

Good morning

My name is Michael Berman, I am a resident of Miami Beach, and I have been active in the affordable housing finance arena for the last 30 years. In 2012-14, I served as Senior Advisor to HUD Cabinet Secretary Shaun Donovan. Most recently, I have participated in my role as a Senior Fellow at the Harvard Joint Center for Housing Studies, as a Board member of Enterprise Community Investment, and as a member of the Greater Miami Chamber of Commerce Housing Solutions Committee.

Thank you for your focus on our affordable housing crisis in Florida and more specifically in Miami-Dade County.

I would like to make 2 very brief conceptual recommendations which are focused on the state tax arena in order to provide funding for affordable housing.

First, regarding the preservation of housing and, specifically the conversion of existing rental housing units to workforce and affordable housing, I would recommend that you consider proposing legislation which would create a TAX ABATEMENT PROGRAM directed to existing rental housing. The big picture concept is to create incentives for high end rental property owners to reserve say 5% to 10% of their units for housing to be rented at rates affordable to tenants at say 80 to 120% of median income. This program would allow local municipalities to grant tax abatements to these properties for a period of time – say 10-15 years - that would correspond to the commitment period for keeping rents at these affordable levels. When combined with subsidies and other incentives, this could be the impetus to convert many units from high end properties to workforce and affordable units, without the cost of new construction.

Second, as you are aware, we have a dire need for new funding sources for affordable housing. We are also aware that recommending any new tax is a highly charged topic. There are many homes in Florida sold for over \$1Million which are non-homestead houses. My recommendation is that a NEW TAX of between ½% to 1% of the sales price of each of these transactions be levied and dedicated to affordable housing. One of our goals in recommending the design of this new tax is to direct the tax only to those for whom Florida is not their residence – by definition, these luxury house purchases are vacation and/or investment homes, the purchase is a voluntary choice for pleasure and/or investment, rather than a need. Obviously, these transactions are important to our economy and to those who serve the individuals who purchase these properties, so the amount of the tax should not be overly burdensome. Again, there are no easy ways to raise tax revenue, but we clearly need new sources of revenue, to enable our efforts to help our residents who are low income, very low income, and extremely low income citizens of our state. We believe this new tax can be designed to meet the careful policy balancing needed - on one hand, it would not be overly burdensome, while on the other hand, it can provide necessary funding to help achieve our goal of providing new funding to help our most vulnerable citizens.

AIRBNB HURTS HOUSING.

Vacation rental companies, like Airbnb and HomeAway, directly impact local housing markets. A homeowner can obtain a higher profit by renting on a popular website than by renting to a local resident. As of June 4, 2017, there were 9,608 active Airbnb listings in Miami-Dade County, 81% of which were for "Entire Homes." Entire-home listings—where the guest has complete and sole access to the whole unit while renting—are the listings most detrimental to housing. Even more so when such listings are managed by hosts overseeing multiple entire-home listings at a time.

The impact of one person listing one unit at a time is minimal. The impact of a commercial entity listing 5, 10, or 20 units at time can be devastating for communities already on the cusp of gentrification.

WHAT CAN WE DO ABOUT IT?

Several cities have implemented strategic methods to address the impact of vacation rental companies on housing markets. For example, New Orleans adopted a \$1 nightly fee per rental and deposits the revenue in an affordable housing fund. Airbnb supported this nightly fee. A similar nightly fee from all vacation rental platforms is a viable option for Miami-Dade County that can be deposited into the Affordable Housing Trust Fund and used to create and preserve affordable housing in our community. A minimum of \$1 per night from the 9,608 active Airbnb listings in June 2017 would have generated roughly \$1.7 million based on a 6-month occupancy rate. This revenue would help soften the impact on housing affordability and would be a new and steady source of revenue for housing in Miami-Dade County that is not tied to the Federal or State budget. Furthermore, it would not place additional burdens on county residents.

WHAT'S STOPPING US?

The State of Florida preempts local governments from effectively regulating vacation rentals and/or seeking taxes or fees from vacation rental companies to account for their impact on housing. This means that companies like Airbnb and Homeaway must voluntarily collect a nightly fee if we are to implement this system in Miami-Dade County. This also means that while vacation rentals continue to operate, housing continues to be negatively impacted by their presence and local governments cannot collect any funds in order to adequately address the impact.

We need the Florida Legislature to allow local governments to tax vacation rental companies for the benefit of housing affordability.



2017-2018 LEGISLATIVE PACKAGE ISSUE SUBMISSION FORM

******NOTE: The following is an internal submission by the Housing Solutions Committee to the Chamber as a whole. As such, the information provided below comes from the Greater Miami Chamber of Commerce Housing Solutions Committee *only*.******

COMMITTEE: GMCC Housing Solutions Committee

PRESENTED BY: Carlos R. Fernandez-Guzman and Bobbie Ibarra

ISSUE (short title): Full Appropriation of the Sadowski Housing Trust Fund to housing

[REDACTED]

I. Issue Brief (attach proposed authorizing or appropriations legislation if applicable):

The Sadowski Housing Trust Fund (Sadowski Fund) was established by the Sadowski Affordable Housing Act in 1992 in an effort to create a dedicated source of revenue for affordable housing programs, including the Florida Housing Trust Fund, and such things as down-payment and mortgage assistance for first-time homebuyers and support for new construction and rehabilitation of properties for rental and ownership.

The documentary stamp tax is the sole source of funding for the Sadowski Fund. Between 2008 and 2016, \$1.8 Billion of the Trust Fund's revenues have been swept into the general revenue fund. In 2011, 100% of the Sadowski Fund was swept into the general revenue fund. The raiding of the Sadowski Fund is estimated to have removed over 162,000 affordable housing units from our inventory.

II. Background – Describe the current situation and the community/economic impact of the proposed change

Miami continues to suffer from a severe lack of affordable housing, particularly for low-income workers. The Center for Housing Policy estimates that the Miami metro market has the highest severe cost burden for working households in the country. The Center for Housing Policy estimates that of the 700,000 working households in the Miami metro area, nearly 200,000 are spending more than half their income on housing costs due to the shortage of affordable housing. These figures are increasing: in 2000 one in four renters paid more than half their income on rent, while in 2010, one in three renters paid more than half their income on rent. The challenges are even greater for low-income workers who fail to earn enough to afford the median rent in Miami-Dade County. In order to afford rent for a 1-bedroom apartment in Miami-Dade County (by spending no more than 30% of your income on rent), the median annual income need is \$35,040, an amount that is unaffordable or impossible to meet for working households earning minimum wage at \$7.93 an hour or \$14,997 annually. This dire situation is getting worse: housing costs are continuing to increase faster than incomes. In fact, the number of jobs in Miami-Dade County employing more than 10,000 workers and paying less than \$20 per hour is projected to increase by 10% through 2020. Representing 30% of the Miami-Dade workforce, these workers are a significant piece of our local economy.

This serious lack of affordable housing is not only detrimental to the individuals and families who cannot find a place to live, but also produces catastrophic effects on the county's economic vibrancy. Studies show that housing availability is key to attracting new employers, since employees are likely to take and retain jobs they can afford to live near. Almost 60% of Miami-Dade County Chamber of Commerce members reported that rising housing costs make it difficult to recruit employees. Housing availability will directly benefit businesses with lower turnover rates, increase production rates, create new jobs, and increase consumer activities. The local economy will also benefit from building materials, income taxes, permit and impact fees, and other fees associated with construction and development. In fact, a 2012 study from the University of Florida estimated that the state and federal housing programs administered by the Florida Housing Finance Corporation produced 41,260 jobs, \$4.8 billion in total economic input, and \$1.7 billion in labor income in 2010. Affordable housing can boost property values, especially when it replaces vacant or blighted properties. Additionally, as working households live more affordably, these households will have increased disposable income to spend on goods and services in the local economy. Affordable housing is key to attracting and retaining high quality workers, maximizing business impact, and boosting our local economy.

In response to growing housing needs, the Florida legislature enacted the Sadowski Act in 1992 to establish a source of revenue for affordable housing programs for workforce renters. The Sadowski Fund is financed via a documentary tax on real estate transactions. The Sadowski Fund is used to finance two affordable housing programs: the State Housing Initiatives Partnership (SHIP) which provides funding for construction of affordable ownership housing; and the State Apartment Incentive Loan (SAIL) which provides funding for multifamily rental housing. Together, these two programs are critical to acquiring federal funding for any affordable housing development.

During the past five years, the Florida Legislature has swept aside a significant amount of the documentary stamp tax revenue for the general budget. As a result, since 2008, funding to municipalities from the Sadowski Fund has decreased by 95%. The decrease in funding most significantly represents a forfeiture of federal subsidies that are available for affordable housing. Federal subsidies, including tax credits, can only be used in conjunction with SHIP and SAIL dollars. Without SHIP or SAIL funding, federal subsidies cannot be used and Florida forfeits the opportunity to bring hundreds of millions per year in housing production and economic benefit. In fact, from 2011 to 2013, Florida forfeited a total of \$1.539 billion in federal and private resources because SAIL funds in the amount of \$221.6 million from the Sadowski Fund were not appropriated to housing. It is crucial to ensure adequate funding of the Sadowski Fund in order to make use of federal subsidies that are necessary to developing affordable housing. If funds had been allocated to affordable housing as originally intended, Miami-Dade County and its municipalities would have received over \$14 million in revenue in 2016.

If the Fund were financed by the entire documentary stamp tax, the impact on workforce housing would be instrumental to revitalizing the Miami economy and community. In fact, if the full amount available for appropriation from the Sadowski Fund (\$292,370,000) for 2017-2018 were allocated to housing as originally intended, the Florida Housing Coalition estimates that the Florida Legislature can create nearly 29,000 and over \$3.8 billion in economic impacts for Florida.

III. REDACTED

IV. In what way does this positively affect the business community?

The lack of affordable housing is the largest obstacle the Miami metro market faces in retaining workers, attracting new employers, and increasing jobs. Miami has the largest rent burden for working households in the county, and incomes are continuing to lag behind rent costs. By creating affordable housing opportunities for the county's workforce, the county will be able to improve workforce retention, create stable jobs and business opportunities, and increase Miami's regional economic competitiveness. The housing gap is a major obstacle to retaining high quality workers, as it is increasingly difficult to maintain a job that is not located near affordable housing. By creating more housing opportunities, working households will be able to live near jobs, maintain job security, increase disposable income, contribute more dollars to the local economy, and increase the City's regional economic competitiveness. Businesses will also benefit from decreased turnover rates, increased production rates, and increased consumer activities. As a result, the county will attract new employers due to availability of higher quality workers. Additionally, the county will benefit from increased material and development fees, increased property values, and a boost in the economy from the increase in disposable income.

Affordable housing is also cost effective when compared to medical and criminal justice costs. According to the U.S. Interagency Council on Homelessness, the cost per day of affordable housing is \$31 compared to \$87 in jail costs and \$907 in emergency room costs. Affordable housing continues to have a spillover effect on education by allowing children to move less, live in stable neighborhoods, in higher quality housing that has a decreased possibility of dust, mold, or other irritants. Frequent moving, overcrowding, homelessness and poor housing quality have been linked to lower educational attainment in children.

Together, this business impact would yield crucial and significant effects on revitalizing our communities, creating new and safe public spaces, reducing sprawl and blight, and producing economic benefits that will increase the county's economic competitiveness.
