



Miami-Dade's Discretionary Surtax Supports Affordable Housing for Low-income Residents; Recent Changes Will Improve the Program

at a glance

Since OPPAGA's 2012 report, discretionary surtax program administrative costs have met statutory requirements. During the review period, administrative costs comprised less than 10% of the total surtax revenues. However, expenditure requirements for homeownership programs have not been met in recent years. For most of the review period, program expenditures did not meet the statutory requirement that no less than 35% of funds be used for homeownership.

Loan collectability also remains an issue and 37% of loans in repayment are in default or there is lack of payment due to project cash flow. During the review period, \$4.9 million in loans were written off as uncollectable. However, the county has recently made several changes to reduce risk and improve collectability of surtax loans.

Performance data is now being collected but is not yet reported to policy makers in a consistent manner. Program officials report that they are revising internal policies and procedures and plan to implement a new reporting procedure that will summarize program performance information.

OPPAGA analysis found that surtax funds have financed affordable rental housing projects in areas of Miami-Dade County where a majority of the renter population is low income and cost burdened. We also found that surtax funds have provided rental housing in low-income areas where over 25% of the renter population is severely cost burdened.

Scope

Section [125.0167\(8\)](#), *Florida Statutes*, directs OPPAGA to review discretionary surtax programs operated by counties and report to the Legislature by June 30, 2012, and every five years thereafter. This is the second report OPPAGA has issued pursuant to state law.¹ The review period is Fiscal Year 2011-12 through Fiscal Year 2015-16.

Background

Section [125.0167\(1\)](#), *Florida Statutes*, allows certain counties to levy a discretionary surtax for providing low- and moderate-income housing. The tax applies to deeds and other instruments relating to real property in an amount not to exceed 45 cents per \$100; the statute exempts real property transactions involving single-family residences.^{2,3} Currently, only Miami-Dade County assesses the discretionary documentary stamp tax.⁴

Surtax funds must be used to purchase, construct, or rehabilitate housing for low-income families. The law prohibits the use of discretionary surtax funds for rent subsidies or grants and provides that affordable housing funds be used to

- finance the construction, rehabilitation, or purchase of rental housing units;
- rehabilitate single family housing units; and
- provide homeownership assistance through affordable second mortgages.

¹ *Miami-Dade's Discretionary Surtax Provides Benefits; Accountability Processes Should Be Improved*, OPPAGA [Report No. 12-08](#), June 2012.

² The statewide documentary stamp tax is 70 cents per \$100, except in Miami-Dade County, where it is 60 cents per \$100.

³ Condominiums are considered single-family residences under this law.

⁴ Hillsborough and Monroe are the only other counties eligible to levy the discretionary surtax, but they would have to make significant changes to their Home Rule Charters to do so.

Surtax funds must be used for low- and moderate-income families. A low-income family’s income cannot exceed 80% of area median income. The current area median income for Miami-Dade County is \$51,800. Thus, a low-income family, depending on family size, would have an annual income ranging from \$42,300 (family of one) to \$60,400 (family of four); the maximum allowable income increases for each additional family member. A moderate-income family’s income cannot exceed 140% of area median income. State law requires that no less than 50% of surtax funds be for the benefit of low-income families.

Three entities use surtax funds in Miami-Dade County. The county authorizes three entities to expend surtax funds: the Department of Public Housing and Community Development (PHCD), the Miami-Dade Economic Advocacy Trust (MDEAT), and the Community Action and Human Services Department. (See Appendices A, B, and C for additional information about each entity.)

The **Department of Public Housing and Community Development** uses surtax funds to support three areas: administration; homeownership programs (second mortgages, rehabilitation, paint and shutter loans, beautification loans, and homebuyer education and counseling services); and rental construction (multi-family new construction and the rehabilitation of existing properties). The **Miami-Dade Economic Advocacy Trust** uses its surtax revenues for administration and homeowner assistance through down payment and closing loans. The **Community Action and Human Services Department** uses surtax funding for home rehabilitation, beautification, and paint and shutter loan programs to assist seniors and

low-income individuals with home repairs, painting, and weatherization.⁵ (See Exhibit 1.)

Exhibit 1
Three Entities Expend Surtax Funds for Several Homeowner Assistance and Loan Programs

Programs	Department of Public Housing and Community Development	Miami-Dade Economic Advocacy Trust	Community Action and Human Services Department
Home Mortgage Assistance	✓		
Down Payment/Closing Costs Assistance		✓	
Rehabilitation Loans	✓		✓
Beautification Loans	✓		✓
Paint and Shutter Loans	✓		✓
Homebuyer Education and Counseling Services	✓		
Multi-family Rental Construction or Rehabilitation	✓		

Source: Miami-Dade County.

Miami-Dade County receives surtax funds from the Department of Revenue and distributes 92% of these funds to PHCD and 8% to MDEAT annually. PHCD further allocated approximately \$3 million over the review period to the Community Action and Human Services Department.⁶ Surtax revenues distributed to these three entities exceeded \$181 million over the last five fiscal years.⁷ In Fiscal Year 2015-16, PHCD received \$40.6 million in surtax funds, followed by MDEAT with \$3.5 million; the Community Action and Human Services Department did not receive surtax funds during this period. (See Exhibit 2.)

⁵ For these loan programs, PHCD processes and services loans and monitors loan terms, and the Community Action and Human Services Department handles the loan application process and hiring of contractors and inspectors.

⁶ PHCD holds an interlocal agreement with the Community Action

and Human Services Department to administer the rehabilitation, paint and shutter, and beautification loan programs.

⁷ Florida counties operate on the federal fiscal year, October 1 to September 30. Thus, the county’s Fiscal Year 2011 would be from October 1, 2010, through September 30, 2011.

Exhibit 2

During the Review Period, Miami-Dade County Received \$181.6 Million in Surtax Revenues

Discretionary Surtax Revenues				
Fiscal Year	Department of Public Housing and Community Development	Miami-Dade Economic Advocacy Trust	Community Action and Human Services Department	Total
2011-12	\$18,677,225	\$1,667,318	\$496,938	\$20,841,481
2012-13	28,074,780	2,441,285	0	30,516,065
2013-14	37,211,684	3,366,233	1,500,000	42,077,917
2014-15	39,464,930	3,518,690	1,000,000	43,983,620
2015-16	40,635,375	3,533,511	0	44,168,886
Total	\$164,063,994	\$14,527,037	\$2,996,938	\$181,587,969

Source: Miami-Dade County.

During the review period, the county issued 2,327 loans totaling \$151.7 million in surtax funds. Developers received 81.5% of the funds (\$123.7 million) to construct or rehabilitate rental housing. (See Exhibit 3.)

In addition to loans issued, the county also contracted with five entities to provide homebuyer education and counseling. These five entities received \$635,500 over the review period and served 1,500 households.

Exhibit 3

Miami-Dade County Issued 2,327 Loans Using \$151.7 Million in Surtax Funds in the Last Five Fiscal Years

Loan Type ¹	Number of Loans	Loan Amounts
Rental Housing	47	\$123,653,306
Second Mortgages	265	15,358,102
Down Payment/Closing Costs Assistance	1,709	10,322,734
Beautification	252	1,253,065
Rehabilitation	33	982,068
Paint and Shutter	21	126,313
Total	2,327	\$151,695,588

¹ Homeowner down payment/closing costs assistance loans are provided by the Miami-Dade Economic Advocacy Trust. All other loans are provided by the Miami-Dade Public Housing and Community Development and Community Action and Human Services Departments.

Source: Department of Public Housing and Community Development and Miami-Dade Economic Advocacy Trust.

Prior Findings

OPPAGA’s prior report found that Miami-Dade County’s discretionary documentary stamp tax provided dedicated funding for affordable

housing, with surtax revenues exceeding \$100 million over a five-year period. At the time of the review, two county agencies—Department of Public Housing and Community Development and the Miami-Dade Economic Advocacy Trust—used surtax funds to provide homebuyer and homeowner assistance, education and counseling, and rental housing construction and rehabilitation. Community Action and Human Services Department staff also supported certain surtax homeowner assistance loan programs during the period examined in the first review.⁸

In 2009, the Legislature amended s. 125.0167, *Florida Statutes*, requiring that no more than 10% of each year’s new discretionary surtax revenues be used for administrative costs. Our 2012 review found that in accordance with this statutory change, PHCD and MDEAT were allocating 10% of new surtax revenues for administrative costs. However, the agencies also were allocating other surtax-related funding for administrative expenditures. The additional funds for administrative expenses came primarily from three sources: surtax loan repayments, investment income, and fees.

In addition, our prior review found that PHCD’s commitment to facilitating homeownership was evident in surtax loan provisions, which included low interest rates, low monthly repayment schedules, deferred payments, and forgiving all or a portion of some loans. Developers relied on surtax funds to complete complex financing arrangements needed for multifamily developments and also benefitted from favorable

Community Action and Human Services Department. Staff within the two agencies performed duties related to surtax-funded homeowner assistance projects during the original review period.

loan provisions. In 2012, department officials estimated that \$235.7 million of \$305.2 million, or 77% of the total loan portfolio at the time, may never be collected. Estimates for uncollectable loans included a portion of homeowner loans that may default when loan payments gradually increase according to repayment schedules, developer loans that will be refinanced at term due to cash flow restrictions, 100% of deferred loans, and loans that will be forgiven.

Finally, our prior review found that PHCD did not have a comprehensive measurement system to assess surtax outcomes. To address this concern, we recommended that the department revise its performance management system to include additional surtax-related measures such as

- number of people served, delineated by income, age, family size, and other demographic characteristics;
- number of new units produced under each surtax loan or activity and average cost of producing units;
- percentage of potential homebuyers who completed homebuyer education and counseling and successfully obtained a home loan within 12 months;
- percentage of loan recipients making loan payments (by type) who are current on their loans and percentage of loans by type that are not current or are deferred;
- number of development projects that received a surtax local match commitment and the number of development surtax loans executed;
- percentage of low-income multi-family housing units funded by surtax revenues as a proportion of total units; and
- rental units lost to bankruptcy or foreclosure.

Current Status

Surtax expenditures meet most statutory requirements; funding levels for homeownership fall short

Expenditure of discretionary surtax funds is subject to several statutory requirements. State law requires that no less than 50% of surtax funds be used to benefit low-income families.⁹ It also requires that no more than 10% of surtax revenues be used for administrative costs.¹⁰ Of the remaining funds, no less than 35% may be used for homeownership programs and no less than 35% may be used for rental construction.¹¹

Administrative costs amounted to less than 10% of total surtax revenues during the review period. During Fiscal Years 2011-12 through 2015-16, administrative costs comprised less than 10% of the total surtax revenues received by the county. Specifically, administrative costs totaled \$13 million during the review period. The percentage of administrative costs to total surtax revenues ranged from 5.2% to 9.3% over the five-year period. (See Exhibit 4.)

Exhibit 4 Administrative Costs Amount to Less Than 10% of Surtax Revenues

Fiscal Year	Surtax Revenues	Administrative Cost	Percentage of Total Surtax Revenues
2011-12	\$20,841,481	\$1,938,446	9.3%
2012-13	30,516,065	2,237,080	7.3%
2013-14	42,077,917	3,048,882	7.2%
2014-15	43,983,620	2,271,482	5.2%
2015-16	44,168,886	3,519,741	8.0%
Total	\$181,587,969	\$13,015,631	

Source: OPPAGA Analysis of Miami-Dade County Data.

OPPAGA’s 2012 review found that the department was supplementing administrative costs with loan repayments. However, PHCD has not done this in the last four years. PHCD staff report that there has not been a need to use loan repayments to supplement administrative costs due to increases in surtax collections in recent years. The

⁹ Section 125.0167(1), F.S.

¹⁰ Section 125.0167(4), F.S.

¹¹ Section 125.0167(5)(a), F.S.

department continues to supplement administrative costs with interest on investments and fees.

More than 50% of surtax funds have provided housing assistance for low-income families. Several surtax loan programs provide assistance directly to homeowners. A majority of total funds that support homeownership programs have provided assistance to low income families (i.e., families with incomes that are less than 80% of area median income). Of the loan program funds used to assist these low-income families, the largest portion has assisted households in the low-income category. A somewhat smaller proportion of funds has assisted families that fall in the very low-income category. The smallest portion of funds assisted households in the extremely low-income category.¹² Over 50% of funds for the paint and shutter program went to moderate-income households; funding for this program represents less than 1% of all homeownership program funds. (See Exhibit 5.)

Surtax funds for the construction, rehabilitation, and the purchase of rental housing units have also assisted low-income families. During the review period, PHCD closed loans for 48 multi-family projects involving 4,894 units. Of those units, 3,186 (66.2%) and 1,622 (33.7%) were set aside for very low and low-income individuals, respectively. Five units were set aside for moderate income individuals.

**Exhibit 5
Most Surtax Funding for Homeownership Programs
Has Benefited Low-Income Families**

Program ¹	Income Category			
	Extremely Low ²	Very Low ³	Low ⁴	Moderate ⁵
Mortgage Assistance ⁶	0.8%	12.6%	59.2%	27.4%
Down Payment/ Closing Costs Assistance	0.4%	9.6%	55.4%	34.6%
Single Family Rehabilitation	8.7%	19.9%	39.8%	31.7%
Beautification	11.1%	13.9%	37.6%	37.5%
Paint and Shutter	7.9%	7.1%	30.7%	54.3%

¹ Down payment and closing costs assistance loans are provided by MDEAT. All other loans are provided by PHCD and the Community Action and Human Services Department.

² Extremely low income includes families whose income is less than 30% of area median income.

³ Very low income includes families whose income is greater than 30% but not more than 50% of area median income.

⁴ Low income includes families whose income is greater than 50% but not more than 80% of area median income.

⁵ Moderate income includes families whose income is greater than 80% but not more than 140% of area median income.

⁶ Data was not available for Fiscal Year 2011-12.

Source: OPPAGA analysis of Miami-Dade Department of Public Housing and Community Development data.

Expenditure requirements for homeownership programs have not been met in recent years. Surtax program expenditures did not meet the statutory requirement that no less than 35% of funds be used for homeownership programs in four of the five fiscal years of the review period. Specifically, the percent of surtax funds spent on homeownership assistance has declined from 16% in Fiscal Year 2012-13 to 10% in Fiscal Year 2015-16. However, program expenditures exceeded the requirement that no less than 35% of funds be used for developer projects during the same four years, ranging from 40% in Fiscal Year 2012-13 to 108% in Fiscal Year 2014-15. (See Exhibit 6.)

According to PHCD officials, the reasons for the below standard expenditures on homeownership include a lack of interest among potential applicants, reduced departmental personnel and financial resources, and market conditions.

¹² The U.S. Department of Housing and Urban Development sets these income categories.

**Exhibit 6
In Fiscal Years 2012-13 Through 2015-16, Less Than 35% of Surtax Funds Were Spent on Homeownership Assistance Programs**

Fiscal Year	Homeownership Assistance	Rental Housing
2011-12	40%	34%
2012-13	16%	40%
2013-14	13%	58%
2014-15	13%	108%
2015-16	10%	74%

Source: OPPAGA Analysis.

A significant portion of current surtax loans have not entered repayment; recent legal and programmatic changes may improve collectability

Estimates for uncollectable loans include a portion of homeowner loans that may default when loan payments gradually increase according to repayment schedules, developer loans that will be refinanced at term due to cash flow restrictions, deferred loans, and loans that will be forgiven. The department’s ability to recover loan monies is limited. If a homeowner or developer fails to make payments, the department’s position as the second lender, combined with the value of the assets, could result in a situation where the funds may not be sufficient to cover the outstanding loan balance.

Loan collectability remains an issue; 37% of loans in repayment are in default or there is lack of payment due to project cash flow. Discretionary surtax revenues potentially provide the county with an ongoing source of funds if borrowers (homeowners and developers) repay their loans and any applicable interest. However, Department of Public Housing and Community Development officials estimate that \$266.7 million of \$356.5 million (75%) in current surtax loans may never be collected. (See Exhibit 7.)

PHCD staff reported that the department is currently reviewing its policy of including 100% of deferred loans in the calculation for estimated

uncollectable loans. Department staff reported that a small percentage of these deferred loans are repaid each year because deferred homeownership and rehabilitation loans are payable upon sale or transfer of the property.

**Exhibit 7
As of September 2016, Department Officials Estimated That 75% of Loans May Never Be Repaid**

Loan Type	Loan Amounts	Allowance for Collectability	Percentage Estimated Uncollectable
Multi-Family Developer	\$275,388,749	\$242,217,268	88%
Homeowner Assistance	70,888,543	16,078,757	23%
Rehabilitation	8,602,164	6,751,553	78%
Beautification	1,198,150	1,198,150	100%
Paint and Shutter	450,052	450,052	100%
Total	\$356,527,658	\$266,695,780	75%

Source: Miami-Dade County Department of Public Housing and Community Development.

In addition, PHCD staff reported that a majority (72%) of the total current loan value for multifamily developer loans consists of loans where the first payment due date has not occurred.¹³ Of the remaining loan balance where repayment has commenced, \$38.2 million (37%) of the loan value is either in default or there is lack of repayment due to lack of project cash flow. During the five-year review period, the department wrote off more than \$4.9 million in loans as uncollectable.

Since OPPAGA’s 2012 review, efforts have been made to improve collectability of surtax loans. Miami-Dade County has made several changes in the past five years (via county resolution) to reduce risk and improve collectability of surtax loan programs.¹⁴ For example, per county policy, multi-family construction projects that received gap funding in their first application may not receive additional gap funding, except under extenuating circumstances.¹⁵ This change limits developers to applying for surtax funding for a project only once. Additionally, the amount of gap funding per

¹³ Multifamily developer loans represent the largest portion of the surtax loan portfolio.

¹⁴ While the department has made several changes to improve collectability, most of the loan amounts in Exhibit 7 are under previous loan terms.

¹⁵ Gap funds are surtax funds and are not designed to be the primary funding source for affordable housing projects but to fill any funding gap that remains after all conventional funding (loans) have been obtained.

project has been limited to a range of 15% to 25% of total development costs.¹⁶

The county has also created a new homeowner loan program in which surtax loans are assigned a higher priority than other loans for repayment.¹⁷ The department has not yet issued loans under this new program. Under the new first-time homeowner loan program, if the surtax loan is the largest mortgage loan, it is recognized as the senior loan with priority over other loans for repayment.¹⁸ Under the previous homeowner loan program rules, surtax loans were never ranked as the senior loan. In addition, the county now sends loans that are more than 90 days delinquent to the county finance department's credit collection unit. This unit specializes in collecting delinquent payments for all county departments and programs.

PHCD has also made changes to the surtax program (via ordinances and revised program guidelines) to improve the collectability of surtax loans. For example, revised terms for multi-family construction loans no longer allow 15-year deferments of loan payments. Under the new program guidelines, the borrower begins to make payments after the initial 2-year construction period. The loan payments are made according to a 30-year amortization schedule. The department will be able to collect a larger amount of repayment funds more quickly than it was able to under the previous program guidelines.¹⁹

Moreover, new homeowner program requirements ensure that borrowers receive loans that they can afford. Specifically, the program terms limit a borrower's cost burden, loan amount, and home purchase price. Under these new criteria, the department has stronger assurances that the loan can be repaid by the borrower. The borrower's cost burden is limited to no more than

40% of gross household income. The loan amount is limited to \$100,000 or \$80,000, depending on the home's location, and the price of the house can be no more than 90% of the area median purchase price.²⁰

PHCD also changed payment processing and loan terms to improve collectability. The department implemented a new online payment option for borrowers in 2014. The department also implemented a new payment schedule in which it increased monthly payments from \$25/month to \$100/month for the first five years of the loan. After the first five years, the homeowner continues paying the balance of the loan on an amortized payment schedule. These changes will allow the department to collect higher repayment amounts more quickly than under previous program policies.²¹

As these changes have been implemented, annual repayment amounts collected by the department have steadily increased. PHCD collected \$6.2 million in Fiscal Year 2012, and in the last three fiscal years has collected between \$9 and \$10 million annually. The department collected a total of \$41.9 million in loan repayments during the five-year review period.

Performance data is being collected but is not reported to policy makers in a consistent manner

The Department of Public Housing and Community Development reports that it is in the process of revising internal policies and procedures and plans to implement a new reporting procedure that will provide decision makers with summarized program performance information (e.g., populations served, number of units produced by program, etc.).²²

¹⁶ Total development costs include all costs related to planning, design, permitting, and construction but do not include land acquisition.

¹⁷ Department staff reported that they have addressed recommendations from the 2006 Grand Jury report via the new homeowner loan program.

¹⁸ A senior loan is considered senior to all other claims against the borrower, which means that in the event of a bankruptcy the senior loan is the first to be repaid before all other interested parties receive repayment.

¹⁹ Under previous program guidelines, after the two-year construction period, loan payments were deferred for 15 years. After the 15-year deferment period, the borrower was required to make interest-only payments for the remainder of the 30-year term.

²⁰ If the house is located in the County's Neighborhood Revitalization Strategy Area or Neighborhood Outreach Areas the loan limit is \$100,000. Miami-Dade County Government has targeted these two areas for infill development. If the house is located outside these areas the loan limit is \$80,000.

²¹ Under the previous schedule, the homeowner paid \$25 per month for the first five years, \$50 per month for the next five years, and paid the remaining balance on an amortized payment schedule.

²² PHCD performance data also includes information on loan programs administered by the Community Action and Human Services Department.

To provide such information to policy makers, in addition to analyzing the percentage of funds distributed across low-income groups (see Exhibit 5), OPPAGA compiled PHCD data for a sample of performance measures.

- For homeownership assistance loans closed during October 2012 to December 2016, the age of recipients ranged from 21 to 73, with an average of 40.
- Over 54% of homeowner loans went to one and two person households.
- The majority of beautification, rehabilitation, and paint and shutter loan recipients were from one to two person households.
- For multi-family rental construction loans closed from January 2012 to December 2016, 68% of the units were set aside for families and 30% for the elderly; about 2% of units were set aside for homeless persons.

MDEAT officials also provided us information on program performance measures and reported that they regularly submit this information to the county. Our analysis of this data found that for Fiscal Years 2011-12 through 2015-16, surtax funds were used for 1,709 down payment/closing cost assistance loans. Most of these loans were provided to low (55.4%) and very low (9.6%) income borrowers.

Surtax loans have funded rental housing in low-income, cost burdened areas of the county

Planning for the provision of affordable housing and identifying areas that are most in need of affordable housing typically involves consideration of the income and cost burden level of renter households in a given area. A cost burdened household is defined as a household that pays 30% or more of their income for housing costs, and a severely cost burdened household pays 50% or more of their income for housing costs.²³

A growing number of Florida households are renters, and a majority of low-income renters are cost burdened. The percentage of cost burdened Florida households has increased in the past decade, and this increase has been particularly

acute in Miami-Dade County. To address this concern, the county’s five-year consolidated plan includes several housing priorities, one of which is the need to provide affordable housing to low-income, cost burdened households.

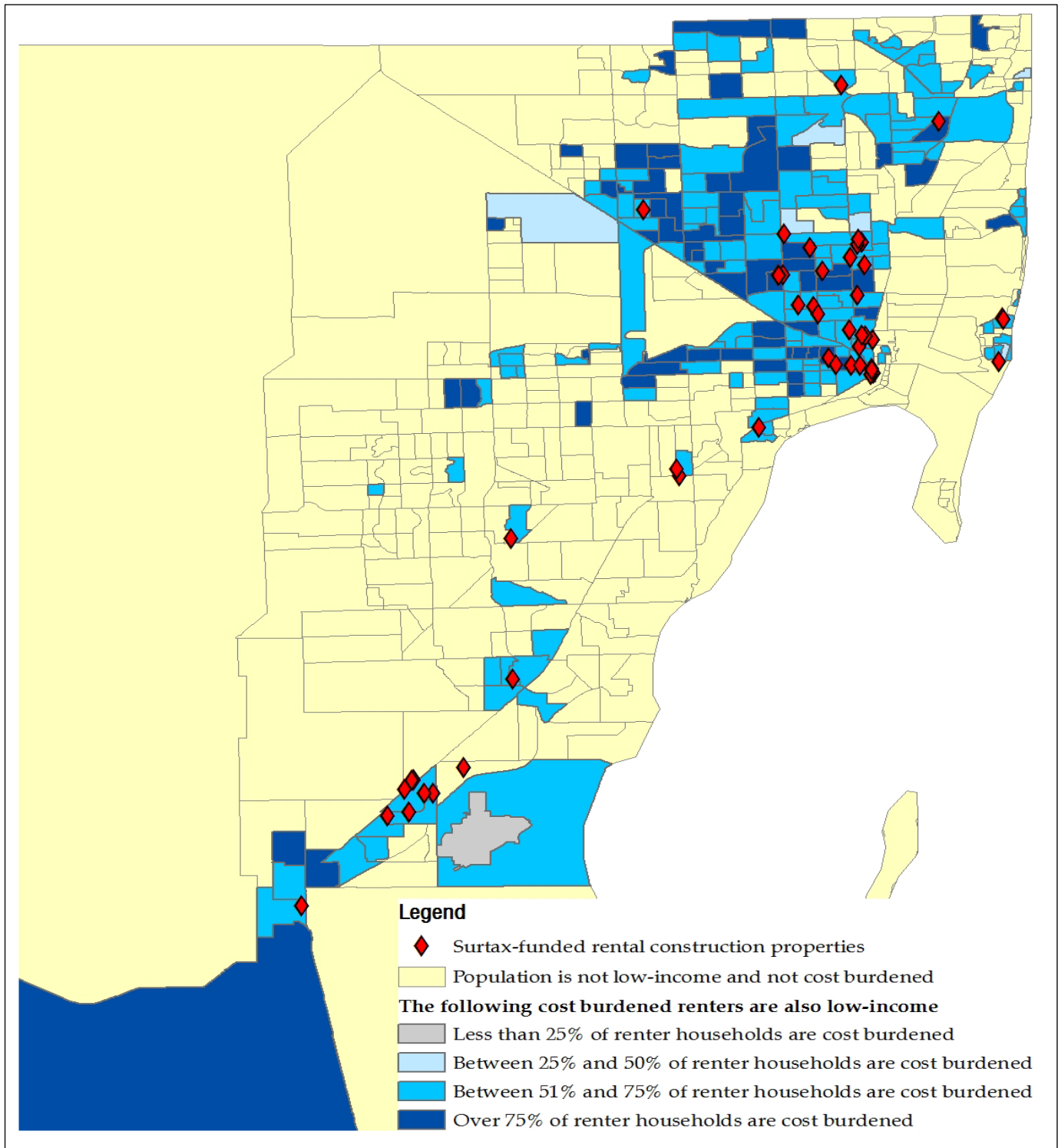
OPPAGA examined the location of surtax-funded rental construction properties in Miami-Dade County and the extent of low-income, cost burdened renter populations in those areas. Our analysis found that surtax funds have financed affordable rental housing projects in areas of the county where a majority of the renter population is low-income and cost burdened at a rate of 30% or higher. (See Exhibit 8.)

Our analysis also looked at the locations of severely cost burdened households in the county—households that have a cost burden of 50% or higher. The analysis found that surtax funds have provided rental housing in low-income areas where at least 25% of the renter population is severely cost burdened. (See Exhibit 9.)

²³ Housing costs for renter households include rent and utilities.

Exhibit 8

Surtax Funds Have Predominantly Been Used to Provide Rental Housing in Areas of Miami-Dade County Where a Majority of Renter Households Are Low Income and Cost Burdened at 30% or Higher¹

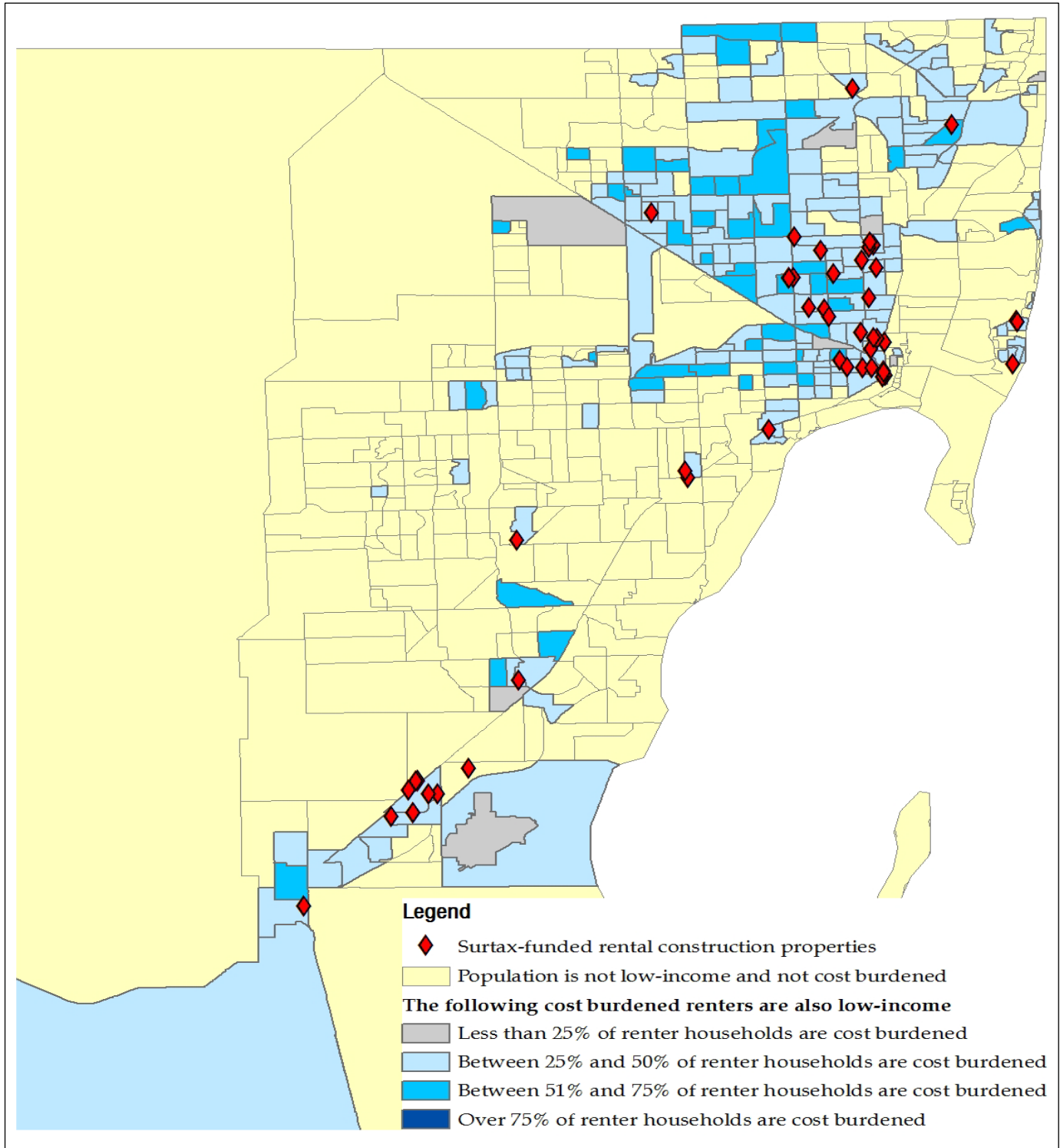


¹The areas shaded in yellow may include areas where the majority of the population is low income but *is not* cost burdened, as well as areas where the majority of the population is cost burdened but *is not* low income.

Source: OPPAGA Analysis of 2015 5-Year American Community Survey data and University of Miami's Office of Civic and Community Engagement's Miami Affordability Project.

Exhibit 9

Surtax Funds Have Predominantly Been Used to Develop Rental Housing in Areas Where a Majority of Renter Households Are Low Income and at Least 25% of Renters Are Severely Cost Burdened at 50% or Higher¹



¹ The areas shaded in yellow may include areas where the majority of the population is low income but *is not* cost burdened, as well as areas where the majority of the population is cost burdened but *is not* low income.

Source: OPPAGA Analysis of 2015 5-Year American Community Survey data and University of Miami's Office of Civic and Community Engagement's Miami Affordability Project.

Agency Response—————

A draft of our report was submitted to the Executive Director of the Miami-Dade County Department of Public Housing and Community Development for review and response. The executive director's response has been reproduced in Appendix D.

Appendix A

The Department of Public Housing and Community Development Uses Surtax Funds for Homeownership Assistance and Multi-family Rental Construction

The Miami Dade Department of Public Housing and Community Development receives most (92%) of the county’s discretionary surtax funding at \$40.6 million for Fiscal Year 2015-16. This funding provides homeownership assistance to citizens who would otherwise be unable to obtain the necessary financing to purchase or repair a home. The department provides four types of homeowner loans: second mortgages, rehabilitation, beautification, and paint and shutter. (See Exhibit A-1.)

Exhibit A-1

The Department Provides Four Types of Surtax Homeowner Assistance Loans

Loan Type	Description	Maximum Loan Amount	Interest Rates
Second Mortgage	Borrowers who qualify for and obtain a first mortgage (from a bank or other lender) can qualify for a second mortgage to complete their loan package	\$50,000 to \$80,000	0% to 3% Low Income; 4% to 6% Moderate Income
Rehabilitation ¹	Loans to assist homeowners in bringing a house’s structural, electrical, and plumbing systems up to county building code standards	\$35,000 (up to \$45,000 if elderly or disabled)	0% to 6% Depending on Income
Beautification ²	Loans for exterior painting and landscaping	\$5,900	None
Paint and Shutter	Loans for exterior painting and/or hurricane impact shutters	\$10,000	None

¹ Typically, rehabilitation loans are provided to the elderly and/or individuals whose homes need disability modifications.

² Beautification loans are only provided in two county commission districts designated as suffering from urban blight. Like rehabilitation loans, these loans are often provided to elderly residents in these areas.

Source: OPPAGA analysis.

To qualify for loan programs, homebuyers must meet certain income thresholds and other program criteria. The maximum applicant income limits as a percentage of the area median income is 140%. Participants must complete a homeowner education and counseling course. The department contracts with entities to provide these counseling services.

All homeowner loans require that the borrower maintain the home as a primary residence. If the homeowner vacates or sells the home, the balance of all surtax loans must be repaid. If borrowers remain compliant with requirements, the loans provide low interest rates and low monthly repayment schedules; some loan terms forgive all or a portion of the loan.

In addition to homeowner assistance, the department provides developers surtax funds to construct or rehabilitate multi-family affordable rental housing for low-income families. The financing process for such developments involves many steps and complex financing arrangements using funds from a variety of sources, including surtax funds and federal tax credits. The department makes projects more attractive to developers through various loan terms, including low interest rates (0% to 6%), delayed loan repayments, and certain loans that are 100% forgivable.

Appendix B

The Miami Dade Economic Advocacy Trust Operates a Homeowner Assistance Program Using Surtax Funds

Program Purpose. The Miami-Dade Economic Advocacy Trust (MDEAT) uses surtax funds to operate a housing assistance program serving low- and moderate-income families by providing down payment and closing cost assistance to first time homebuyers. For households at or below 80% the county's adjusted gross median income, the maximum loan amount is \$7,250 with a 0% interest rate and no repayment schedule.²⁴ The maximum assistance is reduced to \$4,750 for households above 80% of the county's gross median income.²⁵ Loans are repaid if homeowners sell their homes within 10 years. If the borrower stays in the home 10 years, the trust forgives the loan.

Revenues and Expenditures. In addition to new surtax funds, the program receives other revenue from interest income and loan repayments. During the review period, revenues ranged from \$1.8 million in Fiscal Year 2011-12 to \$3.9 million in Fiscal Year 2015-16. Expenditures also varied, from \$1.8 million in Fiscal Year 2012-13 to \$3.2 million in Fiscal Year 2015-16. (See Exhibit B-1.)

Administrative Costs. MDEAT's administrative costs fall into two categories: administrative and programmatic. Salaries and benefits for MDEAT employees make up the programmatic expenditures category. Combined administrative costs (programmatic and administrative expenditures) totaled \$695,173 (20%) of new surtax funds in Fiscal Year 2015-16. (See Exhibit B-1.)

Exhibit B-1

The Miami Dade Economic Advocacy Trust Issued 420 Loans in the Most Recent Fiscal Year

		Fiscal Years				
		2011-12	2012-13	2013-14	2014-15	2015-16
Beginning Cash Balance		\$728,395	\$574,377	\$1,430,253	\$2,408,149	\$3,040,641
Revenues	Documentary Surtax	1,667,318	2,441,285	3,366,233	3,518,690	3,533,511
	Other Revenue	1,270	2,020	1,000	1,620	1,920
	Interest Earnings	412	2,281	3,457	4,528	6,775
	Repayment	156,587	230,696	199,940	355,585	353,507
	Total Sources	1,825,587	2,676,282	3,570,630	3,880,423	3,895,713
Expenditures	Administrative	(21,030)	(152,690)	(303,169)	(347,974)	(346,888)
	Programmatic	(335,885)	(196,272)	(225,966)	(283,056)	(348,285)
	Loans	(1,622,690)	(1,471,444)	(2,063,599)	(2,616,901)	(2,548,100)
	Total Uses	(1,979,605)	(1,820,406)	(2,592,734)	(3,247,931)	(3,243,273)
Net Sources (Uses)		(154,018)	855,876	977,896	632,492	652,440
Beginning Cash Balance		728,395	574,377	1,430,253	2,408,149	3,040,641
Ending Cash Balance		\$574,377	\$1,430,253	\$2,408,149	\$3,040,641	\$3,693,081
Number of Loans Funded		256	248	356	429	420

Source: Miami-Dade Economic Advocacy Trust.

²⁴ This amount was increased in 2014 by \$250 to help homebuyers pay for required homebuyer counseling services.

²⁵ *Ibid.*

Appendix C

The Community Action and Human Services Department Uses Surtax Funds for Home Rehabilitation, Beautification, and Paint and Shutter Loan Programs

Program Purpose. The Miami-Dade Community Action and Human Services Department provides comprehensive social and human services to low-income individuals and families throughout the county. The department's programs cover the full lifetime spectrum, from children to the elderly, and its goals include relieving hardship and helping Miami-Dade's residents become self-sufficient, productive, and independent.

Use of Surtax Funds. The Community Action and Human Services Department uses surtax funding for home rehabilitation, beautification, and paint and shutter loan programs to assist seniors and low-income individuals with home repairs, painting, and weatherization. (See Appendix A for more information on these loan programs.) The department coordinates with the Department of Public Housing and Community Development (PHCD) through an interlocal agreement to administer these programs. Each agency has different roles in the administration of these loan programs. PHCD processes the loans, verifies eligibility of applicants, monitors the loan terms, and determines loan forgiveness as defined in the terms of the loan. Community development is responsible for processing applications, hiring the contractors who do the rehabilitation and beautification work, and for hiring inspectors to verify that the work has been done correctly.

Through the interlocal agreement between the two departments, the Community Action and Human Services Department receives an allocation of approximately \$1 million each year to administer the rehabilitation loan program and PHCD allocates funds in addition to this for the paint and shutter and beautification loan programs.

Appendix D



Public Housing and Community Development

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June 27, 2017

Mr. R. Philip Twogood, Coordinator
Office of Program Policy Analysis and
Government Accountability
111 West Madison Street, Room 312
Claude Pepper Building
Tallahassee, FL 32399

Dear Mr. Twogood:

Miami-Dade Public Housing and Community Development (PHCD) is in receipt of the draft Office of Program Policy Analysis and Government Accountability (OPPAGA) report regarding the Surtax program. The department would like to thank the OPPAGA team led by Ms. Kara Collins-Gomez for their thorough work and appreciate the cooperation with PHCD staff throughout this process. The County offers no substantive comments related to the direction of the report. The department is committed to keeping OPPAGA apprised of the County's continued improvements to the program as well as updates on the implementation of the reporting procedures to decision makers on relevant Surtax program metrics.

We look forward to continued cooperation with your office for Surtax program progress and improvements.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael Liu".

Michael Liu
Director

- C. Carlos A. Gimenez, Mayor
- Russell Benford, Deputy Mayor
- Mary T. Cagle, Inspector General
- Christina Salinas Cotter, Chief Financial Officer, PHCD
- Leyani Sosa, Manager, HCD
- Clarence Brown, Division Director, HCD
- Eric Johnson, Housing Consultant, MDEAT

The Florida Legislature

Office of Program Policy Analysis and Government Accountability



OPPAGA provides performance and accountability information about Florida government in several ways.

- Reports deliver program evaluation and policy analysis to assist the Legislature in overseeing government operations, developing policy choices, and making Florida government better, faster, and cheaper.
- PolicyCasts, short narrated slide presentations, provide bottom-line briefings of findings and recommendations for select reports.
- Government Program Summaries (GPS), an online encyclopedia, www.oppaga.state.fl.us/government, provides descriptive, evaluative, and performance information on more than 200 Florida state government programs.
- [PolicyNotes](#), an electronic newsletter, delivers brief announcements of research reports, conferences, and other resources of interest for Florida's policy research and program evaluation community.
- Visit OPPAGA's website at www.oppaga.state.fl.us

OPPAGA supports the Florida Legislature by providing data, evaluative research, and objective analyses that assist legislative budget and policy deliberations. This project was conducted in accordance with applicable evaluation standards. Copies of this report in print or alternate accessible format may be obtained by telephone (850/488-0021), by FAX (850/487-3804), in person, or by mail (OPPAGA Report Production, Claude Pepper Building, Room 312, 111 W. Madison St., Tallahassee, FL 32399-1475). Cover photo by Mark Foley.

OPPAGA website: www.oppaga.state.fl.us

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Project conducted by Bill Howard, Laila Racevskis, and Alex Regalado
Kara Collins-Gomez (850/717-0503), Staff Director
R. Philip Twogood, Coordinator