



Building and Sustaining Community -- Unique, Vibrant, Diverse

TO: Finance & Citywide Projects Committee Members: Honorable Chairman Ricky Arriola, Vice-Chair Michael Góngora, Mark Samuelian, Micky Steinberg, John Woodruff, City Manager - Jimmy Morales, Assistant City Manager - Kathie Brooks, Department Director, Office of Housing and Community Services - Maria Ruiz

FROM: Miami Beach Community Development Corporation, Inc.

RE: Update on Miami Beach Community Development Corporation, Inc. ("MBCDC") operational and financial status

DATE: April 17, 2019

Dear Members of the Committee and Staff:

The MBCDC Board of Directors would like to provide the following summary of MBCDC's positive operational and financial successes over the past year.

Summary

On Tuesday October 30, 2018 MBCDC had a meeting with Miami-Dade County PHCD ("County") and various City of Miami Beach staff including City Manager Jimmy Morales and Maria Ruiz. The meeting was extremely positive and resulted in a settlement between MBCDC and Miami-Dade County.

Below are the terms of the settlement and corresponding updates:

- 1) County agreed to allow MBCDC to refinance the Crespi Apartment building to fund repairs to replace the roof and to maintain ownership and control of the Crespi. This financing closed on October 31, 2018 with the County's consent;
- 2) County agreed to allow MBCDC to pay off the existing County surtax loan on the Crespi, which occurred on October 31, 2018;
- 3) MBCDC agreed to keep the Crespi property affordable in accordance with the existing County Regulatory Agreement. Property is still affordable and will be governed by such County Regulatory Agreement;
- 4) MBCDC agreed to transfer ownership of the Madison Apartment building to County and County agreed to not initiate foreclosure proceedings on either the Crespi or the Madison. Settlement agreements with regard to both properties were drafted and reviewed by both Attorneys for MBCDC and Attorneys from the County. The Madison and Crespi Settlement Agreements have been executed by MBCDC and are in final form. The legislation approving the settlement agreement passed Miami-Dade County HSSD Committee April 15th. The matter is tentatively scheduled for the BCC meeting April 21st.

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5) Additional terms of the Crespi Settlement include cooperating with Miami-Dade County on all inspections. Please note that inspections were ordered by Miami-Dade County and the City of Miami Beach and MBCDC has complied with all 72 hour and 30 day violations within the applicable cure time periods.

Additional updates are as follows:

6) In December 2018 Physical Needs Assessments were procured and provided by the City of Miami Beach. These documents will govern MBCDC's capital improvement plan moving forward.

7) MBCDC has outsourced all property management to Royal American Management ("RAM") as of January 15, 2019. This relationship was also approved by the County. With the assistance of RAM additional monthly revenue will be collected which will assist in sustaining portfolio operation. In addition, RAM is taking the lead on individual property compliance. Updated financial pro formas for each MBCDC property have been generated and provided to the City of Miami Beach. Copies of these pro formas have also been e-mailed to staff with PHCD and show a positive cash flow moving forward due to decreased vacancy and proper financial management.

8) Staffing was cut drastically from 14 to 6 employees and contractors. This is saving the organization roughly \$500,000.00 annually.

9) The financial future of MBCDC was secured further by the sale of MBCDC's office headquarters known as the Seymour Building ("Seymour") on March 7th. The Seymour Building was not an affordable housing property and has no affordable housing restrictions. The sale of the Seymour was approved by the County and the City of Miami Beach in the October 30, 2018 settlement meeting as a strategy to help stabilize the MBCDC.

10) Proceeds from the Sale of the Seymour were used to resolve FHFC findings for deficient reserves in two properties. MBCDC is now current on all institutional, county, city, and HUD loans. The additional Seymour proceeds will be used to restructure existing debt prioritizing institutional debt maturing in the next 3 years. MB CDC has already retired two lines of credit and the balance of one institutional loan. Proceeds will also be used subsidize operational expenses as necessary until the portfolio is fully leased. Royal American Management's projected budgets indicate that at 95% occupancy (currently 83%) each property in the portfolio will cash flow with one exception.

11) Our staff has met with and been in constant communication with members of City of Miami Beach finance, building, and legal departments to address violations, misclassified violations, fines and liens associated with the portfolio. Since the October 30th 2018 meeting we have cleared BTR violations on 8 properties. The remaining properties are under review with City of Miami Beach Finance staff and we have a path to move forward.

12) The roof of the Crespi Park Apartments is slated to be completed by the end of July 2019.

13) The wheelchair lift at Villa Matti is scheduled to be installed the first week of July.

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14) MB CDC has hired two University of Miami 3rd year law students for the upcoming Summer.

MB CDC board members and new staff have worked tirelessly to stabilize and institute a restructuring plan for the organization which have resulted in the aforementioned positive outcomes. Now that MBCDC has developed a good working relationship with both the County and the City of Miami Beach, it will continue to work towards ensuring that the City of Miami Beach's most vulnerable residents are protected by providing decent, safe, affordable housing.

The final stage of MBCDC's stabilization plan is to seek and implement financing strategies to preserve MBCDC's portfolio as affordable housing far into the future.

MBCDC's number one goal is to make sure that its existing units remain affordable and in good condition for the residents they house. Much progress has been made and we will continue to provide updates to the County and City of Miami Beach Commission and Staff.

Thank you for your belief in our organization and the mission of the MBCDC.

Sincerely

/s/ Ahmed Martin

Ahmed Martin
Interim Executive Director
Miami Beach Community Development Corporation, Inc.