

Federal Shutdown: South Florida's Poor, Real Estate Investors Might Feel Impact

The shutdown is thwarting opportunity zone investors from proceeding with deals, and some government-subsidized housing contracts have expired.

By [Lidia Dinkova](#) | January 16, 2019 at 02:33 PM

When it comes to real estate, the longest federal government shutdown could have impacts sparing neither low-income wage earners who rely on subsidies to keep their homes nor well-heeled property investors.

At least three South Florida apartment complexes with a combined 208 households depending on federal subsidies already have expired contracts with the Department of Housing and Urban Development, according to affordable housing advocacy and education group National Low Income Housing Coalition. Contracts at another five complexes expire by month's end.

HUD has brought in some furloughed staffers to work on renewals and will extend subsidies through February, according to department spokesman Brian Sullivan. If the shutdown extends even longer, private landlords and possibly some public housing authorities will be asked to kick in subsidies from their reserves, Sullivan said.

At the same time, investors eager to take advantage of opportunity zones, a mechanism created by the 2017 Tax Cuts and Jobs Act allowing businesses to defer taxes on capital gains by investing in real estate in distressed areas, are hitting the brakes on their plans, said **Stevan Pardo, a Miami attorney representing investors.**

The shutdown canceled a Treasury Department hearing in January, which prevented the staff from hammering out opportunity zone regulations, **according to Pardo**, a partner at Pardo Jackson Gainsburg.

While the department has released preliminary regulations and there's nothing stopping investors from pursuing opportunity zone investments, they prefer not to with the current uncertainties, **Pardo said.**

He is working with at least five Miami-based real estate investment funds looking at opportunity zones in Florida, New York and Los Angeles. Some have closed on purchases, but none have registered their investments as opportunity zone ventures because they lack the information, **Pardo said.**

“Many of these investors are risk averse. They want to know the risks of going into these investments,” he said.

EXPIRING CONTRACTS

HUD has contracts with private landlords throughout the U.S. and kicks in rent subsidies for low- income renters.

Contracts that expired Dec. 21 on Miami-Dade County properties include Cutler Bay Apartments at 10324 SW 212th St. in Cutler Bay and Vista Alegre Apartments at 2235 SW Eighth St. in Miami, according to the Washington-based [National Low Income Housing Coalition](#). St. Charles Place Manor at 2701 Broadway in West Palm Beach also is on the expired list.

Cutler Bay Apartments didn’t return a request for comment by deadline. Vista Alegre and St. Charles Place Manor couldn’t be reached.

The properties facing expiration by month’s end include Douglas Gardens Senior Housing at 705 SW 88th Ave. in Pembroke Pines, Rebecca Towers North at 200 Alton Road in Miami Beach, and Villa Christina at 427 SW Eighth Ave., Villa Margarita at 628 SW Second St. and Palermo Lakes at 5311 NW 7th St. in Miami.

By the end of February, contracts expire for Lock Towns apartments at 2351 NW 135th St. in Opa-locka and Golden Pond Apartments at 1000 NW 155th Lane, Twin Lakes Apartments at 1007 NW 155th Lane and Villa Beatriz at 776 NW Second St. and Allapattah Community Housing II at 1390 NW 24th Ave. in Miami, according to the coalition.

Sullivan couldn’t confirm the contract status for these communities but said the coalition data was based on HUD data current last Nov. 28.

Under the circumstances, he said evictions are unlikely.

“It’s never been our experience in the past with these shutdowns that anybody has been evicted,” he said.

As for opportunity zones, businesses can sink their capital gains into distressed areas and reduce their taxes on those gains by 10 percent if they keep their investment in real estate for five years, **according to Pardo**. Separately, investors won’t be taxed on appreciation if they keep the property for at least 10 years.

“It is possible that the final regulations may very well have some changes to that. That’s the way it stands currently,” he said.

Investors also are waiting for Treasury officials to hammer out specifics on what would qualify as property improvements for an investment to qualify under opportunity zone regulations, he said.

THE GOOD NEWS

Is there any? Yes.

Commercial real estate and single-family home purchases, at least those not relying on Agriculture Department loans, haven't been affected, brokers said.

For home transactions, there are no hiccups on sales requiring federal flood insurance or receiving Federal Housing Administration mortgage insurance, said Mike Pappas, president and CEO at The Keyes Co. in Miami.

"It was a surprise to me," Pappas said, attributing this to the partial element of the shutdown.

Furloughed government employees also can proceed with buying a home, he added.

"The shutdown isn't material. They have a job. They have their 1099s. They have their W-2s. They've got their pay stubs," Pappas said. "So they will be able to close accordingly."

Also, the EB-5 visa program giving green cards to foreigners in exchange for investing at least \$500,000 to create at least 10 U.S. jobs had stopped processing new applications, said attorney Ronald Fieldstone in Miami.

"We are in this no-man zone," said [Fieldstone, a partner at Saul Ewing Arnstein & Lehr](#).

Still, he added it's not having much of an impact.

"I don't think it's made a big difference in the industry from the point of view of people saying, 'Oh, the program is shut down.' I mean people look at this as a temporary glitch."

Lidia Dinkova



Lidia Dinkova covers South Florida real estate for the Daily Business Review. Contact her at LDinkova@alm.com or 305-347-6665. On Twitter @LidiaDinkova.

<https://www.law.com/dailybusinessreview/2019/01/16/federal-shutdown-south-floridas-poor-real-estate-investors-might-feel-impact/?kw=Federal%20Shutdown:%20South%20Florida%27s%20Poor%2C%20Real%20Estate%20Investors%20Might%20Feel%20Impact&et=editorial&bu=DailyBusinessReview&cn=20190117&src=EMC-Email&pt=E-Review>