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As rents soar, 'affordable' housing is anything but

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Lynette Richardson is a resident at this Biscayne Court Apartment building an affordable housing complex in Liberty City where her rent has been raised recently. Lynette goes through some of her paperwork on Tuesday June 7, 2011.

When Stephanie's Urquiaga's rent shot up \$30, she sat down at her kitchen table, crunched the numbers, and figured out what she would have to do to stave off eviction.

She would make one less trip to the grocery store each month, leaving an empty refrigerator and near-empty stomach in the final days before her monthly disability check arrived.

Urquiaga, 54, now spends more than half of her income on rent at Biscayne Court, a taxpayer-funded affordable housing facility in Liberty City built in 2009 to help poor seniors avoid the very eat-vs.-pay-my-rent predicament she now finds herself in.

While the federal government stipulates that affordable housing apartments are supposed to cost residents no more than 30 percent of their income, state and federal rules allow

annual rent increases, such as those imposed by Miami developer Biscayne Housing Group this year.

State housing agency Florida Housing Finance Corporation releases new affordable housing rent limits each year to reflect changes in median income levels, and the most recent increases stop just shy of those new limits.

Residents protest that the 5 percent rent increases — which are taking place across the industry amid South Florida's worst unemployment in decades — run counter to the ethos of affordable housing. With stagnant or decreasing wages, they say, annual rent increases create the very problems that affordable housing programs were designed to fix.

"We came here in hopes of being able to try to live on our income at a reasonable rate," said Urquiaga, who lives alone in a one-bedroom apartment. "It's been more tough than I expected. Now I'm just trying to maintain."

GRIM REALITY

Urquiaga's dilemma highlights the reality that, in many cases, the interests of the for-profit companies benefitting from the region's multimillion-dollar affordable housing boom are at odds with the goals of government agencies that send billions of taxpayer dollars to the private sector to build low-cost apartments for the poor.

One of those goals is to provide housing that costs residents no more than 30 percent of their income, the

benchmark advocated by many personal finance experts. A Miami Herald review of the records of several South Florida affordable housing developments found that developers have raised rents repeatedly in the past few years to levels that far exceed that 30 percent benchmark in some cases.

In extreme situations, rents have ballooned to 80 percent of income, leaving residents little to spare for food, utilities, gas and healthcare.

As the rental market heats up, residents protest that government funds dedicated to affordable housing are benefitting developers and investors more than the working poor.

"All of the people who own these buildings, they're just setting the rent at whatever they think it should be so they can make the most profits," said Biscayne Court resident Lynnette Richardson, who was already spending more than 30 percent of her income on rent before she lost her job at a hospital last year.

Now, with the double whammy of a rent hike and a job loss, nearly 70 percent of her monthly unemployment check goes to rent and utilities. She's just one costly emergency away from joining the growing ranks of those evicted from affordable housing facilities for inability to pay.

Biscayne Housing Group co-founder Michael Cox contends that the rents are being set at what the market — and government limits — dictate. With insurance and utilities costs rising each year, developers like BHG have no choice but to seek to boost revenue, Cox said.

"The difficulty with these developments is that they're designed to have very little cash flow," he said. "There is an increase every year in operating expenses."

The cash flow that is generated at these apartments often goes to help pay "deferred development fees," large payments developers receive for managing a project's construction and upkeep. When developers agree to collect this money from residents over time — rather than upfront from the government — they receive additional points on their applications for competitive government funds.

The properties must be profitable in order to generate developer fee payments, and rent increases help boost profitability in a world of increasing costs.

Rising real estate taxes, volatile insurance costs and various repairs all make rent increases a painful necessity, said Matt Greer, president of Miami-based developer Carlisle Development Group. Privately owned affordable apartments are usually built at a higher standard than Section 8 (rent-subsidized) and government-owned buildings, and rent increases allow developers to maintain the projects, he said.

"If we don't raise the rent, what ends up happening is we [have to] stop planting flowers, we stop painting the building, or there's no security guy," Greer said. "And then we head down that road that public housing has gone."

Richardson pays \$704 per month for a 585-square foot unit in the one-year-old Biscayne Court building, 5211 NW 17th Ave. which stands tall over a largely undeveloped, downtrodden section of Liberty City. At \$1.20 per-square-foot, her rent is nearly on par with market-rate, nontaxpayer-funded buildings in more affluent parts of town.

For example, a one-bedroom, two-bathroom condominium at Havana Lofts in East Little Havana is currently advertised for rent at \$1.33 per square foot.

That 4-year-old condo has stainless steel appliances, granite countertops, a pool and in-unit washer and dryer — luxuries Biscayne Court does not have. The rent at a Havana Lofts condo unit, covering 940 square feet, is \$1,150 per month.

NEAR MARKET RATES

But Biscayne Court certainly is not the only taxpayer-funded housing project raising rent to the absolute maximum allowed by law, and to levels that approach market rates.

A review of rates for one-bedroom units at several affordable rental properties in Miami show rents have risen as much as 7 percent a year, for many consecutive years. At the 200-unit Santa Clara II, rent was initially set at \$489 in 2003, before rising to \$713 this year, an increase of 45.8 percent. At Friendship Tower, rates have jumped 21.7 percent since 2007.

Even with the rent increases, most affordable housing facilities are operating at or very near 100 percent occupancy. Some, like Biscayne Court, are completely filled and have lengthy waiting lists.

The popularity of these projects speaks to the severe shortage of affordable housing in South Florida, one of the nation's most troubled housing markets. By some estimates, there is an unfulfilled need for at least 20,000 affordable units in Miami alone.

"Miami is an excellent location in terms of real estate," said Stephen D. Smith, vice president at Maryland-based Enterprise Community Investment, a syndicator that has invested \$50 million in South Florida taxpayer-subsidized housing projects since 2007. "If you build affordable housing in Miami, people will come."

South Florida's shortage of affordable housing was already acute before the region's historic housing bust and unemployment crisis took hold in 2007.

Now, with unemployment in the double-digits, wages basically flat, the cost of living allowance for Social Security recipients at zero percent and foreclosed-on homeowners flooding the rental market, the high cost of housing is taking an even larger toll on the region's working poor.

According to Harvard University's Joint Center for Housing Studies, 34.2 percent of Miami renters spend more than half their income on housing, up from 26 percent in 2000, and currently the highest rate in the country. Another recent study by the Center for Housing Policy puts the number at 42 percent, higher than any other city.

25 NEW COMPLEXES

Looking to address Florida's housing troubles, the federal government has directed more than \$2 billion to the state in recent years, with large chunks of it going to for-profit developers of low-income rental properties. More than 25 affordable apartment complexes are being built in Miami-Dade and Broward counties, totaling more than 5,000 units and making use of hundreds of millions in taxpayer dollars.

More than \$16 million in taxpayer money went to help fund the 2009 construction of 60 units at Biscayne Court, targeted for people who make less than \$30,000 a year.

That money, in effect, acts as a rent subsidy, allowing the developer to charge below-market rents since it doesn't have to worry about paying back large preconstruction loans to the bank.

When BHG applied for the federal funding in 2007, it estimated rent and utilities at Biscayne Court would cost no more than \$678, the maximum allowed by the state for low-income housing in 2008.

By 2010, the state-approved rent limit had jumped to \$792, a 16.8 percent increase that outpaced the 6.1 percent rise in the region's median income during that economically challenging three-year span. Miami-

Dade's unemployment rate rose from 4 percent in 2007 to more than 13 percent today, and government caps on rent soared. As a result, residents are spending far more than 30 percent of their income on housing.

A review of compliance records at various South Florida complexes shows repeated cases where affordable housing residents, many of them elderly, are being asked to direct more than half of their fixed incomes toward rent costs.

In some cases, the recently increased rent leaves elderly residents with less than \$150 remaining each month to purchase food, utilities, gas, medicine and other necessities. Developers and their management companies are required to monitor and report the incomes of their residents, so they are often aware of the fact that many seniors are already severely cost-burdened.

BILLIONS FLOWING

Florida Housing Finance Corporation, the state agency that administers and oversees many of the state's affordable housing projects, is also aware of the rent-income discrepancies. It receives monthly progress reports for each project receiving funding, documenting the income and rent costs of every individual living in a government-funded complex.

As billions of dollars flow from Washington to Tallahassee and down to South Florida to create affordable housing, some residents feel that the money is being diverted into the pockets of private companies via rent increases, rather than to the poorest citizens.

"There are old ladies living here who are just barely hanging on," said Richardson, from her fourth-floor apartment at Biscayne Court. "They don't use the air conditioner, the dishwasher or anything because it's too expensive. Those things are supposed to make them more comfortable, and they can't enjoy them."

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