

MIAMI BEACH

OFFICE OF THE CITY MANAGER

NO. LTC #

549-2018

LETTER TO COMMISSION

TO: Mayor Dan Gelber and Members of the City Commission

FROM: Jimmy L. Morales, City Manager 

DATE: October 12, 2018

SUBJECT: Miami Beach Community Development Corporation

The purpose of this Letter to Commission is to provide the City Commission with an update on Miami Beach Community Development Corporation (MBCDC) and the actions being taken by Miami-Dade County to safeguard the agency's 341 affordable housing units.

As conveyed earlier this year via LTC 159-2018, MBCDC has 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 dire 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 with the County by exploring the possibility of surrendering eight properties, excluding the Crespi Park Apartments. These properties all have County funds and also have City investments remaining under affordability. MBCDC's representatives further stated that the five properties remaining in its portfolio would have low or no debt service and would form the foundation for a new management plan that would regrow the agency slowly as capacity and development opportunities evolved. It should be noted that, according to its Board Chair, MBCDC's Board of Directors is expected to vote on this plan on October 17th.

As a reminder, the City acquired five (5) properties in 2013 from MBCDC to ensure protection of these affordable housing units. Furthermore, the City was required to reimburse the U.S. Department of Housing and Urban Development (HUD) \$1,079,000 from non-federal funds in order to resolve the ineligible use of funds by MBCDC.

If you have any questions, please see me.

JLM/KGB/MLR

Cc: Photos of Crespi Park Apartments



Pictures from NBC6 report that aired October 4, 2018 reporting on Crespi Park Apartments.

