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Miami's Housing Affordability Crisis

Richard Florida

Steven Pedigo

Miami Urban Future Initiative, Florida International University

MIAMI'S HOUSING AFFORDABILITY CRISIS

Richard Florida and Steven Pedigo

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MIAMI'S HOUSING AFFORDABILITY CRISIS

MIAMI URBAN FUTURE INITIATIVE

The Miami Urban Future Initiative is a joint effort between the Creative Class Group and Florida International University's College of Communication, Architecture + The Arts (CARTA) to develop new research and insights for building a stronger, more innovative, and more inclusive economy in Greater Miami. The initiative engages top thinkers and researchers from across the region and the world to combine their knowledge with that of the region's business leaders, economic development practitioners, and other key stakeholders. Its efforts are made possible thanks to generous funding from the John S. and James L. Knight Foundation.

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Founded by world-renowned urbanist Richard Florida, the Creative Class Group (CCG) is an advisory services firm composed of leading next-generation researchers, academics, and business strategists. Utilizing its unique approach and metrics, CCG works with companies and governments worldwide.

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THE AUTHORS

RICHARD FLORIDA

@Richard_Florida

Richard Florida is a university professor and director of cities at the Martin Prosperity Institute at the University of Toronto, a distinguished fellow at New York University's Schack Institute of Real Estate, and a visiting fellow at Florida International University. He serves as senior editor for *The Atlantic*, where he cofounded and serves as editor at large for *CityLab*. He is also the author of the award-winning *The Rise of the Creative Class*. His latest book, *The New Urban Crisis*, was a *Washington Post* Best-Seller.

STEVEN PEDIGO

@iamstevenpedigo

Steven Pedigo is the Director of Research for the Creative Class Group, a data-driven advisory services firm working with leading cities and brands around the world. He is also the Director of the NYU Schack Institute of Real Estate Urban Lab and a Clinical Assistant Professor for Economic Development at the NYU School of Professional Studies.

Steven holds a bachelor's degree from the University of Texas at Austin and graduate degrees from the H. John Heinz III School for Public Policy and Management at Carnegie Mellon University and the University of Illinois at Urbana-Champaign.
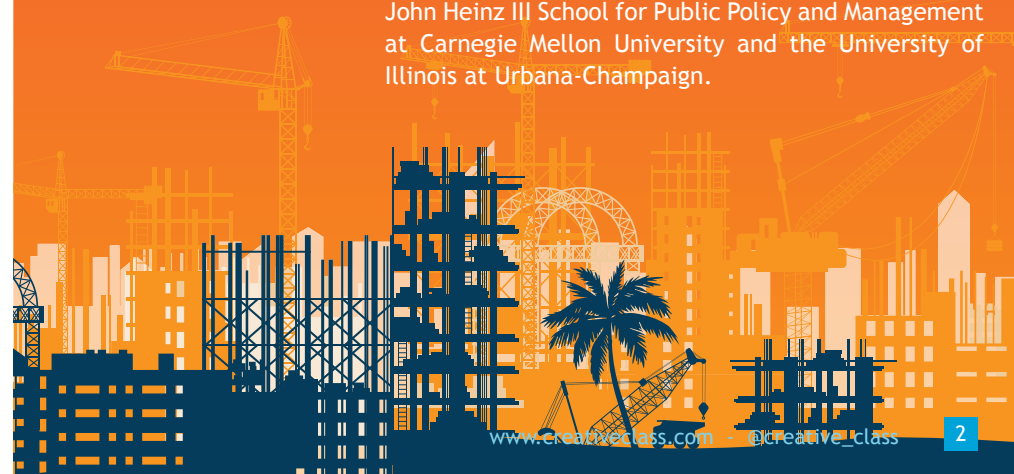
INTRODUCTION

Miami's downtown skyline is dotted with construction cranes, as endless new condos and apartments are built throughout the city. But the new construction is misleading: Greater Miami—the tri-county metropolitan region spanning Miami-Dade, Broward, and Palm Beach counties—faces a severe crisis of housing unaffordability that stems from the dual problem of high housing costs and low wages.

In fact, the Greater Miami ranks as the seventh least-affordable large metro (with more than 5 million people) in the world, trailing only Hong Kong, Sydney, Los Angeles, London and its suburbs, and Toronto and ranking one place above New York.[1] The region's housing affordability crisis reinforces its high level of income inequality. The Miami metro, consisting of cities in Miami-Dade County, ranked as the nation's most unequal metro in 2016.[2]

Greater Miami is no stranger to housing crises. The metro was among the hardest hit by the economic crisis of 2008. Many lost their homes, while many others lost significant amounts of equity in their properties. As housing prices rebounded and even surpassed their pre-recession highs in many areas, wages and incomes have failed to keep pace. The result is a crisis of housing unaffordability that affects far too many Miamians and threatens the region's long-term economic prosperity.

This study, a product of the Miami Urban Future Initiative, takes a deep dive into Miami's housing affordability crisis. Using data from the U.S. Census American Community Survey and the real estate analytics company Trulia, we examine the scope of Miami's housing affordability crisis: the ways it affects different class, racial, and ethnic groups, homeowners and renters, and other key dimensions of housing in Greater Miami.
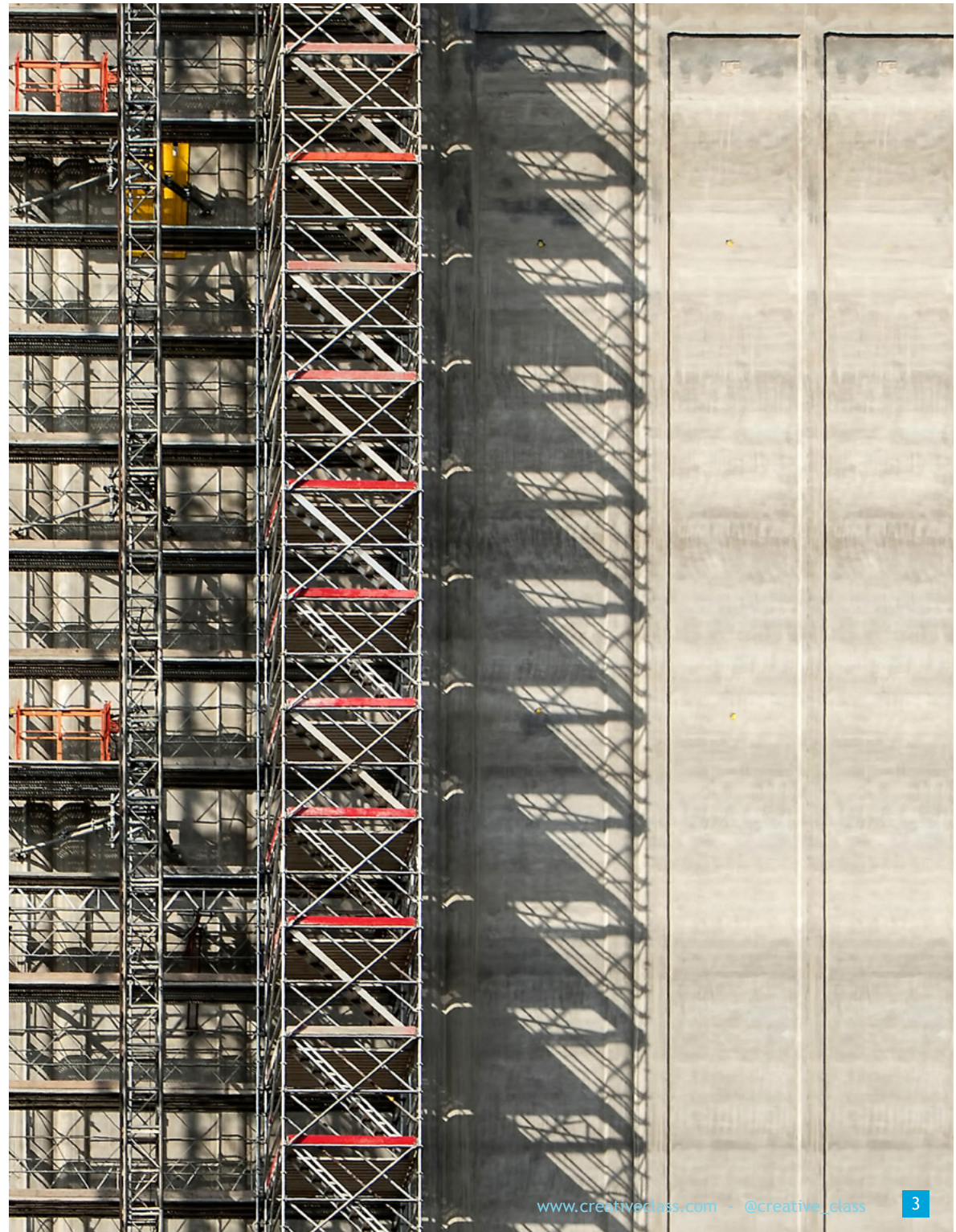
KEY FINDINGS

■ **Miami faces a deep crisis of housing unaffordability.** Housing is unaffordable for too many Miamians. It's not just that housing is expensive in Miami, wages and incomes are also low. Six in 10 employed adult residents of Greater Miami are housing cost-burdened, meaning they spend more than 30 percent of their incomes on housing—the highest rate of any large metro in the nation. And low-income service workers, who make up more than half of the region's workforce, bear the greatest burden of all.

■ **Racial minorities face the steepest crisis of housing unaffordability.** Miami's housing affordability crisis hits black and Hispanic households hardest. African-American homeowners have, on average, less than $4,000 in income left over after paying for their housing each year. And Hispanic homeowners have less than $5,500 left over after paying for housing. Compare this to the nearly $20,000 ($19,685) that white homeowners have left over after paying for housing.

■ **The region's housing affordability crisis is geographically concentrated.** Miami's housing affordability crisis varies sharply across neighborhoods. High-income households are packed along the region's coastline, where housing values are the highest, and there are also pockets of advantage in affluent inland suburbs. Huge disadvantaged areas with extraordinary housing cost burdens are sandwiched in between.

■ **Climate change and sea-level rise compound Miami's housing crisis.** Mounting threats from climate change and sea-level rise will only accentuate the region's housing affordability crisis over time. Rising sea levels may make parts of the region uninhabitable, which will put greater pressure on the region's remaining housing stock. As less-advantaged neighborhoods are damaged by flooding, they may undergo climate gentrification, being redeveloped for more affluent and advantaged groups.

MIAMI'S HOUSING MISMATCH

Greater Miami's housing stock suffers from a mismatch. It has a glut of expensive housing and not nearly enough affordable housing. The region is building expensive condos—in fact, it's building a surplus of them—but is not producing nearly enough affordable and workforce housing to fulfill demand.

Greater Miami contains more than 2.5 million housing units, the sixth-largest housing stock in the nation. Still, Greater Miami is producing less housing than in previous economic booms. Only 4 percent of the metro's housing units have been built since 2010. On this score, Greater Miami is similar to older, more built-out metros like Boston or struggling Rust Belt metros like Cincinnati and St. Louis. By contrast, some of America's most dynamic and fastest-growing metros, like Austin, Raleigh, and Houston, have constructed more than 10 percent of their housing stock since 2010.

**Figure 1: Lowest Share of Housing Units Constructed 2010 or Later (Share of Total)**

Ranking	Large Metro	Share of Units
1	Providence	2.1%
2	Hartford	2.1%
3	Cleveland	2.3%
4	Detroit	2.3%
5	Chicago	2.5%
6	Milwaukee	2.6%
7	Buffalo	2.8%
8	Los Angeles	2.9%
9	New York	2.9%
10	Philadelphia	3.0%
11	Rochester	3.1%
12	Pittsburgh	3.1%
13	Sacramento	3.3%
14	San Francisco	3.4%
15	San Diego	3.7%
16	New Orleans	3.8%
17	St. Louis	3.8%
18	Cincinnati	3.9%
19	**Miami**	**4.0%**
20	Boston	4.1%

Source: U.S. Census American Community Survey 2017

Note: The U.S. average for large metros is 5.3%; highest three metros: Austin (16.5%), Raleigh (12.7%), and Houston (12.2%)

Greater Miami has a high rental vacancy rate of roughly 8 percent. This is the ninth-highest rental vacancy rate among large metros. That's similar to Sunbelt metros like Austin and Las Vegas that have recently added significant supply, as well as economically depressed metros like Birmingham. As the map below indicates, the highest rental vacancy rates can be observed in high-end areas along the coast and in downtown Miami, as well as along the urban fringe in towns like Palm Beach Gardens and Kendall.

Figure 2: Renter-Occupied Housing Vacancy Rate

Renter-occupied Housing Vacancy Rate
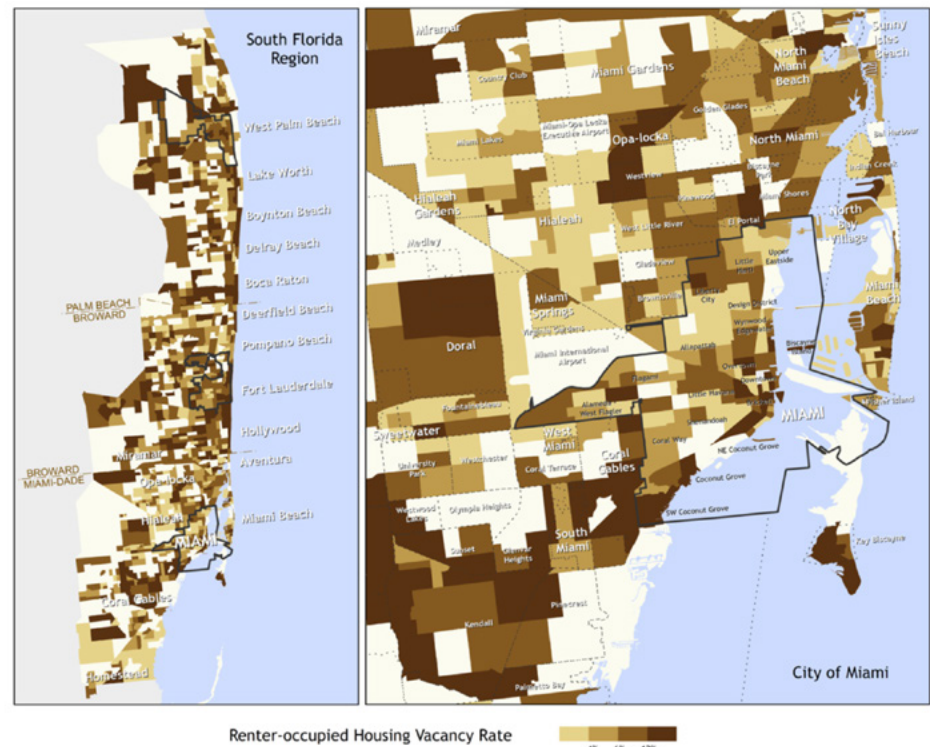
Source: U.S. Census American Community Survey 2017

Miami's homeowner vacancy rate of less than 2 percent ranks 15th among all large metros, just one-tenth of a percentage point above the national average. However, Miami's vacant homeowner (owner-occupied) homes are even more concentrated in high-end neighborhoods, including downtown Miami, Miami Beach, and Fort Lauderdale's coastal neighborhoods.

Figure 3: Owner-Occupied Housing Vacancy Rate

Owner-occupied Housing Vacancy Rate
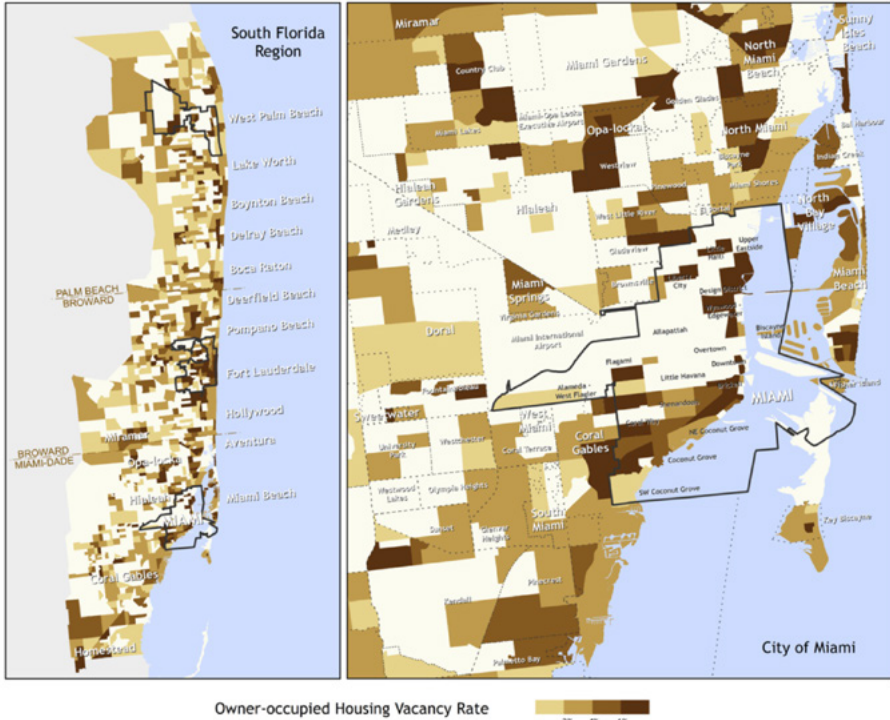
Source: U.S. Census American Community Survey 2017

A REGION OF RENTERS

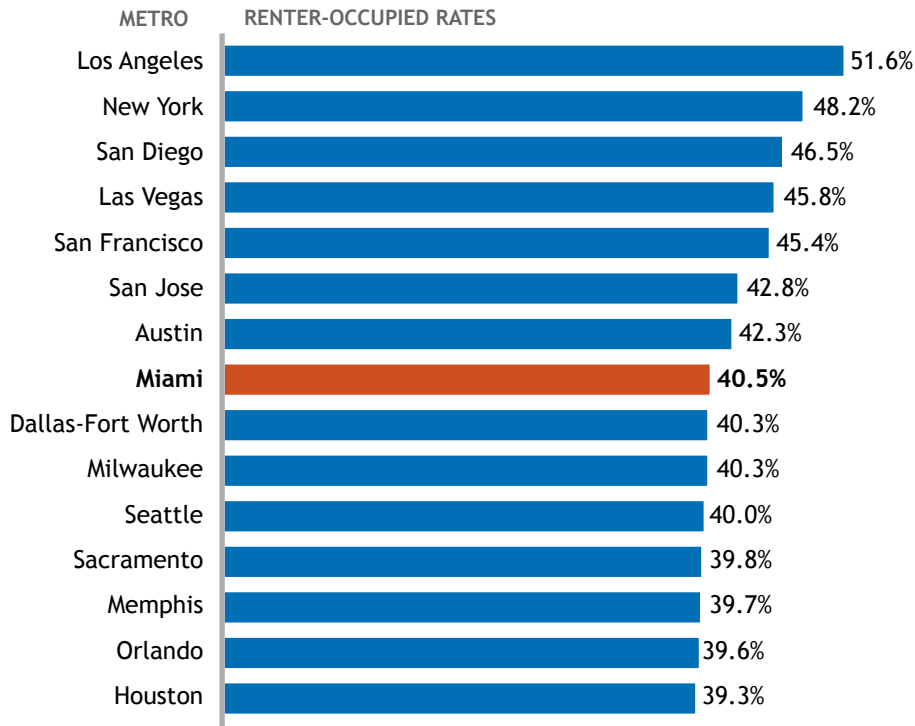Greater Miami has a high proportion of renters, who make up more than 40 percent of the metro's households. The region ranks eighth among all large U.S. metros on this metric. This is considerably less than New York and Los Angeles, but not too far off from the Bay Area, and about the same as Austin and Seattle. And the region's share of renters has grown in recent years. Between 2010 and 2016, Greater Miami has seen its proportion of renter households grow by nearly 2 percent annually.[33]

Figure 4: Metros with Highest Renter-Occupied Rates

| METRO	RENTER-OCCUPIED RATES
Los Angeles	51.6%
New York	48.2%
San Diego	46.5%
Las Vegas	45.8%
San Francisco	45.4%
San Jose	42.8%
Austin	42.3%
Miami	**40.5%**
Dallas-Fort Worth	40.3%
Milwaukee	40.3%
Seattle	40.0%
Sacramento	39.8%
Memphis	39.7%
Orlando	39.6%
Houston	39.3%

Source: U.S. Census American Community Survey 2017

Note: The U.S. rate is 36.1%; lowest three large metros: Grand Rapids (26.4%), Minneapolis (29.8%), and Pittsburgh (30.1%)

Miami's rental households cleave along racial and ethnic lines. More than 55 percent of black households and nearly half (48 percent) of Hispanic households are renters, compared with just a quarter (26.5 percent) of white households.

Renters are also concentrated geographically. Renters make up more than 60 percent of the population in most of Miami proper, especially the neighborhoods surrounding downtown. Renters also make up a higher share of households along the coasts and near major job centers like Fort Lauderdale and West Palm Beach.

Figure 5: Renter-Occupied Housing Share
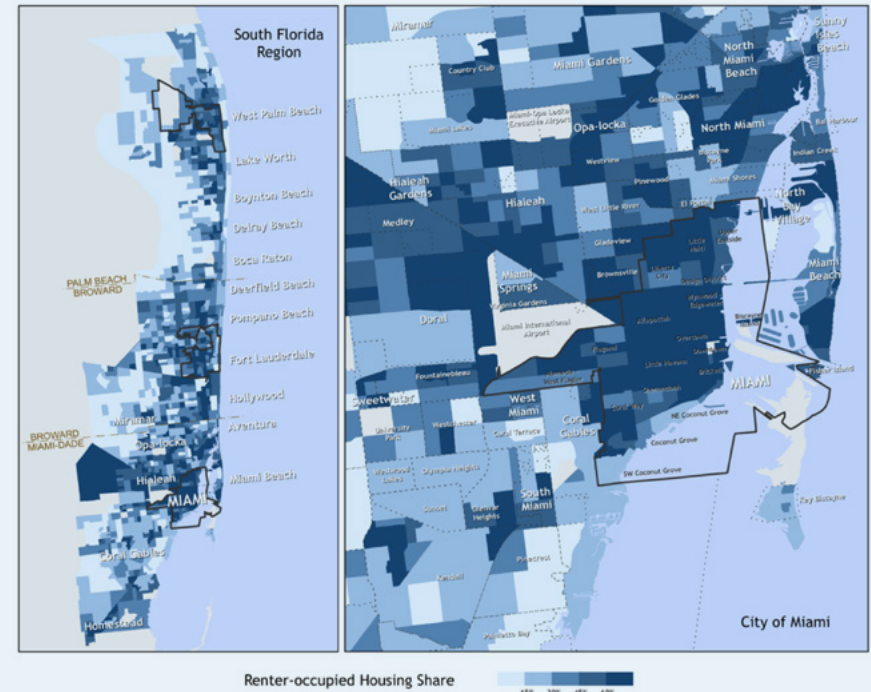
Source: U.S. Census American Community Survey 2017

A large share of households has moved since 2010. Whether due to rising rents or new economic opportunities, 55 percent of households have moved into their current unit since 2010. Miami is 18th in the nation by this metric, similar to tech hubs like Raleigh and Portland.
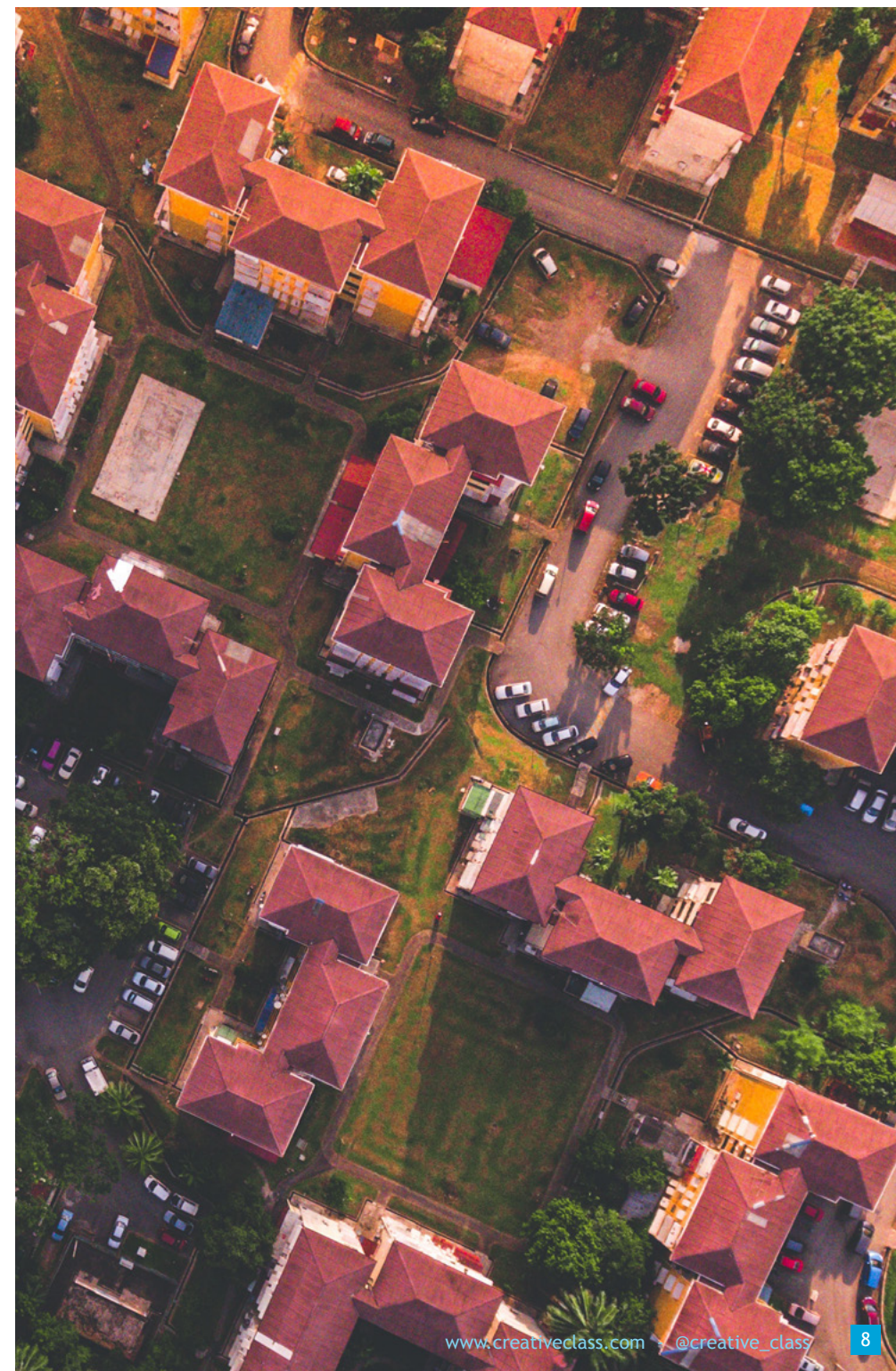
HOUSING IN GREATER MIAMI IS EXPENSIVE

Miami's housing prices are well above the national average, even among large metros. The median home value in Metro Miami was more than $400,000 ($409,000) in October 2018. That makes it the 11th most-expensive metro in the country, roughly the same as the Washington, D.C. metro, which boasts one of the highest median incomes in the country, while Miami has one of the lowest. Home values are higher than tech boomtowns like Austin and Nashville and much higher than major Sunbelt metros like Atlanta, Dallas, and Houston.

Figure 6: Metros with Highest Median Housing Value (Trulia)

Ranking	Metro	Median Housing Value
1	San Francisco	$1,315,000
2	San Jose	$1,098,000
3	Los Angeles	$678,911
4	San Diego	$649,900
5	Seattle	$600,000
6	New York	$595,000
7	Boston	$549,000
8	Denver	$447,615
9	Sacramento	$439,000
10	Washington, D.C.	$437,247
11	Miami	$409,000
12	Riverside	$389,000
13	Nashville	$339,900
14	Austin	$336,508
15	Providence	$329,727

Source: Trulia October 2018

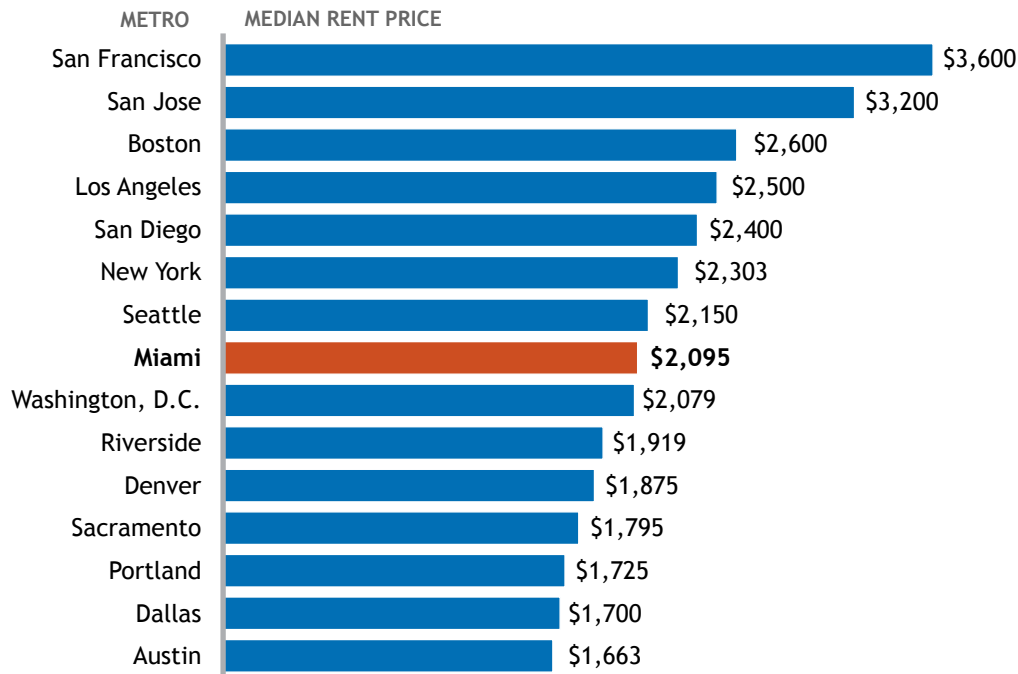*Note: The lowest three metros: Detroit ($129,900), Buffalo ($169,900), and Cleveland ($174,900)*

Home values in Greater Miami have increased significantly in recent years. Between 2014 and 2018, the average home appreciated by more than 50 percent. Greater Miami trails only Kansas City and San Jose in housing appreciation over that period.

Greater Miami's median rents are even more unaffordable than its home values. The median rent for Greater Miami was $2,095 as of October 2018, the eighth-highest in the nation. That's again about the same as Washington, D.C. and not much less than New York and Seattle—places with much higher median incomes.

There is a huge geographic divide in home values. Not surprisingly, home values are highest along the coast and in deep inland suburbs. Miami's Brickell neighborhood, Miami Beach, Fort Lauderdale, Boca Raton, and Weston have some of the region's most expensive homes. More affordable homes can generally be found in a band running between the coast and deep inland suburbs.

Figure 7: Metros with Highest Median Rent Price (Trulia)

| METRO	MEDIAN RENT PRICE
San Francisco	$3,600
San Jose	$3,200
Boston	$2,600
Los Angeles	$2,500
San Diego	$2,400
New York	$2,303
Seattle	$2,150
Miami	**$2,095**
Washington, D.C.	$2,079
Riverside	$1,919
Denver	$1,875
Sacramento	$1,795
Portland	$1,725
Dallas	$1,700
Austin	$1,663

Source: Trulia October 2018

Note: The lowest three metros: Detroit ($900), St. Louis ($925), and Buffalo ($930); Miami's rental price is down 0.2% since 2014

Figure 8: Median Housing Cost
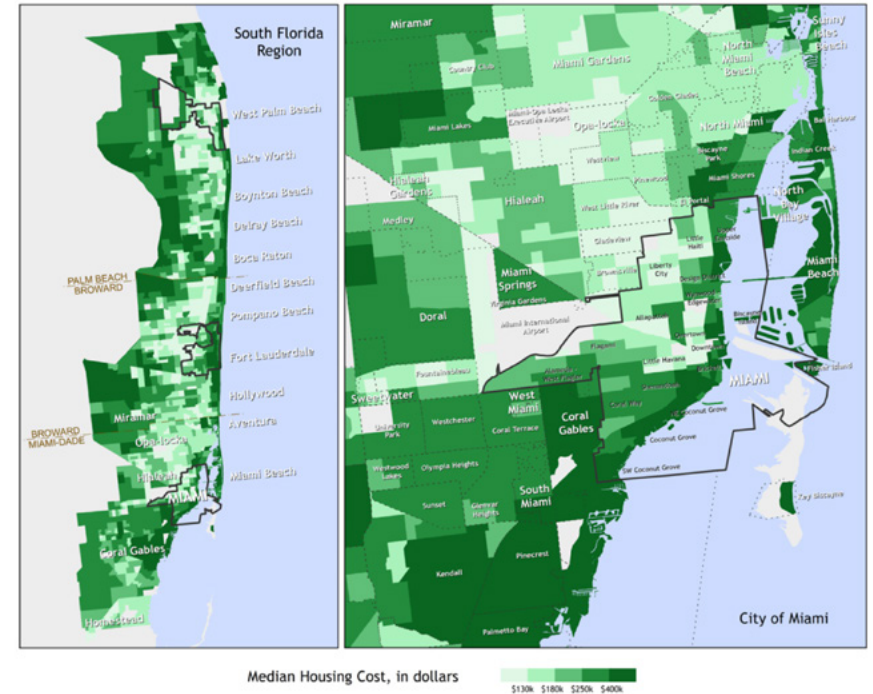
Median Housing Cost, in dollars
$130k $180k $250k $400k

Source: U.S. Census American Community Survey 2017

Rents show a similarly divided pattern. As with home values, rental prices tend to be highest on the coast and in deep inland suburbs. Some of the region's lowest rents are found in racially segregated neighborhoods like Liberty City and Little Havana. Meanwhile, gentrifying neighborhoods like Wynwood, the Design District, and, of course, Brickell are entering the upper echelon of rental prices.

Figure 9: Gross Monthly Rent

Gross Monthly Rent, in dollars

$1000 $1200 $1400 $1700
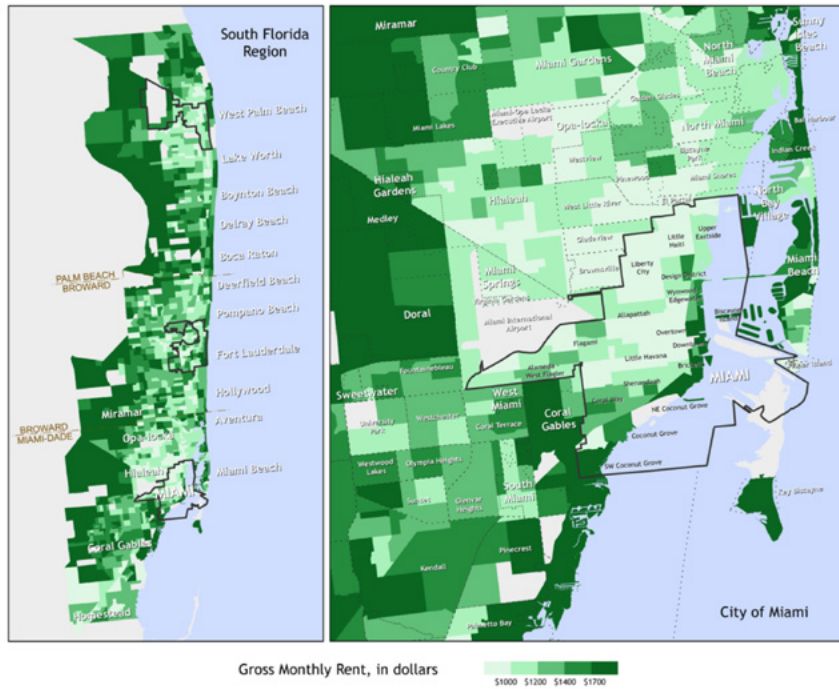
Source: U.S. Census American Community Survey 2017

HOMEOWNERSHIP AFFORDABILITY

Four in 10 Greater Miami homeowners are cost-burdened, the second-worst rate in the nation. More than 40 percent (40.3 percent) of Greater Miami's homeowners spend more than 30 percent of their income on housing, and nearly a third (31.7 percent) of homeowners spend more than 35 percent of their monthly income on housing. Miami is second only to Los Angeles for the share of homeowners spending more than 35 percent of their monthly income on housing, and it fares worse than New York and San Francisco.

Figure 10: Metros with the Highest Share of Homeowners with Monthly Housing Costs More than 35% of Household Income

Ranking	Metro	Share of Homeowners
1	Los Angeles	33.7%
2	Miami	31.7%
3	Riverside	30.4%
4	New York	30.0%
5	San Diego	28.7%
6	San Jose	26.8%
7	San Francisco	26.4%
8	Sacramento	25.3%
9	New Orleans	24.0%
10	Tampa	23.4%
11	Las Vegas	23.3%
12	Orlando	23.1%
13	Providence	22.8%
14	Chicago	22.8%
15	Hartford	22.4%

Source: U.S. Census American Community Survey 2017

Note: The U.S. average is 20.7%; the lowest three large metros: Columbus (13.5%), Raleigh (13.7%), and Cincinnati (13.9%)
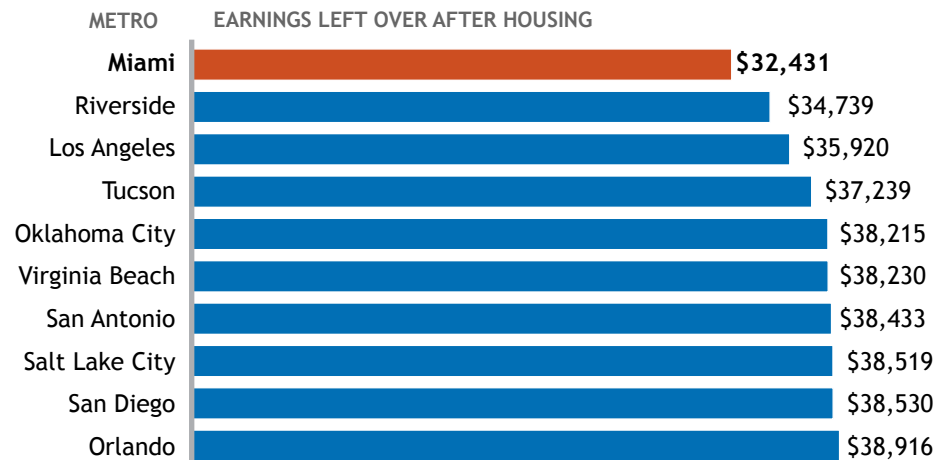
Another way to look at the true cost of housing is to measure the amount of money individuals have left over after paying for housing costs. To do so, we subtract the median annual cost of owner-occupied and rental housing from the metro median annual earnings for all workers. We do this for all workers, and also by race, geography (based on Census Tract), and the two major occupational classes—the highly paid creative class and the low-paid service class. It is important to note that this measure does not look at the actual price of housing paid for by particular households but, rather, compares their incomes to the median price. A given household could, in reality, have more or less money left over after paying for housing costs; but, in aggregate, these measures help paint a picture of housing affordability across different groups.

Miami homeowners have an average of roughly $10,000 left over after paying for their housing costs. That is third-worst rate in the nation: only the uber-expensive metros of L.A. and San Diego are worse off.

Miami's low-income service class—workers in low-skill jobs like retail, food service, and home care who make up more than half the region's workforce—is severely cost-burdened. On average, service class homeowners take home less than $6,000 ($5,888) after paying for housing, leaving very little left over to pay for life's necessities.

And it's not just disadvantaged households that are cost-burdened. Greater Miami's creative class homeowners have roughly $32,000 after paying for housing, the worst in the nation. This compares to roughly $60,000 left over for creative class homeowners in higher-wage metros like San Jose and Washington, D.C.

Figure 11: Metros with Lowest Earnings Left Over After Housing (Owners) – Creative Class

METRO	EARNINGS LEFT OVER AFTER HOUSING
Miami	**$32,431**
Riverside	$34,739
Los Angeles	$35,920
Tucson	$37,239
Oklahoma City	$38,215
Virginia Beach	$38,230
San Antonio	$38,433
Salt Lake City	$38,519
San Diego	$38,530
Orlando	$38,916

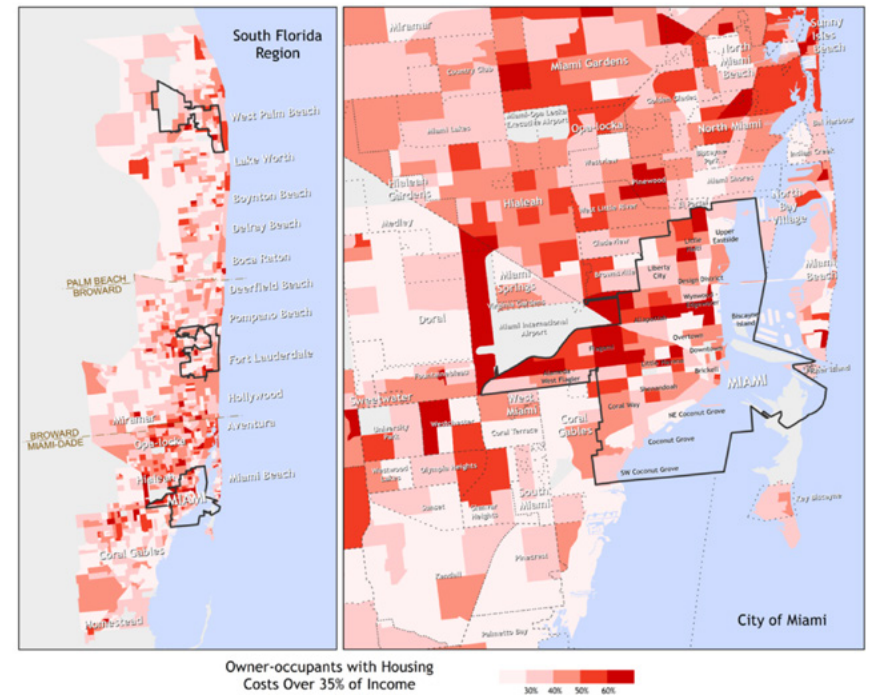*Source:* U.S. Census American Community Survey 2017

Note: The U.S. average is $43,021; the highest three large metros: San Jose ($58,961), Washington, D.C. ($57,120), and Minneapolis ($53,522)
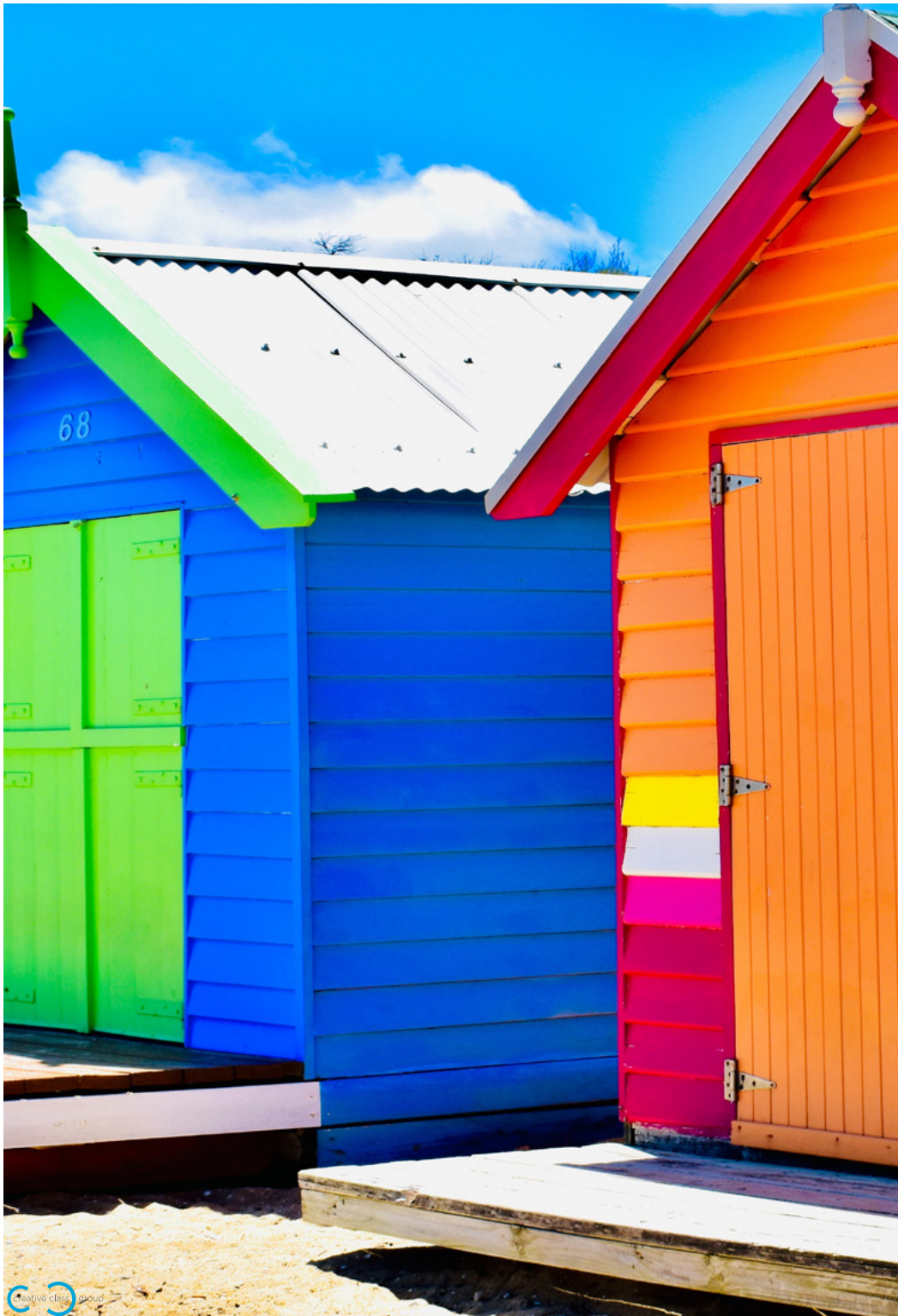
HOMEOWNERSHIP AFFORDABILITY (CONTINUED)

Greater Miami's housing affordability crisis is most severe in the poorest, least-advantaged areas, as shown in Figure 12. Neighborhoods like Flagami and Little Havana stand out as having high proportions of cost-burdened owners. Gentrifying Wynwood also shows up in dark red, indicating the growing housing squeeze occurring there.

Figure 12: Owner-Occupants with Housing Costs Over 35% of Income

Source: U.S. Census American Community Survey 2017

African American and Hispanic homeowners face the steepest housing cost burdens. Black homeowners have less than $4,000 ($3,778) left over after paying for housing, and Hispanic homeowners have just $5,443 left over. This compares to nearly $20,000 ($19,685) left over for white homeowners.

RENTAL AFFORDABILITY

Greater Miami's rental affordability is even worse. The cost of rental housing is higher, relatively speaking, than that of owner-occupied housing: The metro has the eighth-highest rental prices in the nation, versus a rank of 11th for owner-occupied housing. Renters also tend to earn lower wages than homeowners. So, an even greater proportion of Miami's renters are cost-burdened than are homeowners.

Miami has the highest proportion of cost-burdened renters in the nation by a significant margin. More than half (53 percent) of renters spend 35 percent or more of their household income on rent, four percentage points higher than Los Angeles, which has the second-highest rate. Six in 10 (59.7 percent) of Miami's renters spend more than 30 percent of their income on housing, the rate at which they are officially considered rent-burdened.

Figure 13: Metros with the Highest Share of Renters with Monthly Rental Costs
More than 35% of Household Income

Ranking	Metro	Share of Homeowners
1	Miami	53.0%
2	New Orleans	49.0%
3	Riverside	48.9%
4	Los Angeles	47.9%
5	San Diego	46.6%
6	Orlando	45.6%
7	Tucson	45.5%
8	Rochester	45.0%
9	Sacramento	44.5%
10	New York	43.9%
11	Tampa	43.7%
12	Hartford	42.7%
13	Philadelphia	41.9%
14	Buffalo	41.7%
15	Virginia Beach	41.7%

Source: U.S. Census American Community Survey 2017

Note: The U.S. average is 40.4%. The lowest three large metros: Louisville (33.2%), Kansas City (33.3%), and Salt Lake City (33.9%)

Greater Miami's renters have the least amount of money left over after paying for housing of any large metro. Miami's renters have, on average, less than $16,000 ($15,910) left over after paying their rent. This is far less than the $30,000 or so in take-home income that renters in Washington, D.C. and Boston have left over after paying for their housing.

Figure 14: Metros with Lowest Earnings Left Over After Housing (Renters) – All Occupations

METRO	EARNINGS LEFT OVER AFTER HOUSING
Miami	$15,910
Orlando	$17,576
Riverside	$17,727
Los Angeles	$18,347
San Antonio	$20,688
Tucson	$20,736
San Diego	$21,018
Las Vegas	$21,292
Tampa	$21,670
Virginia Beach	$22,634

Source: U.S. Census American Community Survey 2017

Note: The U.S. average is $24,549. The highest three large metros: Boston ($33,102), Hartford ($32,883), and Washington, D.C. ($32,473)
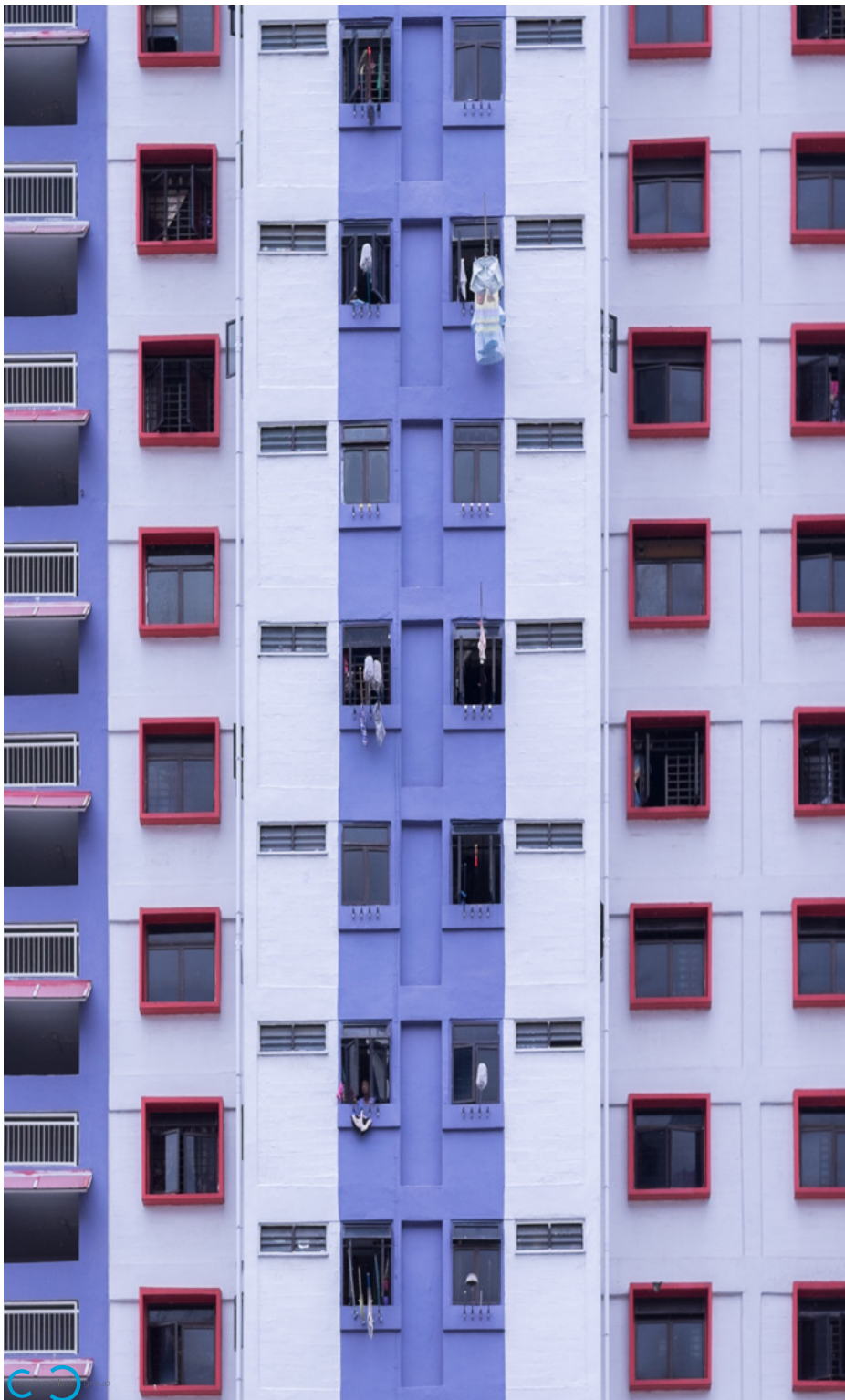
RENTAL AFFORDABILITY (CONTINUED)

Miami's service class faces the greatest rental cost burdens among all classes. Miami's service class renters have just $10,740 in annual income left over after paying rent, the fifth-worst rate among large metros in the nation.

Miami's creative class renters are the most cost-burdened among creative class renters in any large metro. On average, creative class renters in Miami have less than $40,000 ($37,483) left over after paying for housing, far less than the $70,000 creative class renters have left over in metros like San Francisco and San Jose.

Miami's rental affordability crisis disproportionately burdens racial minorities. Black renters in Miami have the least amount of money left over after paying for housing of any large metro in the country. The region's African-American renters have just $8,830 left over to spend on life necessities after paying for their rent. The region's Hispanic renters have just $10,495 left over after paying for housing. This compares to nearly $25,000 ($24,737) that the region's white renters have left over after paying for housing.

Figure 15: Metros with Lowest Earnings Left Over After Housing (Renters) – Black

| Ranking	Metro	Earnings Left Over After Housing
1	**Miami**	**$8,830**
2	Grand Rapids	$10,567
3	San Francisco	$10,571
4	Orlando	$10,785
5	Portland	$10,869
6	Tucson	$10,894
7	Minneapolis	$11,130
8	Rochester	$11,466
9	San Diego	$11,758
10	San Jose	$11,881
11	Milwaukee	$12,231
12	Pittsburgh	$13,003
13	Seattle	$13,196
14	Oklahoma City	$13,520
15	Tampa	$13,526

Source: U.S. Census American Community Survey 2017

Note: The U.S. average is $14,341; the highest three large metros: Washington, D.C. ($13,395) Baltimore ($12,518), and Houston ($12,182)

RENTAL AFFORDABILITY (CONTINUED)

Renters are cost-burdened across much of the entire metro region. The map below shows rent burdens for neighborhoods or census tracts across the region. Generally speaking, less-advantaged neighborhoods in places like inner city Miami have higher proportions of rent-burdened households, but clearly this is a problem in virtually all neighborhoods, as depicted in red on the map.

**Figure 16: Renters with Housing Costs Over 35% of Household Income**

Renter-occupants with Housing Costs Over 35% of Income
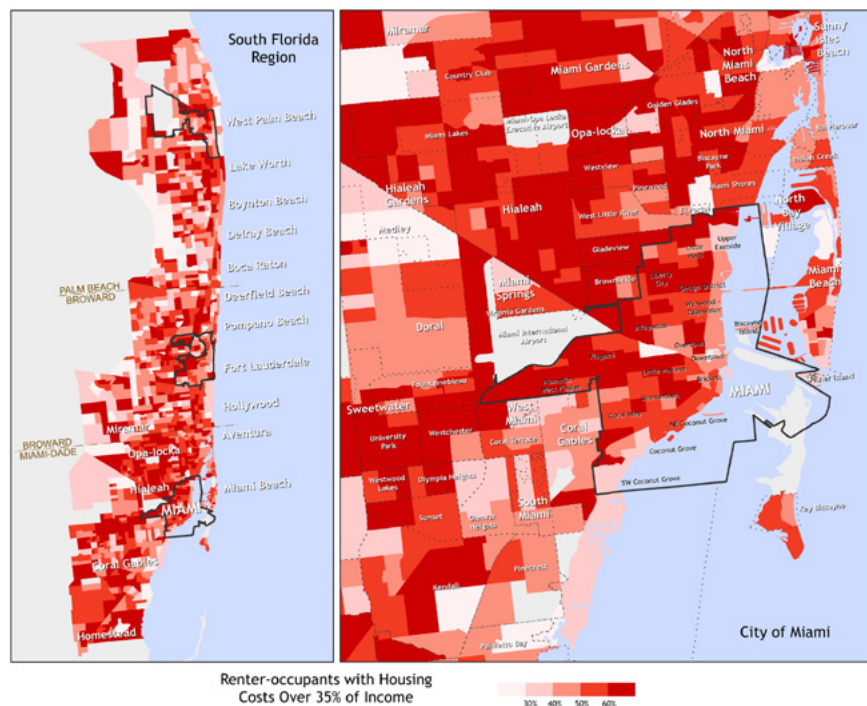
Source: U.S. Census American Community Survey 2017

HOMELESSNESS

Homelessness is perhaps the most visible symbol of a region's housing crisis. Greater Miami had nearly 8,000 (7,869) homeless people in 2016. That places it 11th among all large metros, about half the number of San Francisco. On a per-capita basis, Miami ranks 16th among U.S. metros, with 13 homeless people per every 10,000 residents.[4]

Youth homelessness is increasing at a rapid rate. The Miami-Dade County School District estimates that there were 9,000 homeless or unstably housed students in the district in 2018, an increase of 50 percent over the past two years. Most of these students are not counted in official homeless counts, since they are often couch-surfing or sleeping in cars.[5]
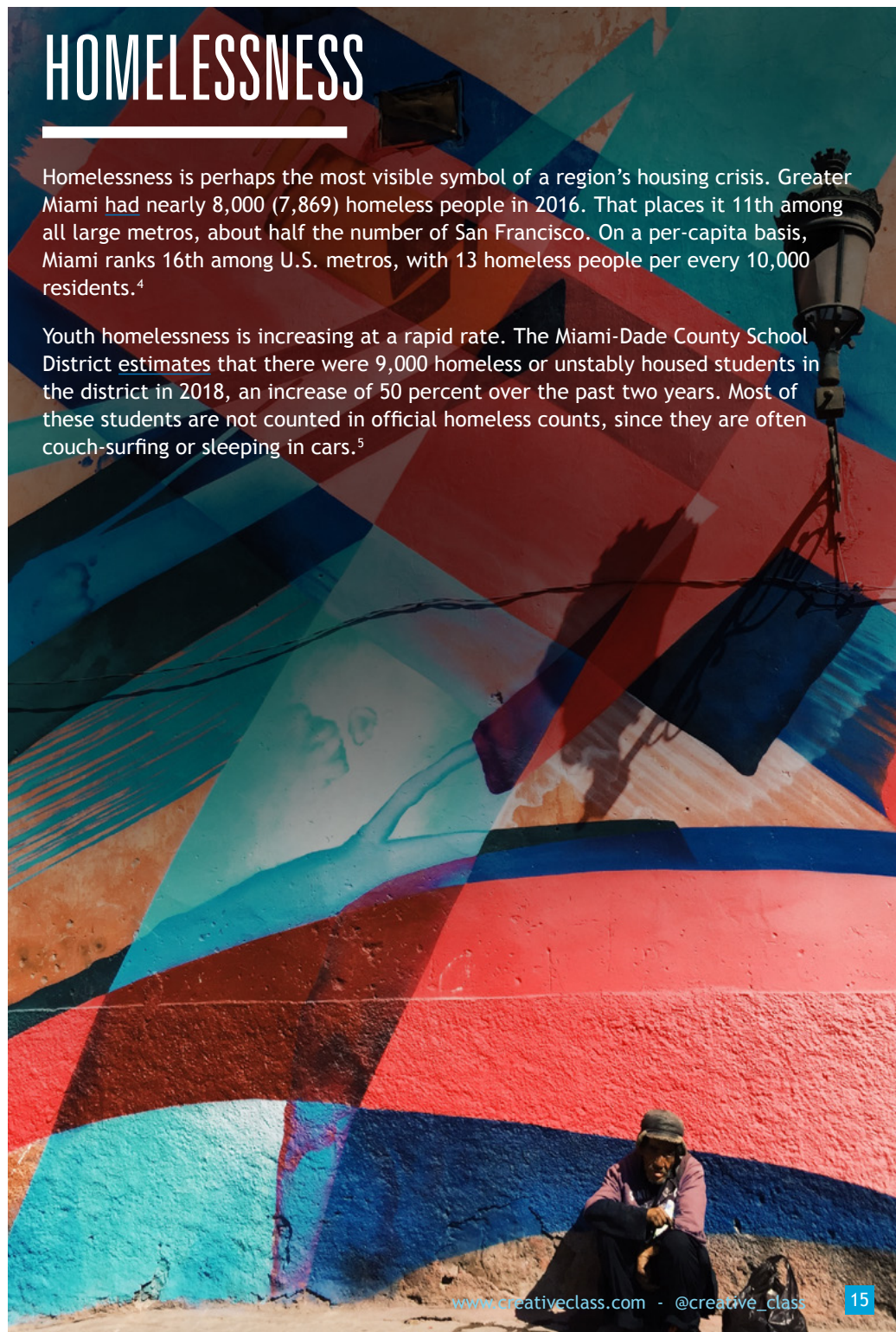
DISCUSSION AND POLICY IMPLICATIONS

There is no way around it: Greater Miami faces a severe crisis of housing unaffordability. Too many of the region's homeowners and renters spend too much of their income on housing. The worst-off is Miami's large class of low-wage service workers, along with racial and ethnic minorities. The region's housing affordability crisis compounds its problems of economic inequality and racial and economic segregation.

Mounting threats from climate change and sea-level rise will only accentuate the region's housing affordability crisis over time. Rising sea levels may make parts of the region uninhabitable in coming decades. If this occurs, it will put inexorable pressure on the region's remaining housing stock, especially at higher elevations. It also raises the specter of climate gentrification: as less-advantaged neighborhoods are damaged by flooding, they may be redeveloped for more affluent and advantaged groups. A recent study of post-Katrina New Orleans found that gentrification was most likely to occur in the neighborhoods with the worst hurricane damage. Hurricane victims are thus hit with the double trauma of seeing their neighborhoods destroyed and then not being able to afford to return to them.[6]

The region must make affordable housing and workforce housing a priority. There are numerous mechanisms for doing so that are being used in other regions. These include policies that act on the supply side to add affordable units, such as inclusionary zoning, which essentially trades density or height for a specific proportion of affordable housing units; providing publicly owned and public funds for the construction of affordable housing; and rent control, among many other such mechanisms.

Most economists suggest that demand-side approaches that act to boost the incomes of lower-income workers and less-advantaged households are more efficacious.[7] Such demand-side approaches typically include housing subsidies and vouchers, wage supplements or wage insurance, broader income supports like universal basic income, or efforts to upgrade and improve the pay of service jobs. It is up to the region's policymakers to determine the best set of policies to bolster the area's significant and growing need for affordable and workforce housing, the political pressure for which will only grow in the future, especially in the absence of a robust federal housing policy.

The region's shortage of affordable housing poses a real and significant threat to the region's economy and must be understood as a major economic development issue. Greater Miami's economy turns on hospitality and tourism and is one of the most service-dependent economies in the nation: it is third only to Las Vegas and Orlando in terms of the share of the workforce that is made up of low-wage service workers. Given the relatively low wages paid to these service workers, affordable workforce housing is a must. Without it, the region's service economy will someday—sooner rather than later—simply be unable to function.[8]

Housing and housing affordability need to be at the front and center of the region's economic development strategy. It is not enough to say that lots of new towers are being built downtown or to hide behind the fact that the region has a surplus of new luxury condos. What the region lacks, and what is at the very center of its housing crisis, is housing that is affordable for its growing cohort of low-income service workers.

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