

Bank fund targeting affordable housing in South Florida



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Banks being asked to invest in affordable housing

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Ken Thomas, a longtime economist and banking consultant, thinks it's inexcusable that many South Floridians making \$40,000 or \$50,000 a year can't afford to buy a home.

He recently launched the Community Development Fund, an investment vehicle exclusively for banks and thrifts designed to promote affordable or work force housing across Palm Beach, Broward and Miami-Dade counties.

The fund started with \$25 million from 10 banks, including six in South Florida.

The money is used to invest in securities backed by mortgages valued in the \$100,000 to \$200,000 range, Thomas said. Investing in those mortgages would encourage lenders to keep making the loans and builders to find ways to develop communities that first-time buyers and young professionals can afford, according to Thomas.

"There are fewer and fewer affordable homes available," he said. "It's a crisis. But if we can get more banks involved in this fund, maybe instead of building one \$2 million condo or home, a builder could go build 10 affordable homes."

Investing in the fund also helps banks and thrifts satisfy their obligations under the 1977 Community Reinvestment Act, which requires that financial institutions make capital available to the communities they serve, including low- and middle-income households, Thomas said.

The Miami resident has advised federal banking regulators and testified before Congress about the CRA. Thomas has written two books on the subject. He has a doctorate degree from The Wharton School of the [University of Pennsylvania](#) and was a faculty member there for 42 years.

Miami-based Sabadell United Bank and Gibraltar Private Bank & Trust of Coral Gables are two of the original investors in the fund.

Executives with both banks said Thomas' standing in the industry helped convince them that investing the minimum \$1 million was the right move.

"Reputation carried weight," said Carlos Bell, executive vice president of Sabadell.

"We feel very comfortable that [Thomas] will identify the right type of investments," said Adolfo Henriques, chairman and CEO of Gibraltar. "There continues to be a need for financing on the affordable side of the market."

Banks and thrifts that invest in the fund pay a 1 percent management fee. For every \$1 million invested, Thomas said he and another adviser each earn \$1,500.

Last fall, the Trulia.com real estate website ranked South Florida's three counties among the 35 least affordable housing markets nationwide. The report measured home prices and the costs of utilities and traveling to work.

In the 100 largest metro areas, Miami-Dade County was third least-affordable, behind only San Francisco and Los Angeles. Miami-Dade buyers need to spend 69.2 percent of their incomes on housing, utilities and commuting, according to Trulia.

Palm Beach County was the 15th least affordable at 50.6 percent, while Broward ranked 31st at 44.9 percent.

Median prices for existing, single-family homes in South Florida have increased by more than 40 percent since 2012, while wages have been mostly stagnant over the same period.

"Prices have risen so rapidly that they've really gotten out of whack with incomes," said Brad Hunter, an industry consultant and chief economist with HomeAdvisor, a website that helps homeowners find contractors and other industry professionals. "People say, 'At least mortgage rates are low,' but where are they going to be a year from now? Probably higher, and that will affect affordability."

Jaimie Ross, CEO of the nonprofit Florida Housing Coalition, has called for local governments in South Florida to require developers to build homes and rentals for low- and middle-income residents as a condition of being allowed to build more expensive housing.

Miami-based 13th Floor Homes is building hundreds of homes for first-time buyers and young families in Tamarac. Division President Mike Nunziata said the company got a favorable deal on the land, allowing 13th Floor to build homes in the high \$200,000s and low \$300,000s. Many new homes across South Florida are priced from the \$400,000s and \$500,000s.

Nunziata said he's intrigued by Thomas' Community Development Fund, but he thinks the lack of affordable housing is more a function of high land costs than the absence of mortgage financing.

"[Builders] are not nonprofits," Nunziata said. "They're not doing this for free."