

Statewide Growth Management and Housing Affordability in Florida

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Executive Summary

Florida is recognized as a national leader in the “Smart Growth” movement. The state has given housing goals a special prominence in regional and urban planning, explicitly requiring its cities to plan for a diverse range of housing needs and types.

However, a growing body of research strongly suggests that some of the goals of Smart Growth’s advocates may be inconsistent with the realities of housing development. To the extent that more compact, higher density urban development is encouraged through growth-management laws such as Florida’s, higher housing prices could result.

In fact, despite statewide planning goals and programs designed to promote affordable housing, housing costs have been increasing in Florida faster than the national average. According to the National Association of Realtors, home prices in Florida exceeded the national average for the first time in 2005.

Housing price increases have outpaced income growth. Indeed, since 1994, housing price inflation has outstripped income growth by a factor of two to one. Not surprisingly, housing affordability has suffered.

Housing affordability in Florida tracked the national average for much of the 1990s but declined significantly after 2000. Florida’s housing opportunity index – a measure of how many

households can afford the “median” home based on income and housing price — has eroded sharply, particularly since 2005, falling well below the national level by 2007. While affordability nationwide was just over 10 percent lower in 2007 than in 1991, affordability in Florida has plummeted by more than 50 percent over the same time period and has eroded by nearly 60 percent since its peak at 80.7 in 1994.

Despite these trends, few analysts have examined Florida’s statewide growth management law and its impact on housing markets and prices. This is surprising because a large body of research has shown that local and statewide regulations on development significantly impact housing production and costs. Among the handful of studies that have examined Florida’s housing market, one conducted by Reason Foundation in 2001 found that Florida’s Growth Management Act (GMA) may have contributed as much as 20 percent to rising housing costs between 1994 and 2000.

This report updates and extends that previous study by analyzing housing price data from 1990 to 2006. A statistical analysis of housing trends in the 56 of Florida’s 67 counties found that as much as 16 percent of housing price inflation can be attributed to planning under the state’s GMA, a result consistent with previous analysis and research.

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These results have important implications for the future of planning in Florida, including the current “Hometown Democracy” initiative. Hometown Democracy attempts to further restrict land and housing development by requiring all local comprehensive plan amendments to go to a community-wide referendum. The effect will be to further slow the development approval process, placing upward pressure on housing prices by compromising the housing industry’s ability to meet Florida’s housing needs.

The solution to Florida’s housing affordability crisis is to reform the planning process in ways that allow the private housing industry to meet the state’s growing housing needs. This implies adopting development regulations that embrace the open-ended and dynamic nature of community development rather than attempting to force housing and commercial projects into preconceived and highly prescriptive community designs.

Table of Contents

Part 1: Introduction	4
Part 2: Housing Affordability in Florida	5
A. Growth Controls, Housing Costs and Affordability	5
B. Florida Housing Affordability Trends.	6
Part 3: Overview of Growth Management in Florida:	
Understanding Florida’s Growth Management Act	11
A. Florida’s Growth Management System.	12
B. Florida’s Department of Community Affairs	14
C. Growth Management and Housing Affordability in Florida	15
Part 4: Analysis of the Growth Management Act’s Impacts on Housing Prices and Affordability in Florida	16
Part 5: Potential Impacts of the Hometown Democracy Amendment on Housing Affordability in Florida	20
A. Ballot-Box Zoning in Action	21
B. Hometown Democracy and Housing Affordability	23
Part 6: Conclusion	25
Addendum: About the Authors	27

Statewide Growth Management and Housing Affordability in Florida

Part I: Introduction

In recent decades, urban “sprawl” and growth management have emerged as major themes of public policy debates at the state and local level. In communities nationwide, citizens and elected officials are concerned about the effects of population and economic growth on their environment and quality of life, and they are continually searching for ways to mitigate the problems associated with rising demands for new homes, stores, and office buildings, as well as the roads, parks, and urban services needed to serve them.

New development — which usually occurs on the urban periphery — has laid the political foundation for a growing movement to restrict and further control the pace and pattern of land development. Many growth management advocates argue that state and local land-use planning should actively shape the built environment for local citizens through zoning, urban growth boundaries, and various other forms of development regulation. The term “Smart Growth” emerged in the 1990s as the catch-all phrase for a wide range of growth management initiatives.¹

Most Smart Growth planning reforms call for a significant expansion of government oversight in the land planning and development process.² This is often accomplished through growth management initiatives that impose more restrictive regulations on new development, amplifying the claim of almost a century of zoning to put development in the “right” place at the “right” time. In some states, like Florida, local land use planning processes may also be directly tied to goals and objectives established at the state level and administered bureaucratically. This oversight may also take the form of direct citizen participation in the planning process, through grassroots activism and the use of initiatives and referenda in local land-use policy (or “ballot-box zoning”). This

is a subject to which we will return later in this report in the context of the proposed Florida “Hometown Democracy” ballot measure.

While Smart Growth initiatives have become increasingly common at the local level, particularly in states such as California, the most comprehensive growth management programs have been implemented through state legislatures. Hawaii and Vermont were early pioneers in this regard, but Oregon was the first geographically diverse state to implement a top-down, state-directed system in which the core features could be adapted to other states.

After establishing its statewide land use planning system in 1973, urban-growth boundaries and comprehensive land use plans were subsequently established in all of Oregon’s cities and counties. Portland’s regional growth boundary was established in 1979, and all Oregon cities and jurisdictions had growth boundaries in place by 1986. As a result, Oregon has become the nation’s model for statewide growth management, with features of its program being applied in such states as Washington, Maryland, Tennessee, and Florida.

As of today, at least a dozen states have adopted some form of a statewide growth management law that incorporates varying degrees of centralized land-use planning. On the local level, these policies have become the focus of intense debate and conflict. Several studies have emerged that purport to evaluate the costs, benefits, and implications of various Smart Growth initiatives. Ironically, most of the debates have focused on case studies of specific cities and regions, even though the growth-management initiatives were generally the product of a state-level legislative action.

Very little attention has been devoted in public discussion to the statewide impacts of growth-management laws. This study helps to fill this void by focusing on a core component of

“The term ‘Smart Growth’ emerged in the 1990s as the catch-all phrase for a wide range of growth management initiatives.”

almost every statewide growth-management law: the impacts of statewide growth-management laws on housing prices and affordability. This study focuses on the particular experience of Florida, which passed its Growth Management Act (GMA) in 1985.

Florida was the first large and demographically diverse state to adopt a statewide growth-management law. In addition to statewide goals and objectives, Florida's GMA included "concurrency" provisions for roads, sewers, and other core infrastructure. (Concurrency requires cities, counties, and other jurisdictions to have core infrastructure in place at the time development takes place in order to prevent a deterioration of service levels and quality as a result of growth. Concurrency has emerged as one of the core principles underlying state-level Smart Growth initiatives.³)

This study's focus on housing rests on three general observations about the impact of statewide growth management laws. First, diversifying existing housing and ensuring housing affordability for all income ranges is an important, usually explicit, goal of the programs. Second, housing is the portion of the land development process that affects the largest number of people and has the most important impact on the pattern and pace of land development. Third, most conflicts over land-use seem to occur over housing, in part because housing development is the primary driver of land-development patterns in communities, and its effects are highly personal and immediate.

Part 2: Housing Affordability in Florida

A. Growth Controls, Housing Costs, and Housing Affordability

The University of Florida's Shimberg Center for Affordable Housing estimates that the total number of cost-burdened households in Florida would increase to 2.1 million by the year 2010 based on current trends.⁴ Approximately 1.75 million Florida households (about 29 percent of the total) were "cost-burdened" in 1998, according to the Center's analysts, once interest rates and affordability thresholds were considered.⁵ Approximately 1.35 million (77 percent) of these households were considered

low-income (i.e., households having incomes of less than 80 percent of the area median-household income).⁶

The State of Florida, despite statewide goals targeting an increase in affordable housing, has provided little respite for lower income households. For example, the 22,134 affordable housing units built with the assistance of state funds in 1998 met only 1.6 percent of the need for cost-burdened, low-income families using the Shimberg Center standards.⁷

Unfortunately, the effects of growth controls on housing costs are rarely discussed by Smart Growth advocates and professional planners, even though the goals of state growth management laws include affordable housing. Historically, research has consistently found that growth controls tend to increase housing costs.⁸ They restrict the supply of land, an important component of housing. Zoning, for example, restricts land use by legally dedicating land for particular uses that may or may not be consistent with market trends. If the zoning is inconsistent with market trends, developers are required to seek political approval for any proposed development (through rezoning) or use other, less-efficient land for development purposes.

Further, even though growth controls may have the most direct effect on the prices of newly built homes and apartments, price effects can ripple through the entire housing market. Regulations that place upward pressure on new homes — raising prices and reducing production — may also increase the demand (and prices) for existing homes because new and existing homes represent substitute products.⁹ Growth controls can also impact market rents, as the demand for rental housing may rise as potential homebuyers delay purchase in response to high or rising housing prices.¹⁰

In addition, growth management laws increase development costs by expanding the role of politics in land development.¹¹ Developers must negotiate with citizens, professional planners, and decision makers; respond to objections raised about proposed projects (whether those objections are to real or perceived project features); and conform to numerous stipulations during the project-approval process that may or may not enhance the quality of the project.

“Florida was the first large and demographically diverse state to adopt a statewide growth-management law.”

“Unfortunately, consistent statewide data on housing affordability from reliable sources are difficult to obtain.”

In fact, many planning reforms as currently designed may significantly increase the transaction costs associated with land development by expanding citizen participation and local government control over real-estate markets.

B. Florida Housing Affordability Trends

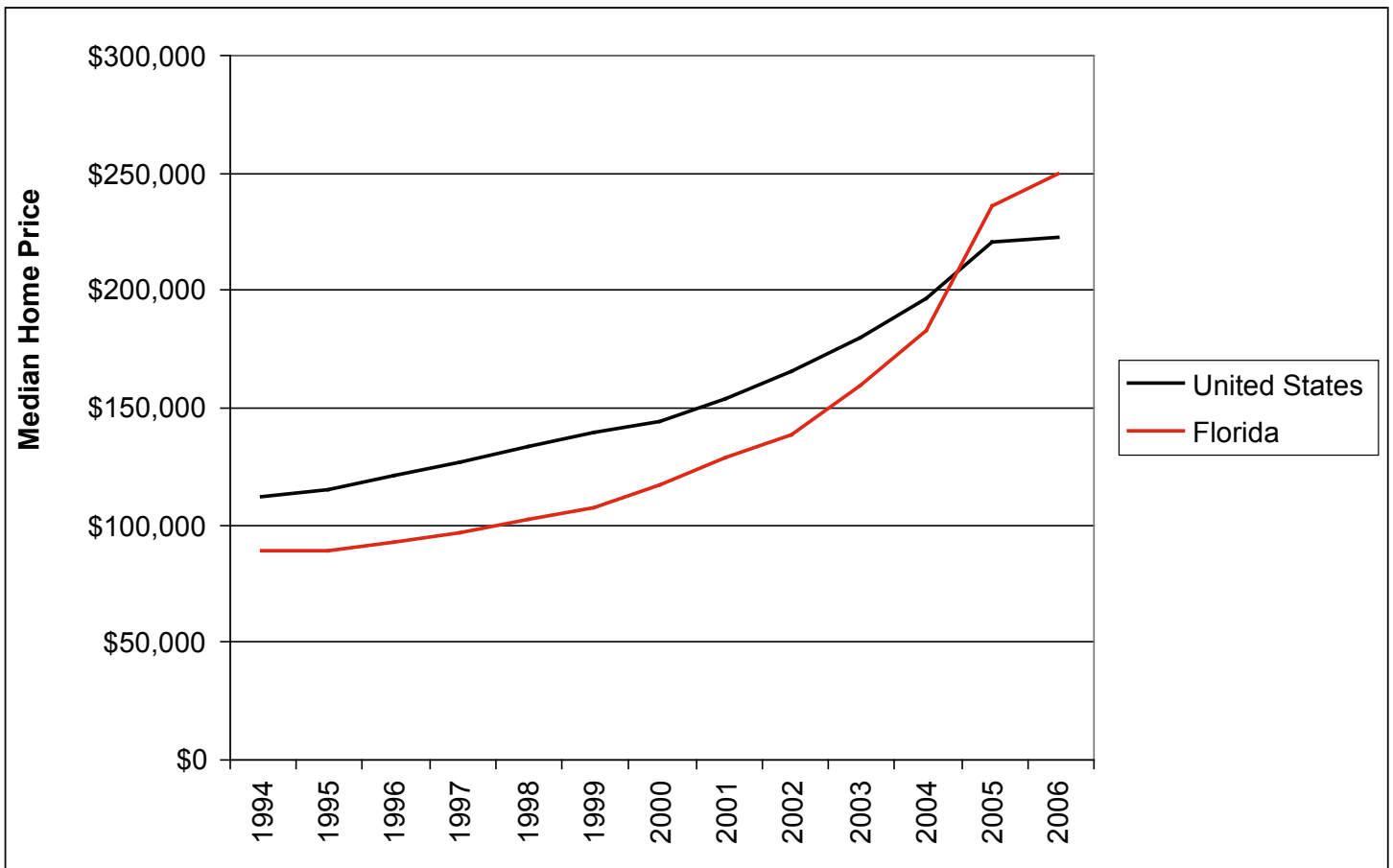
Unfortunately, consistent statewide data on housing affordability from reliable sources are difficult to obtain. The National Association of Home Builders (NAHB) collects data for major counties and metropolitan areas and produces its own index of housing affordability. Similarly, the National Association of Realtors (NAR) produces a national-level housing affordability index; however, some state NAR affiliates produce state-level indices. While these data have been criticized for their simplicity (see discussion in text box), they are also

relatively easy to interpret and are transparent, facilitating analysis by both experts and the lay public. They thus provide a general indicator of housing trends by comparing metropolitan areas within states.

Figure 1 presents summary data provided by the NAR on housing prices since 1994 for metropolitan areas in Florida.¹² Median prices for single-family homes increased almost 99.4 percent between 1994 and 2006 on the national level; Florida’s housing-price growth dwarfed the national rate, increasing by 182.8 percent over the same period.¹³ This is notable, as median home prices in Florida lagged the rest of the nation until 2005, at which point home prices began to rise sharply.

The Federal Office of Housing Enterprise Oversight (FOHEO) — which calculates a house price index that measures average price

Figure 1. Change in Home Prices, 1994 to 2006



Source: National Association of Realtors.

changes in repeat sales or refinancings on the same properties over time — confirms the trends discussed above. FOHEO’s estimates show that the percentage change in housing prices in Florida since 2002 has been nearly double that of the nation as a whole.

Table 1. Percent Change in House Prices through First Quarter 2007

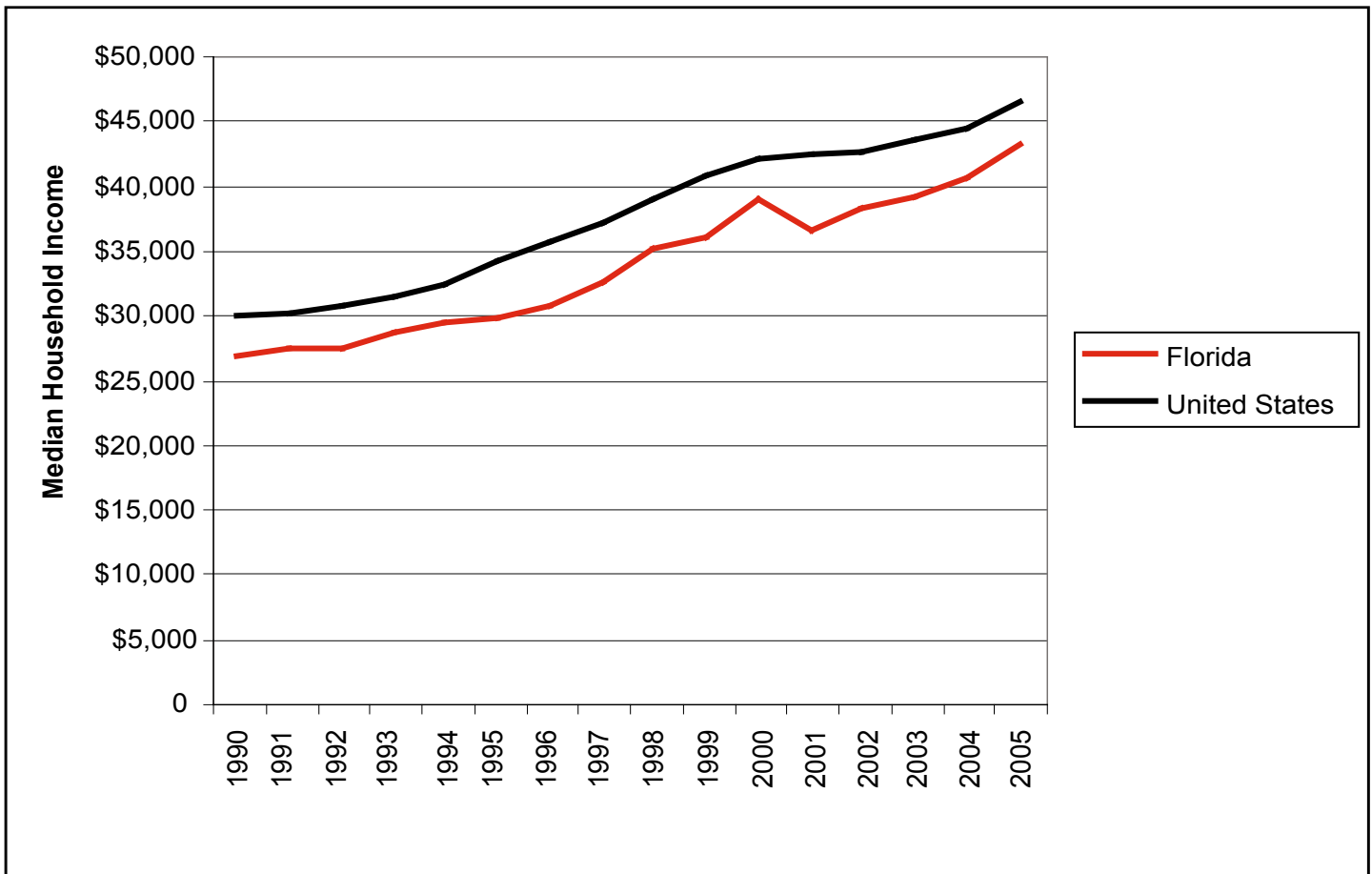
	1-Yr.	5-Yr.	Since 1980
United States	4.25	53.53	309.75
Florida	4.34	102.12	391.76

Source: Federal Office of Housing Enterprise Oversight, House Price Index (1Q2007), available at www.ofheo.gov/HPI.asp

Housing price data show only part of the story. As shown in Figure 2, household incomes are rising at a significantly lower rate relative to house prices. Since 1994, the median household income in Florida increased by 61.1 percent, slightly higher than, but comparable to, the national growth rate of 54.7 percent. Hence, it appears that rising incomes did not offset rising home prices in either Florida or the nation at large.

Figure 3 shows housing-price changes relative to personal income and economic growth since the mid-1990s, in both Florida and the nation as a whole. Housing costs that rose more than income and growth were common to both Florida and the nation at large. The nation’s gross domestic product (GDP) of goods and services increased by 69.6 percent between 1994 and 2004 (the most recent data available), while

Figure 2. Trends in Median Household Income, 1990-2005



Source: U.S. Bureau of the Census. Median Household Income by State: 1984 to 2005, <http://www.census.gov/hhes/www/income/histinc/h08.html>

Home Prices, Quality, and Affordability

Housing affordability indexes are one of the most common ways analysts track housing affordability. Most indexes depend on two factors: median-housing prices and median-household income. Conceptually, median income should be a good gauge of what households can afford, and if housing prices increase faster than income, affordability becomes unattainable. Several national organizations, such as the National Association of Home Builders and the National Association of Realtors, have used these indexes.

However, these indexes ignore other factors that may affect affordability, such as interest rates and the percentage of household income spent on housing. To compensate for this, some organizations have adapted their indexes to reflect these influences. The NAHB, for example, includes interest rates in the calculation of its index, and the University of Florida's Shimberg Center for Affordable Housing has created a county-level affordability index based on the relationship between the median household income and the "qualifying income," defined as the income needed to qualify for a mortgage to finance an existing median-priced home in a particular county.

The indexes have another important flaw: They fail to consider changes in the quality of housing. This is a particularly important item in the Smart Growth debate, because the intent of public policy is to change the quality of housing. For example, the thrust of public policy in the states of Oregon, Washington, and Florida is to increase urban densities. In most cases, this requires a reduction in lot size for individual houses.

Studies of home-buying behavior in Portland, Oregon, however, reveal that lot sizes have important, positive impacts on home values.¹⁴ As lot size increases, so does the market price for the home. Lot size, in fact, may be as important to homebuyers as easy access to parks and large parcels of open space. Since at least the mid-1990s, Portland's regional planning agency, Metro, has pursued an explicit policy of reducing lot sizes. Part of this process is formal: The region now has a maximum lot-size standard of less than 8,000 square feet, or one-eighth of an acre.¹⁵ Average lot size had already plummeted from one-fifth of an acre in 1994 down to one-eighth of an acre in 1997.¹⁶ Multi-family housing emerged as the dominant form of homebuilding as well.¹⁷

Another factor driving these changes in lot size is less formal: Higher land prices led homeowners to trade off smaller lots for larger homes.¹⁸ Thus, housing-price trends and the actual market behavior of Portland homebuyers strongly suggests that the quality of housing in Oregon has deteriorated as a result of Metro policies. And Oregon is not alone. In sum, growth-management policies appear to conflict with well established patterns and housing preferences.¹⁹

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personal income rose by 51.8 percent. Over the same time period, housing prices increased by 75.6 percent, significantly higher than personal income growth, but more in line with GDP.

However, housing-price changes in Florida swamped changes in personal income and economic growth since 1994. The magnitude of the changes suggests a larger imbalance between housing demand and supply in

Florida. Metropolitan housing prices in Florida increased by 107.7 percent between 1994 and 2004, outpacing growth in personal income (45.3 percent) by a greater than 2-to-1 margin. Gross state product also grew at a significantly lower rate (84.8 percent) relative to housing prices over the same period. Housing prices in Florida grew over 30 percent faster than housing prices in the nation at large during

that period.

For any given area, the relationship between median income and housing prices is important for assessing affordability. If housing-price increases outstrip income growth, as they have in both Florida and the nation as a whole since 1994, then housing becomes more expensive relative to income. Thus, while people may still be able to buy (or rent) a home, the house will be smaller and have fewer amenities than if their income had kept pace with housing prices.

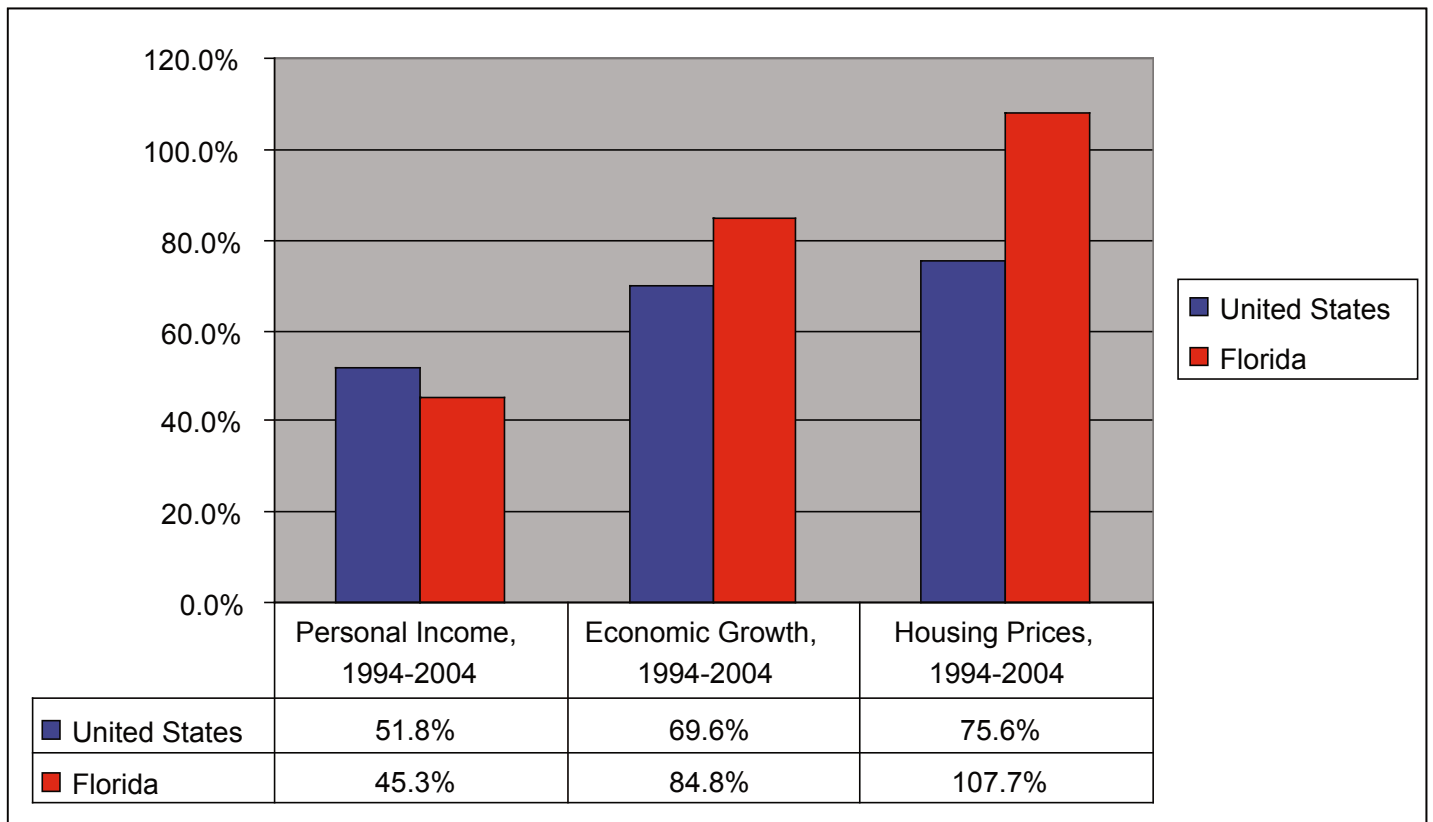
The relationship between income, housing prices, and affordability is tracked by the NAHB, which calculates a Housing Opportunity Index (HOI) every three months for most metropolitan areas in the United States, ranking its results on national and regional

levels. In addition to median home price and income, the NAHB includes interest rates to help control for regional differences in the cost of borrowing to pay for mortgages. The HOI is a measure of the percentage of homes sold that a family earning the median income can afford to buy (without controlling for quality).²⁰ The higher the HOI, the more affordable housing is in a metropolitan area; a higher HOI indicates that a median-income household can buy a home closer to the median sales price, relative to the entire metropolitan area.

Housing affordability, as measured by the HOI, generally increased in both the nation and Florida throughout the 1990s, yet both have declined significantly since 2000 (see Figure 4). While Florida's HOI was consistently

“For any given area, the relationship between median income and housing prices is important for assessing affordability.”

Figure 3. Housing Prices, Personal Income, and Economic Growth in Florida



Source: Housing price data from the National Association of Realtors. 2004 income and economic growth data from U.S. Bureau of the Census, *Statistical Abstract of the United States: 2006* (Washington, D.C.: U.S. Department of Commerce), Tables 654, 662. 1994 income data from U.S. Bureau of the Census, *Statistical Abstract of the United States: 1995* (Washington, D.C.: U.S. Department of Commerce), Table 699. 1994 economic growth data from U.S. Bureau of the Census, *Statistical Abstract of the United States: 1998* (Washington, D.C.: U.S. Department of Commerce), Table 719.

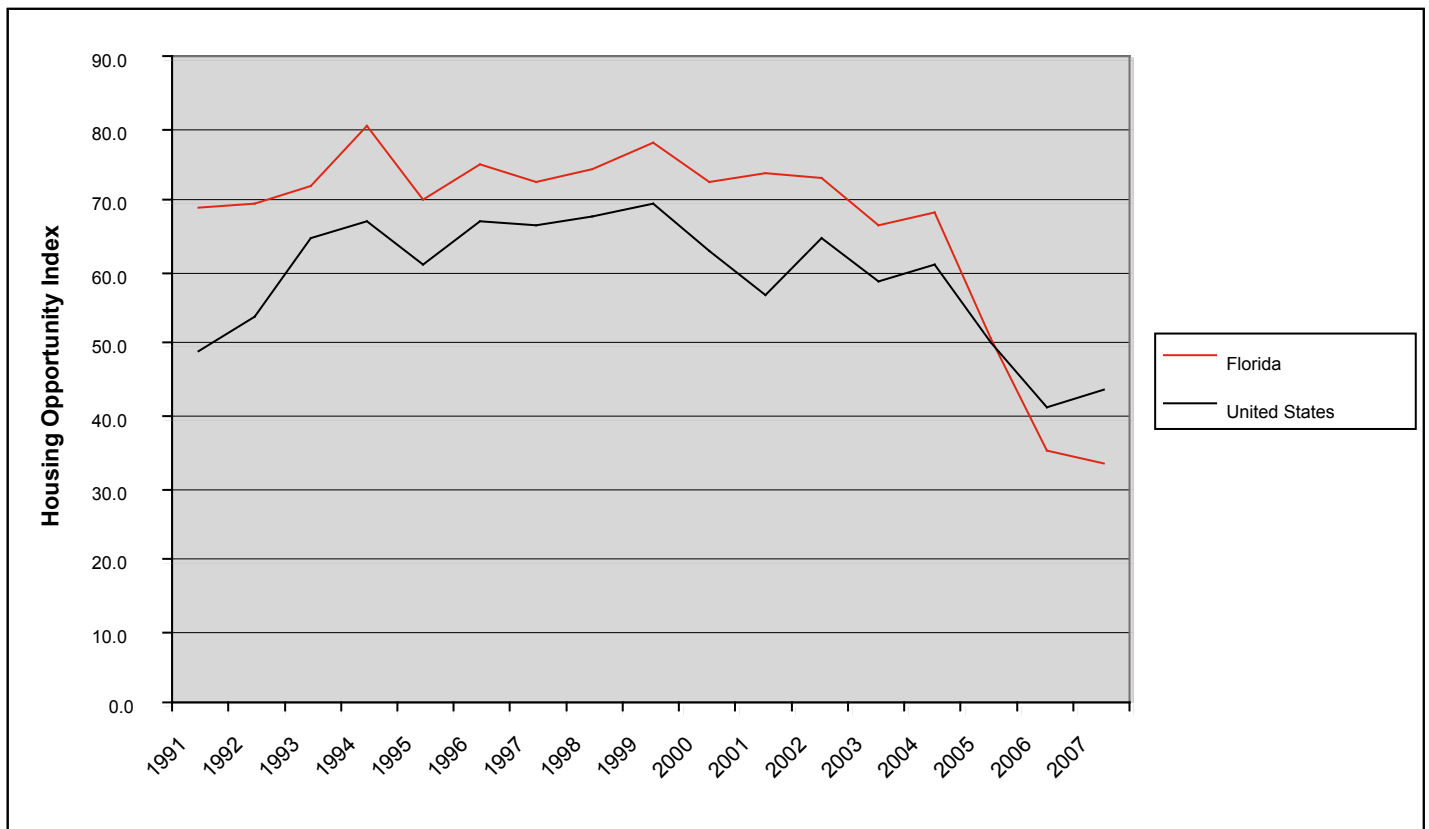
higher than the national HOI throughout most of this time period, it has eroded sharply since 2005, falling well below the national level by 2007. While affordability nationwide was just over 10 percent lower in 2007 than in 1991, affordability in Florida has plummeted by more than 50 percent over the same time period and has eroded by nearly 60 percent since its peak at 80.7 in 1994.

Research by the University of Florida’s Shimberg Center for Affordable Housing also suggests a statewide deterioration in housing affordability in recent years. The Shimberg Center developed an affordability index based on the ratio of a county’s median household income to the income needed to qualify for a

mortgage for an existing median-priced home in that county. An index value of 100 would indicate a “qualifying income” equivalent to median household income, while an index value of 90, for example, would indicate that the median household income in that county is 10 percent below the amount typically needed to qualify for a mortgage. The Shimberg Center report found that 49 counties had an index value below 100 in 2005, a significant increase from 15 counties in 2003 (see Figure 5).²¹ Further, the 2005 index values fell below the 2003 value in every single county.

An initial assessment of home price and housing affordability trends suggests serious erosion in housing affordability in Florida since

Figure 4. Housing Affordability Trends, 1991 to 2007



Source: National Association of Home Builders, Housing Opportunity Index database (all data are from first quarter of each year). Florida trends based on authors’ calculation based on NAHB metropolitan statistical area data.

Note: NAHB dataset includes HOI values at the national and MSA (Metropolitan Statistical Area) level, but not the state level. A state level HOI for Florida was calculated by the authors using a weighted average, with each year’s MSA-level values weighted by the U.S. Bureau of the Census’ annual MSA population estimates to account for variations in MSA size. Since 2007 MSA population estimates were not available at press time, the weight applied to first quarter MSA HOI values was the 2006 population estimate. MSA’s for which annual HOI data were not reported in the NAHB data were removed from the calculation of the annual statewide HOI value.

2004, at a rate significantly higher than the nation as a whole. Unfortunately, the general trends described in this section do not provide direct information about the impact of Florida's growth management laws on housing prices and affordability. Other factors, including regional economic conditions and demographic changes, may also affect housing prices. In addition, stricter building codes adopted in the wake of recent hurricanes may have impacted the price of newly constructed housing. Thus, while the general data are suggestive, they do not provide the level of detail and richness necessary to determine whether state growth-management laws influence housing prices. The next section develops these themes more

fully by examining the growth management program in Florida.

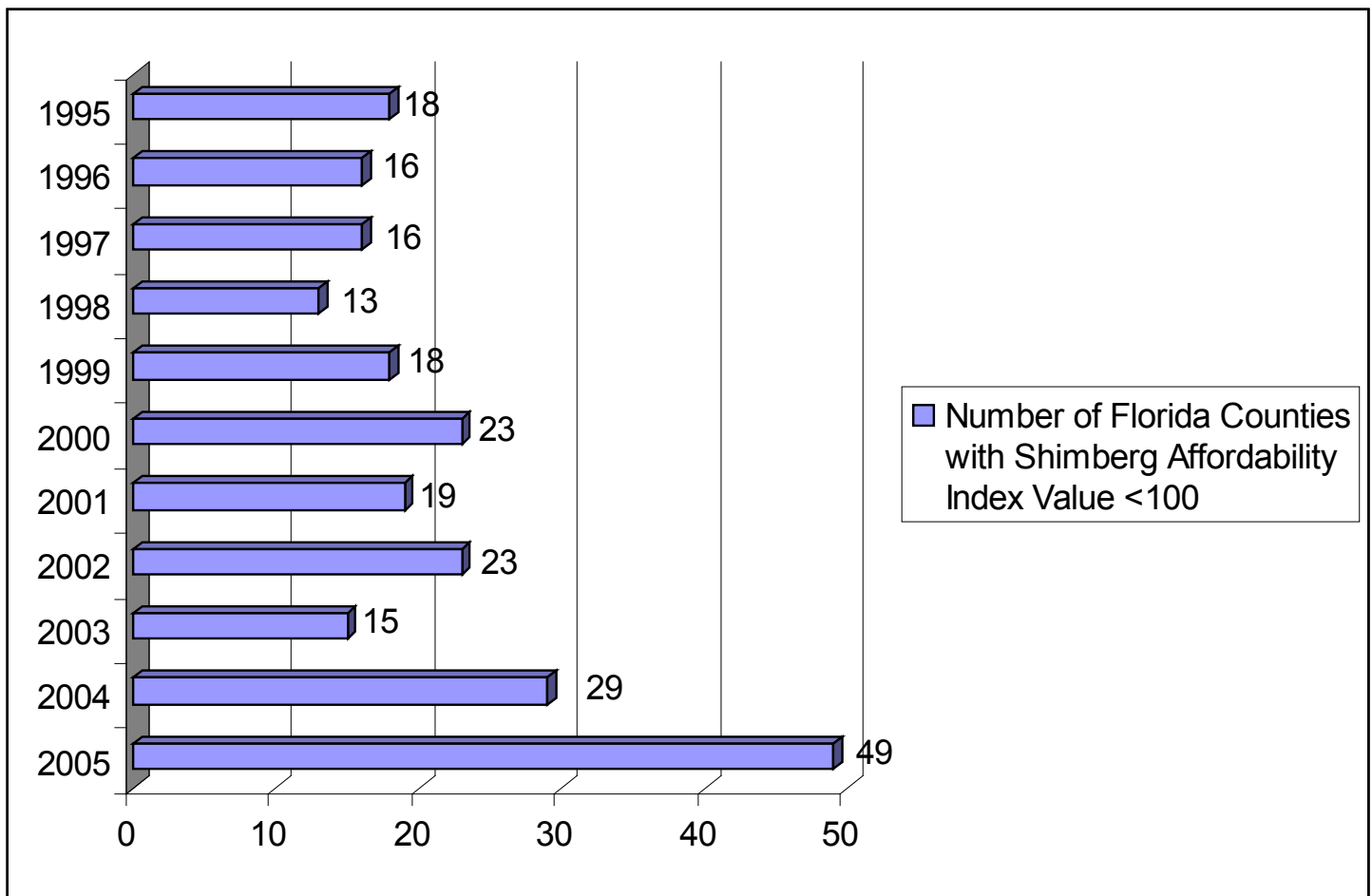
Part 3: Overview of Growth Management in Florida:

Understanding Florida's Growth Management Act

For over two decades, Florida has been nationally regarded as a Smart Growth leader. As in Oregon and other states, Florida's statewide growth management efforts were prompted by rapid population growth. Florida's population has skyrocketed 477 percent from 2.8 million in 1950 to almost 16 million in 2000, placing

“For over two decades, Florida has been nationally regarded as a Smart Growth leader.”

Figure 5. Number of Florida Counties with Shimberg Center Affordability Index Values under 100



Source: Shimberg Center for Affordable Housing, *The State of Florida's Housing 2006*, (Gainesville, FL: University of Florida, 2007) pp. 31-32; Shimberg Center for Affordable Housing, *The State of Florida's Housing 2004*, (Gainesville, FL: University of Florida, 2005) pp. 50-51.

it among the top three states in the nation in terms of both absolute and percentage population growth during that period.²² Over the last several decades, residents and elected officials became increasingly concerned that population and concurrent housing growth would result in environmental degradation, place an undue burden on infrastructure and public services, negatively impact the state economy, and substantially increase traffic congestion.

A. Florida's Growth Management System

Florida began developing a growth-management system in the early 1970s, when its population was increasing at the rate of approximately 1,000 new residents per day. The Florida Legislature enacted the Environmental Land and Water Management Act in 1972, creating a program to protect areas of critical concern and to regulate developments that would have regional impact.²³ This was the state's first foray into growth management, and, like other states, placed environmental protection at the heart of its growth-management efforts. The Legislature then enacted the Local Government Comprehensive Planning Act of 1975, which required local governments to develop comprehensive plans.

However, the law did not tie local plans to a statewide plan, vision, or goals. Because Florida's planning did not integrate local, regional, and statewide goals into comprehensive planning, many planners believed the requirements were too loose to be effective. An enforceable, statewide growth management system was not established by the state Legislature until the Local Government Comprehensive Planning and Land Development Regulation Act (also known as the Growth Management Act, or GMA) was passed in 1985. More importantly, the GMA was not actually implemented until the late 1980s and early 1990s, when all of Florida's counties and cities came into compliance.

The impact of growth management on housing prices and affordability was an important element of GMA, and continues to be an issue in current reform efforts. Nevertheless, the State of Florida has not engaged in a systematic assessment of the growth-management law's

impacts on housing affordability. Moreover, consistent data at the county level are difficult to find, which hampers independent analysis.

Florida became a leader in reforming its planning laws by putting consistency between state, regional, and local plans as the centerpiece of its reform efforts. The GMA served as the primary vehicle for this reform.²⁴ Florida legislators attempted to strengthen state oversight of local planning in the mid-1980s and 1990s. The State and Regional Planning Act of 1984 instituted a system of integrated state, regional, and local planning and mandated the development of the first state comprehensive plan (SCP), completed in 1985.²⁵ The Act also required Regional Planning Councils (RPCs) to prepare and adopt Strategic Regional Policy Plans (SRPPs) consistent with the state plan.

The GMA of 1985 built on these legislative efforts, vertically integrating planning at three levels of government. On the state level, the SCP directs policy at all levels of government and requires state agencies to develop agency plans to implement some of its elements. On the regional level, RPCs adopt regional policy plans consistent with the state plan, but tailored to regional conditions. On the local level, all counties and municipalities are required to adopt state-approved local comprehensive plans consistent with the state and regional plans. The GMA of 1985 also required local development regulations to be consistent with the local plan, authorized the use of financial sanctions against jurisdictions failing to adopt consistent plans, and required citizen participation in the planning process.²⁶ All of Florida's local governments have now adopted comprehensive plans that comply with the GMA of 1985.

The "consistency" requirement creates an additional burden on the real-estate market that increases incremental costs. Since local plans must be consistent with the state plan, it is difficult to change local plans to reflect shifting market conditions. In addition to the heightened politicization of the process, local communities would also need to get approval from the state (e.g., the Department of Community Affairs).

The Role of Florida's State Plan

The State Comprehensive Plan (SCP) is prepared by the Governor's office and is reviewed every two years. The SCP sets forth the long-range goals, objectives, and policies to guide future growth in Florida, though it does not contain a future land-use map. It also requires Florida's regional planning councils to adopt comprehensive regional policy plans consistent with the SCP.²⁷

The SCP contains goals and policy statements covering 25 broad areas:²⁸

1. Children
2. Families
3. The elderly
4. Housing
5. Health
6. Public safety
7. Water resources
8. Coastal and marine resources
9. Natural systems and recreational lands
10. Air quality
11. Energy
12. Hazardous and non-hazardous materials and waste
13. Mining
14. Property rights
15. Land use
16. Urban and downtown revitalization
17. Public facilities
18. Cultural and historical resources
19. Transportation
20. Governmental efficiency
21. The economy
22. Agriculture
23. Tourism
24. Employment
25. Plan implementation

Many critics, however, argued that the SCP did not provide adequate guidance for local and regional planning and did not adequately address growth and development. In response, legislation was passed in the early 1990s requiring that the SCP include a growth-management section that would provide:

- Guidance for local jurisdictions in identifying resources of state and local significance;
- Recommendations regarding when and to what extent local plans must be consistent with the growth management portion of the SCP;
- Policies related to land development, transportation, natural resources, environmental quality, and affordable housing; and
- Guidelines for determining where urban growth should be encouraged.

The Governor's office was unable to implement all these changes and requested a full evaluation and possible revision of the SCP.²⁹ In the mid-1990s, the Governor's office undertook a review of the SCP and concluded that it was still relevant to the state issues of primary concern; however, a more comprehensive evaluation with respect to growth management was not forthcoming.³⁰ In 1998, the Legislature directed Gov. Lawton Chiles to appoint a committee to review the extent to which the SCP addressed the requirement for a growth-management portion. The committee's report identified implementation problems and recommended revisions to the SCP, including the addition of performance measures. In 2000, Gov. Jeb Bush appointed a Growth Management Study Commission to undertake a review of Florida's statewide growth-management system and to offer recommendations regarding planning and the future role of the SCP.

Despite these efforts, the planning process may be fundamentally flawed because it attempts to do too much, not too little. Once detailed, forward-looking planning is in place, the tendency is to plan more rather than less, even when the information and decision-making requirements exceed the capacity of planners and the regulatory process to effectively address the issues.

B. Florida's Department of Community Affairs

The most important element of the planning process in Florida is the state Department of Community Affairs (DCA). The DCA is responsible for reviewing local plans and ensuring that they are consistent with the state plan, regional plans, and the state planning goals. The importance of state review of local plans was evident early in the process. Most local governments were required to submit their plans for DCA review between 1989 and 1991. Of the 399 cities that submitted plans to DCA, more than half were inconsistent with the goals and requirements of the GMA.³¹

Originally, many thought the Florida growth-management system would be from the bottom up because local governments were responsible for developing their own growth management plans. The DCA, however, has gone beyond ensuring that the local plans are technically in compliance. It also evaluates whether it believes the plan will, in fact, further the goals of the GMA. "As a result," notes one critic of Florida's growth-management process, "many local comprehensive plans have been rejected by the DCA for being out of compliance because

the DCA determined that the local plan, as written, would be ineffective."³² In part, this may explain why so many plans submitted by Florida's cities and 85 percent of the plans submitted by Florida's counties had at least one element that was considered out of compliance with the GMA when initially submitted.³³ In some cases, cities negotiated with the DCA for three or four years before their plans were in compliance.

DCA also reviews plan updates that counties and cities are required to prepare every seven years (14 years for cities with a population less than 2,500).³⁴ Because all of Florida's communities have now adopted comprehensive plans, the DCA's current oversight role mainly involves reviewing plan amendments, periodic evaluation and assessment reports, and plans for newly incorporated communities.

Each local government is required to prepare a comprehensive plan for state review and approval. Plans must consist of at least 11 elements, including one focused on housing affordability.³⁵ Local plans must also include periodic monitoring and evaluation procedures, and local development regulations must be adopted that are consistent with the comprehensive plan. If a local government does not prepare a

Concurrency and the Burdens of Local Planning

Perhaps the most controversial element of Florida's GMA is "concurrency": the requirement that local governments provide adequate public facilities concurrent with new development.³⁶ As part of the local planning process, local governments are required to delineate those areas intended for urban facilities and services, and local governments are not allowed to issue development permits until they can demonstrate their ability to fund and construct the infrastructure necessary for the new development.³⁷

The concurrency requirement applies to roads; water, sewer, and drainage systems; solid waste; parks and recreation; and, if appropriate, mass-transit systems.³⁸ Many critics of the GMA believed the concurrency requirement would place significant burdens on local governments and developers, primarily because the state Legislature did not commit to funding infrastructure at the levels many felt would be necessary to finance roads, sewers, and water to accommodate expected new growth. In practice, the concurrency requirement has been less onerous than expected. The Florida DCA has been flexible by allowing local plans and governments to trade off concurrency requirements with other goals, such as reducing urban sprawl or promoting urban infill.³⁹ In addition, the Legislature allowed local governments to identify concurrency areas where local developments could contribute to improve the transportation infrastructure.⁴⁰

required plan element, the Regional Planning Council is required to develop and adopt the missing elements. Municipalities are allowed to include unincorporated areas in their plans if they can reach agreement with the county on the boundaries of such areas.

To amend its comprehensive plan, the local government must hold a public hearing in which it formally decides to forward a plan amendment to DCA for review. After DCA reviews the amendment and offers comments, the local government must hold a second public hearing at which it makes a final decision on adopting the amendment. If adopted, the amendment is sent back to DCA for a compliance review to ensure consistency with the state and regional plans. Upon completion of the compliance review, DCA will publish a "Notice of Intent" in the local newspaper stating its decision. Appeals of DCA's findings are forwarded to the Division of Administrative Hearings to initiate a formal proceeding, and, depending on the outcome, ultimately may be sent to the Administration Commission for a final decision. In short, virtually any change in a local plan must be approved by a state agency.

An important goal of Florida's GMA is to reduce urban sprawl, and meeting this goal is a telling example of how GMA implementation can affect local planning. In fact, the GMA includes a policy directive regarding compact urban development with the intent of discouraging urban sprawl, improving infrastructure to support redevelopment and infill development, and discouraging urban development in rural areas.⁴¹ Importantly, these planning goals may be at odds with the actual preferences of Floridians, who prefer low-density development along its lakes and rivers and dispersed urban centers, reflecting its automobile orientation.⁴²

This may create conflict as builders and developers attempt to create housing consistent with consumer preferences while the formal planning process supports planning that is contrary to market trends. The compact development policy was codified into a rule requiring local governments to conduct a needs analysis estimating the gross acreage needed in each land-use category in anticipation of projected population growth. The rule also requires a cumulative land-use analysis that considers the "extent, location,

distribution, intensity, compatibility, suitability, functional relationship and demonstrated need of each land use type."⁴³ The purpose of this analysis is to evaluate whether the local plan meets the compact development policy goals. The DCA, as mentioned above, also evaluates the plans based on whether it believes the plan will likely achieve the goals established in the GMA of 1985. Communities with plans falling short of these goals can recommend changes to the future land-use map or the adoption of additional strategies to prevent urban sprawl.

C. Growth Management and Housing Affordability in Florida

The framers of its GMA anticipated that the planning process could have negative effects on housing prices and affordability statewide. They tried to alleviate this problem by mandating the inclusion of a housing element in local plans and explicitly directing comprehensive plans to address issues of housing affordability.⁴⁴ This housing element is intended to provide guidance in developing appropriate plans and policies to meet projected housing needs for moderate-, low-, and very low-income households.

Local governments in Florida are responsible for preparing projections of new households by size and income range, conducting an assessment of housing and land needs tied to those projections, and designating sufficient sites at appropriate densities to accommodate the need for affordable housing.⁴⁵

Florida cities and counties are also directed to avoid concentrating affordable housing in specific geographic areas. Florida's administrative rules governing the implementation of the GMA also require the local-housing element to be consistent with the housing goals and policies in the state comprehensive plan. The state's plan includes limiting housing discrimination, developing policies that encourage housing opportunities for all state residents, and increasing the supply of safe and affordable housing for low- and moderate-income populations.⁴⁶

In 1988, the Florida Legislature adopted a specific housing goal, stating: "By the year 2010, this state will ensure that decent and affordable housing is available for all of its residents."⁴⁷ To help achieve this goal, in 1992 the state

"By the year 2010, this state will ensure that decent and affordable housing is available for all of its residents."

“According to the U.S. Bureau of the Census, Florida’s population grew roughly 63 percent between 1980 and 2000...”

enacted the William E. Sadowski Act, which dedicated funds to state-administered affordable housing programs and created the State Housing Initiatives Partnership (SHIP) program, the first permanently funded state-housing program in the nation to provide funds to counties and cities for local affordable housing programs. Nevertheless, despite the visible and open concern for housing affordability as part of Florida’s growth-management legislation, almost no formal analysis of the Act’s impact on housing affordability has been conducted by the state’s Department of Community Affairs (DCA). Moreover, housing affordability seems to be deteriorating, — and features of the GMA may be contributing to this trend.

These affordable housing efforts may have an effect on the housing market, but little analysis has been done to determine whether these efforts adequately balance additional burdens on real-estate markets imposed by the growth management and planning process. For example, comprehensive planning may add significant costs to land development if the patterns outlined in the plan and the zoning map are inconsistent with market trends and consumer housing preferences. The growth controls required in the GMA could also compound inefficiencies in the development-approval process and ultimately reduce housing affordability by mandating higher-cost building designs, increasing delays in the development-approval process, forcing development into inappropriate land uses at inappropriate designs; or creating uncertainty about development approval.

All of these inefficiencies could increase costs that, combined with land scarcity created by urban-growth boundaries, could drive housing prices up despite the provisions aimed at expediting housing development and reducing regulatory burdens. Thus, despite its goal of promoting housing affordability, growth management has the potential to contribute to housing-price increases rather than mitigate them. Moreover, this effect is likely to be statewide, although less visible, because it would be distributed throughout the state’s construction and land-development industry. Little evidence suggests that statewide growth-management laws will have substantially different effects than

local laws. In short, the key question is whether the net impact of the GMA will have positive or negative effects on housing prices.

Part 4: Analysis of the Growth Management Act’s Impacts on Housing Prices and Affordability in Florida

Florida’s explosive population growth has important implications for the state’s housing market and raises the question of how GMA implementation has affected housing prices and affordability. This section more fully examines this possibility.

According to the U.S. Bureau of the Census, Florida’s population grew roughly 63 percent between 1980 and 2000 (increasing to almost 16 million from 9.8 million) while, consistent with national trends, average household size fell (to 2.46 persons per household in 2000 from 2.52 in 1980). Increasing population coupled with decreasing household size increases the demand for housing above what would be demanded by population growth alone. Approximately 6.3 million individual households existed in Florida in 2000, and the Shimberg Center for Affordable Housing estimates that this total will grow to more than seven million households by 2010. The Shimberg Center estimated that approximately one million new housing units would be needed between 2000 and 2010 to meet the increased demand.⁴⁸

Florida’s system of growth management may contribute to falling housing affordability if the planning process constrains the housing market in a significant way or increases costs for builders and developers. Notably, University of Iowa planning professor Jerry Anthony tested this hypothesis for the period 1980 through 1995.⁴⁹ Anthony asked whether the implementation of Florida’s statewide growth-management regulations increased single-family home prices after statistically controlling for housing demand, policy environment factors, and certain attributes of housing supply. Anthony’s selection of time period facilitated the examination of trends before and after GMA adoption, since the GMA was enacted in 1985 and almost all local jurisdictions had adopted development plans by 1991.

Anthony's study also controlled for the adoption of county-level plans consistent with GMA, population growth, median house size, and federal legislation with potential impacts on housing markets nationwide. His study found Florida's GMA increased housing prices and lowered housing affordability, although, unfortunately, he did not calculate magnitudes of these impacts from his results. Even DCA's 1997 Florida Fair Housing Summary Report suggests that growth-management regulations may "have adverse effects on affordable housing" and may increase housing costs.⁵⁰

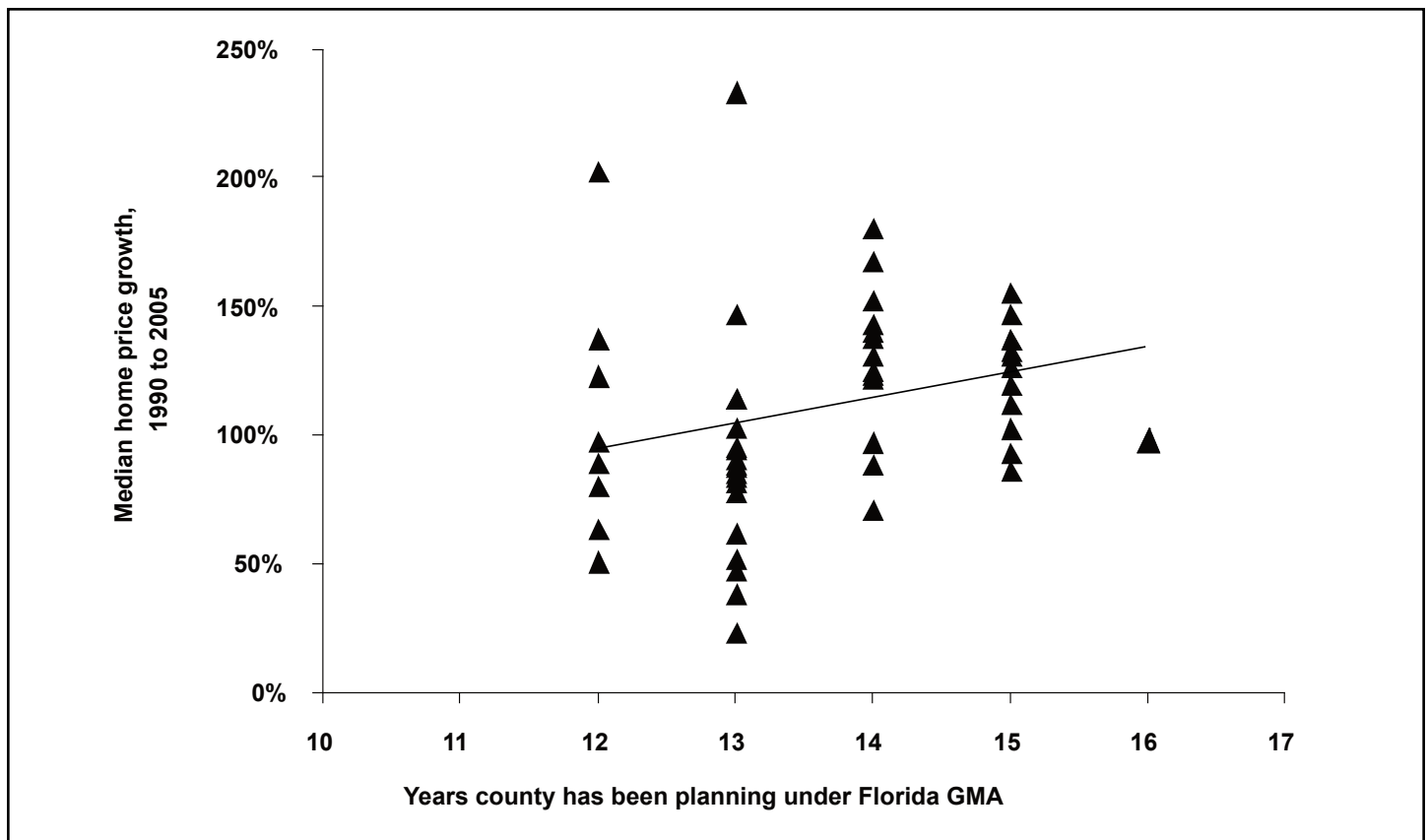
But, a key question remains: Does the GMA still contribute to Florida's growing lack of

affordable housing?

An initial analysis of housing-price growth and planning in Florida's metropolitan areas suggests that this, in fact, may be happening. The Shimberg Center collects median home price data for each of Florida's 67 counties. This can provide a glimpse at the general relationship between housing-price growth and planning in metropolitan counties.⁵¹

On average, Florida's 67 counties have been planning under the GMA for 13.5 years. If the GMA's impact on housing prices is negligible, no pattern should appear when the housing-price growth is compared to the length of time the county plan has been in place. But in fact, coun-

Figure 6. Relationship Between Counties Planning under Florida's Statewide Growth Management Law and Housing Price Growth: 1990 to 2005



Source: Author calculations based on housing price data from the Shimberg Center and county planning compliance data provided by the Florida Department of Community Affairs.

Note 1: The following counties were excluded from this chart because of incomplete housing price data: Broward, Duval, Hamilton, Jefferson, Lafayette, Liberty, Madison, Sumter, Union, Wakulla, Washington.

Note 2: The following rural counties were excluded from this chart because they experienced housing price inflation much higher than others in the data set: Franklin (1,160%), Gulf (394%), and Walton (792%).

“The authors examined several demographic variables to evaluate their potential impact on housing prices, including household income, population growth, population density, and household size.”

ties with more experience planning under the state’s GMA have experienced higher housing prices (Figure 6). Indeed, an earlier Reason Foundation analysis of planning under the state GMA found that as much as 20 percent of the change in housing price growth between 1994 and 2000 could be explained by planning.⁵²

This simple correlation between two variables is of limited use, however. A more thorough investigation of the relationship between statewide growth management planning and housing price growth should consider the influence of other variables. For example, urban areas tend to be more dense and economically diverse, creating higher demand for limited land. Thus, urbanized areas typically have higher housing prices than rural areas, regardless of the effects of development and land use regulations.

To more adequately isolate the effects of statewide planning, data on household income, density, population growth, housing prices, and compliance with statewide planning regulations were collected for all 67 Florida counties. Unfortunately, complete housing price data

were not available for 11 counties, so they were excluded from the following analysis.⁵³ Thus, the analysis applies to housing price data for 56 rural and urban counties in Florida.

Housing prices are influenced by a number of different forces, including changing demographics. Higher income areas of the state typically have higher housing prices reflecting the larger amount of discretionary income devoted to housing. Areas experiencing rapid economic growth could also experience rapid housing price inflation as supply fails to keep up with demand. Similarly, urban counties and cities tend to have higher housing prices, reflecting the diversity of uses — retail, office, residential, warehousing, etc. — that competes for land. Thus, the authors examined several demographic variables to evaluate their potential impact on housing prices, including household income, population growth, population density, and household size.

Similarly, geography might play an important role in housing price differences. Southeast Florida, for example, ranks as the nation’s 6th largest metropolitan area with a metropolitan

Table 2: Descriptive Statistics for Key Variables

Variable (N=67)	Mean	Std. Dev.	Min.	Max.	Source
Median Home Price (2005)	\$149,666	77,994	65,000	500,000	Shimberg Center
Median Home Price (1990)	\$67,022	22,958	26,500	150,000	Shimberg Center
Persons Per Hhld (2000)	2.48	0.197	2.13	3.09	U.S. Census
Persons Per Hhld (1990)	2.54	0.201	2.18	3.00	U.S. Census
Density (People/mi ²)	317.5	507.2	9.3	3,314.4	U.S. Census
Planning (years)	13.48	0.88	12	16	Florida DCA
Comply (years)	14.48	0.88	13	17	Florida DCA
Difference (years)	1.15	0.84	0	6	Florida DCA
Urban counties (number)	33	n/ap	n/ap	n/ap	U.S. Census
Rural counties (number)	34	n/ap	n/ap	n/ap	U.S. Census

NOTE: Median home price data in 1990 were available for only 56 counties.

population approaching 5.5 million people. The rapid growth of the Orlando area might also create unique pressures on housing prices. Thus, the authors attempted to factor in the influences of Florida's urban geography by including "dummy" variables (variables that take on a value of either 0 or 1) to control for these effects.

Unfortunately, many of these variables tended to be highly related to each other. The authors settled on regression models using variables measuring density, urban location (metro), location in Miami, and location in Orlando as the basic estimating model of the impact of planning. The descriptive statistics for these variables can be found in Table 2.

Three variables were used as measures of the effect of the GMA on local housing prices (also see Table 2):

- Planning: the number of years the county has been planning under the GMA;
- Compliance: the number of years the county has been in compliance with the state GMA, as determined by the Florida Department of Community Affairs; and
- Difference (Compliance minus Planning): the length of time it took for the county to come into compliance with the state GMA compared to the year it first published its comprehensive plan.

The key variable for our analysis is the change in county home prices. The final results of the statistical models are summarized in Table 3. The estimates were calculated using multiple regression analysis and applied a Generalized Least Squares (GLS), technique.⁵⁴

Of particular interest for this report is the significance of the planning variables. The number of years a county has been planning under the law explained 18.5 percent of the change in housing prices between 1990 and 2005. This is slightly larger than the estimate for this effect found in a previous analysis performed by Reason Foundation for the period 1994 to 2000.⁵⁵ In that study, the number of years a county had been planning under the growth management act explained 16.7 percent of the change in housing prices. Thus, the effect of planning seems robust and consistent. This is

notable because the current study,

- includes a time period more than twice as long as the first study (14 years vs. six);
- uses an independent county housing price dataset; and
- covers a larger sample of counties (56 vs. 32) and includes rural counties.

The other two planning variables were less important, statistically, although this lower effect is easily explained given the change in time periods for the analysis. "Compliance" and "Difference" are much more likely to capture the immediate impact of having to pass plans to comply with the new mandates, representing a one time "transitional" impact as counties adjust to a new way of planning.

The previous study by Reason Foundation found that the number of years a county had been in compliance with the GMA accounted for as much as 20 percent of the change housing prices for the relatively short period 1994 to 2000. The amount of time the county took to bring their comprehensive plan into compliance was also important, explaining about 5 percent of the change in housing prices. Both of these variables should capture the uncertainties of planning under the new framework and administrative costs of transitioning to a new planning region. The first study also covered the years in the immediate aftermath of comprehensive plan compliance mandates from the state. Thus, a large statistical effect would be expected, but over time, these effects should dissipate.

The current study covers a wider range (14 years), but the effect is still significant. The years a county has been in compliance with the law appears to explain about 6 percent of the change in county home prices over this period but is not statistically significant. The amount of time bringing the county's comprehensive plan into official compliance with the GMA, while statistically significant, appears to have little practical impact on housing prices. Nevertheless, these transitional effects appear to be falling over time.

While the GMA planning variables were statistically significant, most of the change in housing prices appears to be explained by

"The key variable for our analysis is the change in county home prices."

“...the statistical significance of the planning variables clearly indicates that planning under the statewide GMA contributes to housing price increases in an important and meaningful way.”

other factors. Notably, the models are statistically significant (have high F values), but they explain between 12 percent and 46 percent of the change in housing prices in Florida counties (based on the adjusted R squares). Despite these qualifications, the statistical significance of the planning variables clearly indicates that planning under the statewide GMA contributes to housing price increases in an important and meaningful way.

The findings of this report are consistent with findings by other researchers, including those reported by Jerry Anthony. The enduring relationship between GMA planning and housing prices in the later half of the 1990s and first half of the 2000s suggests that Anthony’s results are still valid, even though his analysis stopped in 1995.

The updated evidence in this report confirms that growth-management regulations increased median single-family home sale

prices on a statewide level. This relationship is evident using summary data as well as more sophisticated statistical analysis that controls for factors such as changing household incomes, single-family home quality, and public policy. This should be of particular concern to Florida policymakers given recent significant downturns in housing affordability.

Part 5: Potential Impacts of the Hometown Democracy Amendment on Housing Affordability in Florida

A coalition of environmental groups and community activists in Florida is currently collecting signatures for a statewide ballot measure that could transform Florida into a laboratory for the most extensive institutionalization of ballot-box zoning ever seen in the United

Table 3: GLS Regression Estimates for Impact of Florida Growth Management Act on the Change in County Housing Prices, 1990 to 2004

N=56	Model 1	Model 2	Model 3
Density	-0.0000 (-0.32)	-0.0000 (-0.84)	0.0001 (3.38)***
Orlando (dummy)	0.1565 (1.5)	0.0034 (0.06)	0.0089 (0.16)
Miami (dummy)	0.3907 (3.67)***	0.6317 (2.85)***	0.4955 (1.91)*
Metro (dummy)	0.1651 (1.38)	0.2877 (1.71)	0.2726 (1.57)
Planning	0.1402 (2.48)***	—	
Compliance	—	0.0465 (1.46)	
Difference	—	—	.0289 (2.07)**
Constant	9.025	10.427	10.9299
Adjusted R2	0.46	0.12	0.21
F (from Mean)	10.4	2.5	3.89

Notes: * Statistically significant using a two-tailed test at 90 percent level; **Statistically significant using a two-tailed test at 95 percent level; ***Statistically significant using a two-tailed test at 98 percent level.

States. The proposed Hometown Democracy Amendment, anticipated for the 2008 ballot, would amend the state Constitution to mandate voter approval (via referendum) of any new city and county comprehensive land use plan, as well as any amendment to existing plans, before final adoption by the local legislative body may take place.⁵⁶

At first glance, this effort may seem like it has little connection to Florida's GMA. In fact, the grassroots interest in planning can be seen as an extension of growth management in Florida. The opponents of new growth, and proponents of Hometown Democracy, are in fact reacting to the plans that have been approved through the statewide Growth Management Act, as well as the current planning process. Unfortunately, little analysis has examined the potential impact Hometown Democracy could have on housing development and affordability in Florida, particularly as it fundamentally changes key provisions of current development planning.

To date, ballot-box zoning has largely remained a localized phenomenon, limited to a few states and localities with initiative and referendum power. While some communities in Washington, Ohio, and even Florida have bypassed traditional planning processes through the use of voter referenda on land use and zoning issues, California is generally regarded as having the most extensive utilization of ballot measures to manage growth (see discussion below).⁵⁷ More importantly, the experiences of these other states and localities have important lessons for growth management and development planning in Florida.

This section offers an overview of the current research on ballot-box zoning, with an eye towards the potential economic consequences related to housing. Though it is beyond the scope of this report to undertake a detailed, quantitative analysis of the potential impacts of the proposed Hometown Democracy Amendment, we offer some general observations based on the current research to assess the potential impacts of this initiative on housing affordability.

A. Ballot-Box Zoning in Action

As citizen concerns about urban sprawl and the pace and community impacts of rapid urbanization have become more prominent in recent decades, issues related to growth management and environmental preservation have increasingly found their way to the ballot box. For example, nationwide the November 1998 elections featured some 240 state and local ballot measures concerning conservation and growth management issues; just two years later, voters in the November 2000 election decided the fate of 553 state and local growth-related measures.⁵⁸

To date, ballot-box zoning has been most extensively utilized in California. Approximately 1,000 measures associated with growth management have been placed on local ballots around the state over the last several decades, though the use of such measures tends to be geographically clustered in cities and counties in the San Francisco Bay area and coastal southern California.⁵⁹ With citizens and activist groups becoming more organized in the 1960s and 1970s in response to rising concerns over rapid urbanization and its effect on environmental quality and community character, the use of the growth-related initiative in California became highly politicized and fueled an emerging slow-growth movement.⁶⁰

The widespread use of local growth management ballot measures in California may be partially attributed to the decentralization of land use decision making in the absence of a statewide growth management system, like that found in Oregon, Washington, and Florida.⁶¹ Hence, California's cities and counties have great latitude in utilizing a variety of growth management strategies, including ballot-box zoning.

Importantly, the term "ballot-box zoning" should not be construed to refer solely to direct voter approval of zoning ordinances or amendments; it is actually an umbrella term referring to a broad array of voter-approved initiatives designed to address land use and growth-management issues. For example, the types of growth-management tools proposed and/or adopted at the ballot-box in California cover a wide spectrum of those used in

“More importantly, the experiences of these other states and localities have important lessons for growth management and development planning in Florida.”

“In California and elsewhere, policy debates about ballot-box zoning have largely centered on theory and process, not a rigorous analysis of implementation outcomes.”

more traditional planning processes: zoning changes; urban growth boundaries; housing and population caps; commercial and industrial caps; infrastructure adequacy (or “concurrency”) ordinances; voter approval requirements; and other broad-based growth management techniques.⁶²

Further, ballot-box zoning as a growth-management mechanism can take the form of initiatives that are pro-growth, anti-growth, or neutral in orientation, and geographic considerations may influence both the form and success rates of growth initiatives. A study of 600 local, growth-related ballot measures in California between 1986 and 2000 found that 59.0 percent were “slow-growth” measures (e.g., adopting urban growth boundaries and rezoning residential land to a less intensive use), 34.5 percent were “pro-growth” (e.g., increasing zoning densities), and 6.5 percent were neutral.⁶³ When broken down by area, a majority of both city and countywide ballot measures were found to be slow growth measures.⁶⁴

Slow-growth measures were more likely to pass than fail at both the city and county levels in California, while pro-growth measures were more likely to fail than pass at both geographic levels.⁶⁵ Countywide pro-growth measures had a higher likelihood of failure (63.6%) than city pro-growth measures (51.7%). In a finding that could have important implications viewed in the light of Hometown Democracy, the researchers surmised that slow-growth measures tended to pass more frequently in coastal areas, while pro-growth measures passed more frequently in inland areas (though these measures were fewer in number).⁶⁶

In California and elsewhere, policy debates about ballot-box zoning have largely centered on theory and process, not a rigorous analysis of implementation outcomes. Champions of ballot-box zoning tend to view the use of initiatives and referenda as an effective way to empower local citizens, giving them a stronger, more direct role in the community planning process.⁶⁷ However, skeptics have leveled a number of criticisms at ballot-box zoning; a few general themes are summarized below:

Hampering economic development: To the extent that subjecting planning decisions to

voter approval will increase uncertainty in the development process, create higher transaction costs, or de-stabilize the property rights structure of land development, ballot-box zoning could reduce investment in land and discourage economic development.⁶⁸ Further, by expanding the role of politics in land development, ballot-box zoning is likely to increase the costs of development (which will get passed along to consumers in the form of higher housing prices), as developers are forced to mount costly political campaigns in order to increase the odds of voter approval of their projects.

Empowering special interests: Elections generally suffer from poor turnout, giving special-interest groups and NIMBY (not in my back yard) activists more weight at the ballot box than may be justified by overall community sentiment.⁶⁹

Undermining the planning process: The community of urban planning professionals is split on topic of ballot-box zoning, with many seeing it as a severe threat to the “progress toward greater inclusion, deliberation, consensus-building, and analysis that planning has made” in recent decades.⁷⁰ An overriding goal of planning is to ensure that growth and development occur within the context of a comprehensive, long-range plan consistent with a community-defined vision, and many planners feel that voters will lack this perspective — as well as expert, professional knowledge on complex land use issues — when they make decisions at the ballot box.

Undermining private property rights: Economic decision making through collective voting weakens the private property rights that establish the spheres of autonomy critical to economic investment, private planning, development, and growth.⁷¹ Ballot-box zoning can have the effect of negating individual property rights, replacing them with potentially unrestrained majority rule or special-interest dominance.⁷²

Despite the proliferation of ballot-box zoning nationwide and policy debates surrounding its potential consequences, surprisingly few researchers and analysts have actually explored the real-world economic outcomes of using initiatives and referenda to establish economic development policy, particularly in the area of land use regulation. However, two recent

research articles have begun to fill this void by exploring the impact of ballot-box zoning has on land development in urban communities.

First, a 2001 analysis of 63 Ohio cities found that subjecting rezoning decisions to public referenda had a consistent negative impact on residential development activity in those cities, regardless of the final outcome of the referenda.⁷³ Communities subjecting rezoning issues to a public vote experienced an annual “growth penalty” of between 19.4 to 28.7 housing permits per every 1,000 population; according to the author, “if the penalty were adjusted to the size of the city, the impact of these referenda is relatively large.”⁷⁴ This research supports the hypothesis that ballot-box zoning injects an element of uncertainty into the development approval process, increases the transaction costs associated with land development, and reduces the level of land development in the community. The author concludes, “[to] the extent zoning-related referenda reflect community values (e.g., a more open planning process), the higher transaction costs associated with the process will likely translate into reduced economic growth.”⁷⁵

A second study in 2007 analyzed data on California ballot measures from 1986 to 1999, along with city-level housing and demographic data, to assess the effects of adopting ballot-box growth controls on housing and socio-demographic outcomes.⁷⁶ The results confirmed the results of the Ohio study: Cities in California adopting growth-restricting measures at the ballot box experienced slower growth in housing units.⁷⁷

Further, the adoption of ballot box growth controls appears to have a significant effect on the socio-demographic composition of a city. California cities adopting growth control initiatives are gaining in white population and losing in Hispanic population faster than cities that do not, suggesting that ballot-box zoning may contribute to the exclusion of Hispanics and the persistent racial and ethnic segregation.⁷⁸ The author suggests that growth control initiatives may be having the effect of reducing the overall supply of single-family housing, placing upward pressure on single-family and multifamily housing prices; in turn, these housing price increases likely contribute to the exclusion of lower-income populations.⁷⁹

The research on ballot-box zoning in practice certainly has implications for Florida in the context of housing affordability under Hometown Democracy, a subject we turn to in the following section.

B. Hometown Democracy and Housing Affordability

The findings of this analysis suggest that GMA planning has contributed to increased housing prices and reduced housing affordability in Florida cities and counties, supporting the contention that growth-management laws tend to increase development costs by expanding the role of politics in land development. For the reasons discussed below, the injection of the voter approval requirements of the Hometown Democracy Amendment into the existing GMA-based growth management system would likely accelerate the current decline in housing affordability and make it increasingly difficult to generate the statewide housing production needed to meet the needs of Florida’s current and future households.

Hometown Democracy would effectively constrain the ability of local governments to modify plans to adjust to economic and demographic shifts and changing market conditions by creating a strong disincentive against the proposal and adoption of local comprehensive plan amendments. Hometown Democracy proponents acknowledge the likelihood of this outcome in their promotional materials, stating that “the number of comp[rehensive] plan amendments that actually make the ballot will be significantly reduced” and that requests for amendments will “drop like a stone.”⁸⁰ A reduction in the number of plan amendments would to a large extent result in the stagnation of existing local comprehensive plans and the zoning ordinances that implement them.⁸¹

By limiting the ability of local governments to modify plans to adjust to changing conditions, Hometown Democracy would reduce the overall economic and social dynamism of Florida communities. As a practical matter, defining and implementing a long term (25+ year) planning vision is unachievable; it requires a detailed and nuanced understanding of the preferences of existing residents, an ability to

“Further, the adoption of ballot box growth controls appears to have a significant effect on the socio-demographic composition of a city.”

“The planning process should recognize the open-ended and fluid nature of urban development, not reject it in the name of protecting narrow, short-term community interests”

predict the preferences and desires of future residents, *and* an ability to reliably forecast economic, demographic, and technological trends.⁸² Given these constraints, it's not surprising that comprehensive plans are subject to numerous amendments as they are updated to reflect the realities of the current economic, cultural, and political environment. The planning process should recognize the open-ended and fluid nature of urban development, not reject it in the name of protecting narrow, short-term community interests.

Indeed, even “slow growth” communities recognize the need to adapt and change. One study of 20 California cities found that communities supportive of growth approved 95 percent of proposed zone changes and amendments to the general plan, but even communities unsupportive of growth still approved 72 percent of zone changes and general plan amendments.⁸³ Hence, even “slow growth” communities altered their plans to adapt to changing needs, many of which are presumably market driven. To the extent that land development outcomes in the legislative planning process are similar to what would have happened anyway had land development been left to market processes, the costs of obtaining planning approval represent a net loss to society.⁸⁴ In other words, the process imposed higher costs than were necessary to reach the same goal.

Subjecting all comprehensive plan amendments to voter approval would likely compound the planning effect. In Florida, there were over 12,000 local comprehensive plan amendments statewide in 2003 alone, suggesting that communities are still actively trying to adapt to changing conditions despite the state's growth management planning. Whether or not this is antithetical to the underlying rationale of planning — facilitating orderly, predictable growth — is certainly a legitimate subject of debate. But making it more difficult to utilize the “release valve” of the plan amendment will not make it any easier to get the new housing needed to meet the demands of a rapidly growing population.

Hence, Hometown Democracy will likely exacerbate the existing, negative GMA impacts

on housing and accelerate the already significant decline in housing affordability throughout Florida. Hometown Democracy would create a *statewide* mandate for ballot-box zoning, forcing all Florida communities to grapple with the same set of constraints. While reduced housing development would initially hit the low-income and minority households the hardest, the impacts would eventually trickle up to middle class households as they begin to compete for a shrinking supply of new homes.

Hometown Democracy would expand the influence of anti-growth, NIMBY forces traditionally hostile to increases in density, even when those increases in density are proposed to meet market demand. In order to insulate themselves and their communities from unwanted change, particularly in rapidly growing areas, individuals may be inclined to vote for policies that effectively exclude certain types of development (i.e., such as multifamily or higher density housing) and racial or ethnic groups in order to maintain homogeneity and “community character”.⁸⁵

The potential for increased racial and ethnic segregation with Hometown Democracy is certainly borne out in the research on ballot-box zoning California, which found that ballot-box zoning had an exclusionary effect on the Hispanic community. A similar outcome would not be surprising in Florida, given that both states have large and growing Hispanic populations and face similar future growth pressures. Further, the exclusionary effects of ballot-box zoning may not be apparent to the average voter, as support for growth control often comes in the guise of environmental quality, agricultural protection, sprawl elimination, and other concerns.⁸⁶ In other words, it may not be clear to voters that their ballot box decisions can have a disproportionate impact on low-income and minority populations.

In short, the current Hometown Democracy proposal does little to advance meaningful planning reform. Despite its superficially noble intentions, research and experience suggests subjecting planning decisions to mandatory, communitywide referenda will compromise the ability of the housing market to meet rising and changing needs. It will empower narrow interest

groups at the expense of broader community and economic interests. While concern about the rapidly changing character of the Florida economy and community is understandable, attempting to thwart adaptation and accommodation of these changes is likely to be unsuccessful and generate significant unintended consequences, including a further erosion of affordable housing.

Part 6: Conclusion

This study found a disconnection between the goals of statewide growth-management laws that seek to ensure affordable housing for their residents and the effects of these growth-management policies when implemented. GMA implementation has resulted in higher housing prices and decreased housing affordability in Florida, thus making the goal of home ownership less attainable for renters and lower-income households. Overall, based on the new analysis provided in this report, approximately one-sixth of the increase in housing prices in Florida may be attributable to its statewide GMA.

The results of this study suggest that some of the goals of Smart Growth advocates may be inconsistent with the realities of housing development. To the extent that more compact, higher-density urban development is encouraged through growth-management laws designed in ways similar to Florida, higher housing prices could result. First, higher-density urban areas are associated with higher housing prices as more people compete for an increasingly scarce resource: land. Second, by forcing development into existing urban areas, housing development will tend to take place in fast-growing areas, propelling consumers to bid up the price of land.

The decreased housing affordability resulting from GMA implementation suggests that measures to check housing affordability were either inadequately designed or have not been implemented consistently by Florida's cities and counties. An analysis of the affordable housing elements of 10 local comprehensive plans in Florida, for example, found that only 20 percent

of them demonstrated a "clear and strong link between technical analysis, goals, objectives, and policies."⁸⁷

A 1999 report by Florida's Affordable Housing Study Commission (AHSC) found that the GMA requires local plans to provide detailed information regarding the location, cost, and funding sources for a variety of community infrastructure needs (e.g., road, water, and sewer systems) but sets the bar lower for affordable housing. Local governments are required to quantify the affordable housing deficit in the housing elements of their plans but not how they will address such a deficit.⁸⁸

These problems may be compounded by the very structure of Florida's GMA. While explicitly including goals to promote housing diversity and affordability, it imposes planning mandates that are likely to increase housing costs. Thus, there is a breach between planning goals and planning implementation. This is particularly notable in policies aimed at reducing sprawl. By encouraging higher-density development, urban planning is likely laying a foundation for increased housing prices unmatched by increases in incomes and other factors, resulting in deteriorating housing affordability.

This fundamental contradiction in the planning process is unlikely to be resolved by refining regulations and imposing more development controls. Though housing element requirements call for local governments to provide for adequate sites for affordable housing, the lack of guidance regarding how this is to be accomplished already leads to a "piecemeal approach to planning for affordable housing," despite requirements mandating consistency.⁸⁹ In Florida, the AHSC notes that some communities fulfill the housing requirement by delineating high-density residential areas on their future land-use maps, even though this approach does not guarantee the future availability of designated lands for such uses and could lead to an over-concentration of affordable housing in one geographic area.⁹⁰ Other communities have addressed the housing requirements by either indicating that land for affordable housing is already built-out or that such needs have already been met by adjacent communities.⁹¹

"The results of this study suggest that some of the goals of Smart Growth advocates may be inconsistent with the realities of housing development."

“Policymakers should recognize the difficulty of achieving affordable housing goals through GMA planning, given its impact on housing and real-estate markets.”

Moreover, the evaluation process appears to be flawed, in part because the plans fail to accept real-estate markets as a fundamental element of housing production or to put future consumer preferences at the center of their planning efforts. Florida’s GMA requires the preparation of periodic evaluation and appraisal reports (EARs) to assess the degree to which local comprehensive plan goals and objectives have been realized. Local governments are required to adopt plan amendments based on this evaluation, and both the EARs and related plan amendments require state approval. This process provides an opportunity for local governments, DCA representatives, and housing advocates to evaluate whether local affordable housing needs are met, but the results of this and other research indicate that this oversight process has been less than effective with regard to housing.⁹² Moreover, these processes may evaluate existing housing conditions but are unable to forecast future conditions or needs.

Florida’s experience under the GMA demonstrates that strong growth-management laws that tie local planning to statewide goals run

the risk of further politicizing the development process, increasing transaction costs, and creating an imbalance between housing supply and demand. This disequilibrium may exist in the aggregate as well as for specific types of housing, putting upward pressure on housing prices and, ultimately, reducing housing affordability.

Policymakers should recognize the difficulty of achieving affordable housing goals through GMA planning, given its impact on housing and real-estate markets. The American housing market is dynamic, and current comprehensive planning tools may not be able to capture this dynamism. This is particularly true in the context of America’s legal system, which continues to protect property rights and respects the importance of meeting consumer demands for most goods and services, including housing. Further, Floridians need to understand that the Hometown Democracy initiative would likely accelerate the statewide decline in housing affordability — exacerbating the GMA’s effect — given the negative effects of ballot-box zoning on housing production and racial and ethnic segregation experienced in other states.

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A former member and chair of his local planning board, Staley received his B.A. in Economics and Public Policy from Colby College, M.S. in Social and Applied Economics from Wright State University, and Ph.D. in Public Administration, with concentrations in urban planning and public finance from Ohio State University.

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Footnotes

- 1 Little consensus, however, exists on the particulars of what “Smart Growth” means. See the discussions in Anthony Downs, “Smart Growth,” *Planning* (July 2001) and Samuel R. Staley, “Smart Growth, Markets and the Future of the City,” *Michigan Forward* (November 2000), pp. 7–9.
- 2 See Samuel R. Staley, “Markets, Smart Growth, and the Limits of Policy,” in *Smarter Growth: Market-based Strategies for Land-use Planning in the 21st Century*, eds. Randall G. Holcombe and Samuel R. Staley (Westport, Connecticut: Greenwood Press, 2001), pp. 201–217.
- 3 Concurrence has been a cornerstone of local-growth control initiatives and was an important feature of early plans in cities such as Ramapo, New York, and Petaluma, California. See the discussion in William Lamont, Jr., “Subdivision Regulation and Land Conversion” in *The Practice of Local Government Planning*, eds. Frank So et al. (Washington, D.C.: International City Management Association, 1979), pp. 389–415. See also the discussion in William Fulton, *Guide to California Planning*, 2nd ed. (Point Arena, California: Solano Press Books, 1999), pp. 189–197.
- 4 Shimberg Center for Affordable Housing, *The State of Florida’s Housing*, p. 4.
- 5 Shimberg Center for Affordable Housing, University of Florida, *The State of Florida’s Housing*, 2001, p. 2.
- 6 About two-thirds of the state’s total number of low-income households in 1998 were considered cost-burdened using this criteria. Florida Department of Community Affairs, Affordable Housing Study Commission, *Final Report 1999*, p. 12.
- 7 *Ibid.* Unfortunately, the Shimberg Center stopped tracking affordable housing data in the late 1990s.
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- 10 *Ibid.*
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- 14 B. Bolitzer and N.R. Netusil, “The Impact of Open Spaces on Property Values in Portland, Oregon,” *Journal of Environmental Management*, vol. 59 (2000), pp. 185–193.
- 15 Samuel R. Staley and Gerard C.S. Mildner, “The Price of Managing Growth,” *Urban Land*, vol. 59, no. 2 (February 2000), p. 20.
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- 19 Ivonne Audirac, Anne H. Shermeyen, and Marc T. Smith, “Ideal Urban Form and Visions of the Good Life: Florida’s Growth Management Dilemma,” *Journal of the American Planning Association*, Vol. 54, No. 4 (Autumn 1990), pp. 470–482.
- 20 For a more complete description of the HOI and its components, see the NAHB Web site at www.nahb.com. The most recent index, covering the first quarter of 2007, can be found at www.nahb.org/fileUpload_details.aspx?contentID=34325.
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- 24 See the discussion in John M. DeGrove and Patricia M. Metzger, “Growth Management and the Integrated Roles of State, Regional, and Local Government,” in *Growth Management: The Planning Challenge of the 1990s*, ed. Jay M. Stein (Newbury Park, California: Sage Publications, 1993), pp. 3–17.
- 25 Florida Department of Community Affairs, *Growth Management Programs*, 2000, p. 7.
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- 31 The Florida DCA determined that 211 of the comprehensive plans submitted by cities were not in compliance with the GMA of 1985. Data from the Florida DCA, Di-

- vision of Community Planning, as of August 2001.
- 32 Holcombe, "Growth Management in Action: The Case of Florida," in *Smarter Growth*, eds. Holcombe and Staley, pp. 131–154.
 - 33 Florida DCA, Division of Community Development. Among the state's 67 counties, only 10 were in compliance. On average, counties took almost two years to bring their plans into compliance with DCA requirements.
 - 34 Florida DCA, *Growth Management Programs*, 2000, p.10.
 - 35 The other plan elements are: Capital Improvements, Future Land Use, Traffic Circulation, Sanitary Sewer, Solid Waste, Drainage, Potable Water, and Natural Groundwater Aquifer Recharge, Conservation, Recreation, Housing, Intergovernmental Coordination, and Coastal Management (required for local governments within the state coastal zone). See American Planning Association, "Growing SmartSM Statutory Planning Summary for the State of Florida" (May 1996 update), p. 6.
 - 36 See Randall G. Holcombe, "Distributional Aspects of Florida's Concurrency Requirement," *Florida Policy Review* 5 (Winter 1990), pp. 8–14.
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 - 43 Florida DCA, *Growth Management Programs*, 2000, p. 14.
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 - 45 Florida Administrative Code, Chapter 9J-5—Housing Element, www.dca.state.fl.us/fdcp/DCP/Resources/Legislation/2001%20GM%20Rules/9j5.
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 - 47 Section 420.0003, Florida Statutes.
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 - 49 Jerry Anthony, "The effects of Florida's growth management act on housing affordability," *Journal of the American Planning Association*; 2003; vol. 69, no. 3; pp. 282–295.
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 - 51 Available at <http://flhousingdata.shimberg.ufl.edu/datasets.html>.
 - 52 Staley and Gilroy, *Smart Growth and Housing Affordability*.
 - 53 These counties were excluded from this chart because of incomplete housing price data: Broward, Duval, Hamilton, Jefferson, Lafayette, Liberty, Madison, Sumter, Union, Wakulla, Washington.
 - 54 GLS was used in order to correct for heteroskedasticity in the error terms. Statistical models were estimated using density, changing household size, and population growth. High levels of multicollinearity among these variables required dropping two of them. Density appeared to have the most consistent and robust effect in the model, but was not statistically significant in the final model.
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 - 56 The full text of the proposed Hometown Democracy Amendment is available on the Florida Department of State, Division of Elections website at: <http://election.dos.state.fl.us/initiatives/initdetail.asp?account=37681&seqnum=2>
 - 57 See discussion in Chapter 2, Mai T. Nguyen and William Fulton, *Tools and Patterns of Growth Management Ballot Measures in California 1986-2000*, (Ventura, CA: Solimar Research Group, 2002) <http://www.solimar.org/pdfs/LGCreport.pdf>
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 - 62 Ibid, p. 1.
 - 63 Ibid, p. 28.
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 - 65 Ibid, p. 29.
 - 66 Ibid, p. 32.
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- 68 For a thorough discussion on transaction costs and land use policy, see Samuel R. Staley, "Ballot-Box Zoning, Transaction Costs, and Urban Growth," *Journal of the American Planning Association*, 2001, vol. 67, pp. 25-37.
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- 70 Ethan Seltzer and Shayna Rehberg, *Planning at the Ballot Box: Better Decisions or the End of Planning?*, Institute of Portland Metropolitan Studies, 2002, p. 6, http://www.pdx.edu/media/i/m/ims_ballotboxplanning.pdf
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- 72 Ibid.
- 73 Staley, "Ballot-Box Zoning, Transaction Costs, and Urban Growth."
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- 75 Ibid, p. 35.
- 76 Mai Thi Nguyen, "Local Growth Control at the Ballot Box: Real Effects or Symbolic Politics?," *Journal of Urban Affairs*, 2007, vol.29, no.2, pp. 129-47.
- 77 Nguyen, "Local Growth Control at the Ballot Box," p. 142.
- 78 Ibid, p. 141-3.
- 79 Ibid, p. 143.
- 80 Florida Hometown Democracy, Frequently Asked Questions, Web site accessed August 10, 2007, <http://www.floridahometowndemocracy.com/FAQ.html>
- 81 See discussion in Nguyen and Fulton, *Tools and Patterns of Growth Management Ballot Measures in California 1986-2000*, p. 26. The authors write that "subsequent voter approval" requirements (as would be mandated by the Hometown Democracy amendment) are "typically enacted by ballot measure and have the effect of "locking in" the current zoning or general plan land use designation. Most often, they have been used to discourage "upzonings" and rezoning of property from agricultural or open space use to urban use."
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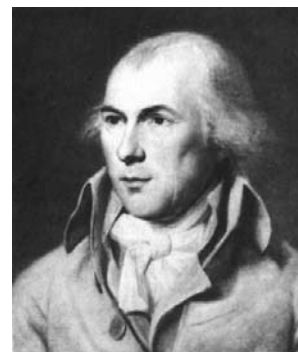
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