

ECONOMIC OUTLOOK CITY OF HIALEAH

Final Report

February, 2008

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EXECUTIVE SUMMARY

The economic analysis of the City of Hialeah demonstrates that Hialeah's residents have more purchasing power than is usually ascribed to them with a traditional analysis of per capita income. Although Hialeah residents' per capita income reported in official sources is lower than Miami and Miami Beach, Hialeah has a smaller number of one-person households. If household income is taken into consideration, that figure for Hialeah is larger than the City of Miami figure.

Income is not the only economic characteristic which can be used to measure the purchasing ability of Hialeah residents. *Social Compact*, a Washington, D.C. nonprofit organization pioneered the DrillDown approach that aims to uncover the hidden economic strength of cities, particularly distressed cities. The research advanced by *Social Compact* assesses the economic vitality of cities by probing into usually overlooked economic characteristics. This approach is especially useful in cities like Hialeah which have a substantial informal or 'grey' economy. Following the DrillDown approach we identified important economic characteristics of the area which point to the expenditure potential of Hialeah residents and the economic vitality of the city. Those are homeownership, business tax collections, bank branch deposits and gross sales registered by businesses in the area.

Hialeah has the highest homeownership rate of the three cities. More importantly, the high homeownership rate has been sustained between 2000 and 2006, and even increased slightly. The increase happened amidst rising housing costs including sales prices, property taxes and insurance costs.

The City of Hialeah is experiencing some demographic shifts consistent with similar trends throughout the County, such as the aging of the population and the influx of immigrants. The overall improved educational attainment of Hialeah residents is an encouraging sign, but Hialeah is losing residents with graduate and professional degrees, a trend not observed in Miami and Miami Beach. The flight of highly educated, professional residents affects the spending potential of the city as a whole as those are the residents in the upper income brackets.

The city's loss of purchasing capability is mitigated by the increase of the population in the labor force coupled with the twofold decrease of the unemployment rate. However, household income increased only slightly, and while larger than income in City of Miami, still lagged far behind Miami Beach. It is important to note that the average household self-employment income almost doubled which suggests the strengthening of private economic activity in Hialeah. This trend is further supported by data on business tax collections which increased by almost 26 percent in Hialeah. In addition, gross sales reported by Hialeah businesses increased by 28 percent between 2005 and 2006, and by a total of 32 percent since 2000.

One of the most important and significant findings is the 53 percent increase of deposits in bank branches in Hialeah between 2000 and 2006. Considering that the estimated income of Hialeah households has increased by only a modest 2.8 percent the increase in deposits is difficult to explain without referring to the existence of a *grey economy* in Hialeah. As evident from the homeownership rates, business tax, gross sales and deposit figures, Hialeah is a place of vigorous business activity and untapped economic potential. Moreover, as the resident survey demonstrates, City of Hialeah residents appreciate their local government and institutions' efforts in improving their quality of life. The survey reveals very positive resident attitudes which indicate a level of trust that the City has built among with its residents.



INTRODUCTION

The Metropolitan Center at Florida International University is a well-known research center, an urban thought collective, which has produced a number of economic development, market studies, and housing studies which have served to inform decision-makers and the public, and have resulted in the adoption of public policies. The current study aims to provide the City of Hialeah with points of reference as the City develops policies and programs for the challenges ahead.

City of Hialeah is the second largest city in Miami-Dade County. Its 2000 population of approximately 226,000 residents places it between City of Miami, with population of 362,000, and City of Miami Beach with 88,000 residents. In an effort to provide continuously improving services to its residents, the City of Hialeah contracted the Metropolitan Center at Florida International University to conduct an economic study of the city. The goal of the economic study, titled *Economic Outlook, City of Hialeah* is to examine the economic characteristics of the City and to demonstrate the factors which will influence the City's economic development. The relatively low income levels reported by Hialeah residents, combined with a high homeownership rate and consistently high bank deposits suggest the presence of a *grey economy* in the City. The *grey economy* includes legal, income generating activities whose participants do not report them properly to avoid taxation. The report examines the validity of this claim by looking not only at branch deposits, but also at the spending habits of Hialeah residents and households, the homeownership rate and income spent for homeownership, and the receipts and payroll from businesses in the area.

The study is divided into several sections, with each of them focusing on a factor of critical importance for the economic health of the City. First, the report looks into the demographic characteristics of Hialeah's residents, including issues of race and ethnicity, age, educational attainment and income. This section aims to determine whether the presence of a large percentage of the population in the working age groups and with a comparatively high educational attainment is in place in Hialeah. Secondly, the study looks at the City's economic base by analyzing employment and income characteristics of Hialeah's residents. Third, the study examines the characteristics of business establishments in Hialeah in terms of sales receipts and branch deposits. Finally, the report presents data on the expenditure potential of Hialeah residents. In this section the report looks at housing values and the percentage of income Hialeah residents spend on housing-related costs and on other items.

Throughout the report the City of Hialeah is compared with the cities of Miami and Miami Beach. Although the three cities have their unique characteristics, the comparison is intended to analyze how the three largest cities in the County fare when weighed against each other. With the City of Miami being the banking and retail center for the County, City of Miami Beach being the popular tourist spot with a concentration of service-related industries, and City of Hialeah being a predominantly residential community without a major dominant industry, the results from comparing these three cities tell an interesting story. In addition, the data analysis was paired with the results of a series of surveys the Metropolitan Center conducted with residents from the three cities. Those results complement the data-driven study by presenting information on resident perceptions of their cities in general and of various government services in particular. For example, while 48% of Hialeah residents feel their city is going in the right direction, only one-third of the City of Miami residents have this perception of their city. While 71% of Hialeah residents rated their city's services as excellent or satisfactory, only 47% of City of Miami residents indicated the same. The complete results of the resident surveys are presented in the final section of this report.



POPULATION CHARACTERISTICS

According to U.S. Census figure, the City of Hialeah has undergone a 7 percent population decline over the past six years (Table 1). However, there are some differences in the population estimates provided by various sources for population figures. The U.S. Census and the American Community Survey estimates for 2006 point to a decline in the number of residents of City of Hialeah. However, the University of Florida Bureau of Economic and Business Research (BEBR) estimates a minimal increase in the population figures.

Table 1 below shows three 2006 population estimates for the City of Hialeah along with the Census 2000 count (226,419). Two estimates show a loss of population and housing, while the other shows a gain. These are the only estimates available.

The Census Bureau estimate of the 2006 population of Hialeah reported in the 2006 American Community Survey was 209,971 persons. This shows a loss of population (16,500 persons) over the six years since the comparable Census 2000 estimate (226,419 persons).

The University of Florida Bureau of Economic and Business Research (BEBR) 2006 population estimate (228,344) shows a modest increase of 1,925 persons. It uses an estimate of households and the Census 2000 average household size (3.151 persons per household) for making the 2006 estimate. The Bureau of Economic and Business Research left the household size estimate unchanged since there was little change in the mix of housing types (single family and multi-family) in the City since the last census. Typically, single family houses have a larger average household size than multi-family units. It appears that the BEBR estimate is a reasonable estimate of the City's population. The household estimate is based on active residential electric customers. The household size estimate is based on Census 2000 figures updated, if necessary, by a review of residential construction since 2000.

The American Community Survey (ACS) uses a different methodology, based on a sample of the population. The ACS estimate of 69,700 households has a margin of error of 3,295 households at the 90 percent confidence level. This means that the odds are roughly 9 to 1 that the interval between 72,995 (69,700+3,295) and 66,405 (69,700-3,295) contains the "true" value—what you would have gotten from a full census. The Census 2000 estimate of households in Hialeah was 70,704, which is within the upper bound of the 2006 American Community Survey household estimate. This is an indication that the two estimates may be statistically indistinguishable. The number of households may have remained unchanged, and the decline shown when comparing the 2000 Census figures and the 2006 ACS estimate may be attributable to sampling error. A household survey that showed a change in household size over the six years is the only way in which the estimate could be challenged.

Table 1: Population Estimates – City of Hialeah

	2006	2000 (Census)	Change
BEBR	228,344	226,419	1,925
U.S. Census Estimates	217,141	226,419	(9,278)
American Community Survey	209,971	226,419	(16,448)



The analysis of population characteristics and trends can only be conducted using 2006 American Community Survey (ACS) data as this is the only data source which presents figures on population subgroups. It is also the only source that can be used to compare populations and trends in the cities of Hialeah, Miami and Miami Beach. As already noted, however, ACS data is based on a sample of the population and thus the validity of the analysis of population trends shown below has to be reviewed within the context and limitations of the ACS sample.

Table 2: Demographic Characteristics

	City of Hialeah		City of Miami		City of Miami Beach	
	2000	2006	2000	2006	2000	2006
POPULATION						
Total	226,419	209,971	362,470	358,091	87,933	84,880
Male	108,893	102,602	180,194	175,809	45,048	46,660
Female	117,526	107,369	182,276	182,282	42,885	38,220
RACE/ETHNICITY						
Hispanic (all races)	204,543	197,506	238,351	246,941	47,000	44,227
Black alone	5,453	8,211	80,858	80,384	3,548	1,169
White alone	199,276	189,814	241,470	252,562	76,276	74,132
Other (non-Hispanic)	21,690	11,946	40,142	25,145	8,109	9,579
AGE						
Infant to 19 years	57,216	49,201	87,681	85,381	13,360	14,787
20 to 34 years	45,742	35,278	76,773	71,432	23,336	19,777
35 to 54 years	61,352	63,052	100,825	101,158	26,473	28,247
55 to 74 years	46,287	43,971	67,834	72,504	15,591	14,563
75 years and older	15,814	18,469	29,450	27,616	9,301	7,506
Median Age	37.7	40.9	37.7	39.2	39	39.9
EDUCATIONAL ATTAINMENT (Population 25+)						
Less than High School	78,059	51,647	119,435	83,880	14,700	10,383
High School	35,499	49,242	49,988	69,601	14,208	12,644
Some College, no degree	19,347	15,449	31,514	24,266	12,929	7,788
Associates	6,585	11,798	10,563	15,020	4,248	5,595
Bachelors	9,242	17,135	21,681	33,718	12,267	15,654
Graduate, Professional & Above	6,875	4,425	19,323	21,035	10,938	13,296

Source: U.S. Census, 2000. American Community Survey (ACS), 2006. Note: 2006 ACS data is based on estimates.



Table 3: Year of Entry for Foreign Born Population – City of Hialeah

	In 2000	% of Total	In 2006	% of Total
2000 or later	-	-	37,281	23.8%
1990-1999	64,325	39.4%	51,346	32.8%
1980-1989	47,090	28.8%	32,062	20.5%
Before 1980	51,841	31.8%	35,763	22.9%
Total Foreign Born	163,256	100%	156,452	100%

Source: U.S. Census, 2000. ACS, 2006. Note: 2006 ACS data is based on estimates

Although Hialeah's population is estimated to have decreased over the last six years, the number of households remained stable (Table 4). The average household size decreased from 3.15 in 2000 to 2.90 in 2006.¹ This was partially due to the fact that the number of households with own children declined by 13 percent which suggests either a significant decrease in birth rates or that households with children are leaving the city and are being replaced by households without children (Table 4). In addition, in the year 2000 families (non-single residences) represent almost 82 percent of Hialeah's population, significantly larger than the 63 percent for Miami and 40 percent for Miami Beach. While the percentage of single-member households increased in all three cities, Hialeah still remains the city with the lowest single-member households percentage (18), compared to 34 and 51 percent respectively for Miami and Miami Beach (Table 4).

Table 4: Household Characteristics

	Hialeah		Miami		Miami Beach	
	2000	2006	2000	2006	2000	2006
Households: Total	70,664	69,700	134,344	135,153	46,242	44,521
Family Households	57,685	54,147	84,195	79,679	18,640	17,652
2-Person Family Households	16,257	21,116	29,308	31,590	9,691	9,124
3 or 4-Person Households	28,484	24,859	37,238	36,208	7,067	7,477
5 or More Person Households	12,944	8,172	17,649	11,881	1,882	1,051
Nonfamily Households	12,979	15,553	50,149	55,474	27,602	26,869
1-Person Households	10,337	12,839	40,844	45,312	22,473	22,882
2-Person Households	2,001	2,046	7,784	8,052	4,704	3,858
3 or 4-Person Households	547	493	1,318	1,662	415	129
5 or More Person Households	94	175	203	448	10	0

Source: U.S. Census, 2000. ACS, 2006. Note: 2006 ACS data is based on estimates.

¹ As already noted above, this figure may be the result of the small sample of households surveyed in the 2006 American Community Survey.



EMPLOYMENT AND INCOME CHARACTERISTICS

Over the 2000-2006 period the population in the labor force in the City of Hialeah increased by a healthy 5.5%. That increase was coupled with a significant decrease in the unemployment rate, from 10.1% to 5.2%. Similar trends are observed in the cities of Miami and Miami Beach (Table 6). The unemployment rate decrease seems to be a general trend in the County.

Table 6: Employment

	Hialeah		Miami		Miami Beach	
	2000	2006	2000	2006	2000	2006
Population in Labor Force	91,536	96,550	147,356	167,813	44,067	47,930
Employed	89.9%	94.8%	88.2%	94.2%	92.5%	96.7%
Unemployed	10.1%	5.2%	11.8%	5.8%	7.5%	3.3%

Source: U.S. Census, 2000. American Community Survey, 2006.

In 2000 the median household income in the City of Hialeah was lower than the household income in the City of Miami Beach but higher than the City of Miami. The 2006 estimates also place Hialeah's median household income in between the two cities in comparison. However, the cities of Miami and Miami Beach experienced higher increases, 15 percent and 64 percent respectively, compared to only a 3 percent increase in Hialeah (Table 7). It should be noted that per capita income in Hialeah appears lower than both the City of Miami and the City of Miami Beach. However, this figure is based on income reported by Hialeah residents and would not accurately represent income obtained through economic activity in the 'grey' economy.

Although per capita income may be a good measure for income reported by single-member households, it obscures the fact that Hialeah has a higher percentage of larger households. While the average household size in Hialeah was estimated at 2.9, in Miami it was 2.58 and in Miami Beach it was 1.88 (Table 8).² As Table 3 above demonstrates, in the year 2006, it is estimated that only 18 percent of households in Hialeah had one member, compared to 34 percent in Miami and 51 percent in Miami Beach. These figures suggest that combined household income may be a better comparative measure of the economic condition of Hialeah's population and its purchasing capability.

² As already noted above, this figure may be the result of the small sample of households surveyed in the 2006 American Community Survey.



Table 7: Income

	City of Hialeah		City of Miami		City of Miami Beach	
	2000	2006	2000	2006	2000	2006
Median Household Income	\$29,492	\$30,325	\$23,483	\$27,088	\$27,322	\$44,739
Per capita income	\$12,402	\$13,631	\$15,128	\$17,911	\$27,853	\$40,958
Average household earnings	\$31,974	\$32,168	\$31,389	\$37,223	\$40,961	\$63,509
Avg. household wage or salary income	\$30,264	\$28,845	\$29,072	\$34,019	\$35,434	\$54,397
Avg. household self-employment income	\$1,710	\$3,323	\$2,317	\$3,204	\$5,527	\$9,112

Source: U.S. Census, 2000. American Community Survey, 2006.

Table 8: Average Household Size

Hialeah		Miami		Miami Beach	
2000	2006	2000	2006	2000	2006
3.15	2.90	2.61	2.58	1.87	1.88

Source: U.S. Census, 2000. ACS, 2006.

In the year 2000 City of Hialeah had the lowest poverty rate for individuals. However, by 2006 that rate is estimated to have increased to 21.2 percent, almost 4 percent higher than Miami Beach but more than 5 percent lower than the poverty rate for City of Miami. In terms of poverty levels of families, Hialeah has a 7 percent lower family poverty rate than Miami and only 2 percent higher than Miami Beach.

Table 9: Poverty Level for Individuals

	Hialeah		Miami		Miami Beach	
	2000	2006	2000	2006	2000	2006
Total Population	223,073	209,971	352,916	358,091	87,018	84,880
Population below poverty level	18.6%	21.2%	28.5%	26.9%	21.8%	17.4%

Source: U.S. Census, 2000. ACS, 2006.



Table 10: Poverty Rate for Families

	Hialeah		Miami		Miami Beach	
	2000	2006	2000	2006	2000	2006
Total Families	57,685	54,147	84,195	79,679	18,640	17,652
Families below poverty level	16.0%	15.8%	23.5%	22.8%	17%	13.7%

Source: U.S. Census, 2000. ACS, 2006.

The Gini Index of income inequality, also known as the index of income concentration, estimated for the three cities is also an important statistic for comparing the three cities. A low Gini coefficient indicates more equal income or wealth distribution, while a high Gini coefficient indicates more unequal distribution. City of Hialeah has the lowest Gini index for 2000 and 2006, which is an indicator that income is more evenly distributed in Hialeah than in the other two cities. However, the index indicates an increase in income inequality in both Hialeah and Miami Beach between 2000 and 2006. The Gini index is a composite measure of income inequality that takes into account a variety of population and contextual characteristics, including influx of new immigrants, reliance on public assistance, reported income, inflation, as well as standard of living as a composite factor. The lower Gini index of City of Hialeah as compared to the cities of Miami and Miami Beach can be attributed to lower living costs. For example, Table 26 below presents data on housing affordability gaps for the three cities which demonstrates that the City of Hialeah is the least costly area for housing.

Table 11: Gini Index

	2000	2006
Hialeah	0.186	0.435
Miami	0.548	0.533
Miami Beach	0.305	0.572

Source: U.S. Census, 2000. ACS, 2006.

In spite of the only modest increase in individual and household income, deposits in bank branches in the City of Hialeah increased consistently between 1999 and 2006. While branch deposits increased in all three cities and in the County as a whole, the overall growth was smaller in Hialeah over the 2000-2006 period. However, branch deposits declined sharply in Miami, Miami Beach and Miami-Dade County from 2005 to 2006, while there was only a modest drop in deposits in Hialeah bank branches (Figure 1).

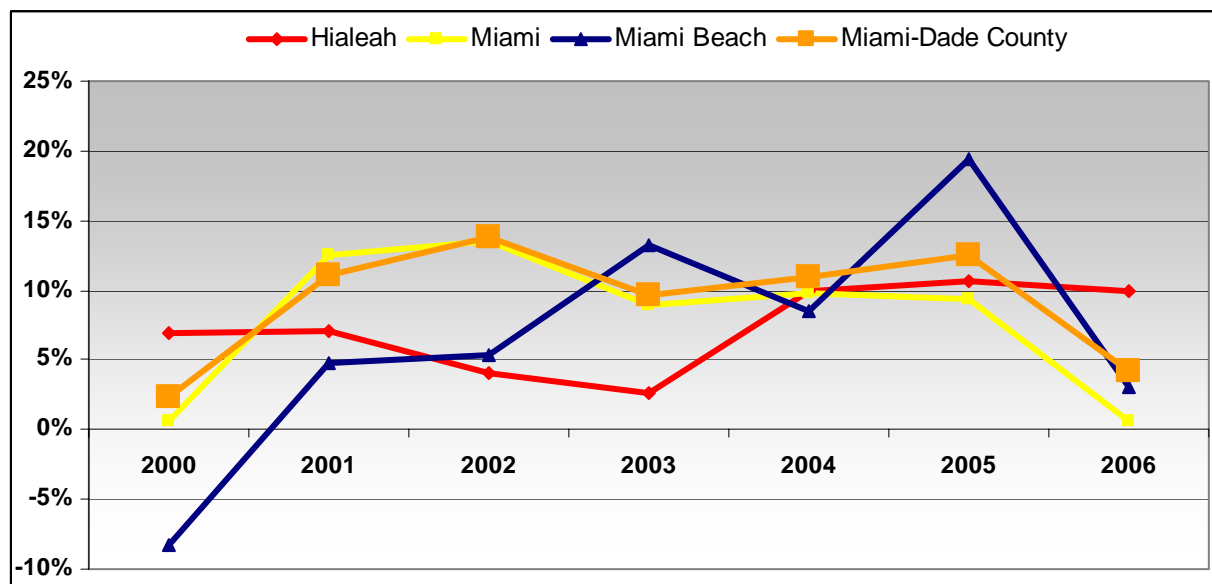


Table 12: Bank Branch Deposits, Hialeah (in \$1,000)

	Hialeah		Miami		Miami Beach		Miami-Dade County	
	Deposits	Change	Deposits	Change	Deposits	Change	Deposits	Change
1999	1,722,057	-	24,537,684	-	2,283,673	-	39,633,149	-
2000	1,841,940	6.96%	24,694,775	0.64%	2,096,192	-8.21%	40,542,573	2.29%
2001	1,973,005	7.12%	27,797,868	12.57%	2,196,010	4.76%	45,063,851	11.15%
2002	2,054,394	4.13%	31,566,140	13.56%	2,313,059	5.33%	51,297,297	13.83%
2003	2,108,936	2.65%	34,370,362	8.88%	2,618,844	13.22%	56,263,926	9.68%
2004	2,317,515	9.89%	37,735,673	9.79%	2,840,083	8.45%	62,394,409	10.90%
2005	2,563,104	10.60%	41,284,231	9.40%	3,390,666	19.39%	70,221,796	12.55%
2006	2,817,548	9.93%	41,521,003	0.57%	3,493,137	3.02%	73,204,777	4.25%
Growth from 2000	52.97%		68.14%		66.64%		80.56%	

Source: Federal Deposit Insurance Corporation, 2007.

Figure 1: Branch Deposits, Hialeah: 2000-2006.





BUSINESS ESTABLISHMENTS

Table 13: Business Establishments, 2007

	Number of Establishments
Retail Trade	1,887
Wholesale Trade	1,282
Health Care and Social Assistance	1,172
Manufacturing	949
Professional, Scientific & Technical Services	911
Other Services (except Public Administration)	907
Construction	823
Finance and Insurance	761
Administrative and Support Services	713
Real Estate & Rental & Leasing	540
Transportation and Warehousing	373
Accommodation & food services	347
Information	187
Arts, Entertainment, & Recreation	79
Educational Services	73

In terms of the types of business establishments present within the City of Hialeah and its immediate area, the top 3 are Retail Trade, Wholesale Trade, and Health Care and Social Assistance. Approximately 40 percent of business establishments in the area are in those three industries.

The top three employers in the area are Palmetto General Hospital, Palm Springs General Hospital, and Hialeah Hospital.

The overwhelming majority of business establishments in Hialeah are small enterprises. They also account for almost a third of the sales generated in the area. Smaller business establishments, with less than 50 employees, account for more than 60 percent of employment in the area (Table 14).

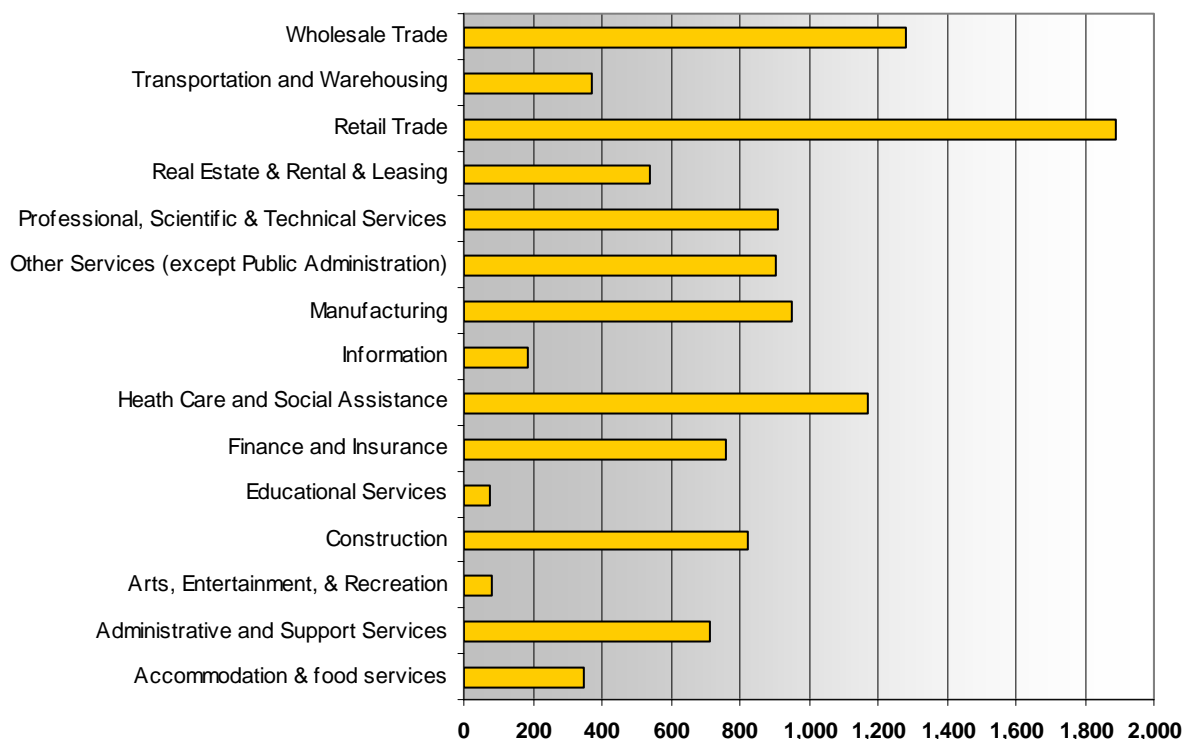
Table 14: Business Characteristics, Hialeah and area, 2007.

	2-10 employees	11-49 employees	50-99 employees	100 or more employees	Total
Business Establishments	9,583	1,201	160	116	11,060
Sales (in \$1,000)	\$3,788,956	\$3,252,652	\$1,605,465	\$3,978,508	\$12,625,582
Number of Employees	35,635	24,453	10,136	28,073	98,297

Source: Dun & Bradstreet, Selectory database; FIU Metropolitan Center 2007.



Figure 2: Business Establishments by Industry, 2007.



Source: Dunn & Bradstreet, Selectory database; FIU Metropolitan Center 2007. Data was collected for all ZIP codes in City of Hialeah. ZIP code area, although fully encompassing the City extends beyond the City boundaries.

Between 2000 and 2006, business establishments in the City of Hialeah experienced a significant growth in terms of gross sales (Table 15). Overall sales grew by 32 percent for the period. Gross sales in Miami increased by 52 percent and in Miami Beach by 51 percent. For Miami-Dade County sales increased by 54 percent. It should be noted that data for areas less than countywide (e.g., zip codes or cities) may be distorted, as large taxpayers are, by law, allowed to file countywide consolidated returns. Thus, the system used by the Florida Department of Revenue assigns the consolidated return to the area from which it was filed. However, the data seems to correlate closely with data from the latest available Economic Census (Table 16). The industry data from the Economic Census does not include important employment and sales-generating industries such as Construction, Transportation and Warehousing, Finance and Insurance, and Information. In 2000 and 2006 employment in these industries accounted for more than a quarter of total employment. (See Table 14 above). The Sales/Receipts data from those industries reported in 2002 is \$5,307 million, which is approximately 81 percent of gross sales figure reported by the Florida Department of Revenue.



Table 15: Gross Sales (in \$1,000)

	Hialeah	% Change	Miami	% Change	Miami Beach	% Change
2000	\$7,450,669	-	\$57,589,602	-	\$2,179,858	-
2001	\$6,984,929	-6.3%	\$58,749,149	2.0%	\$2,207,274	1.3%
2002	\$6,587,457	-5.7%	\$54,486,561	-7.3%	\$2,089,899	-5.3%
2003	\$5,548,116	-15.8%	\$46,486,392	-14.7%	\$1,851,591	-11.4%
2004	\$7,993,250	44.1%	\$65,564,646	41.0%	\$2,585,470	39.6%
2005	\$7,670,142	-4.0%	\$74,252,358	13.3%	\$3,023,712	17.0%
2006	\$9,845,970	28.4%	\$87,455,982	17.8%	\$3,291,501	8.9%

Source: Florida Department of Revenue, Office of Tax Research, 2007.

Figure 3: Gross Sales Change, 2001-2006.

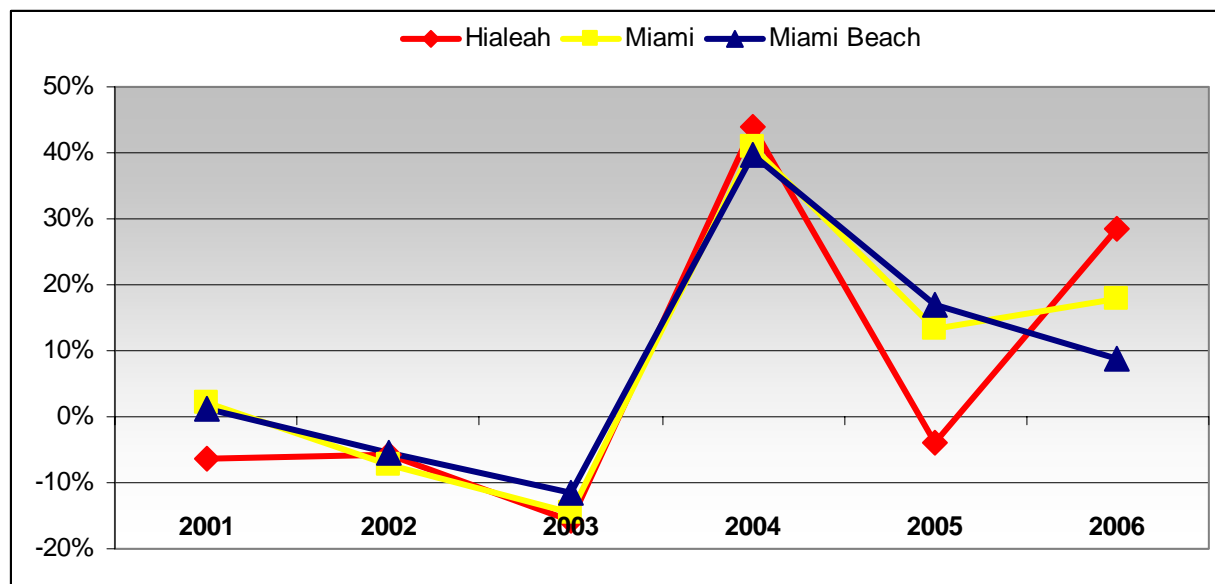




Table 16: Selected Economic Sectors, City of Hialeah, 2002.

	Number of Establishments	Sales/Receipts (in \$1,000)	Number of Employees
Retail Trade	985	1,511,591	9,343
Health Care and Social Assistance	743	852,856	9,250
Manufacturing	551	1,013,440	8,667
Accommodation & food services	299	169,063	3,753
Wholesale Trade	559	1,208,747	3,429
Administrative and support services	208	150,773	2,321
Other Services (except Public Administration)	534	137,286	1,723
Professional, Scientific & Technical Services	313	99,631	1,407
Information	47	*	1,164
Real Estate & Rental & Leasing	244	128,775	759
Arts, entertainment, & recreation	31	16,261	299
Educational Services	20	18,764	252

Source: U.S. Census Bureau, Economic Census, 2002.

Business tax (formerly known as occupational license tax) collection figures are also a good indicator of the state of economic activity in a city. An occupational license is issued by the Tax Collector for the right to operate a business. Anyone providing merchandise or services to the public, even through a one-person company or home based occupation must obtain a county license to operate. In some cases, if a business performs several functions, it may be necessary to acquire more than one occupational license. The occupational license fee varies according to business type and size.

Any person doing business in Miami-Dade County must obtain a Miami-Dade County Local Business Tax Receipt. Businesses also need to obtain a City Business Tax Receipt from the municipality where the business is located. The data in Table 17 below presents business tax collection for the three cities compared in this report.

The collection of business taxes increased steadily over the last 10 years in all three cities, which indicates a robust economic activity in all of them. The increase may be the result of an increase in the business taxes, an increase in the number of businesses which are being levied higher taxes or an overall increase in business establishments applying for business tax receipt. A review of data on the business establishments in Hialeah in 2000 and 2007 (Tables 13 and 16), suggest that increased business tax receipt collections are the result of the growth of number of business establishments. From 1995 to 2005, business tax collections for City of Hialeah increased by 36 percent, compared to 72 and 32 percent for Miami and Miami Beach respectively.

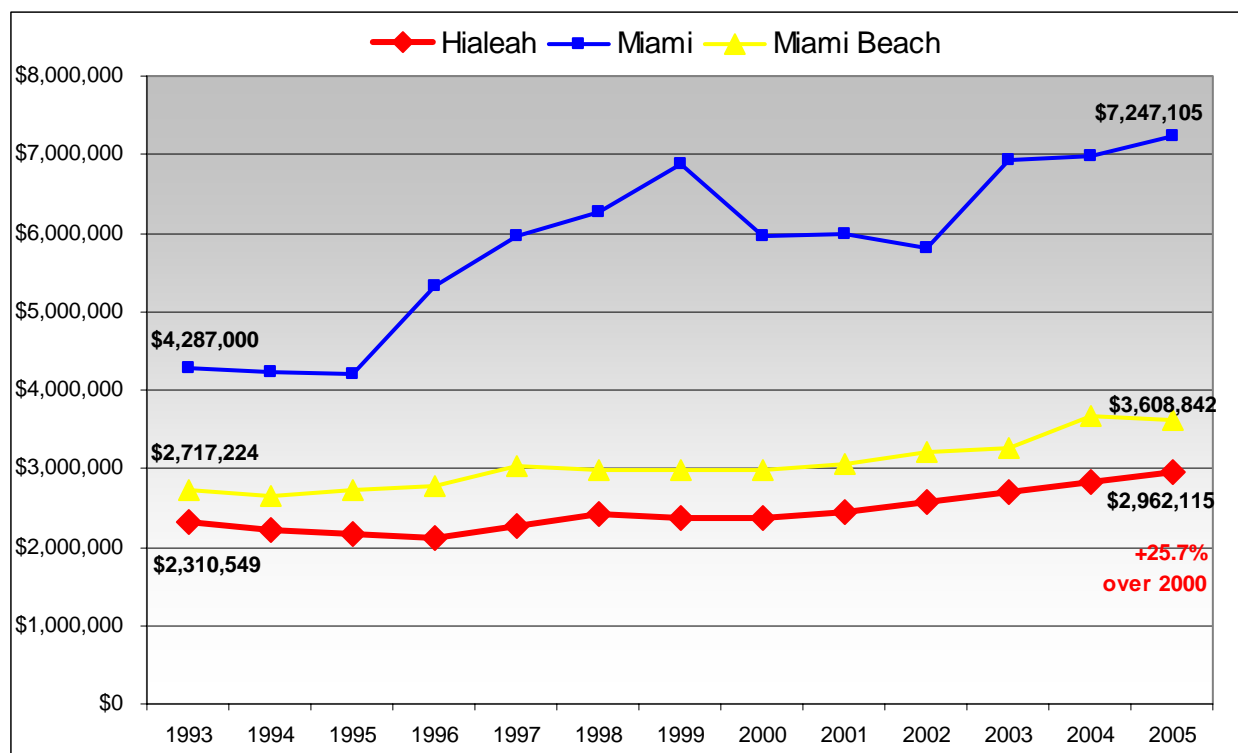


Table 17: Business Tax Collections, 1995-2005.

	1995	2000	% Change from 1995	2005	% Change from 2000
City of Hialeah	2,176,315	2,357,324	8.32%	2,962,115	25.66%
City of Miami	4,209,000	5,969,672	41.83%	7,247,105	21.40%
City of Miami Beach	2,728,121	2,969,662	8.85%	3,608,842	21.52%

Source: Florida Department of Financial Services, Florida Legislative Committee on Intergovernmental Relations, 2007.

Figure 4: Business Tax Collections, 1993-2005.



EMPLOYMENT BY INDUSTRY

Analysis of employment by industry, indicates that the top five occupation industries for Hialeah residents are: Manufacturing, Retail Trade, Construction, Transportation and Warehousing, and Health Care and Social Assistance. Although the top five industries remained the same from 2000 to 2006, their ranking changed. Retail Trade replaced Manufacturing as the top employment industry in the area. Combined employment in the Construction, Transportation and Warehousing, and Health Care and Social Assistance industries increased by 53 percent (Table 18). Retail, Manufacturing, and Health Care and Social Assistance continue to be the largest employment industries in 2007 (Table 19).



Table 18: Dominant Economic Sectors by Employment, City of Hialeah

	2000	2006	Median earnings in 2006
Manufacturing	14,282	10,614	\$17,037
Retail trade	10,936	11,691	\$16,841
Construction	7,605	11,441	\$21,380
Transportation and Warehousing	7,234	11,434	\$27,049
Health Care and Social Assistance	6,951	10,537	\$17,446
Wholesale trade	6,210	4,089	\$23,568
Other services, except public administration	4,969	6,333	\$15,417
Accommodation and food services	4,613	4,071	\$14,806
Administrative and Support Services	3,964	6,189	\$14,970
Educational Services	3,510	4,474	\$20,069
Finance and Insurance	3,108	1,800	\$24,951
Professional, Scientific, and Technical Services	2,579	2,064	\$29,313
Information	1,703	1,680	\$20,900
Real Estate and Rental and Leasing	1,622	3,303	\$23,969
Arts, Entertainment, and Recreation	779	400	\$30,397
Median earnings for all industries combined			\$20,466

Source: U.S. Census, 2000; ACS 2006.



Table 19: Dominant Economic Sectors, Hialeah and area, Quarters 1 and 2, 2007

	Number of Establishments	Sales/Receipts (in \$1,000)	Number of Employees
Retail Trade	1,887	2,474,399	16,413
Manufacturing	949	1,980,517	14,946
Health Care and Social Assistance	1,172	633,370	11,480
Wholesale Trade	1,282	2,542,483	9,334
Construction	823	925,221	7,060
Information	187	879,363	6,679
Administrative and Support Services	713	334,986	5,663
Professional, Scientific & Technical Services	911	519,086	5,454
Other Services (except Public Administration)	907	380,933	5,333
Accommodation & food services	347	156,799	4,941
Finance and Insurance	761	1,106,364	4,737
Real Estate & Rental & Leasing	540	226,290	2,643
Transportation and Warehousing	373	213,080	1,767
Educational Services	73	33,434	633
Arts, Entertainment, & Recreation	79	27,023	630

Source: Dun & Bradstreet, Selectory database; FIU Metropolitan Center 2007.

EARNINGS BY INDUSTRY

Wages in most industry categories in Hialeah are generally lower than wages in Miami Beach. In some industry categories, such as Arts, Entertainment and Recreation, Transportation, Wholesale Trade and Construction, earnings are higher in Hialeah than in Miami. Median earnings in Hialeah for all industry categories except Arts, Entertainment, and Recreation were lower than the corresponding industry earnings for the County. Median earnings for City of Hialeah industries is 77 percent lower than earnings for Miami Beach and 5 percent larger than City of Miami earnings.



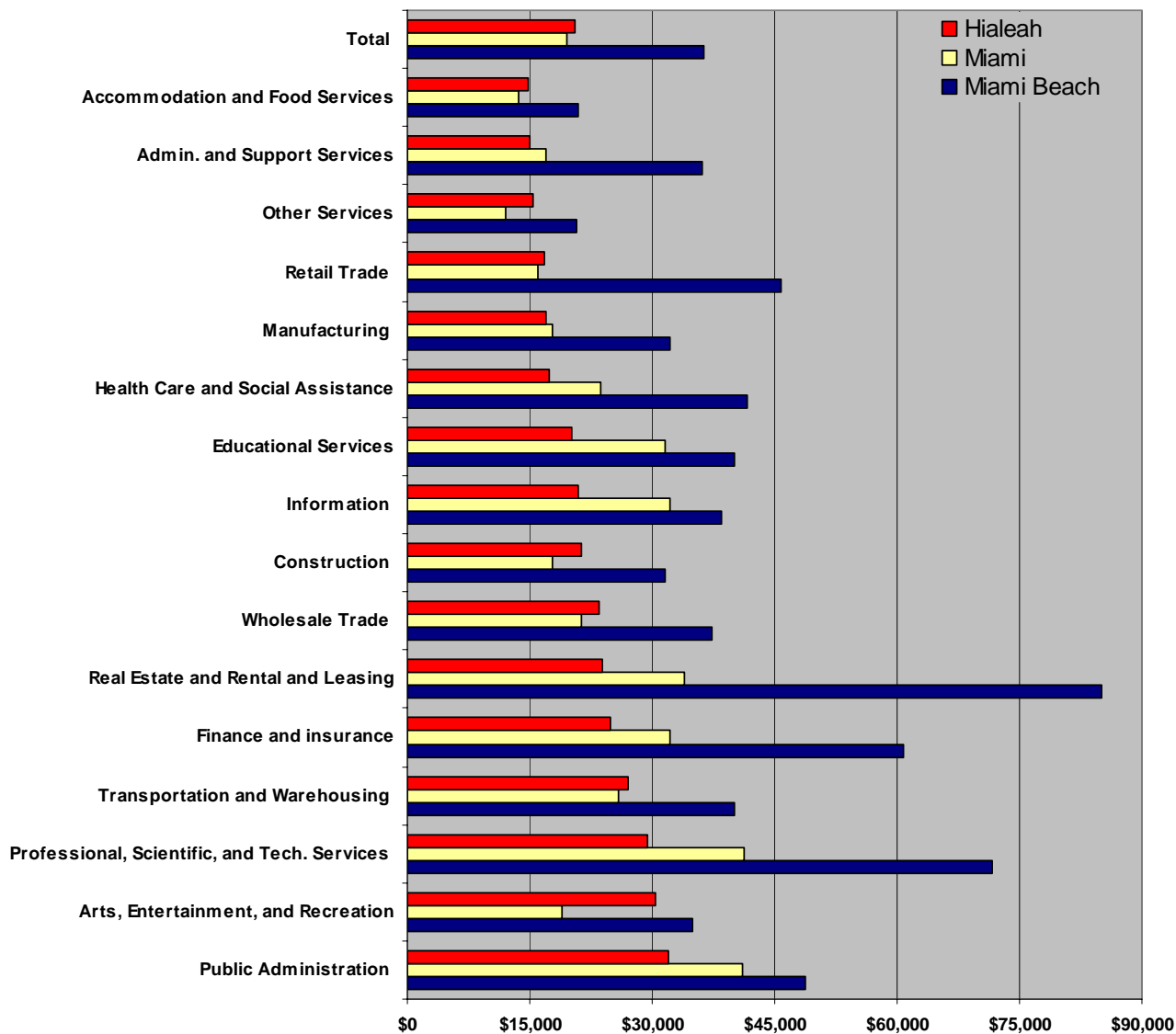
Table 20: Earnings by Industry, 2006.

	Hialeah	Miami	Miami Beach	Miami-Dade County
Public Administration	\$31,922	\$41,016	\$48,750	\$42,377
Arts, Entertainment, and Recreation	\$30,397	\$18,998	\$34,971	\$23,601
Professional, Scientific, and Tech. Services	\$29,313	\$41,317	\$71,656	\$40,975
Transportation and Warehousing	\$27,049	\$25,920	\$40,096	\$31,144
Finance and insurance	\$24,951	\$32,141	\$60,855	\$37,093
Real Estate and Rental and Leasing	\$23,969	\$34,008	\$85,095	\$34,483
Wholesale Trade	\$23,568	\$21,338	\$37,365	\$29,713
Construction	\$21,380	\$17,749	\$31,664	\$24,069
Information	\$20,900	\$32,148	\$38,533	\$39,288
Educational Services	\$20,069	\$31,532	\$40,149	\$31,114
Health Care and Social Assistance	\$17,446	\$23,717	\$41,708	\$26,917
Manufacturing	\$17,037	\$17,675	\$32,206	\$22,842
Retail Trade	\$16,841	\$15,973	\$45,873	\$19,117
Other Services	\$15,417	\$11,994	\$20,774	\$16,626
Admin. and Support Services	\$14,970	\$17,033	\$36,021	\$19,280
Accommodation and Food Services	\$14,806	\$13,640	\$20,968	\$16,535
Total	\$20,466	\$19,551	\$36,226	\$25,745

Source: American Community Survey, 2006.



Figure 5: Median Earnings by Industry, 2006.



Source: American Community Survey, 2006.

The top three employment industries in Hialeah boast higher earnings than those industries in Miami. However, earnings in those industries are from 13 to 54 percent lower in Hialeah than in the County at large. In comparison to City of Miami Beach earnings, the differences are even more pronounced ranging from 48 to 172 percent.

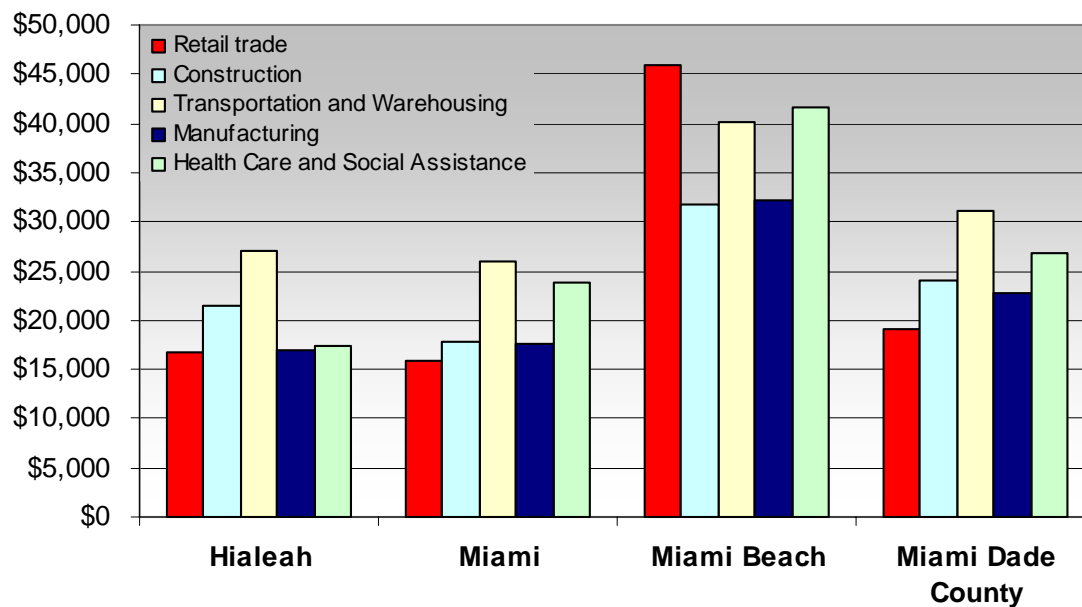


Table 21: 2006 Median Earnings in the Top 5 Employment Industries in Hialeah

	Hialeah	Miami	Miami Beach	Miami Dade County
1. Retail trade	\$16,841	\$15,973	\$45,873	\$19,117
2. Construction	\$21,380	\$17,749	\$31,664	\$24,069
3. Transportation and Warehousing	\$27,049	\$25,920	\$40,096	\$31,144
4. Manufacturing	\$17,037	\$17,675	\$32,206	\$22,842
5. Health Care and Social Assistance	\$17,446	\$23,717	\$41,708	\$26,917

Source: American Community Survey, 2006.

Figure 6: Median Earnings for Top 5 Industries in Hialeah, 2006.





HOUSING

Homeownership rates in Hialeah increased between 2000 and 2006, despite the dramatic increase in house values. Hialeah has the highest percentage of owner occupied units of the three cities. 50.7% of occupied housing units in Hialeah were owner-occupied in 2000, compared to 34.9% in Miami and 36.6% in Miami Beach. In 2006 Hialeah continued to hold the highest percentage of owner occupied units at 52.3% (Table 22).

Table 22: Housing Characteristics: Ownership and Occupancy

		Hialeah		Miami		Miami Beach	
		2000	2006	2000	2006	2000	2006
Occupied Units	Owner-occupied	35,846	36,417	46,836	48,855	16,895	19,109
	Renter-Occupied	34,858	33,283	87,362	86,298	29,299	25,412
	Total	70,704	69,700	134,198	135,153	46,194	44,521
Vacant Units		1,438	4,569	14,190	24,239	13,529	20,123
Total Housing Units		72,142	74,269	148,388	159,392	59,723	64,644

Source: U.S. Census, 2000. American Community Survey, 2006.

Real estate property continued to appreciate between 2005 and 2006 in the City of Hialeah. The number of homes priced in the \$100,000-200,000 price range declined by 70 percent, while properties in the \$300,000-500,000 range increased substantially. The median home value appreciated by 19 percent.

Table 23: Owner-occupied housing units with a mortgage

	2005	2006
Mortgaged Owner-occupied housing units	28,584	25,449
VALUE	Percentage of Total	
Less than \$50,000	0.4%	0.4%
\$50,000 to \$99,999	3.5%	1.0%
\$100,000 to \$149,999	18.8%	8.3%
\$150,000 to \$199,999	27.0%	24.2%
\$200,000 to \$299,999	30.3%	30.1%
\$300,000 to \$499,999	18.2%	34.0%
\$500,000 or more	1.8%	2.0%
Median (dollars)	\$201,100	\$238,400

Source: American Community Survey, 2005-2006.



Home sales in the City of Hialeah do not indicate a housing market slowdown in the area. The volume of real property sales grew at a steady pace between 2005 and 2006, and it appears that the number of sales will be stable for 2007 as well. For the first two quarters of 2007, there were 376 sales of single family and condo units registered in the City of Hialeah, which is about the same volume as for 2005 and 36 percent of sales for 2006. Median sales prices also continued to grow for both single family and condo units (Tables 24 and 25).

Table 24: Housing Sales, 2005-2006

	Hialeah		Miami		Miami Beach	
	2005	2006	2005	2006	2005	2006
Single Family						
# of Sales	162	393	2270	6617	44	204
Median Sales Price	\$ 306,500	\$335,000	\$350,000	\$358,500	\$1,195,000	\$1,250,000
Average Sales Price	\$310,344	\$335,827	\$395,838	\$405,915	\$1,616,420	\$1,990,999
Condo						
# of Sales	220	660	2219	6279	984	1996
Median Sales Price	\$173,450	\$190,000	\$234,600	\$240,000	\$374,000	\$379,000
Average Sales Price	\$179,978	\$197,032	\$297,869	\$307,682	\$504,794	\$537,269

Source: Multiple Listing Service data; Metropolitan Center, 2007.

Table 25: Housing Sales, 2007 (Quarters 1 and 2)

	Hialeah	Miami	Miami Beach
Single Family			
# of Sales	158	2350	89
Median Sales Price	\$345,000	\$365,000	\$1,150,000
Average Sales Price	\$339,258	\$478,261	\$1,761,594
Condo			
# of Sales	218	2213	817
Median Sales Price	\$193,700	\$245,000	\$399,500
Average Sales Price	\$197,300	\$337,577	\$608,992

Source: Multiple Listing Service data; Metropolitan Center, 2007.



Housing affordability refers to the capacity of households to *afford* homeownership. According to guidelines of the U.S. Department of Housing and Urban Development (HUD), housing is affordable for owner-occupied housing if such housing requires no more than 30% of a household's gross income to be spent on housing costs. The data presented below clearly demonstrates the worsened conditions for Hialeah's residents as income has not kept the pace of much steeper housing cost increases. However, the affordability gap was significantly smaller in Hialeah than Miami and Miami Beach in 2000 and continued to be smaller in 2006.

Table 26: Affordability Assessment: Single Family and Condominium

Year	Household Income	Affordable SF Home Price	Median Selling Price SF 2006	Affordability Gap for Single Family Homes	Affordable Condo. Home Price	Median Selling Price Condo 2006	Affordability Gap for Condo Property
City of Hialeah							
2000	\$29,492	\$92,815	\$154,431	(\$61,616)	\$71,736	\$89,240	(\$17,504)
2006	\$30,325	\$76,797	\$335,000	(258,203)	\$54,518	\$190,000	(135,482)
City of Miami							
2000	\$23,483	\$69,915	\$162,683	(\$92,768)	\$48,837	\$157,437	(108,600)
2006	\$27,088	63,702	\$358,500	(294,798)	\$40,092	\$240,000	(199,908)
City of Miami Beach							
2000	\$27,322	\$83,269	\$483,333	(\$400,064)	\$62,191	\$149,715	(\$87,524)
2006	\$44,739	\$135,178	\$1,250,000	(1,114,822)	\$111,702	\$379,000	(267,298)

Source: Reinhold P. Wolff Economic Research, Inc.; FIU Metropolitan Center, 2007.

The housing crisis has affected more adversely householders in the City of Miami than Hialeah. While City of Miami contains double the amount of housing units of Hialeah, the number of properties in foreclosure in Miami was four times the number of properties in Hialeah. This vast disparity is even more significant considering that City of Miami has only 36 percent property ownership rate, compared to Hialeah's 52 percent. In all three cities the majority of properties in foreclosure are priced below the median sales price for the respective city which confirms the trend observed throughout the County that the housing crisis has a more pronounced effect on lower income households which are being squeezed out of their homes for a number of reasons including variable interest rates, as well as high property taxes and insurance costs.

Table 27: Foreclosures, October, 2007.

	Hialeah	Miami	Miami Beach
Total	38	152	35
Median	\$270,900	\$278,050	\$259,900
Average	\$268,400	\$298,300	\$314,340

Source: Foreclosure.com.; FIU Metropolitan Center, 2007.



SPENDING POTENTIAL

Hialeah residents' spending patterns in 2007 differ significantly from one ZIP code to another. Data presented by ESRI, a leader in geographic information system (GIS) technology design and development, demonstrates that Hialeah households generally spend less than the average U.S. household on items across the board. The U.S. average is set at 100.

Table 28: Spending Potential Indices, 2007.

	Financial Services				Home Improvements		The Home			
	Auto Loan	Home Loan	Investments	Retirement Plans	Repair	Lawn and Garden	Computers and Hardware	Major Appliances	TV, Radio, Sound Equipment	Furniture
33010	54	46	42	44	43	40	57	51	55	52
33012	65	62	54	57	57	55	65	63	64	64
33013	70	68	57	62	62	60	67	68	67	68
33014	90	89	77	85	83	75	3	88	89	92
33015	95	86	79	89	78	75	99	86	94	95
33016	87	84	71	81	76	70	88	83	83	86
33018	92	107	90	98	98	82	99	99	89	99
FL Average	93	92	96	92	92	95	92	93	93	93

Source: ESRI Community Sourcebook of ZIP Code Demographics, 2007.

The spending capacity of Hialeah residents is also reflected in their ability to cover the costs of utility services. In comparison to City of Miami, Hialeah residents exhibit very low delinquency rates which have continuously decreased since 2002. While Hialeah's delinquency rates provided by FPL stand at 0.14%, City of Miami residents' delinquency rate is 0.25% (Table 29).

Table 29: Florida Power and Light – City of Hialeah

	Total Revenues	Total Write-offs	% of Write-offs
2007	\$162,105,182	\$229,577	0.14%
2006	\$200,159,125	\$297,938	0.15%
2005	\$154,236,629	\$250,581	0.16%
2004	\$155,145,208	\$337,371	0.22%
2003	\$148,204,075	\$278,017	0.19%
2002	\$133,084,957	\$300,075	0.23%

Source: Florida Power and Light, 2007.



Data on water and sewer fee collections provided by the City of Hialeah Water and Sewer Department also shows that water account collections have consistently been above 96 percent with an average for the 2000-2006 period of 99.22 percent.

Table 30: Analysis of Water Account (Revenues & Collections)

	2000	2001	2002	2003	2004	2005	2006	Totals
Water Revenues	14,167,910	13,232,252	14,190,186	13,962,094	14,719,135	14,018,134	14,885,101	99,174,812
Yearly Collections	13,881,964	13,511,468	13,760,750	13,901,866	14,414,241	14,013,605	14,890,683	98,374,577
Yearly % of Collections	97.98%	102.11%	96.97%	99.57%	97.93%	99.97%	100.04%	99.19%

Source: City of Hialeah, Department of Water and Sewer.

The demonstrated compliance of utility customers and the ability of the City of Hialeah to collect fees for utility services is a positive sign for the spending potential of Hialeah residents.



RESIDENT SURVEYS

The Metropolitan Center conducted a phone survey from August 27 through September 4, 2007. 800 surveys of registered voters were completed, of which 400 in Hialeah, 200 in City of Miami, and 200 in Miami Beach. 16.3% of respondents were non-Hispanic White, 69.3% Hispanic, and 7.3% African-American. 36.3% of surveys were conducted in English and 63.7% in Spanish.

The goal of the surveys was to compare resident perception and satisfaction with their cities and a variety of services, as well as to gauge attitudes towards taxation and preference for future government spending. Survey results demonstrate that Hialeah residents are generally content with City services. Affordable Housing for the Elderly and Road Improvement are the spending priorities of Hialeah taxpayers. However, taxpayers are not willing to pay any additional taxes but they are willing to continue paying current rates if used on programs of importance for residents. Below are some of the highlights of the resident survey. Additional data is presented in the Appendix.

48% of Hialeah residents feel the city is going in the right direction and 40% feel that the city is off on the wrong track. This compares favorably with the city of Miami where 53.5% of the residents feel the city is going in the wrong direction and only one-third of the residents (33%) feel the city is going in the right direction.

Table 31: Is Your City Headed in the Right Direction?

			city:			Total
			HIALEAH	MIAMI	MIAMI BEACH	
Overall, would you say things in your city are headed in the right direction or that we are off on the wrong track?	Right Direction \ Dirección Correcta	Count % within city:	192 48.0%	66 33.0%	114 57.0%	372 46.5%
	Wrong Direction \ Dirección Incorrecta	Count % within city:	160 40.0%	107 53.5%	66 33.0%	333 41.6%
	No Opinion \ Ninguna Opinión	Count % within city:	48 12.0%	27 13.5%	20 10.0%	95 11.9%
Total		Count % within city:	400 100.0%	200 100%	200 100.0%	800 100.0%

Hialeah residents have a positive perception of city services and recognize the efforts of the City of Hialeah to improve their quality of life. 67.5% of Hialeah residents believe that the city is cleaner than it was two years ago compared to only 49% of Miami Beach residents and 42.5% of Miami residents. In addition, the majority of Hialeah residents rated other city services as excellent or good (Table 32).

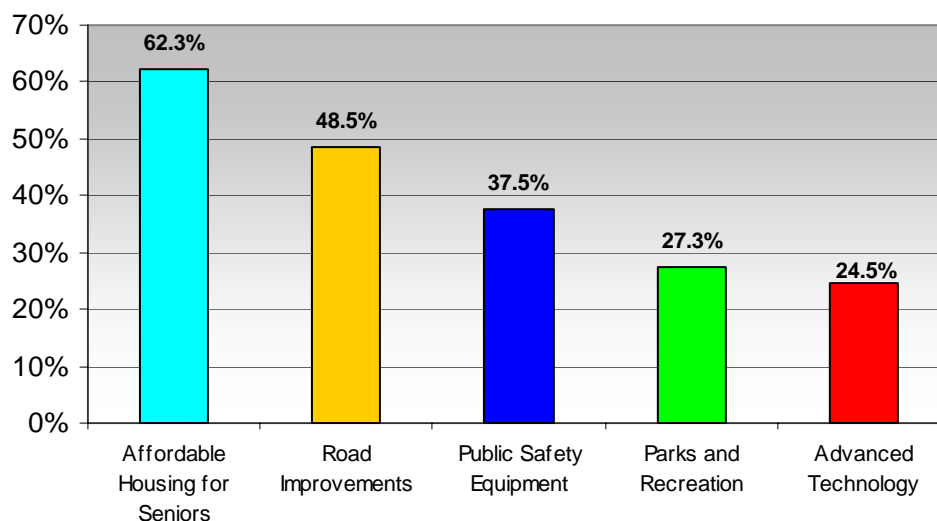


Table 32: City Services Ratings

	Hialeah	Miami Beach	Miami
Fire Department	86.3%	68.0%	79%
City Employees	65.1%	52.0%	72%
Parks	85.1%	61.5%	82%
Garbage and Trash pick up	89.30%	82.50%	80%

When asked to identify the spending priorities for their city, residents identified affordable housing for seniors as their top preferences. Figure below represent the combined percentages of first and second choices. For example, 48.5% indicated Road Improvements as either their first or second spending priority.

Figure 7: Spending Priorities, City of Hialeah Residents, 2007 survey.



While the City of Hialeah residents recognize the efforts of the city to provide them with quality services, a super majority opposes any tax increase in Hialeah. 73.5% oppose paying more city taxes and 73.1% oppose even a modest \$80 increase per household. However, 53.3% of Hialeah taxpayers are willing to maintain the tax in effect prior to tax reform (the 2006 rate) if the city invests in specific projects (affordable housing, road improvements, etc.).



SUMMARY OF FINDINGS

The present study was intended to serve as a benchmark by providing a number of indicators which assess economic conditions in City of Hialeah. The analysis demonstrates that the City of Hialeah is comparable in many respects to the City of Miami but there are significant differences with the City of Miami Beach. However, the analysis of a variety of indicators demonstrates that the City of Hialeah is a place of vigorous economic activity.

The current report utilized elements of the methodology used by *Social Compact*, a Washington-based nonprofit organization developed the DrillDown approach designed to reveal the hidden economies and true business potential of cities with grey economy. Although the report analyzed data from traditional sources used to estimate the economy of a city, such as most current demographic and income data from the U.S. Census, the DrillDown methodology was also used in conjunction to examine the presence of unreported economic activity. Some of the data presented in this report – business tax collections, gross sales, homeownership rates, as well as bank branch deposits – is usually overlooked in market studies but reflects the economic vitality of Hialeah. The analysis of a variety of resources which demonstrate the state of the economy in City of Hialeah and the underlying factors for current economic conditions suggest that Hialeah has untapped economic potential.

Hialeah residents are increasingly older but also better educated and thus with a higher earning capacity than previous years. Although the percentage of people with bachelors and/or graduate/professional degrees in the City of Hialeah increased to 14 percent, that figure still lags behind figures for Miami and Miami Beach where the percentage of population in these groups increased to 22 and 44 percent respectively. Despite higher educational attainment, according to census figures, the purchasing power of Hialeah households increased by less than 3 percent, a far smaller increase than for Miami and Miami Beach. However, for the same time period deposits in bank branches in the City of Hialeah increased substantially, by 53 percent. One of the possible explanations for this curious discrepancy is the presence of a *grey economy*, or Hialeah residents who do not report their income. The *grey economy* consists of legal activities whose participants fail to pay tax or comply with regulations. Transactions in the grey economy are typically made in cash and therefore more difficult to trace.

The analysis of business establishments produced other important indicators suggesting the presence of vigorous economic activity in the City. The overwhelming majority of businesses in the area are small businesses, with 10 or less employees. From 2000 to 2006 gross sales generated by Hialeah businesses increased by 32 percent. Business tax (formerly occupational license tax) collections also swelled by 26 percent.

The five largest employment sectors in the City remained constant between 2000 and 2006. In 2006, however, Retail Trade replaced Manufacturing at the top. Construction, Transportation and Warehousing, and Health Care and Social Assistance experienced the largest percentage



increases in terms of employees. Median earnings in Hialeah for all industries combined were below earnings in Miami Beach based industries, but higher than Miami.

In view of the statistics for City of Hialeah in the income and earnings categories, it is noteworthy that of the three cities Hialeah has the highest homeownership rate and by a large margin (50.7 percent). Moreover, the homeownership rate increased between 2000 and 2006 when the housing market was booming and when the median sales price for single family homes increased by 117 percent. The real estate boom has widened the housing affordability gap making it almost impossible for new homeowners to be able to purchase real estate at the current household income levels. The gap widened for all three cities, for both single family and condominium units.

The generally positive outlook of economic activity in the City of Hialeah is accompanied by overall affirmative and optimistic views of Hialeah residents. A survey conducted with 400 Hialeah residents demonstrates Hialeah residents are generally satisfied with the level of service the City provides. While unwilling to accept higher taxes, 53.3 percent of Hialeah taxpayers are willing to maintain their 2006 tax rates if the city invests in specific projects (affordable housing, road improvements, etc.). 48 percent of Hialeah residents also agree their city is heading in the right direction, while 40 percent disagree. The results also demonstrate that continued satisfaction is predicated upon the City's adequate spending on projects related to providing affordable housing to seniors and road improvements.