

## Poor Miami: Stifle Success

**Here's a plan that works too well to survive:**

Rebecca Wakefield's "We're Still Number One!" missed the one bright spot in the city's failed housing efforts: Wind & Rain's use of the city's "soft second" mortgage program for first-time homebuyers in West Coconut Grove. Together the city and my for-profit company have put thirteen families (average income \$20,000) into new houses on scattered lots. The result: almost one million dollars in equity buildup for these families, most of whom could barely come up with the \$3000 required down payment.

The model for this success is astoundingly simple. First, you use a for-profit, at-risk developer with zero subsidy from the taxpayers. That way you don't have to worry about fraud or failure. Second, you allow the developer to pick and buy the lots to be developed (from the hundreds — or thousands — of vacant lots in the city and county that are abandoned and trash-ridden). That way the guy who is at risk picks where he'll risk his time and money instead of a politician looking for a headline. Third, you mandate that the house to be developed must be good enough in every way to appreciate in value over time. (Wind & Rain builds three-bedroom, two-bath homes with a large front porch.) That way you not only help the family getting the house, but every other house on the block, to share in the appreciation that new construction brings to a neglected neighborhood. Fourth, you require the developer to put together the financing, build the house, find and qualify the buyer, and obtain the certificate of occupancy *before* the city puts out the first nickel in mortgage subsidy.

This model worked thirteen times in the West Grove (see [www.windandrain.com](http://www.windandrain.com)) before the city terminated its "soft second" mortgage program, supposedly for lack of funding. Now, admittedly, a \$40,000 "soft second" mortgage is a serious subsidy by any account. "Soft seconds" are second mortgages (at 0 to 3 percent, which may or may not be forgivable in whole or in part) that are combined with market-rate first mortgages. The blended rate of the first and soft-second mortgages brings the monthly payment down to about the same level a family is paying in rent and which is all that Miami's cash-strapped working poor can afford. But compare that to the \$800 to **continued on page 11**

\$1300 per month in Section 8 rental-voucher subsidies routinely paid out by the county to absentee landlords. That much money — \$800 to \$1300 per month — is enough to pay the mortgage interest on both the first and soft-second mortgage, pay for insurance and cover taxes, and still give the taxpayers a *refund* of up to \$500 per month.

So, you might wonder, why doesn't the City of Miami (and the county) start working to replace its rental subsidies with homeownership-mortgage subsidies? It's a good question, and only partly answered by the obvious political equation: Apartment developers make campaign contributions while homeowners vote for whom they please. It has more to do with a mindset that poor people *should* rent until they are *ready* to become homeowners. This is downright silly. Any family headed by a husband and wife, each of whom works 40 hours per week at minimum wage, 50 weeks per year (that's about \$20,000), is ready to own their own home. They've shown the discipline and initiative to be helped to buy the one thing that will give their family a chance at financial stability — the single-family home.

How are these families any different from the WWII veterans who took advantage of the GI Bill to buy their first homes, and by so doing created the great American middle class? Why did we stop supporting what obviously worked so well?

Let's make a change — *now* — and lift Miami from the housing doldrums into the spotlight of national acclaim by going from being the poorest city in America to the richest, all by doing something so simple.

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