



Florida's Barrier to Economic Growth: The Cost of Housing

Preliminary Issue Brief

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Introduction

Florida is second in the nation in population growth, with net migration driving economic activity and generating state budget surpluses. While demand to live here is the envy of our peers, it has a negative impact on the availability and cost of housing, which is particularly difficult to manage at our current rate of growth.

Studies have shown that the availability of workforce housing has real effects on business productivity, profits, and competitiveness and, as a result, regional economic growth. However, Florida workers are increasingly being forced by high housing costs to live farther from their employers, leading to longer commute times and increased costs of doing business, such as higher hiring and training expenses, greater employee turnover (especially of teachers and healthcare workers), and necessary payment of compensatory wages. Furthermore, housing availability and costs are two critical considerations affecting quality of life that businesses account for when deciding to move into a state or region.

As a result, the State Legislature rightly focused on this challenge in 2023, passing into law the Live Local Act, which appropriated \$711 million for housing projects, the largest investment in housing ever in state history, created a tax credit incentive program for corporations to invest in affordable housing, provided regulatory flexibility regarding zoning, density, and height to incentivize and allow for streamlined development of affordable housing in commercial, industrial, and mixed-use zoned areas, and refocused Florida's housing strategy in ways that make housing more attainable.

Early Success Stories of the Live Local Act (LLA)

Collier County

71 units in Aspire Naples, a new apartment community currently being constructed, will take advantage of the LLA's "Missing Middle" property tax exemption in return for renting the units below market rate. The exemption was the difference between waiting and breaking ground—and will save qualified renters \$7,200 a year compared to what is normally charged for the same one-bedroom apartment.

Hillsborough County

Approved a project under the LLA which proposes 600 apartments for the next phase of the Progress Village mixed-income project. The county approved another project under the LLA which will create 140 affordable apartments for seniors in Seffner.

Miami-Dade County

Approved its first project under the Live Local Act, allowing a proposed development with 948 apartments (all workforce housing) and approximately 7,500 square feet of retail space to be approved administratively and without a public hearing.

Bal Harbour Village

Incorporated Miami-Dade County

A proposed expansion of Bal Harbour Shops, one of the most luxurious malls in the country, under the LLA proposes to add 240 workforce housing units designed by the same firm responsible for the One World Trade Center in New York City and the Burj Khalifa in Dubai.

While this is an important step in the right direction with some early success stories, Florida's housing issues will require a long-term strategy to test and implement innovative housing policies. Fortunately, Florida is well positioned to do just that. With the nation's leading housing developers, investors, and a smart, engaged state government, Florida is the place to solve and scale solutions to increase affordable housing.

The Challenge

Florida is facing an affordability crisis across a range of housing options—from rentals to home ownership. The crisis is consistent across the state but varies in intensity by region, in urban and rural areas alike.

Overall, rental prices in Florida increased by 36% from January 2020 to December 2022, nearly double the national average of 20%.

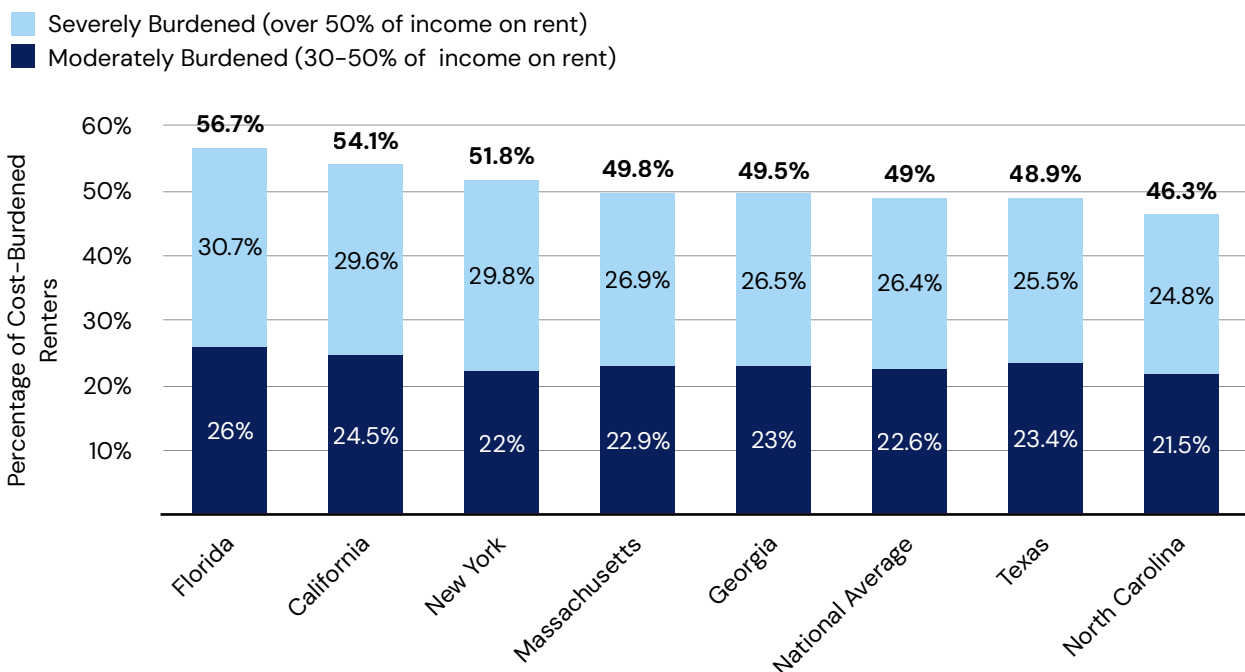
Median Rent Prices Drastically Grew from January 2020 to December 2022

Metro Area	1-Bedroom Price (Dec. 2022)	Percent Growth	2-Bedroom Price (Dec. 2022)	Percent Growth
Miami	\$1,634	35.71%	\$2,079	35.62%
Tampa	\$1,405	38.28%	\$1,733	38.20%
Orlando	\$1,380	29.58%	\$1,627	29.54%
St. Petersburg	\$1,332	36.62%	\$1,694	36.50%
Jacksonville	\$1,194	33.26%	\$1,419	33.24%
Tallahassee	\$1,143	29.89%	\$1,345	29.83%
Fort Myers	\$1,397	50.70%	\$1,643	50.73%

Source: Florida TaxWatch analysis of Apartment List Rental Data, January 2023

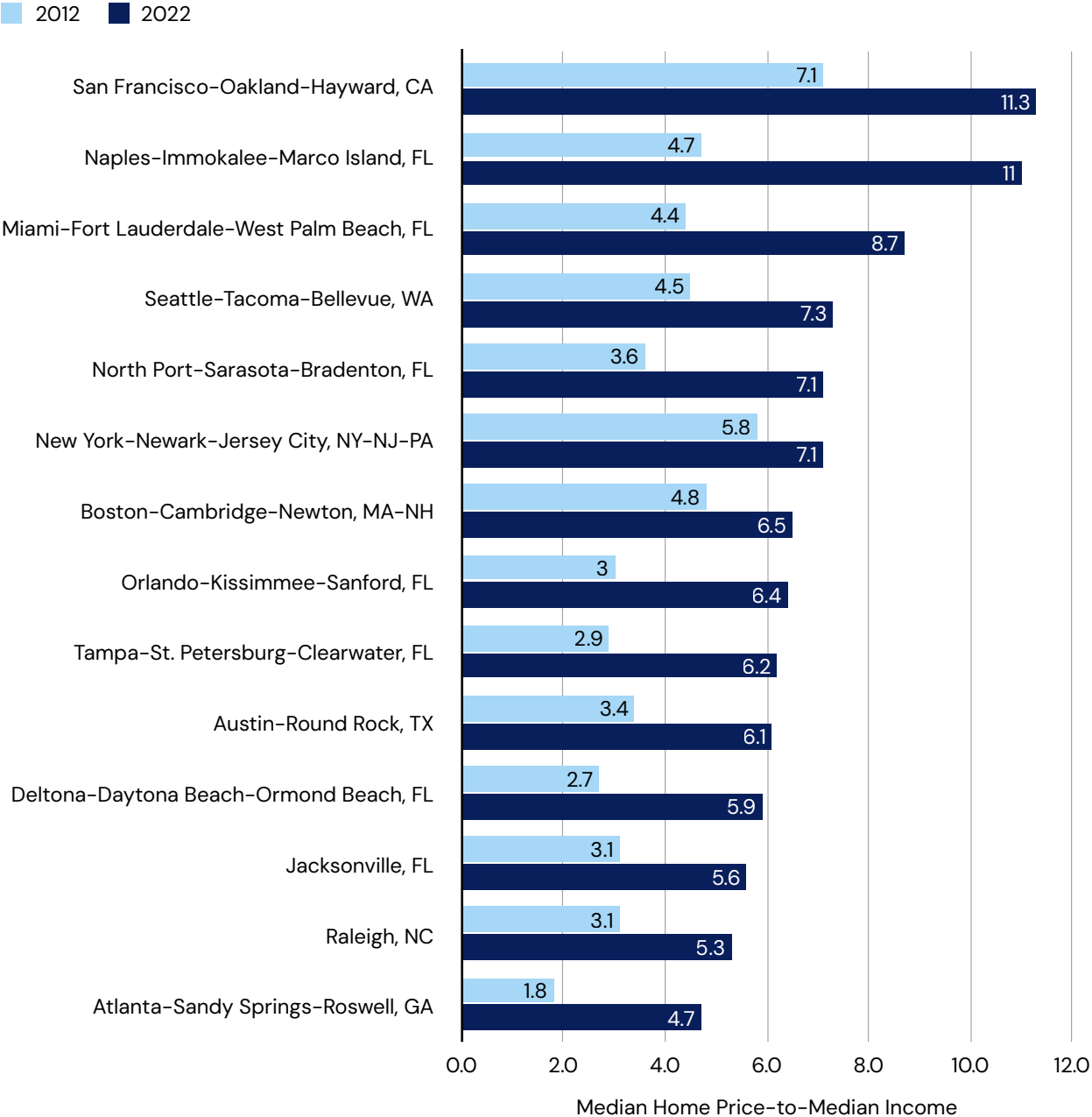
The Harvard Joint Center for Housing Studies' annual State of the Nation's Housing report for 2023 shows that Florida has the highest percentage of cost burdened renters (defined as households spending more than 30% of their income on rent) in the country at 57%. To make matters worse, Florida also has the greatest percentage of severely burdened renter households (greater than 50% of income spent on rent) in the country, with close to 1 in 3 Florida households (30.7%) falling into this category.

Percentage of Cost-Burdened Renter Households: Florida and its Economic Peers



Just ten years ago, Florida metropolitan areas were more affordable than their competitors. The median home price-to-median income ratio was lower (better) in Miami than what a household would face in the metropolitan areas of New York City, Boston, and Seattle. The same was true for Orlando and Tampa/St. Petersburg when compared to Austin, Texas, and Raleigh, North Carolina. Today the opposite is true, with Florida's economic peers surpassing the state in home ownership affordability.

Home Ownership Becoming Less Attainable in Florida Compared to Economic Peers



This issue weighs heavily on the minds of Florida residents. In November 2023, the Public Opinion Research Lab at the University of North Florida surveyed Floridians and 26% said housing costs were the most important problem facing Florida today—higher than any other item surveyed. This issue was even more important across the age groups of 25–34 (35% said it’s the most important issue facing Florida today), 35–44 (31%), and 45–54 (35%), demonstrating the impact costs have on the state’s workforce.

The Solution

Recognizing the importance of housing affordability to Florida’s current and future economies, the Florida Council of 100 began in early 2023 to develop private sector solutions and policy recommendations for increasing access to quality attainable housing for Florida’s workforce. The Council’s focus extends beyond subsidies and includes the longstanding issues and opportunities that exist to improve the affordability of housing across the entire income spectrum.

The Florida Council of 100 has engaged in conversations with more than 65 people and organizations, including housing developers, builders, subject-matter experts, academics, state and local government agencies, legislative staff, local economic development organizations, Council members, and more. Additionally, the Council’s effort has been assisted by world-class law firms with expertise in the areas of land use, zoning, public-private partnerships, and affordable housing.

This fall, the Florida Council of 100 developed two policy recommendations. The first was to refine the Live Local Act to work as the Legislature appears to have intended by addressing 15 issues that have impeded its application. For example:

- While local governments must award density and height privileges to qualifying developments, those incentives provide little benefit if they are not accompanied by a corresponding increase in intensity.
- There is ambiguity as to what land development regulations apply beyond the height and density privileges. With this, local governments appear to often default to underlying land development regulations otherwise applicable under the site’s existing zoning designation, which may counteract the benefits of Live Local Act incentives.
- The lack of an explicit definition for “mixed-use” in the Live Local Act can impede implementation if a local government’s interpretation of the definition restricts the amount of land available for affordable housing development.
- Local governments only must “consider” reducing parking requirements for a proposed development if the development is located within a certain distance from a major transit stop. Parking requirements increase the amount of land required for a development.

- Local governments may deem projects under the Live Local Act as nonconforming uses when the Live Local Act expires in 2033. This reduces a developer's incentive to move forward with an eligible project because it creates uncertainty regarding return on investment if their project ever did become a nonconforming use.

The second recommendation advocated for a new public-private partnership model that would empower local governments, housing authorities, and school districts to provide, without the need for passing a local ordinance, a full property tax exemption on land and improvements as an incentive for affordable housing development. This model would enable the public partner to enter into such development agreements at their discretion and benefit from the economics of what would typically be solely a private project.

In 2024, the Florida Council of 100 will release additional research relating to topics such as:

- Improving Florida's regulatory environment relating to affordable housing;
- Developing new public-private affordable housing partnership models (e.g., philanthropic);
- Improving state capacity to finance affordable housing;
- Using bonding to improve housing affordability;
- Increasing the flexibility of affordable housing development rights; and
- Streamlining administrative decision-making processes relating to affordable housing.