

# Affordable options:

While the influx of capital into Miami-Dade's luxury real estate segments continues, the need for affordable options is pressing

Affordable housing, defined by the U.S. Department of Housing and Urban Development as costing less than 30 percent of a family's income, is rare in Miami-Dade despite rising employment and wages. Increasing rents and strong economic performance have unfortunately not translated into ease of house purchasing or renting, especially for lower-income households. Luxury sales have broken records and both condominium and single-family home sales are up for the third and fifth consecutive years in 2015. However, middle-class buyers, with a median income of around \$50,000 for those in the South Florida corridor, are likely to spend over 40 percent of their income each year paying a 30-year mortgage, according to Realtor.com. A 2014 study from housing advocacy nonprofit Miami Homes for All noted that a renter paying over the federally recommended 30-percent ceiling on rent is more at risk to miss utility payments and not have health insurance and is increasingly vulnerable to homelessness. A challenge in Miami-Dade is providing truly affordable housing for low- and medium-income workers that the service and tourism industries rely on.

### ■ Pockets of affordability

Several emerging neighborhoods are changing the county's economic demographics. Allapattah, located close to the popular Wynwood and Design District neighborhoods, has seen a 24-percent increase in housing prices according to Zillow.com. Investors have begun purchasing many of the historic homes in anticipation of a housing boom. The median price for a single-family home in Allapattah for June 2015 was \$123,000, more than half the \$280,000 median sale price reported for the same month by the Miami Association of Realtors. As developers rush to acquire properties in the area, low- and middle-income residents risk being locked out, exacerbating the lack of affordable housing.

Country Club, a border neighborhood between Broward and Miami-Dade counties is emerging as a pocket of affordability, offering pre-recession homes



Both the public and private sectors are building much-needed affordable housing for local residents.

at just below the county median of \$245,500, according to Zillow.com. In the opposite direction, West Flagler has gained notoriety for affordability despite a rough rate of foreclosures at the peak of the recession in 2008 and 2009. Whereas nearby areas have seen prices increase to impossible rates for most first-time buyers, West Flagler's price for a single-family home remains \$25,000 below the county median despite a 16.5-percent year-to-year increase in 2015. Westward, Kendall is converting from a mostly rural and agricultural area to a suburban hotspot with median prices changing by zip code from \$200,000 to \$400,000. With a new development utilizing previously rural lands, Kendall's growth rate has remained closer to the county average of 8 percent. These neighborhoods are nominally affordable to employed middle-class residents, but a \$200,000 home on a minimum wage or service-industry salary seems untenable.

### ■ Notable projects

Pinnacle Housing Group, a Miami-based developer, proposed several affordable housing projects in 2015, including a 250-unit apartment complex south of Downtown near Cutler Ridge and the 191-unit Verbena apartment project in North Miami. Pinnacle President Michael Wohl tells Invest: Miami that part of their development strategy involved using federal and local subsidies, as well as focusing on transit-oriented development (TOD) to ensure residents can access

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public transportation. Meanwhile, Liberty City Rising is a \$74-million revitalization project announced by the county in February 2015 with \$48 million designated for the reconstruction of Liberty Square. According to county projections, the project will be completed in 2019 and will create over 2,000 jobs, giving new homes to residents currently living in more than 700 units. However, critics worry that these projects are not enough and leave much of the population without affordable housing options.

■ **Forging strategic partnerships**

Local government leaders are responding to the affordable housing shortage in several ways. For instance, the City of Miami, a designated EB-5 regional center, has sought to leverage EB-5 funds to finance low-income housing. The EB-5 visa program allows foreigners who invest in qualified projects that generate a minimum of 10 permanent full-time jobs the opportunity to apply for permanent U.S. residency.

Other key stakeholders have collaborated to find housing solutions. The University of Miami and Florida International University, for instance, have paired to form the South Florida Housing Studies Consortium to provide intellectual leadership and guidance on location-efficient communities, mixed-use developments and the implementation of TODs that could alleviate growing traffic congestion while providing affordable housing. Pinnacle has focused on both TOD and mixed-income spaces, allowing for a broader residential base per development. Other developers have also embraced mixed-use developments with major projects including retail, dining and even office space to provide a “live, work, play” atmosphere. The possibility of expanding this practice to affordable housing markets and not just luxury locations would relieve a strained infrastructure.

■ **Looking ahead**

Just as an employed population is key to the mid- and long-term prosperity of Miami-Dade's economy, so is affordable housing. Impoverishing rent rates can be as economically deleterious as underemployment, depriving low- and middle-class households of the means to effectively participate in and contribute to the economy. With foreign capital and cash buyers drawing away from a saturated condominium market, developers, realtors and long-term investors are seeking to attract more domestic clientele whether by assisted lending access, investment in non-luxury developments or better responsiveness to domestic demands. A common thread in any possible solutions, however, is that they will require collaboration between Miami-Dade's government and developers. ■



In Miami-Dade, housing costs, relative to wages, is quite high. Demand for affordable housing continues to rise, but so do the costs of land and construction. Traditionally, affordable housing funds are comprised of federal, state and municipal subsidies. In Miami-Dade County, we have a surtax—an excess tax levied on the sale of land and commercial property—which annually generates between \$50 million and \$70 million, which can be used to facilitate affordable housing. Another financing vehicle is funds issued through the Local Housing Finance Agency.

Some of our projects are “mixed-income,” comprised of affordable and market-rate housing. Funding from the affordable components covers the costs of building the parking garage, the infrastructure and much of the construction. Using the savings from that reduced expense, we are able to offer a rent that is below market rate. For instance, our rents at Brickell View Terrace, a project in West Brickell, will be 25 percent less than the market-rate. That project has 100 units of affordable housing and 76 units of market-rate housing. Our Gibson project in Coconut Grove has 56 units, six of which are market-rate. It will provide predominantly senior housing, and also have a school that offers daytime adult education.

We also invest heavily in the public spaces of our projects, installing prominent works of art and incorporating attractive design features. We want to change the public perception of affordable housing, as well as create an attractive community for our residents. Broadly speaking, I think there should be obligations for major developments to provide affordable housing, and these should be enforced. Frankly, I don't think that major development should go on unless there is an indication that the workforce and the affordable housing needs of that community have been taken care of.

**Michael Wohl**  
Partner, Pinnacle Housing Group