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City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, www.miamibeachfl.gov

COMMISSION MEMORANDUM

TO: Mayor Dan Gelber and Members of the City Commission

FROM: Jimmy L. Morales, City Manager

DATE: July 20, 2020

SUBJECT: Property Values Analysis

ADMINISTRATION RECOMMENDATION

As a result of the 2020 Estimated Taxable Values from the Miami-Dade County Property Appraiser indicating the overall taxable value for the City of Miami Beach, an analysis was needed to help further identify the rate and change of growth and contraction for Miami Beach properties. An independent economic property value analysis was needed to inform the Administration and City Commission decision making with respect to future budget projections, policies, funding of the operating and capital budget, and infrastructure investments. The analysis is citywide and examines many variables to identify associations with property values. It identifies where values are growing and contracting, including neighborhoods and property types.

HISTORY

The preliminary budget for FY 2020-2021 was presented at the July 17, 2020 Finance and Economic Resiliency Committee. A summary property values update was provided at that time. A more in-depth analysis is being presented for discussion.

ANALYSIS

The property values analysis was conducted by ICF, Incorporated using Property Appraiser data for Miami Beach from 2012-2018. Full 2019 detailed data was not available at the time of this analysis. The most important observations, such as growth change by neighborhood, are included in the full presentation (Attachment 1).

The key finding from ICF Consulting is that overall assessed values have grown since 2012, citywide, but that the growth rate has slowed notably since 2016. Property market types include residential (single family, townhouse, multi-family,

condos, housing cooperative) and commercial (retail, entertainment/ tourism, other). The most significant property market type contractions from 2016-2018, included:

- West Avenue commercial properties,
- South Pointe residential properties,
- City Center entertainment-related properties and condos, and
- Condos built since 2000.

A multitude of factors (thirty-one) were analyzed for association with property value trends. The factors varied from crime to walkability to flood risk. The strongest factors associated with slower growth rates citywide included:

- Properties built in the last 10 to 20 years depreciated most quickly.
- Citywide, residential properties subject to nuisance and King Tide flooding grew more slowly than other properties, as did properties with lower elevation roads. The trend varied by neighborhood.
- Luxury property values are declining in most neighborhoods, relative to non-luxury.

CONCLUSION

Property value trend analysis provides valuable insight for planning and investment in Miami Beach. The analysis is meant to inform the Administration and City Commission decision making with respect to future budget projections, policies, funding of the operating and capital budget, and infrastructure investments.

West Avenue and First Street (South Pointe neighborhood) projects, both with property types with contracting property values, are vulnerable to flooding. The Jacobs Engineering recommendations to reduce flood risk through an integrated water management plan include blue green infrastructure, road elevation, neighborhood prioritization. The West Avenue and South Pointe projects and the Jacobs Engineering recommendations are on the City Commission July 24, 2020 agenda for approval.

STRATEGIC CONNECTIONS

Organizational Innovation- Ensure strong fiscal stewardship

Recent Trends in Miami Beach Property Values

July 2020

Analysis: What are recent trends in assessed property values?

Research Question

- **How do recent trends differ within the Miami Beach property market? Where are values growing vs. contracting?**

  - Note: Analysis was focused on Miami Beach and does not compare local trends to the broader Miami-Dade County or other regional property market.
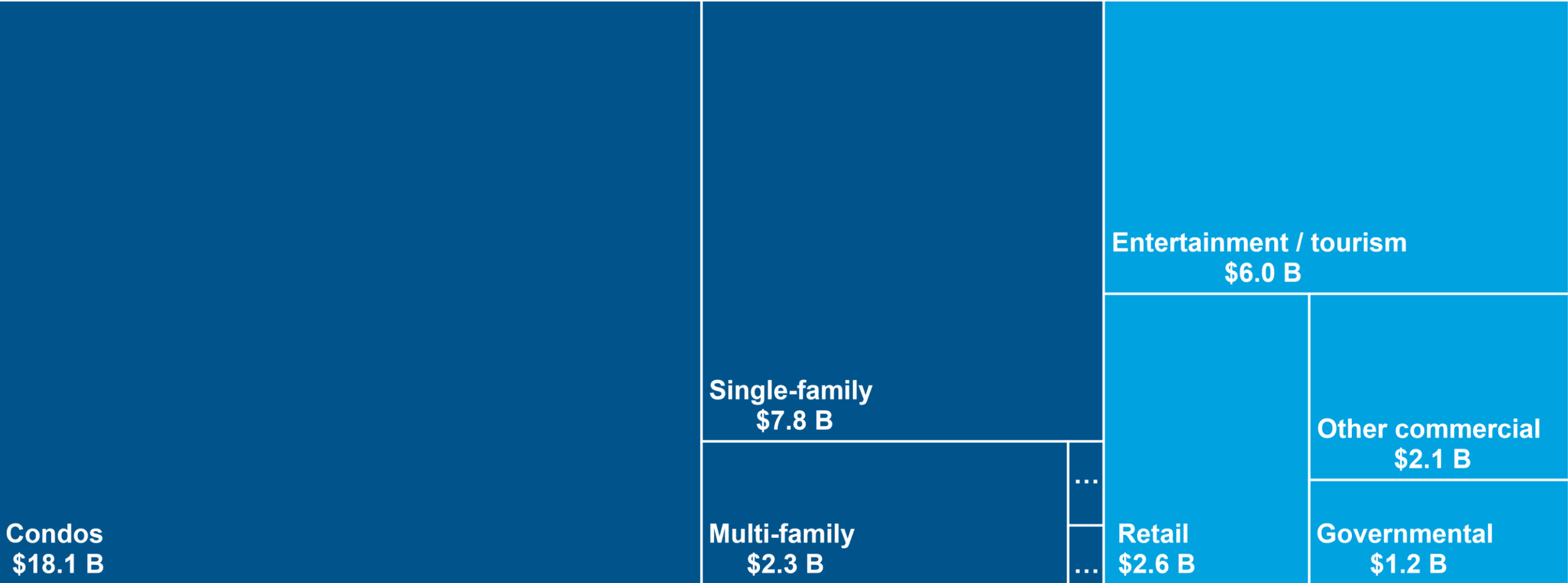
Approach

- **Analyzed 2016-2018* assessed values to examine recent property value trends**

- **Analyzed market segments including**

  - Neighborhoods

  - Property types (e.g., residential or commercial)

  - 30+ property characteristics (e.g., year built, luxury status, neighborhood amenities, environmental factors, parcel and road elevation)

Context: Overview of Property Market

Overall Miami Beach Property Market (2018)

■ Residential ■ Commercial

Condos
$18.1 B

Single-family
$7.8 B

Multi-family
$2.3 B

...

...

Entertainment / tourism
$6.0 B

Retail
$2.6 B

Other commercial
$2.1 B

Governmental
$1.2 B

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Key Findings

- **Overall assessed values grew, citywide**
- **Growth rate has slowed notably since 2016**

Compound Annual Growth Rate (%)

Legend:
- 7-year trend (2012-2018)
- 3-year trend (2016-2018)

Residential: 6.6 (7-year), 0.6 (3-year)
Commercial: 5.8 (7-year), 3.6 (3-year)
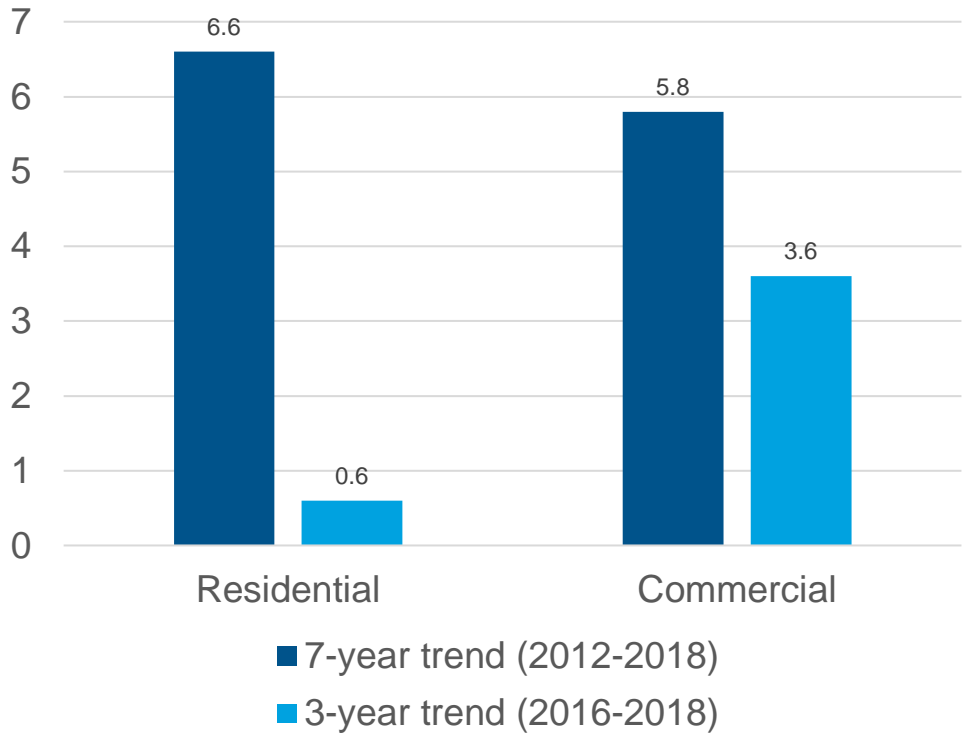
Assessed Values Over Time, by Property Type

Assessed Value ($2019) Billions

Legend:
- Single-family
- Multi-family
- Condos
- Townhouse
- Housing cooperative
- Entertainment / tourism
- Retail
- Other commercial
- Governmental

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4
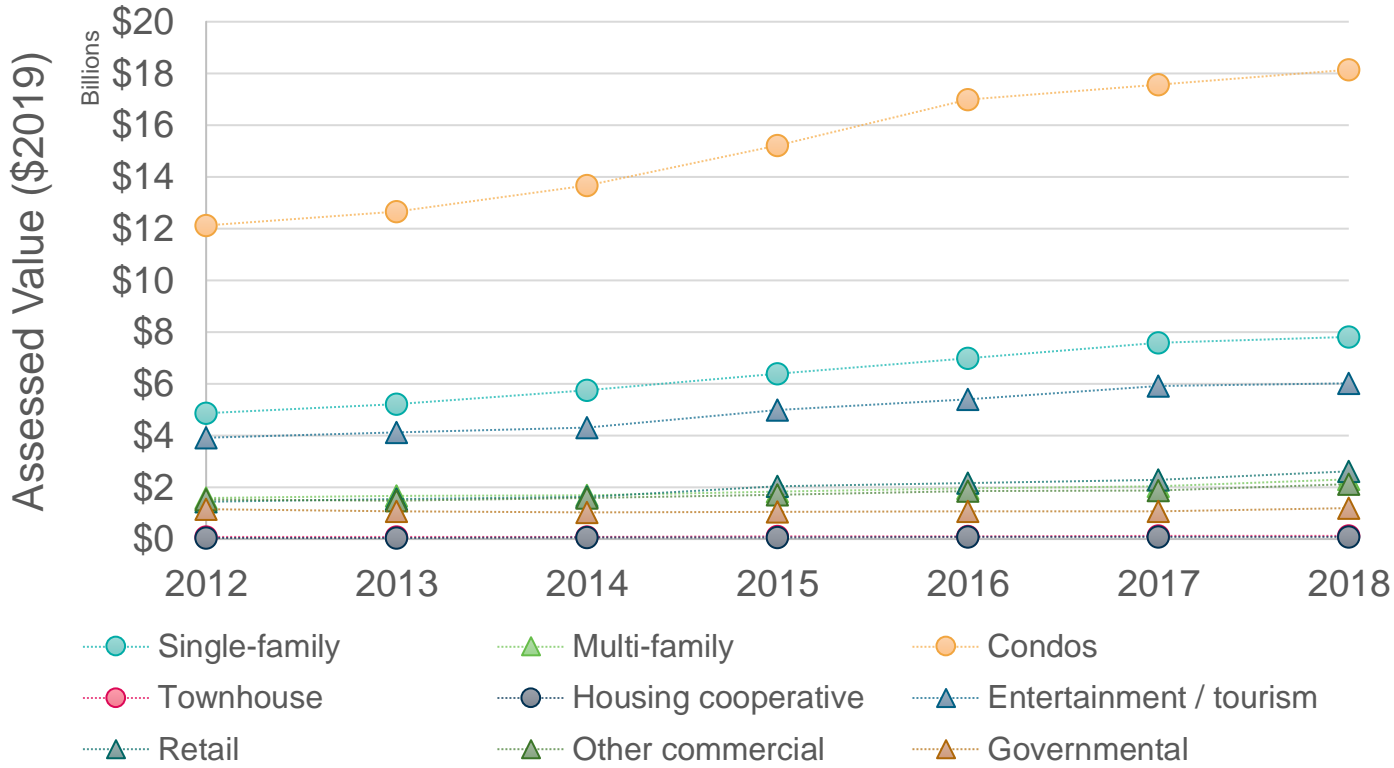
Key Findings

- **Of all neighborhoods and property types, the following areas contracted from 2016-2018:**
  - West Avenue commercial properties
  - South Pointe residential properties
  - City Center entertainment-related properties and condos
  - Condos built since 2000

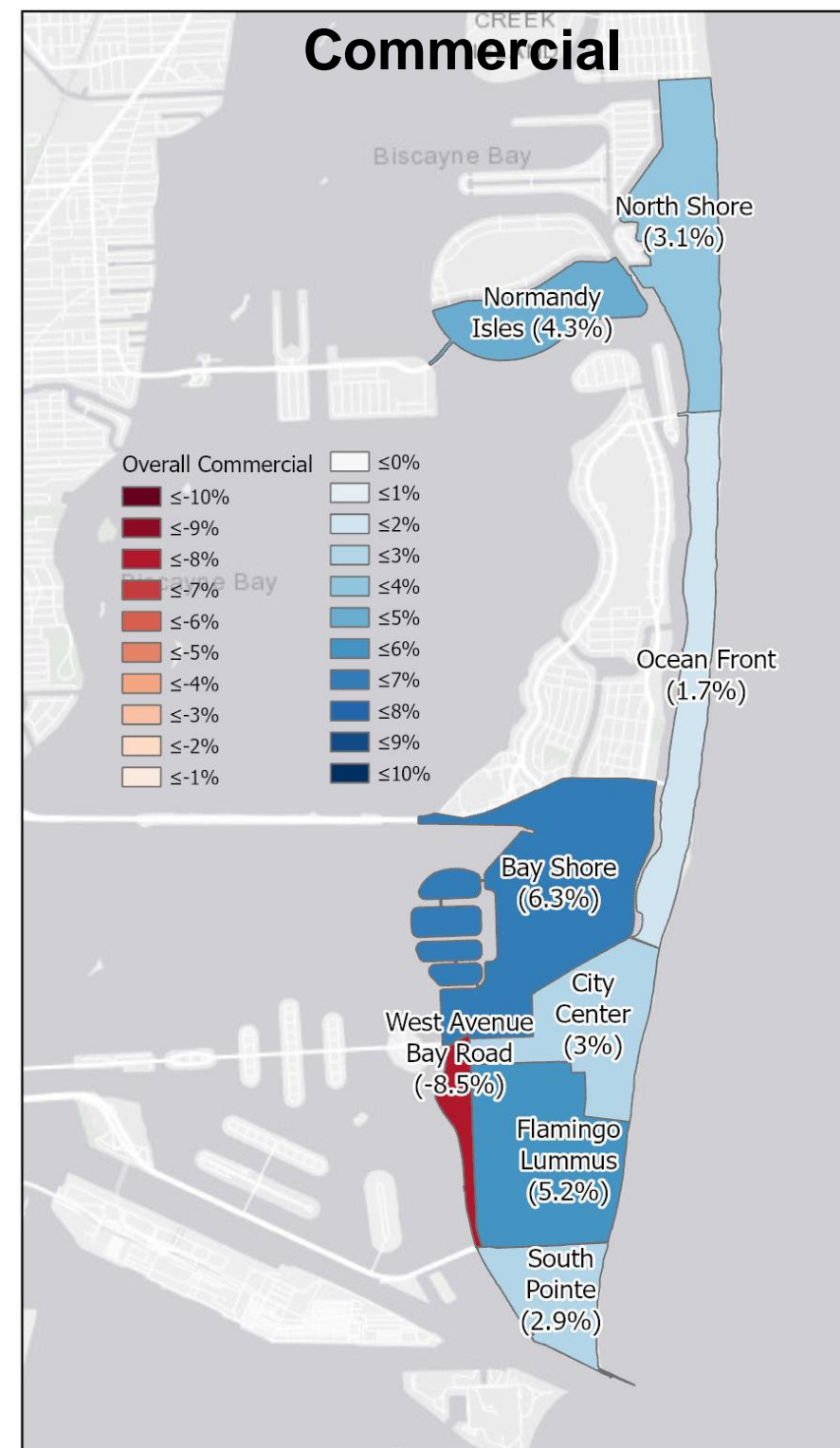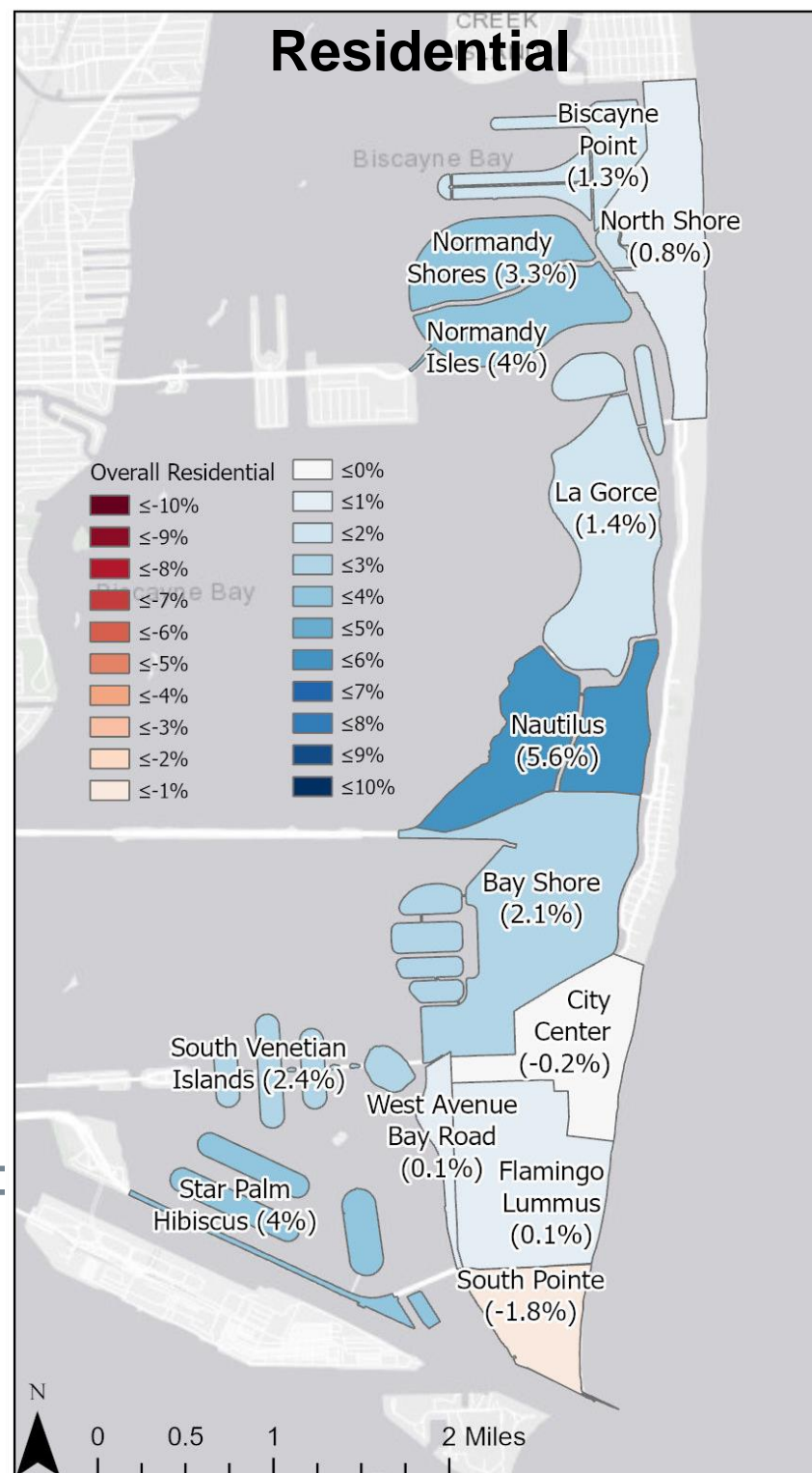- **Most impactful negative changes to total assessed value were in South Pointe residential, and most impactful positive changes were in City Center retail and other commercial**

- **The strongest factors associated with slower growth rates citywide included:**
  - Properties built in last 10-20 years depreciated most quickly.
  - Citywide, residential properties subject to nuisance and King Tide flooding grew more slowly than other properties, as did properties with lower elevation roads. The trend varied by neighborhood.
  - Post-FIRM property values grew more slowly or declined compared to pre-FIRM property values.
  - Luxury property values declined in most neighborhoods, relative to non-luxury.

Residential

Overall 2016-2018 compound annual growth rate (%)

Biscayne Point (1.3%)
North Shore (0.8%)
Normandy Shores (3.3%)
Normandy Isles (4%)
La Gorce (1.4%)

Overall Residential
≤-10%   ≤0%
≤-9%   ≤1%
≤-8%   ≤2%
≤-7%   ≤3%
≤-6%   ≤4%
≤-5%   ≤5%
≤-4%   ≤6%
≤-3%   ≤7%
≤-2%   ≤8%
≤-1%   ≤9%
        ≤10%

Nautilus (5.6%)
Bay Shore (2.1%)
City Center (-0.2%)
South Venetian Islands (2.4%)
West Avenue Bay Road (0.1%)
Flamingo Lummus (0.1%)
Star Palm Hibiscus (4%)
South Pointe (-1.8%)

Citywide rate: 0.6%

N   0   0.5   1   2 Miles

Commercial

North Shore (3.1%)
Normandy Isles (4.3%)
Ocean Front (1.7%)

Overall Commercial
≤-10%   ≤0%
≤-9%   ≤1%
≤-8%   ≤2%
≤-7%   ≤3%
≤-6%   ≤4%
≤-5%   ≤5%
≤-4%   ≤6%
≤-3%   ≤7%
≤-2%   ≤8%
≤-1%   ≤9%
        ≤10%

Bay Shore (6.3%)
City Center (3%)
West Avenue Bay Road (-8.5%)
Flamingo Lummus (5.2%)
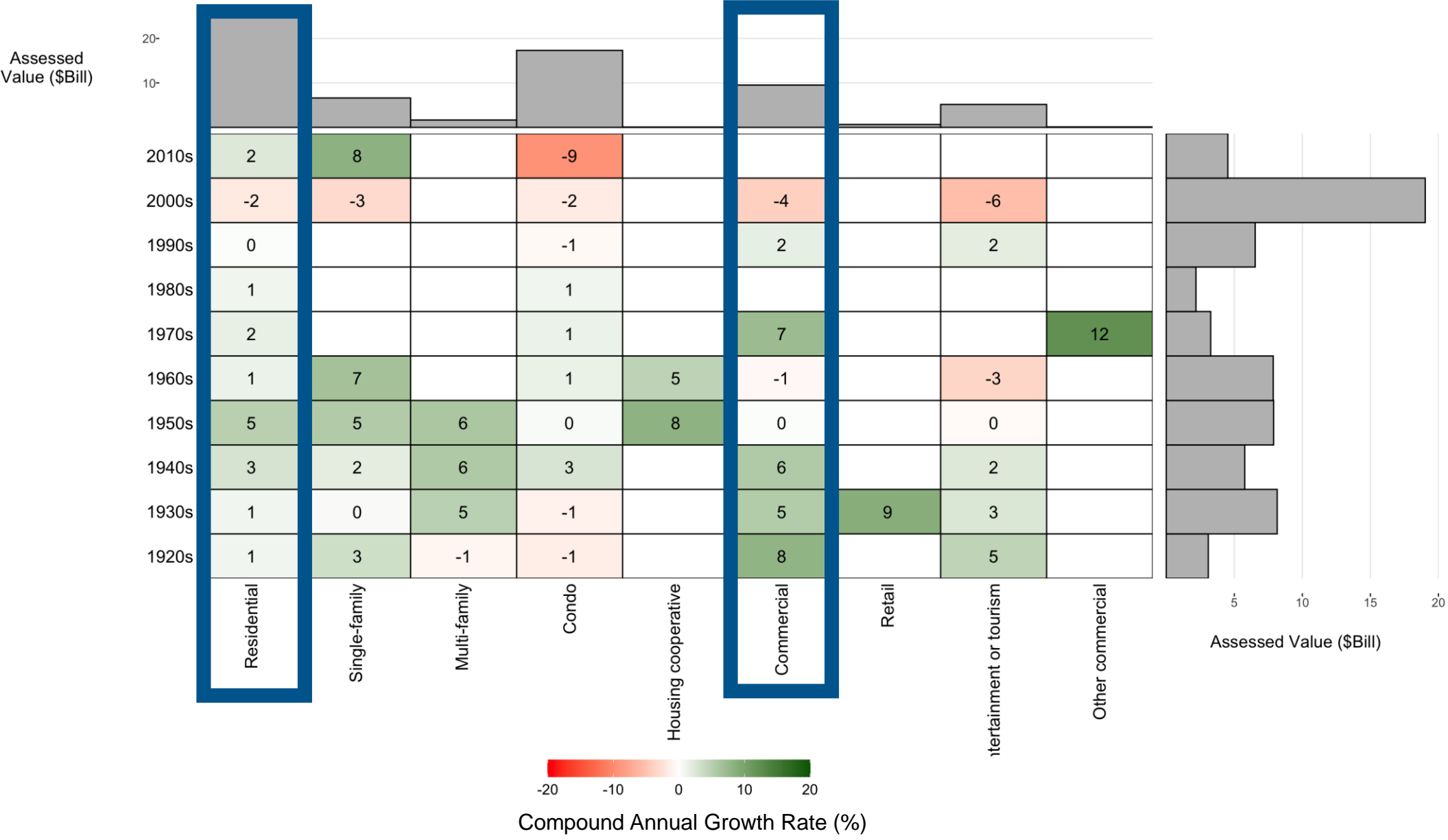South Pointe (2.9%)

Citywide rate: 3.6%

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6

Areas that declined in value (2016-2018):

- **West Avenue commercial**
- **City Center entertainment and condos**
- **South Pointe condos**
- **Flamingo Lummus condos**
- **Normandy Shores condos**

	Residential	Single-family	Multi-family	Condo	Housing cooperative	Commercial	Retail	Entertainment or tourism	Other commercial
Star Palm Hibiscus	4	4							
South Venetian Islands	2	2		2	6				
South Pointe	-2			-2	9	3		5	
West Avenue Bay Road	0			0		-9		-10	
Flamingo Lummus	0		5	-2	1	5	6	4	5
City Center	0			-1		3	11	-4	18
Bay Shore	2	2	1	2		6			7
Nautilus	6	6		5					
Ocean Front	0			0		2		1	
La Gorce	1	1		3					
Normandy Isles	4	3	6	3		4			
Normandy Shores	3	4		-2					
North Shore	1		9	0	9	3		-1	
Biscayne Point	1	0	4	3					

Assessed Value ($Bill)

CAGR (%): -20 -10 0 10 20

Assessed Value ($Bill)

Entertainment/tourism property type includes restaurants, theaters/auditoriums, nightclubs, golf courses, hotels/motels, recreational areas, and properties that have a "tourist attraction" or "entertainment" use type).

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7

Properties built in last 10-20 years depreciated the most quickly.

Heatmap of Compound Annual Growth Rate (%) by property type and decade built, with Residential and Commercial columns highlighted.

	Residential	Single-family	Multi-family	Condo	Housing cooperative	Commercial	Retail	Entertainment or tourism	Other commercial
2010s	2	8		-9					
2000s	-2	-3		-2		-4		-6	
1990s	0			-1		2		2	
1980s	1			1					
1970s	2			1		7			12
1960s	1	7		1	5	-1		-3	
1950s	5	5	6	0	8	0		0	
1940s	3	2	6	3		6		2	
1930s	1	0	5	-1		5	9	3	
1920s	1	3	-1	-1		8		5	

Compound Annual Growth Rate (%)

Assessed Value ($Bill)

Residential properties subject to nuisance and King Tide flooding grew more slowly than other properties. Properties with roads subject to King Tide flooding depreciated relative to other properties.

Citywide, Residential Properties, by Flood RIsk Category
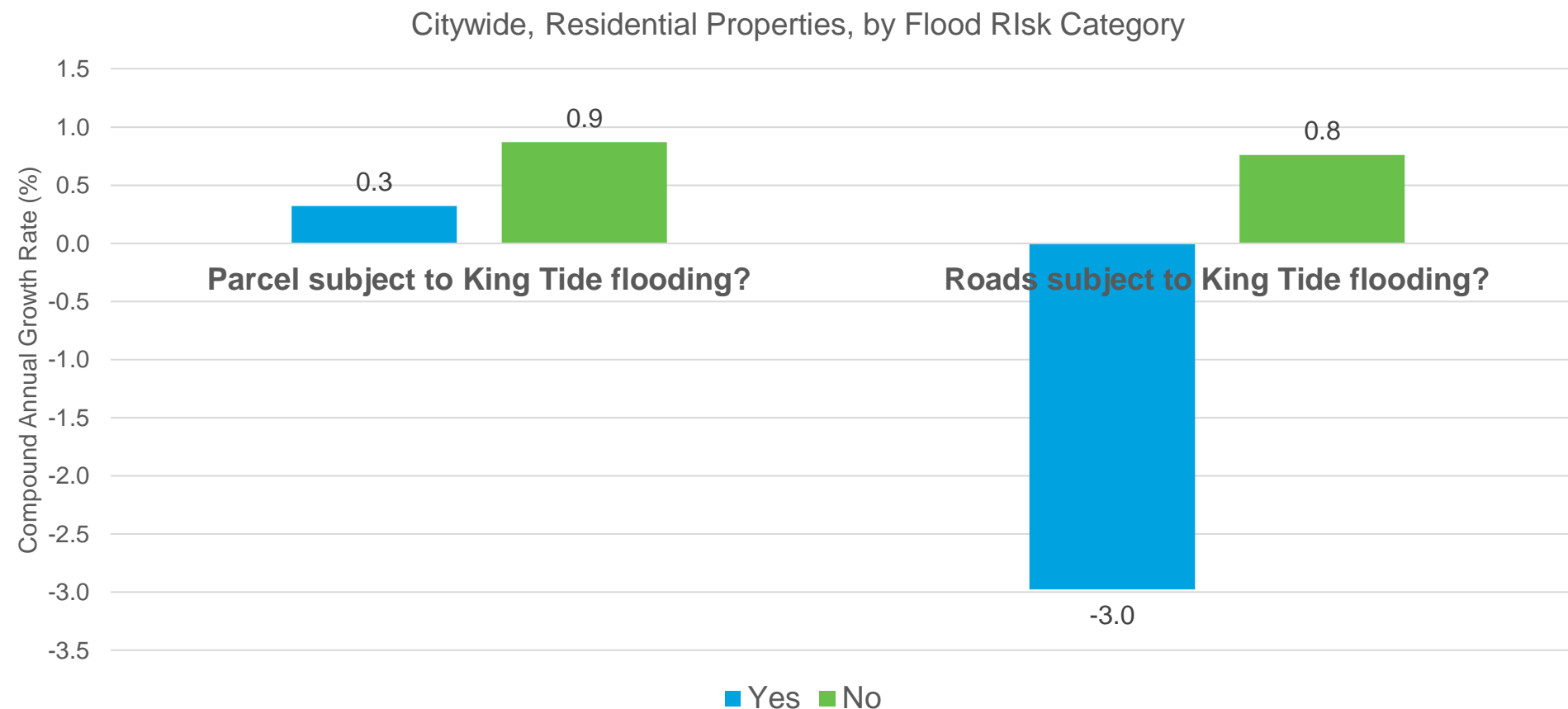
Parcels "subject to King Tide flooding" indicates some portion of the parcel is below 1.7 ft NAVD88 in elevation.

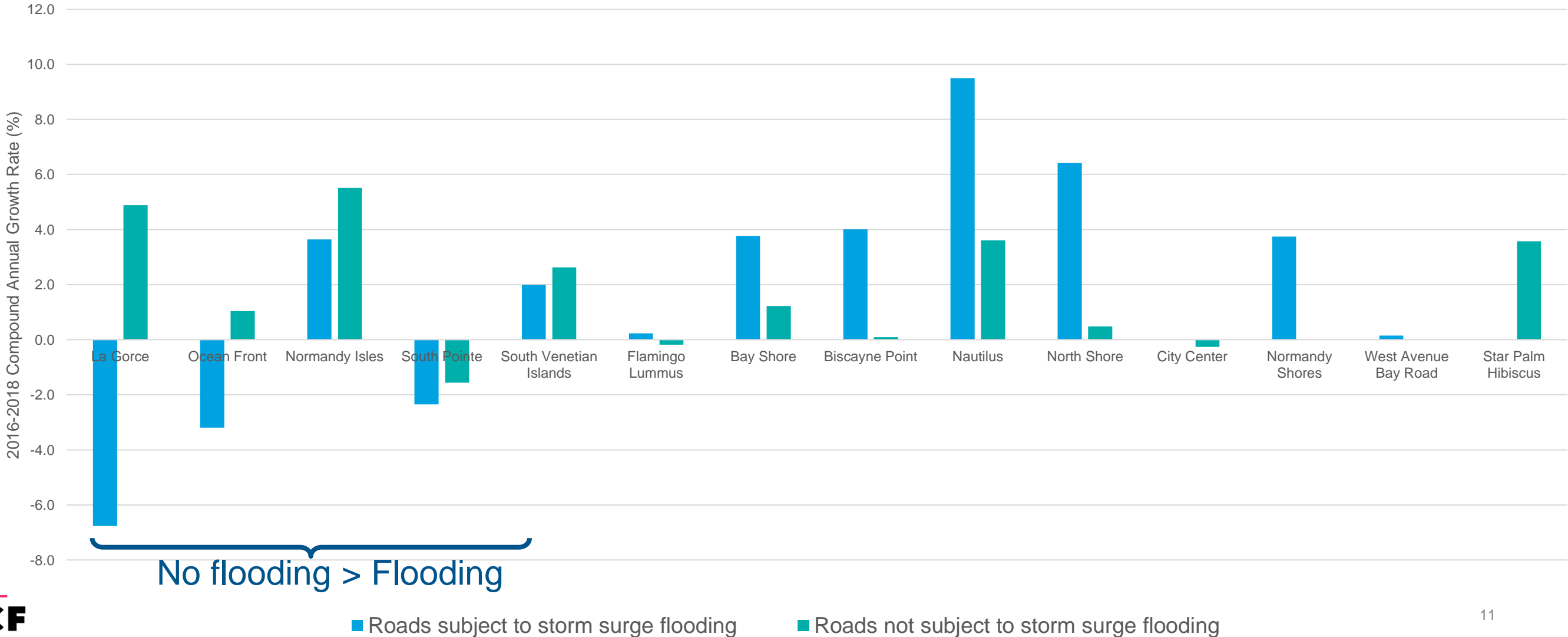Road values based on whether average road elevation within 0.1 miles of parcel is below 1.7 ft. NAVD88.

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9

Relationship of nuisance flooding to growth rate varied by neighborhood.

## 2016-2018 Annual Growth Rate, by Neighborhood, by Nuisance Flooding Status

No flooding > Flooding

■ Not subject to nuisance flooding   ■ Subject to nuisance flooding

Parcels "subject to nuisance flooding" indicates some portion of the parcel is below 1.3 ft NAVD88 in elevation.
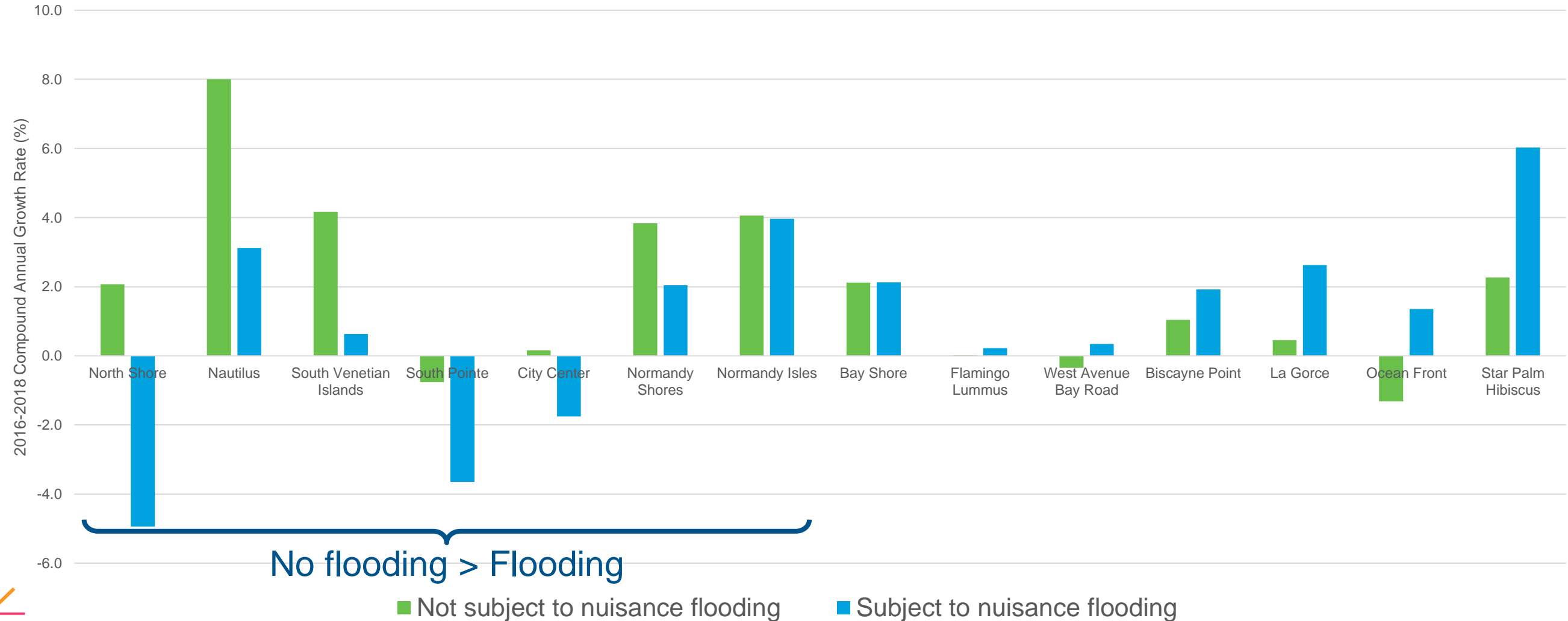
Relationship of road flood risk to growth rate varied by neighborhood.

2016-2018 Annual Growth Rate, by Neighborhood, by Road Flood Risk Status

y-axis: 2016-2018 Compound Annual Growth Rate (%)

No flooding > Flooding

■ Roads subject to storm surge flooding   ■ Roads not subject to storm surge flooding

11

Post-FIRM property values grew more slowly or declined compared to pre-FIRM property values.

Post-FIRM
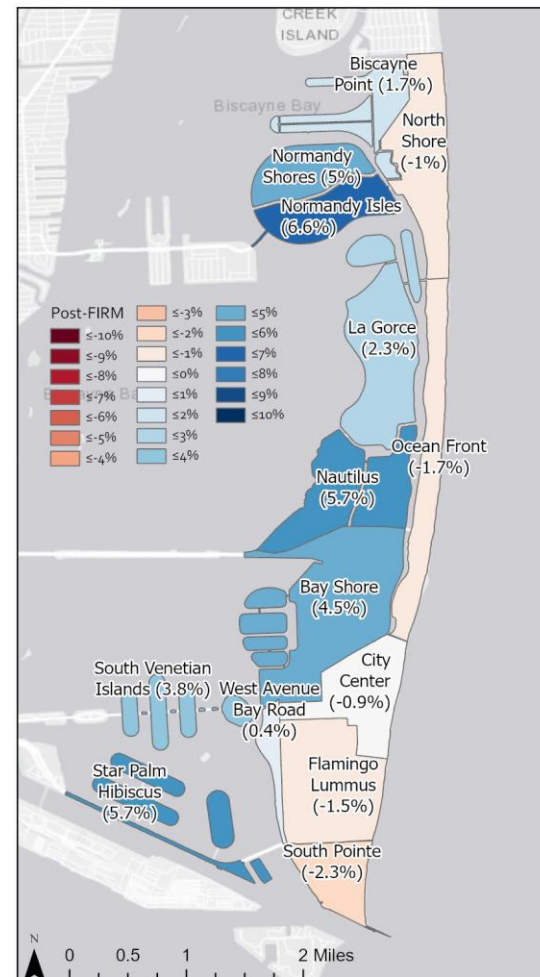
Pre-FIRM
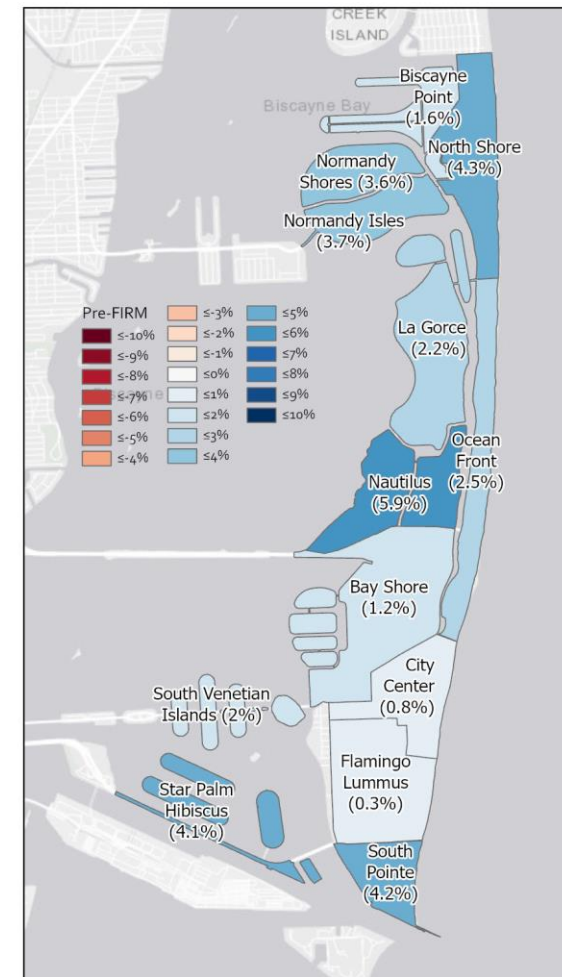
2016-2018 compound annual growth rate (%)

FIRM = Flood Insurance Rate Map

Pre-FIRM properties were constructed before the first FEMA Flood Insurance Rate Maps in 1972. Pre-FIRM buildings pay less than the true cost of risk because they are subsidized.

Luxury property values declined in most neighborhoods, relative to non-luxury.

Citywide Compund Annual Growth Rate, 2016-2018: Luxury vs. Non-Luxury
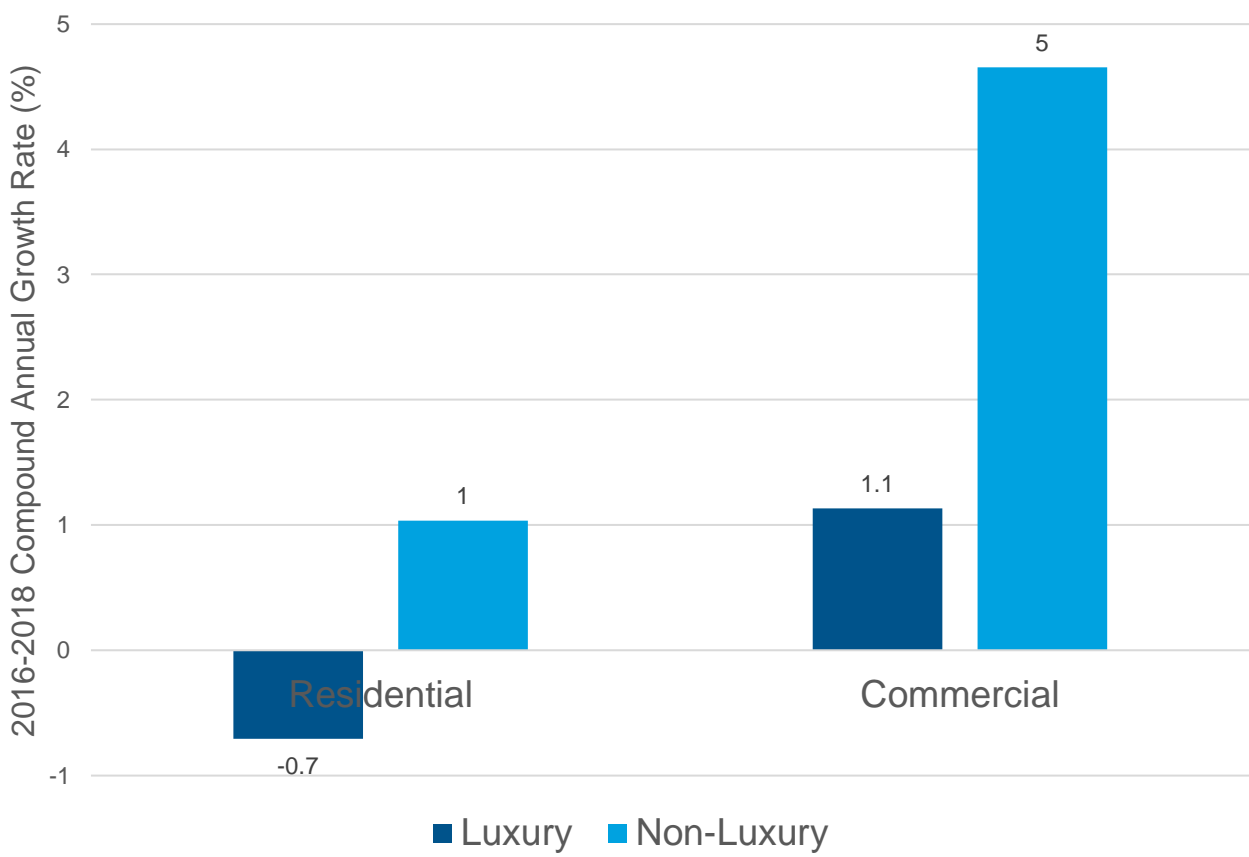
Average Value Per Parcel (Residential)

13
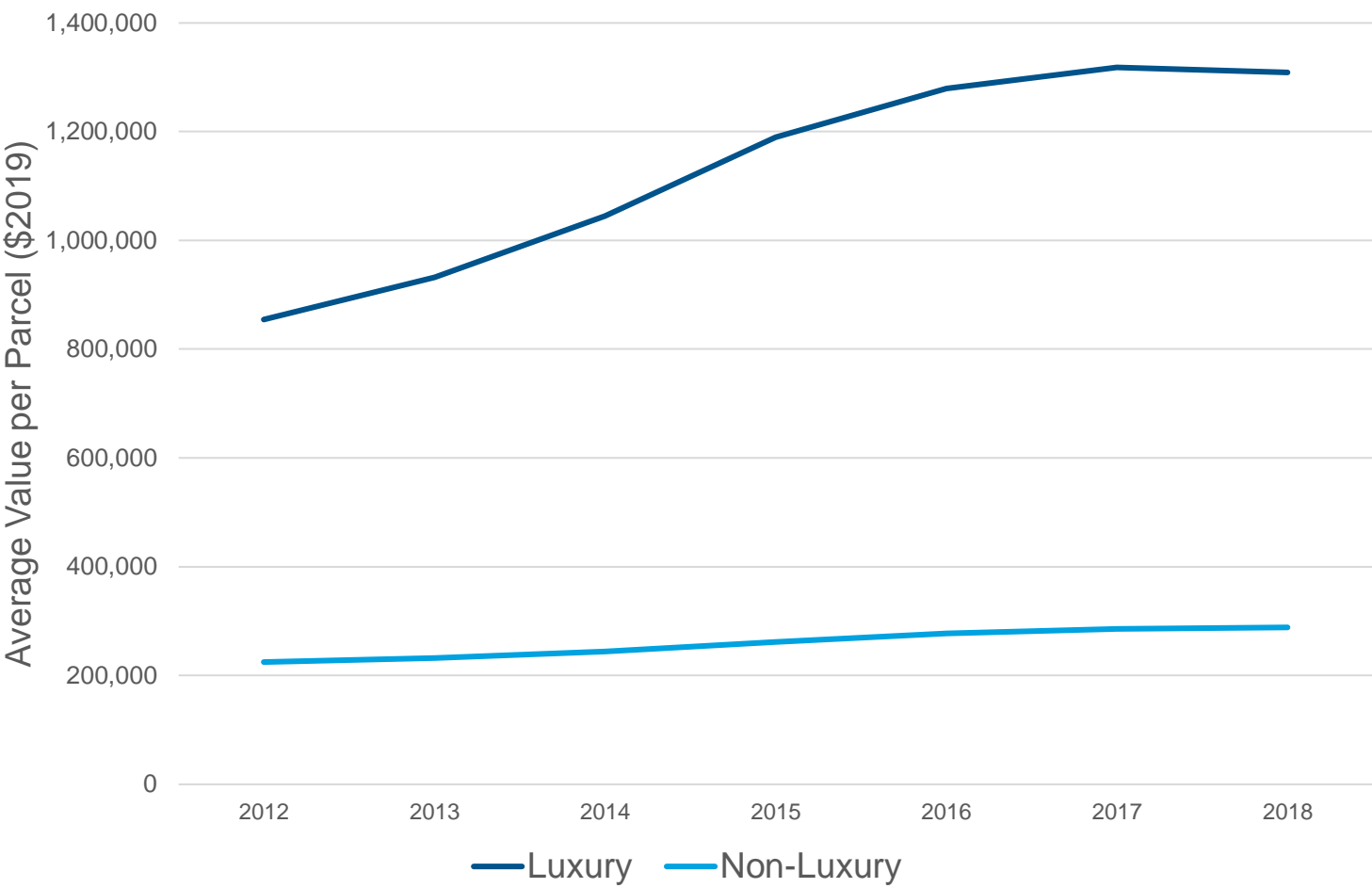
Conclusions and Key Questions

- **Disaggregating property value trends provides valuable insight for planning and investment allocation by neighborhood**
- **Key open questions:**
  - Will these trends persist through 2019? How will 2019 data alter this picture?
  - How do these trends compare to other markets in Florida and the U.S.?
  - What is the outlook for assessed values?
  - What is driving some of these trends?
  - What is the effect of the City's investments on these trends?
  - How can the City encourage development that is likely to result in greater property appreciations (e.g., policies/programs/incentives)?