

## SUMMARY MINUTES

### SPECIAL COMMUNITY REDEVELOPMENT AGENCY ADVISORY COMMITTEE MEETING

**November 13, 2006**

A special meeting of the Chairman and Members of the Community Redevelopment Agency Advisory Committee (CRAAC) was held in the North Miami CRA Offices on Monday, November 13, 2006, beginning at 6:10 p.m.

(Phonetic spelling of each speaker's name may be used throughout the minutes unless correct spelling is known.)

#### ROLL CALL

	<b>Absent/ Present</b>	<b>Cumulative From 2/9/2006</b>	
		<b>(P)</b>	<b>(A) *</b>
Blanca Cobo	<b>P</b>	<b>8</b>	<b>1</b>
Inez Couch	<b>A</b>	<b>7</b>	<b>1</b>
Judy Feldman	<b>P</b>	<b>7</b>	<b>2</b>
Dr. Smith Joseph	<b>A</b>	<b>6</b>	<b>1</b>
Michael McDearmaid	<b>P</b>	<b>9</b>	<b>0</b>
Jean Monestime	<b>P</b>	<b>4</b>	<b>0</b>
Jesus Remon	<b>A</b>	<b>5</b>	<b>0</b>
Clark Reynolds	<b>P</b>	<b>8</b>	<b>1</b>
Bill Valentine	<b>A</b>	<b>7</b>	<b>1</b>
Duke Sorey	<b>P</b>	<b>7</b>	<b>1</b>

\* Absences from special or rescheduled meetings are not counted

APPROVAL OF MINUTES: None

## **ITEMS FOR REVIEW AND/OR DISCUSSION**

### **ITEM III - Update regarding the Pioneer Gardens affordable housing development Architect's Construction Cost Estimate, Pre-Development Budget, and Pre-Development Loan Application; and Project Timetable**

The Executive Director provided some background information to give some context as to what is being addressed at this meeting. The agenda packet cover memo outlined the key terms of the recently executed developer's agreement between the CRA and North Miami Housing (NMH) on the Pioneer Gardens affordable housing development. One of the terms in the agreement indicated that various milestones must be met before going forward, including the pre-development budget and plan, which includes an architect's estimate, to be followed by a total development budget. During this meeting this first milestone, the architect's estimate will be discussed, followed by a discussion on the pre-development loan.

The Executive Director explained that the architect's estimate was to be discussed at the October 24, 2006 CRA Board meeting, but it was not ready at that time, so the CRA Board decided to hold a special meeting on November 14. At the last regular meeting on November 2, the CRAAC requested that this Special meeting be held so that Committee members would be able to give their input prior to the Board's meeting the next day.

#### **AFFORDABLE HOUSING HANDOUT**

The Executive Director also reviewed a handout that listed the CRA's Affordable Housing Guidelines. This list, which is available on the website and has been handed out at various meetings, was created in response to many inquiries into the program. It lists the requirements extracted from the Redevelopment Plan, such as residency and income guidelines for prospective housing applicants. Also in the handout is information provided by the County on affordability based on income and family size.

The Executive Director began his presentation on the architect's estimate by reviewing a matrix showing the estimated development costs compared to those presented by North Miami Housing in May 2006. The numbers reflect the latest project cost estimate of approximately \$37 million including all soft and hard construction costs, except the development fee which is estimated at about \$5 million. This leads to a per unit estimate of \$270,840 which is higher than the \$225,000 sales price limit for the Miami-Dade Affordable Housing program which the CRA has been using as a "governor." The CRA's hope was that the final number would be below the \$225,000 figure to provide the CRA with the greatest opportunities to use alternative funds. He then gave the floor to Mr. Otis Pitts of NMH.

#### **PRESENTATION BY MR. PITTS**

First he wanted to all present to understand that they had gone beyond what most architects do and went ahead to provide the soft costs involved in the project. He then explained how the information contained in the packet had been put together. He said that the Pioneer Gardens site has saddled the developers with several unusual obstacles that have all added to the estimated cost. The first page of the NMH estimate shows the "normal" costs, absent the unique conditions associated with this project which leads to about \$220,000 per unit. Appendix A shows those

unique factors which have added to cost, adding up to about \$270,000 per unit. He concluded that were it not for the obstacles unique to this project, as outlined in Appendix A, the cost would be below the \$225,000 goal.

He then said that as the cost is higher than the \$225,000, it would need to be subsidized down. This can be accomplished by selling some units at above \$225,000 to subsidize the other units. He added that they have brought with them examples of housing that is below the standards of the Pioneer Gardens project that is selling for more than \$300,000 in the market. To summarize the issue Mr. Pitts stated that “it is what it is. It costs what it costs.” He said they can’t do much about the *cost*, but something can be done about the *price*. From his experience, this happens all the time in affordable housing, where you write down the costs of construction. To illustrate his point he gave the example that the price of bricks would not be lower in a depressed area when compared to a rich area – it costs what it costs. He also said that you could bring down the quality to reduce the cost, but the project that has been chosen by the CRA Board is a quality product, something the City and CRA can be proud of. So he asked the CRAAC to decide, by how much do you want to subsidize the cost?

Judy Feldman requested that Mr. Pitts explain what makes this particular project more expensive, and he explained how the analysis in Appendix A breaks it down. Ms. Feldman understood about the higher costs due to the location and configuration of the land, but she questioned some items such as fencing, which she thought would be a normal cost. Mr. Pitts replied that something like the fence is not required, but it was a decision made by the Board that adds to the cost.

Chair Clark asked about the relocation of the force main. Mr. Pitts explained that this is a 12” force main owned by the City that the City wants the developer to relocate to the perimeter of the project. The Executive Director added that the \$400,000 estimate in Appendix A is at the lower end of the scale and may go higher if the City decides to upgrade the pipe.

Chair Clark then asked about the 4<sup>th</sup> Avenue extension estimate of \$600,000. The Executive Director explained that the T plat that is currently under review with the County, shows the road being completed. However, the developer is recommending that a less onerous alternative be considered, such as only building a single lane of traffic. The \$600,000 estimate in the estimate is for such a reduced alternative and if the full 2 lanes become necessary, the cost could go up to over \$1 million. On the other hand, if they are able to keep it as simple green space, the \$600,000 in the budget could be reduced. Ms. Feldman then asked if there is a reason not to keep it as green space. Is it needed for ingress/egress? The architect, Mr. Clyde Judson, referred to the site-plan to describe circulation features and the various options for the 4<sup>th</sup> Avenue extension. He noted that the expansion does not improve the internal circulation of the project.

#### MOTION

Made by Judy Feldman, seconded by Michael McDearmaid

**In an effort to possibly reduce the project cost and eliminate the possible need to revise the project site plan due to set-back issues that could result from the proposed extension of NE 4th Avenue, the CRA Advisory Commit-**

**tee support an alternative to the proposed extension including the modification of the site plan to eliminate the proposed extension.**

*Motion passed 6 to 0*

Tom DiGiorgio, acting as the construction manager for the Pioneer Gardens project, provided some more information related to the additional, unique cost increases presented by the Pioneer Gardens site. He said that it's not just development costs, but construction costs that are higher because of the site conditions. The ground in Pioneer Gardens is not stable and will require pile construction which is significantly more expensive.

Ms. Feldman asked about the soil composition of the site. Mr. DiGiorgio said it is muck, then some more muck than gravel, sand, etc. He explained that they will be essentially ignoring the muck, by using auger cast piles driven to solid ground, creating a structural slab that "floats over" the muck. For the paving surfaces they will need to bring in some dirt to stabilize.

Co-chair Michael McDearmaid asked what the cost per square foot would come out to, and it was calculated to be approximately \$211/ sq. ft., (\$270,000 / 1,280 square feet). The Executive Director added that this cost does not include the cost of the land nor the developer fee.

Chair Clark expressed his concern that there are always unforeseen costs that will come up, so that the Committee must consider the project costing \$300,000 per unit by the time people move in. He asked what will that do in terms of financing. Does that mean purchasers will not get any of the County's affordable housing funding? The Executive Director said that if the purchase price is over \$225,000, none of the purchasers would qualify for the County surtax assistance. Also, any purchaser who exceeds 120% of area median income (AMI), does not qualify for CRA subsidy, per the redevelopment plan. Therefore, units at Pioneer Gardens would not be able to be purchased by those in the CRA's target range of 50% - 120% of AMI. This becomes a market rate housing project, *unless* ways can be found to mix incomes to cross-subsidize units. There is also a \$50,000 subsidy limitation per the redevelopment plan that must be considered even for those purchasers that meet the CRA's requirements. The CRA Attorney said that they have not reviewed the feasibility of the CRA building any market rate units. There needs to be analysis of this issue if it looks like the CRA may be going down that road.

Duke Sorey asked, "Why are we calling this affordable housing if it's not affordable?" Mr. Pitts explained that there are several issues, starting with the County's limit of \$225,000. He felt that this number may be increased in the same way that other counties have raised their maximum "affordable" sales price. Nadine Pierre-Louis added that you should not confuse the "cost" of the housing with the "price" of the unit, which is really a policy decision. Mr. Clark asked if that meant that the CRA must decide how much of the cost the CRA would need to absorb in order to make it affordable, and Ms. Pierre-Louis answered yes.

The Executive Director provided an overview the way the project has been structured up to this point. Using the cost estimate from a few months ago, the CRA was assuming a cost below the \$225,000 figure, or about \$190,000, excluding the development fee. The notion had been that the CRA would recover all the costs from the sales price, not including the developer's fee. But now the discussion has changed due to some increased costs. Now the issue is whether or not there

are there alternative funding sources, such as the City. Does the CRA have other money to pay for things? Chair Clark understands that the costs have gone up in construction tremendously, and he's aware of various developments that have been cancelled around South Florida. Mr. Sorey said that even at the original cost estimates, it would have been really tough for some of the targeted groups to qualify for this housing. And now it is beyond their means, so why are we building it? The Executive Director said the only way they would be able to afford the units is with the cross-subsidies. Mr. McDearmaid said that the CRA is between a rock and a hard place, as the CRA Board isn't likely to agree to give more money. He also asked if the CRA would have to pay the same developer's fee for the market rate units as the affordable units. Mr. Pitts said tentatively "yes." Mr. Pitts went on to say that this problem is facing every affordable housing development around the country that he has been following, and that CRAs must be creative in finding ways to reduce the cost to the final end user.

Mr. Monestime said that he is glad to have a group like NMH working on this project, and he believes the costs really are what they say. He feels that the units can sell for the "market rate" as presented, as they are good quality. He also suggested that this is the CRA's signature project, and that there will be many people watching. However, he agreed with the conclusion that even if someone is making \$50,000 per year, and the CRA gives them a \$50,000, they still cannot afford to buy one of these units.

Mr. Pitts responded that the notion of what is "affordable" is constantly changing. What has driven this increase is that costs have gone up. And he does not think costs are going to go down, so waiting and restudying the design will not bring prices down. Beyond the construction costs, he asked members to consider that property taxes and insurance are also increasing. He feels that the CRA will have to produce housing options for a continuum of income groups, and that this particular project may fall in the higher end. He does not feel it will be able to accommodate those making \$50,000.

Mr. Monestime also suggested that creative financing options should be examined. For example, the 50 year mortgages that reduce monthly payments even though the interest rate would be a bit higher. Therefore, rather than looking at sales price to income, we should consider actual monthly payments to income. The credit market is very competitive. Michael McDearmaid added that they are beta testing the 50 year mortgage and that may be an option and others have brought up other creative ideas. However, these are just ideas, and he has not seen concrete plans. And he added that the CRA Attorney still needs to review certain legal issues related to these ideas. So he felt there wasn't anything that he was comfortable in recommending to the CRA Board.

Mr. Pitts reiterated that affordable housing requires subsidy. These costs should be absorbed by a variety of government and nonprofit entities, and for Pioneer Gardens, some kind of cross-subsidization based on selling some units to higher income groups. His job as the developer is just to tell the CRA what the costs are, and the rest is up to the them. To simply kick the can down the road will likely only increase the costs.

Tom DiGiorgio said that he is working on various projects like this with other CRAs, and all these CRAs are facing the same decisions. Therefore, the NMCRA must make policy decisions

to determine what it will cost for someone to move into to Pioneer Gardens. He noted that other CRAs deliver “pad-ready” properties to developers, and that some these costs are listed in the Appendix A of the NMH handout. He added that it would be nice if Pioneer Gardens was being built in a suburban environment, but it’s not, it’s urban – by definition this is redevelopment, and that brings with it problems such as those the developers are facing here. The design already accommodates the greatest number of units onto this piece of land and at the best price, so the only decision left is how will the CRA decide to subsidize buyers to live there. The costs listed in the handout are already the best costs he could get, by bidding out each item to 3 vendors including some of the biggest in the business. Mr. DiGiorgio reiterated that the Committee needs to make the policy decision. Start with cost to build, decide what the CRA is willing to pass to the end user, and then the CRA must fill the gap.

The Executive Director said that actually those policy decisions have already been made and are reflected in the approved redevelopment plan, so what NMH is asking for is a change in policy. The current policy is that the CRA would provide the site at no cost, pay for the developer’s fee, find buyers and subsidize them for up to \$50,000, and all additional costs would be covered by the sale of the units.

Annie Montgomery, an audience member, felt that housing at this price is simply not affordable, and there are others producing units for less, and for a profit. She gave as an example a developer on NE 3<sup>rd</sup> Court that is selling units for \$190,000, and he had to pay for the land (Oaks Condominium). This is also an infill project. She said the units are a little smaller, but some people simply may have to live with smaller units if they want to purchase a new home.

Mr. Pitts brought up other projects currently being built in North Miami, including some that were selling at \$259,000, but are now selling for more than \$300,000. Nadine Pierre-Louis described some townhouses located on Memorial Drive and NE 139<sup>th</sup> Street – she passed out a flyer showing the artist rendering of the units that are relatively small. She said that you should not compare Pioneer Gardens to a condominium project such as the Oaks, and that a better comparable would be further up Memorial Drive in unincorporated Miami-Dade, being sold at \$349,000, and they are all sold out.

Mr. McDearmaid asked the Executive Director, what is the duty of the CRAAC relative to this issue in light of the CRA Board meeting that is taking place the next day? The Executive Director explained that this is simply a discussion item at this meeting as well as at the Board’s meeting. Although not required that day, at some point the CRA must deal with the acceptability of the costs as presented by NMH.

Vice-Chair McDearmaid said that he didn’t see ways to change the project to reduce costs without hurting the quality and marketability of the units. Ms. Feldman suggested that the future of affordable housing is to be smaller. However, she realizes that re-designing is probably pointless because the prices are escalating and this would cause further delays.

Blanca Cobo said that they need to convince the CRA Board that they need to find better ways to subsidize the units to make it affordable to the target group. The Chair asked members if they are

therefore comfortable with the cost estimate, and they agreed – “the cost is the cost.” Ms. Cobo also wants the project to be of a superior quality to the comparables shown.

The Executive Director suggested that there is another side of the issue they should consider. He asked the Committee, to what extent do you support the project being aimed at the “workforce” end of income spectrum? That is, with the price increase, should the CRA consider selling to those making 140 or even 160% of AMI to provide additional subsidy to those making 50-120% of AMI.

Mr. Pitts suggested that another benefit of having the mixed income within the units is that you are creating a more stable community. He said that there is a lot of this kind of thing happening around the country, and very successfully. He added that a high percentage of condominium owners default in the 4th or 5th year because they only met the absolute minimum requirements to purchase a unit. For example, if a marginal buyer bought a unit and then was hit with a 300% increase in insurance, that may be enough to force them to lose the property. Mr. DiGiorgio added that he can show them examples of mixed income projects as close as Pompano Beach that have been successfully built and marketed.

The CRA Attorney noted that what is being discussed is actually “workforce” housing, and not really “market rate” housing. He asked about the tax implications of selling the unit to one person at a different price than the neighbor. Is the property assessed at an average price? Mr. DiGiorgio answered that the property tax is determined by the sales price, not looking at what else is in the community. The attorney also asked if they were planning to offer different packages depending on sales price, such as stainless steel appliances, etc, and the answer was no.

The CRA Attorney added that one of the things the CRA can do, is provide subsidies to the association for maintenance, to help keep the monthly carrying costs down. Operational costs are something the CRA is legally allowed to fund.

In discussing the motion, Chair Clark asked if they would like to list some of the ideas that had been discussed in the meeting, but those making the motion felt they should not specifically provide ideas to the board, but should simply state the goal and leave the decision to the Board.

#### MOTION

Made by Michael McDearmaid, seconded by Duke Sorey

**The cost of the Pioneer Gardens housing units as presented at this meeting, based on the estimates provided by North Miami Housing as of November 8, 2006 is not affordable for the people they were originally intended, residents making between 50% to 120% of the Area Median Income (AMI.) for Miami-Dade County. The Advisory Committee therefore asks the CRA Board to find alternatives to make these units affordable to the original targeted income groups.**

*Motion passed 6 to 0*

## DISCUSSION ON THE PRE-DEVELOPMENT LOAN BUDGET

The Executive Director reviewed the Attachment Regarding Pre-Development Loan Budget, with the first column containing the preliminary budget and then the revised budget in the next column provided on November 1, followed by some comments to this draft. In the far right column is the revised draft budget provided by NMH on November 9. The pre-development budget request is now \$3.4 million, where it used to be \$2.6 million. The CRA is still reviewing this as the goal was to keep this loan in the \$2.6 million range in order to protect the CRA's exposure in terms of loan to value ratio. He asked for any comments or questions from the Committee.

Mr. Pitts explained that they have gone to the marketplace and these are the numbers they have. Mr. Jim Coffee, the finance director from Biscayne Landing, explained that the main reason for the higher pre-development budget is the increase of about \$440,000 in expected Permits and Impact fees to the County. These fees were going to eventually have to be paid anyway, but the County is requesting those fees be paid at the pre-development stage when they approve the plans rather than when permits are being issued, which is the norm in other counties. The Executive Director asked if there is a written determination that says that these fees must be paid at this stage. He explained that the entire idea of the pre-development loan was to separate out those costs from costs that are related to the final construction loan. He also noted that Committee should be aware that there is a condition in the development agreement that states that if something goes wrong, the CRA would have to repay the pre-development loan. So we need to make sure that we only borrow what we need to borrow to get to the point where construction starts.

### MOTION

Made by Michael McDearmaid, seconded by Jean Monestime

**The CRA Advisory Committee supports the requested budget submitted by North Miami Housing for the A & D loan in an amount up to \$3.4 million subject to the resolution by the Executive Director of the issues surrounding the timing of the payment of County impact fees.**

*Motion passed 6 to 0*

Meeting adjourned at 7:50 pm.