Naturally Occurring Affordable Housing Preservation

March 1, 2018
Agenda

• Miami Affordable Housing Preservation
  – Subsidized and NOAH Preservation
  – NOAH Inventory
  – Solutions
    • Capital
    • Capacity
    • Policy
NOAH = Unsubsidized Market Rate Housing which is affordable due to the market.

Age, Physical Condition, Location

At Risk to Market Pressures
• Establish a shared priority
  – Affordable Housing Preservation in Miami Dade.

• Identify Pipeline
  – Geography
  – Subsidy Expiration
  – Property Size
  – Acquisition Opportunities

• Enable the Environment
  – Financing
  – Policy
  – Capacity
• 76% of affordable rental housing is unsubsidized
• 90% of affordable rental housing has less than 50 units
• From 2003 to 2013, 11 percent of units with rents under $400 per month were permanently lost from the nation’s housing stock
## Table 2. Changes in Rented Housing Units 2010–14

<table>
<thead>
<tr>
<th></th>
<th>Gross Rent &lt;$500</th>
<th></th>
<th>Gross Rent $500–$750</th>
<th></th>
<th>Gross Rent $1,500+</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Atlanta</td>
<td>15,362</td>
<td>-2,619</td>
<td>-17.0%</td>
<td>17,128</td>
<td>-2,690</td>
<td>-15.7%</td>
</tr>
<tr>
<td>Birmingham</td>
<td>9,196</td>
<td>-813</td>
<td>-8.8%</td>
<td>15,152</td>
<td>-389</td>
<td>-2.6%</td>
</tr>
<tr>
<td>Jacksonville</td>
<td>12,064</td>
<td>-2,378</td>
<td>-19.7%</td>
<td>24,538</td>
<td>-918</td>
<td>-3.7%</td>
</tr>
<tr>
<td>Memphis</td>
<td>15,529</td>
<td>-3,811</td>
<td>-24.5%</td>
<td>38,031</td>
<td>-4,232</td>
<td>-11.1%</td>
</tr>
<tr>
<td><strong>Miami</strong></td>
<td>14,875</td>
<td>-2,133</td>
<td>-14.3%</td>
<td>18,266</td>
<td>-1,121</td>
<td>-6.1%</td>
</tr>
<tr>
<td>Nashville</td>
<td>13,053</td>
<td>-1,558</td>
<td>-11.9%</td>
<td>33,573</td>
<td>-6,220</td>
<td>-18.5%</td>
</tr>
<tr>
<td>Orlando</td>
<td>3,507</td>
<td>-532</td>
<td>-15.2%</td>
<td>8,135</td>
<td>-417</td>
<td>-5.1%</td>
</tr>
<tr>
<td>Tampa</td>
<td>6,945</td>
<td>231</td>
<td>3.3%</td>
<td>12,734</td>
<td>-1,027</td>
<td>-8.1%</td>
</tr>
</tbody>
</table>

Note: Rent levels are not adjusted for inflation. (The nature of the ACS data categories does not allow for this.) Cumulative inflation from 2010–14 was approximately 3 percent.

Percentage of Rental Units with Gross Rent less than $1,000/Month in 2000 and 2015

% of NOAH by Neighborhood
### Housing Type

<table>
<thead>
<tr>
<th></th>
<th>Liberty City</th>
<th>Little Haiti</th>
<th>Little Havana</th>
<th>Overtown</th>
<th>South Dade</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Family 1 unit</td>
<td>83%</td>
<td>57%</td>
<td>37%</td>
<td>7%</td>
<td>80%</td>
</tr>
<tr>
<td>Multifamily 2 units</td>
<td>13%</td>
<td>29%</td>
<td>27%</td>
<td>3%</td>
<td>8%</td>
</tr>
<tr>
<td>Multifamily 3-9 units</td>
<td>2%</td>
<td>11%</td>
<td>29%</td>
<td>20%</td>
<td>4%</td>
</tr>
<tr>
<td>Multifamily &gt; 10 units</td>
<td>1%</td>
<td>2%</td>
<td>7%</td>
<td>35%</td>
<td>1%</td>
</tr>
<tr>
<td>Townhouse</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>33%</td>
<td>6%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Liberty City</th>
<th>Little Haiti</th>
<th>Little Havana</th>
<th>Overtown</th>
<th>South Dade</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Family 1 unit</td>
<td>8,780</td>
<td>2,664</td>
<td>1,943</td>
<td>19</td>
<td>2,563</td>
</tr>
<tr>
<td>Multifamily 2 units</td>
<td>1,412</td>
<td>1,342</td>
<td>1,401</td>
<td>7</td>
<td>266</td>
</tr>
<tr>
<td>Multifamily 3-9 units</td>
<td>265</td>
<td>516</td>
<td>1,541</td>
<td>50</td>
<td>140</td>
</tr>
<tr>
<td>Multifamily &gt; 10 units</td>
<td>102</td>
<td>73</td>
<td>364</td>
<td>89</td>
<td>45</td>
</tr>
<tr>
<td>Townhouse</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td>85</td>
<td>189</td>
</tr>
</tbody>
</table>
## Housing Type

<table>
<thead>
<tr>
<th>Housing Type</th>
<th>Liberty City</th>
<th>Little Haiti</th>
<th>Little Havana</th>
<th>Overtown</th>
<th>South Dade</th>
</tr>
</thead>
<tbody>
<tr>
<td>10-20 units</td>
<td>1%</td>
<td>1%</td>
<td>5%</td>
<td>22%</td>
<td>1%</td>
</tr>
<tr>
<td>21-49 units</td>
<td>0%</td>
<td>0%</td>
<td>1%</td>
<td>9%</td>
<td>0%</td>
</tr>
<tr>
<td>50+ units</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>3%</td>
<td>0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Housing Type</th>
<th>Liberty City</th>
<th>Little Haiti</th>
<th>Little Havana</th>
<th>Overtown</th>
<th>South Dade</th>
</tr>
</thead>
<tbody>
<tr>
<td>10-20 units</td>
<td>62</td>
<td>58</td>
<td>284</td>
<td>57</td>
<td>30</td>
</tr>
<tr>
<td>21-49 units</td>
<td>32</td>
<td>8</td>
<td>71</td>
<td>24</td>
<td>9</td>
</tr>
<tr>
<td>50+ units</td>
<td>8</td>
<td>7</td>
<td>9</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>Year</td>
<td>Liberty City</td>
<td>Little Haiti</td>
<td>Little Havana</td>
<td>Overtown</td>
<td>South Dade</td>
</tr>
<tr>
<td>----------</td>
<td>--------------</td>
<td>--------------</td>
<td>---------------</td>
<td>----------</td>
<td>------------</td>
</tr>
<tr>
<td>1980-1989</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>1970-1979</td>
<td>5%</td>
<td>5%</td>
<td>14%</td>
<td>34%</td>
<td>26%</td>
</tr>
<tr>
<td>1960-1969</td>
<td>11%</td>
<td>6%</td>
<td>9%</td>
<td>8%</td>
<td>12%</td>
</tr>
<tr>
<td>1950-1959</td>
<td>32%</td>
<td>20%</td>
<td>15%</td>
<td>41%</td>
<td>53%</td>
</tr>
<tr>
<td>1940-1949</td>
<td>31%</td>
<td>25%</td>
<td>16%</td>
<td>7%</td>
<td>4%</td>
</tr>
<tr>
<td>&lt;1939</td>
<td>20%</td>
<td>43%</td>
<td>44%</td>
<td>9%</td>
<td>3%</td>
</tr>
</tbody>
</table>
• Public Sector
• Nonprofit Sector – Developers, Advocates, Legal Services
• Banking Sector
• Philanthropy
Miami Preservation Subcommittees

- Inventory
- Policy and Financing
- Capacity
- Interagency Public Sector Collaborative
What are we solving for?

- How do we prioritize inventory for preservation?
- What are the financing and policy gaps in acquiring and preserving affordable properties?
- What are the gaps in capacity and motivation of our nonprofit and mission driven for profit developers to acquire and preserve this stock?
- Can we incent(require) current owners to preserve affordability?
Inventory Priorities

Do we want to prioritize certain geographies or inventory?
– Concentration of Inventory – Where do we know there is significant inventory? What sizes are the properties?
– Known Market Pressures – What market pressures are you aware of that may drive loss of units or rent increases?
– Are there existing resources we should take advantage of?
– Is there greater developer capacity in certain geographies?
– Is there access to opportunity we should consider?
• What are the financing gaps in mission driven developers acquiring NOAH properties?
  – The right kind of capital
  – Sale Prices > Appraised Value
  – Market Competition
  – Developer Equity
  – Level of Rehab
  – Operating Costs
▪ Acquire subsidized (LIHTC & Section 8) and unsubsidized (Market Affordable & Workforce) apartment communities through JV partnerships.

▪ Focus on under-valued communities that offer opportunities for immediate operational improvement

▪ Create value through creative structuring, property tax relief, green retrofits, and better management.

▪ Optimize disposition proceeds through timely exits, often into subsidized structures.
Example Small Multifamily Loan Program

DEAL SUMMARY
- Location: East Los Angeles
- Project Description: 17-Units
- AMI Served: 31-120% AMI
- Public Subsidy: $0
- Rehab Estimate: $15k per unit
- Acquisition/Rehab Loan Terms
  - $2.3 Million
  - Up to 10 years
  - 102% LTV
- Senior Loan - 68% LTV
- Mezzanine Loan – 82% LTV
- Junior Loan - 102%
- Exit Options: Permanent loan or 4% LIHTCs

VALLEJO Pilot Loan
Owner Incentives

• What are the financing and policy gaps and challenges in incenting existing owners to preserve affordability?
  – Owner incentives – Alignment with Motivations
    • Land Value may be the priority in changing markets
    • Property may already cash flow
    • Decreasing expenses – priority
    • Typically not interested in public programs and associated red tape
NYC Landlord Ambassador Program

- **Tax Lien Sale Properties:**
  - Identified from the 2017 Tax Lien Sale using specific criteria
- Initial Ambassador contact July 2017
- Incentive to be pulled from Tax Lien Sale
- Paired with high capacity nonprofit developers providing technical assistance
Developer Capacity and Motivation

• What are the gaps in capacity and motivation of nonprofit and mission driven for profit developers to acquire and preserve this stock?
  – Structuring NOAH deals
  – Property Management
  – Asset Management
  – Tenant Engagement
  – Rehab of Occupied Buildings
  – Economies of scale – lacking in small multifamily deals
What’s Next?

- Subcommittees are meeting
- Developer interviews commencing
- National and local financing models being reviewed
- By the end of 2018, capacity and financing tools are in place to support NOAH acquisition and preservation in Miami.