

Memorandum



Date: December 10, 2018

To: Honorable Chairman Esteban L. Bovo, Jr.
and Members, Board of County Commissioners

From: Carlos A. Gimenez
Mayor

A handwritten signature in blue ink, appearing to read "Carlos A. Gimenez", written over the printed name.

Agenda Item No. 2B10
December 18, 2018

Subject: Report Evaluating the Feasibility of Developing Micro Housing in Miami-Dade County – Directive No. 180202

The attached report is provided pursuant to Resolution No. R-236-18, adopted by the Board of County Commissioners (Board) on March 6, 2018, directing the Mayor to study and take all necessary steps to implement the development of micro houses, including seeking sponsorship for any necessary amendments to the CDMP and the zoning code.

The attached report was prepared by staff from the Department of Regulatory and Economic Resources (RER), Planning Division in coordination with the RER-Development Services Division, and the RER-Building Division. It provides an overview of micro housing and the current requirements that govern the development of micro housing in Miami-Dade County. Additionally, the report provides seven case studies to illustrate how micro housing (including micro units, tiny homes and accessory dwelling units) has been implemented in other governmental jurisdictions.

For the Board's information, the attached report includes recommendations as well as policy matters to consider for further discussion and legislation.

In accordance with Ordinance No. 14-65, this report will be placed on the next available Board meeting agenda.

If you have any questions or concerns, please contact Jerry Bell, AICP, Assistant Director, Department of Regulatory and Economic Resources, Planning Division at 305-375-2835.

Attachment

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**Report on the
Feasibility of Developing
Micro Housing in Miami-Dade County**

Prepared in Response to
Board Resolution No. R-236-18

November 1, 2018

**Miami-Dade County
Department of Regulatory and Economic Resources**

I. Purpose of the Study

This report responds to Board Resolution No. R-236-18 which directs the administration to study and take all necessary steps to implement the development of micro houses, including seeking sponsorship for any necessary amendments to the CDMP and the zoning code and to report to the Board within 120 days of the effective date of the resolution. It was prepared by the RER-Planning Division in coordination with the RER-Development Services Division, and the RER-Building Division.

II. What is Micro Housing?

There is no standard definition of micro housing and various thresholds can be found for what constitutes micro housing. For purposes of this study, micro housing will be defined as a dwelling unit consisting of less than 400 square feet of floor area that functions as a self-contained living space, including individual kitchen and bathroom facilities. Below is a description of the various types of micro housing that will be discussed in this report:

- **Micro Units** – “Micro Unit” refers to a residential dwelling unit that functions as a self-contained living space located in a multi-family building.
- **Tiny Homes** – “Tiny Home” refers to a single-family dwelling unit that may be built on a foundation or a trailer platform. They typically range in size from 100 to 300 square feet.
- **Accessory Dwelling Units** – “Accessory Dwelling Unit” refers to a unit that is located on the same lot, and considered ancillary to, a primary residence. For purposes of this study, ADUs will refer to units that are leasable year-round to a person unrelated to the owner of the primary structure. This is distinguished from guesthouses that are typically used to house family members or short-term guests of the primary residence.

III. Role of Micro Housing in an Affordable Housing Strategy

According to data from the Miami Realtors Association, the median price of a single-family home in Miami-Dade County increased 83% between 2010 and 2017, while, according to data from the US Bureau of Labor Statistics, inflation-adjusted average annual wages decreased 7.1% over the same period. This trend is worsening an already strained supply of housing that is affordable to the average County resident. This is reflected in the County's housing affordability index of 87.2.¹ This means that the median household income in Miami-Dade County is only enough to afford 87.2% of a mortgage on a median-priced home without becoming cost-burdened. As housing is becoming increasingly unaffordable for the average County resident, they are stretching financially to continue to afford a home. Over 65.1% of renter households and over 44% of owner occupied households with a mortgage in Miami-Dade County are cost-burdened, paying over 30% of their income on housing costs, including rent/mortgage, insurance, taxes and utilities.²

¹ Miami-Dade County Department of Regulatory and Economic Resources. Residential and Commercial Real Estate Profile, 2016:Q4.

² U.S. Census Bureau, 2016 American Community Survey

While issues of housing affordability are more acute for very-low and low-income individuals, the decline in housing affordability also impacts individuals earning close to the median County income. As will be discussed in this report, micro housing is not necessarily affordable to very-low and low-income individuals unless it is restricted through an affordability requirement. Micro housing can, however, contribute to an overall affordability strategy to provide more housing options that are affordable relative to market rents in the area where they are provided.

IV. Current Requirements

Regulations on density and minimum lot size are commonly found in most zoning codes as a means of maintaining public health, homogeneity of neighborhoods and property values. They also help to facilitate planning of public infrastructure and services such as water, sewer and schools. Regulations related to minimum unit sizes were primarily implemented to address concerns regarding poor housing conditions.³

There are several policies, regulations and requirements in the Comprehensive Development Master Plan, Zoning Code and Building Code that could affect the development of micro housing, as listed below:

Comprehensive Development Master Plan

The maximum density requirements outlined on the CDMP Land Use Plan Map may limit development of micro units. Density limitations serve to promote compatibility among land uses and facilitate planning of public infrastructure and services. Density is a measurement of the number of dwelling units per acre and, in general, assumes that the population associated with those units will be the average persons per household. The CDMP Land Use Plan Map also establishes minimum densities for each of the residential land use categories. These minimum densities are implemented through minimum lot area requirements in the zoning code that may also hinder development of micro units and tiny houses. Currently, density bonuses can be obtained with the application of transferrable development rights or the provision of affordable or workforce housing units. The CDMP authorizes accessory dwelling units ranging from 400 to 800 square feet of habitable area on single-family lots with a minimum area of 7,500 square feet located inside of the Urban Development Boundary.

Zoning Code

Minimum lot area requirements in the Zoning Code may hinder development of micro units and tiny homes. For example, the RU-TH (Townhouse District) requires a minimum lot area of 1,250 square feet of lot area per unit and the RU-4 (High Density Apartment House District) requires a minimum lot area per apartment of 10,000 square feet. The Zoning Code also requires mobile homes to be located on a minimum 2,700 square foot lot which could hinder development of tiny homes. Minimum parking requirements outlined in the zoning code can also affect the affordability of micro units. Currently, the Zoning Code requires 1.5 parking spaces for each efficiency or one-bedroom unit. Accessory dwelling

³ American Society of Planning Officials. Minimum Requirements for Lot and Building Size. April 1952. Accessed Online at: <https://www.planning.org/pas/reports/report37.htm>

units are not currently permitted by the Zoning Code outside of Urban Centers and Traditional Neighborhood Development districts. The Zoning Code does permit guesthouses to be developed in the Estate Density Zoning District but such units are not permitted to be leased or occupied year-round.

Minimum Housing Standards (Miami-Dade County Code, Article II)

Article II of the Miami-Dade County Code sets out minimum standards for housing, finding that substandard conditions, together with inadequate provision for light and air, insufficient protection against fire hazards, lack of proper ventilation for heating and cooling, insanitary conditions, and overcrowding, constitute a menace to the health, safety, morals, welfare, and reasonable comfort of the citizens and visitors to Miami-Dade County. Section 17-26 of Article II establishes minimum space requirements for dwelling units as summarized below:

Every dwelling unit shall have at least one room of not less than 120 square feet net floor area, every other habitable room, except the kitchen shall have a minimum net floor area of at least 70 square feet. Every room occupied for sleeping purposes by more than one (1) occupant shall have a minimum gross floor area of 50 square feet per occupant. Every room used for sleeping purposes shall have a minimum width of eight (8) feet. Kitchens shall not be used for sleeping purposes. Porches shall not be used as permanent sleeping quarters.

The minimum space requirements in the County's Code mirrored requirements in the Florida Building Code that were in effect until recently. As discussed in the subsequent paragraphs, the Building Code was updated in 2017 to reduce the minimum space requirements.

Building Code/Fair Housing Act Requirements

The Florida Building Code defines minimum room sizes that are applicable to single family residences as well as multi-family apartment/condominium buildings. The minimum room sizes outlined in the Florida Building Code were reduced in 2017. Below are the minimum space requirements outlined in the Florida Building Code:

Every dwelling must have at least one habitable room that has a minimum of 70 square feet of gross floor area. Other habitable rooms must have a floor area of at least 70 square feet. The kitchen must be at least 50 square feet in gross floor area.⁴ A habitable room is defined as all rooms used for living, dining, sleeping and cooking purposes. Bathrooms, closets, halls, and utility spaces are not considered habitable rooms.

Buildings with four or more dwelling units must also comply with certain Fair Housing Act requirements which may increase the required unit area. In addition, multi-family structures have other requirements such as, fire sprinklers, fire monitoring equipment and accessibility, which may increase the required unit area.

⁴ Florida Building Code. 6th Edition (2017), Sections 303-305

Tiny homes installed on a permanent foundation must be built in accordance with the Florida Building Code. Tiny homes built on a chassis would not be subject to the Florida Building Code as they would be considered mobile homes. Instead, it would need to meet the HUD Wind Zone requirements. Miami-Dade County is in HUD Wind Zone III, mobile homes must be designed to withstand 110 MPH wind speeds. Mobile homes designed to the Wind Zone I or II specifications cannot be sited in Wind Zone III, with certain exceptions.⁵

With the exception, of the RU-TH zoning district, the development of micro units is not currently prohibited by the County's Zoning Code or Florida Building Code provided the unit meets the minimum room requirements outlined in these Codes which would allow for a unit of approximately 260 square feet. It is important to note, however, that density limitations and minimum lot area requirements may hinder the development of micro housing. The CDMP currently allows for the development of Accessory Dwelling Units (ADU) on single-family lots with a minimum area of 7,500 square feet, however, the Zoning Code currently only allows for such units in the Urban Center and Traditional Neighborhood Development Districts. It is also important for property owners to know that development of an ADU on a property may affect Homestead Exemptions and Save Our Homes caps on the property.

V. Case Studies

In December 2017, the **City of Miami** adopted an ordinance to encourage micro units that include individual bathroom and kitchen facilities. The ordinance allowed for a reduction of the minimum unit size from 400 square feet to 275 square feet for micro units that are located within a Transit-Oriented Development area but prohibits micro-units from being located immediately adjacent to a single-family home district. While no developments have been completed under the new ordinance yet, there has been several new and proposed developments that are just over 400 square feet primarily located in the Wynwood area. The City of Miami also permits attached or detached Accessory Dwelling Units up to 450 square feet in the Suburban Zoning District. The unit is leasable provided the property owner resides in the principal dwelling unit.

The **City of New York** introduced a pilot program in 2012 to allow micro units less than the 400 square-foot minimum unit size. The City hosted a design competition "ADapt NYC" (launched in 2012). The selected competitor constructed a 55-unit modular micro housing project on city owned property. The City of New York required 40% of the micro units to be reserved as affordable housing (with 8 of the units being reserved for homeless veterans). The remaining 60% of the project consisted of market rate units ranging from approximately \$2,500 to \$3,000 per month. The project has drawn criticism as being unaffordable since the price for the market rate units is almost twice the average rental rate per square foot in New York.⁶

⁵ Florida Department of Highway Safety and Motor Vehicles. Technical Advisory MH13-001. Accessed online at: https://www.flhsmv.gov/dmv/bulletins/2013/TA_MH13-001.pdf

⁶ Huen, Eustacia. Forbes Magazine. Inside New York City's First Luxury Micro-Apartment Building, Where Units Start at 265 Square Feet. August 30, 2016.

In 2014, the **City of Austin** adopted an ordinance to help facilitate the development of micro-units containing less than 500 square feet by allowing for increased density and reduced parking along transit corridors. Micro-unit buildings are only eligible for the increased density and reduced parking if at least 10% of the building is priced affordably for those earning no more than 80% AMI for at least 99 years for owner-occupied units and 50% AMI for at least 40 years for rental units.

The **City of San Francisco** allows efficiency dwelling units less than 220 square feet. To determine the effect of these units on the market, the City capped the number of permitted units at 375 market rate units. Prior to reaching the cap, the City Code requires City staff to prepare a report assessing the rental/sale prices for the units and providing a recommendation as to whether the cap should be increased.

The **City of Seattle** has seen the most extensive development of micro units in the nation. The development of micro units in Seattle began in 2009 and, by 2013, micro units comprised approximately one-quarter of new residential growth.⁷ This rapid growth of micro units led to significant opposition from nearby residents that expressed concerns about the density and traffic associated with the units and the lack of design review required in their approval. In response to the opposition, the City adopted new restrictions on where micro units can be built and what amenities they must include in 2014. The City also restricted single room occupancy units to high density multi-family districts.⁸ In the city's core, the micro units are renting for \$5 per square foot. This is above the average rent for a studio apartment which is \$3.42 per square foot.⁹

The **City of Santa Cruz** permits Accessory Dwelling Units (ADU) on residentially zoned lots of 5,000 square feet or greater. The Code allows a maximum unit size of 500 square feet for lots under 7,500 square feet and requires that one dedicated parking space be provided for the ADU in addition to parking required for the primary residence. The City offers both technical and financial assistance to encourage the development of ADUs including grants and prototype plans for easy permitting. In addition, the City offers an ADU loan program in exchange for a commitment to maintain the ADU as an affordable unit for 15 or 20 years. In 2017, the City prohibited ADUs from being used as short-term vacation rentals.

Henderson County, North Carolina has seen recent development of tiny home communities including the Village at Flat Rock which was built on land formerly used as an RV park. The Village at Flat Rock includes approximately 100 tiny homes ranging from 200 to 543 square feet with lots around 3,000 square feet. The homes sell for approximately \$100,000 to \$135,000. This is substantially less than the median home value of \$292,600 in Flat Rock, NC based on data available on Zillow.

Several of the case studies demonstrate that, barring affordability requirements, micro-units are not necessarily affordable. They tend to represent a significant return to developers since the

⁷ Beyer, Scott. Forbes Magazine. Seattle Is Regulating Away Micro-Housing. September 13, 2016.

⁸ Keeley, Sean. Seattle Approves New Microhousing Size & Location Restrictions. October 7, 2014. Accessed online at: <https://seattle.curbed.com/2014/10/7/10038308/seattle-approves-new-microhousing-sedus-restrictions>

⁹ Jones Lange LaSalle. Seattle-Bellevue Snapshot. October 23, 2017. Accessed online at: http://marketing.joneslanglasalle.com/PNW/Email_Campaigns/Downloads/Snapshot_Seattle_102517.pdf?utm_campaign=Snapshot-SEA_102517.html&utm_medium=email&utm_source=Eloqua

price per square foot tends to be higher than an average-sized unit when not otherwise subject to an affordability requirement.

VI. Policy Considerations

Affordability

One of the most widely debated issues relative to micro units is whether they result in more affordable housing. As is evidenced from the case studies, most micro units are typically not affordable relative to the Area Median Income unless regulations require affordability. On a per-square-foot basis, micro units are achieving higher rents when compared with average-sized units. These units tend to be about 60% smaller than average-sized units and only 20% to 30% less expensive.¹⁰ Some have argued that this increase in the per square foot rents may set a new expectation of return among developers that will result in increased rents for average-sized units.^{11; 12} However, micro units tend to be less expensive than average-sized units just by virtue of being smaller. This may allow for less costly housing options, relative to market rents, in areas of opportunity with increased access to jobs and social connections.

Public Health

Minimum unit sizes became prominent in most zoning and building codes due to concerns regarding the public health effects of cramped living conditions. Such conditions can have mental health impacts particularly for older individuals and children.¹³ However, micro units may offer more affordable housing options in areas of opportunity so the health impacts of the small unit must also be balanced against the mental health impacts of the alternative which may involve living a significant distance from work and social connections. Amenities such as parks that promote social connections as well as increased natural light and ventilation may ameliorate some of these impacts.¹⁴

Location/Compatibility

Many local governments have limited the location of micro units to areas that are well-served by transit and include important links to employment and social connections. It is also important to consider the compatibility of the micro housing with existing development in the area. In Seattle, resident concerns regarding the density and traffic impacts of micro units caused the City to implement new location restrictions and design review criteria.

Short-Term Vacation Rentals

¹⁰ Urban Land Institute. The Macro View on Micro Units. 2014. Accessed online at: https://uli.org/wp-content/uploads/ULI-Documents/MicroUnit_full_rev_2015.pdf

¹¹ Urist, Jacoba. The Atlantic. The Health Risks of Small Apartments. Accessed online at: <https://www.theatlantic.com/health/archive/2013/12/the-health-risks-of-small-apartments/282150/>

¹² Riley, Neal. The San Francisco Chronicle. S.F. supervisors back micro-apartments. November 2012. Online at: <https://www.sfgate.com/default/article/S-F-supervisors-back-micro-apartments-4055493.php#photo-3767317>

¹³ Urist, Jacoba. The Atlantic. The Health Risks of Small Apartments. Accessed online at: <https://www.theatlantic.com/health/archive/2013/12/the-health-risks-of-small-apartments/282150/>

¹⁴ Post, Rachael. The Guardian. Are tiny houses and micro-apartments the future of urban homes?. Accessed online at: <https://www.theguardian.com/sustainable-business/2014/aug/25/tiny-houses-micro-living-urban-cities-population-newyork-hongkong-tokyo>

Accessory Dwelling Units (ADU) may offer an opportunity to increase the affordable housing options in neighborhoods that would otherwise be unaffordable for individuals earning near or below the median income. However, current state law may present challenges to preventing ADUs from becoming short-term vacation rentals, and the use of ADUs for short-term vacation rentals may undermine the goal of increasing affordable long-term rental housing. A survey on Accessory Dwelling Units in Portland, Oregon found that 72% of the 236 survey respondents are currently using their ADUs for short-term rentals (less than one month stays), and 76% have used their ADU as a short-term rental at some point in the past.¹⁵ Not surprisingly, the most common reasons cited for using the ADU as a short-term rental include flexibility to use the unit in other ways and the additional income generated from short-term rentals. Further, a study on the impact of short-term rentals in Los Angeles found that the housing units taken out of the rental market by short-term rentals is equivalent to seven years of affordable housing construction.¹⁶ Options for leveling the playing field in favor of long-term rental housing may include a tax on short-term vacation rentals that can then be used by local governments for affordable housing initiatives, such as to incentivize the provision of long-term rental housing, however, such a tax would require a change in state law. Board Ordinance No. 17-78, adopted in October 2017, requires a Certificate of Use for properties being offered as short-term vacation rentals. Information regarding the number of permitted ADU being utilized at short-term vacation rentals could be useful in informing new County policies on ADUs.

VII. Recommendations

- 1) ***Amend the CDMP to allow for the development of micro apartments within one-half mile of rapid transit stations and certain universities and allow for additional density for the development of micro apartments with the requirement that 12.5% of the units be priced affordably for those earning up to 80% of the Area Median Income.*** Density is a measurement of the number of dwelling units per acre and, in general, assumes that the population associated with those units will be the average persons per household which is 1.8 for multi-family structures in Miami-Dade County. Micro apartments would be expected to have a lower persons-per-household which supports an increased density allowance for these units. However, it is also important to note that, without restrictions on affordability, density increases for micro housing may decrease use of affordable and workforce housing density bonuses. For this reason, it is important to link the requirement for affordable housing to the increased density allowance for micro housing.
- 2) ***Amend the Zoning Code to provide an exception to the minimum unit size, minimum lot area and parking requirements for the development of micro apartments. Also, require 20% of the site to be retained as green space for the enjoyment of the residents in addition to requirements for extensive fenestration and operable windows that allow for natural ventilation.*** Minimum unit size and lot area requirements

¹⁵ Portland State University Institute for Sustainable Solutions. Accessory Dwelling Units in Portland, Oregon. 2018. Accessed online at: <https://www.pdx.edu/syndication/sites/www.pdx.edu/syndication/files/sustainability/Portland%20ADU%20Survey%20Report%20June%202018.pdf>

¹⁶ Samaan, Roy. AirBNB, Rising Rent, and the Housing Crisis in Los Angeles. March 2015. Accessed online at: <http://www.laane.org/wp-content/uploads/2015/03/AirBnB-Final.pdf>

contained in the Zoning Code may hinder development of micro housing. In areas with high land costs, minimum lot area requirements add to the cost of the unit. Minimum parking requirements outlined in the Zoning Code can also affect the affordability of micro units. As noted in the Policy Considerations section of this report, cramped living conditions can have deleterious impacts on the mental health of the occupants. These impacts can be ameliorated through amenities that promote social connections as well as increased natural light and ventilation.

- 3) ***Encourage the development of affordable micro-housing on County-owned property.*** County owned properties provide an opportunity for the development of micro apartments to increase the supply of affordable housing.
- 4) ***Obtain additional data regarding the location and number of properties with a permitted Accessory Dwelling Unit (ADU) that are being used as a short-term vacation rental.*** This information should be used to determine whether ADUs should be permitted in additional zoning districts.
- 5) ***Amend Article XIA (Villa Development District) in the Code to address tiny homes including a potential reduction of the current 2,700 square feet minimum lot area.*** The amendment should address tiny homes on wheels as well as those installed on a solid foundation.