

Committee Assignments - C4 D

MIAMI BEACH

COMMISSION MEMORANDUM

TO: Honorable Mayor and Members of the City Commission
FROM: Jimmy L. Morales, City Manager
DATE: April 10, 2019

SUBJECT: REFERRAL TO THE FINANCE AND CITYWIDE PROJECTS COMMITTEE A DISCUSSION ON MIAMI BEACH COMMUNITY DEVELOPMENT CORPORATION AND ITS FINANCIAL CONDITION.

RECOMMENDATION

The Administration recommends this referral.

BACKGROUND

At its February 13, 2019 meeting, the Mayor and Commission held a discussion regarding the financial condition of Miami Beach Community Development Corporation (MBCDC). This conversation provided an opportunity to obtain updated information regarding the steps being taken by MBCDC to address the condition of its affordable housing portfolio as well as its financial condition in light of management changes and compliance concerns with both Miami-Dade County and the City. The Mayor and Commission made a referral to the Neighborhoods Community Affairs Committee (NCAC) for further discussion, address the conditions of the properties, and obtain additional information from the County. The item was discussed at the March 19, 2019 NCAC meeting and subsequently recommended to be returned to the Mayor and Commission for discussion at the Finance and Citywide Projects Committee.

ANALYSIS

At its February 13, 2019 meeting, the Mayor and Commission held a discussion regarding the financial condition of Miami Beach Community Development Corporation (MBCDC). This conversation provided an opportunity to obtain updated information regarding the steps being taken by MBCDC to address the condition of its affordable housing portfolio as well as its financial condition in light of management changes and compliance concerns with both Miami-Dade County and the City. The Mayor and Commission made a referral to the Neighborhoods Community Affairs Committee (NCAC) for further discussion, address the conditions of the properties, and obtain additional information from the County.

As conveyed earlier this year via LTC 159- 2018, MBCDC had been operating at a recurring annual deficit exceeding \$ 100,000. For the past several months, Miami-Dade County has been meeting with MBCDC staff and board members to address the agency's financial situation. On April 27, 2018, the County sent MBCDC correspondence notifying the agency of the County's intent to foreclose on the Crespi Park Apartments as a result of MBCDC's default of its funding agreement.

The County's most recent efforts to work with MBCDC resolve its precarious financial position dates back to 2015 when MBCDC requested permission to sell several affordable units at the Knightsbridge Condominium located at 7133 Bay Drive. These units were acquired as scattered site affordable housing with City and County funds. MBCDC had advised that it intended to sell these units and use the proceeds of the sales to stabilize its housing portfolio and strengthen the agency's financial position and ability to pay debt service on its remaining properties. According to the County, it has been unable to determine how the estimated \$ 350,000 from these sales was used.

The issues with the Crespi Park Apartments took shape in July 2017. MBCDC was advised by the City and Miami-Dade County's Department of Public Housing and Community Development that it was violating the property's restrictive covenants by converting the property to market rate housing and by failing to notify the County of its intentions to violate the property's restrictive covenant.

In correspondence dated August 1, 2018, Michael Liu, Director of Miami- Dade County's Department of Public Housing and Community Development, notified MBCDC's legal counsel that MBCDC's failure to present a satisfactory corrective action plan to stabilize the agency and its housing portfolio would leave the County with "no other option than to continue to pursue the County's right to the assignment of leases and rents of both the Crespi (Park Apartments) and the Madison properties." The Madison Apartments is a 17- unit affordable housing property located at 259 Washington Avenue.

On October 4, 2018, NBC6 aired a story featuring the deteriorated and deplorable physical conditions at the Crespi Park Apartments. The report stated that units experienced fallen ceilings, a compromised roof, mold and insect infestations. The story further quoted a building tenant who stated building conditions had been poor since Hurricane Irma but has been deteriorating further since then. Photos from the report are attached.

On October 9, 2018, City staff met with representatives from MBCDC including its Board Chair, Monica Matteo-Salinas; Ahmed Martin, the agency's new Executive Director; and several members of its legal counsel. Staff expressed concern that the agency's operating missteps and current financial position jeopardized its entire portfolio. In response, MBCDC's representatives stated that

efforts were underway to settle outstanding issues with the County, improve conditions at its properties and reposition its financial standing.

MBCDC has been working with the County to finalize the transfer of the Madison Apartments to the County. The agency contracted with Royal American Property Management (Royal American) to assume property management services at its properties and reduced its staff saving \$25,000 per month in operating costs. MBCDC closed on the sale of the Seymour Building, its corporate offices, on March 6, 2019. MBCDC sold the property for \$2.1 million. After closing costs and the satisfaction of loans, MBCDC netted about \$1.2 million from this sale that will be used to address outstanding property conditions and reposition the agency's financial condition. MBCDC reported at the March 19th NCAC meeting that it has \$3,023,951 in outstanding debt due within the next five years.

At the March 19th NCAC meeting, MBCDC agreed to provide the financial information for its properties as well as its efforts to undertake a joint venture partnership as a means of stabilizing the company and ensuring its future financial health. As of this writing, the City received the operating preforms for most of the MBCDC properties but has not received its operational plan. The City and County have been conducting periodic property inspections to ensure that MBCDC addresses property concerns and adheres to housing quality standards required by the U.S. Department of Housing and Urban Development (HUD). As of this writing, the life safety concerns identified via property inspections conducted by the City and County have been addressed but several items, including the replacement of the ADA chairlift at the Villa Matti which has not been operational since July 2018, remain to be addressed. MBCDC and Royal American have advised that they are addressing issues as resources allow. Both the County and City are conducting bi-weekly property condition updates.

Throughout MBCDC's challenges, the City and County have been collaborating to ensure monitoring of MBCDC with an emphasis on protecting its residents and preserving its affordable housing portfolio. This has included enhanced monitoring of the properties as well as providing support and assisting MBCDC in navigating the municipal issues identified at each property including facilitating interventions with the Finance and Building Departments.

CONCLUSION

The Administration recommends this referral.

KEY INTENDED OUTCOMES SUPPORTED

Ensure Workforce Housing For Key Industry Workers Is Available In Suitable Locations

Legislative Tracking

Housing and Community Services

Sponsor

Vice-Mayor Joy Malakoff

ATTACHMENTS:

Description

- ☐ [Allen Apartments Proforma](#)
- ☐ [Camacho Proforma](#)
- ☐ [Crespi Proforma](#)
- ☐ [Fernwood Proforma](#)
- ☐ [Jefferson Proforma](#)
- ☐ [Meridian Proforma](#)
- ☐ [Michigan Proforma](#)
- ☐ [Pennsylvania Proforma](#)
- ☐ [Shelbourne Proforma](#)
- ☐ [Villa MAria Proforma](#)
- ☐ [Villa Matti Proforma](#)
- ☐ [Westchester Proforma](#)