3.00%

Unit Mix, Sizes and Rents

Type	# of Units	Sq Ft	Rent per SF	Net Rent per Unit	Gross Potential Income
1 Bdrm - 50% AMI	17	573	1.04	597	121,788
1 Bdrm - 60% AMI	23	573	1.02	585	161,460
2 Bdrm - 50% AMI	76	734	1.09	803	732,336
2 Bdrm - 60% AMI	120	734	1.05	769	1,107,360
3 Bdrm - 50% AMI	51	855	1.34	1,147	701,964
3 Bdrm - 60% AMI	81	855	1.06	907	881,604
4 Bdrm - 50% AMI	6	960	1.47	1,407	101,304
4 Bdrm - 60% AMI	10	960	1.15	1,108	132,960
					0
					0
					0
					0
					0
Totals	384	295,004	1.11	855	3,940,776

Operating Summary

Gross Rental Potential Income	3,940,776
Vacancy - Rental Income	25.00% (985,194)
Gross Potential Comm/Ret Inc	0
Vacancy - Commercial Retail	10.00%
Other Income	95,000
Effective Gross Income	3,050,582
Operating Expenses	4,376 1,680,250
Net Operating Income	1,370,332
Debt Service	1,098,487
Net Cash Flow - Stabilized	271,845

SOURCES & USES OF FUNDS

PERMANENT SOURCES OF FUNDS

HUD 221 (d) (4) Insured Loan	53.55%	15,000,000
Tax Credit Syndication	26.50%	7,422,726
SAIL Program	19.94%	5,586,010
Total Sources of Funds		28,008,736

USES OF FUNDS

Land & Existing Structures		7,600,000
Hard Costs - Rehab		11,331,182
Builder's Fee	0.00%	0
Builder's Overhead	0.00%	0
Relocation		75,000
Sitework		750,000
FFE	0	200,000
Env/Insuranc/Lease UP	0	220,000
Other Professional Fees		674,236
Design & Engineering		483,249
Legal & Miscellaneous	0	150,000
Development Fees		2,000,000
Construction Interest		622,765
HUD Insurance	0.90%	135,000
HUD Inspections	0.50%	75,000
HUD Application	0.30%	45,000
Financing Fee	2.00%	300,000
Title & Recording	1.00%	150,000
Insurance & Bonds other Finance		0
Working Capital (HUD)	10.00%	1,500,000
Operating Deficit Reserve (HUD)	12 months DS	697,304
BSPRA	0.00%	0
Project Contingency		1,000,000
Total Development Budget		28,008,736

Project Surplus	0
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BELLE GLADE CAMPUS OF LEARNERS

Summary Operating Budget - For Discussion Purposes Only

Belle Glade Operating Proforma						1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
<i>Rent Structure:</i>	AMI	Units	Sq Foot	Max	Actual	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	
60% AMI																					
Four Bedroom / Three Bath	60%	10	960	\$1,358	\$1,108	\$132,960	\$136,949	\$141,057	\$145,289	\$149,648	\$154,137	\$158,761	\$163,524	\$168,430	\$173,483	\$178,687	\$184,048	\$189,569	\$195,256	\$201,114	
Three Bedroom / Two Bath	60%	81	855	\$1,132	\$907	\$881,604	\$908,052	\$935,294	\$963,352	\$992,253	\$1,022,021	\$1,052,681	\$1,084,262	\$1,116,790	\$1,150,293	\$1,184,802	\$1,220,346	\$1,256,957	\$1,294,665	\$1,333,505	
Two Bedroom / Two Bath	60%	120	734	\$959	\$769	\$1,107,360	\$1,140,581	\$1,174,798	\$1,210,042	\$1,246,343	\$1,283,734	\$1,322,246	\$1,361,913	\$1,402,771	\$1,444,854	\$1,488,199	\$1,532,845	\$1,578,831	\$1,626,195	\$1,674,981	
One Bedroom / One Bath	60%	23	573	\$760	\$585	\$161,460	\$166,304	\$171,293	\$176,432	\$181,725	\$187,176	\$192,792	\$198,575	\$204,533	\$210,669	\$216,989	\$223,498	\$230,203	\$237,109	\$244,223	
50% AMI																					
Four Bedroom / Three Bath	50%	6	960	\$1,657	\$1,407	\$101,304	\$104,343	\$107,473	\$110,698	\$114,019	\$117,439	\$120,962	\$124,591	\$128,329	\$132,179	\$136,144	\$140,228	\$144,435	\$148,768	\$153,231	
Three Bedroom / Two Bath	50%	51	855	\$1,372	\$1,147	\$701,964	\$723,023	\$744,714	\$767,055	\$790,067	\$813,769	\$838,182	\$863,327	\$889,227	\$915,904	\$943,381	\$971,682	\$1,000,833	\$1,030,858	\$1,061,784	
Two Bedroom / Two Bath	50%	76	734	\$993	\$803	\$732,336	\$754,306	\$776,935	\$800,243	\$824,251	\$848,978	\$874,447	\$900,681	\$927,701	\$955,532	\$984,198	\$1,013,724	\$1,044,136	\$1,075,460	\$1,107,724	
One Bedroom / One Bath	50%	17	573	\$772	\$597	\$121,788	\$125,442	\$129,205	\$133,081	\$137,073	\$141,186	\$145,421	\$149,784	\$154,277	\$158,906	\$163,673	\$168,583	\$173,641	\$178,850	\$184,215	
Totals		384				\$3,940,776	\$4,058,999	\$4,180,769	\$4,306,192	\$4,435,378	\$4,568,439	\$4,705,493	\$4,846,657	\$4,992,057	\$5,141,819	\$5,296,073	\$5,454,956	\$5,618,604	\$5,787,162	\$5,960,777	
Other Income						95,000	97,850	100,786	103,809	106,923	110,131	113,435	116,838	120,343	123,953	127,672	131,502	135,447	139,511	143,696	
Total Revenues						4,035,776	4,156,849	4,281,555	4,410,001	4,542,301	4,678,570	4,818,928	4,963,495	5,112,400	5,265,772	5,423,745	5,586,458	5,754,052	5,926,673	6,104,473	
Less: General Vacancy						(985,194)	(730,620)	(418,077)	(430,619)	(443,538)	(456,844)	(470,549)	(484,666)	(499,206)	(514,182)	(529,607)	(545,496)	(561,860)	(578,716)	(596,078)	
						-25.00%	-18.00%	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%	
Net Revenues						3,050,582	3,426,229	3,863,478	3,979,382	4,098,764	4,221,727	4,348,378	4,478,830	4,613,195	4,751,590	4,894,138	5,040,962	5,192,191	5,347,957	5,508,396	
Expenses			Monthly / Unit	Annual / Unit																	
Operating Expenses			\$259	\$3,114		1,195,642	1,231,511	1,268,457	1,306,510	1,345,706	1,386,077	1,427,659	1,470,489	1,514,604	1,560,042	1,606,843	1,655,048	1,704,700	1,755,841	1,808,516	
Insurance			\$33	\$391		150,144	154,648	159,288	164,066	168,988	174,058	179,280	184,658	190,198	195,904	201,781	207,834	214,069	220,492	227,106	
Taxes			\$43	\$521		200,064	200,066	212,248	218,615	225,174	231,929	238,887	246,054	253,435	261,038	268,869	276,935	285,244	293,801	302,615	
Replacement reserve			\$29	\$350		134,400	138,432	142,585	146,863	151,268	155,806	160,481	165,295	170,254	175,362	180,622	186,041	191,622	197,371	203,292	
Total Operating Expense			\$365	\$4,376		1,680,250	1,724,658	1,782,577	1,836,055	1,891,136	1,947,870	2,006,306	2,066,496	2,128,491	2,192,345	2,258,116	2,325,859	2,395,635	2,467,504	2,541,529	
					per unit	\$4,376	\$4,491	\$4,642	\$4,781	\$4,925	\$5,073	\$5,225	\$5,381	\$5,543	\$5,709	\$5,881	\$6,057	\$6,239	\$6,426	\$6,619	
Net Operating Income						1,370,332	1,701,572	2,080,901	2,143,328	2,207,627	2,273,856	2,342,072	2,412,334	2,484,704	2,559,245	2,636,022	2,715,103	2,796,556	2,880,453	2,966,867	
Debt Service 1st mortgage	\$15,000,000			40	3.50%	697,304	697,304	697,304	697,304	697,304	697,304	697,304	697,304	697,304	697,304	697,304	697,304	697,304	697,304	697,304	
Debt Service 2nd mortgage	\$5,586,010			15	1.00%	401,184	401,184	401,184	401,184	401,184	401,184	401,184	401,184	401,184	401,184	401,184	401,184	401,184	401,184	401,184	
DSC						1.25	1.55	1.89	1.95	2.01	2.07	2.13	2.20	2.26	2.33	2.40	2.47	2.55	2.62	2.70	
Net cash flow						271,845	603,085	982,413	1,044,840	1,109,140	1,175,369	1,243,585	1,313,847	1,386,217	1,460,758	1,537,535	1,616,616	1,698,069	1,781,966	1,868,379	
Forecast Assumptions																					
Annual Rent increase					3.00%																
Annual Operating Expense Growth					3.00%																
Residential Vacancy Loss Rate					10.00%																
Annual Reserve increase					3.00%																
60%	1 bed	2 bed	3 bed	4 bed																	
Max Rent	\$760	\$959	\$1,132	\$1,358																	
Estimated Utility Allowance	\$175	\$190	\$225	\$250																	
Net Rent	\$585	\$769	\$907	\$1,108																	
50%	1 bed	2 bed	3 bed	4 bed																	
Max Rent	\$772	\$993	\$1,372	\$1,657																	
Estimated Utility Allowance	\$175	\$190	\$225	\$250																	
Net Rent	\$597	\$803	\$1,147	\$1,407																	

Cash flow 19,093,662