

## Miami could make workforce housing less expensive to build

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A proposed City of Miami ordinance would make it less expensive to build workforce housing for middle-income residents.

The city commission will vote on the second reading of the ordinance on Oct. 22 after it passed 4-0 on first reading. It would allow developers to permanently defer impact fees for workforce housing –

defined as restricted to people making 80 percent to 140 percent of the area median income (AMI). Currently, this benefit only applies to affordable housing projects restricted to AMI below 80 percent.

The city has an affordable housing crisis as rents have skyrocketed, especially in the urban core. A conventional rental in greater downtown Miami averages \$1,774 for a one-bedroom unit and \$2,241 for a two-bedroom unit, according to a study by Integra Realty Resources for the Miami Downtown Development Authority.

Many well-educated people have good jobs in downtown Miami and struggle to find workforce housing because development costs are so high, said Albert Milo, head of the affordable housing division of Miami-based Related Group. Impact fees for new projects are about \$9,000 per units, so deferring them as long as the developer restricts the income level of the occupant would help bring down costs, he said.

"The city has recognized that the city can't grow with just one or two or three affordable housing projects a year because the state has limited its funding and everything else is high end," Milo said. "You have a large segment of the population that's being left out... Unless the city promotes incentives for workforce housing they are basically telling that workforce that you need to live somewhere else because the City of Miami isn't affordable for you."

The 80 percent to 140 percent range for workforce housing equates to \$37,950 to \$66,360 for individuals and \$43,350 to \$75,880 for families of two. Milo said most income restricted housing charges no more than one-third of the renter's income for a lease.

Attorney Joe Hernandez, head of the real estate practice group at Weiss Serota Helfman Cole & Bierman in Coral Gables, said most developers in Miami are focused on the high-end market because that's where the big sales are. He's seen a slowdown in huge land acquisitions



Joe Hernandez, Weiss Serota  
Helfman Cole & Bierman

downtown as prices have escalated and construction costs have increased. It would still be cost prohibitive to buy a prime site and build workforce housing, but developers with existing property could see it as a viable option with an impact fee deferral, he said.

Milo said he'd like to build "blended" projects with a mix of 80 percent workforce units and 20 percent affordable units. The proposed impact fee deferral would allow him to avoid fees on most of the project.

The proposed ordinance doesn't require a developer to have a certain percentage of units as workforce to quality. For instance, a tower could have 400 luxury rentals and 40 workforce rentals and the workforce units could have deferred impact fees as long as the income restriction remains in place.

Hernandez said putting workforce housing in a luxury residential building could be a difficult sell.

"It's a tough challenge to sell a product with some exclusivity in it when it has workforce housing in the bottom," Hernandez said. "It sounds like a great concept but whether it can be pulled off from a marketing perspective is another matter."

The workforce housing incentive would also apply to condo projects, but Milo said there are challenges to selling condos as workforce housing in downtown Miami. Few new condos are approved for first-time homebuyer loans by Fannie Mae and Freddie Mac because they have so many investors. The majority of new condos are sold to wealthy buyers with 50 percent cash deposits.

Milo said Related Group hopes to secure additional incentives for workforce housing projects. He'd like a similar impact fee deferral passed at the county level. He's also hoping to get expedited and reduced permit fees and property tax incentives for both affordable and workforce housing.

*Brian Bandell covers real estate, transportation and logistics. Get the latest news with our free daily newsletter.*