

What Happens Next – Sunday January 31, 2021

COVID, Vaccines, Homebuilding, Success Academy, and Budget Deficits

Dan Geler and Alan Auerbach

Larry Bernstein:

As someone that recently rented a house in Miami Beach, and what has shocked me, looking at the skyline of Miami, is the amount of building going on. When you're in New York or Chicago, there's some building, but this is a true boom. When you have a very fast growing community, it puts a lot of pressure on real estate. It puts pressure on all sorts of institutions when there's rapid growth. That being said, also there's a lot of pressure in institutions when there's rapidly decreasing growth. But how are you going to deal with this, I'll call it the building boom?

Dan Gelber:

Well, our urbanism has to be pretty smart. In my city, it's always going to be limited. We're never going to be more than 92,000 people. And it's a small city. Miami will have more density than we do. And there's a lot of interaction between the two cities. I think we're sort of accustomed to, because we always had a construction based economy. Unfortunately, it was a growth economy, which I didn't think was the healthiest thing in the world, but we're accustomed to the ups and downs of construction. We can deal with density, especially if we build the right way. I do worry we're going to sprawl. And that's always been a concern, and there's talk about more sprawl.

But I think for the folks that are coming here, they seem to be most interested in the city centers. They seem to be looking for something that they had before, but maybe with a better view and the multiple parks nearby and a couple other amenities that they just couldn't access regularly where they were. So it's interesting. Most of the influx of people, what we've been talking about, is really for the core of the city center, not so much the suburbs or the future or the exburbs, it's really been very limited to these areas. And that's easier to deal with, because they tend to be higher buildings, and you can take care of a school system and the infrastructure issues. But we're going to have to obviously update infrastructure, especially as it deals with water, which has been a challenge for all of Miami-Dade County.

Larry Bernstein:

Traffic. One of the great challenges of any growing urban city is traffic. And I've been caught in a bunch of traffic going back and forth between Miami and Miami Beach. And this is during COVID. When I speak to my friends in other communities, they say there is absolutely no traffic. How are you going to deal with that infrastructure problem?

Dan Gelber:

Well, look, we're trying to, in my city, we're trying to promote the kind of mobility that comes with a live, work, play environment. We want to increase our class A office buildings so that people don't have to necessarily drive as much across the causeway to Miami to go to work. We created protected bike lanes everywhere. We added bridges so things can be more pedestrian, and we're creating all those kinds of things that I think you probably were accessing before. We have mass transit plans, but like a lot of mass transit plans, by the time you build them, they're dated 10 or 20 years, and they dealt with a problem that no longer is here. We are doing things.

We're about to implement a few different plans in a few different corridors that are already funded or that are fully designed, but it's always going to be a challenge for us, especially because so many people are still in cars. There have been connections between the Tri-County area in South Florida, Dade, Broward, and Palm Beach, that are filled immediately. So we know there's a demand for it, but for us, the first thing is to create as many ways to avoid it. Like, we have a trolley system in our city. It's free, and we have about half a million people, maybe more than that, every month using it. But it's mostly going to be for tourists, workers, and maybe folks going to the supermarket. But for commuters and things like that, until we have systems that are able to move more people, it's going to continue to be a challenge.

But I think a lot of people are designing our communities, in my city, like Miami has a lot of smaller communities, so that you can actually live very close to where you work, which will help a lot. Traditionally, we've had for decades, you know, people live in a suburb and then they commute to downtown Miami or to Brickell. Now you can see all these new office areas sprouting up along commercial residential properties, or even neighborhoods that are single family homes. So I think that's a good mix, because it keeps people in an area and it gives them a chance to not have to commute, and gets cars off the road, but it can be challenging. There's no question about that.

Larry Bernstein:

Just to take the other side of that, when they built suburban office in Long Island or in Westchester in New York, I think they increased traffic, because a number of the people who work in the suburban office don't live in the community. They have to come from somewhere else. And that just, I think, adds, not decreases traffic. Just wonder if you've thought about that when you did some of that analysis?

Dan Gelber:

Yeah. I mean, I think we don't really, I would say the suburban offices in Dade County, it's a sprawling county, it's a huge county, but actually where most of the construction is happening is in the urban core or in areas that have emerged as part of the urban core, you know, Wynwood, the Design District, things like that, which in Miami are actually a mile from downtown or a mile and a half. They're not exactly what we would call sort of the exurbs or the suburbs or anything like that. So those areas, which are seeing the most amount of building, are also seeing a tremendous amount of residential being built.

We also have a pretty good metro rail system, which is becoming more and more used, which does at least allow folks to come from main suburban areas to the downtown area. We have different kinds of mass transit that are working. We just need more of it, frankly, because we built it, and it's dealing with issues that obviously are no longer existing because the community has changed so much in the decade or longer that it took to construct these mass transit systems.

Larry Bernstein:

When I told some of my friends that I was heading down to spend significant time in Miami Beach, some of them said, "Oh my God, it's so culturally dead there." And what you opened with was one of our great advantages is the cultural opportunities in Miami Beach. Who's right? Who's wrong? How did you get Art Basel to participate in Miami Beach? That was a huge coup. How do you think about all these new art museums that have opened up and other cultural opportunities, both in Miami and Miami Beach, that have attracted a new clientele of people?

Dan Gelber:

That's an easy argument to make. Art Basel has been here 18 years. Miami City Ballet, probably twice that long. New World Symphony, and then you have the Arsht and the Frost and all these other museums. And the ICA, they're all in the same area. And then you have cultural areas, like Wynwood and the Design District, and College Park in my city, that have all just cropped up with museums and with cultural fair. I think it was in both the Times, it was in a bunch of newspapers, we have a drama company in our city, Miami New Drama, which did this thing called the Seven Deadly Sins, which is I think the only actual drama going on in the country. And they found a way to do it outside of Lincoln Road in a really inventive way.

The city has really embraced culture, not just in the week that Art Basel is here, but all the time. And I think it's only going to continue, because we think it is the best version of ourselves. We feel like it attracts the right kind of tourist, and it also gives residents incredible amenities. The New World Symphony has a huge screen outside, where every Tuesday and Sunday thousands of people come to watch movies or simulcasts, you know, orchestra offerings. So that happens all the time. And it's only grown. I mean, our challenge is feeding it, but with all the folks coming from communities where they expect it, like New York or Chicago or other places, Washington, where they're a very mature cultural scene, the demand for it has only increased. And that's fine, because they also tend to be terrific sponsors and funders of these initiatives.

So for us, it's become something that's feeding itself. We just had something in my city on the ballot to increase the Wolfsonian Museum. I think we're going to do the same thing with other museums around. They all want larger spaces and more modern spaces to attract more people who seem to want to come there. So I think it's only becoming greater, and having people who want that has given us a real lease on it in a sense that now we've got people who will show up and will write checks, and that's really critical to the arts community.

Larry Bernstein:

So I receive questions from the audience during the show, and I received two identical questions, both from Mitch Feinman and David Shulman, both saying how long will it take for Miami Beach to be under water, and how is the mayor going to deal with that?

Dan Gelber:

Yes. Every morning I look outside, and it looks to be about, I don't know, Larry, if you're in town, but it looks to be about 78 and sunny right now. Look, we're a barrier island built on porous limestone. And so we were one of the first communities in the country, perhaps the world, to sort of deal with sunny day flooding in a way that impacted our lives. So I'm not one of these mayors that says we're going to learn how to live with water. We're already learning how to live with water. We are well into a program. We're raising our streets, we're changing our whole process for drainage, from the gravitational system to a pump system. We did an Urban Land Institute study of our program, which we've already spent about 600 million on, to make sure we're doing it right. We brought in Harvard and Columbia to do more pressure testing of the plan, because it's great to have a canary in the mineshaft, unless you're the canary. So we really want to make sure we're doing it right.

We've upgraded all of our codes to create higher points consistent with the standards that the folks we talk to and our experts say we need to. So the city is, it's sort of a, it's a manmade city, so we can raise it and we have been raising it, and we're going to continue to, and the thing that I think is most important

is that in every area where we have done an engineering solution and we've already raised probably six miles or more of streets, maybe eight, by this point, the flooding has either gone away or is very diminished. So we keep track of that.

From an engineering perspective, we know what it looks like at a certain level and a certain tide, and then what it looks like two years later after the work, and it's dry. So Sunset Harbor, which is this beautiful, thriving community that has more Pilates studios than probably any place in the world, used to be called Sunset Lake. Now it barely ever floods, even when we have these rain bombs or even hurricane type weather. So we know we can solve it. We just have to really be willing to do it and spend the money. And we are.

Larry Bernstein:

Because you touched on not having an income tax and still having a well-funded school system. There's four major silos for taxation. There's sales tax, there's corporate tax, there's income tax, there's property tax. So how do you think about, if you don't have an income tax, what are you relying on to pay for government services, or do you just have less of it? And in the Northern states, they're struggling under a huge pension problem. How do you think about the state of Florida and Miami County's pension scheme, or is that just a function of having an older city versus a growing newer city?

Dan Gelber:

Well, first of all, I spent a decade in the House and Senate in Florida. So I spent a lot of time on tax policy and school policy. I was the Democratic leader. So that should tell you where I fell on things. You know, Florida doesn't fund its school systems particularly well. And it does a lot of things on the cheap, there's plenty of metrics that can show you that. And so they do push to local government a lot of burdens to provide services. And in some areas, there's not a whole lot of government going on. In Jacksonville, for instance, there's one city, one county, it's Jacksonville. In Dade County, there are 34 cities. They like government. A lot of Easterners who came here and settled like to have a mayor or a commissioner they can call. Same thing in Broward and Palm Beach.

So what's happened in Florida is that frankly, it is a bit on the cheap, how they don't give raises to state employees, they don't spend enough money on schools. But at the local level, you can actually supplement somewhat that, and you can try to help. And so for me, I don't have the same issue that a lot of places have. I have, you know, if you look at the 34 cities in Dade County, my property tax rate is probably in the middle, maybe lower, but we have way more amenities because for a city of 92,000, we have a \$40 billion property tax base. So 85% of the budget of my city comes from non-homesteaded property, and a homesteaded person is likely a voter or a full-time resident. And so it comes from big hotels, big commercial enterprises that really aren't residents.

And there are some places like that, but there are places where they don't have the advantages of a city like mine, and they're just stuck with only what they'd get from the state. And so when you get your property tax bill, and there are three parts, including the school part, you're funding most of government. Now, the total tax burden is hugely lower. Our sales tax is about nine percent in my city, and that's one of the higher ones because we have add-ons because of some of ... That's probably mostly for people staying in hotels, because it includes some extra points. But that's going to be the highest it's going to be anywhere. It's going to be below that. It's going to be six percent, really, almost everywhere, or seven percent.

So if you think of other places, they have a state income tax and they have a higher sales tax. So we don't really have those issues. It does inspire people to come here, but I think it's challenging, honestly. I

think that we've had to really put our city money into schools, which are not run by cities. They're run by the county and under the funding formulas put forward by the state legislature. So typically cities have nothing to do with schools, but we do, because I think my residents just want us to. So we've done the STEAM program, where we literally are spending probably, you know, I think we were spending close to a million on different things in our schools right now. And it's just a small feeder pattern, but we send instruction in, we build things in the schools. We just put a new football field in there when the Superbowl was here a year ago.

So I think that's probably one of the attractions our community has, is that we are a little different than the rest of the state, and a lot of the things we're doing, the state is not funding it the way it should, but that's also, I guess, for many folks why they want to be here, because they can keep more of their money.

Larry Bernstein:

Alan Auerbach, do you want to comment on this?

Alan Auerbach:

Yes. I mean, the states vary a lot. It helps to be a growing, thriving state. You mentioned states in the North. If you're a state that doesn't have a growing public work sector workforce, you've got a huge ratio of retirees to current workers, and it's really hard when you have unfunded pensions and retirement benefits, to keep that going. And so states that are losing population or areas in states losing population are really up against it, in terms of funding long-term commitments. Other than that, states, as the mayor said, states vary a lot in their per capita taxes and spending. States like Florida or Texas that don't have income taxes, they do rely more on property taxes and sales taxes than states with income taxes, but they also just have lower spending per capita.

And then you've got funny, quirky states like California, which relies very heavily on income and sales taxes, because we, going back to proposition 13, have much lower property taxes on average than we otherwise would have.