



Hot Homes...

How Florida can be hospitable for workforce housing and super charge our prosperity

Victor V. Claar **ASSOCIATE PROFESSOR OF ECONOMICS, LUTGERT COLLEGE OF BUSINESS AT FLORIDA GULF COAST UNIVERSITY; RESEARCH ADVISORY COUNCIL MEMBER, THE JAMES MADISON INSTITUTE**

Everyone is moving to Florida!

Okay, even if that isn't precisely true, sometimes it feels like it is. Regardless of whether it's our booming economy, our sun and sand, or our cultural and lifestyle diversity across the state, we are a state that's in high demand.

The numbers are striking. As noted in a column I authored in *Gulfshore Business*, the University of Florida's Bureau of Business and Economic Research estimates Florida's population grew by 15 percent during the decade ending on April 1, 2020. That's adding about 280,000 people every year for

10 years.

And here in Southwest Florida, where I live, growth rates are even higher. Lee County (home to Fort Myers and Florida Gulf Coast University) added 131,739 people: that's a 10-year increase of over 21 percent. And Collier County (home to Naples) has seen similar increases, with more than 20 percent growth in the same period.

For most people who are relocating here from chillier parts of the country like the Northeast or the upper Midwest, life is great. Even in a tight housing market they can afford to come be part of all the exciting things that are happening here—even during a pandemic!

But what about most Floridians? For example, what about the people we rely on to serve us with a smile during a weekend dinner out with friends? Or recent graduates of FGCU and other colleges and universities who are trying to start their careers and families here in the Sunshine State?

Floridians are famous for our hospitality when it comes to vacationers and snowbirds. Can we be just as hospitable to our workforce throughout the state, and make sure they have the affordable housing we often talk about but rarely deliver on?

We absolutely can. And all that is required is a reduction in some key regulatory features of our housing markets across the state. And if we follow through, Florida can be an even more dynamic powerhouse full of economic opportunity and prosperity – for all of us.

Let's take a closer look at some numbers, and why housing costs can be a real struggle

for many Floridians.

As a recent JMI report indicates, economists usually assume that an average household is made up of 2.5 people. So, if Florida has added 280,000 people – every year – over the last decade, then one would expect that we would have added about 112,000 housing units across the state in the same time frame. After all, that's how markets are supposed to work: higher demand for housing should lead to an increase in the quantity of housing. Any FGCU economics major can tell you that.

But that isn't what we're seeing across the state. In fact, we are adding new Floridians far faster than the rate at which we are adding housing. Instead of adding 112,000 housing units each year, we have averaged only 75,000 each year during the same period. That works out to a shortfall of a whopping 370,000 housing units over a ten-year period.

Which raises a fairly obvious question: Where are these new Floridians going to live? And, even more significantly, where will the future new Floridians live -- the ones who will arrive during the coming 10 years? Will they be able to afford to live and work and raise families here?

One economic fact is obvious: when supply cannot keep up with demand, prices rise. And we are seeing that upward pressure borne out on housing costs across the state. While the Brookings Institute estimates that housing prices across the country usually range between 2.5 and 4 times the median income in an area, JMI recently estimated that housing costs are four to seven times higher than the median income in many parts of Florida.

Recent evidence from here in SWFL is even more striking. FGCU's Regional Economic Research Institute estimates that active real estate listings were down 70 percent in July 2021 compared to July 2020. And single-family home prices increased in all three Southwest Florida coastal counties (Collier, Lee, and Charlotte) increased by a whopping 27-39 percent between July 2020 and July 2021.

Higher home prices also bring higher rental prices. According to an annual report for the Cape Coral-Fort Myers housing market by the U.S. Department of Housing and Urban Development, "...increasing rental demand from strong population and job growth has contributed to rising rents in the Cape Coral HMA since the early 2010s."

So, what can be done? And why isn't the market delivering on more new housing – for lots of different income levels – than it currently is?

The answer lies in what I like to call "artificial scarcity." Wrongheaded regulations – even with good intentions – can lead to bad outcomes for the very individuals we claim to want to live in literal affordable housing.

And the good news is that the solution lies in less government intervention in the housing market rather than more.

For starters, while zoning tends to be less onerous in Florida than elsewhere, municipalities throughout the state need to relax their local zoning ordinances even further so that all kinds of interesting new housing options can be built in all kinds of neighborhoods. We would never, ever, consider creating a law that mandates that certain Florida agricultural acreage can be used only for tomatoes. That would be silly;

market forces should allocate that acreage to its most highly valued use – whether tomatoes or something else. If you restrict the use of agricultural land, you limit its potential.

Yet that's exactly what we do with zoning laws. We limit the potential of buildable land in Florida when we declare that its use be restricted to only one sort of building. And we unleash the economic potential of all resources when we let the market – and not the zoning commission -- decide the best use their productive possibilities.

Other land-use regulations similarly bottle up productive potential in the housing market. Regulations like minimum lot size requirements artificially reduce the availability and affordability of housing for everyone.

Finally, many impact fees in Florida tend to be regressive in their economic incidence – hitting lower-income families hardest. For example, in much of Lee County – where I live – all new single-family homes are charged the same impact fee regardless of how big the home is, the size of the lot, or the number of bedrooms. Such one-size-fits-all policies adversely affect the supply and affordability of starter homes for many families—especially the ones that need affordable housing most.

Let's be as welcoming to potential Florida residents as we are to potential Florida vacationers. When we create opportunities for hard-working, creative, enterprising individuals across the income spectrum to affordably make a life together with us, we all benefit. And we get closer to realizing the full economic potential of our beloved state.