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# MIAMI AFFORDABLE HOUSING INNOVATION FUND



# Why are we here today?

Lack of affordable housing is:

- causing displacement in our communities
- affecting the economic growth since businesses are reluctant to locate here
- causing a brain drain since our youth and graduates from our colleges are unable to afford to live here
- affecting the cultural fabric of our communities due to displacement
- forcing people to make hard economic decisions
- affecting overall quality of life



# The City of Miami has made great strides to improve/preserve the number of affordable housing...

- [Miami21's Affordable and Attainable Mixed-Income Housing Special Benefit Program](#)
  - Facilitates the development of affordable housing by providing development incentives (i.e., parking reductions, density increases, etc.)
- [Homeowner Preservation Program \(HPP\)](#)
  - Provides up to \$70,000 in rehabilitation assistance to homeowners to fund exterior repairs
- [Keep Safe Miami Program](#)
  - Provides affordable housing owners with financial assistance to make improvement to eligible multi-family rental properties that will enhance the property's resilience to climate change and natural disasters
- [Senior Rental Assistance Program](#)
  - Assists income-eligible senior households who spend more than 50% of income on housing costs and live in city assisted rental or subsidized housing
- [First Time Homebuyer Program](#)
  - Provides zero percent deferred loan to first-time homebuyers purchasing a property in the City

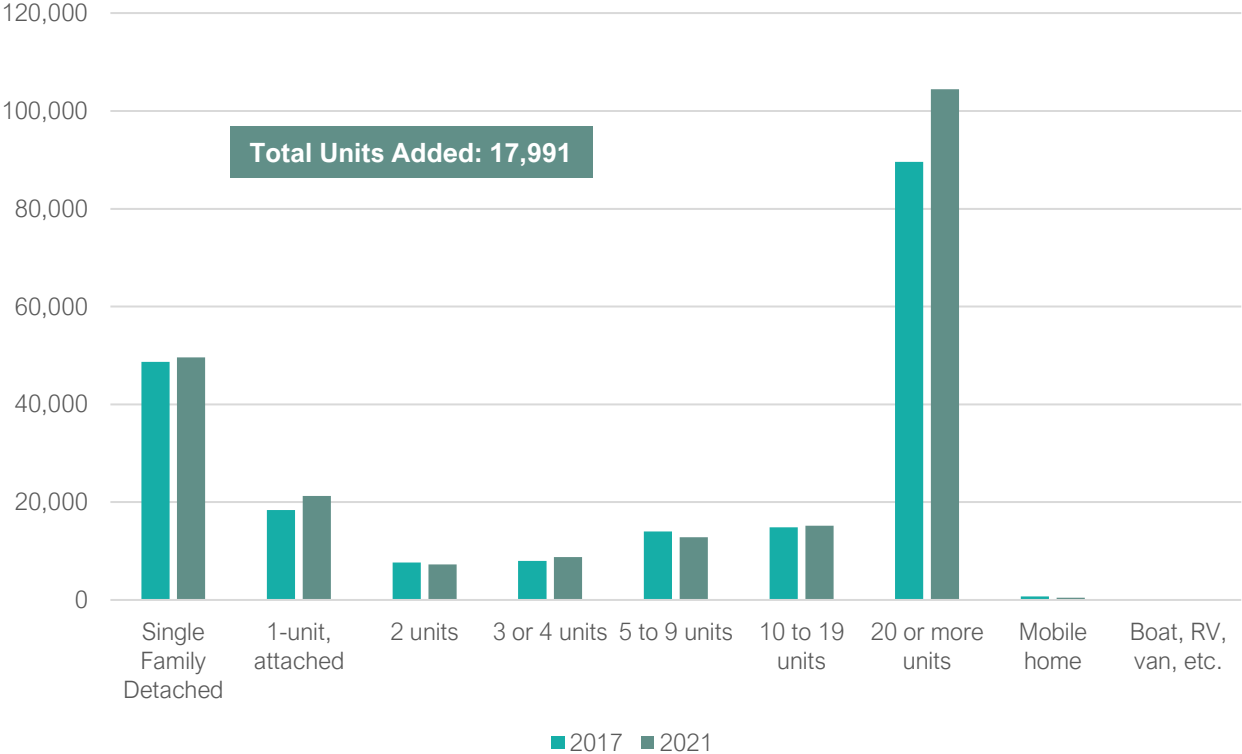
# Despite current City initiatives...

- Miami has the highest percentage of cost-burdened households among comparable cities in the US
- Miami's median value of owner-occupied units is unaffordable to 84% of Miami's households and 90% of all County workers
- Miami continues to have a substantial demand/supply gap for owners and renter housing at all lower income household levels
- Housing vacancies in the City have decreased by 13% from 2017 to 2021



# Issues of Housing Supply

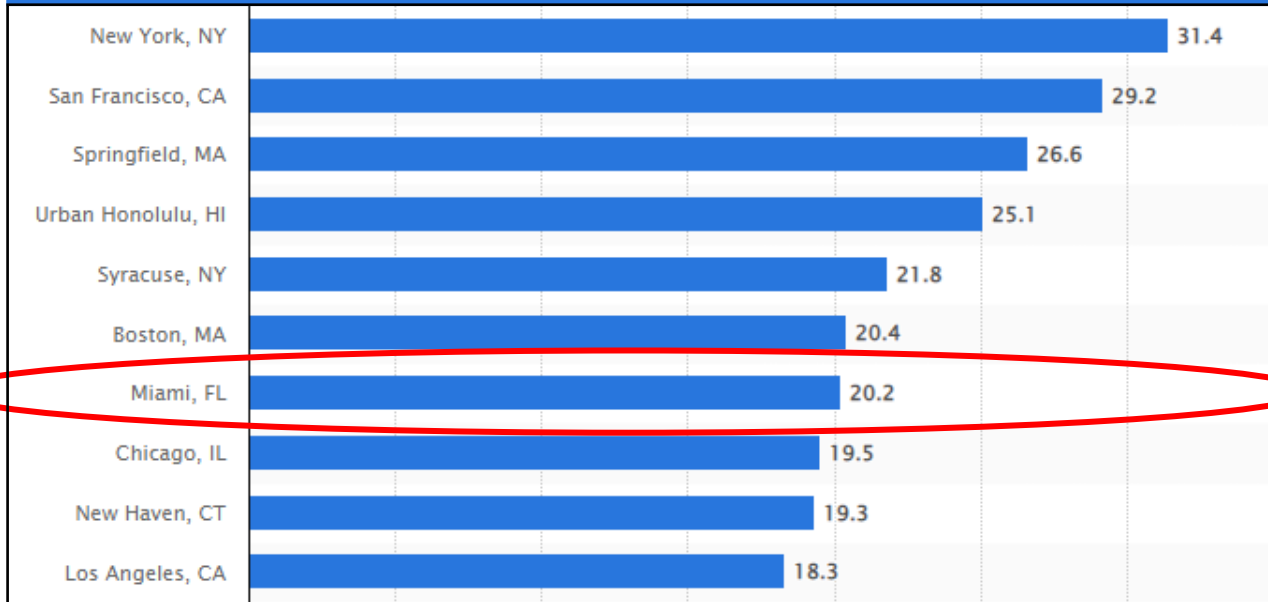
Housing Units by Type, 2017-2021



Source: 2017 and 2021 American Community Survey 1-Year Estimates

Vacancy Status					
	2017	%	2021	%	2017-2021
Total housing units	201,784		219,775		9%
Total Vacant Housing Units	31,779	16%	27,556	13%	-13%
For rent	11,027	5%	8,671	4%	-21%
Rented, not occupied	1,487	1%	1,031	0%	-31%
For sale only	1,997	1%	1,020	0%	-49%
Sold, not occupied	1,130	1%	1,266	1%	12%
For seasonal, recreational, or occasional use	10,416	5%	8,275	4%	-21%
For migrant workers	0	0%	0	0%	0%
Other vacant	5,722	3%	7,293	3%	27%

## Housing Shortage in the Largest Metros in the United States in 2022, Based on New Job Openings per One Building Permit



Sources: US Census Bureau, U.S. Bureau of Labor Statistics, NAR Calculations

# Issues of Housing Supply

- [National Association of Realtors](#) compared the issuance of housing permits with the number of job created in 174 different metro areas
  - Within US, Miami sits within the top 10 with housing shortages relative to job openings
  - For every 20 job openings, only 1 building permit was issued
    - Draws on vacancy data, household-formation trends, and building trends
- Despite adding new units, shortage still present and price is still unattainable

# So why despite increase in supply, housing remains scarce and unaffordable in Miami?

- Among other issues like low median incomes, population growth, and foreign/institutional buyers; rate of supply remains at the top
  - Multiple studies have concluded across the US that an increase in the rate of supply result in a reduction in rents and sales prices in nearby blocks and nearby neighborhoods (Chiumenti, et al., 2021; Asquith et al., 2019; Glaeser and Gyourko, 2018; Li, 2022)
- City's best development target is to improve the market share of housing units affordable to households earning 80% of median income and below
  - To significantly reduce its growing housing affordability gap, the City needs to rebuild the share of these units to at least 25% of all housing units by 2030
  - Focusing on market share of affordable units avoids creating oversupply/gentrifying conditions and provides benchmark against which policy and programs can be adjusted



**“If you want to build  
enough to really help  
low-income people,  
you’re talking about  
doing a *lot* of building”**

Rick Jacobus, Principal, Street Level Urban  
Impact Advisors





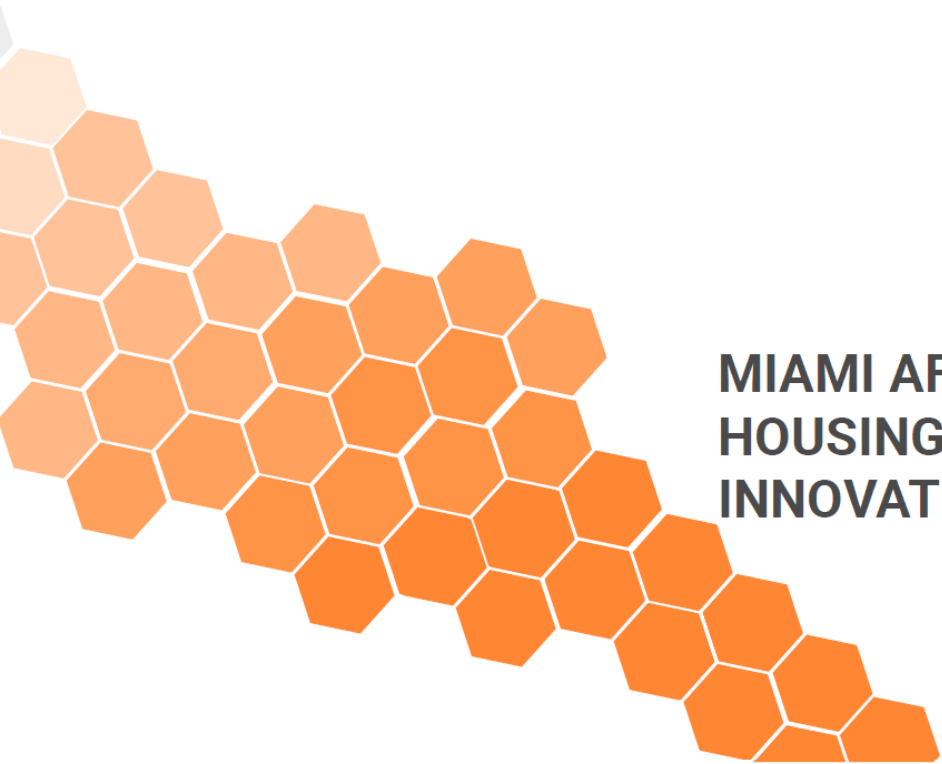
# What is affecting the rate of supply of affordable housing?

- Land cost, **financing**, lack of sustained government support, etc.
- Financing of affordable housing units is an arduous task, requiring time, resources (staffing, etc.), and capital stack that makes it cost prohibitive for small and large developers alike
- Current city initiatives support building and preservation but not at rate needed
- Similar to foreign aid and poverty trap of developing countries
  - Lot of aid, but not consistent or at the level to address need
- Potential solution: massive, revolving injection of capital to increase rate of affordable housing units to meet demand



# Miami Affordable Housing Master Plan

- In November 2017, Miami voters approved the \$400 million Miami Forever Bond; \$100 million of which is destined for housing and the other \$300 million for resilience, infrastructure, and parks
- In Fall 2018, the City commissioned Florida International University's Metropolitan Center to create an Affordable Housing Master Plan that will make recommendations on how the City can increase production of housing over 10 years
- Via City Resolution [20-0031](#), the City Commission accepted the study in January 2020 and agreed to establish additional workshops to discuss the feasibility of the recommendations and additional detailed analyses



## MIAMI AFFORDABLE HOUSING INNOVATION FUND

# Miami Housing Innovation Fund/ Miami Affordable Housing Finance Corporation

- Single, tightly organized, professionally managed Fund managed by a “Miami Affordable Housing Finance Corporation” (i.e., City oversight, independently run)
- “Layered” Fund: combines multiple sources of capital across different sectors—public, private, and philanthropic (social impact investment)
- Single revolving loan fund for non-profit and private affordable housing developers
- Vary in terms of their “capital stack”
  - share of capital in fund will be determined by need and investment capacity
- Combining different sources of funding—private capital, public subsidy, corporate and philanthropic investment—will help overcome the limitations of each

# Miami Affordable Housing Innovation Fund

- **Scale:** With sustained fundraising and continuous government investment, scale can be reached quickly to provide the financing packages needed to sustainably fund improvements, redevelopments, and new builds
- **Speed and Flexibility:** Financing provided by the Fund will be flexibly applied, providing speed to the development process
  - Growing the Fund would be specifically open-ended, built through direct cash investments, partnerships, and long-term commitments
- **Intelligence:** the Fund will avoid one-time giveaways by structuring funding as much as possible as revolving sources that return value and cash back to the affordable housing funding pool
  - Home buyers, developers, owners, renters, and builders of affordable housing need access to a wide range of financial products and programs
  - Single, transparent point of entry with funding and financial assistance open to anyone, including single-family homeowners
- **Similar Housing Funds:** NYC Acquisition Fund, San Francisco Housing Accelerator Fund, the LA MATCH Fund, the Washington D.C. Affordable Housing Preservation Fund





# Miami Affordable Housing Innovation Fund: 10-Year Capitalization Plan

Primary Sources	Potential Activities	Targeted Amount
City of Miami Forever Bond	Acquisition and pre-development loans, first time homebuyer and rehabilitation grants and low-cost loans, shared equity investment, accessory dwelling unit (ADU) construction	\$85 M
City-owned property lease negotiations	Acquisition and pre-development loans, first time homebuyer and rehabilitation grants and low-cost loans, shared equity investment, accessory dwelling unit (ADU) construction	\$25 M
Commercial Loans (Private Loan Pool)	Senior debt, mezzanine debt ADU financing, mortgage loans, home repair loans	\$400 - \$500 M
Philanthropy (Impact Investing)	Start-up grants, subordinate debt	\$500 M - \$1 B
Real Estate Investment Trusts (REITs)	Equity investments in acquisitions, affordable housing development and preservation	\$100 M
Other Potential Sources		
New Market Tax Credits (NMTC)	Mixed-use, mixed-income project financing	\$75 M - \$200 M

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- The Miami Forever Bond
  - Remaining \$85 million is platform to leverage total funding
  - Seed funding for cash reserves
  - Leverage 3<sup>rd</sup> party debt and commitments from other sources
    - e.g., equity applied to acquisition and pre-development loans, equity mortgages, down payment assistance, land purchase loans, small reserve set aside to back up loan guarantees
- City-owned property lease negotiations
  - Additional seed funding and cash reserves to create additional funding/debt opportunities

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- Commercial Loans
  - Provide “senior” debt required for affordable housing projects
- Philanthropy (Social Impact Investors)
  - Investments made with the intention to generate positive, measurable social and environmental impact alongside financial return
  - Ability to lend, on an unsecured basis, to non-profit developers flexible, responsive capital to compete with market-rate developers
    - Increase ability to compete with market-rate developers and fill financing gaps before securing long-term, secured capital
  - “Start-up” grants for the corporation

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- Real Estate Investment Trusts (REITs)
  - Company that owns, operates, or finances income-producing real estate
  - Raises money from collection of investors and provide them with access to real estate
  - Social-purpose REIT that partners with non-profits to acquire affordable and sustainable rental housing
    - Examples: NY-based Community Development Trust (CDT); hybrid REIT and community development financial institution (CDFI) and Housing Partnership Equity Trust (HPET)
  - Provides long-term capital for the preservation and development of affordable rental housing
  - Provides capital for predevelopment stages and flexible financing products that traditional sources can't/won't provide
    - e.g., Equity investments in acquisition or developments, making or buying mortgages



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- New Market Tax Credits (NMTC)
  - Attracts private capital investment in areas where the poverty rate is 20% or where median income is  $\leq$  80%
  - Not available for solely residential housing, available for mixed-house and other types
    - At least 20% of gross rental income from building is from non-residential rentals
  - Can be used by non-profit and for-profit
  - Investors purchase tax credits, cashed used goes toward development as equity contribution
  - Equity contribution is paid back to investor through annual tax credits over 7 years
  - After 7 years, investors retire from project and relinquish equity stake (up to 20% of project cost)
  - Three Florida Banks and one CDI regularly secure \$250 - \$350 million each year, but NMTC financing is rarely utilized in Miami-Dade

# What kinds of financing products can be supported by the Fund?

- Shared Equity Investment
  - Lowers housing costs by either:
    - removing portion of a property's costs
    - reducing debt repayment by lowering borrower's mortgage equity requirement
    - or allowing homeowners to make partial payments to build equity to purchase a home over an extended period
  - Source of revolving funds that can be re-invested
  - Applied across a wide range of housing types, including single- and multi-family owner and multifamily rental
  - Can be applied to existing rehab programs (HPP)
  - Funds can come from public, private, or philanthropic
  - Manages risk and can provide cushion for renters and owners in financial difficulty
    - Longer grace periods or restructuring loans and/or leases to assist families in need
- Property Acquisition and Predevelopment Loans
  - Provide developers with financing to act quickly and acquire land and buildings
    - Product: flexible bridge loans at below-market rates; replaced by permanent financing once arranged
  - Allowable expenses: appraisals, environmental assessments, demolition and site clearance, securing title and zoning approvals



# What kinds of financing products can be supported by the Fund?

- Traditional Down Payment Assistance
  - Provide a portion of the mortgage equity requirement as a grant, zero-interest loan, or below market rate interest loan
- Lease-Purchase Agreements
  - Prospective buyer rents a home with a portion of the lease payment applied to an equity account
  - Once level is reached, home is purchased
- Local Affordable Housing Loans
  - Partnering with local banks and lenders to offer customized loans
    - lower equity requirements
    - simpler application standards and forms
    - below market interest rates
    - extended loan terms
- Affordable Housing Land Purchase Loan
  - Loan product to finance purchase of property with deed restriction guaranteeing a negotiated supply of affordable housing units
  - Repaid upon borrower obtaining construction financing
  - Speed to preservation/development process
  - Allows funds to be recycled for new use within a year or less
  - Low risk; if borrower defaults, City owns property (to redevelop, sell, or transfer)



# How can we implement this Fund?

- Critical First Year
- Work in tandem with City of Miami Dept of Housing and Community Development in providing funding assistance to homeowners, renters, and builders
- Immediately launch the process to finalize organization and institutional relationships needed
- Launch crucial effort to start preserving as many existing affordable housing units as possible in the first year

Innovation Fund Steps – 1 <sup>st</sup> Year	Timeline to Complete
<b>Plan Approval</b>	
Community/Commission Workshops	2-3 months
Detailed Analysis of Housing Corporation implementation	3-6 months
<b>Organization</b>	
Finalize and Approve Structure of the Miami Affordable Housing Finance Corporation	3-4 months
Finalize and Approve MAHFC Governance and By-Laws	3-4 months
Complete Staffing Plan, Start Recruiting Executive Staff	5-6 months
<b>Forever Bond and Acquisition Finance</b>	
Complete and Release contingent RFP for Lender Commitments	3-4 months
Select Partner Lenders	2-3 months
Complete Forever Bond Underwriting	5-6 months
<b>Forever Bond and Acquisition Implementation</b>	
Finalize Terms of Bond and Acquisition Program	7-8 months
Market Forever Bond Affordable Housing and Acquisition Program	5-6 months
Launch Program	5-6 months
Application Intake and Close Contracts	5-6 months



# Questions?

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