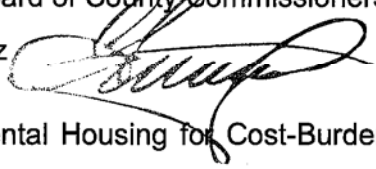


# Memorandum



**Date:** March 22, 2018  
**To:** Honorable Chairman Esteban L. Bovo, Jr.  
and Members, Board of County Commissioners  
**From:** Carlos A. Gimenez  
Mayor  
**Subject:** Affordability of Rental Housing for Cost-Burdened Renters in Miami-Dade County – Directive 162097



Agenda Item No. 2(B)6  
April 10, 2018

This report has been prepared in response to Resolution No. R-1056-16 adopted by the Miami-Dade Board of County Commissioners on November 1, 2016, directing the County Mayor to prepare a report concerning the affordability of rental housing for cost-burdened renters in Miami-Dade County.

## Examination of current rental rates in Miami-Dade County

This report shall not attempt to duplicate volumes of information that have been released within the last six to twelve months that confirm that Miami-Dade is well within the top-five large metropolitan areas in the United States where, regardless of the specific rents, the proportion of income paid by renters for rent is well above 30 percent -- the standard by which "cost-burden" is measured for housing purposes. Detailed reports on current affordable housing data is cited below:

- The State of the Nation's Housing (June 2017, Joint Center for Housing Studies of Harvard University)
- Miami and the State of Low-and Middle-Income Housing (Strategies to Preserve Affordability and Opportunities for the Future) (March 2017, Urban Institute)
- The Dynamics of Housing Affordability in Miami-Dade County (Assessing the Implementation and Impacts of Inclusionary Zoning) (April 2017, The South Florida Housing Studies Consortium)
- Workforce Housing in Miami-Dade County (What strategies can Miami-Dade County employ for greater collaboration with the private sector to spur the development of workforce housing?) (March 2017, Velo-Arias, Andrew, Policy Analysis Exercise, MBA/MPP Program, Harvard Kennedy School of Government)

The real estate website Zillow tracks changes in affordability on a quarterly basis (Housing Market Overview 2017 Q2, by Zillow Economic Research). A recent Zillow search in December 2017, showed 1,572 search results for Miami – with listings for a one-bedroom unit at \$1,800 and \$2,500 for a two-bedroom unit.

Of note is the Urban Institute's research, which contains a breakdown by communities of "rental units with gross rent less than \$1,000/month" and "rental units with gross rent more than \$1,000/month." In the category of "Miami Neighborhoods" for the period 2011-2015, the percent of rentals with rent less than \$1,000 is a significant 54 percent. While the same research indicates that this is a decline from the turn of the century, when the percent stood at 79 percent, the current 54 percent figure underscores that there is a significant stock of rental housing on the market that might be considered "affordable" and for which "preservation" strategies need to be explored. This will be addressed later in this report.

**Recommendations regarding whether the County's definition of "affordable housing" should be re-defined**

As long as the County's programs are in sync with other funding sources depending on the target markets, there is no real problem with the term of affordable housing. For example, since the County's definition for "workforce housing" ranges from 60 percent to 140 percent of area median income (AMI), this allows for the linking of our programs with, among others, the Federal Low-Income Housing Tax Credit, Federal Home Loan Banks' Affordable Housing, and various HUD multi-family rental programs.

**Steps that the County can take to urge HUD to increase the fair market rents for Miami-Dade County, which would give Section 8 Housing Choice Voucher and other federally subsidized recipients a more effective means to move into areas of higher opportunity and lower poverty areas by providing them with subsidy adequate to make such areas accessible and to thereby reduce the number of voucher families that reside in areas of high poverty concentration**

This is not an option that will provide the outcome suggested by the request. The challenge for the Section 8 Housing Choice Voucher (HCV) program, and for all other HUD programs, is the level of funding available. Raising fair market rents (FMRs) in Miami-Dade County will not increase the funding available for vouchers, without which there would have to be a reduction in the number of vouchers available for families in need of rental subsidies. HUD and Congress do not fund according to number of vouchers, but rather to benchmarks based on historical expenditures.

Of note is that the program does allow for HCV holders to pay rents at higher levels than the FMRs, if necessary, within reasonable limits. The effectiveness of the program, even at current FMRs, is evidenced by the fact that Miami-Dade County's Department of Public Housing and Community Development (PHCD) is utilizing every dollar allocated for the program.

In addition, there is a significant policy debate within HUD, as to whether it is appropriate to assume that areas of current high poverty should be stigmatized by a HUD categorization, which may only make it more difficult for areas of poverty to get the investment by public and private sector resources needed, to improve those neighborhoods.

**Steps that the County can take to encourage the federal government and the State to provide more funding to the County to be used to increase and preserve the supply of affordable and workforce housing**

As part of its federal legislative agenda, the County has made it a priority for full funding for housing-related programs at HUD, e.g., public housing, Section 8 Housing Choice Vouchers, Community Development Block Grant (CDBG), and HOME. PHCD has also communicated the County's needs to staff of both Appropriations sub-committees in Congress through meetings with the PHCD Director as well as through meetings with organizations such as the Public Housing Authorities Directors Association and National Housing Conference.

On the State level, PHCD will be working with the newly created Workgroup on Affordable Housing, which does have a representative from the Florida Association of Counties. PHCD has been informed that the Workgroup will visit South Florida later this year as part of its assessment of needs and to make recommendations to the state government.

**Steps that can be taken by the County to increase the County's local resources to fund and preserve affordable and workforce housing projects**



Miami-Dade County is the only county in the state that has committed locally generated funds for affordable housing through its real estate document tax, which funds the Surtax program. However, after the economic crash of 2008, the fund barely reached \$8 million. Over the last two years, the fund has generated approximately \$40 million annually. It is important to note that the program is subject to the variations in commercial real estate activity, which is inevitably cyclical and has seen a decline this year from the prior two years. PHCD is currently exploring possible securitization of income received from rental properties that it owns and manages.

In addition, within the last two years, the County has passed legislation which allows for greater leveraging of Surtax dollars. For example, limits on per unit costs, and a cap on the proportion that any single project can be financed by Surtax funds.

**Provide steps that can be taken by the County to increase and preserve the supply of affordable and workforce housing to accommodate larger families, the disabled and elderly**

The following is a list of initiatives being reviewed or utilized by PHCD to increase access for all groups in need:

- PHCD can work to encourage other County departments to consider allowing the development of “accessory dwelling units” (ADU), i.e., an additional unit on properties with existing single family homes -- there is a form of ADU development that is covered by the new County workforce housing ordinance, Ordinance No. 16-138.
- The development of a Surtax program for owners of “Naturally Occurring Affordable Housing” (NOAH) would be attractive to private sector owners of small multi-family rental properties. Such a loan fund has recently been implemented in Minnesota and does not require the use of complex formulas or other funding sources such as federal tax credits or HUD CDBG, nor the use of a phalanx of lawyers, accountants, and consultants.
  - As mentioned in the beginning of this report, recent studies have confirmed that there is a significant supply of rental units in Miami-Dade County that are being leased at less than \$1,000/month. These are the non-subsidized private sector units that need to be preserved. As noted in the report by Enterprise Community Partners, Inc. and the University of Southern California’s Price Bedrosian Center, Understanding the Small and Medium Multifamily Housing Stock (March 2017): “Most of this analysis has focused on the important role that SMMF [Small and Medium Multifamily Housing Stock] plays in the rental market...we do find interesting geographic concentrations of owner-occupied SMMF, with 2-4-unit buildings more common in the New England, Chicago, and South Florida metro areas. South Florida is also an outlier with respect to the concentration of owner occupancy in 5 to 49-unit buildings.”
- Incentivize innovation in design and cost containment in the next 2018 Surtax solicitation, e.g., design of “micro-units” and provide point advantages for proposals with costs below the maximum per unit cost allowed.
- When redevelopment plans for public housing projects are implemented, require where possible, that more units be developed than currently exists on the properties, and create mixed-income communities.

These initiatives, if utilized, will be approached by prioritizing of sites with the most “severely distressed” units as defined by HUD. This plan will include public-private partnerships and has been promoted by HUD over the last eight years and will be continued under the current Administration (i.e., the Rental Assistance Demonstration program). Compliance requirements also require PHCD to put these plans in motion in order to maintain its newly acquired status as a “Standard” performer, an improvement over the “Substandard” rating that it carried for the previous six years. Losing its “Standard” rating may subject PHCD to sanctions from HUD.

PHCD is working with Miami-Dade County Public Schools on a potential demonstration project that may involve monetary and land resources of both entities that will combine housing for school personnel and educational facilities.

The County will be hosting a major event within the next two months that will focus on initiatives such as those mentioned above, as well as other practices that may be adopted by the County and/or other local jurisdictions within the County, e.g., expedited processing of affordable housing development projects relating to infrastructure and building permitting needs; real property abatement issues and strategies; education programs to alert the public to the link between parking spaces, housing costs, and the future of self-driving/autonomous cars.

PHCD has set aside specific allocations for the elderly (a minimum of \$2.5 million) and provides extra points for unit allocations for those of “extremely low income” above the minimum requirement. This has the practical result of assisting many who are disabled since they make up a disproportionate share of those in the “extremely low income” (earning less than 30 percent of AMI).

**Steps that can be taken by the County to prevent the escalation of rents in housing projects funded by the County**

The following steps are suggested:

- The County should continue the practice of including affordability requirements for significant periods for rental projects that include County resources. This practice is in line with federal, state, and private sector affordable housing subsidy programs.
- The County should recognize that entities that wish to encumber properties in-perpetuity or under long-term (e.g., 99 years) leases with affordable housing requirements may compete for County resources available for affordable housing.
- Actions mentioned previously in regard to increasing resources for affordable and workforce housing will assist in increasing the supply of housing in Miami-Dade County. Increasing the supply of all types of housing in the County will assist in the mitigation of the rise of rents.

Beyond the scope of this report, it should be noted that increasing the capacity of the resident population to secure higher paying jobs is also a critical piece to the “affordability” crisis in housing. There must be concomitant efforts to enhance education options, provide for better healthcare, and diversification of the economy.

The County should avoid creating artificial market controls applicable to all rental housing. These policies have only exacerbated the cost of development of housing and the rate of increase in rents. Localities such as San Francisco, New York, and Los Angeles, that have had such policies for decades, are still plagued with high rental housing markets.

Honorable Chairman Esteban L. Bovo, Jr.  
and Members, Board of County Commissioners  
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Per Ordinance No. 14-65, this memorandum will be placed on the next available Board meeting agenda.

If additional information is required, please contact PHCD Director Michael Liu at 786-469-4106.

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