

Make it Make Cents

**Enhancing the Feasibility and Social
Responsibility of Projects to Alleviate
Miami's Affordable Housing Crisis**



Nicholas Duran

Rayna Milfort

Alex Spillis

Alvaro Torres



Introduction

Over time, federal allocations to public housing have declined significantly, leading to an underinvestment in affordable housing that has directly contributed to the housing crisis in Miami-Dade County and beyond. In the decades since, private sector investment has increased modestly, but not yet to a level where enough units are being built. This presentation will seek to outline some of the major policy changes that created this dynamic and lay out a strategy to make the development of affordable housing more economical to private sector partners and provide a higher quality product to tenants.



Public Housing Challenges



- **Housing Act of 1937**

- **Faircloth Amendment (1999 public housing unit count serves as cap)**

- **Declining federal investment**

- **Absence of private sector involvement**

- **Maintenance costs**

- **Lack of community benefits and needs**

The Housing Act of 1937: Origins and Significance



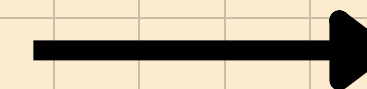
The 1998 Faircloth Amendment and Limited Federal Investment



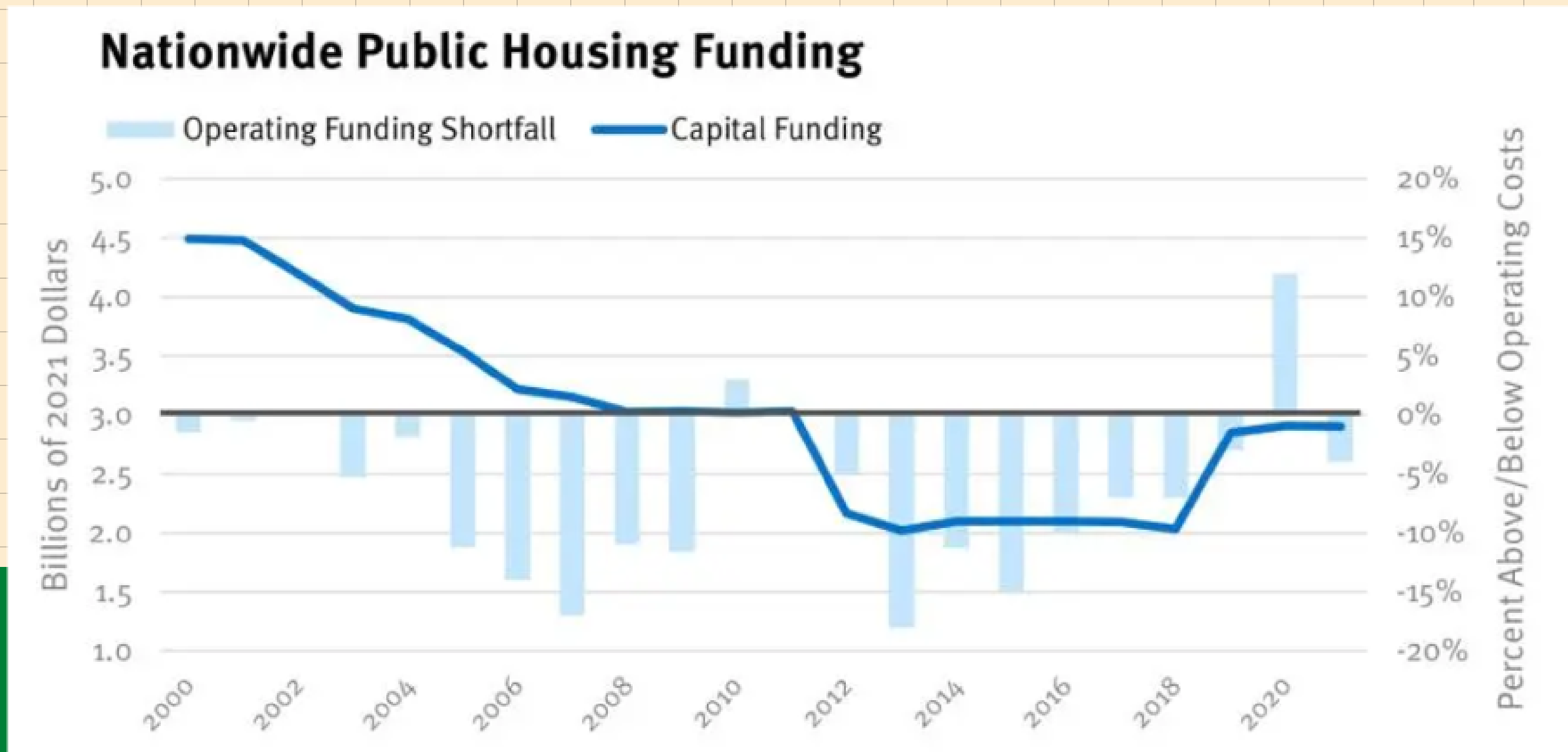
Guidance on Complying With the Maximum Number of Units Eligible for Operating Subsidy Pursuant to Section 9(g)(3)(A) of the Housing Act of 1937 (aka the Faircloth Limit)

Section 9(g)(3) of the Housing Act of 1937 ("Faircloth Amendment") limits the construction of new public housing units. The Faircloth Amendment states that the Department cannot fund the construction or operation of new public housing units with Capital or Operating Funds if the construction of those units would result in a net increase in the number of units the PHA owned, assisted or operated as of October 1, 1999. This requirement is referred to as the "Faircloth Limit." The Faircloth Limit is adjusted for PHA transfers of ACC units, consolidations, and RAD removals. PHAs will not be funded for those units that exceed the posted Faircloth limit, and PHAs are responsible for reviewing the Faircloth limits and notifying HUD if they believe their posted Faircloth Limit is in error.

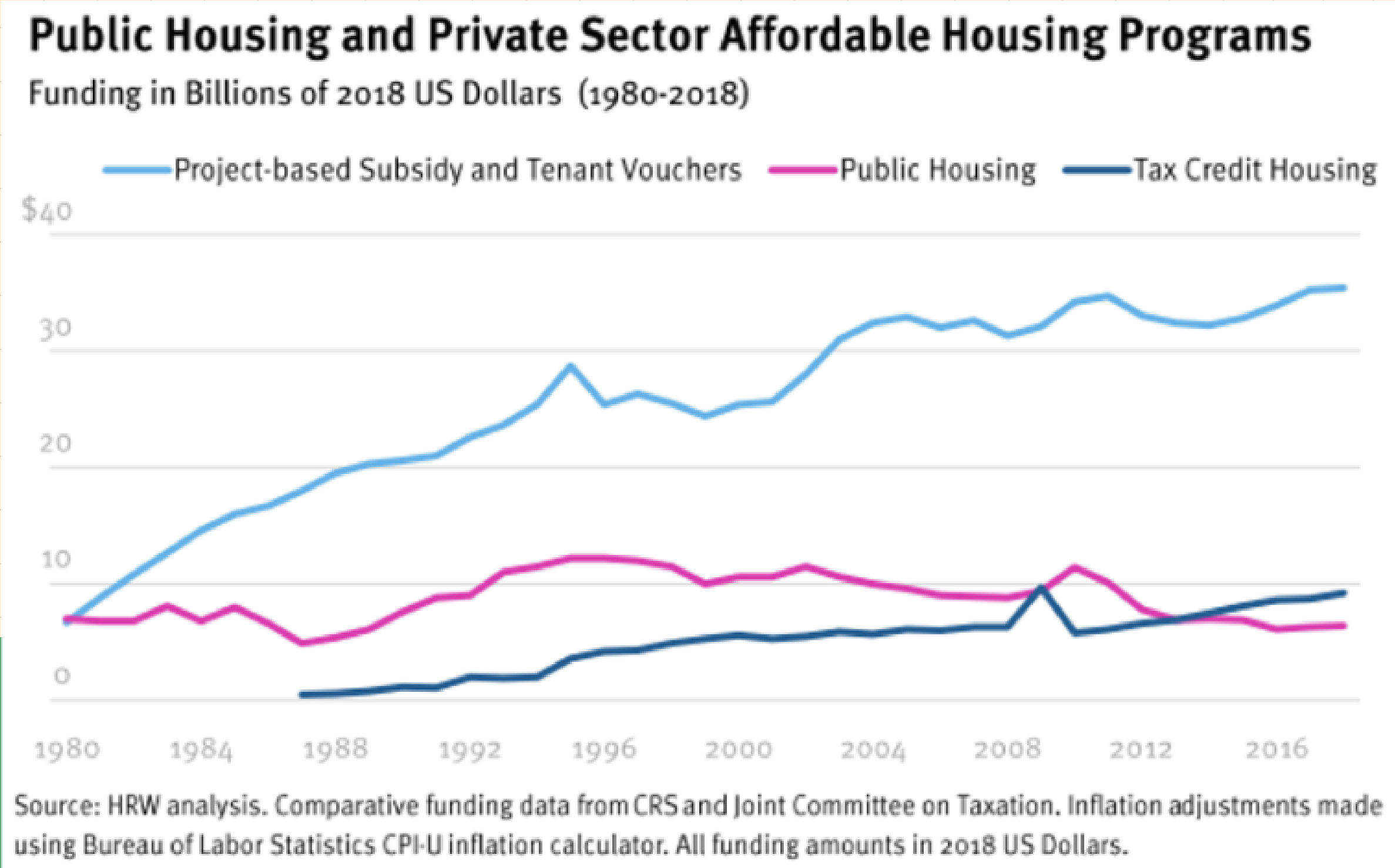
The instructions in this guidance show how HUD Field Offices (FOs) can make adjustments to their Unit Months in Columns 'A', 'B', and 'C' of Section 2, form 52723 so as to be in compliance with the Faircloth Limit (established by the Capital Fund Division, PIH's Capital Fund Office as further described in PIH Notice 2011-69 and the National List of Maximum Number of Units Eligible for Capital Funding and Operating Subsidy by PHA (the "List")(attached).



Declining Federal Investment



Lack of Private Sector Investment



Shift to Private Investment

INVEST!

▪ LIHTC

- **Pros:** Provides a financial incentive for private developers to invest in affordable housing projects.
 - Increases the supply of affordable housing units, helping to address the housing crisis and provide safe and decent housing for low-income individuals and families.
- **Cons:** Limited funding may not meet the full demand for affordable housing.
 - The complexity of the program may deter some developers from participating, potentially limiting its effectiveness.

▪ Opportunity Zones

- **Pros:** Encourages private investment in economically distressed areas, stimulating economic growth and job creation.
 - Offers potential tax benefits for investors, which can attract additional funding for affordable housing projects and other community development initiatives.
- **Cons:** Critics argue that there is a risk of gentrification and displacement of existing residents in these areas.
 - The program's effectiveness in achieving its intended goals of equitable community development and affordable housing creation has been debated.



Shift to Private Investment, cont.

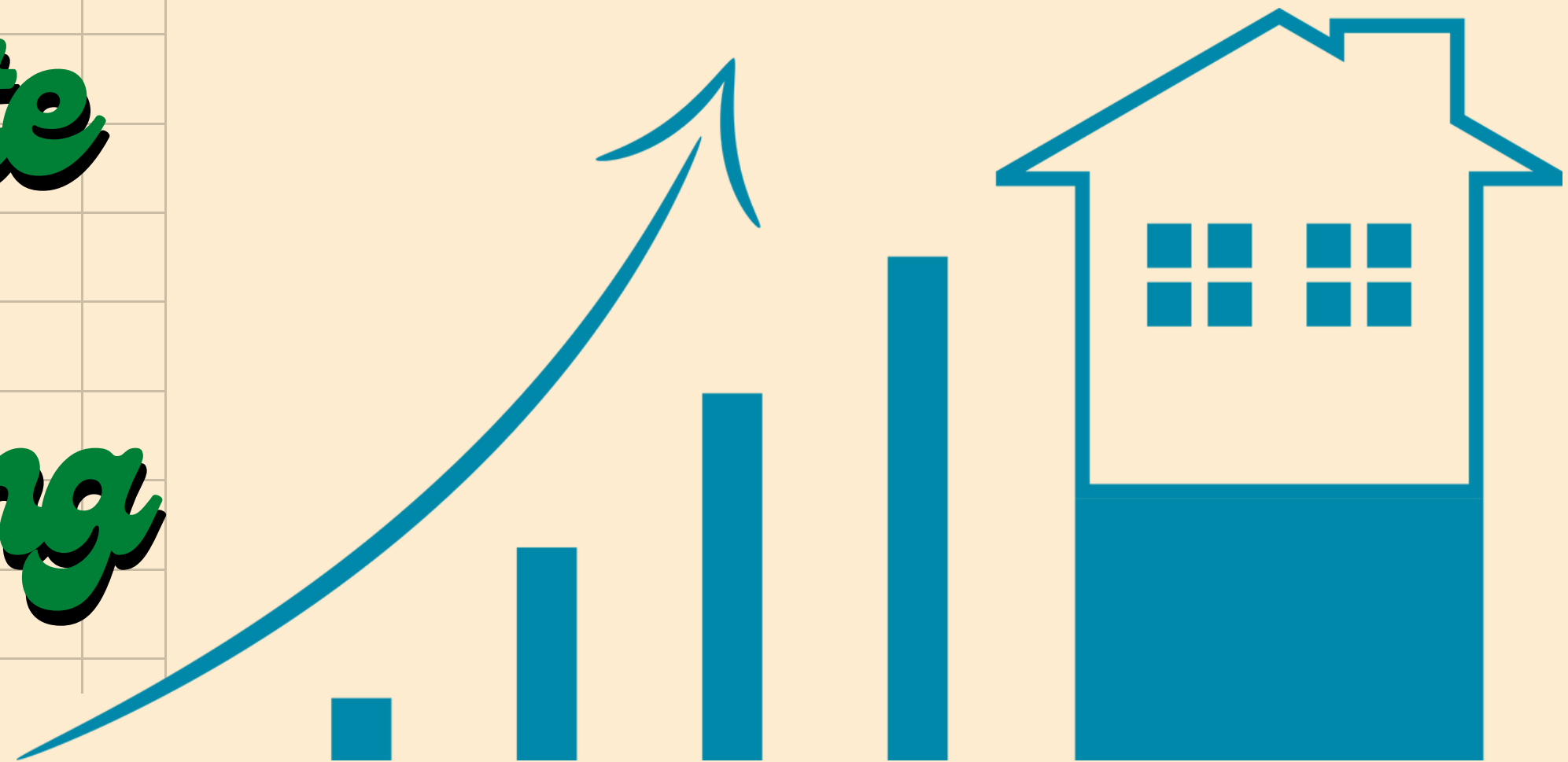
▪ CRA's

- **Pros:** Promotes investment in underserved communities and encourages financial institutions to meet the credit needs of low- and moderate-income individuals.
 - Helps fund community development projects, including affordable housing initiatives, through partnerships between financial institutions and local organizations.
- **Cons:** Some argue that CRA requirements can be burdensome for financial institutions and may restrict their lending options.
 - Critics contend that the CRA's effectiveness in addressing systemic issues and achieving lasting community development outcomes is limited.

▪ SB102

- **Pros:** Private sector incentives
- **Cons:** Still not enough funding to meet long-term demand

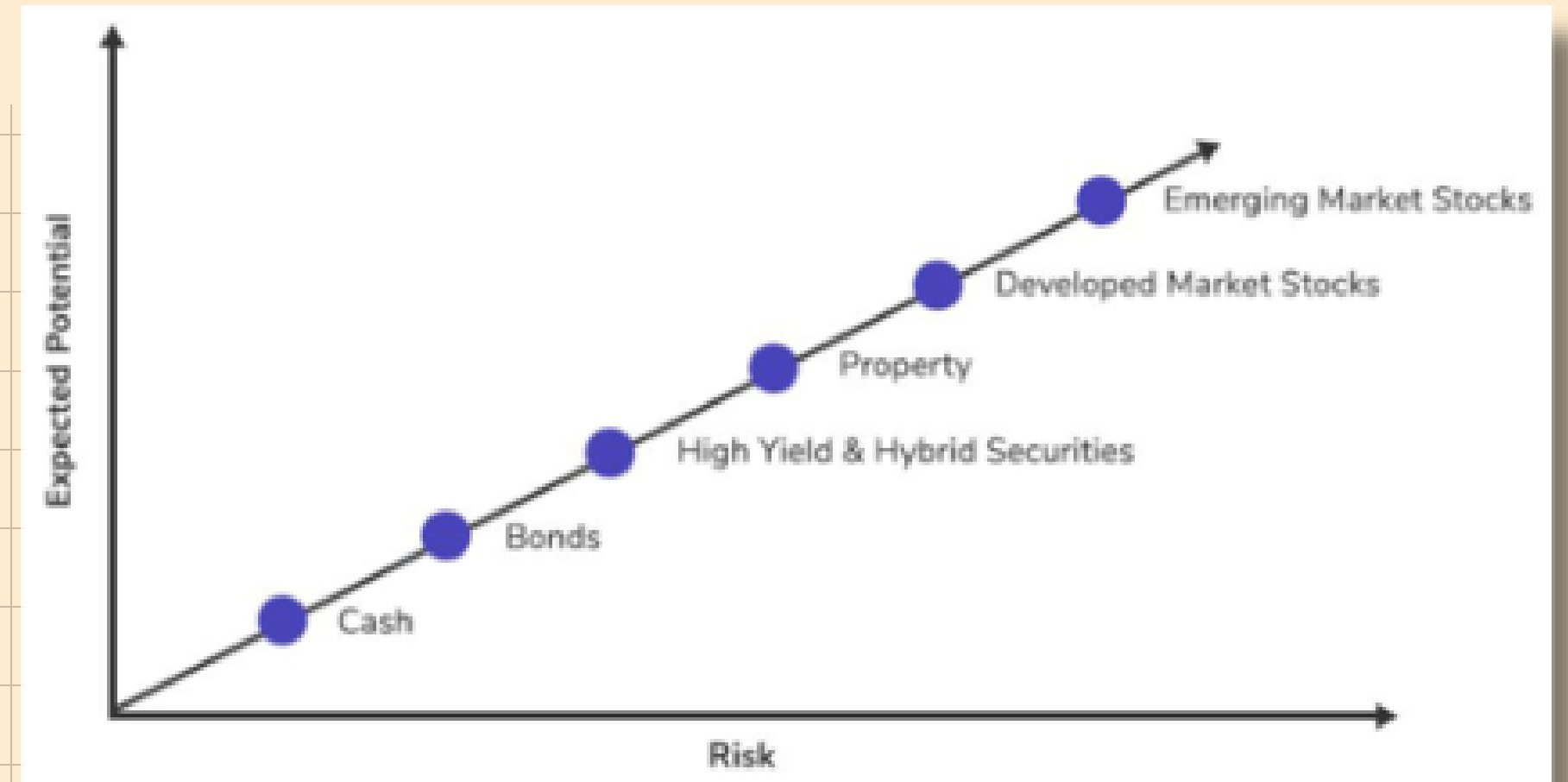
Attracting Private Capital into Affordable Housing



- **The goal? Build as much affordable housing as fast as possible.**
- **Affordable housing projects are just as expensive as luxury apartments and are subject to increasing interest rates, insurance premiums, and construction costs.**
- **Most affordable housing LP investors are large institutional banks looking to meet their CRA requirements.**
- **Bringing relevance to affordable housing as an investment will attract private investment and eliminate financing shortfalls.**
- **Investor base will expand to insurance companies, pension funds, endowments, and other investment vehicles looking for a modest, but safe return on their investment.**

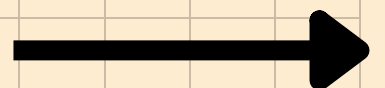
How to Do It?

- **Develop mixed-income communities**
- **Provide a greater share of available cash flow to investors**
- **Offer an accelerated tax credit delivery schedule**
- **Focus on Qualified Opportunity Zones (“QOZ”)**

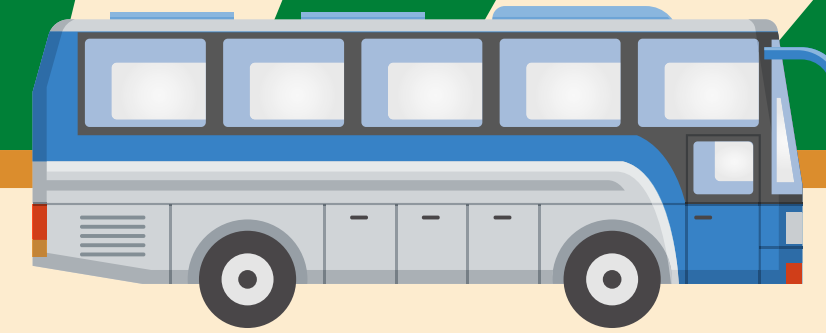


What Else Can Be Done?

- **Take advantage of Rental Assistance Demonstration (“RAD”) program to preserve and enhance the existing public housing supply**
- **Introduce a reduced tax credit for units set aside for households earning 90%-110% of Area Median Income (“AMI”)**
 - **80% of AMI 1BR: \$1,549 / 120% of AMI 1BR: \$2,323 (+ \$774, or 50%)**
 - **80% of AMI 2BR: \$1,858 / 120% of AMI 2BR: 2,787 (+ \$929, or 50%)**



Development Strategies



- **Parking reductions**

- All-in, with fees, surface parking costs \$7,000-8,500 / space; structured parking costs \$25,000 - \$28,000 / space.

- **Greater density bonuses in areas near transit**

- Housing built near transit is an objective of the County's CDMP
- RTZ: residential developments >4 units in UMSA must provide min. 12% affordable or workforce housing



Untapped Potential



- **RER Study (Jan. 2019): 4,450 potential new units over 2 years**
- **Live Local Act's (SB 102) zoning revisions expand the potential for additional AHUs along the corridors**
 - **RER (2019): 2,571 potential new units over 2 to 5 years**
- **Under-utilized real estate and undeveloped land around the South Dade TransitWay & North Corridor**
- **Amend the Surtax/SHIP/HOME RFA definition for "Transit Oriented Development" to include high-frequency bus routes (BBN)**
- **Scoring for rail grants**
 - **Ridership is a large component of scoring, which places communities with less density at a disadvantage**



Case Study: Douglas Road Metrorail Station



Platform 3750

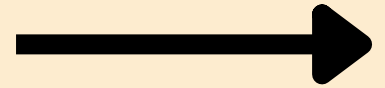
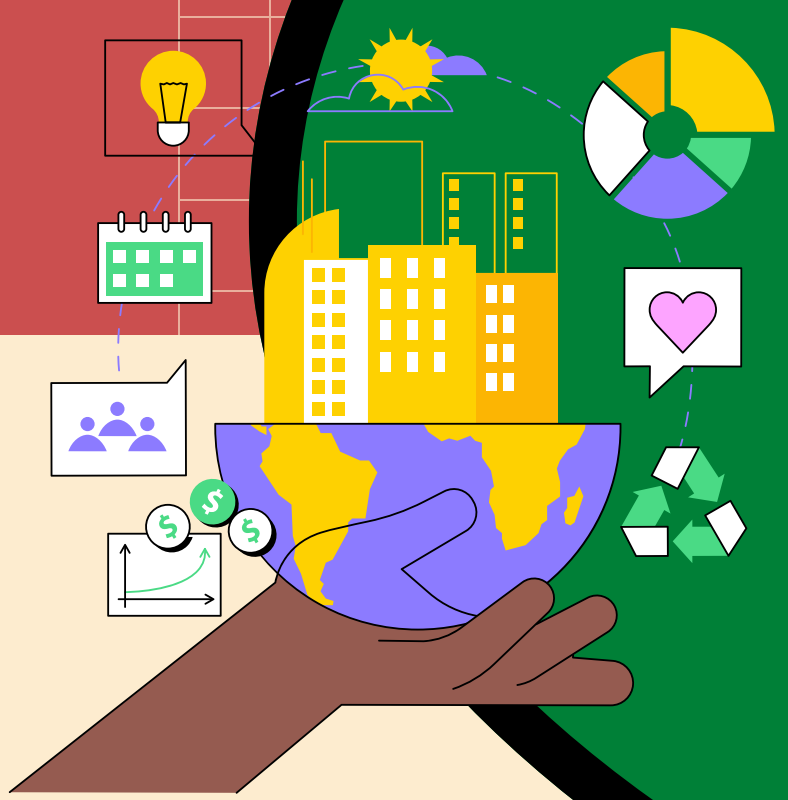
Community Engagement

- **Providing meals**
- **Recognizing local community leaders**
- **Scheduling**
- **Cultural Blind spots**
- **Child-care**
- **Tech assistant**
- **Language translation**
- **ASL**



Social Responsibility

- **55% of carbon pollution in Miami-Dade County comes from transportation**
- **Costs of leasing / owning vehicle: Housing and transportation should be assessed together (H+T Affordability Index)**
- **64% of income goes to housing and transportation in Miami-Dade County.**
- **A more active lifestyle**
- **Transparency between developers and local community**
- **Additional oversight of public housing property management**
- **Health Benefits of rehabilitated public housing**
 - **Asthma, Mold, Asbestos, Overheating (air conditioning)**



Conclusion



Through financial strategies and a greater focus on transit-oriented developments and community engagement, additional affordable housing can be delivered to the communities in most need of it.

Connect with us!

Nicholas Duran

Transit Alliance

[nicholas@transitalliance
.miami](mailto:nicholas@transitalliance.miami)

Rayna Milfort

Miami Homes For All

[Rayna@miamihomes
forall.org](mailto:Rayna@miamihomes
forall.org)

Alex Spillis

Office of Commissioner
Higgins

gspillis@gmail.com

Alvaro Torres

Related Group

[alvaro.torres@related
group.com](mailto:alvaro.torres@related
group.com)

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REAL ESTATE NEWS

A neighborhood springs to life around the Douglas Road Metrorail station in Coral Gables

BY ANDRES VIGLICCI