



Villa Maria is a 1924 building with classic Mediterranean structure, and 34 one-bedroom and studio units serving extremely low income elderly. This beautiful historic property sits one block from the ocean in an urban setting among upscale condominiums.

When Roberto Datorre, president of the Miami Beach Community Development Corporation (MBCDC), first saw the Villa Maria Apartments he did not know the scope of the battle he was about to encounter. Knowing that this apartment complex was worth preserving, Datorre used every means possible to keep Villa Maria from being demolished by the initial buyer of the property, who planned to construct a six-story luxury condominium.

Preservation of Affordable Rental Housing in the State of Florida

BY HELEN HOUGH FEINBERG

The Affordable Housing Study Commission selected the topic of Preservation in 2004-2005 due in part to the Commission’s evaluation of strategies for housing extremely low income (“ELI”) households the preceding study year and in consideration of the significant focus on preservation throughout the country. Timing was ideal for a comprehensive review given that the affordability restrictions for thousands of rental units were due to expire in the coming years. Given the magnitude and importance of the topic, the Commission chose to dedicate an additional year to discovery, evaluation of programs and development of recommendations. This extended review culminated in the Commission’s 2006 comprehensive strategy for preserving rental housing in Florida.



housing developments. These programs include HUD, Rural Development, Florida Housing Finance Corporation and local programs which serve households with incomes ranging from below 30% AMI up to 80% AMI. The Commission estimates that over the next five years, the affordability periods for 12,958 units will expire and over the next 10 years, the affordability periods for 17,190 units will expire.

A cumulative total of 237,674 units are estimated to expire over time.

INVENTORY		
Affordability Periods	Projected Expirations	Cumulative
Already Expired	15,703	
Within 5 years	12,958	28,661
Within 10 years	17,190	45,851
Within 15 years	8,961	54,812

THE EXTENT OF THE PROBLEM – THOUSANDS OF EXPIRING UNITS ON THE HORIZON: To develop effective recommendations that encourage preservation of multifamily units restricted for low income households, the Commission studied each of the programs that fund affordable

EXPIRING PROPERTIES 2007-2015:

43,830 units at risk by 2015

- **Highest concentrations in 5 counties**
- **75% of total in 13 counties**
- **Families and the elderly are most affected**
- **120,000 Floridians (est.) affected**

BARRIERS TO PRESERVING AFFORDABLE HOUSING: The Commission also examined the myriad of barriers to preserving affordable rental units, including:

- **Financial Barriers** – programs require low rents which generate limited surplus funds to address maintenance and capital needs issues; limited subsidy, complex rules and sponsoring agencies with a multitude of rules and limited flexibility discourage purchasers who desire to maintain affordability.
- **Information Barriers** – preservation strategies generally require buyers with an intent to maintain affordability to take a proactive approach before an owner converts units to market or sells to a market purchaser. Information on owner strategies and existing funding layers is not readily available to assist in creating a viable and specific preservation strategy for a property. Furthermore, programs providing the subsidy that will be part of any financing plan may not be available when the seller markets the property.
- **Capacity Barriers** – Non-profits and public housing authorities have the mission to engage in preservation activities but do not always have the financial resources or knowledge of the development process to effectively engage in preservation activities.

THE IMPORTANCE OF PRESERVING UNITS WITH PROJECT-BASED RENTAL ASSISTANCE: While the Study Commission applied a broad definition of “preservation” to consider any rental units acquired or rehabilitated with programs that impose affordable use restrictions, we quickly recognized the particular value of units with project-based rental assistance. These units constitute some of the most

affordable rental housing in the state. The following represent the number of units estimated to be available in the State of Florida that offer rental assistance:

- Rural Development: 11,171 units
- HUD Programs with rental assistance: 28,422

These units enjoy the benefit of significant federal subsidy funding that will terminate if the units are converted to market rate. The units also serve a wide range of households including elderly, persons with disabilities, families and farmworkers. Generally, tenants of a project with expiring rental assistance will receive a special “enhanced” voucher. However, some tenants have problems finding appropriate affordable housing even with this voucher. Moreover, once a tenant is no longer eligible under the program (for any reason), the rental assistance is permanently lost and will not be transferable to another person. This makes preserving

100 Units X \$300 (Assumed Average Operating Subsidy)	= \$30,000 per month
\$30,000 per month X 12 months	= \$360,000 annually
\$360,000 annually X 20 years	= \$7,200,000 over 20 years
Present Value of Federal Rental Assistance	= \$4,129,171 at a PV Rate of 6.00%

the actual unit important in ensuring the continuation of the subsidy. Consider the potential loss in federal funding if a 100 unit property with project based rental assistance is lost to the affordable housing inventory through demolition or conversion to market rate:

Housing ELI (*extremely low-income*) households is a very expensive proposition. Florida Housing Finance Corporation Programs are required to fund \$85,000 per unit to house ELI and the actual per unit cost is significantly greater when all factors of the development financing are considered. Rehabilitating existing projects with federal rental assistance can be much more cost effective, making it important to ensure that resources are available to sustain these development as safe, decent and affordable housing.

SELECTED RECOMMENDATIONS: The Affordable Housing Study Commission’s Final 2006 Report should be reviewed for the complete list of preservation recommendations. The following represent a few key measures that the Commission felt would encourage preservation.

- **Florida Housing Finance Corporation should create a Preservation Set-Aside for 9% Housing Credits:** The Commission deliberated extensively over this particular recommendation. At that time, Florida was the only state in the nation not prioritizing preservation in its housing credit program, by using a set aside, additional points or some other form of prioritization. Florida’s long standing strategy of encouraging new construction has served the state well, but the time had come to address the escalating loss of projects with expiring subsidies. In the end, the Commission determined there was significant risk associated with changing the existing point system –we would either over-compensate and disadvantage new construction properties or under-compensate and not achieve the intended goal. The Commission recommended a set-aside in the competitive 9% housing tax credit program as the best solution. This approach would likely result in a minimum number of preservation units being funded, as well as encourage an increase in preservation applications which might enjoy alternative funding if 9% credits were not received. The Commission was pleased to see Florida Housing incorporate such a set aside in the Universal Cycle.

WHY PRESERVATION MAKES SENSE

- Florida loses 2 units for every one it builds
- Preserving one unit costs 1/3 to 1/2 the cost of building one new unit
- Preservation can extend the useful life of thousands of existing units in “good bones” buildings already paid for by taxpayer dollars
- Preservation prevents displacement of thousands of low, very low and extremely low income families and individuals

- **The Florida Legislature should appropriate \$25 million for the creation of an affordable housing preservation bridge loan program to be matched by private lenders to create a program totaling a minimum of \$50 million. This appropriation should not supplant funding for existing affordable housing programs. The Commission arrived at this recommendation after noting a lack of affordable housing friendly bridge loan programs in the private sector, and hearing from the Wisconsin Housing and Economic Development Authority on the success of their bridge loan product. Some of the obstacles to using private bridge loans for preserving affordable housing include:** Private loans are generally 75%-

80% of a property’s value before considering the cost of additional rehabilitation; a private lender may not be willing to underwrite 9% or 4% low income housing tax credits as “take-out” financing; and it is rare to find a seller content to wait up to a year while a prospective buyer applies for funding through the lengthy universal cycle. The Commission believes there is significant value in a bridge loan program oriented towards preservation, which would use a one-time appropriation of state dollars to leverage significant private and foundation sources for a revolving program. The Commission was pleased to see SB 1362 filed by Senator Fasano (R) to fund a bridge loan program and we are hopeful that this proposed legislation will be passed in the 2008 session.

- **Full Funding Remains Critical:** In closing, preservation of affordable housing cannot occur without availability of subsidy from the State and Local Government Housing Trust Funds. Full funding of the Trust funds and full utilization of funding is necessary not only to preserve affordable units, but to ensure progress towards the goal that all Floridians have access to safe, decent and affordable housing as set forth in the Florida Statutes Chapter 420.0003. 🏠

For a copy of the Commission’s complete preservation strategy, as well as previous annual reports, please visit the Study Commission’s website at www.floridahousing.org/AHSC.

HELEN HOUGH FEINBERG serves as Manager of the Housing Group for RBC Dain Rauscher. She has been responsible for structuring housing transactions for state and local issuers totaling approximately \$7 billion for over 20 years. Helen has structured many types of mortgage-backed financings including open indenture single family issues, REMIC CMOs, tax-exempt and taxable refundings, mortgage portfolio sales, 501(c)(3) multi-family open indentures, as well as virtually every type of multi-family transaction. Helen has a B.A. in economics and Spanish from Wake Forest University, and has completed graduate work in finance at the University of South Florida. She is a registered General Securities Representative and a registered Municipal Securities Representative as well as a registered Municipal Securities Principal. Helen has served as a member of Fannie Mae’s Housing Impact Advisory Council and serves as a member of the Florida Housing Coalition Advisory Council. She currently serves as the chair of the Affordable Housing Study Commission.