

MIAMI'S GREAT INFLECTION:

TOWARD SHARED PROSPERITY AS A CREATIVE
AND INCLUSIVE GLOBAL CITY



FIU-Miami Creative City Initiative



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FIU-Miami Creative City Initiative 2016

The Creative Class Group, founded by world renowned urbanist Richard Florida, is a global advisory firm composed of expert researchers, academics, and business strategists. Our proprietary data and research, gives companies and regions leading insights to achieve growth and prosperity.

THE AUTHORS



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Richard Florida is the world's leading urbanist. He is a researcher and professor, serving as the Director of the Martin Prosperity Institute at the University of Toronto's Rotman School of Management, Global Research Professor at New York University and a Visiting Fellow at Florida International University. He is a writer and journalist, having penned several global best sellers, including the award winning *The Rise of the Creative Class* and serving as senior editor for *The Atlantic*, where he co-founded and serves as Editor-at-Large for CityLab. And he is an entrepreneur, as founder of the Creative Class Group which works closely with governments and companies worldwide.

A 2013 MIT study named him the world's most influential thought leader. And *TIME* magazine recognized his Twitter feed as one of the 140 most influential in the world.

He previously taught at Carnegie Mellon, Ohio State University, and George Mason University, and has been a Visiting Professor at Harvard and MIT and Visiting Fellow at the Brookings Institution. He earned his bachelor's degree from Rutgers College and his Ph.D. from Columbia University.



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Steven Pedigo is the Director of Cities and Research for the Creative Class Group, a global think tank comprised of leading researchers, academics and strategists. As a consultant in the urban space, Steven advised an array of clients: BMW, Converse, Starwood, IBM, Philips, Cirque du Soleil, Audi, Pinewood Studios, Zappos, and Kraft. A selection his city clients represents communities from across the globe: Jerusalem, Vancouver, Washington, D.C., San Diego, Portland, the Yukon, Noosa, and Sao Paulo.

In addition to his role at CCG, Steven is Director of the NYU School of Professional Studies Initiative for Creativity and Innovation in Cities and a Clinical Assistant Professor for Economic Development at the NYU Schack Institute of Real Estate. In this role, he is leading the effort to develop and deliver the School's urban development curriculum and research program.

Steven holds a bachelor's degree from the University of Texas at Austin and graduate degrees from the H. John Heinz III School for Public Policy and Management at Carnegie Mellon University and the University of Illinois at Urbana-Champaign.



EXECUTIVE SUMMARY

Greater Miami has reached a crossroads. Its economy - historically based on tourism, hospitality, transportation, and real estate development - has deepened, diversified, and become more creative and idea-based, as banking, media, arts, education, and new technology-based industries have come to play a larger role in its mix. The region now finds itself at a critical inflection point.

With generous support from Florida International University (FIU), the Creative Class Group (CCG) has undertaken a multi-year study of Greater Miami's ascent as a global, creative city. The study is organized around a detailed, data-driven analysis of its economy and talent base, alongside focus groups with its business leaders and other key stakeholders. This report - the first output of the FIU-Miami Creative City Initiative - enumerates the Greater Miami region's substantial assets and strengths but also addresses the significant challenges facing the region as a global city in the 21st century.

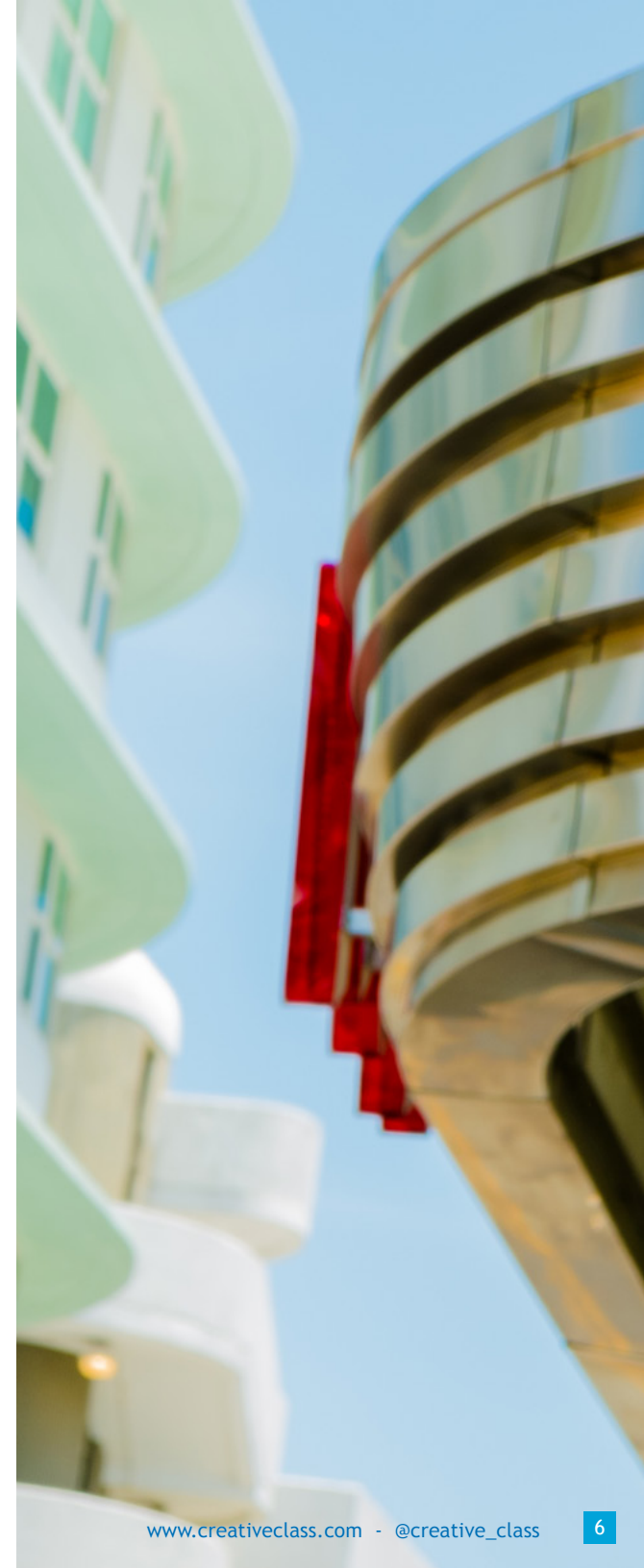


As spectacular as Greater Miami's growth and development have been, it is time for a new narrative and strategic vision for the region's future. In an effort to spur the conversation and strategic thinking required to do so, this report outlines 10 key areas for focus, opportunity, and action:

- **Take Even Greater Advantage of the Region's Size and Scale.** With nearly six million residents and an economic output of more than \$300 billion, Greater Miami is one of the largest economic regions in the U.S. and the world, comparable to Singapore and Hong Kong. Furthermore, Miami is the hub of the Southern Florida or So-Flo mega-region, extending to Tampa and Orlando, which houses 15 million people and produces more than \$750 billion in economic output, roughly the same as the Netherlands, making it one of the 20 largest national economies in the world. Miami needs a new approach to regionalism, which builds upon this considerable size and scale.
- **Leverage the Region's Role as a Globalization Hub.** Endowed with a coastal location at the southern tip of the eastern seaboard oriented toward Latin America and the Caribbean, Miami is now one of the 25 most important global cities. With its international airport and port, Miami is the economic and financial hub of Latin America and increasingly a gateway to Europe and the world. With a proactive strategy, Miami can better leverage infrastructure investments and anchor institutions to utilize this competitive advantage.
- **Broaden and Deepen the Region's Growing Startup Ecosystem.** With approximately \$300 million in venture capital investment in its startup companies in 2015, Greater Miami's entrepreneurial ecosystem ranks 16th among U.S. cities and metros. The broader So-Flo mega-region took in nearly \$600 million in venture capital investment, roughly comparable to Greater Chicago, Austin, and Toronto. This investment is concentrated in and around the region's urban neighborhoods, enabling the region to benefit from a movement of entrepreneurship and innovation away from long-held suburban locations toward urban centers.
- **Build a Fully Creative Economy.** Greater Miami's economic future lies in the full breadth of its creative economy, which spans arts, culture, fashion, media, entertainment, music, and food, as well as science and technology, health and education, logistics and management, and business and finance. In fact, three key talent sectors - science and technology, business and finance, and arts, culture, design, and media - power economic growth and lead to higher incomes and living standards. It's time for the region to harness its full creative capabilities for long-run sustained growth.
- **Upgrade the Region's Service, Hospitality, and Tourism Sector.** Hospitality and tourism remain key drivers of Miami's economy and deliver a strong competitive advantage. Indeed, roughly half of the region's jobs, 1.3 million of them, are in the service sector. By upgrading these low-pay, low-skill jobs into family-supporting occupations and careers, the region can bolster its middle-class while increasing the productivity and competitiveness of its hospitality, tourism, and service sector across the board. MIT research finds that upgrading retail and hospitality jobs - involving and engaging workers more fully and paying them more - results in greater productivity and profits, creating a win-win strategy for workers, companies, and regions.



- **Capitalize on Brain Circulation.** The conventional wisdom is that Greater Miami faces a brain drain of its top young talent, but that is the case with virtually every large metro whose talented young people head out for college or to pursue their careers. Greater Miami also benefits from an enormous inflow of talent from across the nation and the world in the form of students and immigrants. For every brain that drains away, others are gained. The key is to capitalize on Miami's role as a hub in the process of *brain circulation* from around the world.
- **Promote the Region's Tolerance and Diversity Strengths.** Greater Miami is among the most tolerant communities in the world. Diversity and tolerance are more than social virtues: they are economic drivers. Leading tech hubs combine high levels of tolerance, which enables them to attract talent from across all demographic groups - women, ethnic and racial minorities, immigrants, and the gay and lesbian community - with technology prowess to generate their innovative and entrepreneurial edges. Greater Miami can utilize its open, diverse, and tolerant environment to bolster its ability to attract talent and further build its innovative and creative economy.
- **Use Quality of Place as an Economic Driver.** With its warm climate, abundant sunshine, spectacular coastline, world-class arts and cultural infrastructure, and the amenities of a large, global city, Greater Miami has a significant *quality of place* advantage that is critical in attracting and retaining talent. It also benefits from housing prices which, while still high, especially for less-advantaged groups, are considerably more affordable than superstar cities and tech hubs like New York, San Francisco, and Los Angeles. The region's quality of place is a considerable competitive asset that can and should be leveraged for greater economic gain.
- **Engage All of Miami in Inclusive Prosperity.** Miami suffers from the same type of the socio-economic divides that vex other large, successful global cities and metro areas. The middle class has dwindled, and the gap between rich and poor has grown. Greater Miami suffers from a low rate of economic mobility, which limits the ability of its residents to move up the economic ladder and achieve the American Dream. By building a more inclusive community, the region can improve the life prospects of its people and tap into the talents of all of its residents as a source of shared prosperity and economic growth.
- **Address the Region's Growing Crisis of Success.** Greater Miami has come to a tipping point in its growth. As metro regions hit five or six million people, they become congested, and their old growth models based on sprawl and car dependence start to break down. The region faces high levels of congestion and gridlock, which wastes productivity and slows the movement of people, goods, and ideas that is so critical for innovation and economic growth. The region is investing in transit and faster rail service as All Aboard Florida comes on stream. It is time to more fully embrace a new growth model for the future, one that is less dependent on cars and sprawl and instead revolves around rail, transit, and density.



“OUR GEOGRAPHY IS OUR DESTINY.”
- MARK ROSENBERG, FIU PRESIDENT

INTRODUCTION

Historically, the engine that drove greater Miami’s economy was its geography - its incredible natural endowments of ocean, coastline, and natural ports and harbors, and its location at the southern tip of the eastern seaboard oriented toward Latin America and the Caribbean. Its warm climate, abundant sunshine, and open and tolerant social climate welcomed vacationing families and singles, and even more importantly, a steady flow of foreign immigrants, domestic migrants, and snowbirds. More than two decades ago, back in 1994, FIU President Mark Rosenberg noted that Miami’s “geography” was its “destiny.”¹

As the region has grown, its economy has diversified, adding strengths in media, finance, fashion, design, medicine, logistics, aeronautics, bio-medical science, and even software development - high-growth creative fields that depend on high levels of talent and human capital. The region’s architecture and skyline - from Art Deco and MiMo classics to dozens of new contemporary towers - are now almost as recognizable as those of New York, Chicago, and Paris. Miami’s airport, which services more international travelers than any other in the U.S. except New York’s JFK, and its substantial port provide real global connectivity. Both of these assets have received continuous capital investment for over two decades. As a hub of the larger South Florida mega-region, which extends to Orlando and Tampa, it has a size and scale that is equivalent to one of the 20 largest economies in the world.²

FIU-MIAMI CREATIVE CITY INITIATIVE

The FIU-Miami Creative City Initiative will engage political, business, and cultural leaders, faculty, students, alumni, and the greater community in a dialogue on how creativity, culture, design, and innovation can drive a regional economy.

More than two decades ago, Alejandro Portes, now at the University of Miami, and Alex Stepick of FIU dubbed Miami as a “city on the edge,” with many assets and many challenges. The region’s transformation, they added, was a story of “change without a blueprint.”³ Greater Miami has seen one of its greatest growth waves since that time, benefitting from the strategic action of visionary stakeholders, groups, universities and colleges, and mayors since. It is now time to renew the region’s commitment to a regional strategy and to engage a broad region-wide conversation about a more inclusive prosperity that takes into account the mounting realities and challenges that face the region today. The time to act is now: if it misses this opportunity, the region risks losing the economic advantages it has achieved.

To this end, Florida International University (FIU) and Creative Class Group (CCG) created the FIU-Miami Creative City Initiative, an ongoing collaboration to better understand the forces that are shaping the future of Greater Miami. Our aim is to build upon the strong foundation created by the region’s political, business, academic, and civic leadership and organizations over the past several decades to help identify the key things Greater Miami can do to position itself as a more innovative, creative, inclusive, and prosperous global city and region.

This report provides a data-driven analysis of Greater Miami’s strengths and weaknesses, opportunities and challenges. We have undertaken a detailed analysis of the region’s key occupational and industrial clusters, its standing on the 4Ts of economic development (Technology, Talent, Tolerance, and Territory Assets), its startup and entrepreneurial environment, the size and scale of its economy, its status as a global city, and key challenges it faces from growing inequality and segregation, housing affordability, and traffic congestion. We examined these data and trends for the greater Miami metro which includes Miami, Fort Lauderdale, Palm Beach, and the broader Southern Florida mega-region that runs from Miami to Orlando and Tampa. In collaboration with our colleagues at FIU and with the support of the Beacon Council, we conducted a series of structured focus groups and roundtable conversations with regional leaders from the business, civic, academic, and creative communities.

This report is the initial product of this ongoing initiative. Designed to spur conversation and strategic thinking, our analysis identifies 10 key areas for regional focus and opportunity.

BENCHMARK REGIONS

- Atlanta
- Chicago
- Dallas-Fort Worth
- Houston
- Las Vegas
- Los Angeles
- Miami
- New York
- Orlando
- Philadelphia
- Phoenix
- San Antonio
- San Diego
- San Francisco
- Washington, D.C.

SCOPE OF OUR ANALYSIS

Our analysis took a deep dive into the region’s strengths and weaknesses, opportunities and challenges across hundreds of key metrics and indicators across multiple geographic scales - Miami-Dade County, the Greater Miami metro, spanning Miami, Fort Lauderdale, and Palm Beach, and the South Florida mega-region which runs from Miami to Orlando and Tampa.

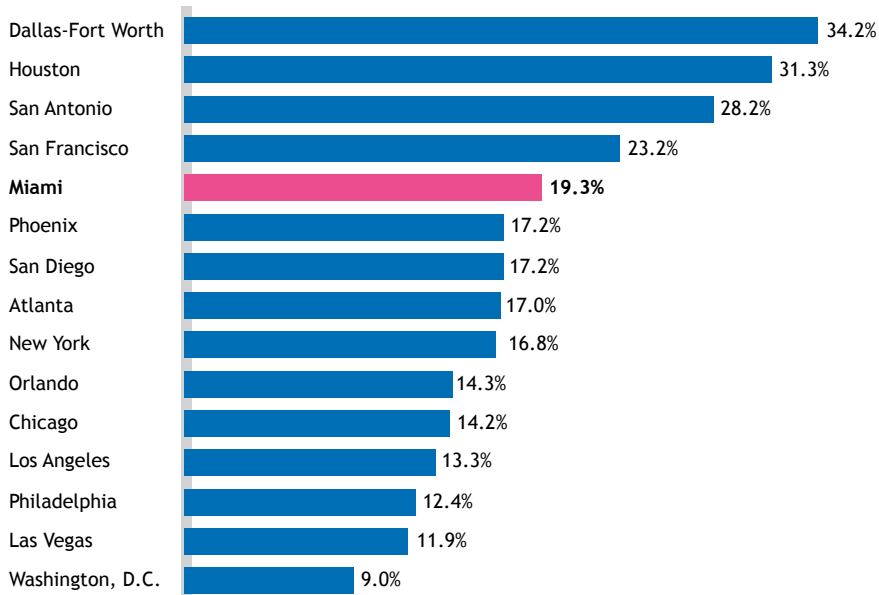
- **Identified the Region’s Talent Base:** Identified the region’s underlying talent base and skillsets by examining more than 800 occupations and 22 major occupational clusters. We compared that to the region’s key business drivers and industrial clusters.
- **Analyzed the Startup Economy:** Assessed the region’s startup economy by using detailed data on venture capital investment across the cities and neighborhoods that make up the metro.
- **Examined Brain Drain and Gain:** Closely examined the circulation of talent and brains in and out of the region. Identified the retention rates of local two- and four-year colleges and universities compared to the nation.
- **Assessed the Region’s Key Economic Drivers:** Evaluated and benchmarked the region’s economy on 40-plus metrics that span the “4Ts” of economic development - Technology, Talent, Tolerance, and Territory Assets.
- **Identified the Region’s Divides and Challenges:** Identified the region’s major divides and challenges across dozens of key metrics and indicators of inequality, segregation and traffic congestion.
- **Assembled Focus Groups / Roundtable Discussions.** Conducted a series of focus groups and roundtables with regional business and community leaders, entrepreneurs, economic developers, young talent, and university students on issue areas such as talent attraction and retention, arts and culture, placemaking, entrepreneurship, export and logistics, and regional divides.

This report is the initial output of our work and is intended to garner more input and help expand the conversation and narrative about the region’s economic future. In the coming years, we will take a deeper dive into key aspects of the region’s opportunities and challenges.

TAKE EVEN GREATER ADVANTAGE OF THE REGION'S SIZE AND SCALE

With nearly 5.8 million residents and a workforce of 2.6 million, Greater Miami is the eighth-largest metropolitan area in the U.S. - larger than metro Atlanta, San Francisco, Phoenix, and San Diego, and on par with Philadelphia and Washington, D.C. Its population has grown by 5.4% in the past five years - a significantly faster rate of growth than that of San Francisco, LA, or San Diego - and its economic output or gross regional product has grown nearly 20% to reach \$300 billion, making it roughly the size of Singapore and Hong Kong.⁴ The metro is home to 682,000 Creative Class workers, spanning key occupations such as science, technology, engineering, architecture, media, arts, academia, finance, medicine, and business management. This is double the size of the Creative Class in Austin, Portland, and Nashville.

Figure 1: 5-Year Growth Gross Regional Product



Source: U.S. Bureau of Economic Analysis 2010-2014

GREATER MIAMI AT A GLANCE

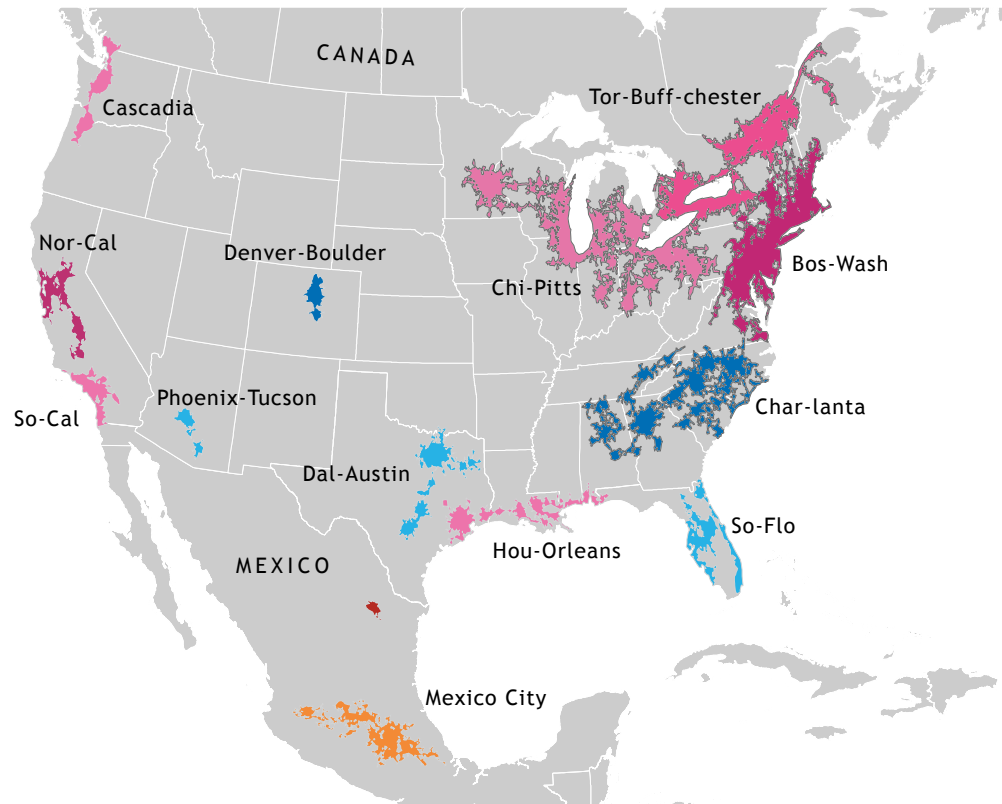
- 5.8 million residents
- 5,078 square miles
- \$300 billion in economic output
- 682,000 members of the Creative Class
- Broward, Miami-Dade and Palm Beach Counties

TAKE EVEN GREATER ADVANTAGE OF THE REGION'S SIZE AND SCALE // CONTINUED

Beyond this, Miami is the hub of the broader Southern Florida or *So-Flo* mega-region, which stretches northwest and northeast to Tampa and Orlando.⁵ The So-Flo mega-region is home to 15 million people and produces more than \$750 billion in economic output, making it roughly the same size as the Netherlands and one of the 20 largest economies in the world.⁶ The great majority of

the 100 million annual visitors to Florida choose this region as their premier destination. The Creative Class in So-Flo's mega-region exceeds 1.7 million workers, more than Washington, D.C., Chicago, and San Francisco. The mega-region boasts the size and scale to make it one of the world's largest and most important economies.

Figure 2: Megaregions of North America



Source: Richard Florida, Tim Gulden and Charlotta Mellander, "[The Rise of the Mega-Region](#)," *Cambridge Journal of Regions, Economy and Society*, 1:3, 2008

LEVERAGE THE REGION'S ROLE AS A HUB FOR GLOBALIZATION

Miami now numbers among the world's two dozen leading global cities, ranking 23rd on a 2015 analysis by The Economist Intelligence Unit, making it a potent economic and financial hub for Latin America, Europe, and the world.⁸

Miami is a major transport and logistics hub. This is a credit to the region's more than two decades of intentional public investment in its airport, port, and other key infrastructure.

With more than 42 million passengers, 21 million of them international travelers, the Miami International Airport ranks second only to New York's John F. Kennedy Airport in the number of international flights departing from the U.S.⁹ The airport also serves as the hub for the region's growing aviation cluster, which includes more than 466 companies offering services in airfreight, flight simulators, flight training, aircraft parts, and assembly.¹⁰ There are several other smaller but efficient airports in the So-Flo region, including Fort Lauderdale-Hollywood International, Orlando International, and Tampa International. All together, they serve some 145 million passengers per year.¹¹ This is a tremendous asset as airports are key drivers of economic growth, according to a detailed 2012 economic study. Indeed, moving people has roughly double the effect on economic output than moving goods has. Ultimately, a global airport like Miami's has an economic impact that is similar to that of cutting-edge high-tech clusters and a vibrant talent base - making it one of the three key factors that drive regional economies today.¹²



MOVING PEOPLE INTO A METRO
HAS A GREATER ECONOMIC EFFECT
THAN MOVING GOODS.

LEVERAGE THE REGION'S ROLE AS A HUB FOR GLOBALIZATION // CONTINUED

Serving 4.3 million passengers a year, PortMiami is the world's busiest cruise ship port, shipping more than 7.4 million tons of freight around the world. As the Panama Canal expands, PortMiami is preparing for the expected growth in traffic with a \$2 billion dollar-plus renovation.¹³ A tunnel to provide direct access to the port from major interstate highways has been completed, and a dredging project will make PortMiami the only port south of Virginia that can accommodate mega-cargo vessels.¹⁴

These two critical pieces of infrastructure underpin the region's role as a transport and logistics hub. The Beacon Council's detailed industrial cluster analysis identifies aviation and trade and logistics as two of the region's seven key target industries.¹⁵ Ryder Systems, Inc., which was founded in Miami more than 75 years ago, is a Fortune 500 company with advanced logistics services that cover the globe. Japan's Crystal Mover Services, Inc., a specialized operations and maintenance organization, recently established its U.S. headquarters in Miami-Dade, as did Uni Logistics America, one of the top 10 private international freight forwarding companies

in China. These are just a few of the 2,262 logistics and export companies that call South Florida home.¹⁶

Greater Miami is a business and financial hub for Latin America, Europe, and the world. The region is home to 13 investment banks, 19 private equity firms, 60 hedge funds (and growing), and 63 wealth-management firms, as well as more than 200 family offices - private companies that manage money for one or more families with assets of at least \$60 million.¹⁷ Visa International and PayPal have both located large facilities in Miami to service Latin American clientele. Miami is a hub of Spanish language television and music production, thanks to its Latin American connections. The publicly funded Miami Omni Community Redevelopment Agency, in partnership with EUE/Screen Gems Studios, recently built a massive production center in downtown Miami that signed Viacom as its anchor tenant. BBC Worldwide, ABC/Univision, HBO Latin America, Telemundo, and America Teve all house major operations in Miami as well.¹⁸

Back in 1997, in a study entitled "Globalization to a Latin Beat: The Miami Growth Machine," geographer Jan Nijman explored the role that Miami's connections to Latin America have played in the globalization of its economy. "Miami's transformation and growth," he wrote, "are based on the convergence of two developments: the arrival of very large numbers of Latin American immigrants and the globalization of the world economy."¹⁹

Miami's role as a global city has been propelled by sustained investment in its airport and port and by the vision of many private and public sector actors. In the 1970s and 1980s, six-term mayor Maurice Ferré, imagined Miami's growing role as a global city. In the early 2000s, Miami Mayor Manny Diaz envisioned and positioned Miami "as a city that would be spoken in the same breath as Paris, London, Buenos Aires, and New York," developing the city's game-changing Miami 21 approach to land use and urban planning.²⁰

It is time to renew this strategic commitment to Miami's role as a global city.

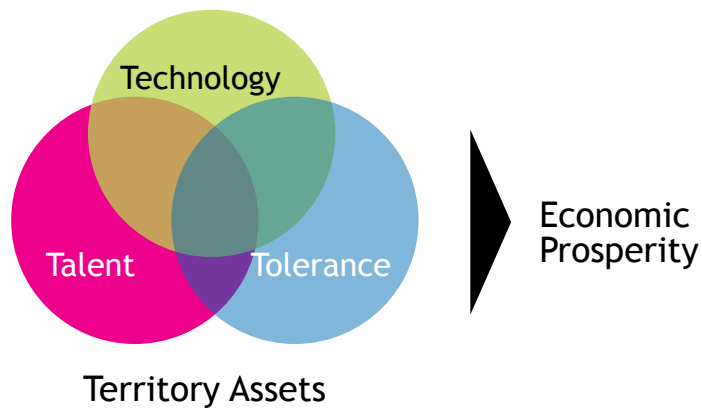


BROADEN AND DEEPEN THE REGION'S GROWING STARTUP ECOSYSTEM

Startups, innovation, and entrepreneurship are central drivers of regional growth. Together they make up Technology, the first critical “T” in the 4Ts of economic development. Places like San Francisco, Boston, and Austin prosper in large part due to the growth of their technology industries.

First the good news: Miami-Dade County ranked second in business formation in the post-crisis period between 2010 and 2014, with a gain of nearly 7,000 new business establishments.²¹ This was second to only Los Angeles County and ahead of New York, San Jose (Silicon Valley), Austin, San Francisco, Houston, Chicago, Phoenix, and San Diego. Palm Beach County was ninth, right ahead of Broward County. This not only puts Greater Miami in refined company, it reflects the increasingly spiky, concentrated, and clustered reality of today's economy, where just 20 U.S. counties (less than 1% of the total) generated more than half of all new business formations. The report notes that these large urban counties and especially those in South Florida are home to large populations of immigrants who are “disproportionately likely to start new businesses.”²² But business formation is a broad measure that includes all manner of small businesses and mom and pop shops. It does not isolate or identify the more propulsive, scalable, innovative startup companies that power growth and generate high-quality jobs.

Figure 3: 4Ts of Economic Development



Source: Richard Florida, *The Rise of the Creative Class Revisited*, New York: Basic Books, 2012



BROADEN AND DEEPEN THE REGION'S GROWING STARTUP ECOSYSTEM // CONTINUED

On these dimensions, Miami's high-tech startup ecosystem is still nascent. Greater Miami ranks 101 out of the nation's 350-plus metros on our Technology Index, a comprehensive composite measure of a region's high-tech industry and innovativeness. It places 158th out of 200 metros on the Milken Institute's High-Tech Index,²³ which measures the share of economic output that is associated with high-tech growth. In addition, Miami's high-tech Location Quotient or LQ, the ratio that compares its concentration of high-tech industry to that of the entire nation, is 0.96, which is 4% below the national average. (Miami's LQ for high-tech employment is even lower at 0.80.) By way of contrast, San Francisco's high-tech LQ is 2.1, and Boston's is 1.5. Neighboring Tampa and Orlando have high-tech LQs of 1.1, showing the leverage that can come from harnessing the mega-

region broadly. On the upside, the region's projected growth rate for high-tech jobs is a substantial 15%.²⁴

The level of venture capital investment in regional startups provides perhaps the best measure of commercially relevant technology and entrepreneurship, showing the value venture investors place on startups in various locations. Greater Miami attracted roughly \$300 million in venture capital in 2015, placing it 16th among U.S. metros. Of this, nearly two-thirds (\$196 million) flowed to software startups, with \$66 million for media, \$31 million for biotech, \$25.5 million for medical, and nearly \$9 million for information technology.²⁵ In February 2016, the entertainment-technology startup Magic Leap, located in Dania Beach, raised \$793.5 million in new venture funding for a "cinematic reality

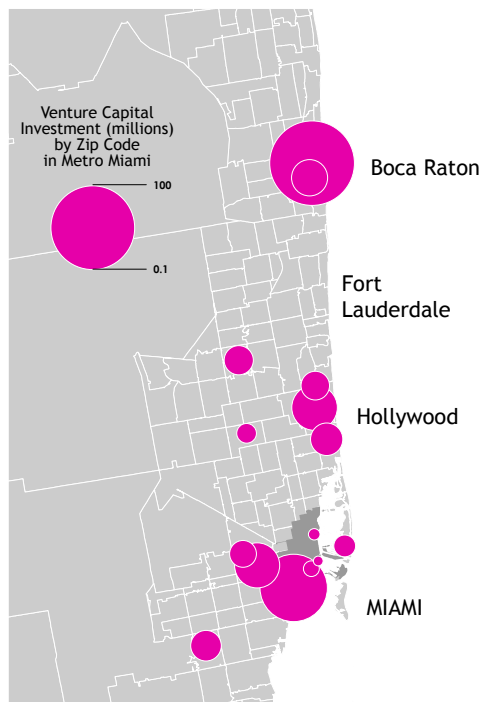
device," a coup that Wired described as "what might be the largest C-round in Internet history."²⁶ But to put all that in context, venture capital investment in Greater Miami amounted to roughly 2% of all U.S. venture capital investment. This compares to nearly 8% for New York and Boston and about 45% for the Bay Area that spans Silicon Valley and San Francisco.²⁷ Miami ranked 17th in the country in startup exits, a key factor in the growth and sustainability of its startup ecosystem.²⁸ The actions and investments of the Knight Foundation, eMerge Americas conference, and others have done much to nurture and network the region's emerging startup ecosystem.

Unfortunately, Miami also suffers from relatively low-quality entrepreneurship, according to a 2016 MIT study that identifies "quality" as a factor that enables metros to not just generate startups but to grow and scale them. Miami's startup ecosystem is lagging in this ability compared to the Bay Area and Boston. "Even during the height of the dot-com boom," the MIT study notes, "there was relatively little shift in the overall entrepreneurial quality of any region, and over time, there has been an erosion of relative quality in [the Miami] region."²⁹ And while Miami ranked second among the nation's 40 largest metro areas on firm formation, it also ranked next to last in growth among fast-growing "scale-up" companies, according to the recently released Kauffman Foundation's 2016 Index of Growth Entrepreneurship study.³⁰

The challenge the region faces on entrepreneurship is less one of quantity and more one of quality. The region is generating new business establishments and startups at an enviable pace; however, the issue is enabling those new establishments to scale into high-quality, sustainable enterprises and large exit events that underpin world-class entrepreneurial ecosystems.

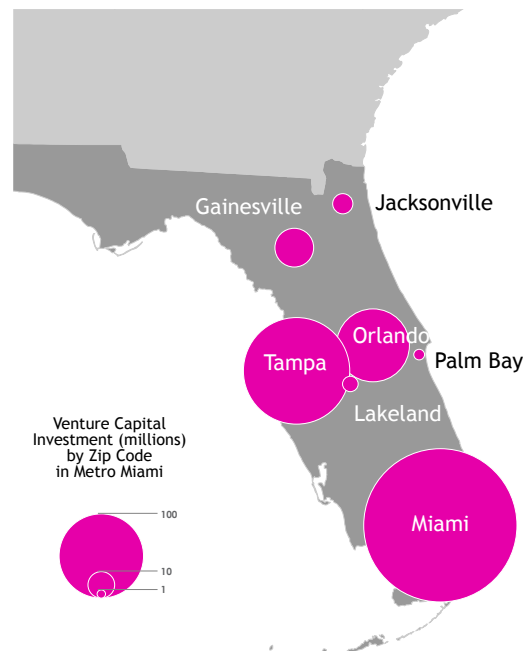
The key is to focus on the region's unique and distinctive industrial and talent strengths. Miami Beach's Mayor Levine put it candidly when asked back in 2014 if his own Miami Beach could become another Silicon Valley. "It's the dumbest idea in the world," he said. "It's important for cities to play to their strengths. Don't try to be something you're not... Miami Beach, our strengths are tourism and travel. We also think there's great

Figure 4: Greater Miami Venture Capital Investment



Source: Martin Prosperity Institute 2015

Figure 5: So-Flo Megaregion Venture Capital Investment



Source: Martin Prosperity Institute 2015

opportunity for us to attract hedge funds and private equity groups, because what do they need? They're looking for, number one, quality of life. We have it. Number two, they want beautiful places to live. Miami Beach, we have it. Number three, they want tax savings. You move from New York to Florida, you're going to save probably almost 10% on your income."³¹

"I WOULD DESCRIBE THE MIAMI TECH COMMUNITY AS A TWEEN. IT'S NOT AN INFANT ANYMORE, BUT IT'S STILL TRYING TO FIND ITS LEGS."

The point is that to be successful Greater Miami must develop a distinctive approach to innovation and entrepreneurship that reflects and leverages its unique strengths. This is also what we heard in our focus groups and interviews with Miami-area entrepreneurs and venture investors.

"Miami still has a lot of growing to do," is the way one of our focus group participants put it. "In terms of a tech hub, I don't think we'll be all things tech to all sectors and all niches. We're still trying to discover what some of those key points and areas are that we're going to grow and rise in. But a lot is happening, and I think it's happening rather quickly."

"I would describe the Miami tech community as a tween," another said. "It's not an infant anymore, but it's still trying to find its legs." Still another added, "I think we're finally realizing we don't need to be a Silicon Valley. We don't need to be New York. We can be something altogether different. But we're still trying to figure out what that difference is."

All of this being said, our analysis suggests that there are three strengths that the region can draw on to improve the quality of its entrepreneurial ecosystem and accelerate its startup potential.

The first comes from the size and the scale of the mega-region. When combined with Orlando and Tampa, the mega-region accounts for more than \$600 million in venture capital investment, roughly comparable to Greater Chicago, Austin, and Toronto.³² There are considerable technology skills and assets to be leveraged across the mega-region: media and entertainment in Orlando, the space and aerospace cluster across the "Space Coast," and Tampa's strengths in industrial, energy, and communications technology. One example of the kind of collaboration and cooperation that is needed is the [Florida Consortium of Metropolitan Research Institutions](#) - a joint effort of public universities in Miami (Florida International University), Orlando (University of Central Florida), and Tampa (University of South Florida) that leverages the diverse, but complementary, strengths and capabilities of their respective research communities.

Second, Miami's startup ecosystem is well-positioned to leverage the ongoing "urban shift" in startups and high-technology as businesses are increasingly opting to locate in urban centers rather than suburban "nerdistans."³³ San Francisco now attracts far more venture capital investment than do the suburbs of Silicon Valley. Today,

the two neighborhoods that attract the most venture capital in the U.S. - more than a billion dollars each - are both located in downtown San Francisco. And Lower Manhattan has become one of the nation's and the world's leading centers for startups and venture capital. Urban centers attract a diverse array of talent, allowing them to combine and recombine their ideas and swiftly mobilize entrepreneurial resources. Denser cities and neighborhoods are more efficient than suburban nerdistans for startups. While established tech giants like Apple, Google, and Facebook require and can afford to build large corporate campuses, which are easier to accommodate in suburban areas, cities are increasingly the homes for startups. This is because the talent that is required for startups increasingly prefers urban areas. As New York venture capitalist Fred Wilson points out, "Society is at its most dense in rich urban environments where society and technology can inspire each other on a daily basis."³⁴ Miami is rich in exactly those kinds of urban neighborhoods. In fact, our analysis of neighborhood-level startup activity and venture capital investment shows considerable clusters of activity in downtown Miami, including Brickell, Edgewater-Morningside, and Wynwood, with other clusters in Coconut Grove, Miami Beach, and downtown Boca Raton.³⁵

Figure 6: Top 10 Greater Miami Neighborhoods for Venture Capital Investment

Rank	Zip Code	Neighborhood	Venture Capital Investment (Millions)	Share of Metro Total
1	33487	Boca Raton	\$102	31.0%
2	33133	Coconut Grove	\$65	19.8%
3	33020	Hollywood	\$30	9.1%
4	33126	Miami Airport	\$29	8.9%
5	33431	Boca Raton	\$19	5.8%
6	33180	Aventura	\$15	4.6%
7	33186	Kendall Airport/ Three Lakes	\$13	4.1%
8	33324	Fort Lauderdale	\$12	3.7%
9	33004	Dania	\$12	3.6%
10	33122	Doral/ Miami Airport	\$10	3.2%

Source: Martin Prosperity Institute 2015

BROADEN AND DEEPEN THE REGION'S GROWING STARTUP ECOSYSTEM // CONTINUED

Third, Miami can do even more to leverage its other creative economy strengths beyond technology - in arts, culture, fashion, music, design, media, entertainment, food and others - to grow its startup ecosystem. New York's and London's startup scenes have thrived by connecting technology with long-established industries and talent bases in finance and fintech, digital media, and entertainment.

Miami entrepreneurs are also discovering the opportunities that its region's broader creative economy offers. "You're part of the ecosystem," is the way one of our focus group participants put it, "and there isn't that much difference between the tech entrepreneur and ... the international entrepreneur." The broader lesson is that Miami's startup scene will thrive to the extent that it is built around the industries - healthcare, lifestyle, consumer, logistics, biosciences, or mitigating sea-level rise - in which Miami is already strong.

"YOU'RE PART OF THE ECOSYSTEM, AND THERE ISN'T THAT MUCH DIFFERENCE BETWEEN THE TECH ENTREPRENEUR AND THE INTERNATIONAL ENTREPRENEUR."

But even the most bullish members of Miami's startup economy understand that its ecosystem is still developing. "It's like we're waiting for the handful of people who are in college right now to grow their startups," one said. To get there, Miami needs to build on the creative strengths that it already has.



BUILD A FULLY CREATIVE ECONOMY

Miami's economic future lies in something bigger and more powerful than tech. The future lies in its broad-based creative economy, which combines its strength in arts, culture, fashion, media, entertainment, music, and food with those of science and technology, health and education, and business and finance. Our research shows that three key talent sectors - science and technology, business and finance, and arts, culture, design, and media - power economic growth and lead to higher incomes and living standards.³⁶

Figure 7: Defining the Creative Class



Source: Richard Florida, *The Rise of the Creative Class Revisited*, New York: Basic Books, 2012



BUILD A FULLY CREATIVE ECONOMY // CONTINUED

Greater Miami is home to nearly 700,000 creative class workers, who have occupations in science, technology, engineering, architecture, media, arts, academia, finance, medicine, and business management. That being said, the metro's creative class makes up just a quarter of its workforce, 6% below the national average. However, the creative class makes up 31.3% of the workforce in Miami-Dade County, and it is tightly clustered and concentrated in Miami's urban neighborhoods, making up anywhere from two-thirds to three-quarters of workers in parts of downtown Miami, Coconut Grove, Brickell, Key, and Pinecrest, and around the region's major universities.³⁷ Looking beyond greater Miami, there are nearly 1.7 million Creative Class workers in So-Flo; Miami has the size and scale necessary to build on the creative talents of its current workforce.

Figure 8: Top 10 Greater Miami Creative Class Neighborhoods

Rank	Neighborhood (Census Tract #)	Creative Class Share
1	Pinecrest (78.06)	76.6%
2	Downtown Miami (waterfront) (67.13)	71.7%
3	South Coconut Grove (waterfront), Miami (73)	71.5%
4	Boca Raton (near Florida Atlantic University) (70.08)	70.4%
5	Brickell Key/Downtown (waterfront), Miami (67.07)	69.8%
6	North Coconut Grove (waterfront), Miami (68.01)	69.4%
7	Coral Way/Islands (waterfront), Miami (67.06)	69.3%
8	University of Miami, Coral Gables (79.01)	68.7%
9	Aventura (waterfront) (1.29)	68.7%
10	Pinecrest (78.07)	68.5%

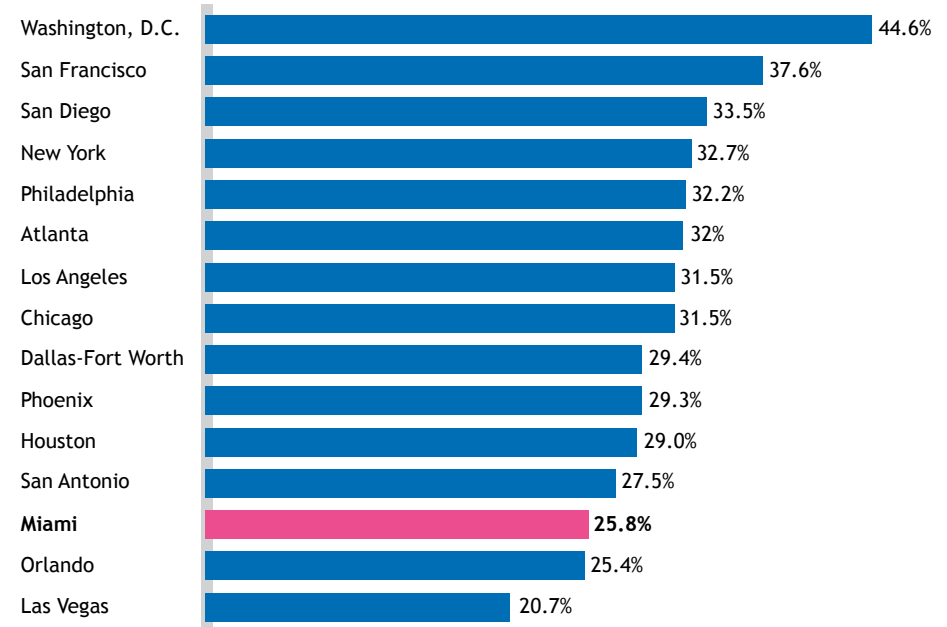
Source: Martin Prosperity Institute 2015

As a key part of our study, we took a deep dive into Miami's occupational clusters and talent base. This provides a different and complementary set of insights than a more traditional industry cluster analysis. For example, while an industry cluster analysis would classify a computer programmer and nurse who work for a hospital as members of the healthcare industry, our occupational or talent-based approach places them respectively in the software and computer sector and the healthcare sector. While an industrial cluster analysis may offer important information for firm recruitment and economic planning, it is the clusters of talent and skills that drive long-run growth and prosperity. Here, we combine the insights of our talent-based cluster analysis with the important findings of the industrial cluster analysis conducted by the Beacon Council to cover both the industry and talent sides of the equation. Together, they provide powerful insights.



WHILE A TRADITIONAL INDUSTRY- BASED ANALYSIS PINPOINTS A WORKER'S PLACE AND SECTOR OF EMPLOYMENT, AN OCCUPATIONAL ANALYSIS OFFERS A LOOK AT THE DIFFERENT TYPES OF SKILLSETS A REGIONAL WORKFORCE MAY HAVE.

Figure 9: Creative Class (% of Workforce)

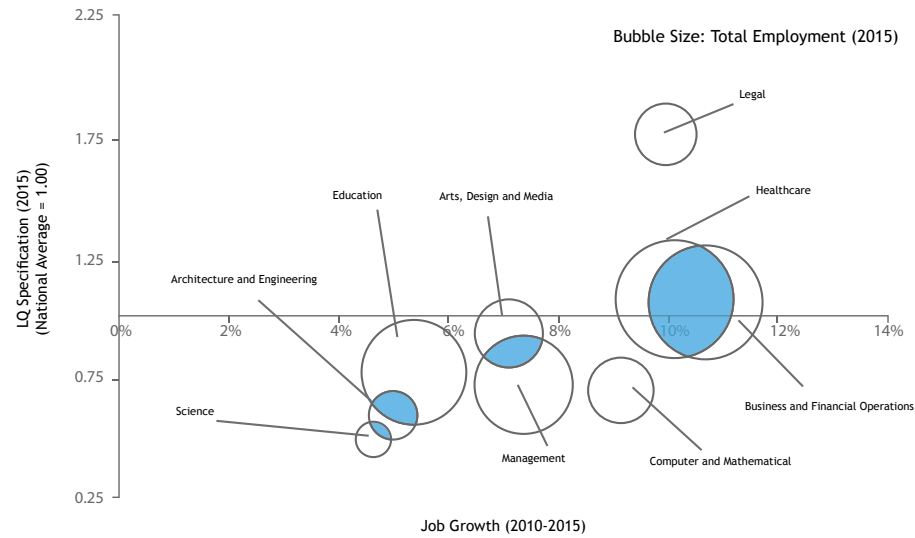


Source: Bureau of Labor Statistics 2015

BUILD A FULLY CREATIVE ECONOMY // CONTINUED

Our analysis of the region's occupational clusters identifies greater Miami's key creative talent strengths to include legal, healthcare, businesses and financial operations, and arts, design, and media. (See Figure 10) This lines up with the findings from the Beacon Council's analysis of the area's industry and employment-based clusters, which found healthcare, professional services, and culture and entertainment as key creative and knowledge-based industries. (See Figure 11)

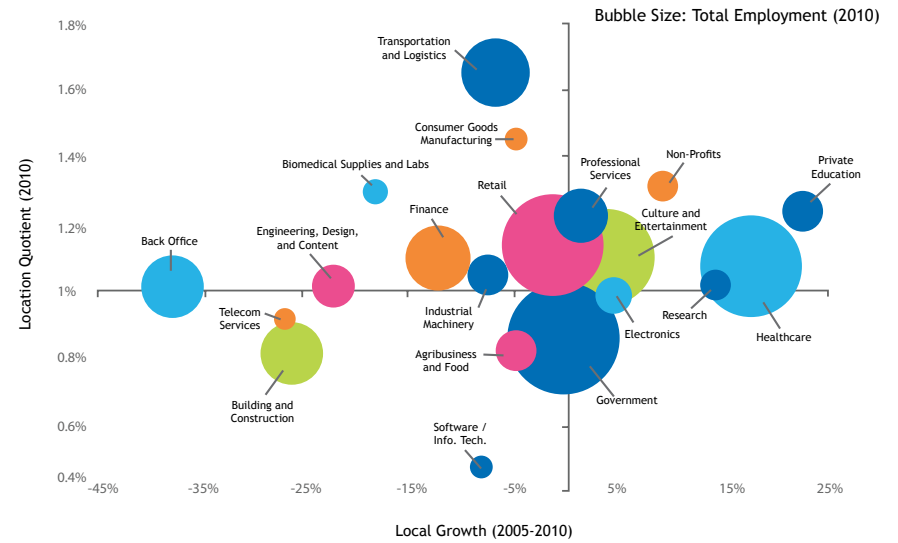
Figure 10: Greater Miami Creative Class Occupational Clusters



Note: Occupations include both payroll and self-employed individuals * Includes annual replacements

Source: EMSI 2015 and CCG Analysis 2016

Figure 11: Top 20 Miami-Dade County Industrial Clusters



Source: Beacon Council, "One Community: One Goal Strategic Plan and Target Industries," 2012



"CRYSTAL WYNWOOD MURAL" by Elvert Barnes is licensed under CC BY 2.0. No changes were made to the original file.

Our talent-based cluster analysis identifies nine major occupational groups and skillsets that comprise the broad talent base of greater Miami's knowledgeable, creative, and innovative economy.

Legal Professionals: With a share of legal talent spanning lawyers, paralegals, and judges that is 75% greater than the U.S. average, Miami has a competitive advantage in legal talent. This cluster supports a talent base of 38,000 legal professionals with an average salary of \$92,000, and it is expected to grow by almost 20% by 2024.

Healthcare Professionals: The region's healthcare talent cluster, which includes 154,000 doctors, nurses, nurse practitioners, physicians' assistants, and others healthcare professionals, provides it with another competitive advantage. The metro's largest high-end talent base, it is 8% larger than the U.S. average and is expected to grow by 11% by 2024 (5,220 job openings per year). This cluster earns an average annual salary of \$73,000.

The healthcare occupational cluster is essential for the growth and development of greater Miami's health sciences industry, a sector the Beacon Council identified as a key target industry. Miami's health sciences industry is comprised of 8,000 biomedical, medical device, and pharmaceutical companies, including Beckman Coulter, BD Biosciences, Cordis (a Johnson & Johnson Company), Merck, Baptist Health Florida, CareCloud Corporation, Jackson Memorial Hospital, Noven Pharmaceuticals, and Teva Pharmaceuticals.³⁸ This industry also boasts several key anchor institutions: University of Miami's Life Science Park, University of Miami's Miller School of Medicine, and Florida International University's College of Medicine and Biomedical Engineering.³⁹

Business and Finance: Greater Miami has an additional competitive advantage in business and financial talent. With 136,000 workers, it is the second-largest of the region's high-end talent clusters, exceeding the national

average by 6% and expected to grow by 11% by 2024. This cluster is critical to Miami's position as a global city and as a business and financial hub of Latin America. Furthermore, our research identifies this talent cluster along with two others - the science and technology cluster and the arts and culture cluster - as a key driver of long-run metro growth.⁴⁰ This is also consistent with the economic development recruitment efforts of the Beacon Council, which has identified banking and finance, specifically international, as one greater Miami's seven target clusters.⁴¹

Management: Despite Miami's competitive advantage in business and financial talent, its share of top-level business talent, such as CEOs and other C-suite executives, lags the national average by 28%. This may be a reflection of the fact that Miami has more satellite offices and subsidiaries than corporate headquarters. It is important to focus on and close this gap, as this is the talent the region needs to scale and grow its entrepreneurial enterprises, which are critical factors in its long-run success.⁴²

Education: Miami's education cluster, which includes 118,000 college professors, high school teachers, primary teachers, librarians, and special education teachers, is considerable but lags the national average by 22%. The sector is projected to grow by 13% over the next decade. This is likely a result of the age structure of the region's population: its average age of 40.2 is 3.4 years older than the national average. Still, as the metro seeks to expand its talent base, its educational talent cluster will need to expand as well. Again, the Beacon Council's industrial cluster analysis found education to be a key foundational cluster, essential to underpinning growth in the region's other target sectors.⁴³

Architecture and Engineering: Even with all of the active construction projects in the region, Greater Miami's architecture and engineering talent cluster (25,000 architects, landscape architects, estimators,

drafters, and engineers, earning an average salary of \$75,000) lags the national average by a considerable 42%. This likely reflects the gap in the region's engineering talent base, which will be important to close as the metro strives to improve its innovative and entrepreneurial ecosystems. FIU's recent commitment to increase its engineering offerings is an important step in this direction.⁴⁴

Software and Information Technology: The region lags the national average in software, computer, and information technology talent by a substantial 30%. Its 49,000 software designers, web developers, computer scientists, mathematicians, and statisticians average \$69,800 in annual salary. However, this talent cluster is projected to grow by some 15% by 2024.

Scientists: The region also lags the nation in its cluster of scientific talent: its 11,000 physical, biological, and social scientists are roughly half the national average. This cluster is also expected to grow by a substantial 14% over the next decade.

Arts, Design, Media, and Entertainment: Greater Miami's arts, design, media, and entertainment talent cluster is made up of nearly 50,000 workers and is just behind the national average. These workers underpin the creative design industry cluster identified by the Beacon Council, which includes a who's who list of companies, including Perry Ellis, Rene Ruiz, Disney Media Networks, HBO Latin America Group and MTV Latin America, and Univision Networks.⁴⁵

Here, the region has considerable assets on which to build, including its burgeoning contemporary art scene, the Wynwood Arts District, Miami Art Basel festival, New World Symphony, the Perez Art Museum, the Ultra Music Festival, and the Wine and Food Festival, to name just a few. Arts and culture add \$2 billion dollars a year to the economy of Miami-Dade County, according to a 2015 report by American for the Arts.⁴⁶ At the FIU College of

BUILD A FULLY CREATIVE ECONOMY // CONTINUED

Communication, Architecture + The Arts (CARTA) alone, there's a considerable talent pool being prepared as well, with more than 2,000 students studying everything from interior design and architecture to communications, music, and theatre. Given these considerable assets, the Beacon Council has identified creative design - spanning fashion, film, entertainment, industrial design, and architecture - as a key target sector for economic development efforts.⁴⁷

"ARTS AND CULTURE ARE TRULY THE FIBER THAT CONNECTS BUSINESS, COMMERCE, ECONOMIC DEVELOPMENT, AND PEOPLE'S LIVES, PROVIDING A SENSE OF COMMUNITY, PLACE, AND COMMUNICATION. IT'S DEFINITELY VERY CENTRAL TO MIAMI."

The interviews and focus groups we conducted with Miami area arts and culture stakeholders revealed several key issues. The participants expressed real concern that Miami is losing artists and creative people to other major markets because its support structures are not as robust as they could be. While Art Basel provides great exposure for Miami and generates considerable local income, it is somewhat disconnected from the local artistic and creative communities, according to several focus group participants. The region can look for ways to create greater synergies between this world-leading arts event and its own artistic, creative, and design communities.

At a deeper level, the arts help create a deep, lasting sense of place that connects people to the region and helps build Greater Miami's reputation as a creative center. "In the past," as one focus group participant put it, "our narrative has been very tourism-driven, so naturally we've relied on the arts to create a sense of place." Another added that, "Arts and culture are truly the fiber that connects business, commerce, economic development, and people's lives, providing a sense of community, place, and communication. I think it's definitely very central to Miami, and I think it's been one

of the reasons why people come here and stay."

The breadth of Greater Miami's talent base in arts, film, video, entertainment, and music was a key factor in Viacom's decision to open a new 88,000-square-foot production studio in downtown Miami. Viacom has a long history in the region, having operated in Miami since 1993, employing more than 6,000 full-time employees and producing more than 750 hours of content. But as Juan "JC" Acosta, Executive Vice President and Chief Operating Officer of Viacom International Media, told the Miami Chamber of Commerce at its South Florida Economic Summit in January 2016, a driving factor in this decision was the depth of that talent base as well. As he described it, Miami's creative community is not only deep and varied, it has a substantial cost advantage over creative centers like New York, London, and Los Angeles. Further, locating in Miami affords Viacom the ability to use the same sound stages, locations, and production studios to film content for both the English and Spanish language markets. "We are optimistic our studios will show the value of generating new business in the local Miami community and bring other global players to the market," he told the Greater Miami Chamber of Commerce in early 2016. "We hope to create a best of class here in Miami."⁴⁸



UPGRADE THE REGION'S SERVICE SECTOR

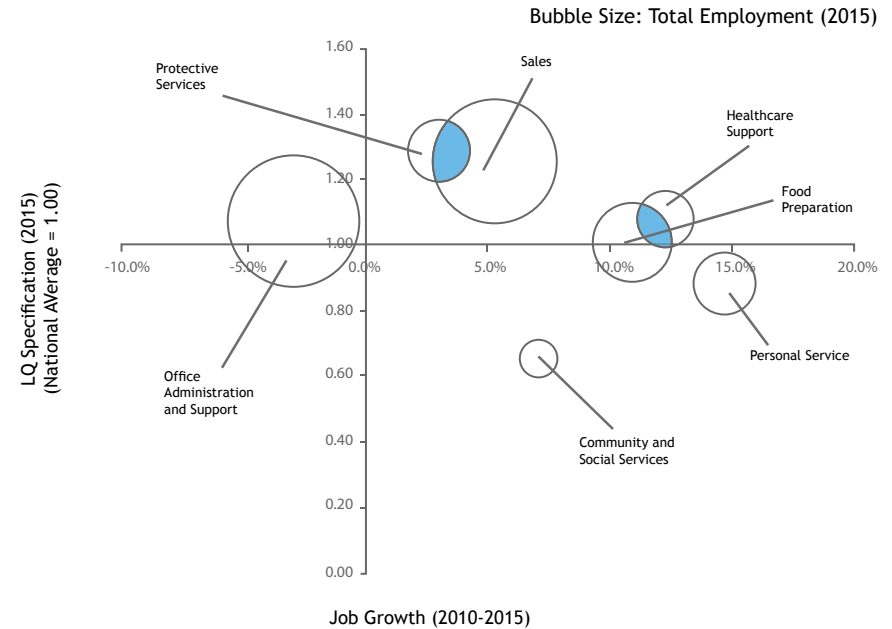
As Greater Miami grows its innovative and creative knowledge economy, it is important to remember how much of the region's long-run economic health and prosperity depend on its tourism, hospitality, and service talent. All told, more than half (53%) of Miami's workforce, or 1.3 million workers, are employed in the service sector - 18% more than the national average. Among large metros, only Las Vegas has a more service-intensive economy. The region's service occupations comprise mainly lower-skill, lower wage positions in food preparation, retail sales, and office administration, as well as healthcare support, earning an average annual salary of just \$32,000 - less than half the average pay for the region's knowledge, professional, and creative workers. Our analysis identified seven leading occupational groups and skillsets.

Protective Services: Some 85,000 greater Miami residents work in protective services as security guards, policemen, firemen, TSA professionals, and so on. This is 46% above the U.S. average and is expected to grow by 10% by 2024. The average annual salary for this skill group is \$44,230, the highest for all service-based occupations.

Sales: The region has a significant competitive advantage in sales occupations, including both commission salespeople and cashiers. This talent cluster employs 85,000 workers and is 34% larger than the U.S. average. It is expected to add more than 13,000 annual jobs until 2024. The average annual salary for this cluster is \$38,150. Not surprisingly, this is also compatible with the Beacon Council's report, which found the region's retail sector to be 10% larger than the national average and forecasted to grow slightly faster than the country as a whole.⁴⁹

Office Administration: Some 369,000 of Miami's service workers are employed in routine office administration - 16% more than the national average. This number is expected to increase by 7% to nearly 400,000 by 2024. However, the average annual salary for this occupational cluster remains low at approximately \$33,000.

Figure 12: Greater Miami Service Sector Occupational Clusters



Note: Occupations include both payroll and self-employed individuals *Includes annual replacements

Source: EMSI 2015 and CCG Analysis 2016

Food Service: Another 460,000 workers are employed in food preparation and services, in jobs ranging from bartender to dishwasher. This is 13% larger than the U.S. average and reflects the region's specialization in tourism and hospitality. The region's food preparation cluster is its lowest-paid, with an average annual salary of less than \$22,500.

Healthcare Support: More than 240,000 of the region's workers are employed in healthcare support as nurses' aides or home health aides. This occupational cluster is expected to grow significantly - by more than 12% by 2024 - with nearly 14,500 annual job openings. The average annual salary is low at \$26,750.

Personal Services: Nearly 100,000 (96,000) of the region's workers are employed in personal service occupations, which includes concierges, personal assistants, hairstylists, manicurists, travel guides, dog walkers, and so on. This cluster is 13% smaller than the U.S. average and expected to grow by 5.9% by 2024. The average annual salary is only \$23,000.

Greater Miami has much to gain from upgrading this large number of low-paying service jobs. Doing so can help increase the productivity and competitiveness of its hospitality and tourism sector, make the region more competitive, and raise the quality of life for its residents, while increasing pay and helping to build a stronger middle class. Indeed, the Beacon Council also identifies hospitality and tourism as one of the region's key target industries.⁵⁰ Service jobs provide the same kinds of "port of entry" jobs that factory work did a century ago. During the 1930s and 1940s, this nation undertook substantial efforts to transform once low-wage, insecure factory jobs into good, family-supporting middle-class work. By the 1950s, factory workers were the backbone of America's middle class. But that is no longer the case, thanks to the ongoing globalization and deindustrialization of the economy. Nationwide, only about a fifth of workers are employed in classic blue-collar occupations in factories, construction, and transportation, and only 6% are employed in direct factory work. And the share is even

lower in Greater Miami. The fact of the matter is that Greater Miami never was an industrial economy and, in fact, is an example of an economy that has grown around post-industrial services and knowledge.

Upgrading service work from its current low-skill, low-pay status to higher-skill, higher-paying work offers the region a way to simultaneously rebuild its middle class and bolster its productivity and competitiveness.⁵¹ MIT research finds that paying retail, hospitality, and service workers more, offering them more secure employment, training them better, and utilizing them as sources of innovation and productivity results in higher rates of productivity and higher rates of profitability.⁵² As MIT's Zeynep Tom, author of *The Good Jobs Strategy* puts it, companies and regions that keep wages low in an attempt to achieve lower prices make a critical mistake. "The problem with this very common view is that it assumes that an employee working at a low-cost retailer can't be any more productive than he or she currently is. It's mindless work so it doesn't matter who does it. If that were true, then it really wouldn't make any sense to pay retail workers any more than the least you can get away with."⁵³

To combat this issue, best-in-class service companies like Wegmans, Trader Joe's, Costco, and The Container Store are involving workers directly in innovative activity, training them more fully, and paying them more in order to get the most out of them. These companies do three key things to upgrade and improve these service jobs, increasing their own productivity and profit but also enabling their broader regions to offer more competitive and customer-friendly service economies. First, they redesign jobs to better engage employees and tap into their innate creativity with a belief that tasks do not have to be menial and add little-to-no value. Second, they cross-train employees to make them more flexible and experts across multiple areas. Third, they empower workers to make key decisions about product returns, inventory needs, and customer service issues to ensure their companies are responsive to local

needs and preferences while serving as positive brand ambassadors.⁵⁴ By pursuing these strategies, workers bring more productivity and value to their positions, enabling them to be paid more, which in turn generates improved productivity and profits for their companies and ultimately improves the productivity profit and customer service of the service economies in the regions where these leading-edge service firms are located. In fact, a detailed study of the role of industry and talent clusters in regional growth finds that regions have much to gain from upgrading their routine, locally focused service industries into more innovative and competitive clusters. Given the size and the fundamental importance of the region's hospitality, travel, and tourism economy - which generates more than \$25 billion in direct and indirect economic impact - the region can benefit greatly from such efforts.⁵⁵ Here again, the issue is turning quantity into quality. Greater Miami is generating a plethora of service jobs, but it needs to turn them into the higher-paying, more secure, more knowledge-intensive jobs that can bolster the region's competitiveness and help to build its middle class.⁵⁶ Imagine the benefits to the local hospitality and tourism sector and its huge numbers of workers if Greater Miami could become the nation's and the world's leading-edge example for a high-paying, high-productivity, customer-focused service economy.

CAPITALIZE ON BRAIN CIRCULATION

Greater Miami, like virtually all large regions, faces a brain drain as large numbers of smart and ambitious young people choose to go to college or embark on careers elsewhere. On the flip side, Miami benefits from its ability to attract a significant inflow of talent from across the demographic scale, from immigrants and students to young families and retiring baby boomers. More than 2.2 million Greater Miami residents are from another country - nearly 40% of its total population and the highest share in the U.S. A large number of talented people from all over call the region home for the winter season as well.

Greater Miami is home to 438,000 full-time and part-time students, making it the eighth largest “college town” in the nation. Florida International University has now expanded to become the fourth-largest institution by enrollment in the U.S. and has made investments over the last four decades to offer an array of advanced degrees to students from all over the world.



CAPITALIZE ON BRAIN CIRCULATION // CONTINUED

Despite conventional wisdom, the region does well at retaining the students it graduates. It ranks 16th of the 50-plus metros with populations of over a million in its retention of graduating students - keeping more than two thirds of them (67%), according to a detailed analysis of college graduation and alumni data of over 1,700 of the largest U.S. colleges and universities.⁵⁷ This is better than the retention rates of metros like Washington, D.C., San Francisco, Philadelphia, and San Diego. FIU's retention rate is nearly 70%, Miami-Dade College's is 81%, and the University of Miami's is nearly 50% (45.3%).

It's time for the region to replace its longstanding fixation on brain drain with an understanding of its more enviable position as a hub of a broader global *brain circulation* - a phenomenon initially identified by AnnaLee Saxenian of the University of California at Berkeley to account for the growth of Silicon Valley as a global center for innovation.⁵⁸ The key to understanding its innovative and entrepreneurial ecosystem, she found, lies in its role as a hub in brain circulation. Anywhere from one-third to one-half of the founders of Silicon Valley companies in the late 1990s and early 2000s were immigrants to the U.S. Many of them, especially those from India and China, ultimately returned to their home countries, creating additional opportunities abroad and aiding in globalization.

Greater Miami's ties to Latin America and the Caribbean, its influx of full-time and part-time residents from Europe, Canada, and the Boston-New York-Washington Corridor, and its large number of students create a potentially larger hub for global brain circulation. Once more, the issue is moving from quantity to quality. The greater Miami region is attracting a large inflow of people from around the U.S., Latin America, and around the world. It is one of the largest destinations for students and it retains a lion's share of the students it educates. But it continues to lose the very best to places like New York, Los Angeles, and the Bay Area. Now, it is time for the region to up its game at attracting and retaining more of them as well.

"MOST PEOPLE INSTINCTIVELY ASSUME THAT THE MOVEMENT OF SKILL AND TALENT MUST BENEFIT ONE COUNTRY AT THE EXPENSE OF ANOTHER. BUT THANKS TO BRAIN CIRCULATION, HIGH-SKILLED IMMIGRATION INCREASINGLY BENEFITS BOTH SIDES. ECONOMICALLY SPEAKING, IT IS BLESSED TO GIVE AND TO RECEIVE."

- ANNALEE SAXENIAN

PROMOTE THE REGION'S TOLERANCE AND DIVERSITY AS ECONOMIC STRENGTHS

Greater Miami's status as perhaps the most open-minded and diverse metro in the nation provides it with a key competitive advantage. As we have seen, four in 10 of Miami's residents are foreign-born, a larger share than that of even New York and Los Angeles. From Andrew Carnegie in steel to Andy Grove in semiconductors, immigrants have been a key factor in America's economic growth since the Industrial Revolution. Immigrants make up a sizeable share of the nation's science and engineering talent base. And as we have seen, immigrants helped to found more than half of the nation's billion dollar-plus startups.⁵⁹

Tolerance is the third T of economic development, alongside Technology and Talent. Leading tech centers like San Francisco, Seattle, Austin, and other creative centers combine high levels of talent with high levels of technology to generate their innovative edge. This is because talent cuts across all ethnicities, races, and sexual orientations. Places that can attract and harness talent from all demographic groups gain an additional economic advantage. Our own research indicates the strong connection between an area's openness to different groups and its innovativeness and economic

growth.⁶⁰ Detailed cross-national research from the Petersen Institute of International Economics finds that openness to immigrants and the gay community is a key factor in the globalization and overall economic performance of nations.⁶¹ As the economist Scott Page notes, considerable evidence shows that "diverse cities are more productive, diverse boards of directors make better decisions, the most innovative companies are diverse."⁶²

Tolerance, diversity, and openness are not just social virtues, they are a competitive advantage that bolsters a region's ability to attract the top-quality creative, entrepreneurial, and management talent that fuels regional innovation and economic growth.

Greater Miami stacks up as one of the leading regions in the nation and the world across our key metrics of openness and tolerance.

- **Melting Pot Index:** Miami ranks first among large metros (over a million people) on the Melting Pot Index, which measures the share of immigrants and foreign-born nationals.

- **Gay and Lesbian Index:** Miami ranks 16th among large metros on the Gay and Lesbian Index, which measures the concentration of gays and lesbians
- **Bohemian Index:** Miami ranks 18th among large metros on the Bohemian Index, which gauges a region's openness to artists, musicians, and performers.
- **Overall Tolerance Index:** Miami ranks second of large metros on our Overall Tolerance Index, which combines the Melting Pot Index, Bohemian Index, and Gay and Lesbian Index into a composite index.

Miami can strategically utilize and capitalize on openness and tolerance as a huge advantage in global talent attraction and a key force in its future economic growth.

"DIVERSE CITIES ARE MORE PRODUCTIVE, DIVERSE BOARDS OF DIRECTORS MAKE BETTER DECISIONS, THE MOST INNOVATIVE COMPANIES ARE DIVERSE."

USE QUALITY OF PLACE AS A KEY ECONOMIC DRIVER

Greater Miami's quality of place - the combination of its warm climate, abundant sunshine and coastline, arts and culture investments, urban scale and density, and pedestrian-friendly, amenity-rich neighborhoods that are lively 24 hours a day - provides it with another strategic advantage for talent attraction and retention.

The talented people who power innovation and drive economic growth increasingly have a choice in where they live, and quality of place - alongside jobs and opportunities - is a driving factor in that choice. Increasingly, they are opting for cities and communities with unique quality of place assets that are inspiring to them.

Furthermore, the extraordinarily high housing prices in cities and regions like New York, London, and the Bay Area, are forcing away all but the most successful talent. While Greater Miami's housing prices are high in its most desirable coastal locations and while its low-income populations face a substantial housing burden, the region still has more affordable middle-class housing options than places like New York, San Francisco, and Los Angeles. Miami has a window of opportunity to capitalize on its economic strengths, quality of place, and housing prices to attract larger numbers of entrepreneurs, innovators, and the Creative Class.

But for all its strengths on climate and culture, our focus groups and interviews indicate that Greater Miami continues to lag as an "idea capital." This puts a ceiling on Miami's ability to attract human capital. According to former NYU President John Sexton, cities have to be centers of ideas - not just arts, culture, or even technology - in order to compete at the highest levels.⁶³ Great global cities like New York, London, Paris, Los Angeles, Boston, and San Francisco are centers of global idea generation, setting the tenor and terms of global debate and conversation. While Miami has a firm base of universities and colleges, it is lacking in the think tanks, foundations, and other idea institutions that characterize great global cities. To attract the talent it needs, Greater Miami must expand its efforts to improve quality of place beyond its natural amenities and arts and culture institutions and commit more to its institutions and stature as an idea capital.

THREE DIMENSIONS OF QUALITY OF PLACE

- What's there: the combination of the built environment and the natural environment; a proper setting for the pursuit of creative lives
- Who's there: diverse kinds of people, interacting and providing cues that anyone can make a life in that community
- What's going on: vibrancy of street life, café culture, arts, music, and people engaging in outdoor activities - all together a lot of active, exciting, creative endeavors

ENGAGE ALL OF MIAMI IN INCLUSIVE PROSPERITY

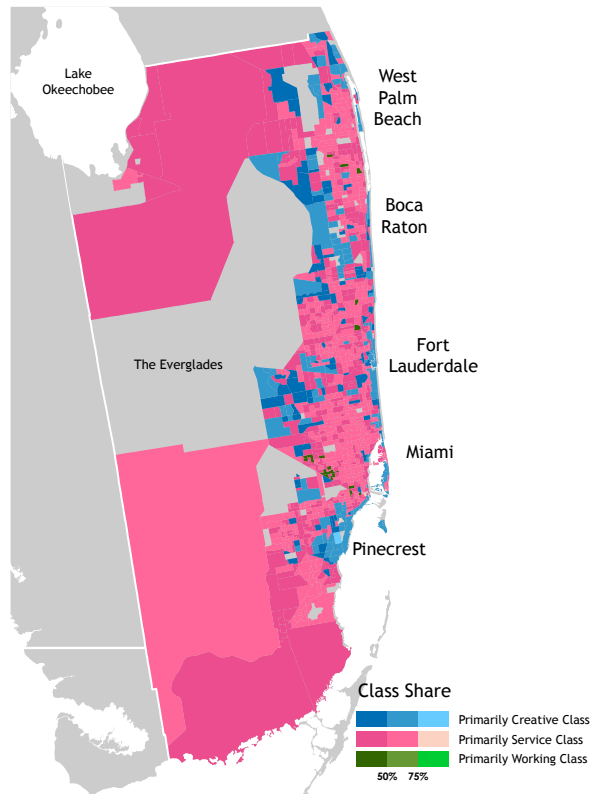
Greater Miami suffers from the same divides and inequalities that plague most large cities and metro areas. In fact, our analysis finds that the region has troublingly high levels of inequality and economic segregation.⁶⁴ For all its visible wealth, Miami's median household income is just \$48,435, which is among the lowest of all the major metros in the U.S., and it has fallen 1% over the past five years. In fact, Greater Miami ranks seventh of all 350-plus U.S. metros and second among large metros on income inequality. The region

suffers from a substantial level of concentrated poverty and disadvantage, with 14% of households and one in five of its families with children living below the poverty line.⁶⁵ More striking, more than half a million Miami-Dade County families live in poverty, a poverty rate of 20%, which is 30% higher than the national average.⁶⁶ Incomes for all but the top 5% of its earners have declined since 2008, according to a recent study from FIU Metro Center.⁶⁷ Greater Miami's middle class is faltering, its gap between rich and poor is growing, and the ability of

its less-advantaged groups to achieve economic mobility and realize the American Dream has stalled.

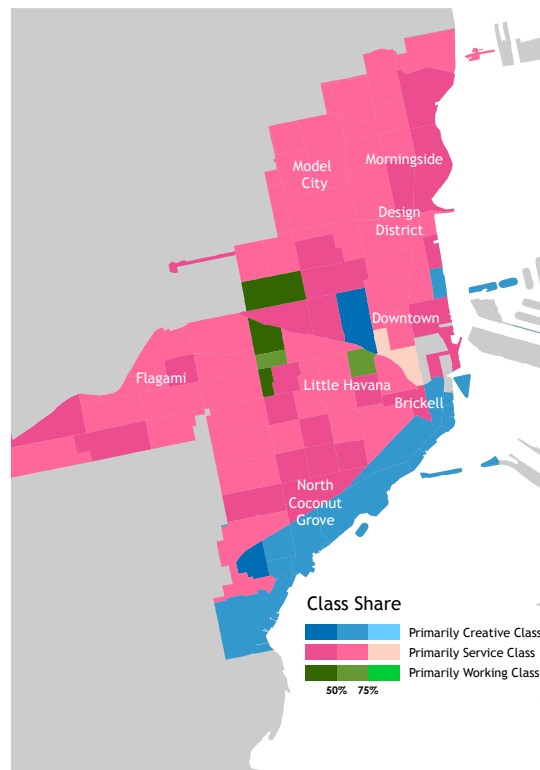
The map below shows the geography of the region's three main socio-economic classes: the advantaged creative class, which averages \$70,000 annually in wages and salaries; the less-advantaged service class, which averages \$32,000 annually; and the working class, which earns just \$31,000 on average.

Figure 13: Greater Miami Divided



Source: Martin Prosperity Institute 2015

Figure 14: City of Miami Divided



Source: Martin Prosperity Institute 2015



FOR ALL OF ITS DIVERSITY, MIAMI IS THE LEAST INTEGRATED, BOTH RACIALLY AND ECONOMICALLY, OF ALL OF OUR BENCHMARK METROS.

ENGAGE ALL OF MIAMI IN INCLUSIVE PROSPERITY // CONTINUED

The nature of the region's class divide is staggering. Miami's advantaged knowledge workers and creative class is clustered along its coastline, in and around the city's booming downtown in Brickell and out to affluent suburbs like Pinecrest, and around its major universities and knowledge hubs like FIU, the University of Miami, and Florida Atlantic University in Boca Raton. Its service class

is concentrated in historically disadvantaged urban areas that reflect the region's long-standing racial and ethnic divides and is increasingly pushed out to the peripheries, including Overton, Sunrise, North Miami Beach, Liberty City, and West Perrine. The region's working class is concentrated in Hialeah, Little Havana, Loch Lomond, and Flagami.⁶⁸

This class-divided pattern reinforces the region's inequality as the more-advantaged class has access to better schools, better libraries, better services, safer streets, better amenities, and better employment and peer networks, while those in isolated communities and disadvantaged areas suffer from poorer schools and lower social mobility. Indeed, a Stanford University study finds that this kind of place-based inequality adds an additional 20% greater inequality than can be accounted for by just the gap in earnings between high school and college graduates. In this way, a divided geography reinforces and compounds economic inequality, cutting off large shares of residents from meaningful economic participation and opportunity and a chance at the American Dream.⁶⁹ As the FIU study points out, targeted investment in Miami's distressed neighborhoods would have far-reaching benefits, including maximizing talent, easing transportation congestion, lowering other public costs, and ensuring greater prosperity for a broader majority of the region's residents. By building a more inclusive community, Miami can improve the life prospects of all its people and tap into the talents of all of its residents as a source of shared prosperity and economic growth.

Figure 15: Top 10 Greater Miami Service Sector Neighborhoods

Rank	Neighborhood (Census Tract #)	Service Sector Share
1	Overtown, Miami (36.01)	82.6%
2	Coral Gables (9803)	78.6%
3	Miami Beach (44.05)	75.9%
4	Sunrise (602.07)	74.6%
5	North Miami Beach (2.06)	74.5%
6	Liberty City, Miami (15.01)	73.6%
7	West Perrine (83.09)	72.8%
8	Fort Lauderdale (409.01)	72.1%
9	Golden Glades (2.15)	71.6%
10	Deerfield Beach (104.03)	71.3%

Source: Martin Prosperity Institute 2015

Figure 16: Top 10 Greater Miami Working Sector Neighborhoods

Rank	Neighborhood (Census Tract #)	Working Sector Share
1	Hialeah (16.05)	56.2%
2	Little Havana, Miami (52.02)	54.6%
3	Loch Lomond/Pompano Beach (303.01)	53.6%
4	Hialeah (7.12)	53.4%
5	Hialeah (7.10)	52.3%
6	Hialeah (135)	51.6%
7	Flagami, Miami (51.03)	51.2%
8	Hialeah (131)	49.1%
9	Hialeah (8.07)	48.4%
10	Allapattah, Miami (24.02)	48.2%

Source: Martin Prosperity Institute 2015

ADDRESS THE REGION'S GROWING CRISIS OF SUCCESS

Greater Miami now faces a series of deep challenges that stem from its substantial successes and growth. At five or six million people, regions like Miami cross a threshold where cars and roads become so congested that gridlock sets in, and their ability to increase the velocity of moving people, goods, and ideas - which is critical to innovation and economic growth - stalls. Simply put, Miami's old growth model of sprawl and car dependence has become obsolete.

The region's workers face a one-way commute of nearly a half-hour (27.7 minutes on average), longer than residents of Dallas, Orlando, San Diego, or Las Vegas. Traffic congestion and long commutes are not just unenjoyable, they are unproductive. The average greater Miami commuter wastes more than a week of work (52 hours) annually stuck in traffic, the 12th worst in the country. This costs the region more than \$1,169 in lost productivity per commuter, which adds up to nearly \$3 billion.⁷⁰ More than three-quarters (78%) of the region's workers drive to work by themselves, compared to 50% in greater New York, 60% in San Francisco, and 66% in Washington, D.C. More distressingly, in a region with such a warm, sunny climate, only 2% of its residents walk to work, and an even more negligible fraction get to work by bicycle. Fewer than 10% of workers carpool, and just 3.8% use public transit.



There are three things the region can leverage here:

The first is to continue to shift from sprawl to denser development. Greater Miami is adding density in its core and along its coastline, but the region needs to increase it even further and develop a new, more urban model for development. Density is a driver of innovation. As we have seen, startups and high-tech entrepreneurship are shifting from an older suburban nerdistan model back to dense urban centers. Innovation and entrepreneurship, now more than ever, require proximity, propinquity, and the clustering of diverse firms and people. The region needs to completely re-think and re-do its approach to land use, density, transportation, and employment in ways that limit sprawl and maximize density.

The second is to use transit to lessen congestion and connect key nodes and hubs. From Miami Beach to downtown Brickell and Coconut Grove, across Wynwood and the Design District to Edgewater and more, Miami is a collection of neighborhoods, hubs, and community centers. A broader, improved infrastructure system will better connect these hubs, take pressure off the roads, reduce congestion and commute times, and most importantly act as spurs to increase density and mixed-use development around transit stops and stations while

providing improved access to economic opportunities for less-advantaged communities and neighborhoods. Miami-Dade County's [proposal](#) to invest in mass transit is a welcome development.⁷¹

The third is to use fast and high-speed rail to connect the main hubs in the mega-region. All Aboard Florida, scheduled to launch in early 2017, will begin with service between Miami and West Palm Beach at speeds that are comparable to that of the Acela on the Northeast Corridor. In late 2017, it will also provide connections between Miami and Orlando. This is a great step forward at compressing time traveled and distance, but imagine what true high-speed rail could do. Based on the standard speeds of high-speed trains that are currently in operation in Europe and Asia, travel time from Miami to Palm Beach would shrink to 19 minutes, from Miami to Orlando to 90 minutes, and from Miami to Tampa to less than two hours. This would essentially make the mega-region an integrated economic unit and commuting shed. Envision the power that could come from an integrated Southern Florida economy the size and scale of the Netherlands. To get there, a new and more robust approach to regionalism and regional cooperation is required.

Figure 17: So-Flo Megaregion High-Speed Rail Travel Time

Journey	Driving Distance	Driving Time	High-Speed Rail Time
Miami-Fort Lauderdale	29 Miles	0:36	0:11
Miami- Palm Beach	48 Miles	0:47	0:19
Miami- Orlando	235 Miles	3:21	1:31
Miami-Tampa	281 Miles	3:56	1:49

Source: CCG Analysis 2016

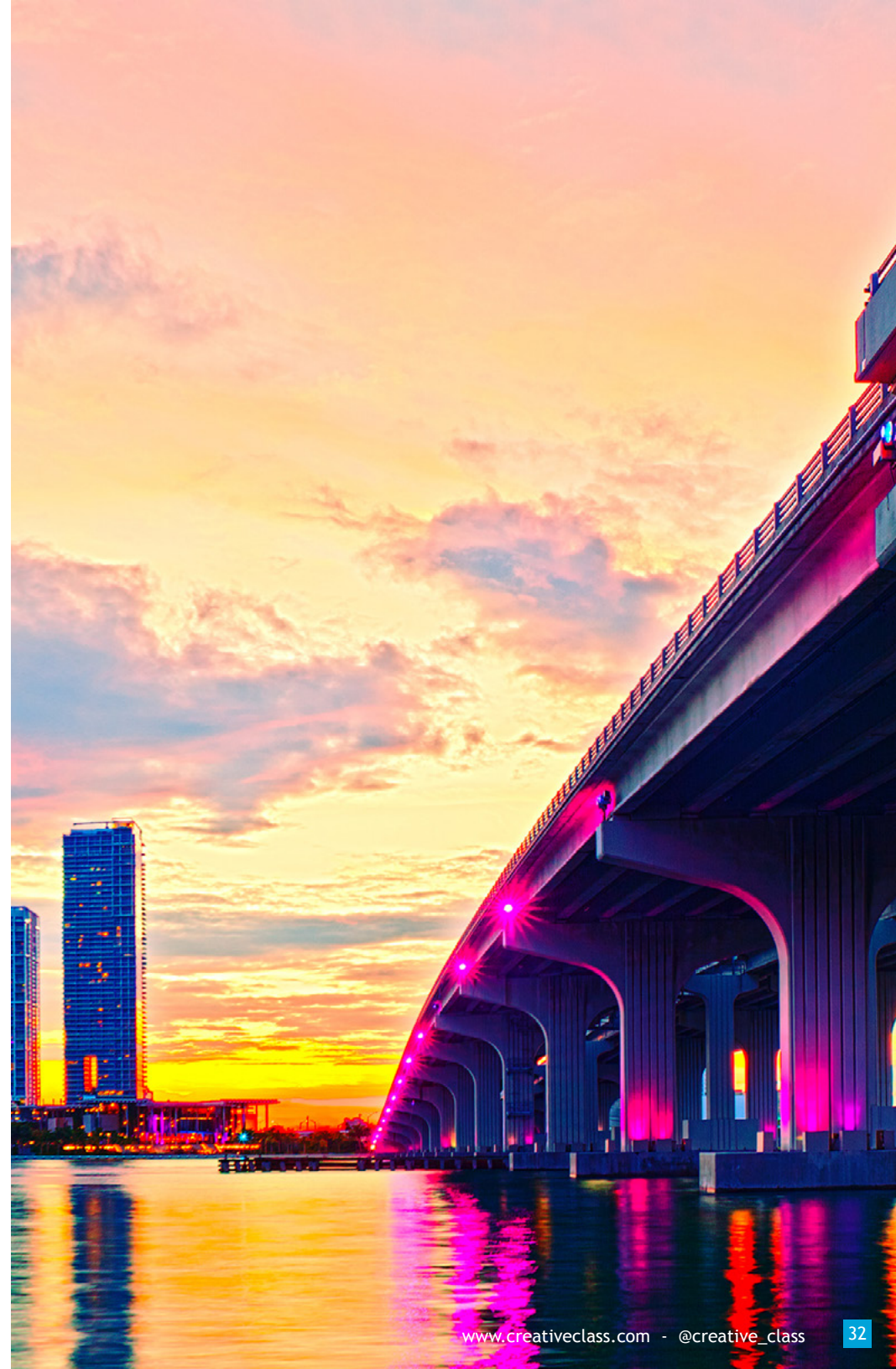


MIAMI'S INFLECTION POINT

Greater Miami is at a critical inflection point. As we have seen, Miami's growth into a leading global city has happened largely because of its geography and a series of well-placed but disconnected initiatives. As one of the world's 25 leading global cities, it is a member of an elite group. It is now America's sixth largest metro, with an economy the size of Singapore and Hong Kong. It is the hub of a mega-region of 15 million people, which is equivalent to one of the 20 largest economies in the world. It benefits from a large and diverse population and a broad innovative and creative economy that spans tech, media, entertainment, fashion, music, arts, tourism, hospitality, logistics, and transportation. Miami is a unique kind of global city. In contrast to New York or London, it is a truly post-industrial center, having developed without a major legacy of manufacturing and industrialization. That being said, the region suffers from deep divides and from challenges that come from its very success.

Fortuity has brought Miami far, but the time has come for a proactive, forward-looking vision and strategy for a shared and more-sustainable prosperity as an innovative and creative global city and region. By outlining in broad strokes the region's assets and strengths along with its many challenges, this report provides a first step in that direction.

A key element across many of the dimensions we have examined - from entrepreneurship to talent retention to brain circulation - entails moving from quantity to quality. Greater Miami is attracting people and generating new businesses and startups at enviable clip; it is one of the nation's leading college towns and doing quite well at retaining the young people it educates. What it needs to do now is scale the new businesses it is creating into world-class startups and to up its game at attracting and retaining the very best and brightest. To do so will take a new era of proactive regional cooperation not just between the city and its suburbs, not just between Miami-Dade, Broward, and Palm Beach Counties, but also across the South Florida mega-region as a whole. Greater Miami continues to grow, develop, and attract people - its best days are ahead. We look forward to continuing and deepening our research and to working with others across the business, civic, and academic communities to shape a constructive, future-oriented dialogue about how Greater Miami can improve its fortunes and enable all of its residents to more fully participate in and benefit from its ongoing growth and prosperity.



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The Creative Class Group, founded by world renowned urbanist Richard Florida, is a global advisory firm composed of expert researchers, academics, and business strategists. Our proprietary data and research, gives companies and regions leading insights to achieve growth and prosperity.

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EXECUTIVE SUMMARY

Greater Miami has reached a crossroads. Its economy - historically based on tourism, hospitality, transportation, and real estate development - has deepened, diversified, and become more creative and idea-based, as banking, media, arts, education, and new technology-based industries have come to play a larger role in its mix. The region now finds itself at a critical inflection point.

With generous support from Florida International University (FIU), the Creative Class Group (CCG) has undertaken a multi-year study of Greater Miami's ascent as a global, creative city. The study is organized around a detailed, data-driven analysis of its economy and talent base, alongside focus groups with its business leaders and other key stakeholders. This report - the first output of the FIU-Miami Creative City Initiative - enumerates the Greater Miami region's substantial assets and strengths but also addresses the significant challenges facing the region as a global city in the 21st century.



As spectacular as Greater Miami's growth and development have been, it is time for a new narrative and strategic vision for the region's future. In an effort to spur the conversation and strategic thinking required to do so, this report outlines 10 key areas for focus, opportunity, and action:

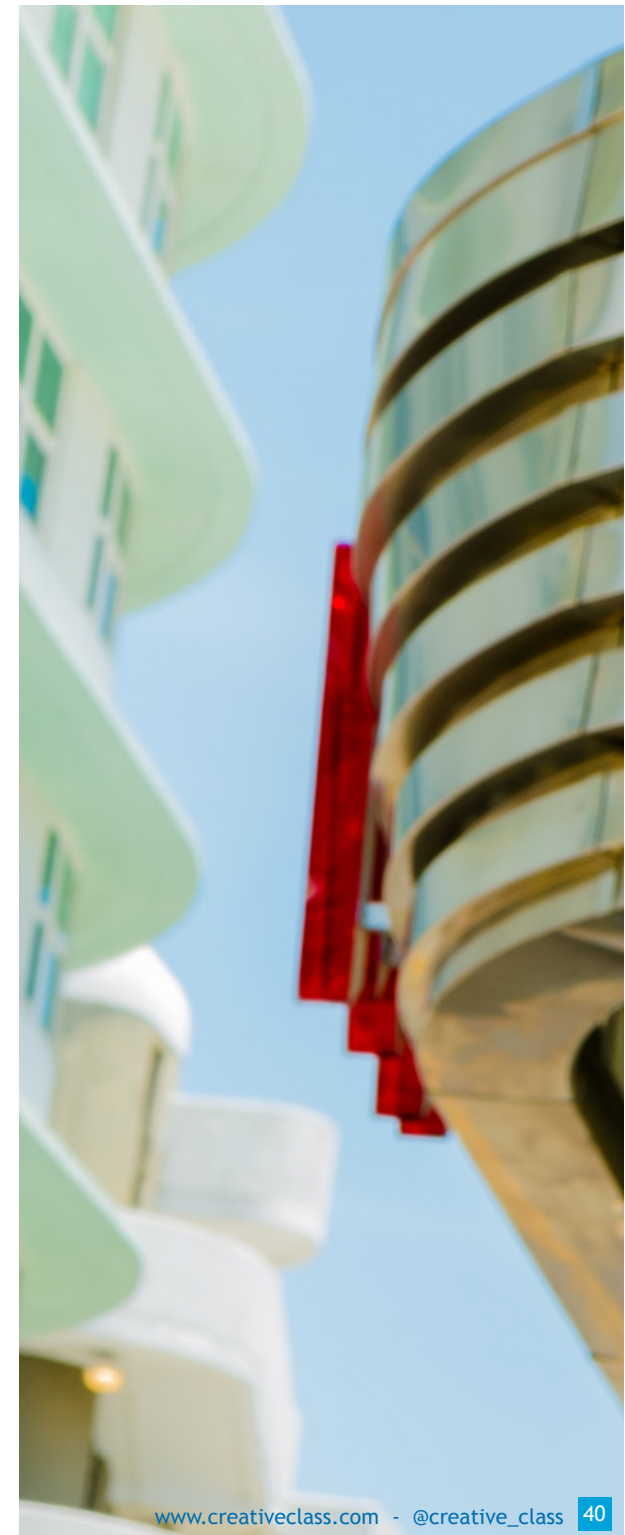
- **Take Even Greater Advantage of the Region's Size and Scale.** With nearly six million residents and an economic output of more than \$300 billion, Greater Miami is one of the largest economic regions in the U.S. and the world, comparable to Singapore and Hong Kong. Furthermore, Miami is the hub of the Southern Florida or So-Flo mega-region, extending to Tampa and Orlando, which houses 15 million people and produces more than \$750 billion in economic output, roughly the same as the Netherlands, making it one of the 20 largest national economies in the world. Miami needs a new approach to regionalism, which builds upon this considerable size and scale.
- **Leverage the Region's Role as a Globalization Hub.** Endowed with a coastal location at the southern tip of the eastern seaboard oriented toward Latin America and the Caribbean, Miami is now one of the 25 most important global cities. With its international airport and port, Miami is the economic and financial hub of Latin America and increasingly a gateway to Europe and the world. With a proactive strategy, Miami can better leverage infrastructure investments and anchor institutions to utilize this competitive advantage.
- **Broaden and Deepen the Region's Growing Startup Ecosystem.** With approximately \$300 million in venture capital investment in its startup companies in 2015, Greater Miami's entrepreneurial ecosystem ranks 16th among U.S. cities and metros. The broader So-Flo mega-region took in nearly \$600 million in venture capital investment, roughly comparable to Greater Chicago, Austin, and Toronto. This investment is concentrated in and around the region's urban


neighborhoods, enabling the region to benefit from a movement of entrepreneurship and innovation away from long-held suburban locations toward urban centers.

- **Build a Fully Creative Economy.** Greater Miami's economic future lies in the full breadth of its creative economy, which spans arts, culture, fashion, media, entertainment, music, and food, as well as science and technology, health and education, logistics and management, and business and finance. In fact, three key talent sectors - science and technology, business and finance, and arts, culture, design, and media - power economic growth and lead to higher incomes and living standards. It's time for the region to harness its full creative capabilities for long-run sustained growth.
- **Upgrade the Region's Service, Hospitality, and Tourism Sector.** Hospitality and tourism remain key drivers of Miami's economy and deliver a strong competitive advantage. Indeed, roughly half of the region's jobs, 1.3 million of them, are in the service sector. By upgrading these low-pay, low-skill jobs into family-supporting occupations and careers, the region can bolster its middle-class while increasing the productivity and competitiveness of its hospitality, tourism, and service sector across the board. MIT research finds that upgrading retail and hospitality jobs - involving and engaging workers more fully and paying them more - results in greater productivity and profits, creating a win-win strategy for workers, companies, and regions.



- **Capitalize on Brain Circulation.** The conventional wisdom is that Greater Miami faces a brain drain of its top young talent, but that is the case with virtually every large metro whose talented young people head out for college or to pursue their careers. Greater Miami also benefits from an enormous inflow of talent from across the nation and the world in the form of students and immigrants. For every brain that drains away, others are gained. The key is to capitalize on Miami's role as a hub in the process of *brain circulation* from around the world.
- **Promote the Region's Tolerance and Diversity Strengths.** Greater Miami is among the most tolerant communities in the world. Diversity and tolerance are more than social virtues: they are economic drivers. Leading tech hubs combine high levels of tolerance, which enables them to attract talent from across all demographic groups - women, ethnic and racial minorities, immigrants, and the gay and lesbian community - with technology prowess to generate their innovative and entrepreneurial edges. Greater Miami can utilize its open, diverse, and tolerant environment to bolster its ability to attract talent and further build its innovative and creative economy.
- **Use Quality of Place as an Economic Driver.** With its warm climate, abundant sunshine, spectacular coastline, world-class arts and cultural infrastructure, and the amenities of a large, global city, Greater Miami has a significant *quality of place* advantage that is critical in attracting and retaining talent. It also benefits from housing prices which, while still high, especially for less-advantaged groups, are considerably more affordable than superstar cities and tech hubs like New York, San Francisco, and Los Angeles. The region's quality of place is a considerable competitive asset that can and should be leveraged for greater economic gain.
- **Engage All of Miami in Inclusive Prosperity.** Miami suffers from the same type of the socio-economic divides that vex other large, successful global cities and metro areas. The middle class has dwindled, and the gap between rich and poor has grown. Greater Miami suffers from a low rate of economic mobility, which limits the ability of its residents to move up the economic ladder and achieve the American Dream. By building a more inclusive community, the region can improve the life prospects of its people and tap into the talents of all of its residents as a source of shared prosperity and economic growth.
- **Address the Region's Growing Crisis of Success.** Greater Miami has come to a tipping point in its growth. As metro regions hit five or six million people, they become congested, and their old growth models based on sprawl and car dependence start to break down. The region faces high levels of congestion and gridlock, which wastes productivity and slows the movement of people, goods, and ideas that is so critical for innovation and economic growth. The region is investing in transit and faster rail service as All Aboard Florida comes on stream. It is time to more fully embrace a new growth model for the future, one that is less dependent on cars and sprawl and instead revolves around rail, transit, and density.





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