



Affordable Housing and Inequality in Greater Miami

**Ensuring Economic Mobility Summit
October 27, 2023**

Report produced in partnership with the Miami-Dade Beacon Council

Defining the Issue

This report is meant to provide some context on the state of Miami-Dade's economy as it relates to affordability, the impacts of affordability on the local economy, and best practices from around the country. Miami-Dade County and the metro area have seen tremendous growth in multiple sectors from tech to finance and trade & logistics. While this transformation has solidified the region as a leading economy globally, not everyone has benefited from this growth. Ensuring that growth is equitable and opportunities can be realized, we must first understand some of the challenges our residents face as related to poverty and lack of affordability.

This high-level primer is meant to serve as a foundation for the conversation at Miami Leadership Local's "Ensuring Economic Mobility Summit" on Friday, October 27th. It is not meant to be exhaustive, as we recognize that there are many other factors and solutions not included here that impact poverty and affordability.



Challenges

Overview

South Florida is a global beacon where everyone is welcome and opportunities abound. Diverse talent and consistent year-over-year growth have elevated Greater Miami's profile as a successful international business hub, but intentional efforts to build a more sustainable, inclusive economy are needed to address rising costs and a persistent wealth gap.

While still less expensive than New York, San Francisco and other comparable markets, the Miami MSA ranks among the most expensive markets in the United States. Rising housing costs, inflation, and stagnant wages exacerbate certain challenges including inequality and economic insecurity. There are many factors driving this lack of affordability – some local, others global, and most shared by other large metros. The root causes are multifaceted and complex, especially in a large, international community like Greater Miami that is still a relatively young market. The solutions are complex and require multiple public and private partners to navigate them together. Growing the economy in a sustainable and equitable way will require diligence, collaboration, a long-term vision and shared commitment to the path.

Lack of Affordability / Poverty

A 2023 report by [United Way Miami](#) showed that 5 in 10 households in Miami-Dade County are ALICE households (Asset Limited, Income Constrained, Employed; 34%) or fall below the Federal Poverty Level (17%). Even though they are working, their incomes are not high enough to afford necessities like housing, childcare, healthcare, and transportation. The Median Household Income is \$59,044, which is far less than the region's Household Survival Budget (the baseline requirement for a family of four) of \$76,284. For the survival budget and household income to achieve parity would require a 29% increase in household income. This disparity hits Hispanic and Black households the hardest, with 52% of Hispanic and 61% of Black households meeting the ALICE threshold. While the overall % of ALICE Households in Miami-Dade County has decreased slightly since 2018 (from 54% to 51%), the report notes that as our population grows, so do the total number of ALICE households.

As a tri-county region, the Miami MSA ranks as one of the U.S. metro areas with the highest income inequality based on the Gini Coefficient. [The Gini Coefficient](#) is a statistical measurement used to gauge economic inequality, ranging from 0 (perfect equality) to 1 (maximum inequality). The Miami MSA has a Gini Coefficient of 0.5212, indicating very high inequality. Miami-Dade ranks 24th of the approximately 3,100 counties in the U.S., ahead of places like San Francisco, Los Angeles, Atlanta. (Those ahead of Miami are the major counties in the New York City area; New Orleans, LA; Boston, MA; Stamford, CT; Bridgeport, CT; and several rural counties throughout the U.S.)

Wages & Job Opportunities

Contributing [\\$11 billion to Miami-Dade's economy in 2022](#), hospitality & tourism jobs play a significant role in our regional economy, with just over 35% of Miami MSA jobs in the retail, hospitality, back-office support, and food service sectors. These occupations, on average, pay less than \$50,000 a year according to the most recent data from [BLS](#). Efforts to diversify the local economy are paying off, as seen in the growth in business, finance, computer and mathematical occupations. Occupations in these fields pay between \$85,000 to \$94,000 on average, but only represent roughly 10% of employment in the region.

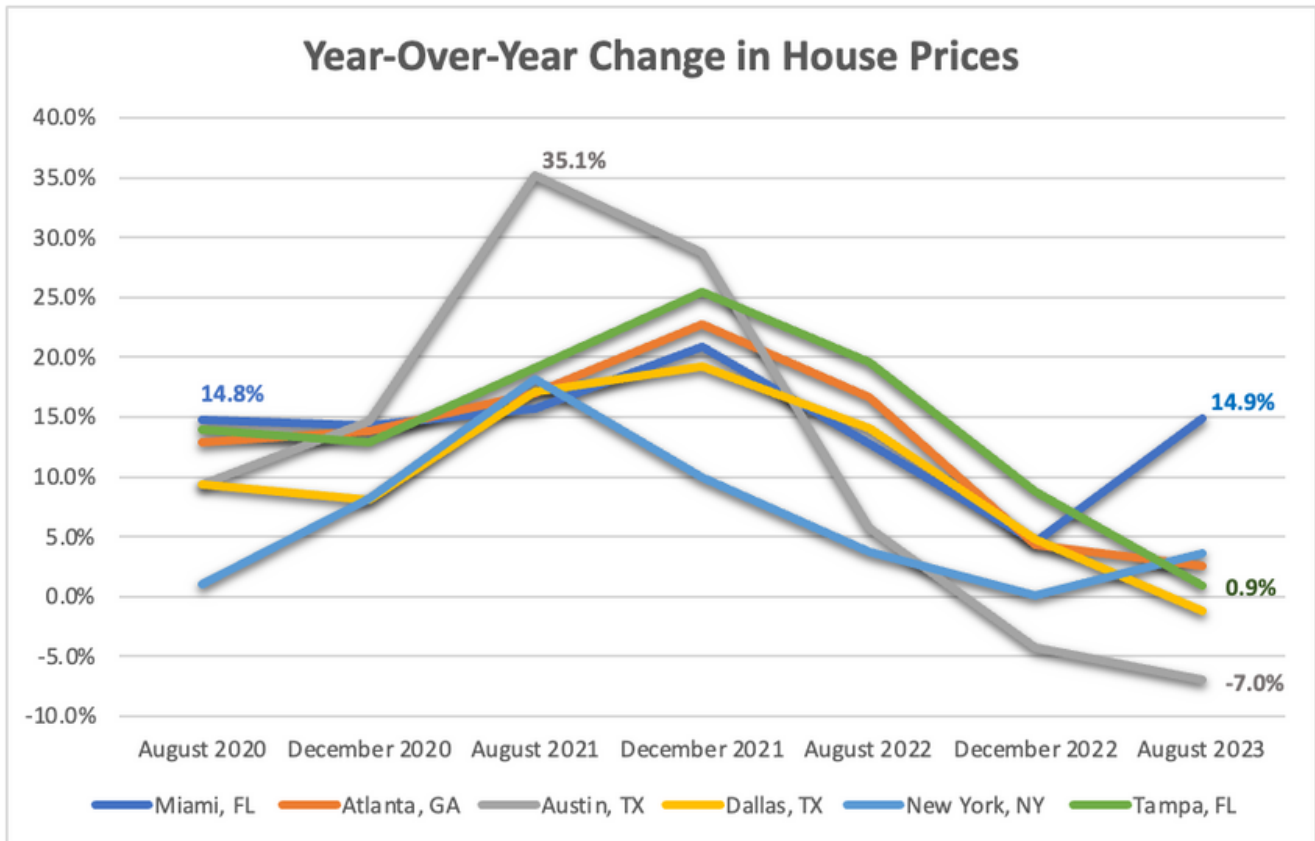
The absence of living wage opportunities and the high level of income inequality are all headwinds to reducing poverty in Miami-Dade County. Solving this requires collaboration by business, education, government, and nonprofits. Each group has a different core competency and ability to impact change.

Housing

A major driver of inequality in Greater Miami is the lack of affordable housing. According to the [Shimberg Center for Housing Studies](#) at the University of Florida, nearly 27% of renters in Miami-Dade County are cost-burdened (i.e., spending more than 40% of their income on rent); when you look at those in poverty that number grows to over 60%. Rents and home prices in Miami have skyrocketed in recent years while wages for many workers have stagnated. The median sales price for a single-family home dropped to \$600,000 in September 2023, from \$620,000 in August, according to the latest monthly report from the [Miami Association of Realtors](#). With a median household income of approximately \$59,000, home ownership is inaccessible to many in this market. At the present costs, someone would need a household income of \$182,000 to be able to afford a standard home and not be overly burdened by a housing payment, property taxes, and homeowners insurance.*

Lower income residents are particularly impacted by the housing affordability crisis. Miami has a shortage of over 11,000 rental homes affordable to low-income households (below 60% of adjusted median income.) These vulnerable residents often pay a disproportionate amount of their income on housing or live in overcrowded and substandard conditions.

**Assumptions outlined at the end of the paper.*



According to Redfin, the Miami MSA is seeing a 14.9% year-over-year increase where other major metropolitan areas have seen their prices decline. Austin is down 7% from August of 2022 to August of 2023. Even when looking within Florida price increases have started to slow. Tampa’s year-over-year price increase is less than 1%. With interest rates around 8%, rising insurance costs, and prices not slowing down very much, many residents in the region will continue to be challenged to find affordable housing options.

Population

Miami-Dade County’s [population doubled between 1970 and 2010](#), but growth has slowed over the past decade. In looking at Miami-Dade County and the U.S. Census American Community Survey, the County’s population peaked in [2018](#) at 2.762 million people. The [2022 report](#) had the county population at 2.674 million people, a decline of 87,700 people. The most concerning for Miami’s economic future is the loss of 75,000 prime age adults (those between 25 and 54.) Those under age 19 saw a population decline of more than 32,000. The cohort aged 55 and up is the only age group that increased in the county.

Closed borders and limited travel during the pandemic (2020-2021) led to population declines in nearly all major U.S. metros, but Miami-Dade was especially hard hit given international migration has always been a driving force in the region’s population dynamics. According to a recent [Brookings](#) report, however, Miami-Dade is one of only 11 counties

in the U.S. that are back to positive population growth in 2021-2022. While Miami's population is back to positive population growth (+3,416) with the normalization of international travel and lower net domestic outmigration in 2022, affordability will undoubtedly impact regional growth long-term.

[Smart Asset](#) looked at 2021 IRS migration data of young, high income wage earners (age 26-35 making over \$200,000) and found Florida added the greatest number, 27,000 people meeting these criteria. Although the data does not specify the counties affected, there are many reasons to believe that Miami-Dade saw a disproportionate amount of these people move to the area.

Finding a Path Forward

The rate of inequality, low household median wage, and increase of housing are issues faced by many communities nationwide. The solutions are often interconnected. Below are a few examples for discussion that suggest potential solutions. More study is needed to determine whether they would be viable for Miami-Dade County. Executing these and other solutions requires participation by government, business leaders, education, and civic organizations.

Increasing Wages

The greatest positive impact has come through educational opportunities, specifically training and upskilling. There are many other examples of increasing wages through providing more opportunity for training and for employers to find the right type of talent already in the region.

Two initiatives focused on creating inclusive and equitable outcomes through certification training and upskilling existing workers in Greater Miami are the [Advanced Automotive Tesla Technician](#) and [Miami Tech Works](#), both housed at Miami Dade College. These programs leverage public-private partnerships to train underemployed Miamians in tech and other growing fields, leveraging apprenticeships and other hands-on training. Both of these programs have recently received large infusions of capital; continuing to invest in initiatives that create onramps to long-term career pathways and higher paying jobs is a proven way to help low-income workers earn a living wage and escape poverty.

In the Twin Cities the regional economic development organization, Greater Minneapolis-St. Paul talent, and workforce development effort "[Make It MSP](#)" has been an industry best practice for almost a decade. They have an online resource for finding a job, provide resources for those considering relocating to the region and with a heavy focus on equity and inclusion.

Another initiative that has the private sector and public sector coming together to create job training opportunities to those that have been traditionally overlooked by industry and industry create apprenticeship programs to help them fill vacant positions. Led by Accenture and AON the goal [Chicago Apprentice Network](#) has over 90 companies, working with six educational providers and have over 1,500 apprentices enrolled. Public-private partnerships play a vital role in creating inclusive onramps via upskilling and reskilling programs, as we see through [United Way Miami's Upskill Miami](#) initiative (seed funding from MacKenzie Scott's foundation and in collaboration with numerous community partners including Baptist Health, Miami Dade College and others).

Creating new pathways for those in the region and opportunities for job training for living wage jobs are two solutions to help address poverty and reduce the ALICE population. While this along will not solve the inequity problem, it is a market-driven approach that is more inclusive by design and connects a broader swath of population with long-term growth opportunities.

Housing Affordability

The affordability crisis, with large scale price appreciation and interest rates nearing 8%, has challenged every community. Miami-Dade is unique in its geographic constraints with few vacant parcels or greenfield available to build more new housing. The community will have to focus on creating density through policy changes like upzoning and redevelopment and adaptive reuse strategies that other land-locked communities have employed. Housing shortage and increase in prices have occurred throughout the U.S. and no one metro is doing it well. With that said, New York City has seen some success in adding more housing units in the most densely populated part of the country that has many geographical constraints.

New York City 421-a provided tax break for developers of affordable housing. Over the past eight years, 56% of the City's affordable units built leveraged the tax break according to [the Real Estate Board of New York](#). Since this reduced the property tax it not only created an incentive to develop affordable housing but made the units more affordable to rent. The tax break has expired, and the number of units built in 2022 was only 11,000 units. The average from 2017-2021 was approximately 20,000 units according to the [Furman Center](#).

In Miami-Dade, we have already seen some commitments seeking to address much needed workforce housing. [On campus housing for teachers](#), for example, was announced in late 2022, with construction underway. Public-private partnerships can play a significant role in this process, as can expediting permits and other incentives around affordable and workforce housing.

These are just two examples of strategies for creating more housing. Other cities like Atlanta and its Beltline initiative for redevelopment or New Communities in Washington DC that created mixed income, mixed use development with city support are other examples to increase the supply of housing.

Additional Factors & Conclusion

There are many other options to address some of these challenges. Strategies such as further diversification of the economy, ensuring the close connection between employment centers and housing, increase the number of housings being built continuing to grow Miami’s brand and reputation as one of the most optimistic, best places to do business and increasing awareness of Miami as a top global city will all create additional opportunities. There are many other solutions to these challenges. As we grow our economy, we must be mindful of all our residents and that we need to look for solutions and have the public sector, private industry, educational partners, and non-profit sector align to solve these problems.

*Assumptions for Home Purchase Cost Projection		
Purchase Price:	\$600,000	
Down Payment:	\$120,000	20%
Interest Rate	7.21% APR	no points (Bankrate.com 10/23/23)
Principal & Interest Payment:	\$4,286	
Property Tax	\$9,900	Assumes unincorporated community with homestead exemption using county estimator .
Homeowners Insurance:	\$2,400	Estimate from Nerd Wallet. Does not reflect recent flood insurance increases.
Annual Payment:	\$63,732	$\$51,432 + \$9,900 + \$2,400 = \$63,732$ or 108% Annual Median Income