



BUSINESS MONDAY

More homes for middle-class workers?

There's no easy way to make housing in Miami more affordable

Here's how to fix South Florida's mid-market housing crunch



Brickell View Terrace at 117 SW 10th St. is Miami's first mixed-income housing development. **PATRICK FARRELL** pfarrell@miamiherald.com
BY NICHOLAS NEHAMAS

What's the best solution for the housing crunch that is pricing out middle-class workers and threatening South Florida's economy?

There is no magic bullet — but experts say a series of smaller public policy fixes and private initiatives can help make the region more affordable. That's important for business owners who are worried about attracting and retaining skilled employees in one of the country's least affordable housing markets.

According to policy makers, developers and housing analysts, the most reliable arrows in the quiver to fight soaring home prices include: Building more homes around public-transit hubs. Encouraging mixed-income developments that include both market-rate and subsidized units. Introducing less restrictive zoning policies that allow for the construction of micro-units and fewer parking spaces. And streamlining the time- and money-consuming permitting process for developers.

A LOT OF THESE IN ISOLATION ARE 2 PERCENT SOLUTIONS. STOCKTON WILLIAMS, URBAN LAND INSTITUTE

“A lot of these in isolation are 2 percent solutions, but if you add them together they likely will have a much larger beneficial effect,” said Stockton Williams, executive director of the Urban Land Institute Terwilliger Center for Housing, a Washington, D.C.-based think tank. “There is no city or region that has figured this problem out. It’s playing out in Washington, D.C., Boston, Austin, Seattle, San Francisco, Denver, Los Angeles, New York ... Any of the 25 most prosperous cities in the United States are all experiencing this growing shortfall of homes for sales and apartments for the middle class.”

But a confluence of factors is impeding South Florida's supply of mid-market housing in a way that few other U.S. markets suffer: The amount of available land is limited by the Everglades to the west and the Atlantic Ocean to the east, and foreign investment in the condo market has driven up home prices [well beyond what most locals can afford](#).

Complex housing affordability problems won't be solved overnight, Williams says. Any solution requires local governments, business owners, developers and community activists to reach sustainable compromises.

“Even in the case of cities that have started to put together smarter and more strategic plans, there is often

community opposition to more development and more density,” Williams said. “We’ve got to be able to see the bigger picture.”

While many of the solutions presented here seem to focus on the rental side of the equation, providing new rental units should alleviate pressure on the market for single-family homes and townhouses, Williams said. Miami-Dade’s low rate of owner-occupied housing units (54 percent compared to the national average of 64 percent, according to U.S. Census figures) suggests many renters are crowding into homes and condos that could otherwise be on the for-sale market.

“Our purchase volume is down 5 percent from last year,” said Doug Leever, mortgage sales manager at Tropical Financial Credit Union. “A lot of that has to do with the lack of inventory [of affordable homes] on the market.”

Michael Liu, Miami-Dade County’s director of public housing and community development, says the problem is beyond the scope of one government agency or developer to fix.

“I look at housing as being multifaceted,” Liu said. “People need to understand that housing is part of the education issue, it’s part of the job creation issue, it’s part of the transportation issue. ... We need to say to the business community: ‘Your survival as commercial entities is linked to the ability of your workforce to find housing.’”

And now, with a strong dollar inhibiting foreign investment in luxury condo projects, is the time for South Florida to experiment with other kinds of residential development, Liu says. Thanks to a glut of condo and apartment inventory in downtown Miami, rents are [already starting to fall](#). But that’s just a temporary fix.

Some governments have acted aggressively to tackle the underlying causes of the housing crunch, including low wages and a rush of foreign investment. But those efforts have met with mixed results.

15 percent Tax placed on foreign home buyers in Vancouver

In Miami Beach, the City Commission passed an ordinance setting the minimum wage higher than the state's. The city was soon hit with [lawsuits](#) from business interests and Florida Attorney General Pam Bondi, which claim the move violates state law. And in Vancouver, Canada, (like Miami a magnet for foreign investors), a provincial government slapped a 15 percent tax on foreign home buyers. Price gains have since slowed, according to a Bank of Montreal [analysis](#), but Vancouver's status as a welcoming business location for foreigners has [suffered](#). Many home buyers, the bulk of whom are Chinese, have shifted their cash to nearby markets without a tax such as Seattle.

That city in the Pacific Northwest is already dealing with some of the highest housing costs in the U.S. in relation to wages. But last year Seattle Mayor Ed Murray pushed through what he calls a "[grand bargain](#)" that requires developers to build affordable units or contribute to a government housing fund in exchange for greater density.

During a visit to Miami last year, Murray said Seattle's framework of cooperation could be a model for other cities.

"You know what I heard from our development community was a real sincere wish to be part of the solution," Murray told the Miami Herald. "They just didn't want to build a city that was unaffordable. ... [And] on the part of the [affordable housing] advocates, they really wanted to build a relationship with developers because they understood that the public sector and the nonprofit sector alone can't produce the capacity ... We need the private sector as well."

A similar proposal in Miami for so-called "mandatory inclusionary zoning" was [rejected](#) by Miami-Dade commissioners in favor of a voluntary alternative. "Social engineering is very dangerous," Miami-Dade Commissioner Javier Souto [said](#) at the time. "This is like handling explosives. You make a mistake, you blow your head off."

[SOCIAL ENGINEERING IS VERY DANGEROUS. JAVIER SOUTO, MIAMI-DADE COMMISSIONER](#)

The ordinance the county ultimately adopted does not require developers to include cheaper units in their projects but gives density bonuses to those that do.

Transit-oriented development

One big push for housing affordability involves the construction of more units around public transit hubs. Allowing higher density near rail and bus stations can help take cars off the roads and creates easier commutes for residents.

At MiamiCentral — the new train station that will connect downtown Miami with Fort Lauderdale and West Palm Beach — developer Florida East Coast Industries will build 800 rental apartments designed for young professionals and workers. The company is also developing about 290 units at its station in West Palm Beach and considering a mixed-use, residential project in Fort Lauderdale. Units aren't huge (700 to 800 feet for one-bedroom apartments) and may include efficient design features such as built-in furniture. Pricing hasn't been set yet.

“We want to give people the freedom to live in areas that are more affordable and work in areas that are less affordable,” said Vince Signorello, president and CEO of FECI. “That hasn't been an option for many people in South Florida who want a good life and a reasonable commute.”

Even though Miami is a major banking hub crucial for doing business with Latin America, its growing lack of affordability inhibits big companies from setting up headquarters here, Signorello said. Ten Fortune 500 firms operate headquarters in South Florida. That's fewer than metros with more affordable housing markets such as Houston (22) and Atlanta (13), according to reports by Enterprise Florida, the state's economic development agency, and relocation firm Select Georgia.

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Arnaud Karsenti, managing principal of developer 13th Floor Investments, says working with the county on mixed-use, transit-oriented projects has helped make it possible to deliver less expensive units despite high land costs in the region.

13th Floor and Adler Group are leasing land from Miami-Dade to develop rental towers at the [Dadeland](#) and [Douglas](#) Metrorail stations.

“Instead of buying the land outright, you are sharing it with the county,” Karsenti said. “What you’re really doing is spreading your land costs out over a much longer period of time. You can take a lot of those up front costs and do other things with them. You can [improve] the area. We’re spending north of \$15 million on the Douglas project beautifying the station. ... Anything with transit is more attractive to workers.”

In Miami, developers successfully lobbied for the elimination of parking requirements for some smaller buildings near transit routes.

Mixed-income housing

Last year, Miami’s first mixed-income housing development opened in [pricey Brickell](#).

Brickell View Terrace has many of the amenities a tenant would expect in a purely market-rate building: a gym, library, barbecue area, outdoor linear park and high-quality finishes.

But only 76 of its units are available at market rates. The other 100 are reserved for families making 60 percent of Miami-Dade’s area median income (a government statistic used for affordable housing calculations).

DEVELOPERS HAVE BEEN DOING THIS AROUND THE COUNTRY WITHOUT ANY PROBLEMS. MITCH FRIEDMAN, PINNACLE HOUSING GROUP

“The biggest fear was the co-mixing of populations,” said Mitch Friedman of developer Pinnacle Housing. “But there hasn’t been any issue. Developers have been doing this around the country without any problems.”

(One developer in New York built a separate entrance for tenants of affordable units, a so-called “[poor door](#),” and cut them off from amenities, but that seems to have been an isolated incident nationwide.)

In general, Friedman said local governments need to use more carrots and fewer sticks. That means adding financial incentives for developers to build cheaper homes, not just forcing them to do so.

“Local governments have to seriously consider waiving things like impact fees, plan review inspection fees and other imposed fees and we have to bite the bullet and establish a new funding source to pay for all these fee waivers,” Friedman said. “We do a great job of providing subsidies for people at 60 percent and below. Locally and state, why don’t we have the wherewithal to create a similar financial program for up to 140 percent of [area median income]?”

Another benefit of mixed-income projects: They allow workers to live closer to their jobs and good schools, cutting down on the physical segregation experienced by families with different incomes in much of America. City of Miami leaders say they see Brickell View Terrace — where developers reported receiving 7,500 applications for the affordable units — as a model for future projects. At the county level, the massive redevelopment of Liberty Square, one of South Florida’s oldest public housing projects, by the Related Group is set to include [mixed-income housing](#).

Micro-units and in-fill development

Developers are also getting creative with the kinds of homes they deliver.

In Miami’s urban core, some are pushing for micro-units, the kind of small apartments designed for young workers, many of whom won’t have cars. The new style of living is an acknowledgment that Miamians are getting used to a New York-style of life, with more people crowding into smaller homes.

Moving-company and arts mogul Moishe Mana was the first to propose a rental tower [exclusively made up of micro-units](#). The apartments will range from 400 square feet to spacious “penthouses” at 600 square feet. But most units will be 500 square feet and under.

“The idea was, let’s make these apartments in the urban core, let’s make them small and let’s build in all the stuff that makes it desirable,” architect Bernard Zyscovich [told](#) the Miami Herald in July. “We’re going for that authentic coolness that comes from being in the middle of everything.”

500 square feet Size of micro-units planned in downtown Miami

And in [gentrifying Little Haiti](#), developer Tony Cho and Silicon Valley mogul Bob Zangrillo are planning a mixed-use “innovation district” called [Magic City](#) that will include affordable micro-units and provide co-working space and a start-up incubator.

Other developers are still determined to bring new single-family homes and townhouses to the market. The demand is there, even if land is hard to find, they say.

So in order to acquire land at reasonable costs, some builders are turning to South Florida’s bevy of down-on-their-luck golf courses. The golfing industry has [struggled](#) financially nationwide in recent years, leading to good deals on land.

Near downtown Hollywood, developer Pulte Group is turning a former golf course into a 170-acre project called Parkview at Hillcrest with 645 single-family homes and townhouses. Prices range from the low \$300,000s to the high \$400,000s.

“The interest has been overwhelming and it’s because of the price point,” said Brent Baker, Pulte’s division president for Southeast Florida. “Most of the new home supply is out [west] and it’s costing you \$1 million. The pent-up demand for in-fill locations, closer to employment, closer to retail, closer to destinations, is tremendous.”

The homes are on smaller lots and run from 1,500 square feet to 2,800 square feet.

THE DAYS OF MCMANSIONS NEED TO END. THEY’RE OUTDATED. BRENT BAKER, PULTE GROUP

“Builders are going to have to be more efficient with their site plans,” Baker said. “The days of McMansions need to end. They’re outdated.”

Some similar redevelopments have been controversial with existing residents because of traffic concerns.

In West Miami-Dade, a planned redevelopment of a golf course has neighbors worried about traffic gridlock and their own homes depreciating in value, according to [CBS4](#).

Making it easier to build

Everyone involved in South Florida development — and even many homeowners embarking on renovation projects — knows how difficult the permitting process can be.

Developer Karsenti of 13th Floor says building codes are necessary to keep residents safe and the government must enforce them. But he also believes permitting could be better standardized, easier to do online and, to a certain degree, privatized.

“The administrative process is always burdensome,” Karsenti said.

“For us to permit a typical mid-rise of seven to 12 stories with up to 150 units, it takes us up to a year,” agreed Friedman of Pinnacle. “That’s a long time. There needs to be better coordination between all the myriad permitting agencies at the different levels of government.”

That’s not just the self-serving talk of eager builders. Liu, the county’s housing director, believes the developers have a point.

“We need to encourage nontraditional developers to get involved in this realm, also,” Liu said. “That means making our process more attractive, more user-friendly for our smaller developers. ... Time is money and there are a lot of things we can do from a government process side to make the time-frame of the way projects are done more cost-effective.”

The county has hired a researcher from Harvard to study how local government processes unnecessarily add to development costs, he said.

And a recent [policy paper](#) by the Obama administration concluded that barriers to development — including zoning, land-use regulations and lengthy approval processes — have “reduced the ability of many housing markets to respond to growing demand ... The growing severity of under-supplied housing markets is jeopardizing housing affordability for working families, increasing income inequality by reducing less-skilled workers’ access to high-wage labor markets, and stifling GDP growth by driving labor migration away from the most productive regions.”

“Regulatory costs on housing development have really gone up and up and up,” said Williams of the Urban Land Institute. “It’s to the point now where housing economists see it as being a real problem.”

On the other end of the solution equation, county leaders are encouraging the creation of jobs with higher wages.

The Beacon Council, Miami-Dade's taxpayer-funded economic development agency, is working with local businesses through its [One Community One Goal](#) initiative to encourage industries such as aviation, finance and healthcare that pay high salaries but don't necessarily require college degrees.

The agency is also working with the University of Miami and Florida International University, among other higher education institutions, to connect students with [paid internships](#) at local businesses.

"We have the talent here in Miami-Dade County," Miami-Dade Mayor Carlos Gimenez [said](#) at a Beacon Council event in 2015. "We don't want to lose that talent to anywhere else."

WLRN SPECIAL CORRESPONDENT TOM HUDSON CONTRIBUTED TO THIS REPORT.