

**AN ASSESSMENT OF THE SOCIOECONOMIC ENVIRONMENT  
IMPACTING POPULATION AND EMPLOYMENT FORECASTS  
FOR THE I-95 “MANAGED LANE”  
COMPREHENSIVE TRAFFIC AND REVENUE STUDY**

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Submitted to:

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## **I. BACKGROUND**

The Washington Economics Group, Inc. (WEG) was retained by Wilbur Smith Associates (WSA) to perform an independent assessment of socioeconomic factors driving the population and employment projections for Miami-Dade and Broward Counties that the Florida Department of Transportation (FDOT) provided WSA. The projections serve as a basis for the utilization and revenue estimates that WSA is preparing for the proposed “managed lanes” project on Interstate 95 (I-95). The projections, which were initially prepared by the Planning Departments of Miami-Dade and Broward Counties, are for the years 2010, 2020 and 2030. WEG was requested to recommend, to the extent appropriate, modifications based on its understanding of the forces that will impact population and employment growth during the period from now through 2030.

The results of WEG’s independent assessment of the projections provided to WSA by FDOT have been previously transmitted to WSA under separate cover. Underlying WEG’s recommendations for adjustments are our assessments of the physical and socioeconomic environment of Miami-Dade and Broward Counties currently and prospectively. The purpose of this report is to describe the physical and socioeconomic factors that impacted our assessment. For ease of reference, this report is organized into sections containing physical and demographic factors, economic structure and major projects.

The WEG team is experienced in performing independent assessments of the population and employment projections described above and based on the socioeconomic context of South Florida. The principal advisor in this project is J. Antonio Villamil, CEO of the firm. Mr. Villamil served most recently as Director for Economic Development of Florida in the Executive Office of the Governor. The lead analyst in the project is Andy Dolkart, an experienced real estate market analyst and senior consultant of WEG for South Florida. Mr. Dolkart is also President of Miami Economic Associates, Inc. WEG, with the same project team, has performed successfully similar assignments for WSA. Detailed background of the WEG project team is presented in the Appendix to this report.

## **II. PHYSICAL FACTORS**

Miami-Dade and Broward Counties are located at the southeastern end of the Florida peninsula. The largest municipality within Miami-Dade County and closest to I-95 is the City of Miami. Major municipalities within Broward County include Ft. Lauderdale, Hollywood and Pompano Beach.

## *Miami-Dade County*

The total land area of Miami-Dade County is 1,257,699 acres, or 1,965 square miles. Of this total, urban growth has been directed through the establishment of an Urban Development Boundary (UDB) into 417.4 square miles, or 21.2 percent of the total area. The preponderance of the urbanized portions of the County area is located on the mainland but it also includes the barrier islands where the incorporated areas of Miami Beach, Surfside, Bal Harbour, Sunny Isles Beach, Golden Beach and Key Biscayne are located.

The mainland portion of the urbanized area essentially extends from county line to county line from a north-south perspective. Its eastern boundary is generally the coastline; however, in the very southern portion of the County, the coastal area has been excluded in order to provide a buffer between development and Biscayne National Park, a highly sensitive environmental area. In the southern portion of the County, a buffer also exists west the urbanized area to protect Everglades National Park, which is also highly sensitive environmentally.

Throughout the remainder of the County, the location of the western boundary of the urbanized area varies considerably. In the northern portion of the County, i.e. north of State Road (SR) 836, the boundary is defined by the Homestead Extension of Florida's Turnpike other than in selected locations. The primary exception is immediately west of the Turnpike and north of the alignment of the proposed extension of SR-836. In this case, the UDB was extended in the fall of 2002 to accommodate approximately 600 acres of land for the development of the warehouse facilities for firms in wholesale trade sector that are frequently involved in the international movement of goods.

The Board of County Commissioners, which has been determined to maintain the UDB in its current location since 1993, made an exception in the case of this acreage due to concern that the County would lose such firms if more land was not made available to them with the attributes of the property being discussed, i.e. easy access to and from the regional highway network and close proximity to Miami International Airport. The land that remains outside the UDB in the northern portion of the County will initially be used for limerock mining. Once the rock is depleted, the area will become a lake belt designed to protect Miami-Dade County's water supply and the Everglades. The creation of the lake belt is State-mandated.

South of SR-836 the UDB extends west of Florida's Turnpike. It also meanders, having been established by the existing pattern of development and political considerations at the time of its establishment rather than by nature or the physical terrain. Its current configuration was

also impacted by amendments adopted, except in one case, prior to 1993. At no point south of SR-836 has the UDB been extended to that point that it abuts the Florida Everglades. Economic activity outside the UDB is limited to mining and agriculture. Residences can be located in the area at density of 1 unit per 5 acres.

#### 1. Comprehensive Development Master Plan

Development within the urbanized area of Miami-Dade County is managed by the Comprehensive Development Master Plan (CDMP), which designates the use(s) permitted on each property. The CDMP includes designations of land for residential use at varying levels of density as well as commercial and industrial uses of differing kinds. It also designates land for institutional uses and open space. The CDMP for land within the County's municipalities is determined by the municipalities while in unincorporated areas, it is the prerogative of the Board of County Commissioners. The Board of County Commissioners also regulates potential expansions of the UDB even if the land involved is located within a municipality.

Modifications to the CDMP other than those instances that involve UDB expansion are considered twice a year. Any modification for a parcel of land over 10 acres in size requires State as well as City or County review. Modifications involving UDB expansion can only be filed in April of odd-numbered years unless they relate to projects large enough to be considered Developments of Regional Impact (DRI). In the case of DRI projects, the filings can occur at any time.

The CDMP mandates that any modification be economically justified. This is particularly true of modifications involving expansion of the UDB, which require a super majority vote of the Board of County Commissioners – 9 positive votes regardless of how many of the 13 Commissioners are present. The Board of County Commissioners, with support from the Mayor, has made it clear that any attempt to expand the UDB for residential development will be denied as long as the County has sufficient supply of vacant residentially designated land available countywide to accommodate 10 years of population growth plus a 5-year surplus, or 15 years of growth. This standard resulted from an agreement between the State and the County approximately 10 years ago. The 15-year standard is also frequently applied to commercial and industrial uses; however, in the case of those uses, the consideration of land countywide is not adhered to in recognition that location can affect the marketability/usability of property.

## 2. Residential Development

The Miami-Dade County Planning & Zoning Department (DP&Z) periodically estimates the County's residential capacity and the time it will take to fully deplete it. The analysis is based on the Department's population projections and its inventory of available residentially designated land. DP&Z estimates that sufficient capacity countywide currently exists to accommodate population growth, which it expects to average approximately 30,000 people a year, through 2022. In making this estimate, DP&Z recognizes that in substantial portions of the County – generally the County's faster-growing western suburbs – depletion may occur considerably earlier. Based on this estimate of depletion, the Department has taken the position that UDB expansion is not justified at this time because the requisite 15-year supply exists.

The overwhelming preponderance of the vacant land accounted for in DP&Z's analysis is located in the southern portion of the County, south of S.W. 184<sup>th</sup> Street. The impact of this on commutation will be great since the County's major employment centers are all located in the north end of the County. The largest employment center in the County is now located immediately west of Miami International Airport in the so-called Airport West or area, which is located within the City of Doral. Airport West surpassed Downtown Miami as the County's largest employment center approximately 10 to 12 years ago. Since then, the area has been adding industrial, predominantly warehouse space, at an average annual pace exceeding 1.5 million square feet per year. During that same period, no new office buildings were completed in Downtown Miami.

DP&Z's assessment of remaining residential capacity has historically only considered vacant land except along the major transportation corridors (Metrorail and the South Dade Busway and Busway extension) where potential redevelopment of property that is not currently in residential use or that might be developed at higher residential densities is assumed. The Department assumes that approximately 48,000 units will be developed in the transit corridors by 2022. To date, outside of Downtown Miami, such redevelopment has only occurred within the transit corridors at significant scale near the two Metrorail stations in the Dadeland area, which is at the southern end of the line. That development has resulted in less than 2,000 units.

Within Downtown Miami, significant new high-rise development is currently proposed both near Metrorail stations and elsewhere, such as along the Miami River. There are currently in excess of 60,000 new residential units either under construction or proposed within the City of Miami, the preponderance of which are in high-rise structures in the Downtown Area.

Notwithstanding the figure just quoted, there are reasons to believe that DP&Z's estimate of the adequacy of residential capacity may be optimistic. With respect to the Downtown units just discussed, the bases for concern relate to the fact that those units are priced at such high levels due to land and construction cost considerations that they are unaffordable to all but a very small portions of the County's current and prospective population. At the time of the 2000 Census, Miami-Dade County was one of the poorest major metropolitan areas in the United States with a median income below \$36,000. In this context, it is not reasonable to believe that there will be a strong market comprised of County residents for 1,000 square foot units priced in excess of \$300,000, even if such units satisfied the needs of families, which they do not. The overwhelming majority of the proposed units in Downtown Miami are sized at 1,200 square feet or less.

In excess of 80 percent of the contract purchasers to date in Downtown Miami have been second home buyers, generally of foreign origin, or "investors"/speculators. Most other major real estate market analysts in Miami-Dade County are essentially unanimous in their belief that many of the units proposed for development in the Downtown area may never be built once the speculators currently stoking the market are unable to "flip" their contracts.

There are a number of other reasons to doubt the adequacy of the residential land supply to accommodate population growth through 2022 as estimated by DP&Z. The following two concerns are the most significant:

- The Department's population estimate for future years may be understated, at least in the period through 2020. Its projected average rate of growth of approximately 30,000 people per year is consistent with the rate of growth that occurred during the 1990's, a decade in which Miami-Dade County experienced Hurricane Andrew, the worst natural disaster in its history, as well as the closure of Homestead Air Force Base and all of its major County-based financial institutions. It is unlikely that the future decades will see such a combination of negative events at any one time. The latter 1990's were also a period of relative political and economic stability throughout the Caribbean and Latin America. Currently, there are considerable political and socioeconomic pressures in a number of locations including Haiti, Colombia, Venezuela, Ecuador, Bolivia and Argentina.

Finally, during the 1990's, there were very substantial levels of out-migration from Miami-Dade County to Broward County. As will be discussed in greater detail later in this report, the available supply of land for new development in Broward County is now substantially depleted. Greater in-migration from the Caribbean and Latin America

regions coupled with reduced levels of out-migration should produce a higher rate of growth than was experienced during the 1990's. A review of data relating to housing starts indicates that this is, in fact, happening.

- As previously discussed, the Department's estimate of residential capacity assumes that approximately 48,000 housing units will be developed along the major transit corridors. That amount of development would constitute the largest redevelopment program ever achieved in the United States. It would be particularly extraordinary given the fact that no public funding or commitment of eminent domain powers is anticipated. It should also be noted that a number of the municipalities in which this redevelopment activity is proposed to occur are opposed to the densities of development that DP&Z is assuming and/or do not have the infrastructure to support them, making it unlikely that the assumed units will ever be developed.

Based on WEG's assessment that the County does not in fact have sufficient residential capacity to accommodate population growth for 15 years as required by the CDMP, several developers have already filed or will shortly be filing applications to have the UDB expanded in selected areas. It is anticipated that the debate on these amendments will be contentious, and it is uncertain whether they will pass at this time.

However, WEG's analysis suggests that if the County is to meet the requirement for a 15-year supply, boundary expansion will have to occur sometime during the period from now to 2030. The changes recommended to the projections provided by FDOT reflect that opinion, primarily, but not exclusively, in areas of the County that the CDMP has already acknowledged as "Expansion Areas". These are located along S.W. 8<sup>th</sup> Street (Tamiami Trail) and south of S.W. 88<sup>th</sup> Street (N. Kendall Drive) immediately east of Krome Avenue. WEG's recommended changes also reduce the level of growth anticipated in the projections provided for review along the transit corridors, with the result that the pace of growth is accelerated in the portions of the County south of S.W. 184<sup>th</sup> Street that are already included within the UDB. Finally, in recommending changes to the projections provided, cognizance was made of the fact that several properties that have historically been golf courses are now going to be redeveloped with residential uses and that some properties that have historically been designated for commercial uses in the Doral/Airport West area have also been recently re-designated for residential use.

Concerning residential development, the recommendations made by WEG for Downtown population certainly assume significant growth as a result of the thousands of new units being proposed in the area. However, as stated above, a high proportion of the purchasers who have

contracted for units to date are foreigners who will not necessarily become permanent residents of Miami-Dade County; hence, they are not included in the population projections. Given this factor as well as the uncertainty regarding the number of proposed units that will actually get built, it is suggested that sensitivity analysis be used when modeling the amount of I-95 traffic that will be derived from the Downtown area, particularly given the proximity of the area to the roadway.

### 3. Non-Residential Development

DP&Z also quantifies the County's potential to accommodate new commercial and industrial space based on the remaining inventory of vacant land designated for such use. With respect to the future development of commercial uses, DP&Z's analysis indicates that generally adequate supplies of vacant land exist throughout the County except on the barrier islands and in some portions of the south central tier of the County (S.W. 8<sup>th</sup> Street to S.W. 184<sup>th</sup> Street) where the municipalities of Coral Gables, South Miami, Pinecrest and Palmetto Bay and the unincorporated East and West Kendall areas are located. WEG believes that the commercial development required to support future growth of population in these areas will be accounted for through the redevelopment of existing commercial properties on a more intensive basis and through mixed-use development.

More concerning is the availability of industrial land. Within the northeastern portion of Miami-Dade County, the inventory of industrially designated land has been substantially depleted for a while except in a few small cases where infrastructure deficiencies exist. Accordingly, the primary focus of industrial, mainly warehouse, development within the County has been west of Miami International Airport in the area between S.R. 836 and Okeechobee Road. The area just described contains Airport West discussed above and Medley. Nearly 1,400 vacant acres remain in the area, although significant amounts of that land are contained in parcels too small for development. The acreage figures just cited includes the land discussed previously that was brought into the UDB in 2002. Based on historical absorption trends, the remaining supply of land, even if all useable, would be depleted by 2012.

It should be noted that the area discussed in the preceding paragraph has accounted for approximately 60 percent of the Miami-Dade County's industrial development on an annual basis for a decade or so, with its appeal based on its two primary attributes of easy access to the regional highway network and proximity to Miami International Airport. As a result, much of the absorption of land in this area has involved wholesale trade enterprises engaged in international trade. The expansion of this area that occurred in 2002 may have been the

last one possible because of the State-mandated plan to create a lake belt west of the Turnpike.

Once the land in the area just discussed is depleted, Miami-Dade County's remaining supply of land will be located on the northwest, southwest and southern fringes of the County. All of this land is distant from Miami International Airport, only portions provide direct access to the regional roadway system and most is poorly located to serve the larger Miami-Dade-Broward-Palm Beach South Florida market. Among the land that would remain, the one located in the northwest portion is likely to be absorbed. However, the land in the southwest and southern portions of the County is considered to have only limited marketability by the industrial brokerage community. In fact, the brokers believe that companies like those currently located west of the Airport will choose to go to the ample supplies of land close to the Orlando, New Orleans, Atlanta and Jacksonville airports rather than locate this marginal land within Miami-Dade County.

In recommending changes to the projections provided for review, WEG recognized the fact that 260 acres previously designated for residential use in the northwest area were recently re-designated for industrial and office use. Given the potential to have access from this property to Interstate 75 and/or the Florida Turnpike, this land is considered highly marketable. It should also be noted that there is additional acreage in excess of a full section immediately adjacent to the 260 acres just discussed. The City of Hialeah, which recently annexed this acreage, has an filed application with the County to expand the UDB to accommodate the development of industrial and office uses. The City's application, like those of the private residential developers seeking to expand the UDB, will result in contentious debate and may not be approved now. WEG has, however, assumed UDB expansion for this purpose to occur some time in the period from now to 2030.

### ***Broward County***

The Broward County Future Land Use designates the uses permitted on the approximately 266,000 acres, or 416 square miles, of land located east of the levee that delineates the eastern boundary of the Florida Everglades. Broward County has not mandated an Urban Development Boundary; rather, it has allowed development to extend to the limits defined by nature, the Ocean and the Everglades. As of 2000, the County had only 23,754 vacant acres remaining for residential development, substantially portions of which have since been placed into development, and 13,100 vacant acres for non-residential development.

Broward County is also anticipating that population growth through 2030 will occur at a rate approximating 30,000 people per year, which means that in excess of 290,000 additional residential units will be required by that date. The remaining vacant residentially designated acres will accommodate fewer than 105,000 units at their approved densities with build-out projected to occur by 2015. While some of the shortfall could potentially be accommodated by increasing the densities of development permitted on the vacant residential parcels, the only way Broward County could achieve its estimated population growth would be if extensive redevelopment were to occur that is exclusively oriented toward multi-family units. Attention in this regard is being focused on various portions of the City of Ft. Lauderdale, including its Central Business District along Broward Boulevard, in Downtown Hollywood and along the U.S. 441/State Road (SR) 7 Corridor from county line to county line. The City of Coral Springs is also promoting a plan to create a “downtown” at the intersection of University Drive and Sample Road that would contain a significant number of residential units. At this point, it is believed that the SR 7 Corridor, particularly near the intersection of that artery and Interstate 595, will be the most active location.

To date, a number of the municipalities that abut the SR 7 corridor have shown willingness to accommodate, even a desire to promote, the type of redevelopment that will be required to accommodate the projected population growth. However, there has been less support for – in fact, outward community opposition to – such activity in Downtown Ft. Lauderdale and Downtown Hollywood, suggesting that efforts to implement redevelopment on a wide basis may not succeed. To the extent that occurs, the County’s projection of population growth will not be met.

Another factor that suggests that the County’s projections of population growth will not be met is the limited amount of land remaining for non-residential development, including the fact that less than 5,000 acres remain for new industrial uses. Growth in Broward County, which at one time was predicated to a great degree on attracting retirees, now is dependent on job creation, particularly in those sectors of the economy like manufacturing, wholesale trade and tourism that bring new dollars in the community. With its primary tourist areas along the coast substantially built-out and limited quantities of land available on which to site new manufacturing and wholesale trade activity, it is questionable whether Broward County can create the levels of economic activity necessary to support the projected levels of population growth. High housing prices, which will be discussed further later in this report, is another factor that could negatively impact population growth.

In recommending changes to the population projections that were provided by FDOT, WEG took all these factors into consideration. As a result, reduced levels of growth were

anticipated in the eastern portions of the County. Within the western portions of the County, the total level of growth over the projection period was considered appropriate but an accelerated pace of growth was proposed.

### **III. DEMOGRAPHIC FACTORS**

According to the 2000 Census, Miami-Dade County had a population of 2,253,485 as compared to 1,937,275 at the time of the 1990 Census. The average annual increase of 31,609 residents experienced during the decade of the 1990's was relatively consistent with the level of average annual increase experienced during the 1980's when the County added 30,731 people on an average annual basis. As discussed previously, DP&Z is anticipating a similar rate of growth on an average annual basis for the period through 2030 when the County would have a population of approximately 3,170,000 residents. Planners in Broward County, where the population totaled 1,623,000 people in 2000, are also expecting a growth rate of 30,000 people on an average annual basis through 2030. At that pace, the County would have nearly 2.55 million residents in 2030.

#### ***Miami-Dade County***

Miami-Dade County population projections are prepared in an environment of **significant uncertainty**, due to the role of volatile in-migration patterns for Latin America and the Caribbean. The most sensitive variable is the issue of political change in Cuba. Miami-Dade County is currently home to over 800,000 Cuban-Americans, with 10,000 to 20,000 estimated to arrive yearly. Fidel Castro is now 78 years old. The impact on Miami-Dade County could vary quite significantly depending on the government that emerges after he dies or is physically unable to continue his highly personalized and dictatorial rule.

The most favorable scenario, when there is political change in Cuba, is a steady return to democracy and open markets. This would potentially lead to strong increases, over time, in trade, tourism and joint businesses between Cuba and South Florida residents. It would also likely slow the rate at which Cubans try to leave Cuba and might, though probably not in great numbers, encourage some current residents of Miami-Dade County to return to Cuba. A recent Florida International University (FIU) survey indicates that over 60 percent of Cuban-Americans will keep their places of residency in Miami-Dade County.

The least favorable scenario would be a prolonged struggle for power among disparate regime factions. This could cause massive waves of rafters, similar to the 1980 *Marief* refugee exodus. A more neutral scenario in terms of economic impacts would be a muddled transition, with current regime figures such as Raul Castro, Fidel's brother and designated

successor, staying in power. This scenario could lead to periodic waves of unrest inside the Island, but no particular great change from the current situation with respect to population growth in Miami-Dade County is foreseen.

Cuba is the most obvious situation of population projections uncertainties but many others exist. As discussed previously, there are a number of countries throughout the Caribbean and Latin America that have been experiencing political and socioeconomic pressures such as Haiti, Colombia, Venezuela, Ecuador, Bolivia and Argentina. Indeed, within the past 6 months, Ecuador and Bolivia ousted elected Presidents. This entire volatile situation makes population projections for Miami-Dade a highly uncertain exercise, with a bias toward **understatement** of population projections.

#### 1. Bases of Historic Population Growth

Throughout Miami-Dade County's history, net migration has accounted for more of its population growth than natural increases. During the 1960's and 1970's, net migration accounted for between 79 and 89 percent of the growth recorded. By the 1960's, some of the in-migrants were from Cuba; however, retirees from the northeast and upper mid-west accounted for the largest portion.

During the 1980's and 1990's, the portion of growth accounted for net migration dropped first to 67 percent and then to slightly over 50 percent. Throughout these two decades, the preponderance of the in-migration was accounted for by people from the Caribbean and Latin America. Cubans and Haitians have been among the largest groups to migrate to Miami but people from a number of other countries including Bahamas, Jamaica, Nicaragua, Colombia, Brazil and Argentina have also come in significant numbers at various times. The groups most prominently represented among the in-migrants changes frequently depending on the political and economic conditions in the different countries comprising the Caribbean and Latin American region at various times.

The fact that net migration has in recent years accounted for only slightly more than 50 percent of total growth reflects two factors. First, the birth rate has increased sharply, and the death rate has declined as Miami-Dade County's in-migrants changed from being retirees to younger people, many of which are Hispanics. According to the 2000 Census, 1,291,737 residents of Miami Dade are of Hispanic origin. This is up sharply from the 953,407 residents recorded in the 1990 Census. Accordingly, Hispanics comprise 57 percent of Miami-Dade County's population, and given demographic trends, this share of the County's population is likely to grow over time.

Secondly, Miami-Dade County has recently experienced significant levels of out-migration, **with the preponderance of those leaving going to Broward County**. Out-migration was most pronounced in the immediate aftermath of Hurricane Andrew in 1992, but occurred throughout the decade of the 1990's. It is in large part as a result of the high levels of out-migration from Miami-Dade County to Broward County during the 1990's that Broward County's supply of available land for new residential development is, as discussed above, nearing depletion.

## 2. Relationship Between Population Growth and Jobs

The Miami-Dade County of 2005 is no longer a retirement Mecca. However, it still does not grow like most of the nation's other cities in which population increases through in-migration are triggered by relatively specific knowledge of available jobs and the prospects for obtaining them. As analyzed previously, Miami-Dade County's in-migrants, who are predominantly from the Caribbean and Latin America, settle here because of political and and/or economic problems in their home countries. They believe that life here will be better, but have no specific sense how that will occur. Accordingly, while most cities gain population to fill available jobs, Miami-Dade County creates jobs and very small businesses to absorb a growing labor supply.

The challenge this dynamic has placed on the community has been great. WEG opines that the fact that the County has been able to maintain an unemployment rate that has generally been only 1 to 3 points higher than that of the State or the nation is a major achievement. It should, however, be noted that average wage of those employed is moderately below the State average, given a growing supply of unskilled and semiskilled labor.

### ***Broward County***

Historically, appeal to retirees was the major catalyst for population growth in Broward County. However, in the 1990's, the in-flow of retirees basically ceased, in large part as a result of the County's rapidly escalating housing costs and increased congestion, and the catalyst became out-migration from Miami-Dade County. The reasons for the out-migration from Miami-Dade to Broward County were numerous including the fact that Broward is perceived to have better schools and higher quality new developments.

What is important to note is that regardless of the specific reason people have for moving to Broward, its in-migration is generally based on a review of hard facts not the political factors that frequently motivates in-migration into Miami-Dade County from the Caribbean and Latin American regions. In this context, WEG's assessment suggests that future population

growth in Broward County will be negatively impacted by the fact that most new development will involve multi-family rather than the single-family units generally preferred by families with children at home, and by housing costs that are rising and likely to escalate further due to the construction costs associated with mid- to high-rise buildings. WEG's recommendation regarding overall countywide population growth at levels modestly below those projected by the County reflects this dynamic.

#### **IV. ECONOMIC STRUCTURE AND TRENDS IMPACTING POPULATION AND EMPLOYMENT PROJECTIONS**

The U.S. Census Bureau classifies Miami-Dade and Broward Counties as an economic unit (South Florida MSA) given the interdependence of economic activity in the two counties. Palm Beach County, to the north of Broward, is also incorporated in this new economic unit. WEG agrees with this classification. The economic structure of each county varies in terms of industry sectors, but not in terms of the interdependence of overall economic activity.

This section of the report analyzes three macro mega projects that could impact significantly economic activity in the tri-county South Florida economy. Two of these macro mega projects occur in Broward and Miami-Dade Counties, and the third one in Palm Beach County. Given the interdependence of the three counties, all three projects will have net positive spillover effects for the region and specifically for economic activity and traffic counts in the I-95 Corridor. These macro mega projects, when fully operational, have the potential to increase significantly traffic count and economic development in the I-95 Corridor.

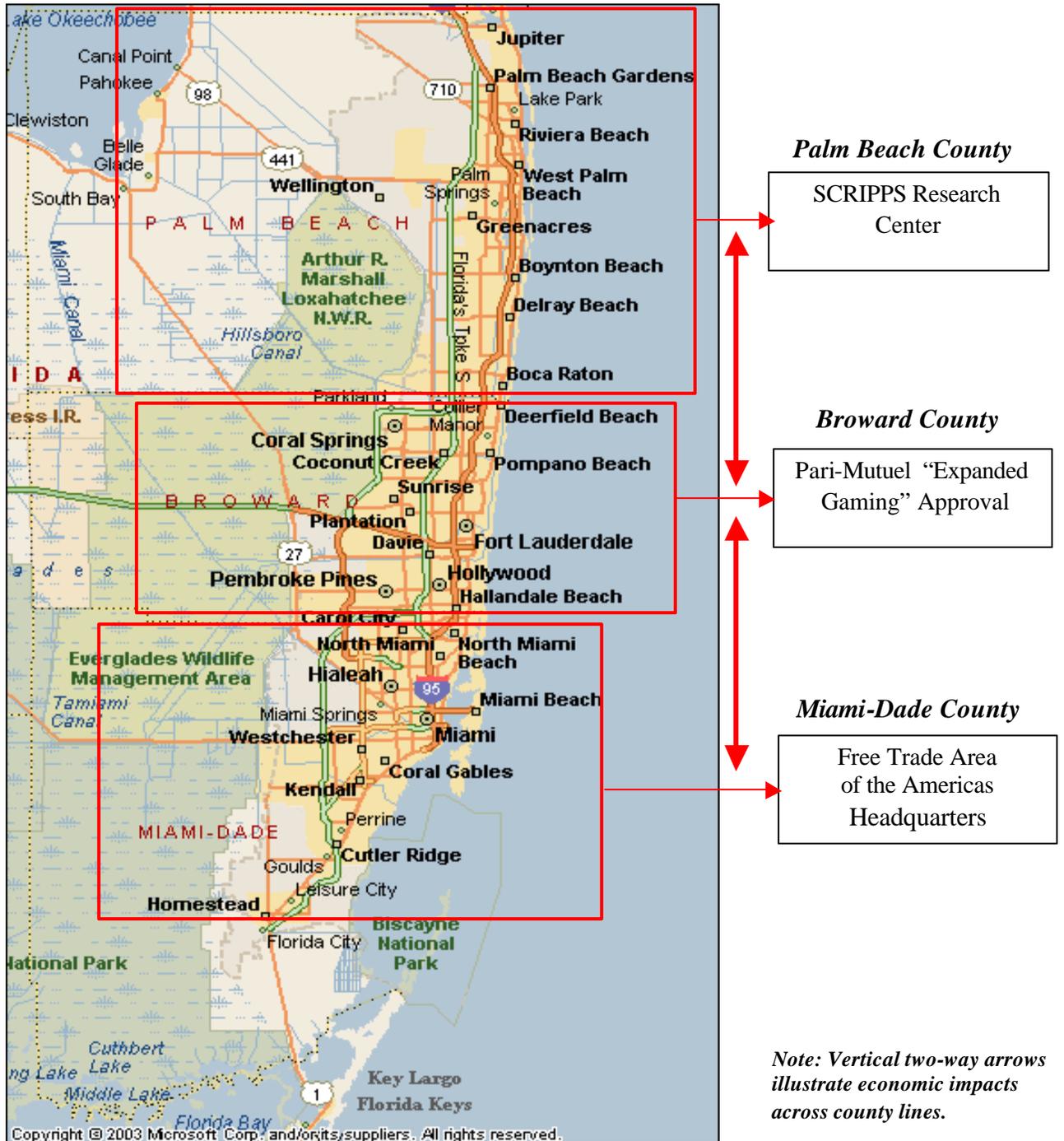
##### ***A. South Florida Macro Mega Projects***

The three-macro mega projects that are likely to increase sharply economic activity in South Florida during 2005-2030 timeframe are:

- The Free Trade Area of the Americas (FTAA), with its headquarters in Miami-Dade County.
- The advent of slot machines for expanded gaming in Broward County pari-mutuel facilities.
- The Scripps Research Center for biotechnology and Life Sciences in the northeast area of Palm Beach County.

The three-macro mega projects and their relationship to the three counties are presented in graphical form below. These tri-region macro mega projects will positively impact economic development potential.

**The Macro Mega Projects Impacting South Florida Economic Activity  
in the 2005-2030 Timeframe**



Source: The Washington Economics Group, Inc.

## 1. The Free Trade Area of the Americas (FTAA)

The FTAA is presently being negotiated between the U.S. and the 33 democracies of the Americas, from Canada in the north of the Hemisphere to Argentina and Chile to the south. The FTAA would create a free market area of 800 million customers with a combined Gross Domestic Product of \$13 trillion. South Florida, specifically Miami-Dade, Broward and Palm Beach Counties, would be the major U.S. beneficiaries of such an area since over 70 percent of U.S. trade with Latin America and the Caribbean flows through Customs District 52 (primarily the ports/airports of Miami-Dade, Broward and Palm Beach Counties in order of importance).

The FTAA is currently the subject of advanced negotiations between the 34 nations of the Hemisphere. A January 2005 date for signing the agreement was missed due to disputes over agricultural subsidies. A target date for completion of the FTAA by 2006-2007 is now in place.

Furthermore, Miami-Dade County, with the support of the State, Broward and Palm Beach Counties specifically, has mounted a major effort to become the headquarters (Secretariat) of the FTAA. The County has a good possibility of winning the headquarters facility once the FTAA is signed, given its attributes as the business center of the U.S. for Latin America and the Caribbean. The City of Miami, as part of the FTAA bid effort, has formally offered two sites for the headquarters: the Watson Island or the Coconut Grove Convention Center. The Watson Island site on I-395 could significantly impact I-95 activity in the downtown Miami Corridor.

Enterprise Florida, the State's principal economic development organization, recently conducted an economic impact study of the FTAA and the headquarters being located in Miami-Dade County. It is important to note that WEG, whose principal was a volunteer co-author of the study, believes that roughly 60 and 70 percent of the impacts will occur in South Florida, given the dominance of the region in business activity with Latin America and the Caribbean.

A summary of the likely impacts of the FTAA plus the headquarters in Miami-Dade County is presented in the following table. These are 10-year estimated impacts (2006-2016).

**Florida: FTAA + Headquarters in Miami, Florida 2006-2016 (10-year impacts).**

New Job Supported	89,259
Increase in Gross State Product	\$ 13.5 billion
Annual Increase in Exports (goods and services)	\$ 4.0 billion

**Source:** Enterprise Florida, May 2003.

Therefore, estimating that 60 to 70 percent of the above impacts will occur in South Florida, this macro mega projects could have a significant impact on economic activity and traffic flow in the I-95 Corridor, from the Port of Miami to the Port of Palm Beach, as trade and visitors increase steadily.

2. “Slot Machines” in Broward County Pari-Mutuel Facilities

A second major project that has been approved by Florida voters through constitutional amendment is authorizing “slot machines” in Broward County Pari-Mutuel facilities. The so-called “limited-casino gambling” initiative was defeated in Miami-Dade County. However, given the interdependence of both Counties, the impacts are likely to be felt across county lines, increasing traffic flow in the I-95 Corridor and economic activity for visitor-related industries (hotels, retail establishments, eating and drinking establishments).

According to a study of expected economic impacts by *Global Economic Advisors, Inc.* the advent of “slot machines” in Broward County will likely yield the following results:

**Broward County Economic Impacts of Slot Machines (2006-2015)**

Average Jobs Supported	9,700
Additional Household Income (Cumulative)	\$ 4.1 billion
Additional Local Government Revenue (Cumulative)	\$ 381 million

**Source:** Robert D. Cruz, *Economic Impact of Slot Machines in Broward County*, August 2004.

Several of the facilities allowed to operate slot machines are located immediately east of I-95. These establishments are Gulfstream Race Track, Hollywood Race Track and Dania Jai-Alai.

### 3. The Scripps Research Center

The third macro mega project likely to impact economic activity in the tri-county region and increase economic development potential and traffic flow in the I-95 Corridor, is the establishment of the Scripps Research Center at Mecca Farms in the northeast quadrant of Palm Beach County. While not a Broward or Miami-Dade Counties-based macro mega project per se, the Center is expected to boost activity in South Florida specifically, given the interconnectivity between the nascent life sciences and biotechnology cluster in the three counties.

In a 20-year period, the Scripps Research Institute transformed the Greater San Diego economy from a one-employer region (naval activities) to the U.S. center for life sciences research and commercialization. The Florida Center is currently operating its R & D at Florida Atlantic University (FAU) in Broward County. It will move into a large office and industrial park currently under development sometime in 2006. This development will likely lead to a growing “clustering” of pharmaceutical and other life sciences companies. At present, the Florida Scripps Research Center has entered into cooperation agreements for research, development and commercialization activities with major medical facilities, universities and corporations in the tri-county region (South Florida).

When fully operational, Scripps is estimated to yield the following economic impacts, primarily concentrated in the four counties of Palm Beach, Broward, Miami-Dade and Martin (to the north of Palm Beach).

#### **Florida Scripps Research Center Economic Impacts (2006-2020)**

<ul style="list-style-type: none"> <li><u>Center-Specific Activities</u></li> </ul>	
Average Jobs Supported at the Center	2,777
Additional Household Income (cumulative)	\$ 1.6 billion
Additional State/Local Revenues (cumulative)	\$ 211 Million
<ul style="list-style-type: none"> <li><u>Clustering Impacts Around Scripps</u></li> </ul>	
Average Jobs Supported in Cluster	8,260
Additional Household Income	\$ 5.9 billion
Additional State/Local Revenues	\$ 536 million

**Source:** The Washington Economics Group, Inc., October 2003.

The three-macro mega projects on a combined basis are expected to increase the demand for labor and overall economic activity over a 2005-2030-time horizon. In addition to South Florida’s traditional industries of international trade and visitor-related activities, demand for skilled labor in knowledge-based services and life sciences is expected to expand noticeably

as a result of the three-macro mega projects described. This expected structural transformation toward higher value-added international trade and commercial activities will place “speed-to-market” transportation at the top of the policy agenda in South Florida.

### ***B. Major Projects***

In addition to the macro mega projects described, there are a number of major projects that are expected to impact economic activity along the I-95 Corridor. These projects are on the eastern side portions of Miami-Dade and Broward Counties, where I-95 is located. WEG has summarized and selected the most important projects likely to impact I-95 Corridor activities as follows:

- Downtown Miami Condominiums

There are in excess of 60,000 condominium units under construction or proposed in the City of Miami, the preponderance of them in Downtown Miami between Biscayne Bay and I-95. While it is too early to predict how many of the proposed units will actually be built, the number of Downtown residents is expected to increase significantly.

- Performing Arts Center/Museum Park

A new Performing Arts Center consisting of an opera house and a concert hall is currently under construction north of Downtown Miami on Biscayne Boulevard, immediately north of Interstate 395. It is scheduled to open for the 2006 season. Immediately south of the Interstate, there are proposals to develop a new Science and History Museum and a new Art Museum in Bicentennial Park. A portion of the funding required for these museums will be available from the proceeds of the General Obligation Bond issue approved by County voters on the November 2004 ballot.

- Expansion of Miami-Dade College’s Wolfson Campus

A team of consultants has been engaged by Miami-Dade College to formulate a new master plan for the College’s Wolfson Campus that will prepare the College to accommodate its next 20 years of growth. New classroom, administrative and performance facilities are envisioned.

- Crosswinds Project

Crosswinds, a Michigan-based developer, has been selected to develop 1,000 residential units, commercial facilities and a hotel in the Overtown area of Downtown Miami where no significant new development has occurred for more than 20 years. While some community opposition is being expressed, the project is likely to proceed.

- Flagstone Gardens

The City of Miami has approved the development of a project that will include two major new hotels, retail space and a mega-yacht marina on a City-owned parcel on Watson Island. The project will be located on the south side of Interstate 395 as it extends from I-95 to Miami Beach.

- Marlins Stadium

The Florida Marlins are negotiating an agreement with Miami-Dade County and the City of Miami to build a new baseball park with approximately 40,000 seats on property adjacent to the Orange Bowl. Given the draw of the Marlins throughout Miami-Dade, Broward and Palm Beach Counties, this facility, if built, could impact I-95 traffic significantly.

- Midtown Miami

Under development on the site of the former Buena Vista railroad yards between Biscayne Boulevard and I-95, immediately south of I-95, this project includes approximately 3,000 of the residential units now under construction or proposed in Downtown Miami. It also includes an 800,000 square foot power retail center.

- 79<sup>th</sup> Street Shopping Center

Plans are being formulated to replace the obsolescent 79<sup>th</sup> Street Shopping Center with a mixed-use project inclusive of power retail center and residential units. The specific amount of development that will be proposed is not yet known.

- Biscayne Landings/North Miami Redevelopment

A project known as Biscayne Landings is currently under development on a former superfund site located east of Biscayne Boulevard and north of N.W. 123<sup>rd</sup> Street within the City of North Miami. When completed, the project would be comprised of approximately 6,000 residential units. The City of North Miami has also recently established a Community Redevelopment Agency to implement a redevelopment plan throughout large portions of the City. The approved plan for the redevelopment area includes 12,000 new residential units and the rehabilitation of 4,380 existing units as well as new office and retail space. Additional development may be proposed.

- Dolphin Stadium

The Miami Dolphin organization is considering plans to enclose the existing stadium with the objective of bringing the Super Bowl to town more frequently as well as to

enable use of the facility for trade shows and indoor events. If the plans proceed, supporting uses such as hotels and retail space would also be constructed.

- Aventura Town Center/Thunder Alley

Development activity has begun to convert the obsolescent Loehmann's Plaza Shopping Center in Aventura into a mixed-use town center similar to Boca Town Center with approximately 2,000 residential units as well as retail and office space. The first 500 units are under construction. Between 1,000 and 1,500 units are also proposed for development along the nearby waterfront strip traditionally known as Thunder Alley in reference to the hydroplane boatyards previously located there.

- Village at Gulfstream Park

In addition to expanding into casino gambling, the owners of Gulfstream Race Track have applied for development approvals to construct up to 1,200,000 square feet of retail space and 1,500 residential units as well as office space and hotels on their property.

- Downtown Hollywood

The City of Hollywood has approved the development of approximately 1,500 new residential units on the periphery of Young Circle. Construction of the first project, with just a few less than 400 units, is underway.

- Downtown Ft. Lauderdale

The City of Ft. Lauderdale and Broward County are proposing the development of major new residential units in the area at the intersection of Broward Boulevard and Andrews Avenue. The first 3,000 units have received conceptual approval.

## APPENDIX

### The Washington Economics Group's Project Team and Qualifications

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#### ***J. Antonio "Tony" Villamil***, Principal Advisor

Tony Villamil is Chief Executive Officer of The Washington Economics Group, Inc., serving most recently as Director of the Governor's Office of Tourism, Trade and Economic Development of Florida. He is currently Chairperson of the Governor's Council of Economic Advisors and a member of the Board of Directors of Enterprise Florida. Mr. Villamil has over 25 years of successful experience as a business economist and as a public official of both the federal and State of Florida governments. He served as U.S. Undersecretary of Commerce for Economic Affairs in the administration of President George H. Bush during 1989-1993. Mr. Villamil received his undergraduate and graduate degrees in economics from Louisiana State University (LSU) in Baton Rouge, where he also completed PhD coursework in Economics.

#### ***Andrew Dolkart***, Senior Consultant for Real Estate Economics

Andrew Dolkart is Senior Consultant for Real Estate Economics with The Washington Economics Group, Inc. and President of his own firm, Miami Economic Associates, Inc. Mr. Dolkart has provided real estate consulting services to developers, investors and governmental entities for over 30 years. His many consulting assignments have involved all major uses of real estate including residential, hotel and resort development as well as office, retail and industrial projects. His professional activities have been primarily focused on real estate projects in Florida. He has performed market and financial analyses for community redevelopment authorities in Clearwater, Jacksonville, St. Petersburg, Miami and Miami Beach. Andy Dolkart received his Master of Business Administration from Harvard Business School (1967-1969). His Bachelor of Arts, Cum Laude is from Harvard College (1963– 1967).

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Our roster of clients, over the past eight years, includes multinational corporations, financial institutions, public entities, and non-profit associations expanding their operations in the Americas.

#### **EXCLUSIVE CONSULTING APPROACH:**

Each client is unique to us. We spend considerable time and effort in understanding the operations, goals, and objectives of clients as they seek our consulting and strategic advice. We are not a mass-production consulting entity nor do we accept every project that comes to us. We engage a limited number of clients each year that require customized consulting services in our premier areas of specialization. These premier and exclusive services are headed by former U.S. Under Secretary of Commerce, Dr. J. Antonio Villamil, with over twenty-five years of experience as a business executive and as a senior public official of the U.S. and most recently of Florida.

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*Comprehensive Corporate Expansion Services for Florida.* Our seamless and customized service includes site selection analysis, development of incentive strategies and community and governmental relations.

*Economic Impact Studies* highlight the importance of a client's activities in the generation of income, output and employment in the market area serviced by the entity. These studies are also utilized to analyze the impact of public policies on key factors that may affect a client's activities such as tax changes, zoning, environmental permits and others.

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### ***Statement on the Projections***

*Certain of the information in this report may constitute “forward-looking statements” as defined under federal securities laws. Words or phrases such as “should result,” “are expected to,” “is likely,” “we anticipate,” “we estimate,” “we project,” “we believe,” “we forecast” or similar expressions are intended to identify forward-looking statements. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or projections. You should not place undue reliance on forward-looking statements, since such statements speak only as of the date of the making of such statements.*