

## THE COMMERCIAL OBSERVER

# What's Being Done About Miami's Housing Crisis?

*The pandemic rush to Miami has made it the most unaffordable housing market in the country*

BY CHAVA GOURARIE FEBRUARY 28, 2022 6:30 AM



Miami has become the most unaffordable housing market in the country. Full stop. It's currently more unaffordable than New York or San Francisco.

Long before anyone had ever heard of COVID-19, Miami's affordability problem had been getting worse each year since the Great Recession. Whereas affordability rebounded after the crash in many cities, Miami's home prices and rents continued to rise out of sync with employment or income. And as prices increased, few affordable units were added, leading to a net loss of over 1,200 affordable units per year.

By 2019, more than half of Miami's households were spending more than 30 percent of their income on housing, and owning a home was out of reach for 90 percent of the working population, according to the Metropolitan Center at the Florida International University.

That was before. Then came the pandemic, and the rush to South Florida, billed as a haven from the (supposedly) overpriced, overregulated, overpopulated coastal cities. Prices soared to astounding levels, as capital poured in from every corner of the nation. Home prices and rents increased 20 percent, 30 percent, or even higher in some places.

Miami now has the dubious distinction of being the most unaffordable market in the country. Even more telling is that Hialeah — an inland working-class municipality far from any beach or waterfront or ritzy hotel — is the seventh most unaffordable, according to RealtyHop, which compared the ratio of median income to median home prices in each city.

“I hate to use the [term] ‘affordable housing’; it’s just housing,” said Edward Murray, associate director of FIU’s Metropolitan Center, who has been tracking Miami’s housing market for over two decades. “When 92 percent of residents can’t afford [a home], it just becomes really difficult to even think of what would be required, short of some massive effort that would begin producing at a meaningful level — we’re talking thousands of units per year.”

The current housing boom is beginning to exceed that of the mid-2000s, but this time there’s no sign of it letting up. “The level of appreciation, and the increases that we’re

seeing imposed by sellers, or by property managers in terms of rent, is really quite extreme,” Murray said. “It’s almost cartoonish.”

State and local politicians have commented on the housing affordability issue at various times, but there have been few definitive steps taken to address it. In recent weeks, Miami Mayor Francis Suarez proposed using \$5 million in proceeds from his MiamiCoin program to provide rental assistance to people whose rent has increased by 20 percent or more — essentially acknowledging the problem. (In a city of almost half a million people, however, it seems like little more than a gesture.)

Additionally, [proposed legislation](#) in Miami and Miami Beach would require landlords to give tenants 60 days’ notice if they plan to raise the rent by more than 5 percent.

At the state level, Gov. Ron DeSantis has allocated roughly \$355 million for affordable housing in the latest budget — more money than the state has spent in a decade — and yet that amount could easily be used by Miami-Dade County alone, and still not fill the need, said FIU’s Murray.

“The crisis is dire,” said Ken Russell, a Miami commissioner who is also running for U.S. Senate. A former surfboard salesman who has been active on housing issues since joining local politics, Russell acknowledges that current efforts do not go far enough.

“People have become accustomed to spending half their income on housing — and that was before COVID,” he said.

Housing costs were already pushing people farther and farther away from their jobs, but now, even that’s not an option. “On the backside of the pandemic recovery, the

market push is so universal that even the most rural areas are seeing spikes in mortgages and rents,” Russell said. “It’s making it so that there’s nowhere to go.”

Under Florida law and Miami’s history of lax regulation, there are few tools available to governments to address the issue, which would require a mix of immediate assistance to keep people housed, as well as a plan to produce sufficient affordable housing to meet the need over the coming years.

Florida state law forbids rent caps, and local municipalities have few tenant protections. Miami introduced its first inclusionary zoning ordinance in 2018, applicable to one section of the city north of Downtown. At the county level, Miami-Dade County has a voluntary Workforce Development Housing Program that provides incentives, such as expedited review and density bonuses, in exchange for workforce housing development (which is defined as housing affordable to people making at least 100 percent of the area median income).

As it stands, the problem far outpaces the available tools.

“Programs, whether funded through federal, state or local dollars, can work if they’re there to fill a gap that’s somewhat reasonable,” said FIU’s Murray. “Rents are so high right now compared to what the typical renter can afford, it makes the funding, or finding some other way of financially supporting these households, unfeasible.”

In early 2020, the city of Miami had just completed a years-long review, which culminated in the City of Miami Affordable Housing Master Plan. The plan defined the

extent of the housing crisis, quantified the shortage and made recommendations for how to address it.

The key recommendation was to create an affordable housing fund, seeded with \$100 million from a bond Miami had previously allocated for affordable housing, called the Miami Forever Bond. “We recommended the creation of a housing innovation fund, which would be established locally,” said Murray, one of the authors of the report. “Our idea was to use [the Miami Forever Bond] as seed capital, and bring in outside money, through corporations and philanthropy.”

Other cities are currently doing something similar with federal dollars received from the American Rescue Plan. Kansas City, for example, has [seeded an affordable housing fund](#) with \$12.5 million from the federal funds.

The city of Miami did not adopt the report’s suggestion. “This is Miami you’re talking [about],” said Murray ruefully. Instead, the \$80 million that remains will be divided up among the city’s five commissioners, who will spend it in their districts.

Russell, one of the city’s five commissioners, preferred to leverage the money as recommended rather than spend it, but conceded that the fund is no longer on the table. “If everyone spends it, it only goes so far,” he said.

One tool municipalities have at their disposal is zoning, which can include everything from inclusionary zoning to density bonuses, to rezoning more land for residential or multifamily use. Miami passed its first such ordinance in 2018, and that has had the

desired outcome: At least four developments built in the area have made a portion of their units affordable in exchange for additional capacity.

But not everyone agrees that's the way to go.

“Instead of regulating, the government should incentivize developers,” said Daniel Gielchinsky, a real estate litigation lawyer who was previously vice mayor of Surfside.

In the wealthy island cities like Surfside, there really isn't land available for affordable housing, he said.

“The market really dictates pricing for those properties,” Gielchinsky said, pointing to the land under the collapsed Champlain Towers South as an example. The site of the tragedy that took 98 lives is now selling at a starting bid of \$120 million. “If you take a look at something like that and try to factor in mandatory set asides, hypothetically, it's off-putting to the developer.”

The land is so valuable there that density bonuses won't work since developers don't even use the density already available to them, Gielchinsky said. They'd rather build 40 homes that could sell above \$10 million than 90 homes at much lower prices.

As for the non-oceanfront housing in Surfside — which largely consists of aging low-rise stucco apartments — it is more profitable to use them as parking for the oceanfront high-rises, than to preserve them or build affordable apartments.

Gielchinsky, who is a partner at DGIM Law, had one other objection to mandatory programs: People don't want them. “They don't want to live next to the guy who's

rolling up twice a year in a Maserati, or the former president’s daughter and son-in-law who have the Secret Service with them at all times,” he said.

Instead, during Gielchinsky’s tenure, Surfside and other towns agreed to contribute funds to the county’s Workforce Development Housing Program, which would be used to build housing in other municipalities.

Of course, Miami is not the only city facing a housing crisis. This is a nationwide issue that has been exacerbated by rapidly rising construction and labor costs, as well as supply chain issues and economic uncertainty.

But in Miami, more than elsewhere, it’s impossible to discuss housing and zoning without the looming issue of rising sea levels.

“Where are people going to live when things get worse?” said Murray. “And things are going to get worse.”

But perhaps, therein lies the answer. If the solution to the housing problem is building more housing, that could be an opportunity to reshape the city to be more resilient to extreme weather events.

“We have these two incredible transformative issues right now and they need to be dealt with,” Murray said. “And they need to be dealt with together.”

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