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Tax base, jobs could be the stakes in river-use debate

By Risa Polansky

Haphazard zoning along the Miami River, coupled with a recent priorities shift away from the marine industry by Miami's city government, could affect more than just river businesses and developers.

Removing marine industry protections and allowing more residential development along the river has its pros and cons, economists say, but in the end could hurt the city's tax base and the local economy.

Miami officials have, over the years, granted land-use changes allowing residential developments to pop up along the river in areas designated for marine industrial use.

Administrators are now proposing temporarily eliminating from the city's comprehensive plan the measure that protects and promotes the Port of Miami River — which could allow for more residential development there.

When a residential development is built, it generates revenues for the government but also creates the need for services, said Manuel Lasaga, president and co-founder of Strategic Information Analysis, a local economics and finance consulting firm.

Still, the new residents would probably spend their paychecks in the area, an economic plus.

But "a commercial property also hires people, it generates jobs, and these wages are then placed back directly into the city's economy," he said. The city "has to carefully balance both."

Residential developments do generate more tax revenue for the city than commercial or industrial uses: more than \$167 million to the \$65.2 million brought in by industry, according to an analysis by Michael Boudreaux, the city's director of Strategic Planning, Budgeting, and Performance.

But economic studies show the cost of providing services in residential areas quickly depletes the pot, while cities make money on commercial and industrial space.

It costs a median of \$1.15 per \$1 of revenue raised by a municipality to provide public services to residential areas, but only 28 cents to service commercial and industrial areas, according to American Farmland Trust's Cost of Community Service Studies.

Miami breaks even on property tax revenues and service expenditures, Mr. Boudreaux's analysis shows.

He could not pinpoint how much is spent in residential vs. commercial areas, writing in an e-mail that he is unable to give "that level of detail."

An economics expert said he believes that if Mr. Boudreaux could separate residential and commercial spending, the numbers would show losses on the residential side.

"On average, across the City of Miami, they will be losing money on residential," predicted Jeffrey H. Dorfman, author of the study "The Fiscal Impacts of Land Uses on Local Government"

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and professor in the University of Georgia's Department of Agricultural and Applied Economics.

"Residential development, on average, does not pay for itself," said Mr. Dorfman, who has studied the economics of land use on local governments across the Southeast, including in eight of the 10 fastest-growing counties in the US.

"Industrial-type things make very good money because they get few services," he added, though he noted that large, expensive residential developments can pay for themselves.

Mr. Dorfman has not analyzed the City of Miami specifically, but said encouraging residences rather than businesses along the river is "probably not the greatest idea."

His studies show that, in North Florida's Leon County, the government makes 85 cents per dollar in residential areas and \$1.57 in commercial and industrial.

In analyzing 17 local governments, he found that all 17 lose money on residential development.

Added Stanley Geberer, associate with Florida-based economic and financial consulting firm Fishkind & Associates, "When we replace industrial and commercial activities with residential development, we displace employment opportunities."

Industry on the river contributes at least 6,100 local jobs, according to a 2005 economic study of Biscayne Bay. About \$4 billion worth of cargo is shipped in and out of the river annually, generating \$683 million in locally produced goods and services and \$389 million in income, the study shows.

But, since 2003, the river has lost 50% of its marine industrial zoning to residential land-use changes, said Fran Bohnsack, executive director of the Miami River Marine Group.

An appellate court recently overthrew three of these land-use changes, stating that such "small-scale" amendments to the city's comprehensive plan "when viewed together as a whole, are changing the character of the Miami River waterfront."

The court found that "such piecemeal, haphazard changes are not only ill-advised, they are contrary to the goals and objectives of those who worked together, debated and determined how the Miami River waterfront should be developed."

Slapdash zoning also mars the economy, analysts warned.

The "most important thing," Mr. Lasaga said, is for the city to settle on a vision and follow it.

The key is planning, agreed economist Lewis Goodkin of Miami-based Goodkin Consulting.

The city needs to designate an area for the marine industry and an area for residential, he said, and stick to it — "instead of having any spot zoning."

In a report on Mr. Dorfman's Web site, he cautions that "local governments must ensure balanced growth, as sprawling residential growth is a certain ticket to fiscal ruin. Or at least big tax increases."

Miami's ample space for industry and zealotry during the recent residential boom could have been behind the zoning changes, Mr. Goodkin speculated.

"Miami has more industrial opportunities than the other counties, and, as a consequence, certainly, one of the major considerations was, could we rezone this to another use?" he said.

However, riverfront land is finite — marine businesses can't function in landlocked industrial space — and opportunities to build residential are less so.

Land along the river is what Mr. Goodkin calls a "secondary site" for residences.

"There are better locations if you're going to build a high-rise building," he said. "My feeling is that, in a normal situation, a place like the Miami River probably developed earlier than it would have if we hadn't had this crazy market."

Now, "We must do what we can to preserve it (the industry)," he

said. "There are plenty of other sites available to address the market."

Straying from that principle, Fishkind & Associates' Mr. Geberer said, could have widespread effects.

"To the extent that there is limited waterfront, these businesses may not have a place to go, and it may simply be a lost business," he said. "It can affect total economic activity in the community."

James Kohnstamm, director of the Expansion/Retention/Recruitment & Urban Initiative department of the Beacon Council, Miami-Dade County's economic development arm, said his team is "currently working locally on various expansion and retention programs on the Miami River."

River industry provides "jobs for skilled workers," he said, "the type of workers that we want to keep employed here in Miami."

However, the council does not play an advocacy role, meaning the industry most likely won't see Beacon officials on the front lines protesting residential development.

"We're not an advocacy group, but on the other hand, we do fight for our local economy," Mr. Kohnstamm said. "Residential expansion and how that plays with space for commercial use is going to be an issue. I think our real goal is to express our interest in keeping the marine industry alive and well and growing on the river with the understanding that the two can work together."

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