

City of Miami Affordable Housing Master Plan Budget Analysis

Miami's housing landscape is characterized by a sharp decline in affordable housing and a rapid gentrification of its historic neighborhoods. This affordable housing crisis threatens both the economic viability of the city's residents as well as the preservation of the city's cultural and social fabric.¹ Miami's affordability crisis has been defined by the staggering number of households burdened by housing costs. 57% of households spend more than 30% of their income on housing and 32.3% of rental households spend over 50% of their income on rent.² Although Miami is not the most expensive housing market in the country it is the least affordable.³ This is the result of skyrocketing housing prices and a low median income of \$33,999, which is only 59 percent of the national median household income.⁴ In response to these issues, the city of Miami has developed the Miami Affordable Housing Master Plan. This master plan supports a spectrum of housing choices and opportunities, that aim to substantially increase the quantity and quality of affordable housing. This paper sets out to assess Miami's budget proposal and the associated initiatives outlined in the Affordable Housing Master Plan.

The Miami Affordable Housing Master Plan outlines a comprehensive approach to tackling the city's critical affordable housing crisis through a variety of strategic initiatives and financial mechanisms. These Mechanisms include: **(1) Focusing on affordable housing development** (improving, protecting, and building single & multi-family homes), **(2) Creating the Miami Affordable Housing Finance Corporation** (which will focus on providing low-cost loans, grants, and tax incentives for affordable housing development), **(3) the Miami Affordable Housing Innovation Fund** (Utilizes \$85 million from the City Forever Bond to leverage additional funds aimed at creating a \$1 billion pool from various sources for affordable housing projects), **(4) Streamlining Affordable Housing Development for all Residents** (Focuses on zoning changes, permitting process simplifications, and fee reductions to expedite affordable housing projects), **(5) Creating New businesses & Jobs** (Links housing development to economic development by creating jobs and supporting local businesses through construction and beyond).

The plan to address Miami's housing affordability crisis is underpinned by the establishment of the **Miami Affordable Housing Finance Corporation**. This entity is designed to provide a critical financial mechanism to support the development, acquisition, or rehabilitation of affordable housing. The corporation is tasked with managing the **Affordable Housing Innovation Fund**, administering low-cost loans, grants, tax incentives, and "expert" assistance to anyone planning to develop, acquire, or rehab affordable housing in Miami. The Corporation is an independent entity created under the Master Plan to facilitate the rapid and efficient growth of funding sources needed to address the city's affordable housing

¹ City of Miami, "Miami Affordable Housing Master Plan," 05.

² City of Miami, "Miami Affordable Housing Master Plan," 05.

³ "RealtyHop Housing Affordability Index: December 2022." RealtyHop. Accessed April 13, 2024. <https://www.realtyhop.com/blog/realtyhop-housing-affordability-index-december-2022/>.

⁴ City of Miami, "Miami Affordable Housing Master Plan," 16.

needs. It operates under close city oversight, ensuring its initiatives align with the broader goals of enhancing urban development and increasing affordable housing availability for Miami's residents.

The corporation's strategy is its focus on financing both the development and rehabilitation of affordable housing. This is achieved by leveraging local builders, developers, realtors, managers, owners, and nonprofits. The Corporation is designed to continuously pool funding from a wide array of sources including public funds, private equity, tax credits, and philanthropic donations, creating a robust capital stack that supports various stages of housing projects. This comprehensive financing approach enables the Corporation to support property acquisition, pre-development, development, land banking, property repurposing, and homeownership initiatives.⁵ The corporation will coordinate third-party funding to enhance local nonprofit affordable housing capacity and participate as an equity investor in select development and redevelopment projects. The *Miami Affordable Housing Finance Corporation* will work with the City of Miami Department of Housing & Community Development, leveraging additional support through various HUD-funded programs aimed at assisting disadvantaged residents and neighborhoods. These programs include the Community Development Block Grant (CDBG), Home Investment Partnership (HOME), Emergency Solutions Grant (ESG), and Housing Opportunities for People with AIDS (HOPWA). These programs are crucial for providing housing and community support services, contributing to the overall effectiveness of the master plan's goals.⁶

The most important of the Miami *Affordable Housing Finance Corporation's* functions is the management of the *Affordable Housing Innovation Fund*, the key funding mechanism for the Miami Affordable Housing Master Plan. This fund is set to utilize an initial investment of **\$85 million** from the City Forever Bond, serving as a financial catalyst to attract and pool an estimated \$1 billion from state and federal incentives, tax credits, and private financing. The intention is to leverage these resources over ten years to drive large-scale production of affordable housing, indicative of the comprehensive and innovative approach the city is taking.⁷ This approach is meant to catalyze a multiplier effect, drawing in additional investment to reach the projected need for \$4 to \$6 billion over the next decade. It proposes a layered fund structure that integrates public, private, and philanthropic capital strategies into a single fund aimed at nonprofit and private developers focused on affordable housing. The specific components and strategies that make up this funding model include:

Commercial Bank Loan Funds These loans are structured to meet the specific requirements of affordable housing development, including acquisition and pre-development phases, facilitating the swift commencement and continuation of housing projects. **Philanthropy:** Social Impact Investors contribute significantly through start-up grants and subordinate debt. These investors are particularly focused on creating measurable social impacts alongside financial returns, thus providing flexible and responsive capital that addresses immediate and strategic funding gaps in affordable housing projects. **Real Estate Investment Trusts (REITs)** are utilized to channel equity investments into acquisitions, development, and preservation of affordable housing. REITs focused on long-term investments in affordable housing are an important vehicle for securing ongoing capital for large-scale housing. **New Markets Tax Credits (NMTC)** attract private capital to economically distressed communities by offering tax incentives for investments in mixed-use developments that include affordable housing components. This program

⁵ City of Miami, "Miami Affordable Housing Master Plan," 50.

⁶ City of Miami, "Miami Affordable Housing Master Plan," 69-71.

⁷ City of Miami, "Miami Affordable Housing Master Plan," 10, 50-54.

enhances the feasibility of complex projects by providing additional equity or bridge financing ***Leveraging City Property for Affordable Housing***, which involves using city-owned properties to support housing initiatives either through direct development or by leveraging these assets as equity contributions in partnership with private developers. This strategy not only maximizes the use of public assets but also promotes the development of affordable units across the city. ***The proposed Empty Home (Vacancy) Tax*** aims to mitigate property speculation and generate revenue for affordable housing by taxing vacant homes. This tax is designed to encourage the utilization of empty properties, thus increasing the housing supply available for rent and purchase. ***The proposed Affordable Housing Linkage Fee Program*** charges developers a fee per square foot of new development, which is directed toward financing affordable housing projects. This fee is structured to reflect the increased demand for affordable housing generated by new commercial and residential developments. ***Opportunity Zones and Opportunity Zone Funds*** leverage tax incentives to promote investments in distressed areas, facilitating the development of housing and infrastructure. These funds help channel private investment into underserved areas, thus fostering comprehensive community development and economic revitalization. ***State of Florida Economic Development Funding Programs*** support projects indirectly by providing incentives that reduce overall project costs. While these funds are not directly allocated to housing, they are crucial for supporting the infrastructure and operational conditions necessary for successful housing developments.⁸

The master plan's complex and strategically layered approach to tackling one of the city's most pressing issues is extremely optimistic and ambitious and could face these potential roadblocks:

Scalability and Sustainability: The initial investment of \$85 million from the City Forever Bond is a positive step. However, the plan's success hinges on attracting an additional \$1 billion from various sources, including state and federal incentives, tax credits, and private financing. This ambitious goal assumes stable economic conditions and sustained investor interest, which may be vulnerable to market fluctuations and political changes. While the plan's strategy to create a multiplier effect through layered funding is innovative, its feasibility in consistently attracting sufficient investments remains uncertain.

Strategic Implementation: The plan effectively integrates public, private, and philanthropic funds into a single investment fund aimed at maximizing the impact on affordable housing development. However, the critical discussion should consider whether these funds will be readily accessible to meet immediate needs. The complexity of managing such a diverse capital stack may introduce delays or inefficiencies that could impede the rapid deployment of housing projects.

Long-term Impact: The budget proposal is robust in its scope and innovative in its approach to financing, which could potentially transform Miami's housing landscape significantly. However, the long-term sustainability of the funding model, especially in terms of replenishment and continuous capital inflow as outlined, is optimistic and requires constant management vigilance and adaptability to changing economic conditions.

Regulatory and Administrative Challenges: The effectiveness of the budget will also be impacted by the plan's ability to streamline housing development processes through zoning changes, permitting process

⁸ City of Miami, "Miami Affordable Housing Master Plan," 55-64.

simplifications, and fee reductions. While these measures are intended to expedite development, they require effective coordination with various city departments and could face bureaucratic hurdles.

The City of Miami's Affordable Housing Master Plan is informed by the city's historical efforts to mitigate the housing affordability crisis. The plan acknowledges that despite past initiatives, the rapid loss of affordable housing continues to escalate, requiring a renewed and robust approach. Overall, the Miami Affordable Housing Master Plan's budget proposal is a forward-thinking and strategically layered approach to tackling one of the city's most pressing issues. It aligns financial mechanisms with the practical aspects of housing development, creating a comprehensive framework that has the potential to significantly alleviate the housing affordability crisis. However, the realization of these goals will depend heavily on the plan's implementation, the stability of funding sources, and the city's ability to navigate potential regulatory and economic challenges. The plan directly addresses the identified problems, but its success will ultimately require rigorous management, transparency in operations, and continuous evaluation to adapt to unforeseen economic and social changes.