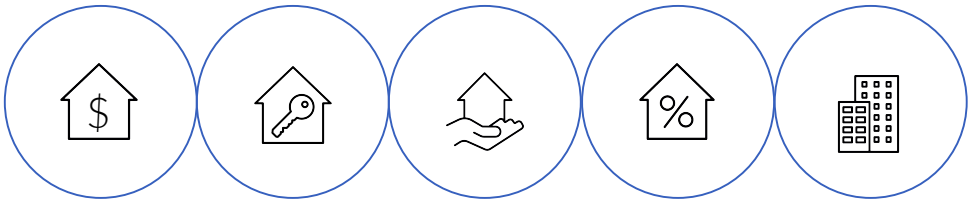


The Dynamics of Housing Affordability in Miami-Dade County

Assessing the Implementation and Impacts of Inclusionary Zoning

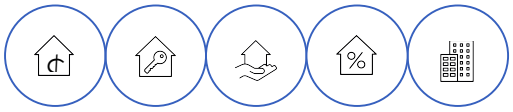
The South Florida Housing Studies Consortium

FIU Metropolitan Center

UNIVERSITY OF MIAMI
OFFICE of CIVIC & COMMUNITY ENGAGEMENT

MIAMI-DADE COUNTY
Public Housing and Community Development

April 2017



The Dynamics of Housing Affordability in Miami-Dade County: Assessing the Implementation and Impacts of Inclusionary Zoning is the product of the South Florida Housing Studies Consortium, a research partnership between the Florida International University Metropolitan Center and the University of Miami Office of Civic and Community Engagement.

FIU Metropolitan Center

The **Florida International University Metropolitan Center** is Florida's leading urban policy think tank and solutions center. Established in 1997, the Center provides economic development, strategic planning, community revitalization, and performance improvement services to public, private and non-profit organizations in South Florida. Its staff and senior researchers are leaders in their respective fields, and bring extensive research, practical, and professional experience to each project. The Center's research has catalyzed major policy initiatives and projects in housing, economic redevelopment, transportation, social services, and health services throughout South Florida.

UNIVERSITY OF MIAMI
OFFICE of CIVIC & COMMUNITY ENGAGEMENT

The **University of Miami Office of Civic and Community Engagement (CCE)** enhances university-community collaboration by engaging the university's academic resources in the enrichment of civic and community life. Our Focus on Affordable Housing initiative brings together students and faculty, activists, practitioners, and community organizations to address affordable housing from a multi-disciplinary perspective**.** CCE has developed several innovative projects, including an online affordable housing mapping tool, MAP| Miami Affordability Project; a Housing Policy Timeline that traces changes in housing policy at the local, state, and national levels; and the Community Scholars in Affordable Housing program that trains emerging leaders in affordable housing and community development.

Study Author

Kevin T. Greiner, MUP, JD
Senior Fellow, FIU Metropolitan Center

Contributing Authors

Ralph Rosado, Ph.D.
Senior Research Fellow, FIU Metropolitan Center

Jorge Damian de la Paz, M.Sc.
Program Manager, UM Office of Civic and Community Engagement

Principal Investigators

Edward Murray, Ph.D., AICP
Associate Director, FIU Metropolitan Center

Robin Bachin, Ph.D.
Assistant Provost, Director, UM Office of Civic and Community Engagement

Table of Contents

Executive Summary

Inclusionary Zoning (IZ) has been used in the US since the early 1970s, and has been enacted in over 300 jurisdictions in 27 states. IZ housing ordinances seek to include affordable housing units within market-rate housing developments either by mandate, or voluntarily using development incentives. With rising housing unaffordability and declining state and Federal support for affordable housing, many metro areas are revisiting IZ as part of comprehensive regional housing development programs.

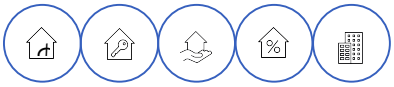
Given Miami-Dade County's increasingly difficult and growing affordable housing issues, the County Department of Public Housing and Community Development (PHCD) commissioned the ***South Florida Housing Studies Consortium*** to complete a review of the County's newly adopted Inclusionary Zoning Ordinance — the ***Workforce Housing Development Program*** — *Chapter 33, Art. XXIIA of the Code of Miami-Dade County*. The ordinance was shaped over several years as a vehicle to promote the development and construction of housing affordable to households near the middle of the County's income ladder and below.

The Consortium set out to complete a thorough review of the ordinance. However, understanding the implementation of the Workforce Housing Development Program, its structure, and possible improvements to its effectiveness is impossible without first understanding the broader economic context underpinning affordable housing.

This study has been completed to deliver:

- A thorough examination of the importance and role affordable housing plays in the development of the regional economy;
- The dynamics of housing affordability (and unaffordability) in Miami-Dade County;
- Benchmarking Miami-Dade against the national and comparable regional housing, labor, wage, and household income markets;
- A detailed review of the best practices of Inclusionary Zoning from across the US;
- A review of the County's program in the context of best practices;
- The economics and economic impacts of inclusionary zoning programs; and
- A detailed pro forma analysis and recommendations for improving the effectiveness of the Miami-Dade Workforce Housing Program as a stimulant to new affordable housing development.

The document was also written to provide policy makers with a background on the scale and scope of Miami-Dade's affordable housing problems, and to help change the terms of the regional housing debate — to recognize that affordable housing is a crucial regional ***economic*** issue.



The Critical Need for a County Affordable Housing Program

This study reaches six critical conclusions:

Housing Affordability is a Growing Regional Economic Issue that Can't be Ignored

The sheer scale of Miami-Dade's affordability issues, cost gaps, and dynamics should be setting off alarms across the County. ***Miami-Dade is now the nation's fifth most unaffordable housing market — 49 percent of all households, or 419,000 households, pay more than 30 percent of their income on housing.*** High housing costs are increasingly negatively impacting wealth creation, upward economic mobility, and workforce talent retention.

The housing affordability issue in Miami-Dade is not a temporary problem. The critical market dynamics fueling the County's cost burden issues — rising prices, population growth, speculative investment, and stagnant wages — are all moving in the wrong direction. Housing affordability is Miami-Dade's most pressing public policy challenge and one of the County's most critical economic competitiveness issues. If the pattern continues, out-migration of key segments of the workforce may become an accelerating reality. ***While the lack of affordable housing is particularly crippling to Miami-Dade's service sector workers, who comprise most of the workforce, the study has found that housing affordability is also a major concern for younger workers in professional and cultural occupations such as computer systems, graphic design, the life sciences, education and the arts.***

Focus Immediately on Rental Housing

The most critical short-term problem facing the region is the growing number of cost-burdened renter households. Unlike the number of cost-burdened owner households, the cost-burdened renter population has steadily increased without a break since 2007. Cost-burdened renters now make up over 30 percent of all households in the County. ***Most troubling, however, is the rapid increase in "severely" cost-burdened renter housing households (households paying in excess of 50 percent of income on housing costs). Severely cost-burdened renter households now comprise 56.3 percent (135,591 households) of all cost-burdened renter households (240,575 households) in Miami-Dade County.***

A New Housing Delivery Infrastructure

The steady withdrawal of funding and technical support for affordable housing from the Federal and state governments has placed the responsibility for solving affordability issues squarely on the shoulders of local leadership. However, Miami-Dade lacks the institutional infrastructure to deal with the true scale of its problems. ***Without a change in income or occupational dynamics, and if cost-burden ratios remain close to today's 49 percent level, the County would need to produce over 93,000 units of affordable housing over the next 10 years to reduce the percentage of cost-burdened households to the national average (32 percent). By comparison, Miami-Dade County added 57,600 net housing units from 2006 to 2015***.

A new implementation infrastructure is required — but it can't look at all like the old government-centric housing development structures, and instead must rely on highly collaborative, coordinated, but dispersed networks of providers, funders, builders and service providers to deliver a spectrum of housing and community development solutions.

IZ is Only One Piece of the Puzzle

IZ can deliver affordable housing, but its track record indicates that it takes time to be accepted, and is a minor provider of affordable housing unit delivery. On the other hand, ***national best practice research indicates that IZ works best when it is part of a broader, comprehensive set of affordable housing and community development tools, programs, and policies.*** County leadership needs to organize and commission the development of a region-wide, comprehensive housing affordability solutions policy, program, and funding toolbox immediately.

Affordable Housing is Ultimately an Income Issue

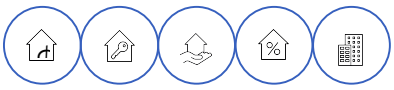
Affordable housing in the US has traditionally been over focused and specialized on delivering physical housing units. This current review of the Miami-Dade experience is that solving the County's affordable housing problems cannot rely on housing construction alone, but will rely as much on new, higher wage, flexible skilled job and occupation creation as it does on new housing units. The County's broader housing policy discussion has to begin with the recognition that solving its affordability issues begins with raising incomes.

Tweaking the New IZ Ordinance to Miami-Dade's Market Realities

The County's new ***Workforce Housing Development Program*** is a step in the right direction, and could be an important vehicle for gaining wider acceptance for affordable and workforce housing. However, ***the economic analysis of the ordinance indicates that its incentive structure, built on density bonuses, probably will not supply the level of economic incentive local developers require to begin including workforce units in market-rate housing development projects***.

The County needs to consider tweaking the program to include other incentives, bringing the total value of potential incentives in the program closer to those for other existing programs, especially in the early years of the new program, to help gain acceptance within the development community. Possible changes could include:

- Raising the number of bonus market rate units to 3 or 3.5 times the number of affordable housing units;
- Using a single density bonus multiplier, rather than a scaled system, with a minimum floor of 5 percent;
- Consider adding additional incentives (density bonus, cash incentives, tax abatement, etc.) specifically for the inclusion of Low Income (60 to 80 percent of AMI) affordable units;
- Consider a property tax abatement scaled to the number, or square footage of affordable units included in a development;
- Proportionately reduce and/or eliminate project fees associated with a project including affordable units;
- Utilize expedited review procedures, including moving projects agreeing to include affordable units to the top of the zoning, permit, and construction review calendars; and
- Develop a local affordable housing finance program specifically serving developers and owners participating in the Workforce Housing Development Program.



Why Housing Affordability Matters

Defining Affordable Housing

Affordable housing is usually misperceived as an issue impacting the lowest income households. Affordable housing, is in fact, an issue that increasingly impacts households across the income spectrum. The fundamental measuring stick of affordability is the percentage of income a household pays for housing costs, or ***housing cost burden***. As developed by the US Department of Housing and Urban Development (HUD), the accepted guideline is that a household should spend 30 percent or less of its total income on all housing costs (rent, mortgage, maintenance, etc.). Households that pay more than 30 percent of their income on total housing costs are defined as ***Cost-Burdened***, while households spending more than 50 percent of household income on housing expenses are defined as ***Severely Cost-Burdened***.

Housing affordability is not a one-size-fits-all proposition. The needs of households on different rungs of the income ladder differ considerably, and is made even more complex by changing age, household formation, family size and composition, and housing preferences. HUD's basic classification system pegs affordable housing needs to how much money a household earns relative to the ***Area Median Income*** (AMI), or median household income of the County of metropolitan region. HUD classifies households into four categories relative to AMI:

- **Extremely Low Income** (ELI): Households with income at or below the Poverty Guideline or 30% of AMI, whichever is higher;
- **Very Low Income** (VLI): Households with income between 31% and 50% of AMI;
- **Low Income** (LI): Households with income between 51% and 80% of AMI Middle Income (MI): Households with income between 81% and 100% of AMI; and
- **Moderate Income**: Households with incomes from 80% to 120% of AMI.

Affordability, however, isn't just about cost. Truly affordable housing is also defined by its quality, access to a range of housing types, safety and access to amenities, services, and transportation. This fuller definition of housing affordability is embedded in HUD's mission statement: "***HUD'S mission is to create strong, sustainable, inclusive communities and quality, affordable homes for all***." [HUD, 2014]

The Regional Impacts of Housing Affordability

Housing affordability is a national issue. According to the US Census Bureau American Community Survey (ACS), there are over 13 million more cost-burdened households in the US since 2000, 6.9 million of which are severely cost-burdened. The over 38 million cost-burdened households represent a full third of all households in the nation. Housing affordability, despite wide differences in how it should be supplied, is a goal of nearly all state and local governments in the US. ***But affordable housing isn't merely a laudable social goal — it has far reaching economic impacts which drive regional economic growth, development and competitiveness.***

Housing costs represent the single largest component of total household expenses for most American families. Money left over after housing expenses represents the income left for necessary and discretionary household spending, which then drives spending patterns for local goods and services. As housing costs eat up increasing shares of household incomes, consumer spending at the local level suffers.

As the FIU Metropolitan Center has documented elsewhere, the growing gap between households at the bottom of the income ladder and those at the top has accelerated over the last decade, especially in Miami -Dade County. Nationwide, the gap between the ***net worth*** of families at the top and bottom of income has grown even faster than income inequality. Households in the top quintile of income experienced a median household net worth increase to $630,754, while households in the bottom quintile saw their real median household net worth dip to ***negative*** $6,029.

Owning a home is the largest single asset investment held by most Americans — the cornerstone of upward economic mobility and wealth building for middle and low income families. For renters, increasing housing costs also slows wealth building, eating into savings. Moving families out of the bottom income levels into the middle class is one of the most pressing economic and political issues of our time. Currently, forty-three percent of individuals born into the lowest quintile (the lowest 20 percent) of income remain there the rest of their lives. Seventy percent never reach the middle quintile. [Blumenthal & McGinty, p.1] Improving housing affordability lies at the center of improving economic mobility and closing income inequality.

Housing affordability also affects educational performance and attainment. Households with better affordability ratios generally have higher rates of savings, more cash, and/or higher levels of equity (in an owned home) that can be applied to education spending for their children, including higher education costs. Recent research from a team at Johns Hopkins found that children of families spending around 30 percent of their income on housing costs had significantly higher math and reading test scores than families who spent more than 50 percent of their income on housing. The research team's reasoning to explain the results are that homes with high housing cost-burdens have less disposable income to spend on computers, books, school supplies, educational trips, and other items which support intellectual development and school scores. Compounding lower performance, difficulty in school also puts lower income children at a much higher risk of dropping out altogether. [Newman & Scott, p. 3]

It has also been found that lower housing cost-burden and higher quality housing leads to better family health outcomes. Households with lower cost burden rates have more income available for available for health care expenditures, including insurance, especially for middle and low income households. Families on the margin of home affordability are often forced to choose between health care and paying the rent or mortgage, and a single unexpected health expense can throw a family into foreclosure or eviction.

Further, housing markets with higher proportions of affordable housing and lower rates of cost burdened households typically have more stable housing demand cycles, which means more stable construction industry employment. Given Miami-Dade County's historically high portion of construction employment, sustaining a more stable housing market has deep impacts on local employment rates, wage growth, income, and regional productivity. As Miami-Dade experienced in the last two downward economic cycles, the loss of these jobs can have devastating economy-wide consequences.

Housing affordability impacts regional economic diversification. In Miami-Dade County, housing affordability increasingly impacts median income households and those earning up to 200 percent of the area median income. High housing prices, tight mortgage lending practices, and high rents

relative to local incomes impacts workers in essential occupations, including police, fire, teachers, and health care workers, as well as higher income workers in many professional occupations.

For younger workers and college graduates just entering the workforce, high housing costs creates the difficult decision as to whether to stay in the region at all, given that wages are lower and housing costs higher than other regions in the US. High relative housing costs and tightening first-time home ownership opportunities can hamper regional talent retention, posing a threat to its sustainability and long-term prospects for advanced regional economic development in high-wage, high skill sectors.

Affordable housing is the key to making other economic and social programs work, including workforce development, job training, and welfare-to-work programs. According to Bruce Katz, a body of research has documented that "the lack of affordable housing is a barrier to getting and keeping a job for welfare recipients and other low-income families." [Katz II p.3] He also notes that education reforms and student performance improvement programs can't work in the absence of quality affordable housing. [Katz, et. al., 2003, p. 1]

Further, numerous researchers have documented the local costs of income insecurity — that families with uncertain income prospects, or at risk to catastrophic personal financial events (job loss, health costs, etc.) create rising public costs which are increasingly being forced on state and local governments. The pull-back of federal funding for housing has been a nearly continuous trend since the 1990's, meaning that strategic planning, program development, administration, and funding is increasingly the responsibility of local governments. If for no other reason than to avoid growing unrecoverable local costs, local governments are well advised to develop sustainable affordable housing strategies. [Elliott, pp. 5-10]

Commenting on the cumulative economic effects of high housing costs and rising unaffordability, Stockton Williams, writing for the Urban Land Institute Terwilliger Center, puts it this way:

> *High housing costs are not only detrimental for families: they are also bad for business and local competitiveness. They make it harder for companies to attract and retain workers or force employers to pay higher wages, which may be passed along to consumers in the form of higher prices. Workers forced to make unduly long commutes between their jobs and where they can afford to live may be less productive and spend less of their income in the community of their employment. Some research even suggests that housing shortages in highly productive cities have reduced the national gross domestic product.* [Williams, et. al., p. vii]

A Regional *Economic* Priority

As the nation's fifth most unaffordable housing market, solving housing affordability across the region is one of its most pressing problems. Left unchecked, the rising share of housing as a percentage of household costs poses a serious threat to the future of the regional economy. ***In light of changing political winds, promoting housing affordability is best served by changing the terms of the housing debate. Specifically, the region's perspective needs to expand, embracing affordable housing as a key investment in the region's economic competitiveness.*** The strategic advantages of a more affordable regional housing market include:

- Housing affordability can be a potent tool for improving the performance of the regional economy, driving employment growth, productivity, wages, business development, and retaining high-skilled, educated workers;

- Housing affordability promotes inclusive economic growth where families at the bottom and middle share in expanding reginal economic opportunity. In fact, it doubtful that the region can create significant upward economic mobility without the wealth and asset building effects of affordable home ownership;
- Raising the income and net wealth of even a small percentage of the area's households up to the Area Median Income results in broad-based economic growth, high-wage job creation, increased tax revenue, and lower public costs for health, human services and policing. The cumulative economic impacts of greater, more widespread housing affordability would be a major boost to achieving the region's goals to become a more diversified, higher income economy. [Greiner, et. al., 2016]; and
- Housing affordability also plays a major role in developing, re-developing and diversifying neighborhoods without the negative impacts of rapid gentrification. Miami-Dade has numerous core neighborhoods suffering from the impacts of long-term, persistent poverty. Focused investment strategies to improve housing affordability would improve these communities and benefit the entire regional economy. [Greiner, et. al., 2016]

The Dynamics of Affordable Housing in Miami-Dade County

Measures of Affordability in Miami-Dade County

Housing affordability in Miami-Dade cuts across a wide range of households. The three clearest measures of region-wide affordability are 1) the proportion and growth of cost-burdened households, 2) the financial gap between the price of affordable housing at different income levels, and 3) the actual selling and rental prices of housing in Miami-Dade.

County Household Cost-Burden Patterns

Miami-Dade County's pattern of cost-burden is distinguished from the rest of the US in three ways: 1) its excessively high composition of cost-burdened households, 2) its rising composition of cost-burdened renter households, and 3) its rising portion of "severely" cost-burdened households.

Nationally, the composition of cost-burdened households rose from 28 percent of all households, to 36 percent at the peak of the recession in 2010, and has since declined to 32 percent. Yet, Miami-Dade County's high rate of cost-burden has become a permanent feature of the regional economy. ***Since 2000 the percentage of cost-burdened households in the County has consistently run at 1.5 times the national average. Cost-burdened households as a percent of all households in Miami-Dade was at 41 percent in 2000, peaked at 54.2 percent in 2010, and dropped to 49 percent of all households in 2015.***

On deeper inspection, the most significant difference between Miami-Dade and the rest of the nation has been the rate of growth in cost-burdened ***renter*** households since 2000. At the national level, cost-burdened owner households grew from 13 to 19 percent of all households from 2000 to 2010, sliding to 14.9 percent by 2015. The pattern is similar for renter households across the rest of the nation — growing from 14.3 to 17.5 percent from 2000 to 1010, and dipping to 17.3 percent of all households.

In Miami-Dade, the structure of cost-burden among owner households is like the rest of the US. Cost-burdened owner households, as a percentage of all households, grew from 18.2 to 31.5 percent from 2000 to 2007, and dropped back to 18.5 percent by 2015. ***However, rather than peaking and receding, the composition of cost-burdened renter households in Miami-Dade has been steadily growing without interruption since 2000, increasing from 23 percent of all households in the County to its current peak of 30.5 percent of all households (owner and renter)***.

A detailed examination of the County's composition of cost-burdened households reveals that the reduction in the total number of cost burdened households has been driven exclusively by the decrease on cost burdened owner households. ***Despite the reduction in the overall percentage of cost-burdened households and significant drop in the number of cost-burdened owner households, the County's steady growth in cost-burdened renter households has resulted in over 419,000 total cost burdened households in 2015, 58,720 more than in 2007***.

Lastly, severely cost-burdened households make up 56 percent of all cost-burdened households, and 26.5 percent of all households in the County. Again, the total cost-burden numbers are amplified by the composition of cost-burdened renter households. ***Severely cost-burdened renter households represent the single largest segment of cost-burdened households in the County, having grown without interruption from 12 percent of all households 2000 to 17.1 percent of all households in 2015, comprising 66 percent of all cost-burdened renter households.***

Cost-Burdened Households by Income

As expected, cost-burden hurts households at the bottom of the income ladder most. In Miami-Dade the differences are startling. Cost-burdened households make up 87 percent of ***all*** homeowners earning less than $20,000 per year, 80 percent of households earning $20,000 to $34,999 per year, and 62 percent of homeowners earning $35,000 to $49,999 per year. Again, the percentages are amplified for renters — ***cost burdened households make up 90 percent of renter homeowners earning less than $20,000 per year, 91 percent of renter households earning $20,000 to $34,999 per year, and 71 percent of renter homeowners earning $35,000 to $49,999 per year.***

This pattern, without intervention, will most likely accelerate. The Shimberg Center at the University of Florida predicts an estimated increase of 50,000 severely cost-burdened, low-income renters in Miami-Dade County between 2015 and 2040. Most of this growth over the next 25 years is projected to be in extremely low-income households (63 percent) followed by very low-income households (29 percent). [Shimberg Center, Florida Housing Data Clearing House, 2015.]

National Cost-Burden Benchmark

With 49 percent cost burdened households, Miami-Dade is the 5th most unaffordable County in the nation, out of 819 counties. ***Miami-Dade's composition of cost-burdened renter households, at 61.6 percent of renter households, and 30.5 percent of all households, ranks it as the second most unaffordable County in the US for renters***. ***Its share of cost-burdened renters as a proportion of all households is 1.8 times the national average.***

Housing Cost Burden: United States

	2000		2007		2008		2009		2010		2011		2012		2013		2014		2015	
Total Households	**90,411,610**		**112,377,977**		**113,101,329**		**113,616,229**		**114,567,419**		**114,991,725**		**115,969,540**		**116,291,033**		**117,259,427**		**118,208,250**	
Renter	35,199,502	38.9%	36,862,873	32.8%	37,728,276	33.4%	38,773,225	34.1%	39,694,047	34.6%	40,727,290	35.4%	41,850,284	36.1%	42,447,172	36.5%	43,267,432	36.9%	43,701,738	37.0%
Owner	55,212,108	61.1%	75,515,104	67.2%	75,373,053	66.6%	74,843,004	65.9%	74,873,372	65.4%	74,264,435	64.6%	74,119,256	63.9%	73,843,861	63.5%	73,991,995	63.1%	74,506,512	63.0%
Cost Burdened Households																				
Renter Households																				
30 percent to 49.9 percent	6,759,718	7.5%	8,436,517	7.5%	8,631,963	7.6%	9,023,154	7.9%	9,364,743	8.2%	9,563,091	8.3%	9,664,653	8.3%	9,836,781	8.5%	10,176,703	8.7%	10,157,983	8.6%
50 percent or more	6,209,568	6.9%	8,370,815	7.4%	8,776,551	7.8%	9,462,157	8.3%	10,056,845	8.8%	10,511,168	9.1%	10,454,441	9.0%	10,384,411	8.9%	10,531,126	9.0%	10,285,647	8.7%
Total	12,969,286	14.3%	16,807,332	15.0%	17,408,514	15.4%	18,485,311	16.3%	19,421,588	17.0%	20,074,259	17.5%	20,119,094	17.3%	20,221,192	17.4%	20,707,829	17.7%	20,443,630	17.3%
Owner Households																				
30 percent to 49.9 percent	7,850,592	8.7%	14,056,234	12.5%	13,949,137	12.3%	13,736,596	12.1%	13,684,858	11.9%	13,130,458	11.4%	12,125,439	10.5%	11,140,859	9.6%	10,926,394	9.3%	10,607,536	9.0%
50 percent or more	4,194,139	4.6%	8,939,660	8.0%	9,060,238	8.0%	8,990,052	7.9%	9,123,818	8.0%	8,862,580	7.7%	8,035,054	6.9%	7,546,333	6.5%	7,408,123	6.3%	7,047,925	6.0%
Total	12,044,731	13.3%	22,995,894	20.5%	23,009,375	20.3%	22,726,648	20.0%	22,808,676	19.9%	21,993,038	19.1%	20,160,493	17.4%	18,687,192	16.1%	18,334,517	15.6%	17,655,461	14.9%
Total Cost Burdened Households																				
30 percent to 49.9 percent	14,610,310	16.2%	22,492,751	20.0%	22,581,100	20.0%	22,759,750	20.0%	23,049,601	20.1%	22,693,549	19.7%	21,790,092	18.8%	20,977,640	18.0%	21,103,097	18.0%	20,765,519	17.6%
50 percent or more	10,403,707	11.5%	17,310,475	15.4%	17,836,789	15.8%	18,452,209	16.2%	19,180,663	16.7%	19,373,748	16.8%	18,489,495	15.9%	17,930,744	15.4%	17,939,249	15.3%	17,333,572	14.7%
Total	**25,014,017**	**27.7%**	**39,803,226**	**35.4%**	**40,417,889**	**35.7%**	**41,211,959**	**36.3%**	**42,230,264**	**36.9%**	**42,067,297**	**36.6%**	**40,279,587**	**34.7%**	**38,908,384**	**33.5%**	**39,042,346**	**33.3%**	**38,099,091**	**32.2%**

Housing Cost Burden: Miami-Dade County

	2000		2007		2008		2009		2010		2011		2012		2013		2014		2015	
Total Households	**662,648**		**833,199**		**825,761**		**812,800**		**809,689**		**818,297**		**838,772**		**839,491**		**843,887**		**857,712**	
Renter	326,833	49.3%	331,477	39.8%	329,355	39.9%	350,402	43.1%	348,225	43.0%	359,015	43.9%	383,630	45.7%	392,845	46.8%	399,426	47.3%	423,866	49.4%
Owner	335,815	50.7%	501,722	60.2%	496,406	60.1%	462,398	56.9%	461,464	57.0%	459,282	56.1%	455,142	54.3%	446,646	53.2%	444,461	52.7%	433,846	50.6%
Cost Burdened Households																				
Renter Households																				
30 percent to 49.9 percent	74,343	11.2%	94,128	11.3%	91,453	11.1%	93,593	11.5%	90,957	11.2%	98,446	12.0%	99,580	11.9%	109,497	13.0%	108,785	12.9%	114,130	13.3%
50 percent or more	79,723	12.0%	108,356	13.0%	114,095	13.8%	117,597	14.5%	121,235	15.0%	128,487	15.7%	132,123	15.8%	136,298	16.2%	138,967	16.5%	147,074	17.1%
Total	154,066	23.3%	202,484	24.3%	205,548	24.9%	211,190	26.0%	212,192	26.2%	226,933	27.7%	231,703	27.6%	245,795	29.3%	247,752	29.4%	261,204	30.5%
Owner Households																				
30 percent to 49.9 percent	69,385	10.5%	125,959	15.1%	115,586	14.0%	110,341	13.6%	103,955	12.8%	103,551	12.7%	97,302	11.6%	89,108	10.6%	85,339	10.1%	78,797	9.2%
50 percent or more	50,991	7.7%	136,827	16.4%	130,737	15.8%	120,534	14.8%	122,640	15.1%	109,465	13.4%	100,832	12.0%	86,175	10.3%	80,469	9.5%	79,908	9.3%
Total	120,376	18.2%	262,786	31.5%	246,323	29.8%	230,875	28.4%	226,595	28.0%	213,016	26.0%	198,134	23.6%	175,283	20.9%	165,808	19.6%	158,705	18.5%
Total Cost Burdened Households																				
30 percent to 49.9 percent	143,728	21.7%	220,087	26.4%	207,039	25.1%	203,934	25.1%	194,912	24.1%	201,997	24.7%	196,882	23.5%	198,605	23.7%	194,124	23.0%	192,927	22.5%
50 percent or more	130,714	19.7%	245,183	29.4%	244,832	29.6%	238,131	29.3%	243,875	30.1%	237,952	29.1%	232,955	27.8%	222,473	26.5%	219,436	26.0%	226,982	26.5%
Total	**274,442**	**41.4%**	**465,270**	**55.8%**	**451,871**	**54.7%**	**442,065**	**54.4%**	**438,787**	**54.2%**	**439,949**	**53.8%**	**429,837**	**51.2%**	**421,078**	**50.2%**	**413,560**	**49.0%**	**419,909**	**49.0%**

Source: U.S. Census Bureau, American Community Survey 1-Year Estimates 2007-2015

Households by Income: Percent of Income Spent on Housing, Maimi-Dade County

	2007		2008		2009		2010		2011		2012		2013		2014		2015	
Total	**833,199**		**825,761**		**812,800**		**809,689**		**818,297**		**838,772**		**839,491**		**843,887**		**857,712**	
Owner-occupied housing units:	**501,722**		**496,406**		**462,398**		**461,464**		**459,282**		**455,142**		**446,646**		**444,461**		**433,846**	**50.6%**
Less than $20,000:	**65,518**		**68,147**		**66,163**		**72,457**		**66,680**		**63,468**		**65,736**		**60,986**		**59,235**	**6.9%**
Less than 20 percent	3,445	5.3%	3,080	4.5%	2,999	4.5%	3,071	4.2%	4,432	6.6%	4,080	6.4%	5,457	8.3%	4,606	7.6%	4,665	0.5%
20 to 29 percent	4,465	6.8%	5,680	8.3%	5,835	8.8%	5,593	7.7%	6,152	9.2%	7,159	11.3%	7,594	11.6%	6,353	10.4%	6,893	0.8%
30 percent or more	57,608	87.9%	59,387	87.1%	57,329	86.6%	63,793	88.0%	56,096	84.1%	52,229	82.3%	52,685	80.1%	50,027	82.0%	47,677	5.6%
$20,000 to $34,999:	**72,817**		**71,070**		**68,824**		**68,580**		**74,609**		**68,508**		**61,592**		**59,263**		**58,206**	**6.8%**
Less than 20 percent	9,027	12.4%	10,186	14.3%	12,563	18.3%	10,864	15.8%	11,735	15.7%	11,628	17.0%	12,654	20.5%	11,903	20.1%	12,097	1.4%
20 to 29 percent	7,919	10.9%	10,523	14.8%	8,566	12.4%	11,230	16.4%	10,287	13.8%	9,329	13.6%	8,786	14.3%	9,039	15.3%	10,228	1.2%
30 percent or more	55,871	76.7%	50,361	70.9%	47,695	69.3%	46,486	67.8%	52,587	70.5%	47,551	69.4%	40,152	65.2%	38,321	64.7%	35,881	4.2%
$35,000 to $49,999:	**71,859**		**62,123**		**67,354**		**67,701**		**61,121**		**63,261**		**60,459**		**56,488**		**54,309**	**6.3%**
Less than 20 percent	13,350	18.6%	12,347	19.9%	12,925	19.2%	14,034	20.7%	14,198	23.2%	15,282	24.2%	18,433	30.5%	16,566	29.3%	14,865	1.7%
20 to 29 percent	10,017	13.9%	9,836	15.8%	8,746	13.0%	10,359	15.3%	10,813	17.7%	8,743	13.8%	10,927	18.1%	10,903	19.3%	10,823	1.3%
30 percent or more	48,492	67.5%	39,940	64.3%	45,683	67.8%	43,308	64.0%	36,110	59.1%	39,236	62.0%	31,099	51.4%	29,019	51.4%	28,621	3.3%
$50,000 to $74,999:	**97,209**		**94,335**		**91,386**		**87,010**		**84,007**		**80,727**		**80,914**		**78,070**		**74,034**	**8.6%**
Less than 20 percent	23,614	24.3%	22,458	23.8%	27,922	30.6%	27,600	31.7%	20,698	24.6%	26,507	32.8%	27,980	34.6%	29,894	38.3%	27,909	3.3%
20 to 29 percent	20,498	21.1%	20,749	22.0%	19,683	21.5%	19,454	22.4%	21,815	26.0%	19,644	24.3%	22,188	27.4%	19,385	24.8%	19,048	2.2%
30 percent or more	53,097	54.6%	51,128	54.2%	43,781	47.9%	39,956	45.9%	41,494	49.4%	34,576	42.8%	30,746	38.0%	28,791	36.9%	27,077	3.2%
$75,000 or more:	**189,888**		**195,312**		**163,363**		**160,008**		**165,589**		**171,636**		**172,103**		**181,927**		**179,339**	**20.9%**
Less than 20 percent	90,958	47.9%	98,300	50.3%	78,583	48.1%	82,752	51.7%	91,234	55.1%	99,423	57.9%	109,005	63.3%	116,405	64.0%	116,918	13.6%
20 to 29 percent	51,212	27.0%	51,505	26.4%	48,393	29.6%	44,204	27.6%	47,626	28.8%	47,671	27.8%	42,497	24.7%	45,872	25.2%	42,972	5.0%
30 percent or more	47,718	25.1%	45,507	23.3%	36,387	22.3%	33,052	20.7%	26,729	16.1%	24,542	14.3%	20,601	12.0%	19,650	10.8%	19,449	2.3%
Zero or negative income	**4,431**		**5,419**		**5,308**		**5,708**		**7,276**		**7,542**		**5,842**		**7,727**		**8,723**	**1.0%**
Renter-occupied housing units:	**331,477**		**329,355**		**350,402**		**348,225**		**359,015**		**383,630**		**392,845**		**399,426**		**423,866**	**49.4%**
Less than $20,000:	**102,334**	**0**	**112,803**	**0**	**114,310**	**0**	**116,997**	**0**	**117,927**	**0**	**117,544**	**0**	**115,690**	**0**	**114,261**	**0**	**114,992**	**13.4%**
Less than 20 percent	1,806	0.5%	1,825	0.6%	2,400	0.7%	3,246	0.9%	2,631	0.7%	2,482	0.6%	1,963	0.5%	2,630	0.7%	2,204	0.3%
20 to 29 percent	8,874	2.7%	9,532	2.9%	11,370	3.2%	11,708	3.4%	10,645	3.0%	9,463	2.5%	8,798	2.2%	8,652	2.2%	9,325	1.1%
30 percent or more	91,654	27.7%	101,446	30.8%	100,540	28.7%	102,043	29.3%	104,651	29.1%	105,599	27.5%	104,929	26.7%	102,979	25.8%	103,463	12.1%
$20,000 to $34,999:	**80,260**	**0**	**66,067**	**0**	**75,459**	**0**	**77,755**	**0**	**80,415**	**0**	**81,216**	**0**	**83,682**	**0**	**85,861**	**0**	**90,804**	**10.6%**
Less than 20 percent	3,167	1.0%	2,126	0.6%	1,669	0.5%	2,036	0.6%	2,754	0.8%	2,133	0.6%	884	0.2%	1,294	0.3%	1,971	0.2%
20 to 29 percent	8,109	2.4%	4,819	1.5%	7,429	2.1%	8,087	2.3%	5,764	1.6%	5,541	1.4%	4,449	1.1%	4,633	1.2%	6,043	0.7%
30 percent or more	68,984	20.8%	59,122	18.0%	66,361	18.9%	67,632	19.4%	71,897	20.0%	73,542	19.2%	78,349	19.9%	79,934	20.0%	82,790	9.7%
$35,000 to $49,999:	**50,190**	**0**	**48,693**	**0**	**52,447**	**0**	**47,449**	**0**	**47,695**	**0**	**54,041**	**0**	**59,787**	**0**	**61,943**	**0**	**59,695**	**7.0%**
Less than 20 percent	3,797	1.1%	3,217	1.0%	3,886	1.1%	3,592	1.0%	3,157	0.9%	3,618	0.9%	3,262	0.8%	2,667	0.7%	2,389	0.3%
20 to 29 percent	18,761	5.7%	16,327	5.0%	20,011	5.7%	16,126	4.6%	14,341	4.0%	16,472	4.3%	17,376	4.4%	18,553	4.6%	14,917	1.7%
30 percent or more	27,632	8.3%	29,149	8.9%	28,550	8.1%	27,731	8.0%	30,197	8.4%	33,951	8.8%	39,149	10.0%	40,723	10.2%	42,389	4.9%
$50,000 to $74,999:	**46,279**	**14.0%**	**43,622**	**13.2%**	**44,095**	**12.6%**	**46,110**	**13.2%**	**46,298**	**12.9%**	**52,168**	**13.6%**	**54,517**	**13.9%**	**56,355**	**14.1%**	**61,395**	**7.2%**
Less than 20 percent	14,069	4.2%	10,079	3.1%	10,232	2.9%	8,604	2.5%	9,666	2.7%	10,640	2.8%	10,184	2.6%	8,226	2.1%	8,417	1.0%
20 to 29 percent	20,618	6.2%	20,634	6.3%	20,910	6.0%	24,531	7.0%	20,794	5.8%	26,837	7.0%	25,606	6.5%	28,733	7.2%	27,751	3.2%
30 percent or more	11,592	3.5%	12,909	3.9%	12,953	3.7%	12,975	3.7%	15,838	4.4%	14,691	3.8%	18,727	4.8%	19,396	4.9%	25,227	2.9%
$75,000 or more:	**35,564**	**10.7%**	**39,804**	**12.1%**	**41,199**	**11.8%**	**36,557**	**10.5%**	**45,476**	**12.7%**	**50,743**	**13.2%**	**51,900**	**13.2%**	**53,834**	**13.5%**	**66,051**	**7.7%**
Less than 20 percent	21,767	6.6%	23,763	7.2%	26,858	7.7%	23,325	6.7%	27,157	7.6%	30,587	8.0%	31,231	7.9%	32,000	8.0%	34,664	4.0%
20 to 29 percent	11,175	3.4%	13,119	4.0%	11,555	3.3%	11,421	3.3%	13,969	3.9%	16,236	4.2%	16,028	4.1%	17,114	4.3%	24,052	2.8%
30 percent or more	2,622	0.8%	2,922	0.9%	2,786	0.8%	1,811	0.5%	4,350	1.2%	3,920	1.0%	4,641	1.2%	4,720	1.2%	7,335	0.9%
Zero or negative income	**5,611**	**1.7%**	**6,965**	**2.1%**	**9,508**	**2.7%**	**9,629**	**2.8%**	**9,380**	**2.6%**	**13,681**	**3.6%**	**13,420**	**3.4%**	**13,112**	**3.3%**	**15,975**	**1.9%**
No cash rent	**11,239**	**3.4%**	**11,401**	**3.5%**	**13,384**	**3.8%**	**13,728**	**3.9%**	**11,824**	**3.3%**	**14,237**	**3.7%**	**13,849**	**3.5%**	**14,060**	**3.5%**	**14,954**	**1.7%**
Total Cost Burdened Owner Households	**262,786**	**31.5%**	**246,323**	**29.8%**	**230,875**	**28.4%**	**226,595**	**28.0%**	**213,016**	**26.0%**	**198,134**	**23.6%**	**175,283**	**20.9%**	**165,808**	**19.6%**	**158,705**	**18.5%**
Total Cost Burdened Renter Households	**202,484**	**24.3%**	**205,548**	**24.9%**	**211,190**	**26.0%**	**212,192**	**26.2%**	**226,933**	**27.7%**	**231,703**	**27.6%**	**245,795**	**29.3%**	**247,752**	**29.4%**	**261,204**	**30.5%**
Total Cost Burdened Households	**465,270**	**55.8%**	**451,871**	**54.7%**	**442,065**	**54.4%**	**438,787**	**54.2%**	**439,949**	**53.8%**	**429,837**	**51.2%**	**421,078**	**50.2%**	**413,560**	**49.0%**	**419,909**	**49.0%**

Source: U.S. Census Bureau, American Community Survey 1-Year Estimates 2007-2015

Most Cost Burdened Counties in the US, 2015

	Occupied Housing Units	Owner-occupied housing units	Renter-occupied housing units	Percentage Cost Burdened Households	Percentage Cost Burded Owner Households	Percentage Cost Burdedn Renter Houshold s
Bronx County, New York	495,513	92,845	402,668	53.1%	36.5%	56.9%
Passaic County, New Jersey	157,309	82,502	74,807	51.4%	43.9%	59.6%
Atlantic County, New Jersey	101,813	69,152	32,661	49.5%	43.3%	62.5%
Essex County, New Jersey	279,874	118,393	161,481	49.4%	40.5%	55.9%
Miami-Dade County, Florida	**857,712**	**433,846**	**423,866**	**49.0%**	**36.6%**	**61.6%**
Kings County, New York	940,176	270,013	670,163	48.2%	41.5%	50.9%
Los Angeles County, California	3,293,095	1,486,408	1,806,687	47.2%	36.6%	55.9%
Rockland County, New York	99,875	66,859	33,016	46.5%	40.9%	57.8%
Queens County, New York	774,752	334,859	439,893	46.1%	39.0%	51.5%
Suffolk County, Massachusetts	300,841	105,432	195,409	45.6%	35.0%	51.3%
Liberty County, Georgia	22,282	10,531	11,751	44.8%	31.1%	57.1%
Hudson County, New Jersey	255,508	76,341	179,167	44.8%	42.4%	45.8%
Clarke County, Georgia	46,556	18,273	28,283	44.5%	23.7%	58.0%
Santa Cruz County, California	93,317	51,705	41,612	44.4%	34.6%	56.5%
Norfolk city, Virginia	87,819	38,913	48,906	44.3%	32.8%	53.4%
Orleans Parish, Louisiana	156,591	72,577	84,014	44.0%	30.4%	55.8%
Broward County, Florida	673,870	414,256	259,614	44.0%	34.4%	59.3%
Humboldt County, California	53,553	29,809	23,744	43.8%	33.3%	56.9%
San Diego County, California	1,113,610	579,465	534,145	43.7%	34.2%	54.1%
Union County, New Jersey	188,035	107,462	80,573	43.7%	38.6%	50.6%
Suffolk County, New York	481,796	383,815	97,981	43.7%	39.9%	58.4%
Richmond city, Virginia	91,396	36,716	54,680	43.2%	28.4%	53.2%
Cape May County, New Jersey	38,708	29,608	9,100	43.2%	39.6%	54.9%
Hampton city, Virginia	53,132	29,772	23,360	42.8%	31.7%	56.9%
Monroe County, Florida	31,391	19,025	12,366	42.5%	34.5%	54.8%
Orange County, California	1,022,542	578,950	443,592	42.5%	32.7%	55.2%
San Bernardino County, California	628,798	359,920	268,878	42.4%	32.0%	56.4%
Nevada County, California	41,381	29,707	11,674	42.1%	35.7%	58.5%
Riverside County, California	714,728	457,212	257,516	42.0%	34.7%	54.9%
Honolulu County, Hawaii	307,703	164,770	142,933	42.0%	30.3%	55.4%

Source: U.S. Census Bureau, American Community Survey 1-Year Estimates 2007-2015

Housing Affordability — Income and Cost Gaps

An alternative measure of affordability looks at the gaps between incomes and housing prices, and how the two trend against each other over time. Considering these gaps over time may be the best indicator of how fast affordability, or unaffordability, is moving within a given market. Specifically, this study looked at three income-to-cost affordability indicators:

- The ratio of household incomes to housing prices, expressed as a multiplier;
- The difference (gap) between household incomes required to afford homes and rents, and actual household incomes in the County; and
- The difference (gap) between the affordable price for housing for households at various incomes, and actual sale and rent prices in the County.

A comparison of the trends in income and housing prices between Miami-Dade County and the US reveals a striking picture of the scale of the County's affordability issues. The key findings looking at affordability income and cost gaps are as follows.

Incomes and Affordability Ratios

Adjusted for inflation, median household income in Miami-Dade grew 3 percent from the trough of the recession in 2011, to 2015, while median household income across the US grew 5 percent for the same period. However, median household income for the County is not only lower than the remainder of the country, but has lost ground to the national median income. ***Currently, the County's $43,786 median household has slipped from 86 percent of the US median household income in 2007, to only 79 percent in 2015.***

While incomes have been declining in the County relative to the national average, housing prices have risen dramatically compared to the rest of the nation. The post-recession collapse of housing prices in Miami-Dade, the inflation adjusted median sale price for all housing units in the County dipped to 97 percent of the national median sale price in 2011. However, since then, prices in Miami-Dade have accelerated past the rest of the country — by 2015 the median sale price for all units in the County, at $250,250, reached 119 percent of the national median sale price. [Zillow.com market data]

The Median sale price for all housing units in the US increased 21 percent from 2011 to 2015. Nationally, median asking rents for all rental units increased by 2 percent, two-bedroom unit rents increased 15 percent, and for three-bedroom rentals, 7 percent for the same period. In Miami-Dade, the median sale price for all housing units in Miami-Dade increased by 48 percent from 2011 to 2015, while median asking rent increased by 21 percent for all rentals, 22 percent for two-bedroom units, and 20 percent for three-bedroom units for the period. [Zillow.com market data]

As a result, the ratio of sales prices and rents to incomes for Miami-Dade generally run 1.5 times higher across all housing types. The ratio of median purchase price for all units to median household income in the US by 2015 was 3.77, increasing only 15 percent from 2011. The current purchase price to median income ratio in Miami-Dade, at 5.72, is not only 1.5 times higher than the rest of the country, but has grown 44 percent since 2011. Similar income-price ratios for rental units in Miami-Dade are even wider compared to national averages, in some cases, double the national rate. [Zillow.com, Zillow Inc. market data]

Affordability Income Gaps

Using the 30 percent of income rule the income required to affordably purchase and own a home at the national median sale price ($210,000) is $84,000. The US median household income is $55,775, meaning that the difference, or gap, between the income required to afford the median priced home and the median income is $28,225. ***Applying this methodology to median purchase prices and rents indicates that in Miami-Dade the current income gap for a median income household purchase home at the County median price is nearly double the national average — $56,314***.

This income gap has grown since the trough of the recession, although much faster in Miami-Dade County than the rest of the nation, 73 percent for the US, and 126 percent in Miami-Dade from 2011 to 2015. The income gaps for renters in the County are even more severe. The 2015 income gap for renters across the US range from $1,036 to $1,721. ***The same rental affordable income gap in Miami-Dade ranges from $48,000 to $54,000 — nearly 27 to 52 times the affordable income gap at the national level.***

Additionally, nationally the income gaps for median two-bedroom and three-bedroom rental prices ***declined*** nationally by 82 percent from 2011 to 2015. The same income gaps ***increased*** in Miami-Dade by 40 percent to 45 percent during the same period.

Affordability Cost Gaps

A final measure of affordability is to calculate the affordable purchase or rental price, based on income level. The difference between the affordable price and the median price represents the affordability ***cost gap***. The pattern in Miami-Dade relative to the US follows the now familiar pattern.

The largest cost gaps to afford a median priced home or apartment hits hardest at the lowest income levels. Again, however, the cost gap for home purchases in Miami-Dade increased far faster than the national average, ranging from 1.29 to 2.7 times the national affordable cost gap in 2011, growing to average of 1.7 times the national affordable cost gap across all income ranges in 2015.

The cost gap differential is also substantially higher for renters in Miami-Dade than the rest of the country. The cost gap for affordable rent at the median in the County is 39.75 times the national average. Lastly, the affordable cost gap grew 102 percent from 2011 to 2015 in Miami-Dade, while shrinking 124 percent nationally over the same period.

Income and Cost Affordability Indicators: United States

(2015 CPI-URS Adjusted Dollars)	2007	2008	2009	2010	2011	2012	2013	2014	2015	Percent Increa 2011-2015
Median HH Income	58,003	57,278	55,483	54,401	53,217	53,034	53,161	53,724	55,775	5%
Median Sale Price - All Units (Zillow)	239,235	211,082	191,984	188,065	173,780	180,114	189,573	190,973	210,000	21%
Median Asking Rent - All Homes (Zillow)				1,522	1,470	1,445	1,424	1,427	1,500	2%
Median Asking Rent - 2 Bedroom (Zillow)				1,150	1,317	1,338	1,628	1,452	1,519	15%
Median Asking Rent - 3 Bedroom (Zillow)				1,413	1,396	1,394	1,521	1,402	1,500	7%
Affordability Ratios										
Median Income to Median Sale Price Ratio (Zillow Estimate)	4.12	3.69	3.46	3.46	3.27	3.40	3.57	3.55	3.77	15%
Median Income to Median List Rent Price Ratio (Zillow Estimate)				0.34	0.33	0.33	0.32	0.32	0.32	-3%
Median Income to Median 2 BR Rent Price Ratio (Zillow Estimate)				0.25	0.30	0.30	0.37	0.32	0.33	10%
Median Income to Median 3 BR Rent Price Ratio (Zillow Estimate)				0.31	0.31	0.32	0.34	0.31	0.32	3%
Affordability Income Gaps										
Income Required to Afford Median Owner Occupied Home - All Units	95,694	84,433	76,794	75,226	69,512	72,046	75,829	76,389	84,000	
Gap Between Median Income and Required Income	(37,691)	(27,155)	(21,311)	(20,825)	(16,295)	(19,012)	(22,668)	(22,665)	(28,225)	73%
Income Required to Afford Median Rent				54,847	52,973	52,072	51,315	51,423	54,054	
Gap Between Median Income and Required Income				446	(244)	(962)	(1,846)	(2,301)	(1,721)	605%
Income Required to Afford Median 2 BR Rent				41,441	47,459	48,216	58,667	52,324	54,739	
Gap Between Median Income and Required Income				(12,960)	(5,758)	(4,818)	5,506	(1,400)	(1,036)	-82%
Income Required to Afford Median 3 BR Rent				50,919	50,306	50,234	54,811	50,523	54,054	
Gap Between Median Income and Required Income				(3,482)	(2,911)	(2,800)	1,650	(3,201)	(1,721)	-41%
Affordability Cost Gaps										
Affordable Home Price for Household at 30% Median Income	43,502	42,959	41,612	40,801	39,913	39,776	39,871	40,293	41,831	
Gap Between Affordable Price and Median Price	(195,733)	(168,124)	(150,372)	(147,264)	(133,867)	(140,339)	(149,702)	(150,680)	(168,169)	26%
Affordable Home Price for Household at 50% Median Income	72,504	71,598	69,354	68,001	66,521	66,293	66,451	67,155	69,719	
Gap Between Affordable Price and Median Price	(166,731)	(139,485)	(122,630)	(120,064)	(107,259)	(113,822)	(123,122)	(123,818)	(140,281)	31%
Affordable Home Price for Household at 80% Median Income	116,006	114,556	110,966	108,802	106,434	106,068	106,322	107,448	111,550	
Gap Between Affordable Price and Median Price	(123,229)	(96,526)	(81,018)	(79,263)	(67,346)	(74,046)	(83,251)	(83,525)	(98,450)	46%
Affordable Home Price for Household at Median Income	145,008	143,195	138,708	136,003	133,043	132,585	132,903	134,310	139,438	
Gap Between Affordable Price and Median Price	(94,228)	(67,887)	(53,277)	(52,063)	(40,738)	(47,529)	(56,671)	(56,663)	(70,563)	73%
Affordable Home Price for Household at 120% Median Income	174,009	171,834	166,449	163,203	159,651	159,102	159,483	161,172	167,325	
Gap Between Affordable Price and Median Price	(65,226)	(39,248)	(25,535)	(24,862)	(14,129)	(21,012)	(30,090)	(29,801)	(42,675)	202%
Affordable Rent for Household at Median Income				1,610	1,589	1,540	1,510	1,477	1,472	
Gap Between Affordable Price and Median Rent				88	119	94	85	50	(28)	-124%

Source: U.S. Census Bureau, American Community Survey 1-Year Estimates 2007-2015; Zillow.com, Florida Board of Realtors

Income and Cost Affordability Indicators: Miami-Dade County

(2015 CPI-URS Adjusted Dollars)	2007	2008	2009	2010	2011	2012	2013	2014	2015	Percent Increa 2011-2015
Median HH Income	49,898	48,514	45,885	43,719	42,701	42,740	42,644	42,979	43,786	3%
Median Sale Price - All Units (Zillow)	333,024	291,772	245,316	182,076	169,103	194,601	223,835	242,352	250,250	48%
Median Sale Price (FL Board of realtors)										
Single Family Homes	417,244	363,290	270,671	228,274	209,700	216,797	249,271	262,316	281,000	34%
Condominiums	302,931	326,851	243,052	201,098	173,871	175,502	203,487	221,275	248,500	43%
Median Asking Rent - All Homes (Zillow)				2,065	1,897	1,858	2,035	2,002	2,299	21%
Median Asking Rent - 2 Bedroom (Zillow)					2,002	1,961	2,238	2,135	2,450	22%
Median Asking Rent - 3 Bedroom (Zillow)				2,391	2,002	1,956	2,137	2,002	2,399	20%
Affordability Ratios										
Median Income to Median Sale Price Ratio (Zillow Estimate)	6.67	6.01	5.35	4.16	3.96	4.55	5.25	5.64	5.72	44%
Median Income to Median Single Family Home Sale Price Ratio (Fl Board of Realtor	8.36	7.49	5.90	5.22	4.91	5.07	5.85	6.10	6.42	31%
Median Income to Median Condominium Sale Price Ratio	6.07	6.74	5.30	4.60	4.07	4.11	4.77	5.15	5.68	39%
Median Income to Median List Rent Price Ratio (Zillow Estimate)				0.57	0.53	0.52	0.57	0.56	0.63	18%
Median Income to Median 2 BR Rent Price Ratio (Zillow Estimate)				-	0.56	0.55	0.63	0.60	0.67	19%
Median Income to Median 3 BR Rent Price Ratio (Zillow Estimate)				0.66	0.56	0.55	0.60	0.56	0.66	17%
Affordability Income Gaps										
Income Required to Afford Median Owner Occupied Home - All Units	133,209	116,709	98,127	72,830	67,641	77,840	89,534	96,941	100,100	
Gap Between Median Income and Required Income	(83,312)	(68,195)	(52,242)	(29,111)	(24,941)	(35,100)	(46,890)	(53,961)	(56,314)	126%
Income Required to Afford Median Owner Occupied Home - Single Family Homes	166,898	145,316	108,268	91,310	83,880	86,719	99,709	104,927	112,400	
Gap Between Median Income and Required Income	(117,000)	(96,803)	(62,384)	(47,591)	(41,179)	(43,979)	(57,065)	(61,947)	(68,614)	67%
Income Required to Afford Median Owner Occupied Home - Condominiums	121,172	130,741	97,221	80,439	69,549	70,201	81,395	88,510	99,400	
Gap Between Median Income and Required Income	(71,274)	(82,227)	(51,336)	(36,721)	(26,848)	(27,461)	(38,751)	(45,531)	(55,614)	107%
Income Required to Afford Median Rent				82,531	75,795	74,256	81,313	80,020	91,868	
Gap Between Median Income and Required Income				(38,812)	(33,095)	(31,516)	(38,670)	(37,040)	(48,082)	45%
Income Required to Afford Median 2 BR Rent				-	80,006	78,381	89,445	85,321	97,902	
Gap Between Median Income and Required Income				43,719	(37,305)	(35,641)	(46,801)	(42,341)	(54,116)	45%
Income Required to Afford Median 3 BR Rent				95,562	80,006	78,175	85,379	80,020	95,864	
Gap Between Median Income and Required Income				(51,843)	(37,305)	(35,435)	(42,735)	(37,040)	(52,078)	40%
Affordability Cost Gaps										
Affordable Home Price for Household at 30% Median Income	37,423	36,385	34,414	32,789	32,026	32,055	31,983	32,235	32,840	
Gap Between Affordable Price and Median Price	(295,600)	(255,387)	(210,903)	(149,287)	(137,078)	(162,546)	(191,853)	(210,117)	(217,411)	59%
Affordable Home Price for Household at 50% Median Income	62,372	60,642	57,356	54,649	53,376	53,425	53,305	53,724	54,733	
Gap Between Affordable Price and Median Price	(270,651)	(231,130)	(187,960)	(127,427)	(115,727)	(141,176)	(170,531)	(188,627)	(195,518)	69%
Affordable Home Price for Household at 80% Median Income	99,796	97,027	91,770	87,438	85,401	85,480	85,287	85,959	87,572	
Gap Between Affordable Price and Median Price	(233,228)	(194,745)	(153,547)	(94,638)	(83,702)	(109,121)	(138,548)	(156,393)	(162,678)	94%
Affordable Home Price for Household at Median Income	124,745	121,284	114,712	109,297	106,752	106,850	106,609	107,449	109,465	
Gap Between Affordable Price and Median Price	(208,279)	(170,488)	(130,604)	(72,779)	(62,351)	(87,751)	(117,226)	(134,903)	(140,785)	126%
Affordable Home Price for Household at 120% Median Income	149,693	145,541	137,655	131,156	128,102	128,220	127,931	128,938	131,358	
Gap Between Affordable Price and Median Price	(183,330)	(146,231)	(107,662)	(50,919)	(41,001)	(66,381)	(95,904)	(113,413)	(118,892)	190%
Affordable Rent for Household at Median Income				1,385	1,346	1,273	1,213	1,185	1,186	
Gap Between Affordable Price and Median Rent				(681)	(551)	(585)	(822)	(818)	(1,113)	102%

Source: U.S. Census Bureau, American Community Survey 1-Year Estimates 2007-2015; Zillow.com, Florida Board of Realtors

The Dynamics of Housing Affordability in Miami-Dade

The dynamics driving Miami-Dade's housing affordability issues are a combination of factors that include 1) the inventory and development of housing unit stock over time, 2) demand factors including population growth, household lifestyle preferences, local as well as non-regional housing purchasers and renters, and 3) economic dynamics, particularly job creation, occupational structure, and household earnings and income.

A detailed review of Miami-Dade's housing market and broader economic characteristics reveals a regional housing market and economy undergoing rapid change from 2000 to 2015. The key drivers of the County's current affordability structure are as follows:

County-Wide Land Availability

Due to Miami-Dade's rapid growth over the last three decades and the limits to its expansion created by its location between the Atlantic Ocean on the east and Everglades on the west, the County is approaching full build-out. An estimated 11,012 acres inside the Urban Development Boundary, and only 2,083 acres inside the County's Urban Infill Area are privately owned ***vacant*** land. Of the vacant acreage remaining in the County, parcels larger than 4-5 acres are at a premium. The market impacts of the County's growing vacant land shortage are:

- Intensified competition and pricing for parcels over one acre in size;
- A shift in all real estate development sectors shifting to infill "urban" strategies with higher densities, designs, and smaller building footprints;
- Infill development projects on smaller vacant properties, and demolition of underutilized or undervalued buildings;
- Growing repurposing of industrial, commercial, and distribution properties, and entire neighborhoods to higher density, high-value residential development. The rapid conversion of Wynwood, the Design District, and Little Haiti are leading regional examples; and
- A re-thinking, by the public and private sectors, of the value of mixed-use development incorporating commercial and residential development on smaller building footprints.

The combined market pressures created by the growing land shortage squeezes out the development of affordable housing due to higher starting land costs, and is increasingly placing niche developers specializing in affordable and workforce housing into more direct competition with luxury housing developers.

Population Growth and Household Formation

The Miami metro area continues to be a popular destination for immigrants from the US and abroad. Despite a one year loss of total population from 2008 to 2009, from 2007 to 2015, Miami-Dade County was the 13th fastest growing county in the nation among all counties with 1 Million or more population, adding 305,947 net residents. The County's 12.8 percent growth from 2007 was double the US average, with an annual average growth rate of 1.5 percent. During the same period, the County lost 20,399 total households from 2007 to 2009, but added back 44,912 households from 2009 to 2015.

As the County has grown, its household structure has also changed. Miami-Dade is still a community of families, but the percentage of family households dipped from 69 to 67 percent of all households

from 2007 to 2015. Family households shrank by 3.4 percent from 2007 to 2011, but rebounded, growing 3.9 percent from 20011 to 2015.

Non-family household growth has steadily increased since 2007, growing 1.8 percent from 2007 to 2011, and by 6.7 percent from 2011 to 2015. Non-family households grew from 30 percent to nearly 33 percent of all households.

Additionally, average household size has increased for both family and non-family households, as many residents either moved in with relatives or in the case of non-family households, took on roommates. Average household size for non-family households increased 4 percent to 1.31 persons per unit, while families got closer from 2007 to 2015, growing 8.6 percent to an average of 3.79 persons per unit.

The combination of population growth, the acceleration in the growth of households, the growth of non-family households, and re-distribution of family owner households to renters has increased demand for rental housing, shifting the delivery, supply, and availability of housing units since 2011.

Miami-Dade County - Household Formation

	2007		2011		2015		2007-2015	
Total households	833,199		818,297		857,712		24,513	2.9%
Living in Owner-Occupied Housing	501,586	60.2%	459,065	56.1%	434,002	50.6%	(67,584)	-13.5%
Living in Renter-Occupied Housing	331,613	39.8%	359,232	43.9%	423,710	49.4%	92,097	27.8%
Average household size	2.78		3.07		3.08		0.3	10.8%
Family Households	575,684	69.1%	556,127	68.0%	577,934	67.4%	2,250	0.4%
Living in Owner-Occupied Housing	374,173	65.0%	342,537	61.6%	319,180	55.2%	(54,992)	-14.7%
Living in Renter-Occupied Housing	201,511	35.0%	213,590	38.4%	258,754	44.8%	57,242	28.4%
Average family size	3.36		3.77		3.79		0.4	12.8%
Non Family Household	257,515	30.9%	262,170	32.0%	279,778	32.6%	22,263	8.6%
Living in Owner-Occupied Housing	127,470	49.5%	116,666	44.5%	114,429	40.9%	(13,041)	-10.2%
Living in Renter-Occupied Housing	130,045	50.5%	145,504	55.5%	165,349	59.1%	35,304	27.1%
Average Houshold Size	1.26		1.32		1.31		0.1	4.0%

Source: U.S. Census Bureau, American Community Survey 1-Year Estimates 2007-2015

Population Growth, US Counties More than 1 Million Population

	2007	2010	2015	2007-2015		Average Annual Growth 2007-2015
United States	301,621,159	308,745,538	320,896,618	19,275,459	6.4%	0.8%
Wake County, North Carolina	832,970	900,993	1,024,198	191,228	23.0%	2.6%
Orange County, Florida	1,066,113	1,145,956	1,288,126	222,013	20.8%	2.4%
Travis County, Texas	974,365	1,024,266	1,176,558	202,193	20.8%	2.4%
Mecklenburg County, North Carolina	867,067	919,628	1,034,070	167,003	19.3%	2.2%
Bexar County, Texas	1,594,493	1,714,773	1,897,753	303,260	19.0%	2.2%
Tarrant County, Texas	1,717,435	1,809,034	1,982,498	265,063	15.4%	1.8%
Harris County, Texas	3,935,855	4,092,459	4,538,028	602,173	15.3%	1.8%
Clark County, Nevada	1,836,333	1,951,269	2,114,801	278,468	15.2%	1.8%
Hillsborough County, Florida	1,174,727	1,229,226	1,349,050	174,323	14.8%	1.7%
King County, Washington	1,859,284	1,931,249	2,117,125	257,841	13.9%	1.6%
Riverside County, California	2,073,571	2,189,641	2,361,026	287,455	13.9%	1.6%
Fairfax County, Virginia	1,010,241	1,081,726	1,142,234	131,993	13.1%	1.6%
Miami-Dade County, Florida	**2,387,170**	**2,496,435**	**2,693,117**	**305,947**	**12.8%**	**1.5%**
Palm Beach County, Florida	1,266,451	1,320,134	1,422,789	156,338	12.3%	1.5%
Franklin County, Ohio	1,118,107	1,163,414	1,251,722	133,615	12.0%	1.4%
Alameda County, California	1,464,202	1,510,271	1,638,215	174,013	11.9%	1.4%
Montgomery County, Maryland	930,813	971,777	1,040,116	109,303	11.7%	1.4%
San Diego County, California	2,974,859	3,095,313	3,299,521	324,662	10.9%	1.3%
Contra Costa County, California	1,019,640	1,049,025	1,126,745	107,105	10.5%	1.3%
Salt Lake County, Utah	1,009,518	1,029,655	1,107,314	97,796	9.7%	1.2%
Santa Clara County, California	1,748,976	1,781,642	1,918,044	169,068	9.7%	1.2%
Sacramento County, California	1,386,667	1,418,788	1,501,335	114,668	8.3%	1.0%
Philadelphia County, Pennsylvania	1,449,634	1,526,006	1,567,442	117,808	8.1%	1.0%
Dallas County, Texas	2,366,511	2,368,139	2,553,385	186,874	7.9%	1.0%
Broward County, Florida	1,759,591	1,748,066	1,896,425	136,834	7.8%	0.9%
Hennepin County, Minnesota	1,136,599	1,152,425	1,223,149	86,550	7.6%	0.9%
Middlesex County, Massachusetts	1,473,416	1,503,085	1,585,139	111,723	7.6%	0.9%
Maricopa County, Arizona	3,880,181	3,817,117	4,167,947	287,766	7.4%	0.9%
San Bernardino County, California	2,007,800	2,035,210	2,128,133	120,333	6.0%	0.7%
Bronx County, New York	1,373,659	1,385,108	1,455,444	81,785	6.0%	0.7%
Orange County, California	2,997,033	3,010,232	3,169,776	172,743	5.8%	0.7%
Pima County, Arizona	967,089	980,263	1,010,025	42,936	4.4%	0.6%
Kings County, New York	2,528,050	2,504,700	2,636,735	108,685	4.3%	0.5%
Nassau County, New York	1,306,533	1,339,532	1,361,350	54,817	4.2%	0.5%
Suffolk County, New York	1,453,229	1,493,350	1,501,587	48,358	3.3%	0.4%
Queens County, New York	2,270,338	2,230,722	2,339,150	68,812	3.0%	0.4%
Oakland County, Michigan	1,206,089	1,202,362	1,242,304	36,215	3.0%	0.4%
Los Angeles County, California	9,878,554	9,818,605	10,170,292	291,738	3.0%	0.4%
Fulton County, Georgia	992,137	920,581	1,010,562	18,425	1.9%	0.3%
New York County, New York	1,620,867	1,585,873	1,644,518	23,651	1.5%	0.2%
Allegheny County, Pennsylvania	1,219,210	1,223,348	1,230,459	11,249	0.9%	0.1%
St. Louis County, Missouri	995,118	998,954	1,003,362	8,244	0.8%	0.1%
Cook County, Illinois	5,285,107	5,194,675	5,238,216	(46,891)	-0.9%	-0.1%
Cuyahoga County, Ohio	1,295,958	1,280,122	1,255,921	(40,037)	-3.1%	-0.4%
Wayne County, Michigan	1,985,101	1,820,584	1,759,335	(225,766)	-11.4%	-1.5%

Source: Annual Estimates of the Resident Population, U.S. Census Bureau, Population Division

Rapidly Rising Home Values, Sale Prices, and Rents

Median home values and sale prices in Miami-Dade are still below their peak 2007-2008 values. However, real estate prices across the board had a precipitous drop from 2007 to 2011, followed by a rapid rebound in values and prices. Key elements of the recent run-up in prices and rents are as follows:

- In all cases the market swings in Miami-Dade far outstrip the rest of the nation;
- According to the ACS, the inflation adjusted median value of all housing units in the US dropped by 10.6 percent from 2000 to 2007, and grew 12 percent from 2011 to 2015. In Miami-Dade, the inflation adjusted median value of all housing units in 2015 was still less than in 2007. However, the real median value for all housing units in the county dropped by 49.3 percent from 2000 to 2007, but grew 36.8 percent from 2011 to 2015;
- According to Zillow Inc., the rate of increase in the median sale price of all housing units in Miami-Dade more than doubled the national average from 2011 to 2015, increasing in Miami-Dade by 48 percent, compared to 21 percent nationally for the period;
- According to Zillow Inc., the median sale price for all homes in Maim-Dade dipped ***below*** the national average in 2010, but with its rapid increase relative to the rest of the US, the median sale price for all housing units in the County is 119 percent the price paid in for all housing units in the rest of the nation — $250,250 compared to $210,000;
- According to the University of Florida Shimberg Center, using individual County assessor and the State Office of Revenue records, the median sale price for single family homes increased from $209,700 in 2011, to $281,000, or 34 percent, and median condominium sale prices increased from $173,871 in 2011, to $248,500, or 42.9 percent, in 2015;
- According to Zillow Inc., median asking rent increased by only 2 percent across the US from 2011 to 2015, but increased by 21 percent over the same period in Miami-Dade. Median asking rents for two and three bedroom units increased 22 and 20 percent from 2011 to 2015, respectively; and
- Median rents for all rental units, two-bedroom, and three-bedroom units are 153 percent, 162 percent, and 160 percent of their respective national averages.

Rapid Decline in the Supply of Mid and Low Priced Housing Units

As housing production and prices fluctuate, the supply of affordable housing changes relative to the total supply of housing units in any given market. Following price and demand factors, the supply of affordable housing units in Miami-Dade has, like other housing market dynamics, both fluctuated wildly over the last ten years, and has been in considerably tighter supply than the rest of the country.

Nationally, the affordable home price for a household at the median income is $139,438, the same figure in Miami-Dade is $109,465. However, at the national level between 2007 and 2015 the supply of owner occupied housing units affordable for households at the median income, as a percentage of the total supply of have fluctuated between 37.8 percent, up to 41.3 percent, and back to 36.5 percent in 2015.

The Miami-Dade housing market has historically had a much lower supply of units affordable to middle and lower income households. Owner occupied housing units affordable for households at the median income represented only 6.1 percent of the County's owner occupied supply in 2007,

rose to 32.5 percent in 2011, and dropped again to 15.9 percent by 2015. The same pattern applies to for sale units — units offered at an asking price affordable for households at the County median income have ranged from 25.4 to 40.1, to 23.3 percent of the total units sold each year in 2007, 2011, and 2015. The supply of affordable rental units follows the same pattern, representing a minor component of the total supply of housing units in Miami-Dade.

Inventory of Affordable Owner Occupied Units by Value: United States

	2007		2011		2015	
Affordable Home Price at Median Income (Current	126,850		126,255		139,438	
Total Units	**75,515,104**		**74,264,435**		**74,506,512**	
Affordable at Median Income						
Less than $10,000	886,627	1.2%	1,022,667	1.4%	1,045,716	1.4%
$10,000 to $14,999	533573	0.7%	735,859	1.0%	560168	0.8%
$15,000 to $19,999	496590	0.7%	666,029	0.9%	500,762	0.7%
$20,000 to $24,999	547930	0.7%	693,751	0.9%	553,744	0.7%
$25,000 to $29,999	562,745	0.7%	632,443	0.9%	523598	0.7%
$30,000 to $34,999	640214	0.8%	762,094	1.0%	654,975	0.9%
$35,000 to $39,999	622914	0.8%	557,570	0.8%	485347	0.7%
$40,000 to $49,999	1,324,956	1.8%	1,468,573	2.0%	1,274,745	1.7%
$50,000 to $59,999	1,661,458	2.2%	1,840,806	2.5%	1,614,674	2.2%
$60,000 to $69,999	1915284	2.5%	2,102,970	2.8%	1,874,444	2.5%
$70,000 to $79,999	2,250,378	3.0%	2,461,053	3.3%	2,160,730	2.9%
$80,000 to $89,999	2,680,209	3.5%	2,906,786	3.9%	2,564,686	3.4%
$90,000 to $99,999	2,600,938	3.4%	2,605,245	3.5%	2,218,228	3.0%
$100,000 to $124,999	5,959,418	7.9%	6,622,308	8.9%	5,842,517	7.8%
$125,000 to $149,999	5,830,329	7.7%	5,608,637	7.6%	5,344,324	7.2%
Subtotal	**28,513,563**	**37.8%**	**30,686,791**	**41.3%**	**27,218,658**	**36.5%**
$150,000 to $174,999	5,724,566	7.6%	6,826,425	9.2%	6,487,224	8.7%
$175,000 to $199,999	4,562,923	6.0%	4,611,093	6.2%	4,540,023	6.1%
$200,000 to $249,999	8,267,059	10.9%	7,682,306	10.3%	7,825,963	10.5%
$250,000 to $299,999	4,498,818	6.0%	5,828,872	7.8%	6,209,502	8.3%
$300,000 to $399,999	8,176,544	10.8%	7,431,305	10.0%	8,274,205	11.1%
$400,000 to $499,999	5,101,264	6.8%	3,874,764	5.2%	4,649,695	6.2%
$500,000 to $749,999	6,382,878	8.5%	4,312,255	5.8%	5,243,219	7.0%
$750,000 to $999,999	2,313,104	3.1%	1,537,923	2.1%	2,012,603	2.7%
$1,000,000 or more	1,974,385	2.6%	1,472,701	2.0%	2,045,420	2.7%
Subtotal	**47,001,541**	**62.2%**	**43,577,644**	**58.7%**	**47,287,854**	**63.5%**

Source: U.S. Census Bureau, 2015 American Community Survey 1-Year Estimates

Inventory of Affordable Owner Occupied Units by Value: Miami-Dade County

	2007		2011		2015	
Affordable Home Price at Median Income (Current	109,125		101,305		109,125	
Total Units	**501,722**		**459,282**		**433,846**	
Affordable at Median Income						
Less than $10,000	1,418	0.3%	2,344	0.5%	3,272	0.8%
$10,000 to $14,999	854	0.2%	1,750	0.4%	796	0.2%
$15,000 to $19,999	685	0.1%	1,420	0.3%	1,289	0.3%
$20,000 to $24,999	455	0.1%	1,701	0.4%	1,751	0.4%
$25,000 to $29,999	1,374	0.3%	2,093	0.5%	917	0.2%
$30,000 to $34,999	989	0.2%	1,942	0.4%	1,258	0.3%
$35,000 to $39,999	681	0.1%	1,740	0.4%	798	0.2%
$40,000 to $49,999	1,790	0.4%	6,664	1.5%	2,014	0.5%
$50,000 to $59,999	1,282	0.3%	9,439	2.1%	4,414	1.0%
$60,000 to $69,999	996	0.2%	14,664	3.2%	4,556	1.1%
$70,000 to $79,999	3,417	0.7%	16,652	3.6%	6,568	1.5%
$80,000 to $89,999	2,768	0.6%	21,878	4.8%	8,494	2.0%
$90,000 to $99,999	2,316	0.5%	14,234	3.1%	7,480	1.7%
$100,000 to $124,999	11,498	2.3%	52,700	11.5%	25,173	5.8%
Subtotal	**30,523**	**6.1%**	**149,221**	**32.5%**	**68,780**	**15.9%**
$125,000 to $149,999	12,414	2.5%	33,336	7.3%	23,456	5.4%
$150,000 to $174,999	23,352	4.7%	47,691	10.4%	39,568	9.1%
$175,000 to $199,999	29,662	5.9%	30,358	6.6%	24,835	5.7%
$200,000 to $249,999	76,198	15.2%	53,343	11.6%	58,227	13.4%
$250,000 to $299,999	58,718	11.7%	37,785	8.2%	52,848	12.2%
$300,000 to $399,999	110,245	22.0%	44,544	9.7%	67,525	15.6%
$400,000 to $499,999	65,098	13.0%	19,764	4.3%	28,631	6.6%
$500,000 to $749,999	55,335	11.0%	23,665	5.2%	33,714	7.8%
$750,000 to $999,999	17,231	3.4%	7,350	1.6%	13,088	3.0%
$1,000,000 or more	22,946	4.6%	12,225	2.7%	23,174	5.3%
Subtotal	**471,199**	**93.9%**	**310,061**	**67.5%**	**365,066**	**84.1%**

Source: U.S. Census Bureau, 2015 American Community Survey 1-Year Estimates

Sales Inventory of Affordable Owner Occupied Housing Units by Asking Price:						
Miami-Dade County	**2008**		**2011**		**2015**	
Affordable Home Price at Median Income (Current	109,125		101,305		109,125	
Total Units	**23,670**		**24,432**		**15,248**	
Affordable at Median Income						
Less than $10,000	0	0.0%	146	0.3%	0	0.3%
$10,000 to $14,999	0	0.0%	0	0.2%	0	0.2%
$15,000 to $19,999	275	1.2%	0	0.1%	0	0.1%
$20,000 to $24,999	0	0.0%	211	0.1%	0	0.1%
$25,000 to $29,999	0	0.0%	0	0.3%	0	0.3%
$30,000 to $34,999	207	0.9%	146	0.2%	0	0.2%
$35,000 to $39,999	332	1.4%	197	0.1%	46	0.1%
$40,000 to $49,999	168	0.7%	567	0.4%	0	0.4%
$50,000 to $59,999	192	0.8%	538	0.3%	376	0.3%
$60,000 to $69,999	971	4.1%	1,693	0.2%	524	0.2%
$70,000 to $79,999	856	3.6%	1,174	0.7%	192	0.7%
$80,000 to $89,999	438	1.9%	1,647	0.6%	1,117	0.6%
$90,000 to $99,999	775	3.3%	531	0.5%	385	0.5%
$100,000 to $124,999	1,801	7.6%	2,952	2.3%	916	2.3%
Subtotal	**6,015**	**25.4%**	**9,802**	**40.1%**	**3,556**	**23.3%**
$125,000 to $149,999	1,693	7.2%	2,277	2.5%	1,562	2.5%
$150,000 to $174,999	2,301	9.7%	1,983	4.7%	1,442	4.7%
$175,000 to $199,999	1,124	4.7%	973	5.9%	893	5.9%
$200,000 to $249,999	2,567	10.8%	1,590	15.2%	1,458	15.2%
$250,000 to $299,999	3,029	12.8%	2,795	11.7%	897	11.7%
$300,000 to $399,999	2,339	9.9%	1,514	22.0%	2,096	22.0%
$400,000 to $499,999	2,473	10.4%	1,312	13.0%	1,298	13.0%
$500,000 to $749,999	670	2.8%	773	11.0%	128	11.0%
$750,000 to $999,999	521	2.2%	248	3.4%	960	3.4%
$1,000,000 or more	938	4.0%	1,165	4.6%	958	4.6%
Subtotal	**17,655**	**74.6%**	**14,630**	**59.9%**	**11,692**	**76.7%**

Source: U.S. Census Bureau, 2015 American Community Survey 1-Year Estimates

A Shift from Home Ownership to Rental Housing

From 2000 to 2015 the national home ownership rate dropped slowly, from a high of 67.2 percent in 2007, to 63 percent of all households in 2015. Miami-Dade County has experienced a much wider cyclical swing. From its peak of 60.2 percent in 2007 the home ownership rate dropped to 50.6 percent in 2015.

The County's shift to rental housing has been significant. ***From 2007 to 2015 Miami-Dade lost almost 69,000 owner households, while gaining over 92,000 renter households. Seventy percent of the additional renter households in the County were added between 2011 and 2015 (64,851). This acceleration of demand has driven the region's housing production markets and has pressed rents higher and faster than comparable large metro areas across the Country.***

A Shift from Single Family to Multi-Family Housing

Multi-family housing made up more than 56 percent of the County's housing unit supply in 2007 versus 43 percent single family housing. From 2007 to 2015, multi-family housing units have grown to nearly 59 percent of total supply, driven by the addition of nearly 53,000 units. The inventory of single family detached housing units declined during the same period by over 14,000 units. 41,000 units, or 77 percent of the multi-family units added were in buildings of 20 or more units. The market composition of units by number of bedrooms remained unchanged, except for an increase in studio (no bedroom) units. Again, this trend accelerated from 2011 to 2015. An estimated 60 percent of the increase in multi-family units, and 75 percent of the loss in single-family detached housing occurred from 2011 to 2015.

Changes in Housing Preference

In addition to economics and the tightening of credit for home mortgages, the region's shift from owner occupancy to renting has been driven by demographic and lifestyle preference shifts among older (55 years and up) and millennial (ages 17 to 35) households. Millennials and downsizing empty nesters are driving demand for different types and locations of housing. Both 55 plus and millennial households are seeking:

- Rental, rather than owner housing, and smaller size units, even for single family homes;
- Neighborhoods in close proximity to shopping, conveniences, recreation and entertainment;
- Locations requiring less drive time to work, and in proximity (less than ½ mile) to mass transit, and a mix of alternative transportation modes, including bicycles and walking. Millennials are the first generation since the invention of the automobile to drive less miles than their parents, and this trend is accelerating; and
- More outdoor amenities, including garden plots, walking/jogging trails, parks, outdoor pools, and local drug/convenience stores, and 68 percent of those aged 55-64 and 69 percent of those 65+ want a single-story dwelling.

A Tightening of Vacancy Rates and Changing Vacancy Structure

Since 2007, and especially since 2010, Miami-Dade has experienced a significant tightening of its housing supply and an increasing share of units permanently taken off the market. According to the ACS, the County lost over 23,000 households between 2007 and 2010, but added over 48,000 new households from 2010 to 2015. During the same periods, the total supply of housing units increased by over 17,000 units from 2007 to 2010, and increased again by over 21,000 units from 2010 to

2015. The County's overall vacancy rate, despite the addition of new units, has tightened significantly. The homeowner vacancy rate steadily declined from 4.6 percent to 2.1 percent from 2010 to 2015, while the rental vacancy rate has shrunk from 9.7 percent to 5.9 percent.

As a share of the total inventory of housing units, vacant units grew from 14 percent in 2007, peaked at 18 percent of supply in 2010, and by 2015 comprised 15 percent of the total housing inventory. ***However, the County's supply of vacant housing has been driven almost entirely by the growing number of units developed and purchased as "seasonal or recreational," vacation homes***. From 2007 to 2015, every category of vacancy recorded by the US Census experienced supply declines of 10 percent to 50 percent. In fact, vacant units held "for sale only" were reduced by 50 percent from 2007 to 2015, and nearly 60 percent from the peak supply in 2010.

The only category of vacant units increasing in supply were "seasonal, recreational, or occasional use" vacant properties, which grew almost 28,000 units from 2007 to 2015, increasing from 34.7 percent to 50.9 percent of all vacant properties, and from 4.4 percent to 7.7 percent of the total supply of housing units for the period. This means that a growing portion of the housing unit supply (currently 77,828 units) is kept off the market for local renters and buyers.

Miami-Dade County: Housing Inventory Characteristics

	2000		2007		2008		2009		2010		2011		2012		2013		2014		2015	
	Estimate	Percent	Estimate	Percent	Estimate	Percent	Estimate	Percent	Estimate	Percent	Estimate	Percent	Estimate	Percent	Estimate	Percent	Estimate	Percent	Estimate	Percent
Housing Occupancy																				
Total housing units	852,278		971,608		979,111		980,220		989,439		990,579		991,409		994,055		#######		#######	
Occupied housing units	776,774	91.1%	833,199	85.8%	825,761	84.3%	812,800	82.9%	809,689	81.8%	818,297	82.6%	838,772	84.6%	839,491	84.5%	843,887	84.0%	857,712	84.9%
Vacant housing units	75,504	8.9%	138,409	14.2%	153,350	15.7%	167,420	17.1%	179,750	18.2%	172,282	17.4%	152,637	15.4%	154,564	15.5%	160,491	16.0%	152,919	15.1%
Owner-occupied	449,325	57.8%	501,722	60.2%	496,406	60.1%	462,398	56.9%	461,464	57.0%	459,282	56.1%	455,142	54.3%	446,646	53.2%	444,461	52.7%	433,846	50.6%
Renter-occupied	327,449	42.2%	331,477	39.8%	329,355	39.9%	350,402	43.1%	348,225	43.0%	359,015	43.9%	383,630	45.7%	392,845	46.8%	399,426	47.3%	423,866	49.4%
Units in Structure																				
1-unit, detached	363,849	42.7%	418,186	43.0%	409,960	41.9%	399,294	40.7%	402,390	40.7%	414,687	41.9%	406,677	41.0%	402,131	40.5%	404,812	40.3%	403,885	40.0%
Total Multi-Family Units	472,270	55.4%	540,230	55.6%	555,366	56.7%	565,433	57.7%	574,409	58.1%	561,153	56.6%	571,919	57.7%	578,991	58.2%	585,931	58.3%	593,094	58.7%
1-unit, attached	84,720	9.9%	103,959	10.7%	105,304	10.8%	106,828	10.9%	110,691	11.2%	95,407	9.6%	96,867	9.8%	102,792	10.3%	98,349	9.8%	97,699	9.7%
2 units	21,913	2.6%	19,960	2.1%	22,013	2.2%	20,917	2.1%	20,167	2.0%	20,780	2.1%	22,218	2.2%	19,925	2.0%	19,799	2.0%	22,346	2.2%
3 or 4 units	33,382	3.9%	33,902	3.5%	32,902	3.4%	32,671	3.3%	34,308	3.5%	34,996	3.5%	33,646	3.4%	36,361	3.7%	37,240	3.7%	34,999	3.5%
5 to 9 units	43,328	5.1%	47,665	4.9%	48,285	4.9%	50,290	5.1%	48,947	4.9%	50,805	5.1%	49,066	4.9%	51,304	5.2%	58,163	5.8%	52,493	5.2%
10 to 19 units	54,749	6.4%	61,925	6.4%	56,711	5.8%	60,097	6.1%	55,362	5.6%	62,699	6.3%	64,781	6.5%	71,183	7.2%	69,050	6.9%	71,776	7.1%
20 or more units	234,178	27.5%	272,819	28.1%	290,151	29.6%	294,630	30.1%	304,934	30.8%	296,466	29.9%	305,341	30.8%	297,426	29.9%	303,330	30.2%	313,781	31.0%
Other																				
Mobile home	15,338	1.8%	12,713	1.3%	13,564	1.4%	14,707	1.5%	12,365	1.2%	14,186	1.4%	12,472	1.3%	12,775	1.3%	13,068	1.3%	13,229	1.3%
Boat, RV, van, etc.	821	0.1%	479	0.0%	221	0.0%	786	0.1%	275	0.0%	553	0.1%	341	0.0%	158	0.0%	567	0.1%	423	0.0%
Number of Bedrooms																				
No bedroom	111,094	13.0%	25,340	2.6%	61,955	6.3%	42,349	4.3%	39,325	4.0%	40,395	4.1%	36,591	3.7%	37,348	3.8%	37,576	3.7%	41,334	4.1%
1 bedroom	205,039	24.1%	188,762	19.4%	178,614	18.2%	189,667	19.3%	189,020	19.1%	192,069	19.4%	189,146	19.1%	188,155	18.9%	192,416	19.2%	193,116	19.1%
2 bedrooms	237,985	27.9%	309,678	31.9%	285,369	29.1%	306,246	31.2%	315,633	31.9%	306,816	31.0%	320,963	32.4%	316,398	31.8%	321,184	32.0%	323,164	32.0%
3 bedrooms	203,165	23.8%	309,495	31.9%	293,411	30.0%	303,699	31.0%	303,726	30.7%	305,070	30.8%	302,434	30.5%	307,172	30.9%	309,283	30.8%	308,973	30.6%
4 bedrooms	78,325	9.2%	114,344	11.8%	130,395	13.3%	113,241	11.6%	117,713	11.9%	120,307	12.1%	115,021	11.6%	117,253	11.8%	115,172	11.5%	118,815	11.8%
5 or more bedrooms	16,670	2.0%	23,989	2.5%	29,367	3.0%	25,018	2.6%	24,022	2.4%	25,922	2.6%	27,254	2.7%	27,729	2.8%	28,747	2.9%	25,229	2.5%
Vacancy Status																				
Total Vacant Units	75,504	8.9%	138,409	14.2%	153,350	15.7%	167,420	17.1%	179,750	18.2%	172,282	17.4%	152,637	15.4%	154,564	15.5%	160,491	16.0%	152,919	15.1%
For rent	19,866	2.3%	28,924	3.0%	34,085	3.5%	46,053	4.7%	38,381	3.9%	32,956	3.3%	31,437	3.2%	31,282	3.1%	29,092	2.9%	26,852	2.7%
Rented, not occupied	5,022	0.6%	7,854	0.8%	8,539	0.9%	7,607	0.8%	8,674	0.9%	8,726	0.9%	6,193	0.6%	7,599	0.8%	7,327	0.7%	6,728	0.7%
For sale only	9,855	1.2%	20,150	2.1%	24,487	2.5%	19,158	2.0%	22,410	2.3%	18,209	1.8%	9,246	0.9%	8,936	0.9%	10,720	1.1%	9,571	0.9%
Sold, not occupied			5,555	0.6%	5,348	0.5%	4,512	0.5%	6,334	0.6%	6,223	0.6%	4,941	0.5%	5,387	0.5%	8,048	0.8%	5,677	0.6%
Seasonal, recreational, or occasional use	29,587	3.5%	48,037	4.9%	56,761	5.8%	63,403	6.5%	67,870	6.9%	69,392	7.0%	71,082	7.2%	69,710	7.0%	73,066	7.3%	77,828	7.7%
For migrant workers	59	0.0%	238	0.0%	410	0.0%	0	0.0%	323	0.0%	71	0.0%	531	0.1%	85	0.0%	0	0.0%	278	0.0%
Other vacant	11,115	1.3%	27,651	2.8%	23,720	2.4%	26,687	2.7%	35,758	3.6%	36,705	3.7%	29,207	2.9%	31,565	3.2%	32,238	3.2%	25,985	2.6%
Homeowner vacancy rate (percent)		2.1		3.8		4.7		3.9		4.6		3.8		2		1.9		2.3		2.1
Rental vacancy rate (percent)		5.7		7.9		9.2		11.4		9.7		8.2		7.5		7.2		6.7		5.9

Source: U.S. Census Bureau, American Community Survey 1-Year Estimates 2000-2015

Competing in a Global Residential Real Estate Market

Miami's reputation as a destination for international investor-buyers has played a large part in driving demand for owner-occupied home sales, particularly for condominiums. International and out-of-town buyers propped up Miami-Dade's real estate market throughout the recession.

Cash home purchases are the most direct available evidence of the volume of international home purchases in the County. 82 percent of foreign buyers purchase homes in Miami-Dade in all-cash transactions, and by mid-2013 cash sales of condos reached 78 percent, more than double the national average. The rising number of home purchases which are then kept vacant as vacation homes, which has doubled since 2007, is another indicator of the strength of international demand for residential real estate in Miami-Dade.

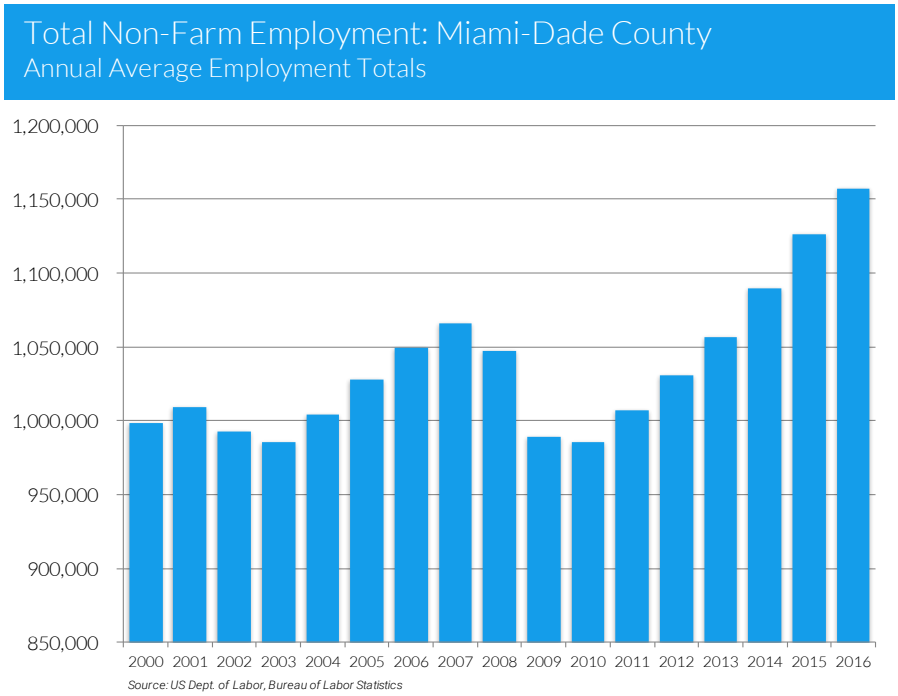
These sales have not come without costs. Local resident home buyers increasingly compete in an international real estate market, competing directly against better funded buyers. A 2013 study by the County's Regulatory & Economic Resources Department noted "a widening gap between the volume of sales to domestic first-time homebuyers and sales to mainly foreign investors," and that domestic home buyers are at a competitive disadvantage with international buyers, particularly because cash buyers can offer much greater speed to closing and in many cases are more willing to sweeten an offer by waiving a pre-closing inspection. [Miami-Dade County Regulatory & Economic Resources Department, 2013, p. 2]

Additionally, as noted, the volume of international and out-of-town sales has resulted in a growing inventory of units being taken off the market completely. Lastly, the volume of non-domestic purchases has most likely inflated real estate prices well beyond what they would have been with only local demand. The region's condo developers dedicate growing resources to marketing new units in the County directly to foreign buyers.

Cyclical Employment Swings

Miami-Dade's dominant employment sectors include hospitality, transportation, housing construction and health care. Due to the County's preponderance of tourism and service sector jobs, its economy is sensitive to short-term market changes in the national economy. The great recession exposed this weakness — Miami-Dade lost jobs in the wake of the recession at a dramatically faster pace than comparable metros and the rest of the US. Miami-Dade experienced two major periods of job loss, losing 2.4 percent of all non-farm employment from 2000 to 2003, and 9.2 percent from 2007 to 2009. Job losses during both periods nearly doubled the US job loss rate, at 1.3 percent and 4.8 percent, respectively.

Rapid downward employment cycles are a housing market triple-whammy. First, income is lost as jobs are lost. Second, family wealth can be wiped out in the wake of significant home foreclosures, as was experienced from 2007 through 2013, and third, homeowners moved out of the ownership market reduce local investment in housing.



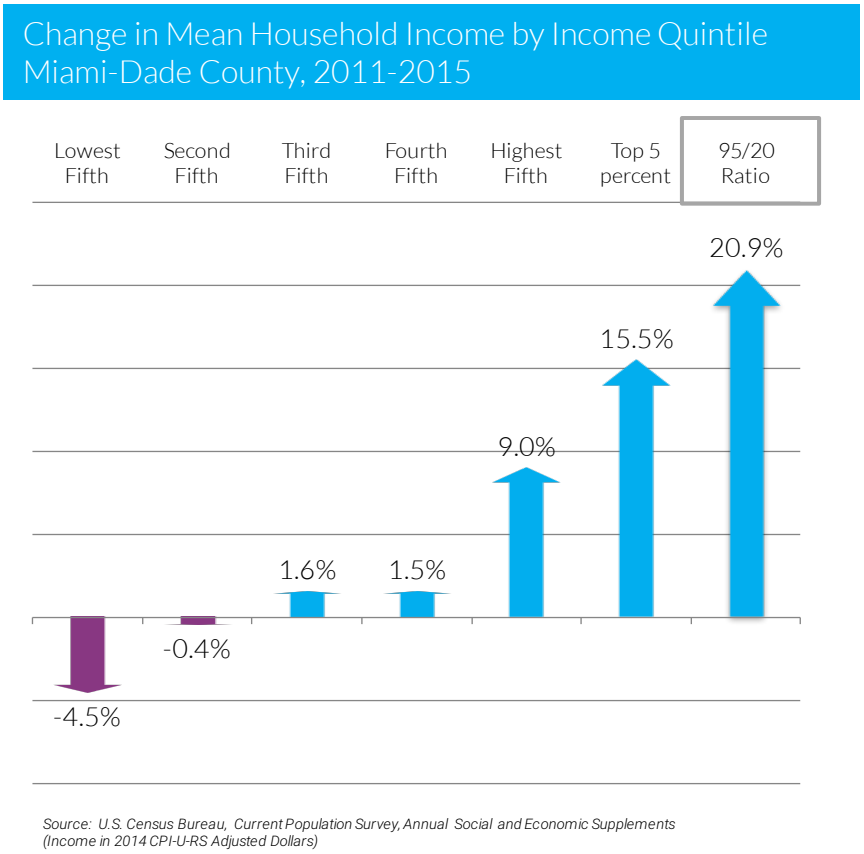
Flat Household Incomes, Growing Income Disparity and Low Economic Mobility

Real household incomes across Maim-Dade, after reaching a low point in 2011, have recovered, but are still less than they were in 2008. Median income for the County has also lost ground to the rest of the Country, sliding from 86 percent to 79 percent of the national median household income.

Income growth in Miami-Dade since the 2011 recovery has also been uneven across the income ladder. From 2011 to 2015, the County's two bottom quintiles continued to lose real household income, mean household income for the middle two quintiles grew modestly (1.6 and 1.5 percent), while only households in the highest quintile and top five percent gained significant income (15.5 and 20.9 percent). The County's 95/20 ratio — the measure of income disparity between the top five percent and bottom income quintile — grew 20.9 percent, from 37.5 to 45.4 from 2011.

Poverty rates have tracked income — the County's poverty rate has hovered just over or at 20 percent since 2011. However, as population has grown, this means an increase in the absolute number of residents living below the poverty line. The poverty rate for the rest of the US dropped from 15.9 percent to 14 percent from 2011 to 2015.

Lastly, Harvard and University of California researchers Raj Chetty, Nathaniel Hendren, Patrick Kline, and Emmanuel Saez completed an extensive study of vertical income mobility — the odds that someone born into a family in either the bottom or top 5th income tiers will end up in the top 5th of incomes within Metro Areas across the United States. The Miami Metro area ranks 20th of the top 30 largest metros in the U.S. in terms of vertical intergenerational economic mobility. A child born into a family in the lowest quintile of incomes has only a 7% chance of reaching the top quintile income level in their working career. [Chetty, et. al.]



Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements (Income in 2014 CPI-U-RS Adjusted Dollars)

Low Wage Job Creation

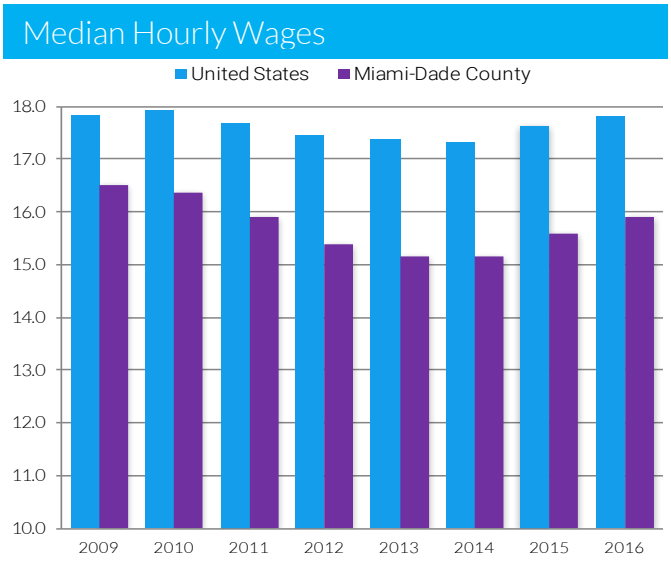
Although Miami-Dade has grown its jobs base to its largest ever, post-recession growth has been built on the creation of jobs in predominantly lower wage occupations. The County's low-wage employment structure can be measured by a variety of means.

First, median wages for almost all occupations in Miami-Dade are less than for the rest of the country. Additionally, County median real wages continued a precipitous decline from 2009 through 2014, dropping 3.7 percent. It took until 2015 for wages begin recovering, gaining back 2.2 percent from 2015 through the end of 2016. However, the County's median wage is still less than 2009.

Median Hourly Wages
(2016 CPI-URS Adjusted Dollars)

	2009	2010	2011	2012	2013	2014	2015	2016	Percent Change 09-14	Percent Change 15-16
United States										
Median Wage, All Occupations	17.84	17.91	17.68	17.47	17.38	17.33	17.62	17.81	-0.2%	1.1%
Annual Wage	37,128	37,241	36,775	36,326	36,146	36,030	36,657	36,200		
Miami-Dade County										
Median Wage, All Occupations	16.52	16.38	15.89	15.40	15.17	15.15	15.57	15.91	-3.7%	2.2%
Annual Wage	34,483	34,176	33,163	32,136	31,654	31,610	32,504	33,204		
Annual Wage as % of US	92.9%	91.8%	90.2%	88.5%	87.6%	87.7%	88.7%	91.7%		

Source: Bureau of Labor Statistics, Department of Labor, Occupational Employment Statistics (OES) Survey



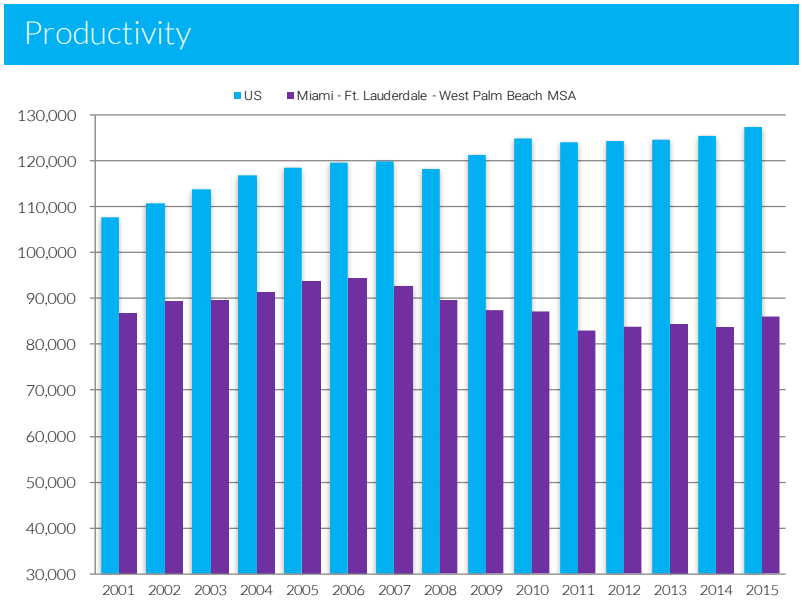
Source: Bureau of Labor Statistics, Department of Labor, Occupational Employment Statistics (OES) Survey
(Earnings in 2016 CPI-U-RS adjusted dollars)

Second, a high composition of Science, Technology, Engineering and Math (STEM) intensive occupations is characteristic of high performing regional economies. The Miami-Dade economy underperforms in terms of STEM employment. Using BLS data, researchers at the Brookings Institution ranked the nation's top 100 metro areas according to relative share of workers in STEM occupations. According to the study, the Miami metro area ranked 81st out of the top 100 largest Metros as a percentage of total STEM occupational employment. [National Science Foundation 2015, Brookings Institute, 2013]

Third, the Brookings Institution has defined the ***U.S. Advanced Industry Sector*** — 50 industries identified at the 4-digit NAICS level that include manufacturing, chemicals, pharmaceuticals, advanced metals, industrial machinery, medical equipment manufacture, energy development and distribution, software design, data processing and hosting, and medical and diagnostic labs.

As a sector, the advanced industries lead US economic growth, 9 percent of total employment, produces 17 percent of all U.S. gross domestic product ($2.7 Trillion), employs 80 percent of the nation's engineers, funds 90 percent of private sector R&D, accounts for 85% of all U.S. patents, and 60 percent of U.S. exports. The Sector provides high skilled and high-wage employment. Absolute earnings in advanced industries grew by 63 percent from 1975 to 2013, compared with a 17 percent increase for jobs outside the Sector. ***At 4 percent, employment in the Advanced Industries Sector as a portion of total jobs in the Miami Metro Area is in the bottom quintile of all US metros.*** [The Brookings Institution, 2015]

Fourth, labor productivity, or the amount of Gross Domestic Product (GDP) produced per worker, is an important indicator of the quality, skill and technology levels embedded in a regional economy. High labor productivity is a characteristic of economies with high wage, high skilled jobs in industry sectors that create high value-added goods and services. The Miami Metropolitan Statistical Area's labor productivity rank is below the national average – at 111 out of 381 MSAs, its GDP per worker is half that of the nation's leading regional economies. Productivity in the metro area declined by almost 12 percent from 2006 to 2011, while national productivity increased 3.8 percent. The region's productivity has increased faster than the national average, at 3.6 percent from 2011 to 2015.



Source: U.S. DEpt of Commerce, Burea of Economic analysis
(GDP in 2016 CPI-U-RS adjusted dollars)

Lastly, the County's economy generates a higher proportion of jobs in occupations paying less than its median wage than the US Economy. Since 2011, over 58 percent of all new net jobs created paid less than the County median hourly wage of $15.38, compared to 51.2% for the rest of the US. Furthermore, the Florida Department of Economic Opportunity (DEO) forecasts that of the 354,647 job openings created in Miami-Dade County from 2016 to 2024, 64.1 percent will pay less than the 2015 median wage. ***In 2016, only 27 percent of workers in the County earn enough to affordably rent an apartment at the County median rent, and only 8 percent earn enough to affordably purchase a home selling at the County median sale price.***

Looking Forward

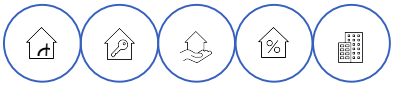
The scale of the County's affordability problem is considerable. Nearly 420,000 households are cost-burdened, and severely cost-burdened households are the fastest growing segment of those households. At the current household cost-burden rate (49%), if population and household formation increases at their current rate, Miami-Dade will add over 51,000 new cost-burdened households over the next ten years. ***At that rate of increase, to move the County's cost-burden rate to the national average of 32 percent, the County would need to add over 93,000 new units of affordable housing over the next decade, or roughly 89 percent of all housing units produced going forward. By comparison, Miami-Dade County added 57,600 net housing units from 2006 to 2015.***

Forecasting a significant decline in the County's cost-burden rate ***without*** aggressive intervention is probably unrealistic, for four reasons. First, the dynamics driving housing affordability in Miami-Dade have been moving in the wrong direction — housing prices and rents increasing faster than wages, slow higher-wage job creation, tightening vacancy rates, and increasing speculative investment that permanently removes more units each year units from the local market.

Second, the rapid shift of owner households to renting has decreased the County's overall cost-burden rate, but one has to ask how much of this trend is being driven by pure lifestyle choice, or by economic reasons — that owners are being forced out of ownership because it has become too expensive or out of reach.

Third, increasing household size may be suppressing the County's cost-burden rate. The small increase in median household incomes at the middle of Miami-Dade's income ladder may simply be that more people are living together. The fastest way to increase total household income is to add a roommate, even if they are employed part-time or move in with other family members.

Lastly, upward housing price trends typically move much faster than wages and income. Historically, housing prices and rents in the County have demonstrated considerable rates of increase over short time periods. Conversely, the County would need to undergo a monumental change in its industrial and occupation structure that creates higher wages and income to significantly impact its affordability indicators (affordable housing cost and income gaps). Historically, the Miami-Dade economy has shown that it can shed high-wage jobs very quickly, but has shown resistance to adding new high-skill, high-paying jobs.



Inclusionary Zoning and Affordable Housing Development

Inclusionary Zoning

Montgomery County, Maryland enacted the first legally defensible Inclusionary Zoning (IZ) statute. Today over 300 jurisdictions in 27 states, including villages, towns, cities and counties use inclusionary zoning to produce affordable housing. IZ is a requirement, embedded into local zoning codes, for developers to produce affordable housing as part of a market-rate housing development project. The terms and conditions of providing affordable units as part of a development project can be on a mandatory, voluntary, or negotiated basis. Inclusionary Zoning typically offers incentives to the developer in exchange for providing affordable housing as part of a project. [Williams, Et. al., p. 5]

Legal Foundation

The legal foundations for IZ are rooted in Constitutional legal principles of public use and public purpose. Specifically, the Supreme Court's historic development of the principle that the use of private property can be directed for public purposes, use or access if the reasoning for government direction of the use serves a valid public purpose. Over the years the Supreme Court has continued to expand the definition of public purpose to include numerous public and government objectives and functions. [Means, et. al., p. 3]

The specific legal doctrine on which IZ is built are the 1975 *Mount Laurel* decisions of the New Jersey Supreme Court in *Southern Burlington County N.A.A.C.P. v. Mount Laurel Township*, which challenged a local zoning ordinance as exclusionary to low and moderate income families. The Court established the principle of government mandated production of affordable housing as a valid public purpose, and that the requirements and production of affordable housing could be legislated by state and local governments. The decision also allowed governments to enact legislation to remove economic and regulatory barriers to housing affordability, including restrictive zoning. Following Mount Laurel, most states today have requirements for local governments to identify affordable housing needs and deliver the production of affordable housing by a variety of means.

Inclusionary Zoning has been challenged unsuccessfully as an unconstitutional *taking*, which is either an unlawful government appropriation of private property, or restrictions placed on a property that substantially diminish its value. The best known takings challenge — *Home Builders Association of Norther California v. City of Napa* — held that IZ is ***not*** a taking because it is necessary to increase the supply of affordable housing (a valid public purpose), and the IZ ordinance in question offered compensation in return for the inclusion of affordable housing as part of a market-rate development project. [Means, et. al. p. 1]

Inclusionary Zoning Objectives

The fundamental objective of Inclusionary Zoning is to increase the supply of affordable housing. Because IZ doesn't usually rely on cash subsidies or payments to developers or tenants, it shifts the cost of affordable housing production from the public sector to private sector developers. It also links the production of affordable housing to the production of market rate housing within a given regional market. [Andersh, p. 867] Other specific IZ goals include the following:

IZ can be an important tool for generating and preserving affordability because it can help create economically and racially integrated communities. Based on a small set of existing research on the social impacts of inclusionary housing, evidence suggests that these policies locate affordable housing in low-poverty, high-opportunity neighborhoods more effectively than other affordable housing programs, including the Housing Choice Voucher and the LIHTC programs. [Gould & Mertens-Horn]

IZ is not just for low income or distressed neighborhoods. It is also intended to create affordable (below market rate) housing in higher income neighborhoods where the developer normally would not build affordable housing. In this way IZ can also provide middle and low income families with access to higher quality schools, transportation, and amenities than may be available in distressed neighborhoods. [Williams, et. al., p. vii]

Where IZ ordinances include provisions for developers to build community facilities, parks, or other amenities in exchange for not building affordable housing as part of a development, IZ can facilitate the development and private financing of needed public improvements and amenities.

Nicholas Brunick, writing for the Center for Business and Professional People for the Public Interest, cites four other important objectives IZ addresses, including 1) delivering market-driven, fiscally responsible solutions production of affordable housing, 2) supporting smart growth and protects against disinvestment, 3) solving NIMBY issues, because IZ helps overcome traditional resistance to affordable housing development, and 4) IZ offers predictability to developers, in that the conditions for development, opt-out, or trade-off for the development of affordable housing under an IZ ordinance are known ahead of time.

Lastly, with the demise of state and Federal housing funding and programs, IZ provides a vehicle for the development of affordable housing with little or no direct public cost. With the pushing back of affordable housing costs onto local governments, programs to deliver new housing minimizing the expenditure of public dollars are highly valued. IZ ordinances fit the bill for programs that can deliver affordable housing at relatively little public cost. [Shuetz, et. al., p. 2]

Inclusionary Zoning Best Practices

Common IZ Ordinance Elements

The basic structure of a mandatory Inclusionary Zoning ordinance is to require the production of a certain number or percentage of affordable (below market cost or rent) units as part of a housing or mixed-use development project (the affordable housing *set-aside*). The developer is almost always offered development or monetary incentives in exchange for including the affordable units in the project, based on the requirements of the regulation. Voluntary IZ ordinances do not mandate the production of affordable units as part of a development project, but offer incentives in exchange for the developer willingly swapping out market rate units for affordable housing units as part of the project.

IZ ordinances can include a wide variety of requirements, conditions, incentives, and trade-offs, and the design and implementation of inclusionary housing programs vary widely across the US. A recent paper by Hickey et al, (2014) offers a first-of-its-kind, national directory of local inclusionary housing programs.

Mulligan and Joyce (2010) catalogued variations in inclusionary housing policies and developed a detailed guide for drafting local inclusionary zoning ordinances. In addition to the many other elements of the program design and implementation, inclusionary housing programs across the country vary substantially in terms of the characteristics that affect prospects for lasting affordability, including lengths of affordability periods, enforcement mechanisms, and resale formulas. The common elements included in IZ ordnances from around the country are as follows.

Minimum project size threshold

Inclusionary Zoning ordinances commonly establish a minimum size threshold for projects, under which a project does not have to comply with the inclusionary development requirements. Usually measured in the number of housing units, the smallest thresholds begin at ten units or more, while the common minimum threshold is twenty units and larger. [Brunick, 2003(b), p. 2]

Minimum unit requirement or minimum set-aside

The key provision in IZ ordinances are the baseline number of affordable units to be included in the development project. Under most of the IZ ordinances in the US, once a project becomes subject to under the code, or is voluntarily subjected to IZ requirements by the developer, minimum set asides range from 5 to 30 percent of the total units developed. The vast majority of IZ ordinances fall between 10 to 20 percent.

Targeted income range

Model IZ ordinances will specify the household income target range for affordable units to be included as part of the project. These specifications can be based on local need, or a recognition of the economics of providing below-market cost housing units without traditional tax credit or other public financing vehicles. The vast majority of mandatory IZ ordinances target low to moderate income housing, serving households earning 50 to 120 percent of the Area Median Income.

As IZ ordinances are requiring mixing market rate and below market rate housing, they commonly recognize that the economics of developing and maintaining units affordable for very low income households without substantial enhanced financing is too difficult to implement. For this reason, IZ programs are almost exclusively aimed at moderate income and workforce income affordable housing (50 to 120 percent of AMI).

Affordability time period

Ensuring the long-term supply of affordable units is essential. It assures the highest return on public investment in affordable housing production, helps meet growing housing affordability challenges communities are facing, and provides a key mechanism to keep units affordable when market pressures might convert them to market rate. [Johnstone 2009]

Affordability requirements vary widely, from 15 years to indefinitely (permanent). For the 307 programs for which affordability period data was available, 84 percent of homeownership inclusionary housing programs, and 80 percent of rental programs require units to remain affordable for at least 30 years. One-third of inclusionary housing programs require 99-year or perpetual affordability for rental and/or for-sale housing.

Over time, local jurisdictions typically have lengthened, rather than shortened, affordability periods. Almost all the programs studied that have less than perpetual affordability periods restart their affordability terms whenever a property is resold within the affordability (control) period, further insuring long-term affordability.

Legal controls to enforce affordability

Achieving lasting affordability requires more than simply setting long affordability periods. Strong legal mechanisms, are important for ensuring that inclusionary properties continue to be sold or rented at affordable prices, and are not lost due to sales, foreclosure, or lax rental management practices. The most common legal mechanisms to insure that units developed under an IZ ordinance remain affordable are as follows.

Ground leases used for the creation of permanently affordable homes are predominantly utilized by community land trusts (CLTs). CLTs are nonprofit organizations that are committed to community control of land. They often produce permanently affordable rental housing and for-sale housing. Some also provide cooperative housing, commercial spaces, or urban agriculture projects; other CLTs also conserve natural lands or green spaces. CLTs most frequently use ground leases to implement their homeownership programs (although some use deed covenants). Owners of homes in CLTs purchase only the improvements (i.e. the built structure or home) and lease the land where the home is located at a nominal monthly fee from the CLT. Hence, the CLT retains ownership of the land, which enables lower income households to purchase homes at prices well below the appraised value of the land and improvements. In exchange, the homeowner agrees to restrictions on the price for which the home may be sold in the future in order to keep it affordable for subsequent lower income households. Ground leases tend be perceived as exceedingly unconventional to mortgage lenders and public funders. Hence, they can be more challenging to implement. However, ground leases are considered more legally durable and enforceable than the other legal mechanisms described below. [Abromowitz, 2010]

Deed restrictions, deed covenants, and deeds of trust are the common vehicles used as part of the IZ agreement between an owner/developer and the municipality to enforce any number of conditions, including the quality of the affordable housing units, pricing, and sale of the property. Obtaining a deed restriction as part of an IZ agreement provides a high level of contract enforcement.

Some programs utilize deed covenants (commonly referred to as "deed restrictions") as the legal mechanism to preserve lasting affordability. When deed covenants are utilized, typically a subsidy is provided to make the home affordable to a low- or moderate-income household. Similar to ground leases, the deed covenant will restrict the price for which the home may be sold to subsequent income-qualified buyers. Due to state regulations against perpetuities, the duration of deed covenants tend to be shorter than ground leases, frequently ranging from 30 to 50 years [Sherriff 2010]. As a result, these programs utilizing deed covenants will often bolster their ability to keep properties permanently affordable by signing new covenants that reset the affordability period with each new homeowner. Additionally, programs often will have the preemptive option to purchase the property back from the homeowner to ensure the home is resold to another lower income buyer at an affordable price.

Programs that utilize deed covenants are frequently perceived as more "straightforward" by mortgage lenders and public funders. Because the title from land and improvements is not separated, there is often greater acceptance from lenders, funders, and homebuyers for deed covenants compared to ground leases. However, deed covenants aimed at producing permanently affordable homes can be deemed less legally durable due to jurisdictional rules against perpetuities and harder to monitor since they lack the ownership stake allotted by ground leases (Abromowitz 2010).

Resale formulas can be applied to the developer of an IZ regulated project, and to individual owners of units within a project developed under IZ. Resale formulas applied to owner-occupied units within an IZ developed project are designed to balance the goals of ensuring lasting affordability for subsequent homeowners and promoting wealth-building among homeowners. In addition to notice provisions, resale formulas ensure that a subsequent owner of an IZ project maintain the affordable units, if the project is sold within the affordability time frame. The most popular resale formula used by case study jurisdictions ties the resale price to the growth in area median income (AMI) over time.

Generally, in inclusionary housing programs, in return for being able to purchase a home for a price substantially lower than the property's fair market value, the homeowner will agree to share proceeds upon resale to keep the property affordable for subsequent low- or moderate-income buyers. [Thaden, 2014]. Inclusionary homeownership programs set the resale price of homes in a variety of ways, including:

- Index-based formulas, where the resale price is indexed to changes in area median income, cost of living, or some other metric;
- Mortgage-based formulas, where the resale price is determined by calculating the maximum mortgage financing a buyer at a targeted income level can afford (taking into account mortgage interest rates, property taxes, and insurance rates when the home is resold);
- Appraisal-based formulas, where the resale price is determined by adding to the original price a percentage of the difference between the home's appraised value at time of purchase and time of resale; and
- Fixed-percentage formulas, where the resale price is determined by adding to the original price a pre-determined percentage increase each year.

Designated geography

Designating a specific geography within which IZ ordinance will have effect is a common means of addressing areas of highest need, providing new access to services and amenities, and economic diversification. Common practice designates a limited geography within which IZ requirements will apply, and in limited cases, a local IZ ordinance will specify different conditions, standards or incentives based on location. ***Differentiating IZ standards by geography, when applied, is needed when a local market area has wide differences in rents and costs.***

Development density bonus

Awarding a density bonus is the most common incentive awarded to developers in exchange for including affordable units in a market rate housing project. Adding additional units above the existing allowable zoning density of the subject property is the most common means of offsetting the rents in the affordable units developed as part of a project. For every unit, or in some cases square feet, of affordable housing developed in a project, the developer will be allowed to add additional

Density bonuses are typically awarded on a formula based on 1) square footage, 2) percentage increase in square footage, 3) additional whole or partial units, or 4) a percentage increase in the Floor Area Ratio (FAR) for the entire building. Bonuses are granted relative to the number of affordable units or maximum density allowance. National standards run from .5 to 3.5 additional square feet of market rate housing for each square foot of affordable housing. Percentage increases in square footage range from 5 percent to 30 percent. Unit based formulas range from .5 to 2.5 additional market rate

units for every affordable unit. Percentage based Floor Area Ratio (FAR) bonuses range from 5 to 30 percent.

Offering density bonuses as the primary IZ development is popular because it can be an effective cost offset for a developer, but unlike direct cash or tax benefits, has low direct public cost. ***It is most effective, however, when density standards are lower than local market preference or demand, and local zoning relief for increased density is not granted easily***.

Opt-out provisions

The best IZ ordinances recognize that not all development conditions can accommodate the inclusion of affordable units in every case. Therefore, opt-out provisions are often provided, typically in one or more of three forms:

- In-lieu of fees: A cash payment, usually paid into a development trust fund for affordable housing;
- Dedications of land; and/or
- A commitment to build affordable units at a different location than the subject property (off-site development).

Opt-out provisions, while necessary, have received considerable critique. Most are criticized for being too low, that the value of the fee is less than the value needed to develop new affordable units elsewhere, or that the building of units off-site defeats the purposes of economic diversification and opportunity the inclusion of affordable housing can provide in upper scale neighborhoods. [Hickey, NAHB, 2015]

Relaxing regulations

Expedited and/or streamlined regulatory review and permitting for projects pledging to include affordable units is a typical, and popular incentive. If delivered effectively, it can deliver real cost offset to a developer's bottom line, saving time, labor and expense. For local government, it's popular because it can be delivered with low direct cost. Other waivers and regulations that appear in IZ ordinances include fee waivers and reduction in parking standards.

Using alternative design standards, such as reducing setbacks, height and design standards, allowing affordable units to be built to smaller size standards or lower cost interior finishes is not often used, but has shown great promise in a few cases. As long as care is taken that the affordable units are not sub-standard, or widely different than the market rate units in a property, relaxed design standards can be an effective cost offset. [Read, p.4]

Direct cash subsidies and property tax abatement

Direct cash incentive payments and property tax relief of IZ properties are still little-used incentive options. Some analysts think that as the pressure builds to find new vehicles for the delivery of affordable housing, cash payment, tax credits, and tax abatements may be a significant opportunity to expand IZ ordinances. [Williams, et. al., p. 14]

Long-term stewardship and monitoring

Monitoring and ongoing stewardship of affordable requirements are among the most important elements of an inclusionary housing program. [Davis 2006; Jacobus 2007b] A study of inclusionary housing programs in California found that programs experienced fewer losses of both rental and ownership inclusionary units when the program had strong monitoring procedures. [Levy et al. 2012]

However, in many cases, ongoing monitoring and enforcement of program rules are not built into a locality's inclusionary housing program and localities do not plan for sufficient oversight and stewardship. [Jacobus 2007b].

Jacobus [2007b] suggests nine key elements for promoting long-term affordability of inclusionary homeownership and/or rental units:

- overseeing production,
- pricing units,
- educating potential buyers,
- screening and selecting residents,
- ensuring access to financing,
- monitoring occupancy and payments,
- managing resales, and
- enforcing other requirements.

Effective stewardship of a program's homeownership inclusionary portfolio also includes preparing homebuyers for the responsibilities of homeownership, helping owners avoid pitfalls such as delinquencies or foreclosure, monitoring resale and refinancing activities, encouraging and enabling ongoing investment in property maintenance and repair, and staying in regular communication with homeowners.

Effective stewardship of a rental inclusionary portfolio includes regular oversight over the leasing and tenant selection process. In some case study programs, this administration involved regular review and training of property managers, while others used in-house management of a centralized waiting list and tenant selection process.

In developing effective inclusionary homeownership programs, homebuyer education, monitoring, and resale management should be included at the program's inception to ensure active stewardship of inclusionary units. While costs for administrative activities can be high, without ongoing stewardship inclusionary housing programs cannot be a permanent solution to affordability challenges. [Jacobus 2007b]

Third-party partnerships with nonprofit organizations, such as community land trusts, for-profit administrative agents, local housing authorities, and nonprofit housing developers enable many inclusionary housing programs to improve their stewardship and oversight of for-sale and rental inclusionary units. These partnerships can be key to ensuring lasting affordability of inclusionary housing units where financial resources or staff capacity is low.

Common Elements of Success

The best Inclusionary and Incentive practices across the country share these common characteristics:

First, IZ works only if the regional residential real estate market is strong and growing. In markets with slow residential growth, low rents, or low sales prices, developers end up incurring much greater costs than they otherwise would without IZ mandates. In strong markets, without generous incentives, they can pass costs along to other households and customers. In cool markets, these costs can't be absorbed by other housing units or households, usually resulting in decisions not to produce new units at all. [Shuetz, p. 11].

Second, the best performing Inclusionary Zoning ordinances are a balance of "carrot and stick," blending mandatory requirements with negotiated and/or opt-out provisions that still help accomplish broader housing affordability and economic development goals. The productivity of IZ hinges on the this combination of legal mandates and economic incentives [Read, p.5] An effective combination of these variables to insure economics actually incentivize production of units, otherwise developers will choose not to produce or opt-out. ***To that end, the development of and final structure of zoning ordinances incorporating these concepts are not knee-jerk, nor generic, but are well considered, data-driven policies responding to the particular market conditions and needs of an individual municipality, and in the best cases, can be refined to meet the very particular needs of individual neighborhood.***

Third, IZ is one solution among many to promote and provide housing opportunities across the income spectrum. [Andresh, p. 865] However, unless they incorporate significant cash and/or tax cost offsets, and the desire to deliver IZ incentives at the lowest possible public cost, IZ is best suited for the development of ***workforce*** housing, serving earning from 60 to 120 percent of the local AMI. [Williams, et. al.]

Fourth, the best IZ ordinances are clearly and simply written, shorten the negotiation cycle with developers, are specific as to benefits, and provide developers with a range of community benefit and/or housing development options.

Last, multiple studies cite flexibility and the value of incentives key to 1) stimulating production, 2) protecting overall housing production, and 3) avoiding the negative consequences of IZ, especially price increases to rest of market, or the lost revenue created by providing affordable units being passed on to other customers as higher rents and prices.

Mandatory Versus Voluntary Inclusionary Zoning: A Mixed Analysis

The vast majority of IZ ordinances across the US are mandatory — requiring a designated number of affordable units, with incentives as relief, determined on formulas of a wide variety of configurations. Nationally, there is a paucity of experience with voluntary programs. However, although mandatory IZ ordinances have been enacted in 27 states (including Florida), IZ still engenders heated debate, and in some jurisdictions, are still being challenged in the courts.

Housing industry groups — developers, builders, and realtors — generally oppose IZ. They cite its potential negative economy-wide economic consequences, complicating the development process, hurting profit margins, and adding time and cost to projects without satisfactory economic compensation.

No significant formal study of voluntary IZ programs has been completed, simply because there are not enough voluntary programs to provide valid comparative results. However, a small body of analysts see IZ as a potentially bigger part of the affordable housing production system. Voluntary programs, by definition, have to provide considerably more incentive value and potential cost offset than mandatory programs, which to some analysts, is preferable, and provides a built-in solution to the problem of passing the costs of including affordable units in a market rate project to other households. Jenny Shuetz thinks that in theory, voluntary programs could produce more units than a stringent mandatory program, without raising prices, or shifting production from single family to multi-family. [Shuetz, et. al., p. 10]

The Urban Land Institute recommends that the decision to implement mandatory versus voluntary IZ needs to balance five issues:

- How new inclusionary and/or incentive zoning provisions would best be implemented within the existing County Code;
- The geography of implementation: where would new inclusionary and incentive zoning be needed most. Voluntary programs may not deliver needed affordable units in high-rent neighborhoods;
- Where does current zoning impede the development of affordable housing and/or job creation, and can a voluntary ordinance be created to overcome these barriers?
- What simple solutions can be embedded within new code components to stimulate needed development; and
- Where are the greatest opportunities for success? [Williams, et. al.]

Economic Impacts of Inclusionary Zoning Programs

No comprehensive review of IZ on a national basis has been completed to date, but several studies have completed detailed analysis of the production of affordable housing units under IZ programs in jurisdictions with long IZ histories. Based on a review of these studies, IZ tends to produce relatively low numbers of affordable housing units.

Unit Production

In a review of inclusionary housing programs in California, NPH (2007) found that about 30,000 inclusionary housing units were produced by approximately one-third of California's inclusionary housing programs between 1999 and 2006, but production varied substantially across localities. Other studies of California's IZ programs cite the development of 34,000 units across California and only 6,836 in San Francisco in the 30 year period ending in 2004. [Read, p.1; Brunick, 2003 (b)] Schuetz attributed the production of 9,154 units over 12 years from the late 1980s to the 1990s across multiple jurisdictions in the San Francisco Bay Area to IZ programs [Scheutz, et. al. 2009] The experience in New Jersey is similar, with roughly 15,000 units produced across the state over 30 years, and in the Washington DC area, with approximately 15,000 affordable units produced from IZ programs over 30 years. [Brunick, 2003 (b)]

One of the main criticisms of inclusionary housing programs is that while they can create large numbers of affordable units in some communities, overall they have had a relatively small impact on the supply of affordable housing nationwide. [Mulligan and Joyce 2010; Rusk 2008]

Differences in the production levels of programs appear to be predominantly explained by (1) whether policies are mandatory or voluntary and (2) local housing market conditions. Evidence strongly suggests that mandatory programs are more productive than voluntary programs. [Brunick 2003]; Mukhija et al. 2010] Additionally, localities that have fostered greater political will to support affordable housing and build acceptance in the development community that providing affordable housing is "the cost of doing business" tend to have more productive programs [Levy et al. 2012]. Finally, "hotter" housing market conditions and strong demand for market-rate housing have produced more affordable units through inclusionary housing programs compared to weaker housing markets. [Mintz-Roth 2008]

Development Pro Forma Effects

Aty the end of the day, IZ affects development project feasibility. Without incentives or cost offsets, including affordable units in a housing project reduces its value — the below-market rent of the affordable units represents a loss of income to the developer/owner. The project must be able to sustain this lost income. Either the added income gained from additonal market units included as an incentive for inclusion of the affordable units, or other cost offsets, must overcome the lost income. The lost income is critical, both on an ongoing cash basis, and its impacts to the total value of the project at time aof a future sale.

Market Effects

Studies of the broader market effects of IZ are inconclusive. Different researchers studying the same markets have reached opposite conclusions regarding the impacts of IZ. The two most important potential impacts drawing the focus of formal research is 1) whether the IZ affects the production of affordable and market rate units across a local/regional market, and 2) whether IZ impacts the cost of housing across a local market.

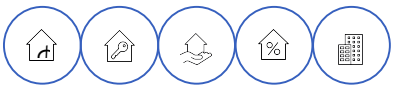
Although the market effects of IZ depends on the structure of the program and local market conditions, the base economic theory on why IZ ***should*** affect the rest of the market is that mandatory inclusionary zoning is in effect a tax on development, or an additional cost that gets passed on to other housing consumers, raising prices for the rest of the market. [Schuetz, et. al., p. 7, citing Been, Clapp, Ellickson]

Economic theory, in this case, isn't clearly supported by the bulk of research. The findings of the most comprehensive studies performed on the market impacts of IZ are inconclusive.

- Means, et. al., concluded that over a 10-year period, cities that enact mandatory inclusionary zoning ordinances experienced a 10 percent reduction in the production of single family homes than otherwise would have happened, and real estate prices (rent and sale prices) increased by 20 percent overall. [Means, et. al., p. 15]
- Schuetz, et. al., in a 2009 study using panel data and regression analysis of the San Francisco and Boston Metro areas looked at single family and multi-family housing unit production and pricing separately, because in both areas they are widely different markets. The researchers controlled for annual changes in supply and price fluctuation, then applied a regression analysis to correlate the impacts of IZ with market changes. They found that in the San Francisco metro area, IZ program had no impact on the production of single family units, and a general market price increase of less than 1 percent during rising markets. In Boston, IZ programs reduced the production of single family homes in periods of rapid market price appreciation, and resulted in price increase of less than 1 percent on single family home prices.
- Knaap & Bento, in a 2008 study on the impacts of IZ on unit production and housing prices in northern California, found that single family permits in jurisdictions with IZ were lower than those without, and that overall housing prices increased in mandatory IZ by 2.2 percent. They also found that IZ programs had the effect of lowering the price for below median homes by 0.8 percent and raising the price on above median priced homes by 5 percent. [Knaap & Bento, 2008]

- Bento, Knaap, et. al. in a 2009 study of 65 municipalities in the San Francisco Bay area and Los Angeles, compared municipalities enacting IZ versus those that did not, and conclude that "IZ does not come without a cost." [Knaap & Bento, 2009, p.2] They found measurable impacts at the 90 percent confidence level, including that the share of multifamily housing production increased by 12 percent, and that the price of single family homes increased — .8 percent for below-market units, and 5 percent for market rate units. They also found that the average size of a new single family homes in mandatory IZ jurisdictions decreased by 48 square feet. [Knaap & Bento, 2009]
- Brunick, in a 2003 review of 361 programs nationwide, found little or no impacts on housing production or pricing as the result of mandatory IZ programs. Even programs with stringent mandatory requirements and no incentives or cost offsets, including Boston, San Francisco, San Diego, and Chapel Hill, had no visible cost or production slowdown effects. [Brunick, 2003(b), p.7]
- PolicyLink, in a 2003 review of selected programs nationwide, concluded that housing production has not declined in jurisdictions enacting IZ, though they did not research any impacts on developer profits. [Jacobus (2007)]
- The NYU Furman Center for Real Estate and Urban Policy, in their study of San Francisco and Boston, found no impacts on production or price in San Francisco, and slight measurable reductions in production and increases in single family price in Boston. [Armstrong, et. al. 2008]

Other writers have suggested that mandatory IZ programs could have the effect of "squeezing" middle income families out of the housing market. If IZ does increase prices overall, families in the middle of the income ladder don't qualify for most housing that IZ produces, and at the same time face a tougher prospect of purchasing homes that have now increased in price across the local market. [NAHB, 2015]



Inclusionary Zoning: the Miami-Dade Experiment

Legislative History

Inclusionary Zoning has an extended history in Florida. Between 2001 and 2017, various jurisdictions in Florida adopted mandatory inclusionary zoning ordinances, including Palm Beach County, City of Tallahassee, City of Coral Springs, and the Town of Davie. [National Community Land Trust and Center for Housing Policy, 2014] The Miami-Dade Board of County Commissioners explored the feasibility of establishing a local inclusionary zoning program at various times over the last 16 years.

In 2001, the County passed a resolution directing the County Manager to present to the Board a "plan for the implementation of an affordable housing program based on inclusionary zoning." [Miami-Dade County Legislative No. 011940, Resolution 870-01 (7/4/2001)]. As a result, the County Manager prepared a blueprint entitled, "Plan for an Enhanced Affordable Housing Program that Promotes Equitable Distribution through Inclusionary Zoning." [Miami-Dade County Legislative No. 020101], 2002] The plan maintained that inclusionary zoning could be an effective mechanism to generate additional affordable housing units and achieve a more equitable distribution of affordable housing throughout Miami-Dade County. County staff also established a stakeholder work group and drafted a proposal to create a housing data clearinghouse to assist with the implementation of the enhanced plan.

In 2007, the County established a voluntary inclusionary zoning program. The 2007 program offered developers density bonuses in exchange for providing a percentage of affordable housing units onsite or making a monetary contribution to the Affordable Housing Trust Fund for off-site affordable housing developments. The Affordable Housing Trust Fund monies could be used to provide scatter-site affordable housing throughout Miami-Dade County. The Implementing Order to establish the procedures for administering the Workforce Housing program was not passed until 2015 and the program was underutilized in the eight years between its creation in 2007 and the 2015 implementation order. [Miami-Dade County, Implementing Order No. 3-60, 2015)]

In 2013, the County adopted amendments to the Comprehensive Development Master Plan. Required by the Florida Growth Management Act, the comprehensive plan contains a Housing Element to establish local goals, policies, and objectives aimed at providing affordable housing for current and future needs. The County's adopted plan suggested strengthening and promoting the County's inclusionary zoning program as a viable housing strategy to meet local needs. [Miami-Dade County Adopted Components Comprehensive Development Master Plan (October 2013)]

In 2016, Commissioner Barbara Jordan proposed making the Workforce Housing Program a mandatory inclusionary zoning program. The ordinance would have required any new multifamily rental development with 20 or more units to set aside at least 10 percent of units for workforce housing in exchange for density and intensity bonuses or pay into the Affordable Housing Trust Fund.

The Commissioner launched a comprehensive outreach campaign, which included five working group meetings on the legislation with the development community, affordable housing stakeholder

groups, lenders, and local municipalities. The County's Public Housing and Community Development Department (PHCD) also hosted round tables on the legislation before the item was amended and brought in front of the full board, and finally a public hearing before the Economic Prosperity Committee in October 2016. [Miami-Dade County Legislative No. 162481]

Commissioner Jordan withdrew the legislation in December 2016 after a majority of the Board voted against it in a non-binding straw ballot. The mandatory program failed due to opposition from the building industry, limited political support from the other Commissioners, as well as resistance from various jurisdictions. A modified, voluntary version of program was passed with unanimous support from the Board immediately after the mandatory provision was amended. [Hanks, 2016]

The Structure of Miami-Dade's New Inclusionary Zoning Ordinance

Miami-Dade's adopted ordinance — Chapter 33, Art. XXIIA of the Code of Miami-Dade County, has been named the ***Workforce Housing Development Program***. Miami-Dade County's Inclusionary Zoning ordinance differs from the vast majority of IZ ordinances nationally in that it is voluntary. However, it's structure, incentives and conditions follows many of the model structure and principles of many mandatory ordinances.

The code does not use the term "affordable" housing, but refers throughout to the development of ***Workforce Housing Units***, or ***WHU's***. The key operating principle is that participation in the program, and taking advantage of the incentives structured in the ordinance, are at the option of a developer/owner wishing to build a new or redeveloped mixed-use or residential project. The ordinance is a trade-off: the developer may take advantage of the incentives offered in the ordinance in exchange for building, and then maintaining a percentage of WHUs at defined affordable rents, as part of the project. The key characteristics of the ordinance are as follows:

Application and exceptions

The ordinance applies to all the County inside the Urban Development Boundary. However, municipalities of 10,000 population or less and any municipality with a previously adopted workforce housing ordinance of its own are not subject to the rule. All other municipalities have an opt-out provision — those not wanting to be subject to the ordinance may file its own ordinance, or adopt a legislative finding that workforce housing needs are already being met within the municipality.

Target incomes

The ordinance defines workforce housing as units developed at affordable prices for households earning 60 to 140 percent of the Miami-Dade Area Median Income (AMI). Affordable rent and household income limits are defined and update each year by the US Department of Housing and Urban Development (HUD).

The ordinance requires that in order to receive the density bonus incentive, the WHUs in the project must be supplied in the ratio of 25 percent for households earning 60 to 79 percent of the AMI, 50 percent for households earning 80 to 110 percent of the AMI, and the remaining 25 percent is left to the developer's discretion.

Affordability period

Units developed subject to the ordinance must remain affordable (according to HUD defined rent limits) for 20 years. However, if a subject property or units within it are sold inside of the affordability period, the 20-year clock restarts, and the WHUs must remain affordable for a new 20-year period.

Incentive structure

The key incentive offered to developers willing to participate in the program are density bonuses tied to the production of WHUs within a project. The ordinance uses a sliding scale — all projects providing a minimum of 5 percent of the units within it have the option of building 5 percent more units than the maximum number of units per acre (density) allowed under the existing zoning applying to the property. For each 1 percent increase in the percentage of WHUs, the developer receives and additional density bonus, up to a maximum of 25 percent. The density bonus schedule is as follows:

Density Bonus Schedule

Workforce Housing Unit Set Aside	Density Bonus
5%	5%
6%	9%
7%	13%
8%	19%
9%	21%
10%	25%

Source: Chapter 33, Art. XXIIA of the Code of Miami-Dade County

Other incentives include a relaxing (increase) in the intensity standards normally applied to the property under the County's existing Zoning Code. Intensity standards include the Floor Area Ratio (FAR), setbacks, side yards, and public space reservations. Relaxing the intensity standards (allowing a developer to put more building on a site that otherwise allowed) insures that the additional density (increase in housing units) can be built on site.

The third main incentive is deferring a portion of the road impact fee normally charged on a project for two years. The deferred portion is proportional to the percentage of WHUs proposed within the project.

Alternatives to constructing WHUs within a project

The ordinance offers alternatives to building WHU's on-site as part of the project, and allow the developer to still take advantage of the density bonuses. In a mandatory IZ schemes, those would be opt-out provisions, but in this case, it provides flexibility in the form of alternatives to deliver WHUs. The alternative measures include:

- Paying a fee into the County Housing Trust Fund, based on a formula tied to the number of WHUs;
- Building the WHU's proposed off-site, at another property within a two-mile radius of the proposed project, and still keeping the density bonus on-site;
- Rehabilitation of an existing property off-site, and including the proposed WHU's within the redeveloped off-site property;
- Donating land to the County through a ***Land Conveyance***; or
- A combination of paying the in-lieu of fee and building WHU's off-site.

Enforcement

The ordinance is enforced by the execution of a series of development agreements, restrictive covenants, and lien agreements between the developer and the County. The County is granted a senior lien position to all other creditors, financing, and encumbrances. Default on the agreement, or sale and conversion to market rate units by the developer or subsequent owners can be subject to fines or an "equity recapture fee."

Analysis of Workforce Housing Program Incentives: Are Density Bonuses Enough?

The Miami-Dade Workforce Development Program is by all measures a model ordinance — it follows best practices, is clearly structured, and provides unambiguous guidance for developers. However, the fundamental question remains: because it is a voluntary ordinance, are its incentives enough to stimulate developer interest in participating in the program?

Incentives, or forms of fair compensation within a mandatory IZ program are a legal necessity. Without compensation an IZ ordinance is subject to legal challenge as an unconstitutional taking. Typically, a mandatory ordinance is evaluated to determine if its incentive structure in fact provides fair compensation for private development of affordable units within a market rate project. The density bonus functions to maintain profitability by providing incremental income through additional market rate units that otherwise could not be built under the existing zoning on a property.

In a voluntary IZ ordinance, incentives take on a different value altogether. Because the development of the affordable units is not mandatory, the incentives must provide economic value significantly beyond maintaining profitability to provide a "reward" for developing and maintaining affordable units in a property.

The FIU Metropolitan Center created a model development pro forma to complete a comparative analysis of the economic value of the density bonus applied to model projects contemplated under the County's program. The model used a simple, standard development and operating pro forma for two test cases:

- A "base" case development comprised of only market rate units; and
- A set of twelve "workforce inclusion" development projects, applying the six WHU set-aside and density bonuses to a 20-unit multi-family rental project, and a 120 unit multi-family rental project.

The assumptions used in the model pro formas are as follows:

- The base case project proposes the maximum number of units allowed — in this case 20 for the small-scale project and 120 for the large. Density bonuses are awarded beyond the 20 and 120 unit limit for the workforce inclusion projects. The 20 units represents the bottom threshold for the workforce housing program ordinance, and although individual municipalities may have higher density zoning, the County's zoning tops out at 125 units per acre;
- Development and operating costs for all units in both the market rate and workforce inclusion projects are the same;
- Rent for the market rate units in both market rate only and workforce inclusion projects uses the 2016 Zillow annual average median asking rent for one, two and three bedroom rental units — $1,829, $2,400 and $2,354, respectively. Rents for the workforce units are the HUD published affordable rental limits for two and three bedroom rental units for 60 percent AMI, 110 percent AMI, and 140 percent AMI households, as required by the ordinance;
- The revenue mix for the workforce units in the workforce inclusion models is based on the maximum number of units granted by the density bonus and minimum set aside, in the mix of units required by the ordinance — 25 percent for households earning 60 to 79 percent of the AMI, 50 percent for households earning 80 to 110 percent of the AMI, and the remaining 25 percent for households earning 140 percent of the AMI;
- Land cost was assumed at 20 percent of the base case total project cost, and does not increase with the number of bonus units. This in fact is one of the cost offsets built into density bonuses — the cost of land gets stretched across more units, reducing the relative cost per housing unit; and
- Developer's equity was assumed at 30 percent of project cost, debt ratio at 70 percent, interest on debt 4.5 percent on a 25-year term, and the cap rate for determining project sale value is 4.5 percent.

All per unit costs remained the same across each concept development project. The experimental variables — those that were changed to test the viability of the density bonus — were the value of market rents, the affordable rents (but following HUD rent limit guidelines), and the number of units.

The key financial metrics measured by the model are 1) Net Operating Income Yield (NOI divided by total project cost), 2) cash-on-cash return (Return on Investment, or ROI), and 3) Net Sale Profit (NOI divided by cap rate, minus project debt and investor equity). The performance difference between the workforce inclusion projects and the base case all market rate unit project, are shown for each density bonus level. The key findings from the model analysis are as follows.

- Of the 12 comparative pro-formas tested, only four of the projects using the density bonus financially outperformed the base case all-market rent project. None of the 20 unit projects outperformed their corresponding base case projects. ***The only projects to outperform their all-market rate base case were the 120 unit projects using the 13, 19, 21 and 25 percent density bonus. Projects using less than the 13 percent density bonus underperformed their all-market rate base case regardless of the number of units***;

- In every scenario tested, the only way in which projects using the density bonus performed better financially than the all-market-rate project of the same size was to use the HUD upper limit rent for the affordable units. The only way the inclusionary projects outperformed the all-market rate base case was to include maximum rents for households earning 140 percent of AMI for the last 25% of affordable units, as allowed by the ordinance. Using any lower rents in the last 25 percent allocation resulted in the model underperforming its corollary base case market-rate project;
- ***The financial gain delivered by the density bonus alone is nominal at best.*** Even when maximizing the affordable unit rents to their maximum allowed, the best-case performance gain delivered NOI Yield and ROI improvements of less than 1 percent, and improved on sale of the project ROI topped out at plus 6 percent of the base case project;
- The financial performance benefits of 120 unit projects above the 13 percent density bonus decline as rents rise above the median market rate unit rents. As the spread between market rate and affordable rents grow, the NOI and ROI yield differences shrink considerably; and
- The smallest inclusionary project to outperform its base case corollary in our model is a 50-unit project using the 13 percent density bonus.

HUD Rent Limits By Household Income and Unit Size, Miami-Dade County, 2016

Bedrooms (Household Size)	60% AMI	80% AMI	110% AMI%	120% AMI%	140% AMI%	HUD Fair Market Rent
Efficiency (1.0)	745	994	1,366	1,491	1,739	774
1 Bedroom (2.0)	798	1,065	1,562	1,597	1,863	975
2 Bedrooms (3.0)	958	1,278	1,757	1,917	2,236	1,250
3 Bedrooms (4.0)	1,107	1,477	1,952	2,215	2,854	1,671

US Dept of Housing and Urban Devlopment

Pro Forma Development Analysis:
Housing Projects Using the Density Bonus
Compared to Market Rate Only Project
Maximum HUD Defined Affordbable Rents

Workforce Unit Set Aside	Density Bonus	Affordable Units	Bonus Market Rate Units	Project Cost Difference	NOI Yield Difference	ROI - Cash on Cash Return Difference	Project Sale ROI Difference
20 Unit Housing Project							
5%	5%	1	1	4.0%	-0.2%	-0.5%	-5.7%
6%	9%	1	2	8.0%	-0.1%	-0.2%	-1.9%
7%	13%	1	3	12.0%	0.0%	0.1%	1.6%
8%	19%	2	4	16.0%	0.0%	0.0%	-3.6%
9%	21%	2	4	16.0%	0.0%	0.0%	-3.6%
10%	25%	2	5	20.0%	0.1%	0.3%	-0.3%
120 Unit Housing Project							
5%	5%	6	6	4.0%	-0.1%	-0.3%	-3.2%
6%	9%	7	11	7.3%	0.0%	0.0%	-0.5%
7%	13%	8	16	10.7%	0.1%	0.2%	2.1%
8%	19%	10	23	15.3%	0.1%	0.3%	3.6%
9%	21%	11	25	16.7%	0.1%	0.4%	4.3%
10%	25%	12	30	20.0%	0.2%	0.5%	6.0%

Source: FIU Metropolitan Center

We draw five major conclusions from the performance of the pro forma analysis and a consideration of the alternative (in-lieu-of) methods to obtain the density bonus.

First, our fundamental conclusion is that the value of the density bonus is probably not enough on its own to provide enough incentive for developers to enter into the workforce development program. The minor increases in NOI, ROI and sale price yield seem unwarranted when compared to the additional project cost, risk, and reporting requirements (which is not included in or model) created by including the affordable unit allotments.

By way of comparison, traditional federal and state development cost offset programs including Low Income Housing (LIHTC) Tax Credits, New Markets Tax Credits, or infrastructure grants can reduce total project cost by up to 20 percent. The developer using these methods sees immediate improvement to the bottom line that can be shared with investors. In Miami-Dade, the wide gap between affordable and market rents means that even a small number of workforce units included in a project create a significant drag on its financial performance. Although additional "bonus" market rate units improves financial performance slightly, the monetary value of the density bonus compared to traditional programs means that it may not be enough to spur significant new workforce housing development.

Second, Miami-Dade's market makes including households in the 60 to 79 percent of AMI category extremely challenging to project economics and rates of return. The rent spread between market rate and affordable rents for households at the 60 to 70 percent AMI level, without significant additional incentives is too challenging to be of significant interest to the development community.

Third, the density bonus may have little or no value for projects under 50 units. Given that redevelopment of small and mid-size projects, especially redevelopment of existing buildings, could expedite the delivery of new affordable units, this is a major concern. The structure of incentives for small projects needs to be re-thought.

Fourth, our model demonstrates a financial performance "curve," where the financial performance improvement of the density bonus decreases as the gap between market rate and affordable rents increases. This may be a bias built into our model, or overcome by other pieces of the development process, but if correct, raises the issue that the Workforce Housing Program incentives may be a disincentive in higher rent neighborhoods. It may also indicate that the density bonus only works within a small window of rent differences, limiting its effectiveness to a small set of neighborhoods and building conditions.

Lastly, we question whether the alternatives to constructing WHUs make sense at all in a voluntary IZ program. Each one — payment in-lieu-of, or contribution of land, are expenses that offer no income in return at all. For the building of workforce units off-site as an alternative, the positive economic benefits of the alternative site and construction must be significant to incentivize the developer.

Consider Sweetening the Deal

The Workforce Housing Development Program is a great start to a broader affordable housing development initiative, and provides the foundation for creative public-private solutions to the County's housing issues. Given the high value and importance of providing a greater supply of affordable housing units in Miami-Dade, the County might consider restructuring or sweetening the

incentive package within the Program to provide greater economic incentives. Possible changes include:

- Raise the number of bonus market rate units to 3 or 3.5 times the number of affordable housing units. The maximum density bonus "multiplier" currently under the ordinance is 2.5 (including 10 percent affordable units results in 25 percent density bonus). In our model, increasing the density bonus to a multiple of 3 and 3.5 alone improved NOI Yield up to .5 percent, increased annual ROI by a full percentage point, and ROI on Project sale by up to 11.4 percent;
- In addition to raising the density bonus, consider a single density bonus multiplier, rather than a scaled system, with a minimum affordable set-aside of 5 percent. The intent of the ordinance is to reward greater inclusion of affordable units with higher density bonuses, but as an incentive, the density bonus is inconsequential below a 3 times multiplier;
- Consider adding additional incentives (density bonus, cash incentives, tax abatement, etc.) specifically for the inclusion of Low Income (60 to 80 percent of AMI) affordable units in a development to overcome the especially challenging economics of this class of units;
- Consider a property tax abatement scaled to the number, or square footage of affordable units included in a development. For example, in a 120-unit project with a 10 percent affordable set-aside, reducing the project's property taxes by 10 percent improves its financial performance over the all-market rate base case — a 1.1 percent annual improvement in project ROI, and a 13.1 percent increase in the project sale ROI;
- Reduce and/or eliminate project fees associated with a project including affordable units. The reduction may be proportional, but should be a real cost reduction. The current ordinance merely defers a portion of a project impact fee for two years;
- Utilize expedited review procedures, including moving projects agreeing to include affordable units to the top of the zoning, permit, and construction review calendars; and
- Develop a local affordable housing finance program specifically serving developers and owners participating in the Workforce Housing Development Program. Possible finance mechanisms would include, but not be limited to: 1) creating or acquiring pools of tax credits, 2) partnering with regional banks to develop sources of dedicated low interest financing, 3) interest rate write-downs, 4) impact and other fee waivers, and 5) infrastructure funding support.

Conclusions

This study provides a current market perspective on the dynamics and key factors impacting the demand and supply of affordable housing in Miami-Dade County. The market analysis determined that Miami-Dade's economy and housing market have undergone significant changes since the collapse of the housing bubble and subsequent economic recession. With the housing recovery well underway for several years now, rising home prices and rents are causing many working families and households to fall further behind. This market imbalance is further exacerbated by several contributing factors including income stagnation, prolonged job loss and rising transportation costs. In fact, the percentage of cost-burdened renter households is increasing at a faster rate than during the previous housing bubble.

The analysis of Miami-Dade's affordability dynamics has been designed to inform the development and County's new IZ ordinance, and set the stage for discussion of IZ in the context of a broader basket of affordable housing strategies. Based on the previous analysis of both Miami-Dade County's affordable housing market and the Workforce Housing Development Program Ordinance, we draw the following conclusions.

A Growing Regional Economic Issue that Can't be Ignored

The sheer scale of Miami-Dade's affordability issues, cost gaps, and dynamics should be setting off alarms across the County. As previously noted, affordable housing issues ripple throughout the economy, and in Miami-Dade, are increasingly negatively impacting wealth creation, upward economic mobility, and workforce talent retention. Miami-Dade is now the nation's fifth most unaffordable housing market, with 49 percent of all households paying more than 30 percent of their income on housing expenses. ***That's 419,000 cost burdened households in the County, 58,720 more than in 2007.***

The housing affordability issue in Miami-Dade is not a temporary problem. The market dynamics fueling the County's cost burden issues — rising prices, population growth, speculative investment, and stagnant wages — are all moving in the wrong direction. This is a problem that does not appear to be correcting itself through market equilibrium. Its solution will require an active, concerted series of market interventions combined with innovative public financing. In fact, more Miamians living in larger households may be masking the true scale of the problem.

Housing affordability is one of Miami-Dade's most pressing public policy and economic competitiveness challenges. If the pattern continues, out-migration of key segments of the workforce may become an accelerating reality. ***While the lack of affordable housing is particularly crippling to Miami-Dade's service sector workers which comprises the majority of the workforce, the study has found that housing affordability is also a major concern for young adult workers in professional and cultural occupations such as computer systems, graphic design, the life sciences, education and the arts.***

An Immediate Focus on Rental Housing

The most critical short-term problem facing the region is the growing number of cost-burdened renter households. Unlike the number of cost-burdened owner households, the cost-burdened renter population has steadily increased without a break since 2007. Cost-burdened renters now make up over 30 percent of all households in the County.

The collapse of the housing bubble and subsequent economic recession has had a ripple effect on the rental housing market throughout Miami-Dade Counties. From 2011-2015 (the economic recovery period), owner-occupied housing units in Miami-Dade County have decreased by 4.7 percent (22,510 units), while renter-occupied units have increased by 11.2 percent (39,326 units). The analysis found significant changes occurring in the larger housing market that have impacted rental housing supply, demand, and affordability. The contributing factors and conditions include the lack of "mid-market" rental housing production, low vacancy rates, persistent home foreclosure activity and depressed earnings and incomes.

These contributing housing market and economic conditions have created a disturbing dynamic in rental housing affordability. From 2011-2015, cost-burdened renter households in Miami-Dade have increased by 11.8 percent, which is higher than the overall increase in renters during the recovery. ***Most troubling is the rapid increase in "severely" cost-burdened renter households (households paying in excess of 50 percent of income on housing costs). Severely cost-burdened renter households now comprise the majority (56.3 percent, or 135,591 households) of all cost-burdened renter households (240,575 households) in Miami-Dade County.***

A New Delivery Infrastructure

The steady withdrawal of funding and technical support for affordable housing from the Federal and state governments has placed the responsibility for solving affordability issues squarely on the shoulders of local leadership. However, Miami-Dade lacks the institutional infrastructure to deal with the true scale of its problems.

At the current household cost-burden rate (49%), if population and household formation increases at their current rate, Miami-Dade will add over 51,000 new cost-burdened households over the next ten years. ***At that rate of increase, to move the County's cost-burden rate to the national average of 32 percent, the County would need to add over 93,000 new units of affordable housing over the next decade, or roughly 89 percent of all housing units produced going forward. By comparison, Miami-Dade County added 57,600 net housing units from 2006 to 2015.***

In this new era requiring greater local responsibility, local leadership from business, government, foundations, banks and educational institutions will need to figure out highly creative new vehicles for analysis, funding and construction of affordable housing. ***In the realities of the new housing environment, this new structure will out of necessity not look at all like the old government-centric housing development structures, but rely on highly collaborative, coordinated, but dispersed networks of providers, funders, builders and service providers to deliver a spectrum of housing and community development solutions.***

IZ is Only One Piece of the Puzzle

IZ can deliver affordable housing, but its track record indicates that it takes time to be accepted, and is a minor provider of affordable housing unit delivery. On the other hand, ***national best practice research indicates that IZ works best when it is part of a broader, comprehensive set of affordable housing and community development tools, programs, and policies.*** County leadership needs to immediately organize and commission the development of a region-wide, comprehensive housing affordability development and finance program.

Affordable Housing is Ultimately an Income Issue

Affordable housing in the US has traditionally been over focused and specialized on delivering physical housing units. This current review of the Miami-Dade experience is that solving the County's affordable housing problems cannot rely on housing construction alone, but will rely as much on the addition of new higher wage, flexible skilled jobs and occupations as it does on building new housing units. The County's broader housing policy discussion must begin with the recognition that solving its affordability issues begins with raising incomes.

Tweaking the New IZ Ordinance to Miami-Dade's Market Realities

The County's new ***Workforce Housing Development Program*** is a step in the right direction, and could be an important vehicle for gaining wider acceptance for affordable housing. ***However, our economic analysis of the ordinance indicates that its incentive structure, built on density bonuses, probably will not supply the level of economic incentive local developers require to include workforce units in market rate housing development projects***.

The County needs to consider tweaking the program to include other incentives, bringing the total value of potential incentives in the program closer to those for other existing programs, especially in the early years of the new program, to help gain acceptance within the development community. Possible changes could include:

- Raise the number of bonus market rate units to 3 or 3.5 times the number of affordable housing units. The maximum density bonus "multiplier" under the ordinance is 2.5 (including 10 percent affordable units results in 25 percent density bonus). In our model, increasing the density bonus to a multiple of 3 and 3.5 alone improved NOI Yield up to .5 percent, increased annual ROI by a full percentage point, and ROI on Project sale by up to 11.4 percent;
- In addition to raising the density bonus, consider a single density bonus multiplier, rather than a scaled system, with a minimum affordable unit set-aside of 5 percent. The intent of the ordinance is to reward greater inclusion of affordable units with higher density bonuses, but as an incentive, the density bonus is inconsequential below a 3 times multiplier;
- Consider adding additional incentives (density bonus, cash incentives, tax abatement, etc.) specifically for the inclusion of low income (60 to 80 percent of AMI) affordable units in a development to overcome the especially challenging economics of this class of units;

- Consider a property tax abatement scaled to the number, or square footage of affordable units included in a development. For example, in a 120-unit project with a 10 percent affordable set-aside, reducing the project's property taxes by 10 percent improves its financial performance over the all-market rate base case — a 1.1 percent annual improvement in project ROI, and a 13.1 percent increase in the project sale ROI;
- Reduce and/or eliminate project fees associated with a project including affordable units. The reduction may be proportional, but should be a real cost reduction. The current ordinance merely defers a portion of a project impact fee for two years;
- Utilize expedited review procedures, including moving projects agreeing to include affordable units to the top of the zoning, permit, and construction review calendars; and
- Develop a local affordable housing finance program specifically serving developers and owners participating in the Workforce Housing Development Program. Possible finance mechanisms would include, but not be limited to: 1) creating or acquiring pools of tax credits, 2) partnering with regional banks to develop sources of dedicated low interest financing, 3) interest rate write-downs, 4) impact and other fee waivers, and 5) infrastructure funding support.

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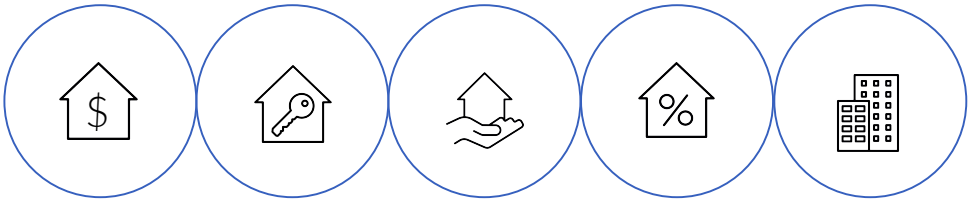

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