

John (Jack) R. Venrick

From: "Norman MacLeod" <gaelwolf@waypt.com>
To: "Norman MacLeod" <gaelwolf@waypt.com>
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Subject: FLORIDA REPEALS SMART GROWTH LAW

The repeal of Florida's version of the Growth Management Act took place in May. This is a follow-up article from late last week.

As we move toward a new legislative season, it's useful for all of us to be aware that where one statute is repealed, it sets precedent for repeal of like statutes in other places. In Florida's case, local jurisdictions can still have growth management, but the state is largely out of the business. What a concept!

It *can* be done.

<http://www.newgeography.com/content/002471-florida-repeals-smart-growth-law>

FLORIDA REPEALS SMART GROWTH LAW

by Wendell Cox 10/07/2011



The state of Florida has repealed its 30-year old growth management law (also called "smart growth," "compact development" and "livability"). Under the law, local jurisdictions were required to adopt comprehensive land use plans stipulating where development could and

could not occur. These plans were subject to approval by the state Department of Community Affairs, an agency now abolished by the legislation. The state approval process had been similar to that of Oregon. Governor Rick Scott had urged repeal as a part of his program to [create 700,000 new jobs](#) in seven years in Florida. Economic research in the [Netherlands](#), the [United Kingdom](#) and the [United States](#) has associated slower economic growth with growth management programs.

Local governments will still be permitted to implement growth management

10/10/2011

programs, but largely without state mandates. Some local jurisdictions will continue their growth management programs, while others will welcome development.

The Need for A Competitive Land Supply: Growth management has been cited extensively in economic research because of [its association with higher housing costs](#). The basic problem is that, by delineating and limiting the land that can be used for development, planners create guides to investment, which shows developers where they must buy and tells the now more scarce sellers that the buyers have little choice but to negotiate with them. This can violate the "principle of competitive land supply," cited by Brookings Institution economist [Anthony Downs](#). Downs said:

If a locality limits to certain sites the land that can be developed within a given period, it confers a preferred market position on those sites. ... If the limitation is stringent enough, it may also confirm a monopolistic powers on the owners of those sites, permitting them to raising land prices substantially.

This necessity of retaining a competitive land supply is conceded by proponents of growth management. The Brookings Institution published [research](#) by leading advocates of growth management, Arthur C Nelson, Rolf Pendall, Casey J. Dawkins and Gerrit J. Knapp that makes the connection, despite often incorrect citations by advocates to the contrary. In particular they cite higher house prices in California as having resulted from growth management restrictions that were too strong.

...even well-intentioned growth management programs ... can accommodate too little growth and result in higher housing prices. This is arguably what happened in parts of California where growth boundaries were drawn so tightly without accommodating other housing needs

Nelson, et al. also concluded that "... the housing price effects of growth management policies depend heavily on how they are designed and implemented. If the policies tend to restrict land supplies, then housing price increases are expected" (emphasis in original).

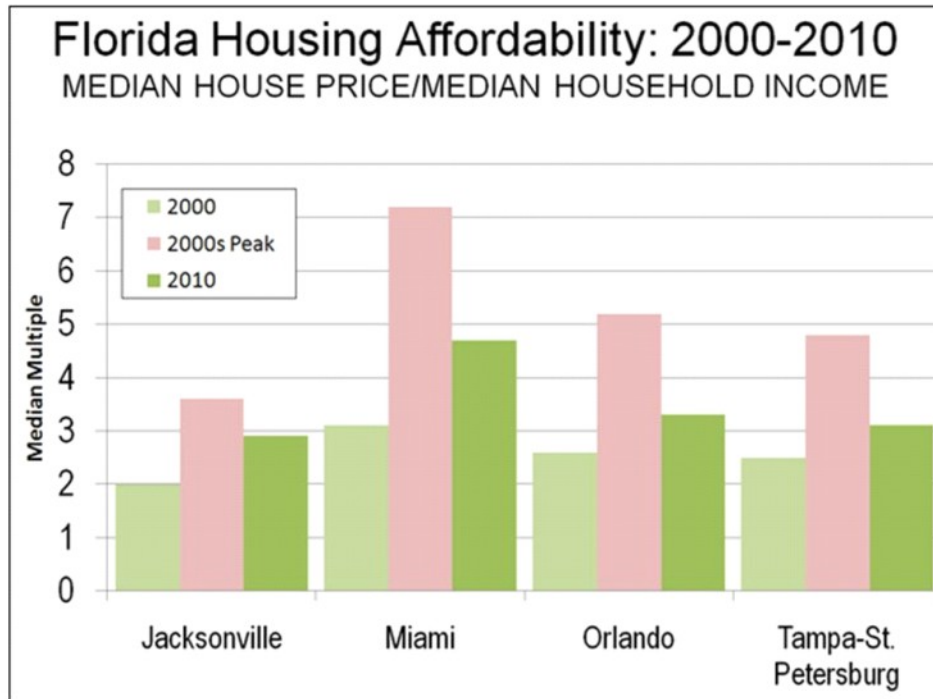
In other words, if growth management policies do not maintain a competitive land supply, house prices are likely to rise in response. This is basic economics. Restricting the supply of any good or service in demand is likely to lead to higher prices, all things being equal.

The loss of a competitive land supply was seen during the real estate bubble in the [unprecedented escalation of house prices](#) in California (which was already high), Oregon, Washington, Phoenix, Las Vegas, parts of the Northeast and Florida. In these markets, the demand from more liberal lending standards was much greater than the land available for development under growth management plans and government land auctions. By contrast, house prices generally stayed within historic norms in metropolitan areas where land supplies were not constrained by growth management programs, such as Dallas-Fort Worth, Houston, Atlanta, Austin, Indianapolis, Kansas City and elsewhere.

Housing Price Escalation in Florida: In 2000, the four Florida metropolitan areas with more than 1,000,000 population had Median Multiples (median house price divided by median household

10/10/2011

income) near or below the historic norm of 3.0. By late in the next decade, all four metropolitan areas reached unprecedented levels of unaffordability. In Miami, the Median Multiple reached 7.2. In Orlando, the Median Multiple peaked at 5.2, 70 percent above the historic norm. In Tampa-St. Petersburg, the Median Multiple peaked at 4.8, 60 percent above the historic norm. The peak in Jacksonville was a more modest 3.6, though this was still an 80 percent increase.



By 2010, the Median Multiple has declined to near the historic norm in Orlando and Tampa-St. Petersburg and slightly below in Jacksonville. The Median Multiple remained well above the historic norm in Miami, at 4.7.

When Supply Lags Behind Demand: Florida's housing cost escalation may have been surprising, since Florida has a reputation for liberal land-use regulation. However, the growth management act had long since turned the state toward a shortage of land supply relative to demand as described by [Wachovia Bank in a 2005 analysis](#).

"While all the stars seem to be perfectly aligned on the demand side, the supply of housing in Florida has been much more problematic. Even though residential construction has soared to new highs recently, the supply of housing has lagged woefully behind demand in recent years. This has been particularly true for single-family homes, where population growth, a rising homeownership rate, and strong demand for second homes and vacation properties created a demand for 560,000 new single-family homes between mid 2000 and mid 2004. During this period builders only delivered 540,000 units. *When you add in the growing demand for townhouses and condominiums, buyers were looking to purchase 675,000 new homes during this period, while builders were*

10/10/2011

supplied just 570,000 units. No wonder prices have been surging!

The chief impediment to new construction has been a shortage of developable land. The shortage primarily results from a growing resistance to new development. The state is not running out of space. Nearly every community in Florida and the state itself are looking at some type of limitations on new residential development. While well intentioned, these initiatives are making it more time consuming and expensive to build homes in Florida. Others are taking land off the market, designating areas for green space, or preserving space for industrial development. The net result has been dramatically higher land prices across much of the state."

The point of the Wachovia analysis is that unless there is a sufficient supply of land, the price of housing is likely to rise. Having a lot of land is not enough. There must be enough land to accommodate demand at affordable land and housing prices (Note).

The Florida action is the most successful reversal of house price increasing growth management regulations to date.

Other Advances: There have, however, then more modest advances.

After taking office in 2003, Minnesota Governor Tim Pawlenty replaced the board of directors of the Metropolitan Council in Minneapolis-Saint Paul. The previous board had been spent on the following Portland style growth management policies, including the enforcement of a variant of the urban growth boundary. The new board exhibited more liberal attitudes toward residential development, and the housing bubble did not produce the extent of housing affordability in the Twin Cities that occurred in growth management areas such as Portland, California and Florida.

The Conservative-Liberal coalition government of the United Kingdom has proposed modest relaxation of some of the world's most restrictive land use regulations, which could lead to an improvement of housing affordability in the nation. [Kate Barker](#), who was then a member of the Monetary Policy Committee of the Bank of England was commissioned to examine land-use regulation and housing affordability in England and found a strong association between the loss of housing affordability and restrictive land use policies. This association between Britain's strong land use regulation and higher house prices was noted in the early 1970s research led by [Sir Peter Hall](#) of the University College, London.

For the Future: The relaxation of overly restrictive growth management policies could not have come at a better time. With the squeeze on the middle-class getting tighter, fewer households can afford higher housing costs associated with growth management areas. Moreover, responsive to the political consensus for job creation, more home construction will bring return more good-paying construction jobs in Florida.

*Wendell Cox is a Visiting Professor, Conservatoire National des Arts et Metiers, Paris and the author of
["War on the Dream: How Anti-Sprawl Policy Threatens the Quality of Life"](#)*

Note: There has been a similar misunderstanding of the housing markets in [Las Vegas](#)

10/10/2011

and [Phoenix](#), where developable land appears to stretch virtually to the horizon. However, what is usually missed is that both metropolitan areas are hemmed in by government land, some of which is periodically auctioned. During the housing bubble, the price per acre of residential land at auction in both metropolitan areas rose as much as the price for land rose over a similar period in Beijing, with its huge land price increases.

10/10/2011