



Affordable Housing Solutions for Florida Military Installations



Prepared for
Florida Defense Support Task Force
Enterprise Florida, Inc.

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Executive Summary

In recent years, Florida’s defense communities have been plagued by shortages of affordable housing. **Between late 2019 and mid-2022, average gross rent in the state rose by nearly 28%. Over a similar period, median home sale prices increased by about 55%.** Hurricane Michael, which ravaged the communities surrounding Tyndall Air Force Base (AFB) in October 2018, and the storms that followed in its wake have certainly contributed to the crisis, but the unprecedented price increases that the state has seen are in line with national trends, suggesting they are primarily the result of the COVID-19 pandemic. A confluence of pandemic-related factors, including supply chain issues, the mass proliferation of remote work, and low mortgage rates (through 2021), led to a situation in which demand for new housing outpaced supply. As a lagging indicator of typical housing costs in a military housing area (MHA), defined as the set of zip codes located within reasonable commuting distance of an installation, the Basic Allowance for Housing (BAH) has struggled to keep pace with rapidly escalating rents and home sale prices. **For most of 2022, the BAH rate in the average MHA was only 13% higher than its 2019 level for E-5 personnel without dependents.** Seeking to improve off-base housing options for service members, Enterprise Florida, Inc. (EFI) selected Matrix Design Group in August 2022 to recommend achievable and innovative solutions to the crisis.

Particularly in a “home rule” state such as Florida, county and municipal governments are the primary decision-makers in the area of housing policy. As a result, early research efforts centered on identifying the regions of the state—as measured by active-duty population size, housing affordability, and housing availability—that warranted close study. For the purpose of determining the current state of policy in these communities, we then closely examined their zoning codes. In addition, we identified two significant challenges that particularly impact Florida’s housing market: vacancies and short-term rentals. After consulting various sources to investigate best practices, we compiled a series of evidence-based, mostly locally-oriented recommendations intended to address key drivers of the crisis.

The restrictive zoning laws that exist throughout the state are a major barrier to affordable housing. Single-family districts that forbid any multi-family homes—and, often, even townhomes—occupy a significant percentage of residential land in Florida’s defense communities. In recognition, however, that these communities are unlikely to embrace reforms allowing large apartment and condominium complexes, **our first recommendation is to implement “gentle” density.** Advocates of “gentle” density call on local governments to modestly reform their zoning laws to allow duplexes, triplexes, and quadruplexes. Further, in order to accelerate the construction of these small multi-family units, we recommend offering property tax incentives similar to those enjoyed by owners of large affordable multi-family properties.

Similarly, accessory dwelling units (ADUs), also known as garage apartments, carriage homes, and mother-in-law suites, are banned in many key areas surrounding Florida’s military installations. Certain residential districts in unincorporated Escambia County, for example, only permit ADUs on two-acre or larger lots. **Lawmakers should consider amending these rules, as ADUs are likely to be an appealing option to many service members who desire to live in a suburban neighborhood.** We also suggest that local governments foster the building of ADUs by offering attractive financing options, such as interest-free loans, to homeowners who agree to rent out the units at an affordable rate.

The exploding short-term rental market poses another challenge for the state, reducing the supply of homes available for long-term lease and, in turn, raising prices. Unfortunately, localities are limited in their ability to regulate short-term rentals due to a 2011 state law. Accordingly, **they should instead consider incentivizing short-term rental operators to convert their properties to long-term rentals.** Breckinridge, Colorado recently instated a program that could serve as a model for Florida’s municipalities and counties. It provides up to \$24,000 to short-term rental property owners who lease

their units to local residents on a long-term basis, and there are early indications that it is succeeding in reducing the number of short-term rental listings.

It is also imperative that the state confront its high vacancy rate. Indeed, Florida's 1.6 million empty homes are the most of any state, including California. Most Florida communities, nonetheless, lack detailed plans for rehabilitating and filling vacant homes. The report outlines a five-pronged approach to reducing vacancies. First, **municipalities and counties should mandate registration of vacant properties** in order to ensure local officials and other stakeholders have an accurate accounting of where there exists opportunity for redevelopment. Second, Florida would benefit from joining the 17 other states, including Tennessee, Georgia, and New York, that have **passed comprehensive legislation promoting land banks**, which have the unique power to clear the titles of tax-foreclosed and other undesirable properties. Third, we propose that local governments **replace the traditional property tax with the split-rate tax**. In taxing land at a higher rate than structures, the split-rate tax promotes the construction of large multi-family housing complexes in particular. Fourth, local governments may be able to **encourage landlords to lease their units at an affordable rate by imposing a vacant property tax**. Additionally, any revenues raised via this tax could be earmarked for affordable housing programs. Fifth, **the Florida Legislature should explicitly fund community land trusts**, which effectively deduct the cost of land from a home's sale price, thus making homeownership more accessible for low- and moderate-income families.

To what extent would our proposed policy initiatives increase the supply of affordable homes in each of Florida's 16 MHAs? Table 1 ranks the MHAs based on the degree of benefit they can expect to receive from implementing "gentle" density and ADU expansion, establishing short-to-long-term rental incentive programs, and executing plans to reduce vacancies. The higher the rank, the more amenable the MHA's housing stock is to a given reform. According to the table, for example, the greatest opportunity for building small multi-family homes and ADUs exists in the Ocala MHA, while the Panama City and Florida Keys MHAs stand to gain the most from pursuing long-term rental incentives and policies intended to reduce vacancies, respectively. Notably, Eglin AFB ranks in the top third of MHAs for each of the policies under study.



Table 1. Rankings of Military Housing Areas by Expected Benefit from Proposed Policy Initiatives

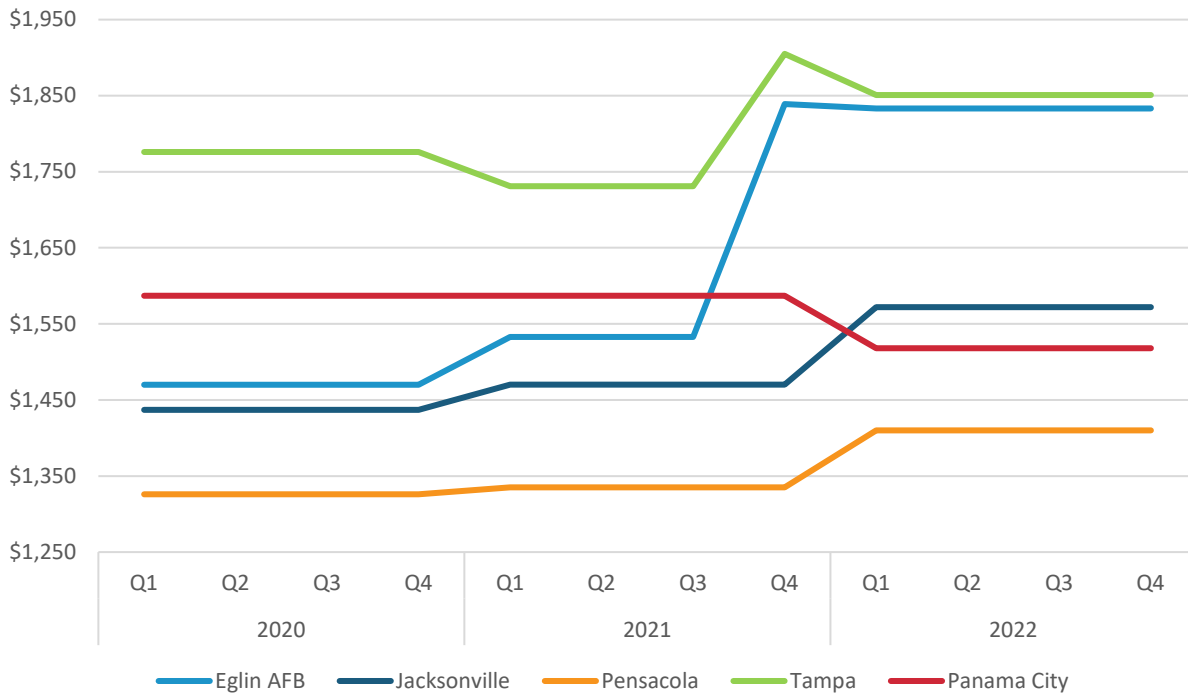
Military Housing Area	“Gentle” Density and Accessory Dwelling Unit Expansion	Long-term Rental Incentives	Vacant Property Plans
Eglin AFB	5	3	4
Florida Keys	6	2	1
Fort Pierce	4	10	7
Fort Myers Beach*	10	4	13
Gainesville	14	12	2
Jacksonville	9	7	9
Miami/Fort Lauderdale*	16	8	15
Ocala	1	15	12
Orlando*	12	13	6
Panama City	8	1	3
Patrick SFB*	7	9	10
Pensacola	2	5	8
Tallahassee	13	11	5
Tampa	11	14	11
Volusia County*	3	6	14
West Palm Beach*	15	16	16

Finally, we suggest that all defense communities, but especially those where policy reform is either infeasible or unlikely to produce the desired effect, pursue two solutions that make use of existing government programs. First, **public-private partnerships offer installations the opportunity to collaborate with state and local actors and developers to build high-density housing**, with Oklahoma’s Altus AFB serving as a recent example of an installation that found success with this approach. In Florida, the Predevelopment Loan Program and the State Apartment Incentive Loan can potentially finance such projects. Second, the installations should encourage DoD to **pursue expanded contracts with the various companies responsible for managing privatized on-base housing**, as our research revealed that the current supply of these homes is falling far short of demand.

Project Background

Since the onset of the COVID-19 pandemic, housing costs in Florida have risen at a historic rate. Despite the dramatic BAH increases that personnel in some of the state’s major MHAs have enjoyed during this period (see Figure 1), there remains a shortage of affordable options for service members and their families. In an effort to help solve this predicament, EFI entered into agreement CON 22-03 with Matrix Design Group (Matrix) in August 2022, with a period of performance through January 31, 2023. The primary purpose of the agreement is to provide the Florida Defense Support Task Force with creative, feasible, and actionable policy solutions to the housing emergency that the communities surrounding Florida’s military installations are currently experiencing.

Figure 1. Basic Allowance for Housing Rates in Top Five Florida Military Housing Areas by Active-Duty Population Size (E-5, Without Dependents), 2020 to 2022



Note: Service members in qualifying military housing areas had to apply to receive the late 2021—but not the late 2022—temporary BAH increase.

Source: Department of Defense

Following an initial “kick-off” meeting, Matrix embarked on an aggressive research effort, carried out over the course of several weeks. Given Florida’s strong preference for local control of housing policy, the initial research phase primarily involved identifying the areas of the state that deserved priority. Accordingly, our research team collated data from the American Community Survey, CoStar, and Redfin for the purpose of identifying high-active-duty-population communities in general, but especially those where the housing crisis—in terms of availability and affordability—is most acute. Subsequently, we reviewed academic literature and local zoning codes, consulted other affordable housing experts, and investigated the policies that other states facing similar issues have experimented with in order to develop a set of targeted policy recommendations for Florida’s defense communities. Although any one proposed policy is unlikely to be a panacea, our research suggests the combined cumulative impact of these reforms on housing prices would likely be significant.

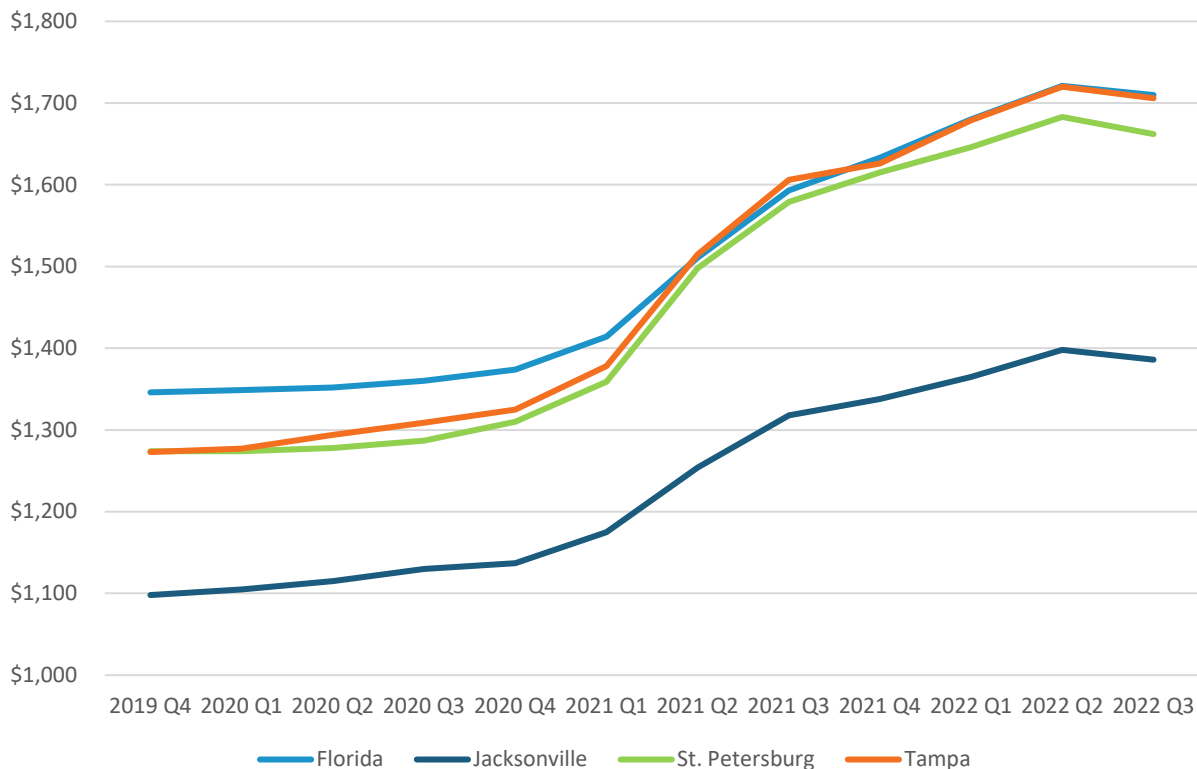
Preliminary Analysis

Especially in Florida, where the doctrine of “home rule” discourages state intrusion into local affairs, housing policy primarily falls within the province of municipal and county governments. Any comprehensive housing strategy must account for this fact because reform will inevitably have differential impact across the state. To identify the jurisdictions that warrant the most attention, we explored how both the state of the housing market and the size of the active-duty population vary from community to community.

Off-Base Housing Market Overview

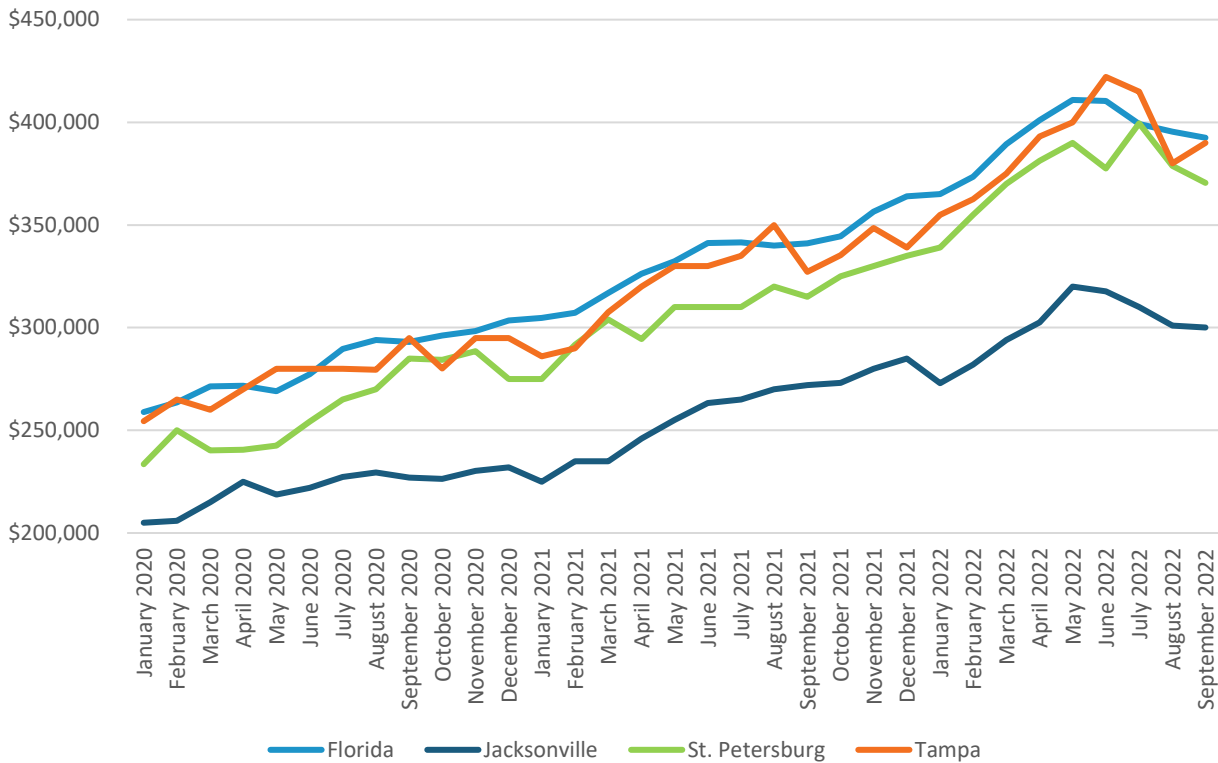
The pressure placed on Florida’s housing market amid the COVID-19 pandemic drove housing costs upward at a rapid pace. Figure 2 shows that from the fourth quarter of 2019 to the second quarter of 2022, average monthly gross rent in the state increased by nearly 28%, from \$1,346 to \$1,721, as supply failed to match demand. Since service members are frequently required to relocate, renting is typically the more sensible option. As a consequence, they are disparately impacted by fluctuations in the rental market. New and prospective homeowners faced an even more unfavorable market, as evidenced by the 55% increase in statewide median home sale price between December 2019 and June 2022 (see Figure 3). During this period, rental and home sale prices increased by similar magnitudes in the three largest cities by active-duty population size: Jacksonville, St. Petersburg, and Tampa. Jacksonville’s housing costs are low in comparison to those of the state in its entirety and the other two cities, however, making it an outlier. **Although prices began to decline in mid-2022, they remain considerably higher than they were earlier in the year.**

Figure 2. Average Monthly Gross Rent by Region, 2019 Q4 to 2022 Q3



Source: CoStar

Figure 3. Median Home Sale Price by Region, December 2019 to June 2022



Source: Redfin

The BAH program is poorly equipped to respond to a volatile housing market. Intended to offset private-sector housing costs for off-base personnel, BAH rates are based on median rental and utility costs within a military housing area (MHA)—that is, the set of zip codes within the proximity of an installation—during the prior year’s spring and summer months.¹ Currently, BAH rates are calculated to cover 95% of these costs, but the amount service members have been expected to contribute out-of-pocket has fluctuated over time. Rates are typically updated on an annual basis, although the Department of Defense (DoD) can authorize temporary increases for selected MHAs. It is typically not until late in the year, however, that DoD has enough data to determine whether and where temporary increases are warranted.

Table 2 presents 2022 BAH rates for E-5 service members without dependents in each of Florida’s 16 MHAs. Our analyses utilize these rates because unmarried personnel are commonly eligible to live off-base by the time they reach E-5 status. Mirroring the wide variance in the cost of living across the state, the BAH rate ranged from \$1,365 in the Gainesville MHA to \$2,178 in the Miami/Fort Lauderdale MHA for the first nine months of the year. Understandably, allowances are more generous for higher-ranking personnel and personnel with dependents. Service members living in the six MHAs that, according to DoD, experienced a 20% or greater rise in average rental costs over 2021 levels became eligible for a temporary BAH increase starting in October. The Fort Myers Beach MHA qualified for the largest relative increase at 32%, followed closely by the Miami/Fort Lauderdale MHA. While the temporary increase has proved to be vital, the fact remains that personnel were forced to endure a monthslong period with woefully inadequate allowances. **Furthermore, because of the restrictive eligibility requirements, the**

¹ Table 8 in the Appendix lists the zip codes that constitute each military housing area.

increase covered only 7,589 personnel, or about 11% of the statewide active-duty population. The shortcomings of BAH as it currently exists underscore the importance of increasing the availability of affordable off-base housing.

Table 2. 2022 Basic Allowance for Housing Rates by Military Housing Area (E-5, Without Dependents)

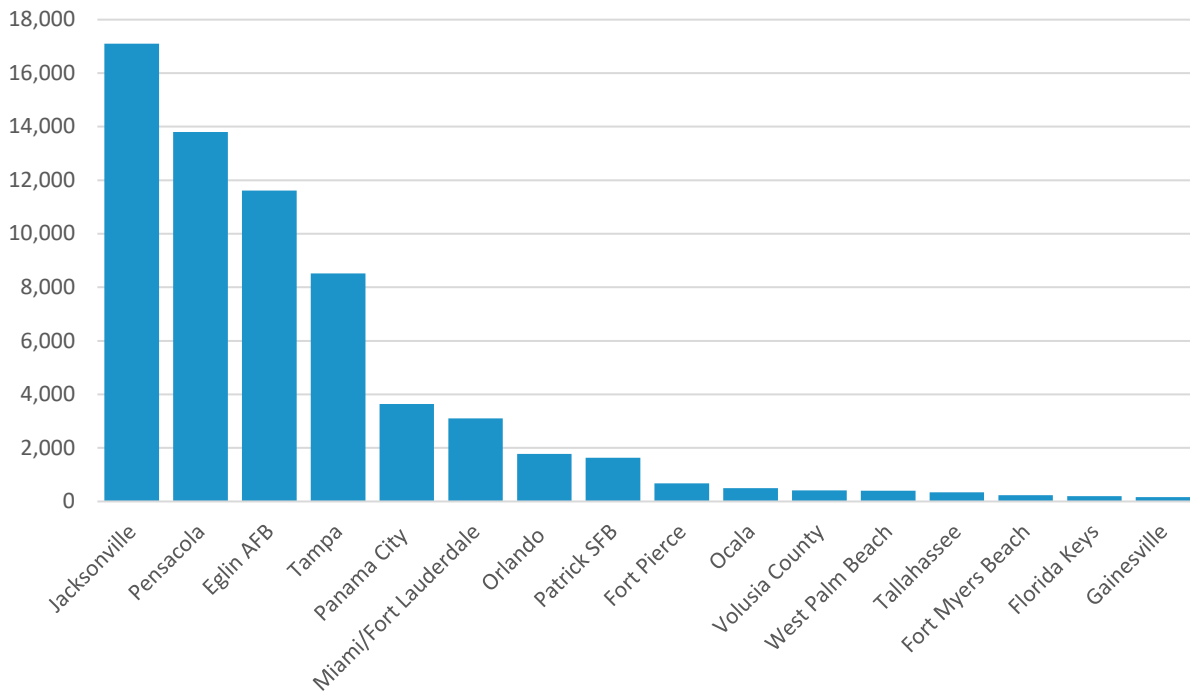
Military Housing Area	Basic Allowance for Housing Rate (E-5, Without Dependents)		
	1/1/2022 - 9/30/2022	10/1/2022 - 12/31/2022	Percent change
Eglin AFB	\$1,833	\$1,833	0%
Florida Keys	\$2,673	\$2,673	0%
Fort Pierce	\$1,740	\$1,740	0%
Fort Myers Beach*	\$1,560	\$2,058	32%
Gainesville	\$1,365	\$1,365	0%
Jacksonville	\$1,572	\$1,572	0%
Miami/Fort Lauderdale*	\$2,178	\$2,799	29%
Ocala	\$1,479	\$1,479	0%
Orlando*	\$1,688	\$2,064	22%
Panama City	\$1,518	\$1,518	0%
Patrick SFB*	\$1,638	\$2,022	23%
Pensacola	\$1,410	\$1,410	0%
Tallahassee	\$1,335	\$1,335	0%
Tampa	\$1,851	\$1,851	0%
Volusia County*	\$1,392	\$1,713	23%
West Palm Beach*	\$2,007	\$2,526	26%

Source: Department of Defense

Geographical Distribution of the Active-Duty Population

Where do Florida's military personnel live? Figure 4 offers initial insight into this question by displaying 2020 ACS estimates of active-duty population size by MHA. **The data indicate that 76% of Florida's active-duty personnel are concentrated in just four MHAs: Jacksonville; Pensacola; Eglin AFB, which includes Niceville, Crestview, and Valparaiso; and Tampa.** Of those MHAs, Jacksonville has by far the largest active-duty population, at 17,099. Panama City and Miami/Fort Lauderdale, which rank fifth and sixth, respectively, in terms of active-duty population size, have fewer than half as many personnel as Tampa. Over 6,000 active-duty personnel are scattered throughout the remaining 10 MHAs.

Figure 4. Active-Duty Population Size by Military Housing Area, 2020



Note: 2,941 personnel live outside Florida’s 16 military housing areas.

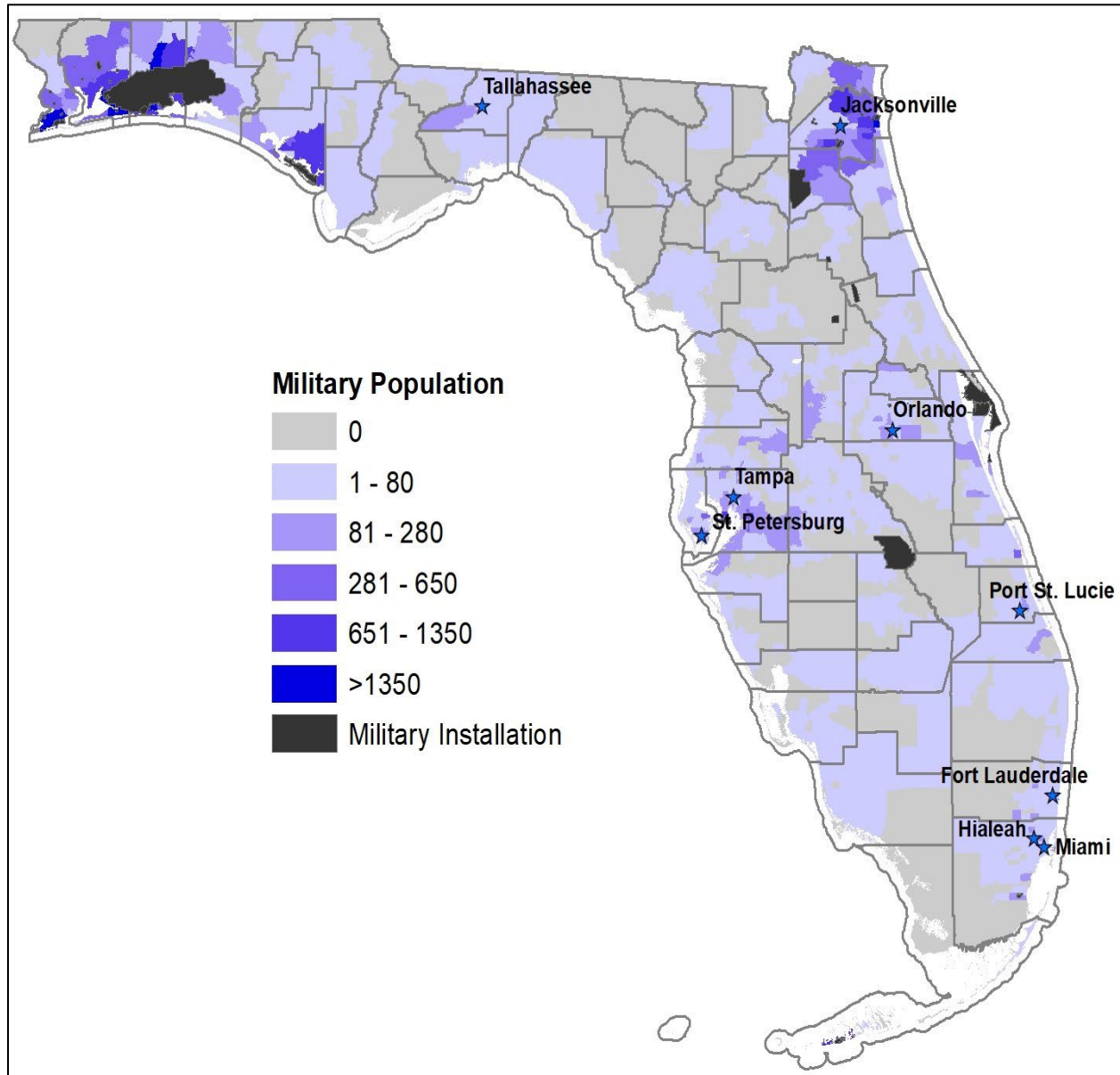
Source: 2020 five-year American Community Survey estimates

Figure 5 allows for a more granular analysis by disaggregating the active-duty population data by zip code. As expected, sizeable numbers of personnel reside in zip codes that encompass or include parts of Jacksonville, Tampa, St. Petersburg, Key West, Valparaiso (near Eglin AFB), Milton (near NAS Pensacola), and Crestview (near Eglin AFB), as well as unincorporated Escambia, Santa Rosa, and Okaloosa Counties. Significantly, 532 of the state’s 983 zip codes lacked active-duty residents. The 205 zip codes not contained within one of the state’s 16 MHAs are home to nearly 3,000 personnel.²

“The shortcomings of BAH as it currently exists underscore the importance of increasing the availability of affordable off-base housing.”

² DoD uses a complex methodology that relies heavily on the Department of Housing and Urban Development’s county-level Fair Market Rent estimates to determine BAH rates for service members who do not live within a military housing area.

Figure 5. Active-Duty Population Size by Zip Code, 2020

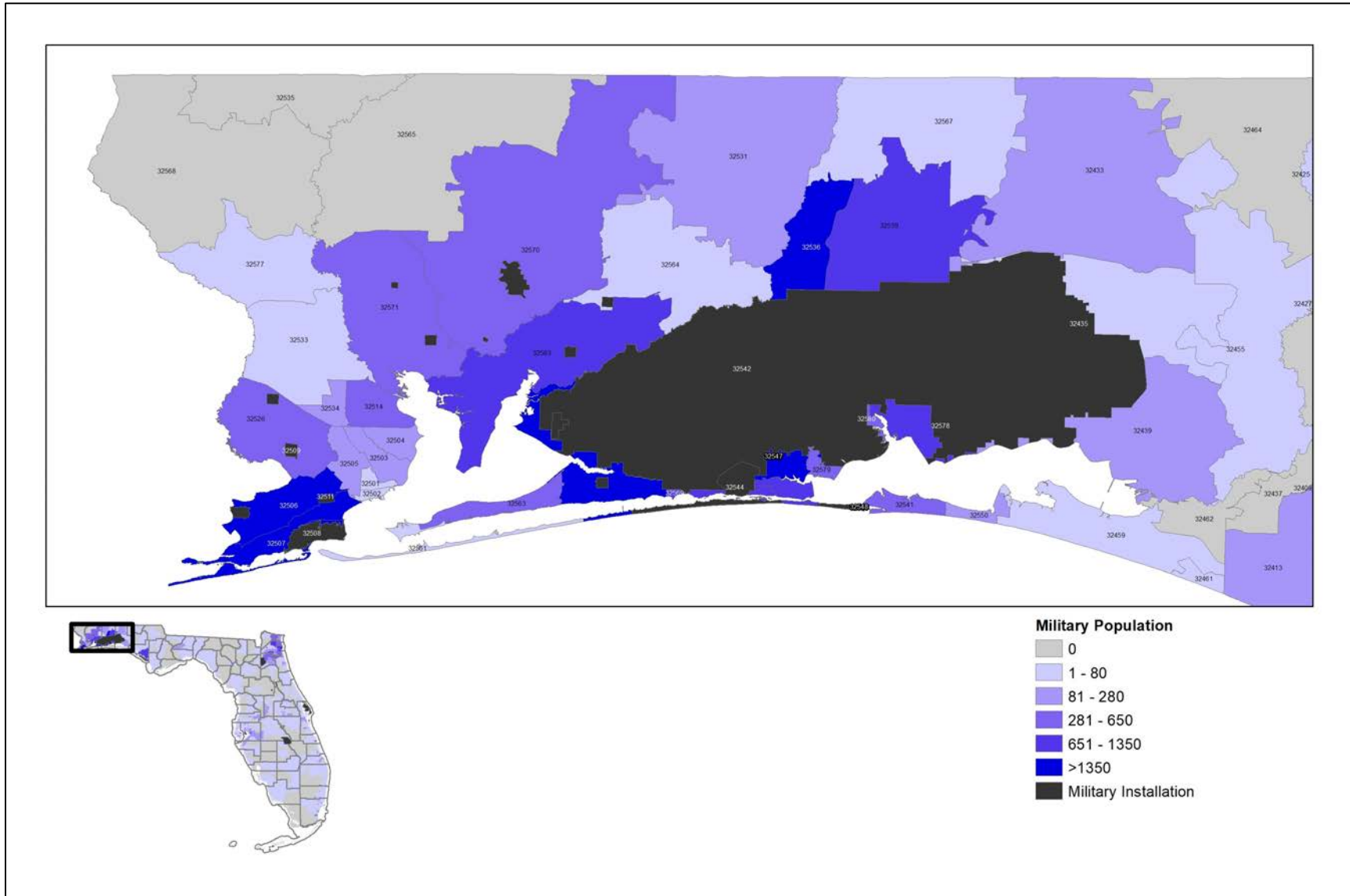


Source: 2020 five-year American Community Survey estimates

Figures 6 through 9 are inset maps that depict the zip codes surrounding several installations of interest. The Eglin AFB and Pensacola MHAs are pictured in Figure 6. Zip codes 32507 and 32536, which border NAS Pensacola and Eglin AFB, respectively, have among the largest active-duty populations in the state, with a combined 3,265 personnel. The remaining maps focus separately on the zip codes near or within Jacksonville, Tampa, and the Florida Keys. Jacksonville and Tampa are similar in that their large active-duty populations are dispersed across dozens of zip codes, whereas the two zip codes nearest NAS Key West (33040 and 33042) are home to over 1,300 personnel.³

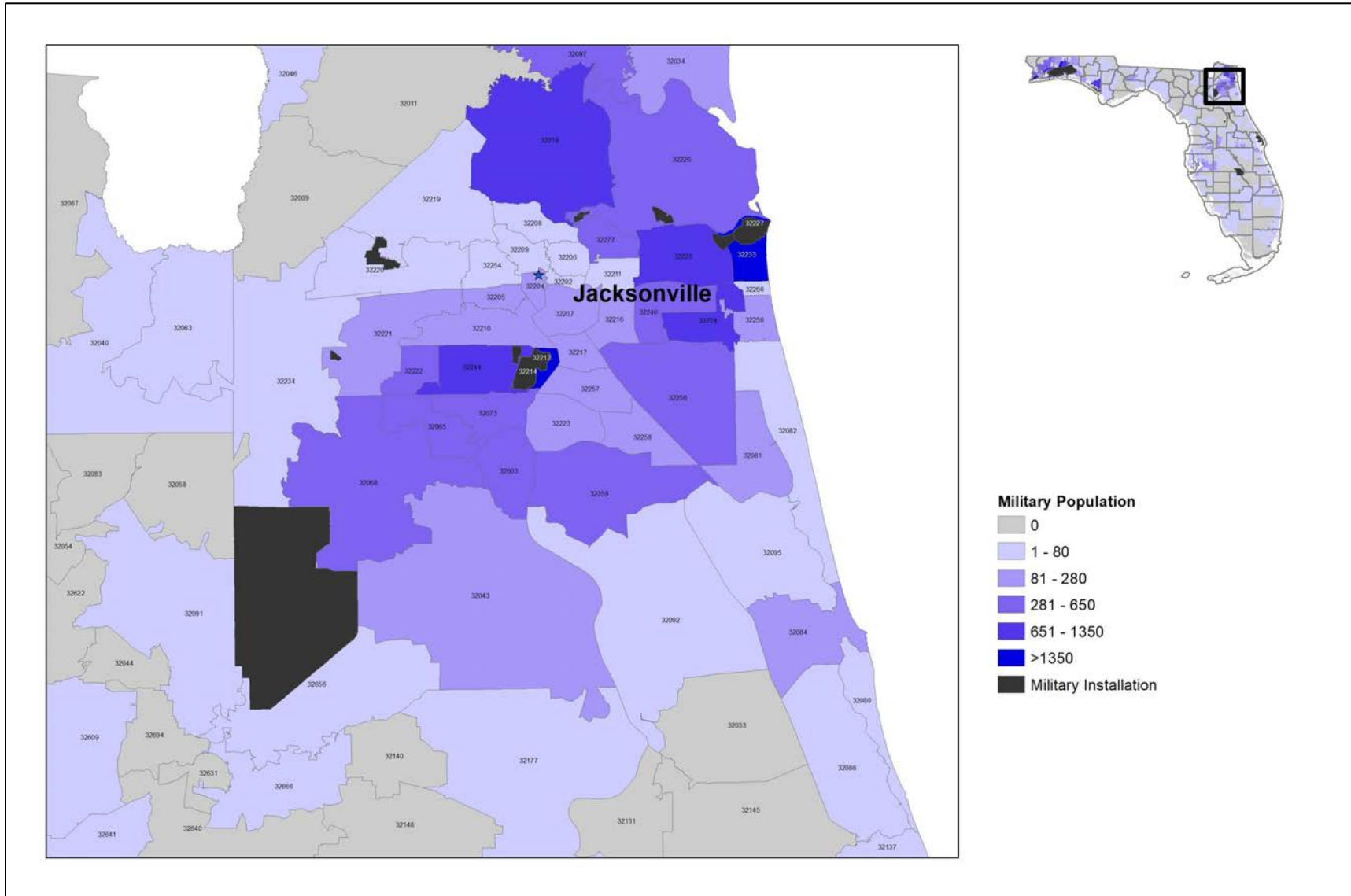
³ One of these zip codes (33042) encompasses NAS Key West, so it is reasonable to assume that a significant percentage of these personnel live in on-base housing.

Figure 6. Active-Duty Population Size by Zip Code in the Pensacola and Eglin Air Force Base Area, 2020



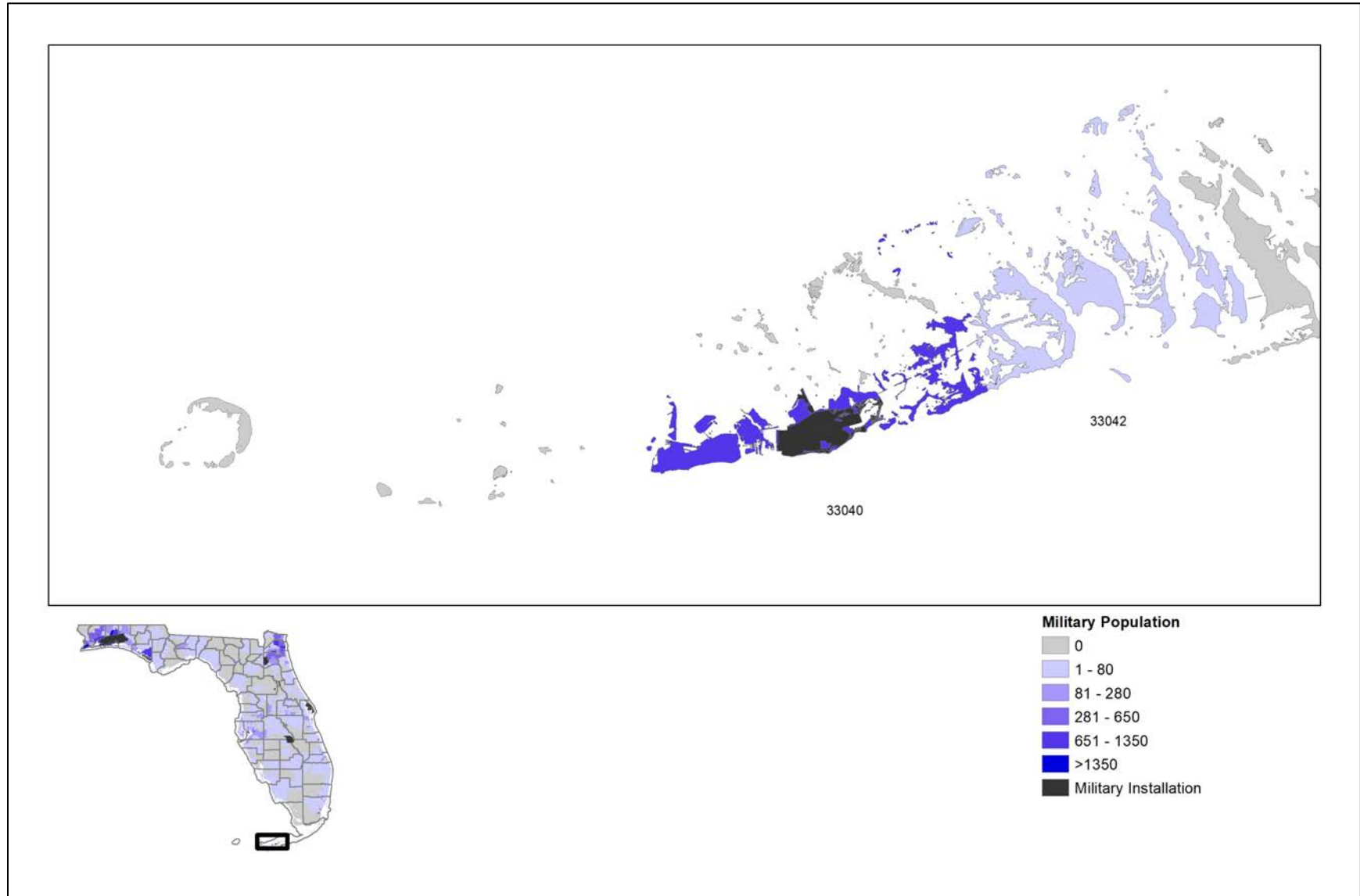
Source: 2020 five-year American Community Survey estimates

Figure 7. Active-Duty Population Size by Zip Code in the Jacksonville Area, 2020



Source: 2020 five-year American Community Survey estimates

Figure 9. Active-Duty Population Size by Zip Code in the Key West Area, 2020

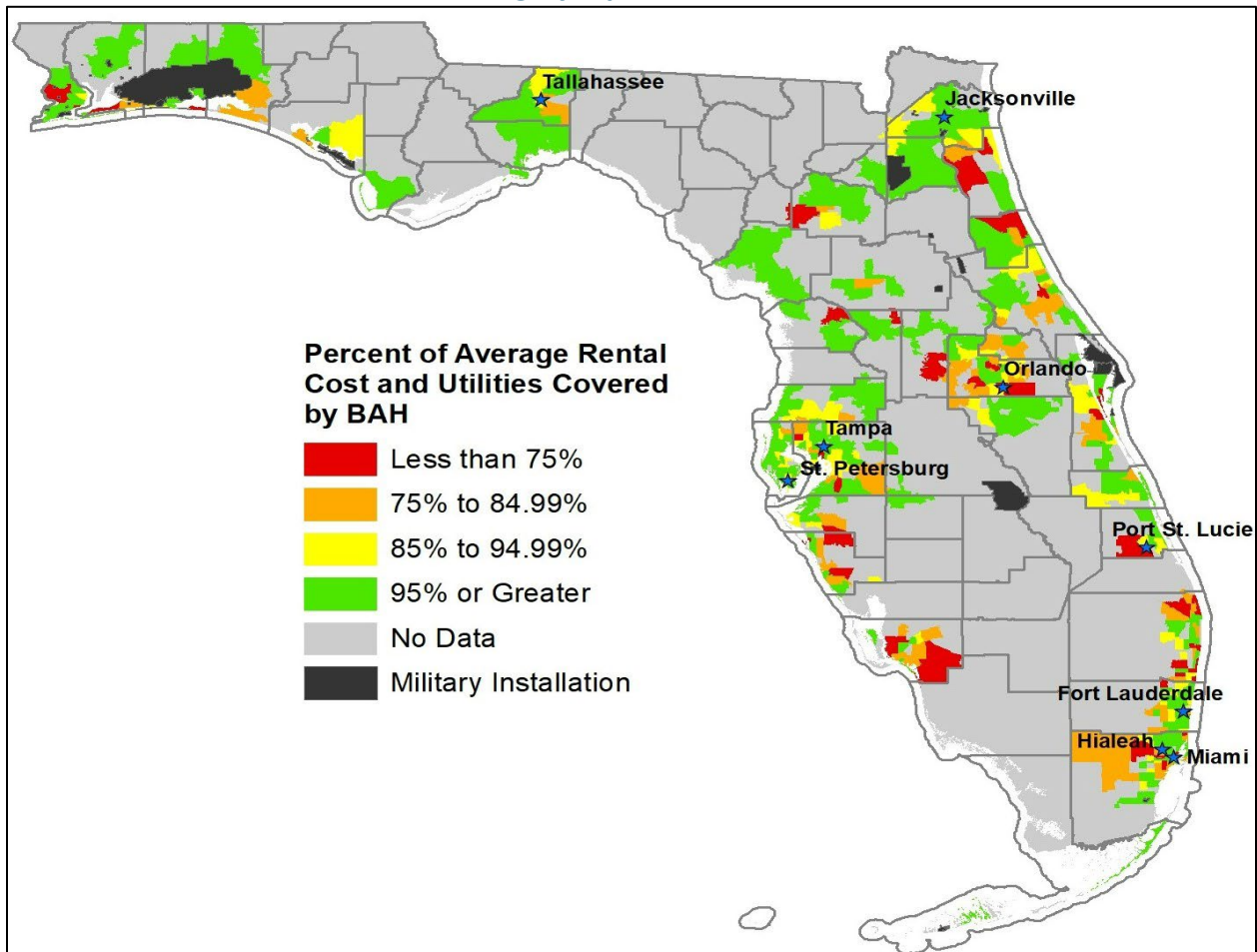


Source: 2020 five-year American Community Survey estimates

Housing Affordability and Availability

The data confirm anecdotal accounts that wide gaps between BAH and housing costs emerged in much of the state in 2022. Figure 10 classifies zip codes based on the percentage of average rental and utility costs represented by the E-5 “without dependent” BAH rate in the second quarter of the year. **The results indicate that BAH fell short of covering 95% of rental and utility costs in 247, or about 41%, of the 600 MHA zip codes for which sufficient data were available. As of 2020, nearly 15,000 active-duty personnel resided in these zip codes.** Moreover, in 68 zip codes that were collectively home to over 3,000 personnel, BAH accounted for less than 75% of rental and utility costs. High-active-duty population areas of concern include unincorporated Santa Rosa, Hillsborough, and Okaloosa Counties, as well as St. Petersburg and Tampa. Neighborhoods within Rockledge and Melbourne (both near Patrick Space Force Base [SFB]) were also unaffordable for lower-ranking personnel in early 2022, but the temporary BAH increase for which the Patrick SFB MHA qualified later in the year has served to alleviate much of the burden.

Figure 10. Percent of Average Rental Cost and Utilities Covered by Basic Allowance for Housing by Zip Code, 2022 Q2



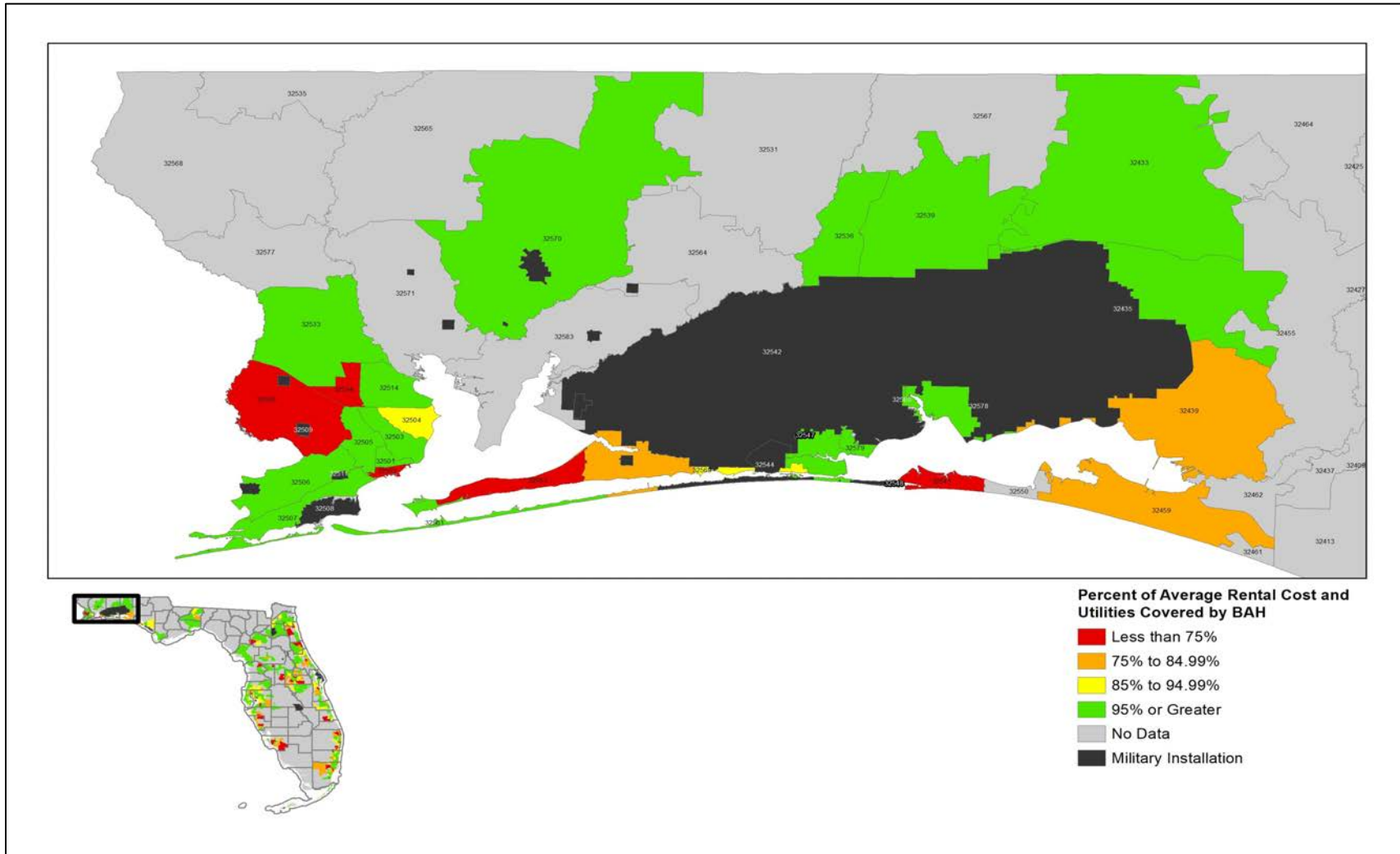
Notes: Estimates are only available for 600 MHA zip codes for which quarterly CoStar data exist. Average rental cost data are for the second quarter of 2022. Utilities were estimated to cost \$200 a month. BAH rates are for E-5 personnel without dependents and do not factor in the temporary increases that took effect in late 2022 for the Fort Myers Beach, Miami/Fort Lauderdale, Orlando, Patrick SFB, Volusia County, and West Palm Beach military housing areas.

Sources: CoStar and Department of Defense

In at least some of the zip codes closest to NAS Pensacola, Eglin AFB, NAS Jacksonville, and MacDill AFB, BAH covered less than 95% of rental and utility costs (see Figures 11 through 13). Figure 11 shows that BAH rates were inadequate in five of the 13 zip codes to the immediate west and north of NAS Pensacola for which rental cost data existed. BAH performed most poorly in zip codes 32526, 32509, and 32534, which are collectively home to nearly 700 personnel. Generally speaking, rental costs were affordable for BAH recipients living to the north of Eglin AFB but not in the MHA's desirable coastal communities, including Destin and Santa Rosa Beach. A number of zip codes in the Jacksonville and Tampa-St. Petersburg metro areas had equally, if not more, unaffordable rental rates. For example, despite having an active-duty population of nearly 400 and being just 18 miles from NAS Jacksonville, zip code 32259 ranked among the least affordable communities in the state. BAH recipients residing in the Florida Keys generally fared well, in large part because the allowances for the associated MHA were the highest in the state (see Figure 14).



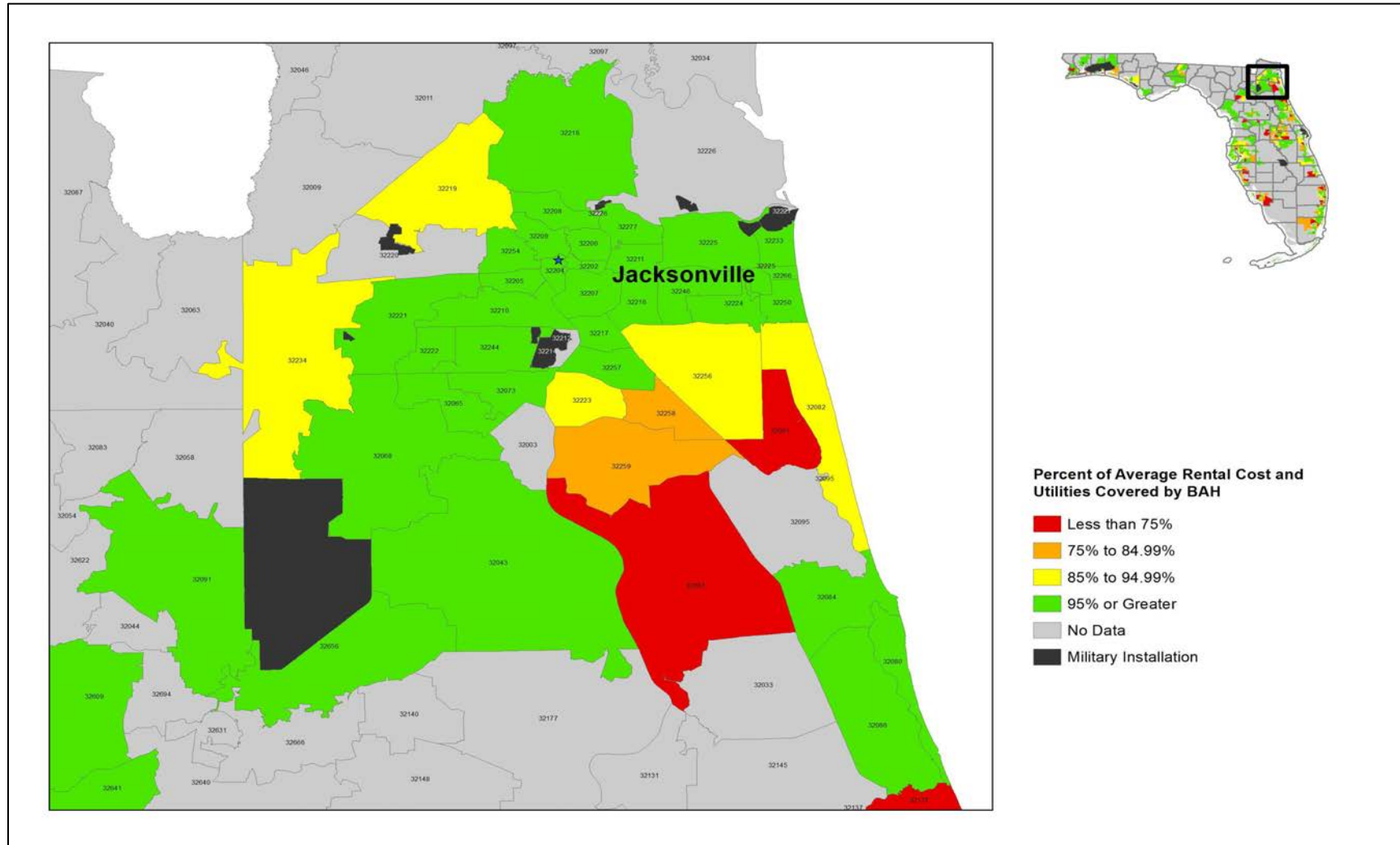
Figure 11. Percent of Average Rental Cost and Utilities Covered by Basic Allowance for Housing by Zip Code in the Pensacola and Eglin Air Force Base Area, 2022 Q2



Notes: Estimates are only available for 600 MHA zip codes for which quarterly CoStar data exist. Average rental cost data are for the second quarter of 2022. Utilities were estimated to cost \$200 a month. BAH rates are for E-5 personnel without dependents.

Sources: CoStar and Department of Defense

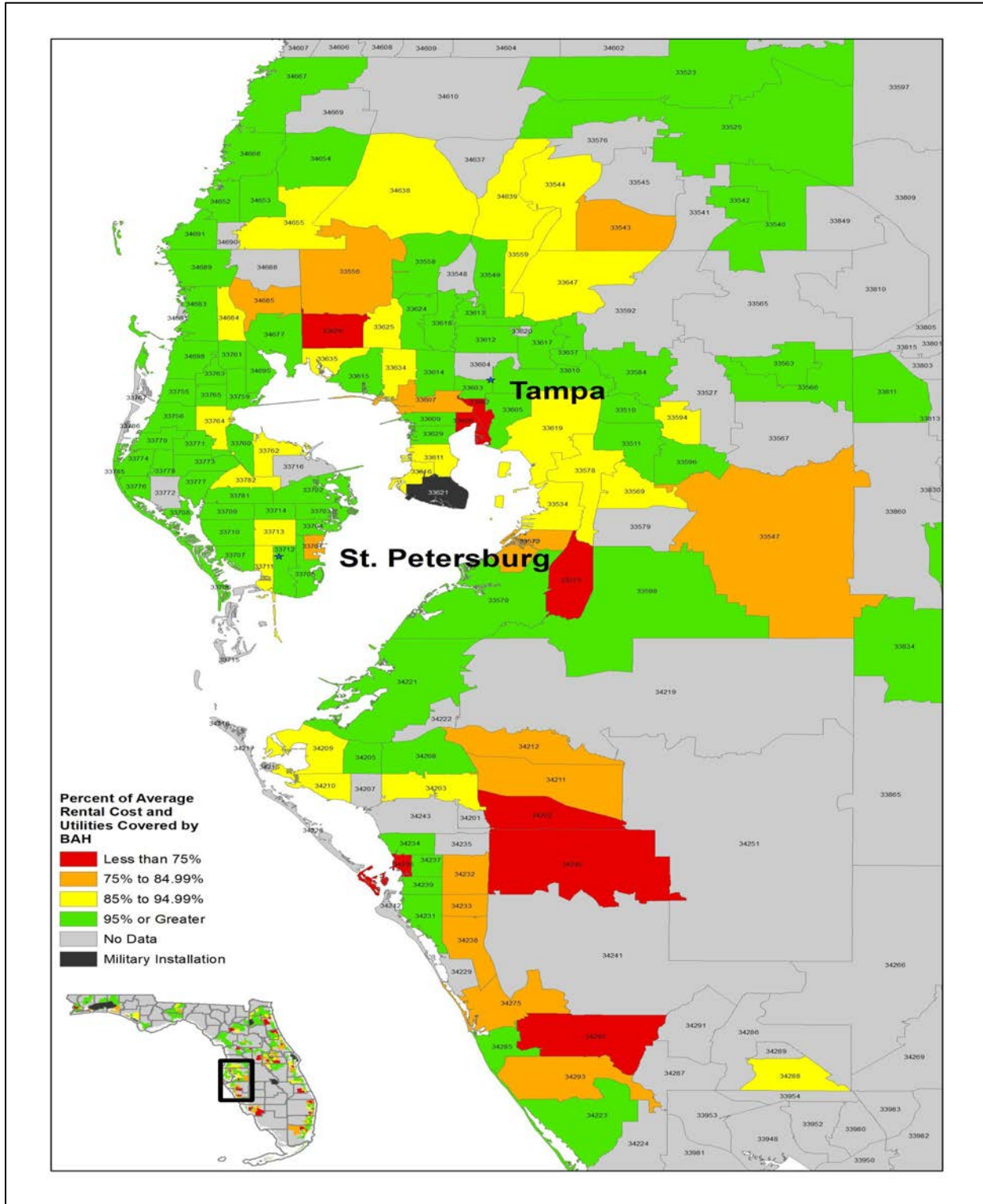
Figure 12. Percent of Average Rental Cost and Utilities Covered by Basic Allowance for Housing by Zip Code in the Jacksonville Area, 2022 Q2



Notes: Estimates are only available for 600 MHA zip codes for which quarterly CoStar data exist. Average rental cost data are for the second quarter of 2022. Utilities were estimated to cost \$200 a month. BAH rates are for E-5 personnel without dependents.

Sources: CoStar and Department of Defense

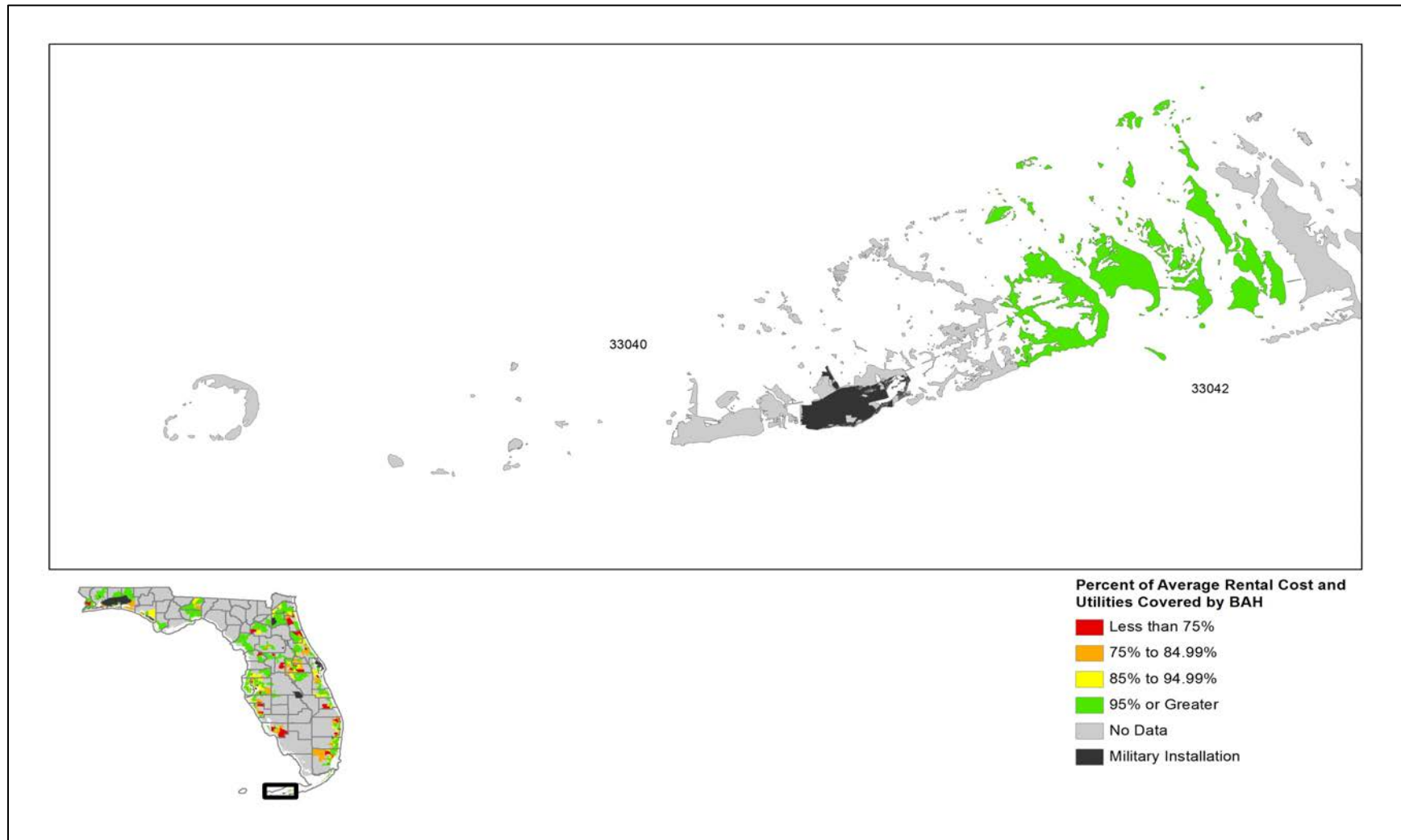
Figure 13. Percent of Average Rental Cost and Utilities Covered by Basic Allowance for Housing by Zip Code in the Tampa Area, 2022 Q2



Notes: Estimates are only available for 600 MHA zip codes for which quarterly CoStar data exist. Average rental cost data are for the second quarter of 2022. Utilities were estimated to cost \$200 a month. BAH rates are for E-5 personnel without dependents.

Sources: CoStar and Department of Defense

Figure 14. Percent of Average Rental Cost and Utilities Covered by Basic Allowance for Housing by Zip Code in the Key West Area, 2022 Q2

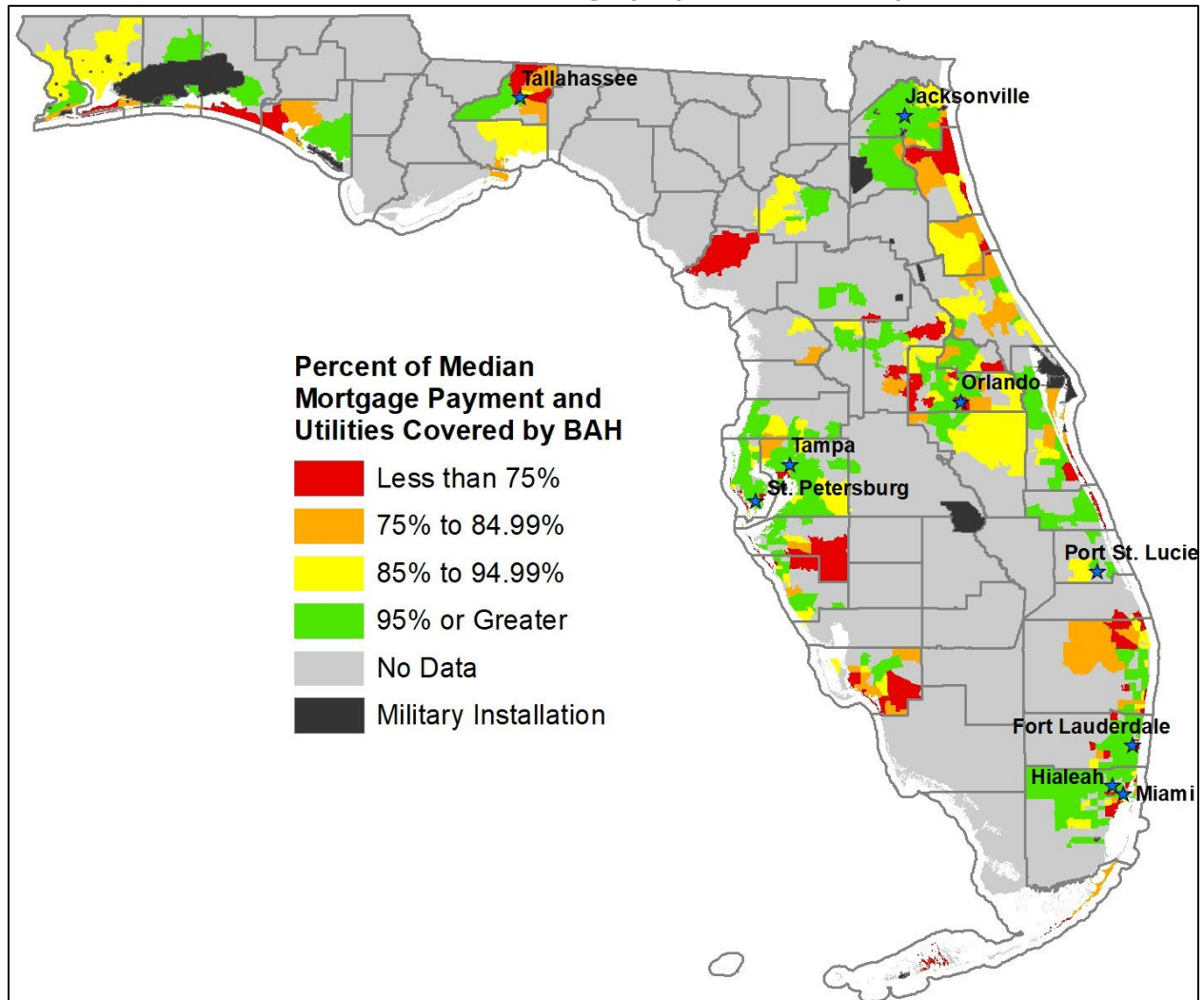


Notes: Estimates are only available for 600 MHA zip codes for which quarterly CoStar data exist. Average rental cost data are for the second quarter of 2022. Utilities were estimated to cost \$200 a month. BAH rates are for E-5 personnel without dependents.

Sources: CoStar and Department of Defense

To what extent did BAH cover monthly mortgage and utility costs throughout the state in early 2022? Figure 15 compares median mortgage and utility costs for a home purchased in February 2022 to the BAH rates that existed at the time. **In 275 of the 623 zip codes in our dataset, BAH accounted for less than 95% of these costs, suggesting that the service members living in these communities, of whom there were 17,653, often struggled to find homes that did not strain their budgets.**⁴ Most of those personnel resided in zip codes where BAH covered less than 85% of median ownership costs.

Figure 15. Percent of Median Monthly Mortgage Payment and Utilities Covered by Basic Allowance for Housing by Zip Code, February 2022



Notes: Estimates are only available for the 623 MHA zip codes for which monthly Redfin data exist. Median monthly mortgage payments were computed using February 2022 median sale prices and assuming a 3.5% mortgage rate and 20% down payment. Since the start of the research effort, mortgage rates have climbed to an average of over six percent, thereby exacerbating affordability challenges. Utilities were estimated to cost \$450 a month. BAH rates are for E-5 personnel without dependents and do not factor in the temporary increases that took effect in late 2022 for the Fort Myers Beach, Miami/Fort Lauderdale, Orlando, Patrick SFB, Volusia County, and West Palm Beach military housing areas.

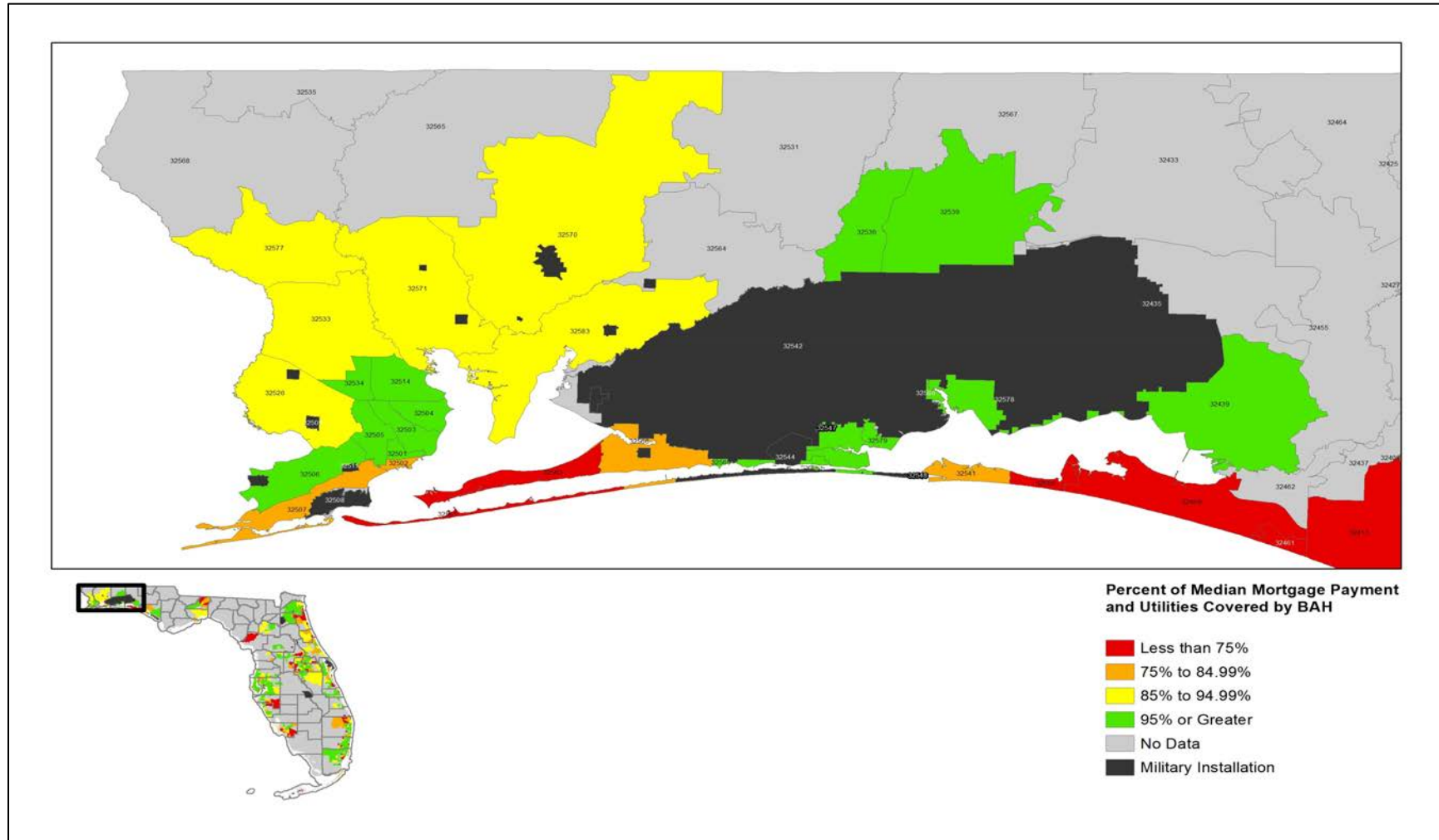
Sources: Redfin and Department of Defense

⁴ The owner market analysis includes more observations than the rental market analysis because zip code-level median home sale price data were more readily available than average rent estimates.

Due to the strong correlation between rent and home sale prices, there is significant overlap in the zip codes where BAH failed to adequately cover rental and ownership costs. Indeed, the owner market results reinforce the notion that, as of early 2022, unincorporated Santa Rosa County faced a dire situation. **Four high-active-duty-population zip codes located exclusively or partially within Pensacola (32507 and 32570) or Jacksonville (32233 and 32224) had affordable rents but not home sale prices, however, and so are notable exceptions to this rule (see Figures 16 and 17).** As Figure 18 shows, the dynamics of the housing market are similar in the Florida Keys. Conversely, the Tampa MHA features three zip codes of interest (33611, 33578, and 33616) where it is often only affordable for BAH recipients to rent (see Figure 19).



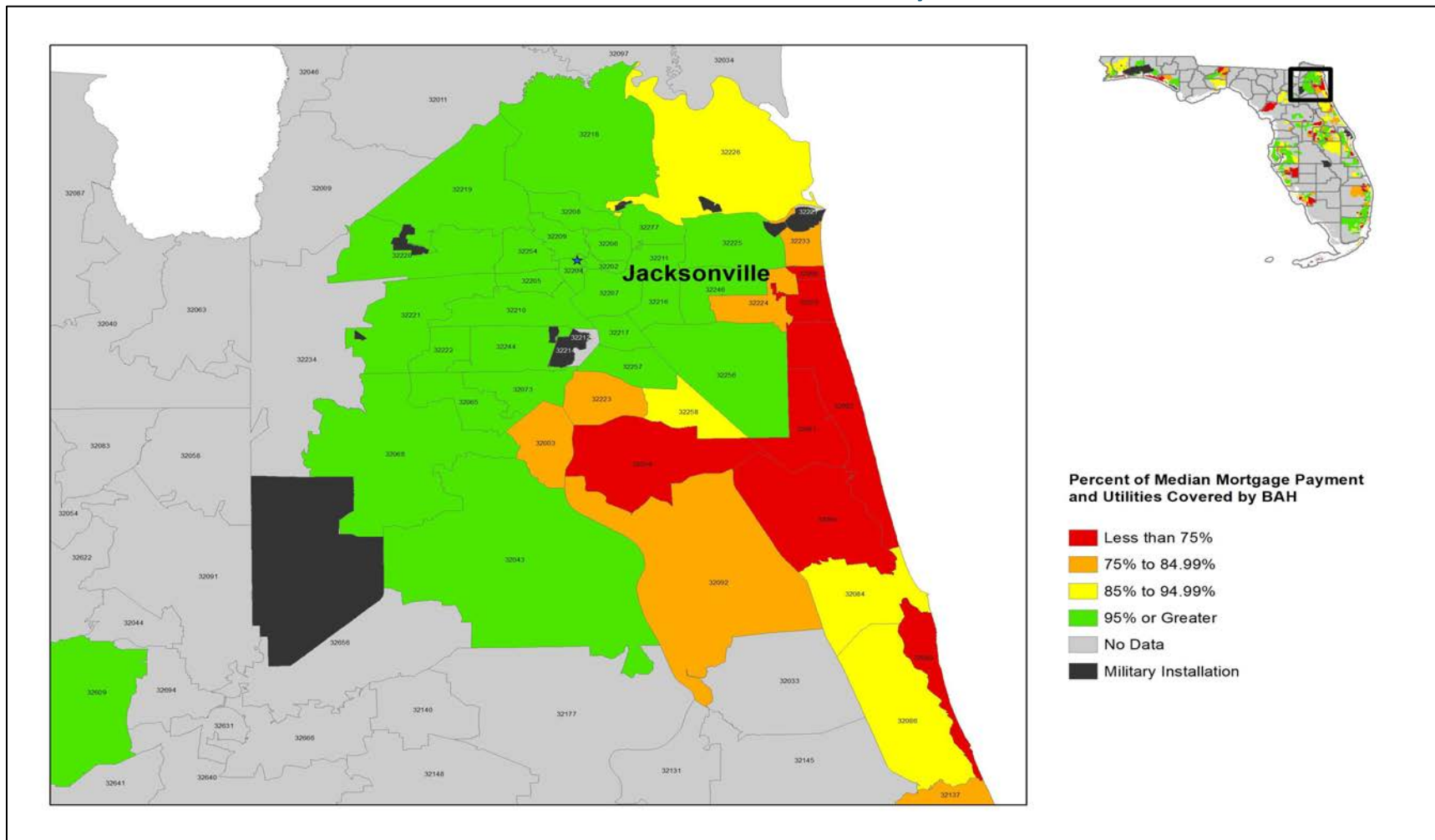
Figure 16. Percent of Median Monthly Mortgage Payment and Utilities Covered by Basic Allowance for Housing by Zip Code in the Pensacola and Eglin Air Force Base Area, February 2022



Notes: Estimates are only available for the 623 MHA zip codes for which monthly Redfin data exist. Median monthly mortgage payments were computed using February 2022 median sale prices and assuming a 3.5% mortgage rate and 20% down payment. Since the start of the research effort, mortgage rates have climbed to an average of over six percent, thereby exacerbating affordability challenges. Utilities were estimated to cost \$450 a month. BAH rates are for E-5 personnel without dependents.

Sources: Redfin and Department of Defense

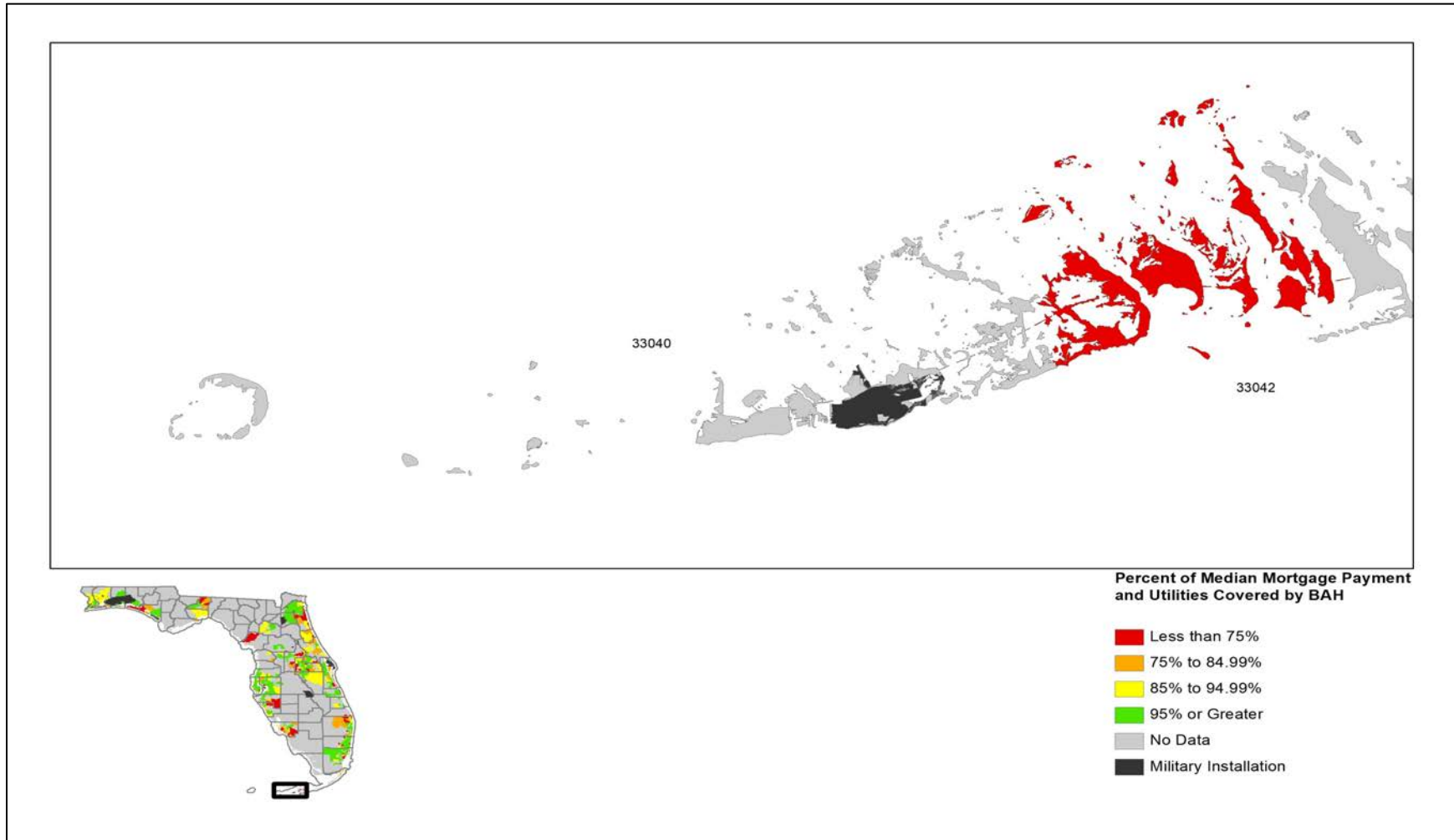
Figure 17. Percent of Median Monthly Mortgage Payment and Utilities Covered by Basic Allowance for Housing by Zip Code in the Jacksonville Area, February 2022



Notes: Estimates are only available for the 623 MHA zip codes for which monthly Redfin data exist. Median monthly mortgage payments were computed using February 2022 median sale prices and assuming a 3.5% mortgage rate and 20% down payment. Since the start of the research effort, mortgage rates have climbed to an average of over six percent, thereby exacerbating affordability challenges. Utilities were estimated to cost \$450 a month. BAH rates are for E-5 personnel without dependents.

Sources: Redfin and Department of Defense

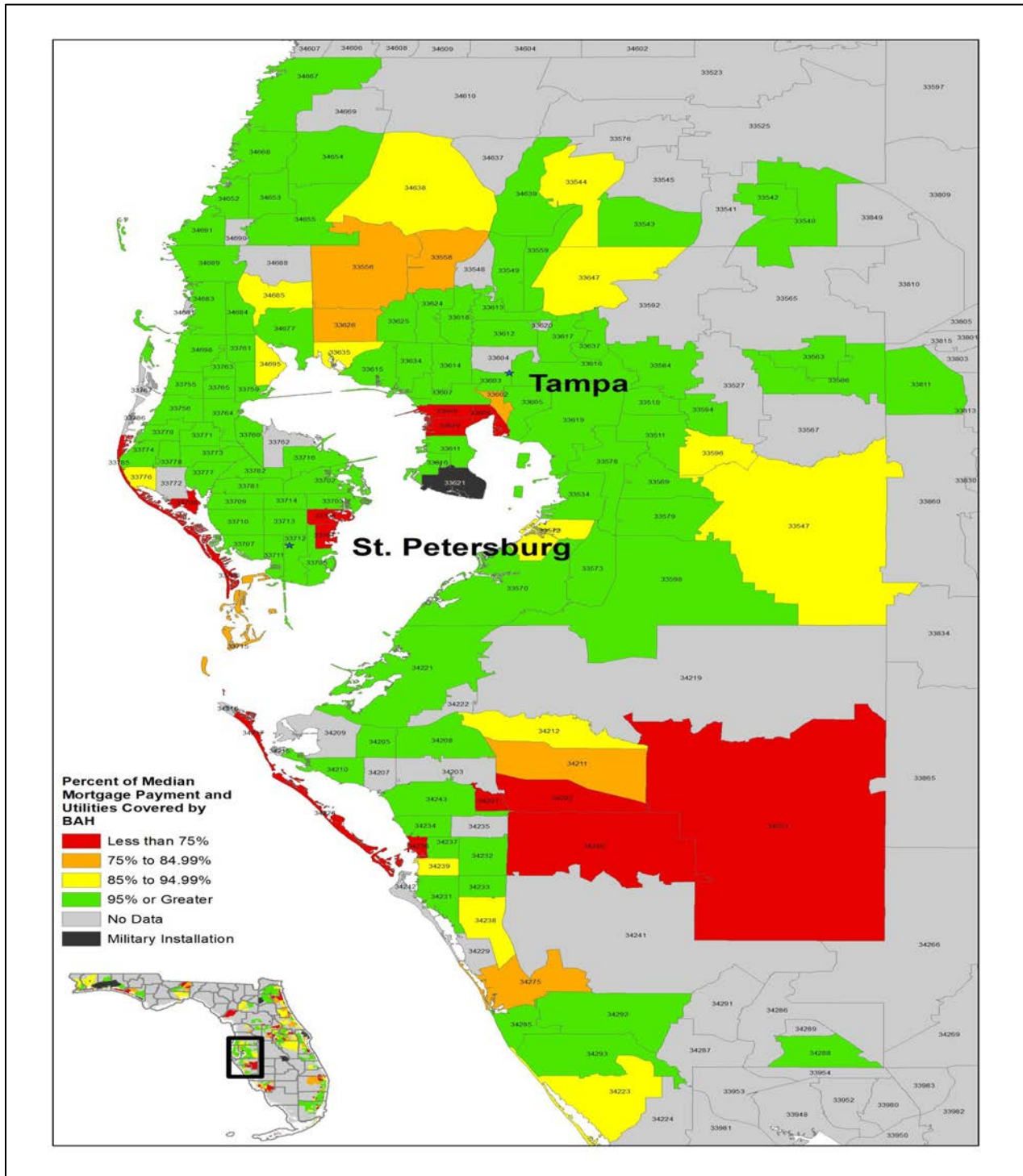
Figure 18. Percent of Median Monthly Mortgage Payment and Utilities Covered by Basic Allowance for Housing by Zip Code in the Key West Area, February 2022



Notes: Estimates are only available for the 623 MHA zip codes for which monthly Redfin data exist. Median monthly mortgage payments were computed using February 2022 median sale prices and assuming a 3.5% mortgage rate and 20% down payment. Since the start of the research effort, mortgage rates have climbed to an average of over six percent, thereby exacerbating affordability challenges. Utilities were estimated to cost \$450 a month. BAH rates are for E-5 personnel without dependents.

Sources: Redfin and Department of Defense

Figure 19. Percent of Median Monthly Mortgage Payment and Utilities Covered by Basic Allowance for Housing by Zip Code in the Tampa Area, February 2022



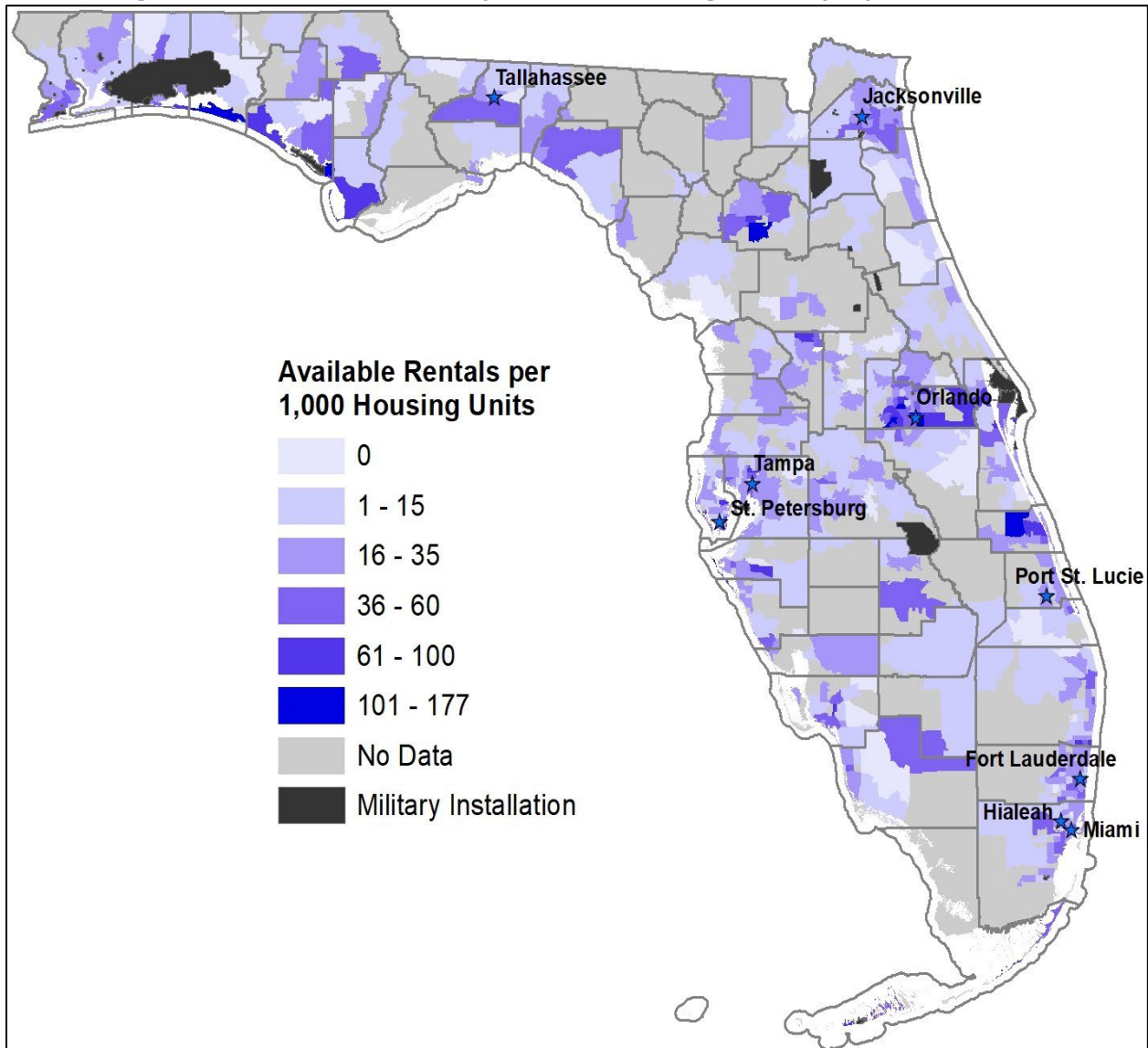
Notes: Estimates are only available for the 623 MHA zip codes for which monthly Redfin data exist. Median monthly mortgage payments were computed using February 2022 median sale prices and assuming a 3.5% mortgage rate and 20% down payment. Since the start of the research effort, mortgage rates have climbed to an average of over six percent, thereby exacerbating affordability challenges. Utilities were estimated to cost \$450 a month. BAH rates are for E-5 personnel without dependents.

Sources: Redfin and Department of Defense

A main driver of housing costs is the level of availability. All else equal, as supply rises, price should decline, and vice versa. It is not, however, in a community’s interest to have an excess of available homes, as this could be an indication that either the neighborhood or the homes themselves are undesirable. Rather, there exists a middle ground in terms of availability that communities should aim for.

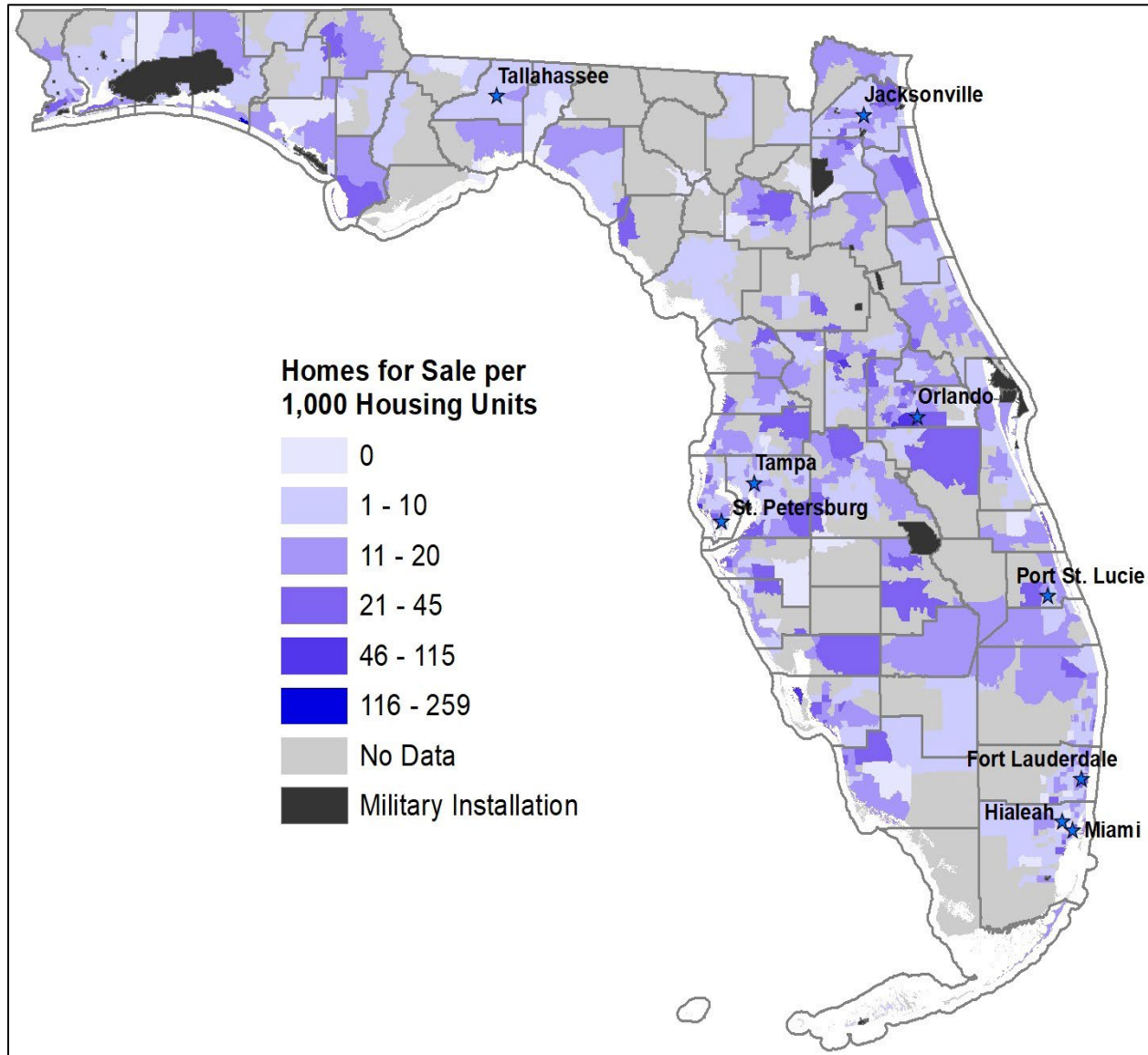
Figures 20 and 21 reveal the numbers of rental and owner homes on the market per 1,000 housing units by zip code, according to the 2020 ACS. As the results demonstrate, it is not uncommon for a community to have a paucity of available rental units. In fact, 477 zip codes had fewer than 16 available rentals per 1,000 housing units. Nearly 19,000 active-duty personnel resided in these zip codes, which cover vast portions of land in Escambia, Santa Rosa, Okaloosa, and Duval Counties. Homes available for purchase were, too, rare in many of Florida’s defense communities, particularly in comparison to Orlando. In the zip codes that constitute the majority of the land mass in Okaloosa and Santa Rosa Counties, fewer than 11 homes per 1,000 housing units were for sale in 2020.

Figure 20. Available Rentals per 1,000 Housing Units by Zip Code, 2020



Source: 2020 five-year American Community Survey estimates

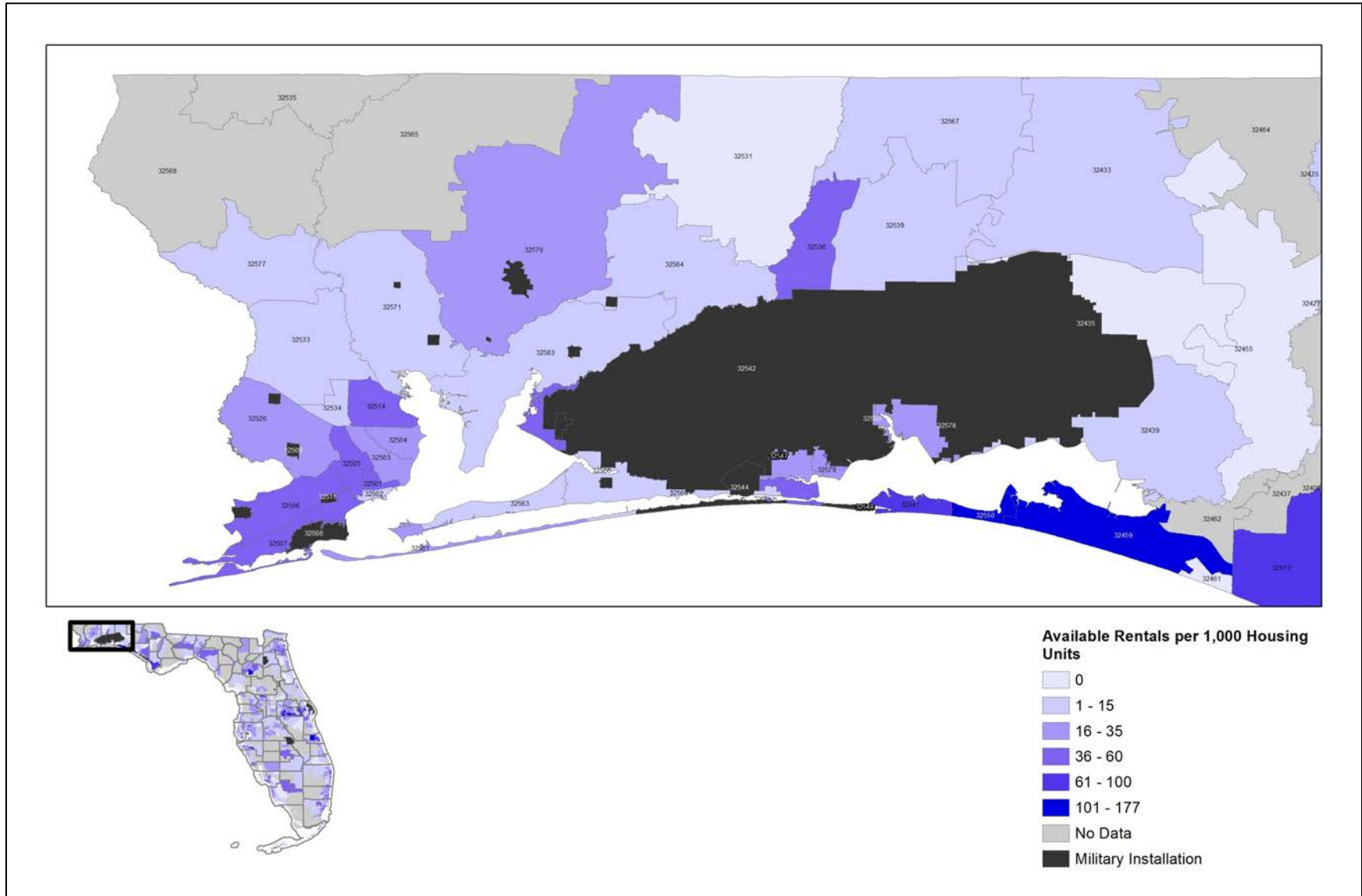
Figure 21. Homes for Sale per 1,000 Housing Units by Zip Code, 2020



Source: 2020 five-year American Community Survey estimates

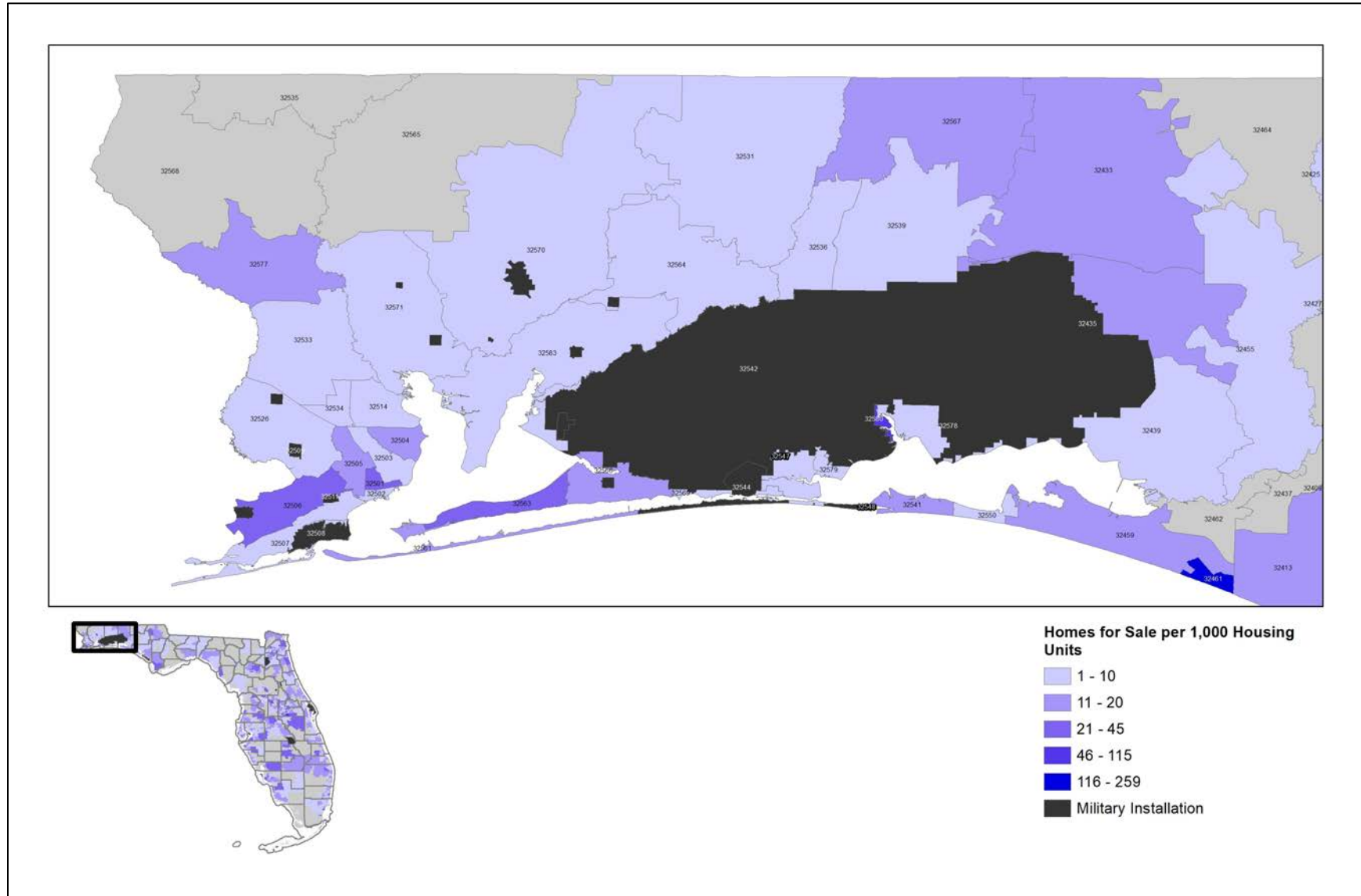
The inset maps measuring housing availability in the communities surrounding several of the state's key installations, which appear in Figures 22 through 29, paint a mixed picture. Although a significant portion of the Pensacola MHA suffered from a dearth of available rental units, the communities nearest NAS Pensacola generally had a healthy supply of these homes (see Figure 22). For instance, the zip code to the installation's immediate west (32507), where approximately 2,000 active-duty personnel live, had 41 available rentals per 1,000 housing units—a rate that ranked in the top 15% of zip codes in the state. Service members seeking to purchase a home may have found their options limited to neighborhoods located slightly farther—but still well within reasonable commuting distance—from the base. **The Eglin AFB MHA had its share of zip codes with an abundance of available rental homes (32541, 32550, 32459), but their costs tended to be exorbitant due to the high demand for housing along the Emerald Coast.** Unlike most of its neighboring communities, the zip code directly to the north of Eglin AFB (32536) had a rather rich supply of rental homes. By comparison, owner homes listed for sale were rare, representing just five out of every 1,000 housing units in the zip code (see Figure 23).

Figure 22. Available Rentals per 1,000 Housing Units by Zip Code in the Pensacola and Eglin Air Force Base Area, 2020



Source: 2020 five-year American Community Survey estimates

Figure 23. Homes for Sale per 1,000 Housing Units by Zip Code in the Pensacola and Eglin Air Force Base Area, 2020

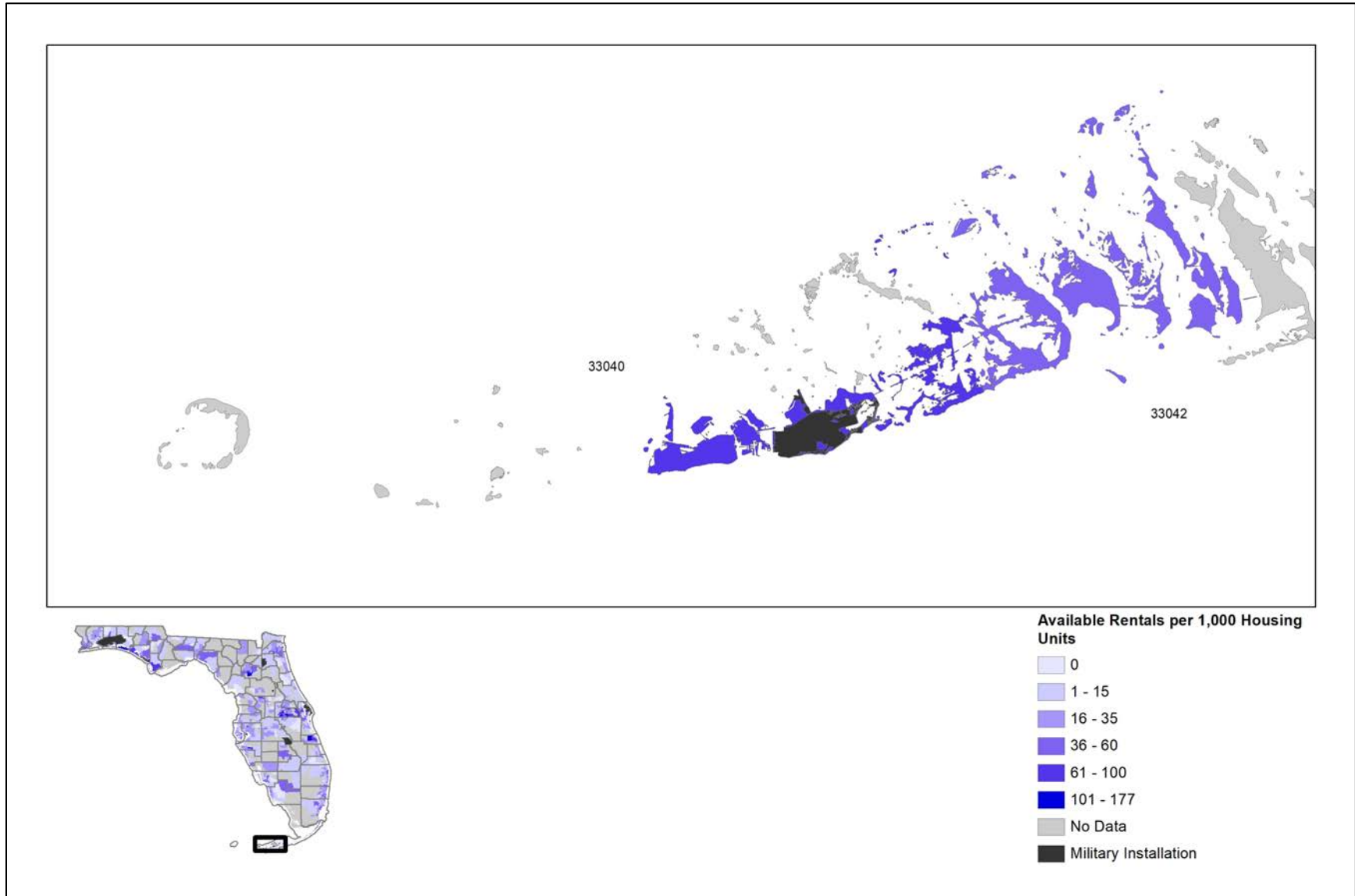


Source: 2020 five-year American Community Survey estimates

Figures 24 through 29 present housing availability estimates for zip codes within the vicinity of NAS Key West, NAS Jacksonville, and MacDill AFB. Similar to the Pensacola MHA, the zip codes closest to NAS Key West and MacDill AFB commonly had ample availability of rental, but not owner, units. **By contrast, neither rental nor owner homes were in rich supply in the large zip code about seven miles west of NAS Jacksonville (32244), forcing many personnel stationed there to search for housing elsewhere.** Fortunately, several other nearby zip codes with generally affordable housing costs (32217, 32207, 32222, 32216, and 32210) had large supplies of rental homes in particular, averaging 40 available units per 1,000 homes. While some of these zip codes had respectable supplies of owner homes as well, the communities with the largest selections tended to be relatively far from the installation.

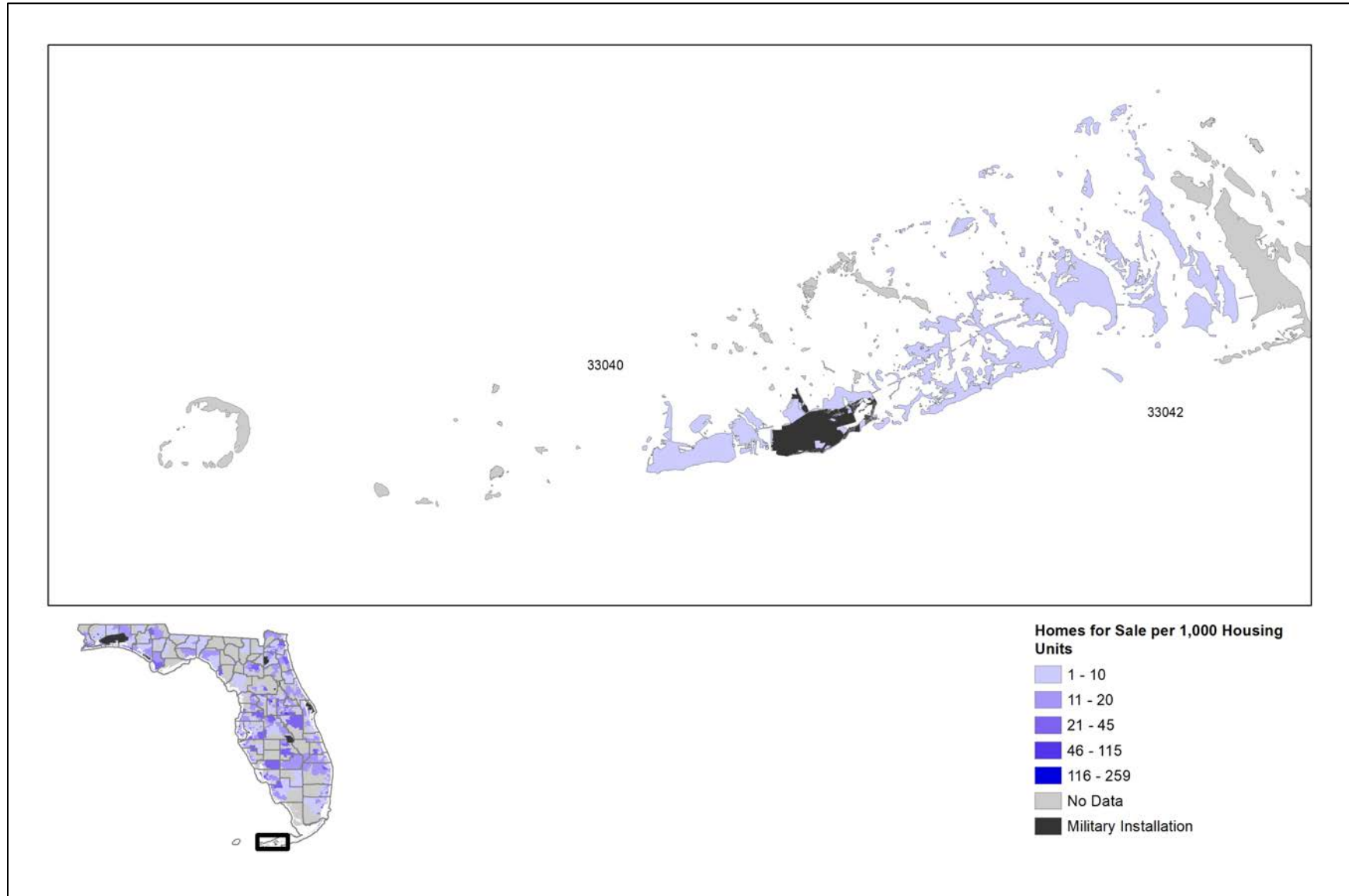


Figure 24. Available Rentals per 1,000 Housing Units by Zip Code in the Key West Area, 2020



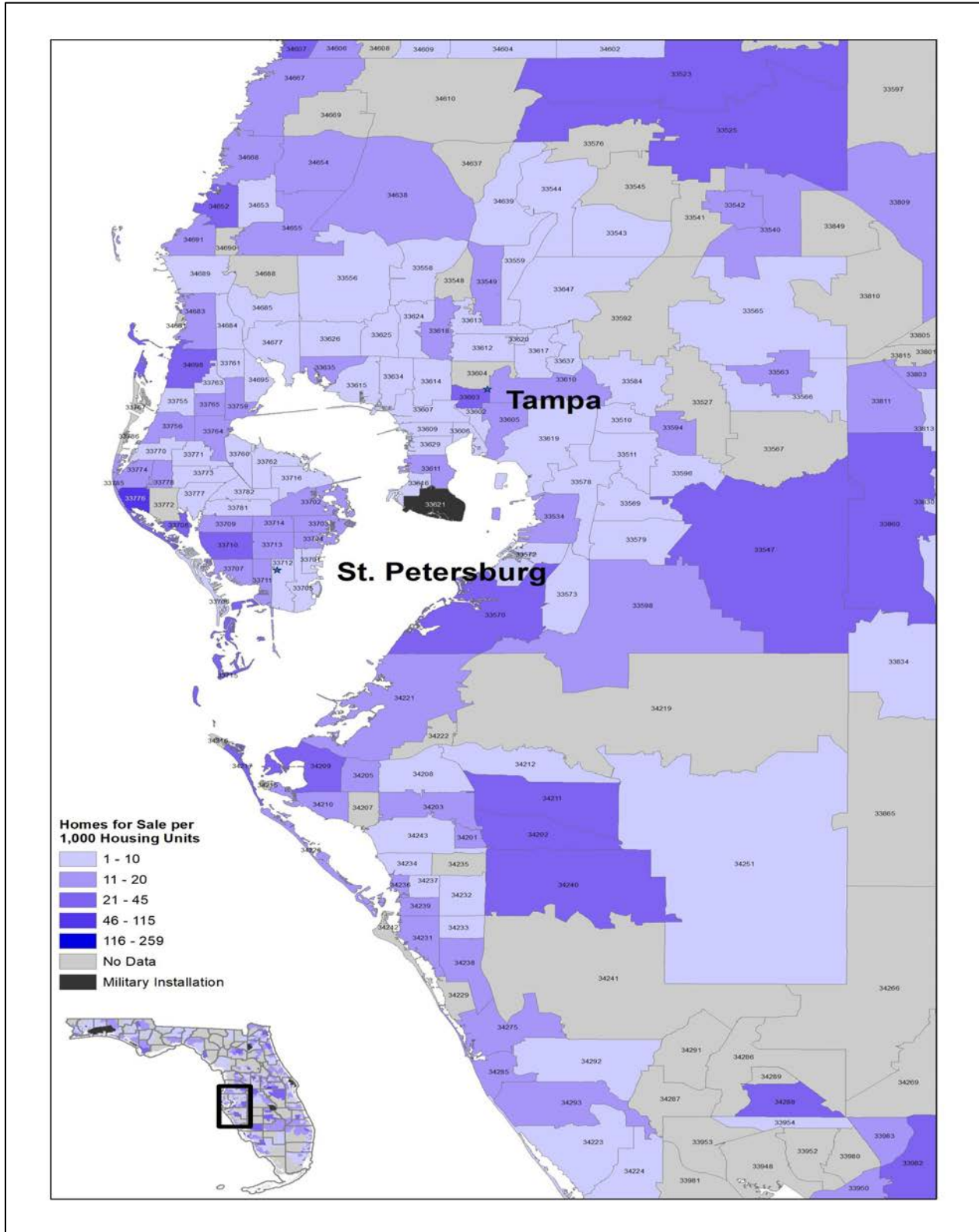
Source: 2020 five-year American Community Survey estimates

Figure 25. Homes for Sale per 1,000 Housing Units by Zip Code in the Key West Area, 2020



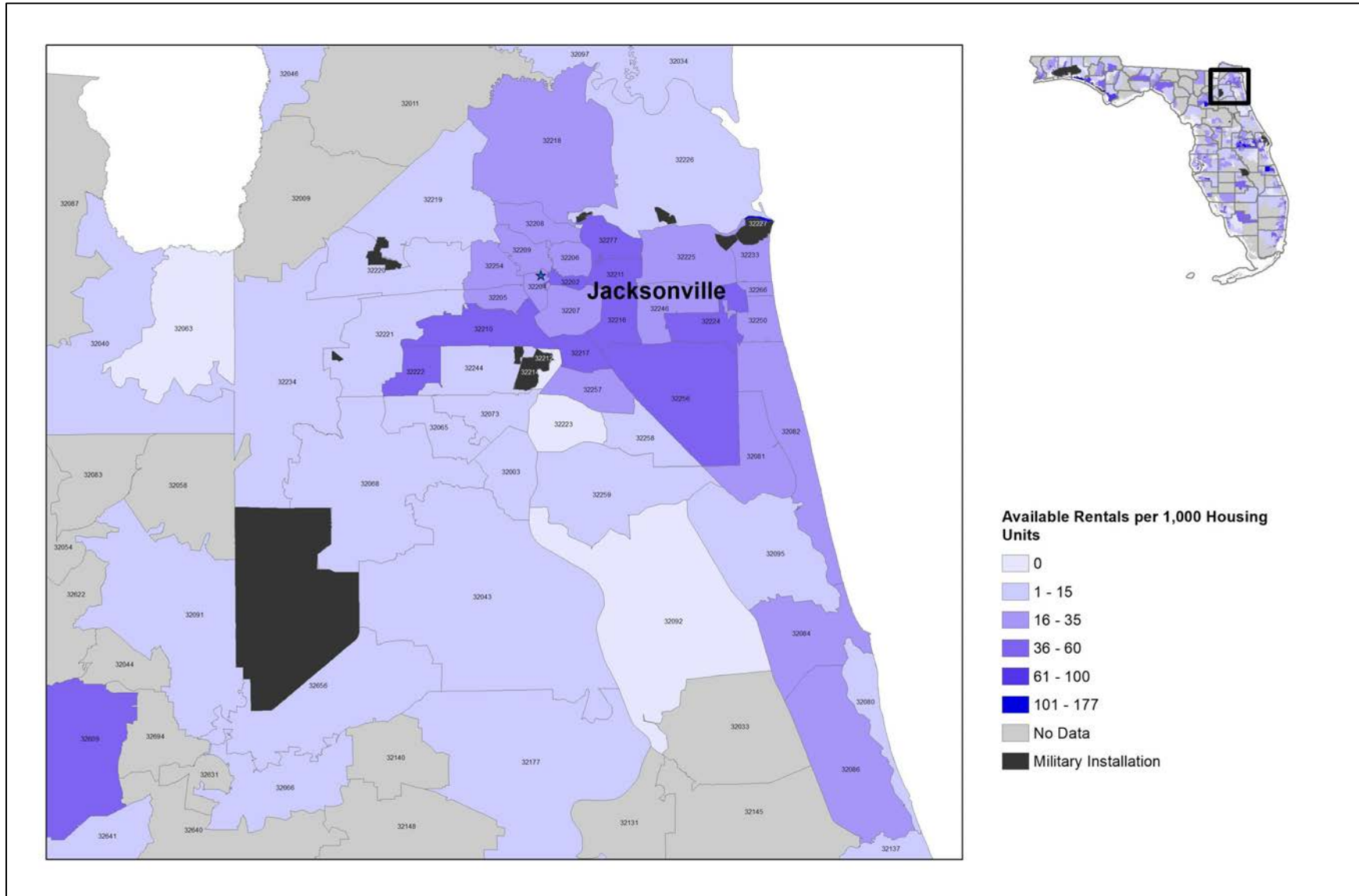
Source: 2020 five-year American Community Survey estimates

Figure 27. Homes for Sale per 1,000 Housing Units by Zip Code in the Tampa Area, 2020



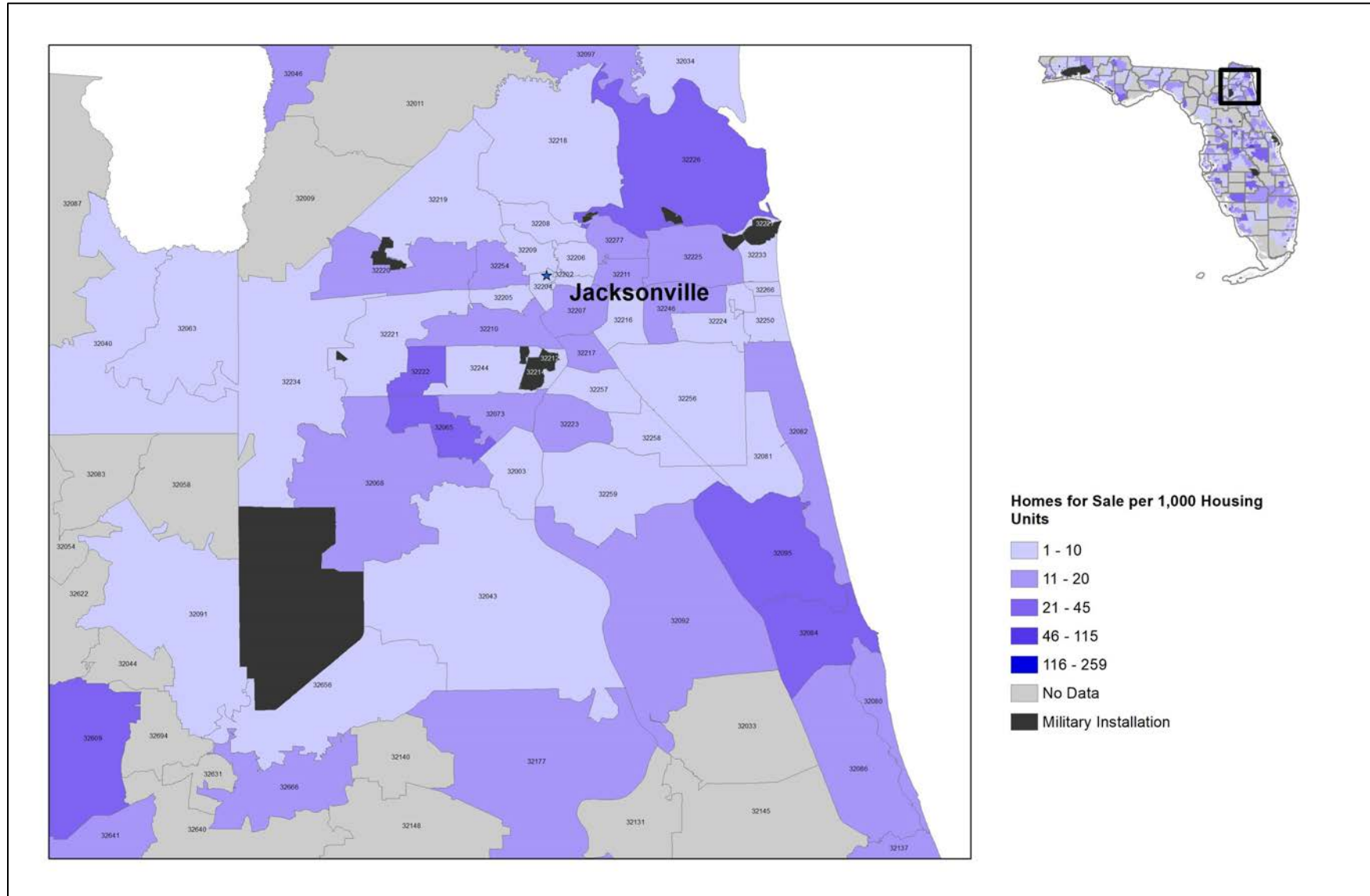
Source: 2020 five-year American Community Survey estimates

Figure 28. Available Rentals per 1,000 Housing Units by Zip Code in the Jacksonville Area, 2020



Source: 2020 five-year American Community Survey estimates

Figure 29. Homes for Sale per 1,000 Housing Units by Zip Code in the Jacksonville Area, 2020



Source: 2020 five-year American Community Survey estimates

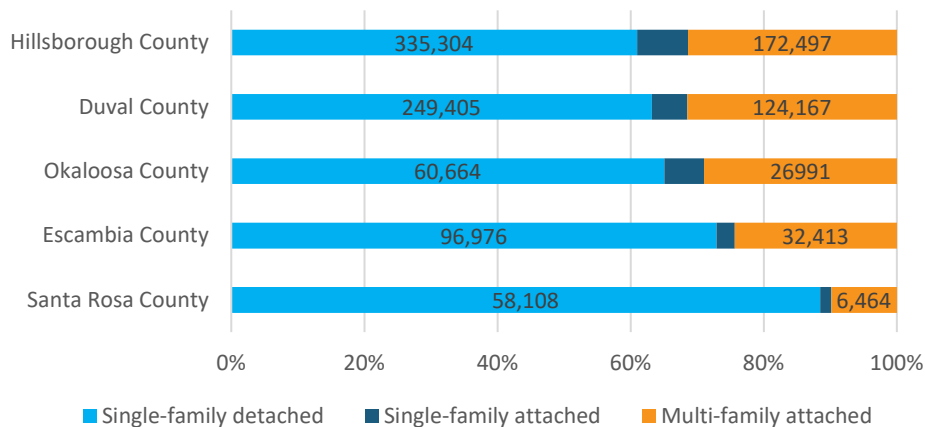
Policy Recommendations

Contrary to conventional wisdom, the aforementioned doctrine of “home rule” does not entirely prohibit state preemption of local zoning codes, and housing ordinances more generally, in Florida, as there is a compelling argument that housing is a matter of statewide concern. This is made evident by the longstanding precedent for state legislative intervention in local housing policy. For example, the Legislature previously stripped local governments of their authority to restrict short-term rentals, and the courts have yet to invalidate the associated statute. Still, the nearly half century of home rule in Florida has fostered a political environment in which far-reaching state-led housing reform efforts are likely to provoke fierce resistance from lawmakers and citizens and, potentially, legal challenges. Accordingly, our assessment is that affordable housing advocates should focus their efforts primarily on county and municipal governments. Our proposed policy solutions account for this political reality and are therefore heavily informed by the local-level analyses presented above.

Implement “Gentle” Density and Promote Affordable Small Multi-Family Homes

Single-family residential districts are the norm throughout Florida, as well as in the U.S. as a whole. These districts, which emerged as Americans fled urban areas en masse in the post-World War II period, often prohibit all attached housing for the purported purpose of promoting and maintaining suburban neighborhoods’ distinctive ambiance. It is therefore no accident that 55% of Florida’s occupied housing units are detached single-family homes.⁵ In the state’s top five counties by active-duty military population size—Duval, Okaloosa, Escambia, Hillsborough, and Santa Rosa—this figure is even higher, at 61%. The structural characteristics of these counties’ respective housing inventories are pictured in Figure 30. **Of the five counties, Santa Rosa, which borders Escambia, has the least structural diversity, with detached single-family homes representing nearly 88% of the housing stock.** Consequently, the county’s approximately 4,000 active-duty personnel often have little choice but to rent or buy a detached single-family home.

Figure 30. Housing Structural Diversity in Five Largest Florida Counties by Active-Duty Population Size, 2020

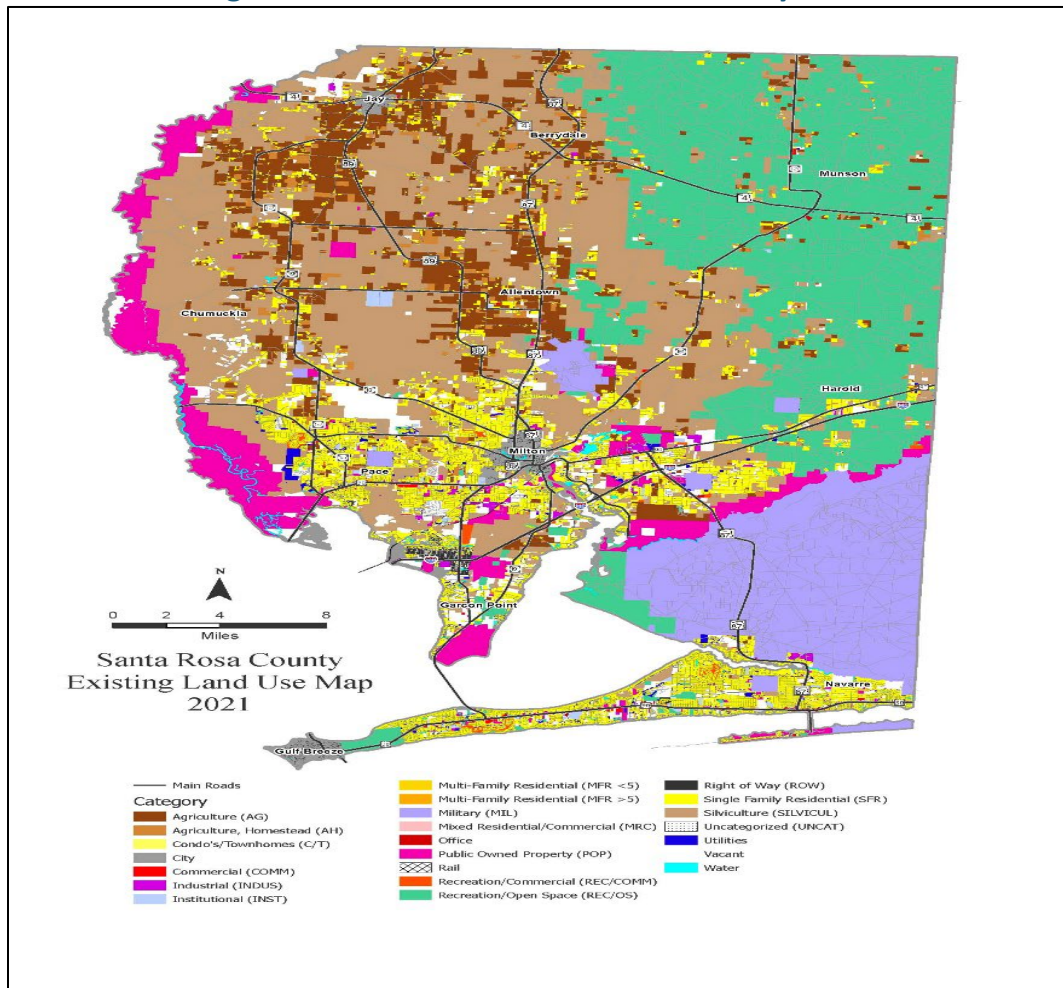


Source: 2020 five-year American Community Survey estimates

⁵ This figure does not factor in mobile homes because DoD considers them to be unsuitable housing for personnel.

Santa Rosa County’s land use guidelines evince a strong preference for detached single-family homes. As Figure 31 shows, multi-family homes are permitted on only a small share of the county’s residential land. Despite having a larger relative number of detached single-family homes than the typical Florida county, Santa Rosa County is not an outlier in this regard. Other Florida jurisdictions, including unincorporated Escambia County and Valparaiso, allocate their land in a similar manner, and it is estimated that the construction of anything except detached single-family homes is forbidden on 75% of the land area in most U.S. cities.

Figure 31. Land Use in Santa Rosa County, 2021



Source: Santa Rosa County

The predominance of single-family zoning represents perhaps the most significant obstacle to improving housing affordability in Florida. Such districts almost invariably result in the grossly inefficient use of residential land, as exemplified by the case of Jacksonville. Despite having a median lot size that ranks second among major U.S. cities, at 9,104 square feet, its median home is just 1,812 square feet, leaving significant excess land that could support additional housing units. A consequence of single-family zoning, then, is an artificially limited housing supply, which in turn leads to elevated prices. In addition, detached single-family units tend to be the most expensive form of housing, both because of their large size in comparison to other structural options and because the cost of the land is not divided across multiple housing units.

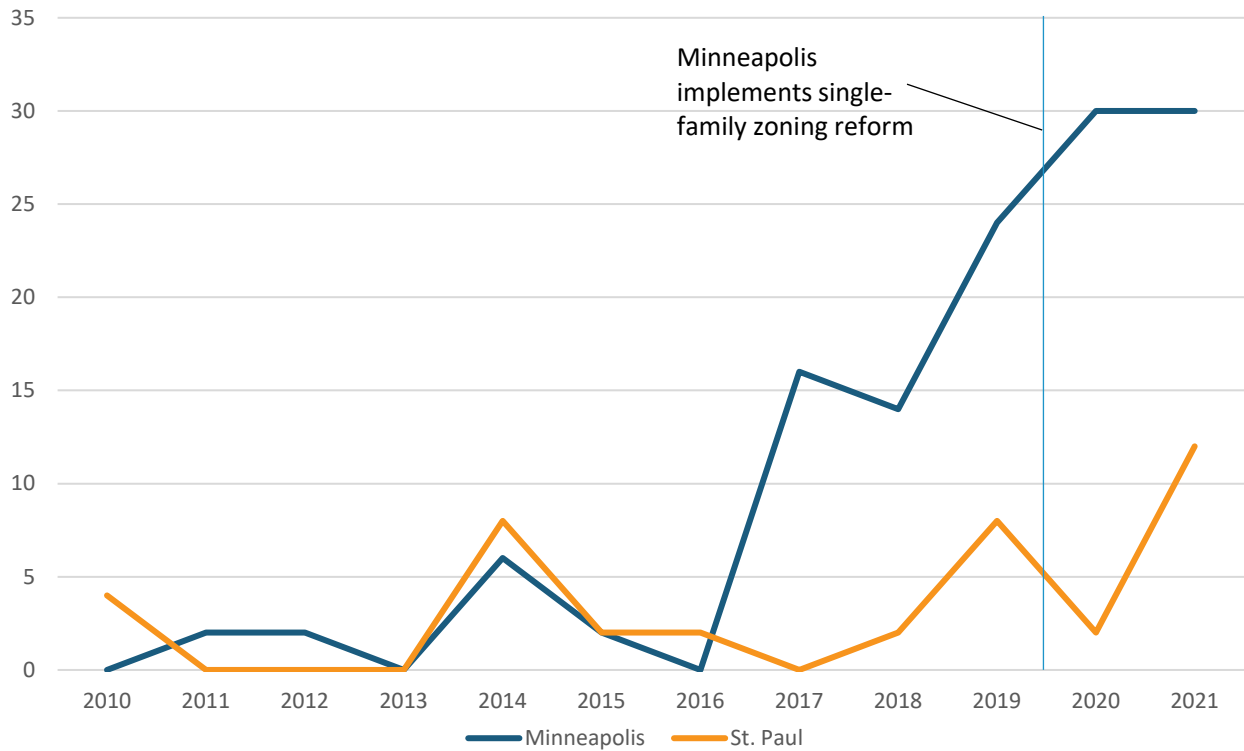
Any housing affordability plan that does not address the role of single-family zoning is incomplete. This is especially true if the goal is to remedy the crisis affecting military families, whose preference for rental units results in them being disproportionately impacted by policies limiting multi-family housing. The construction of large apartment complexes in single-family districts, however, is likely to provoke insurmountable resistance from current residents. Recognizing the political—and logistical—unfeasibility of drastic zoning changes, modern reformers have shifted to promoting “gentle” density—the concept that townhomes and multi-family structures consisting of fewer than five units can be integrated seamlessly into single-family neighborhoods. Before the advent of single-family zoning, these forms of housing were common in American neighborhoods, but they are now vastly outnumbered by detached single-family homes and apartment complexes, leading reformers to label them as “missing middle housing.”

Over the past few years, subnational governments across the U.S. have begun to implement “gentle” density in formerly single-family neighborhoods. California, Oregon, and Maine have been national leaders on the issue, enacting legislation to override local prohibitions on small multi-family properties. The prospects for state-level zoning reform in Florida are poor, however, due to both the opposition such efforts would face from state government leaders and the Legislature’s reluctance to preempt local housing policy decisions. Instead, zoning reform advocates should target municipal and county governments, where they have already found a receptive audience. In spite of fierce resistance from local residents and the Florida Department of Economic Opportunity, Gainesville, where the University of Florida is based, appears poised to join the ranks of “gentle” density jurisdictions, with the City Commission recently voting to advance a measure that would legalize duplexes, triplexes, and quadruplexes throughout the city. In defense communities, service members are a potent political force that, when mobilized, may be able to replicate the success of Gainesville’s student renters in pushing for zoning reform. Other Florida jurisdictions fall short of banning single-family zones but could nonetheless serve as a model for communities looking to adopt “gentle” density. Orlando, for example, has various subsets of single-family districts, two of which permit properties with up to two and five dwellings, respectively.

Minneapolis has gained national attention for its efforts to reverse exclusionary zoning rules. Although it is too early to evaluate the new rules’ impact on housing affordability, preliminary evidence is encouraging, as it suggests that reform modestly increases the inventory of small multi-family properties. **In 2020, when a ban on single-family zoning took effect in Minneapolis, the number of duplex permits issued by the City increased to 30, continuing a yearslong trend even amid the COVID-19 pandemic. On the other hand, duplex permitting effectively came to a halt in neighboring St. Paul, which had opted to maintain single-family residential districts (see Figure 32).** Taken together, these findings are a testament to zoning reform’s ability to increase the supply of multi-family housing. Policymakers should be aware, though, that the extent to which a community will benefit from eliminating or scaling back single-family zoning is dependent upon the acreage currently reserved for single-family use, as well as the stringency of minimum lot size, allowable building size, and other requirements. This could explain why single-family zoning reform has failed to deliver on the promises of its proponents in some jurisdictions where it has been adopted.

“A consequence of single-family zoning, then, is an artificially limited housing supply, which in turn leads to elevated prices.”

Figure 32. Duplex Permits Issued in Minneapolis and St. Paul, MN, 2010 to 2021



Source: Department of Housing and Urban Development

To accelerate the construction of affordable townhomes and small multi-family structures in formerly single-family neighborhoods, lawmakers should extend conditional tax incentives to owners of duplexes, triplexes, and quadruplexes. Currently, as a result of a 2021 state law, Florida exempts low-income housing tax credit properties with at least 70 affordable units from property taxes. The purpose of this and other similar tax abatement programs is to help compensate for the revenues lost as a result of offering the homes at an affordable rate. To our knowledge, tax abatement programs in Florida are restricted to high-density housing. **We therefore propose that the Legislature, as well as county and municipal governments, explore eliminating or reducing ad valorem taxes on townhomes, duplexes, triplexes, and quadruplexes for at least a limited period of time, provided the occupants earn 100% or less of area median income (AMI).**

Permit and Finance Accessory Dwelling Units

Accessory dwelling units (ADUs), otherwise referred to as granny flats, garage apartments, carriage homes, and mother-in-law suites, are small, independent living quarters located on the same lot as a detached single-family home. In contrast to other accessory structures, they contain all the facilities needed for cooking, eating, sanitation, and sleeping. In general, ADUs cannot be partitioned off from the main residence and sold or purchased separately. They tend to be occupied by family members and, less commonly, farm workers, caretakers, or others employed by the homeowner, but are increasingly rented to tenants. Restrictions on ADU rentals, however, are prevalent across Florida’s single-family residential zoning districts.

ADUs and tiny homes are often discussed interchangeably, but the two share important differences. Most significantly, ADUs are a more suitable type of home for military personnel and their families,

measuring a minimum of 600 square feet and occasionally exceeding 1,000 square feet. By contrast, a defining characteristic of tiny homes is that they tend to range from 100 to 400 square feet. Another distinguishing feature of ADUs is that they come in three general structural forms, whereas tiny homes are exclusively freestanding units. ADUs can be detached from or attached to the primary residence or located within it through conversion of an existing space, such as a basement or attic.

There exist two pathways through which ADUs can improve housing affordability in a community, giving jurisdictions across the state strong reason to consider ADU expansion. First, depending on the area and other factors, ADUs can be considered a form of “naturally occurring affordable housing”—that is, housing whose costs do not burden low- to moderate-income households, even in the absence of federal subsidy. In particular, ADUs’ relatively small size and shared lot with another dwelling serve to make them less cost prohibitive than more conventional single-family homes. Crucially, ADUs’ status as naturally occurring affordable housing does not mean that their presence lowers the value of nearby properties, according to a new study.⁶ Second, ADUs can help homeowners meet their mortgage payments by providing an additional source of income in the form of rent payments from tenants. In a time of soaring home sale prices that BAH has failed to keep pace with, this supplemental income can protect service members from having to devote unacceptably large portions of their base pay to housing. ADU expansion should be particularly appealing to those who prefer a free market, or *laissez-faire*, approach to solving the current housing emergency, as this solution relies on the private sector to produce more affordable housing units while freeing property owners from unreasonable government restrictions.

Despite gaining traction as an affordable housing solution only relatively recently, ADUs have long existed in the U.S. Historically, people of varying socioeconomic status—from farmers to aristocrats—regularly erected additional homes on their lots, provided there was sufficient acreage. It also was common practice to build a smaller, secondary home to temporarily inhabit while awaiting construction of a primary residence on nearby land. It was not until the mid-twentieth century, when zoning laws encouraging the development of single-family, suburban neighborhoods became widespread, that ADUs became prohibited in most local jurisdictions. They experienced a resurgence in the latter part of the century, primarily as a way for elderly family members to “age in place,” but lawmakers were generally not eager to make them a widely available rental option until the turn of the twenty-first century. Since then, local governments have been at the forefront of the ADU expansion movement, with a string of Massachusetts municipalities (Lexington, Barnstable, and Wellfleet) liberalizing their rules in the 2000s. More recent adopters include Chattanooga, Tennessee; Lexington, Kentucky; and St. Petersburg, Florida.

The Florida Legislature has acknowledged the crucial role that ADUs can play in improving housing affordability and availability. In a virtually unanimous vote, lawmakers in 2004 added language to Chapter 163 of the Florida Statutes encouraging local governments to permit the construction and rental of ADUs on single-family lots. The legislation presented ADUs as a remedy to the shortage of affordable rentals in urban areas in particular and thus mandated that ADU tenants earn a moderate income or less. Further, it sought to incentivize ADU expansion by making explicit that these units would help local governments satisfy their obligation under state law to provide affordable housing. Other state legislatures, however, have been more aggressive in promoting ADUs. Since 1982, for example, California state law has required counties and cities to allow ADUs in residential zoning districts. Such a

⁶ Gnagey, Jenny, Matt Gnagey, and Christopher Yench. “The Impact of Legalizing Accessory Dwelling Unit Rentals on Property Values: Evidence from Ogden, Utah.” *Journal of Housing Research*, 2022.

<https://www.tandfonline.com/doi/abs/10.1080/10527001.2022.2106039>.

“top-down” reform effort would be unlikely to succeed in Florida, due to the state’s strong, legally grounded tradition of home rule.

Contrary to the wishes of the Legislature, zoning codes surrounding Florida’s military installations frequently prohibit or severely restrict the renting out of ADUs in single-family residential districts, depriving service members and their families an affordable, yet desirable, housing option. While some of these jurisdictions have blanket bans on the use of accessory structures as living quarters, others allow them to be occupied only by certain individuals—usually the homeowner’s family members—or in other limited circumstances, sometimes at the discretion of a local zoning board. Table 3 summarizes the restrictions on ADUs that exist in selected high-active-duty population jurisdictions. Tampa and Jacksonville, which have a combined military population of around 17,000, have among the strictest ADU rules in the state. The former city forbids ADU rentals in most single-family lots, while the latter city has an outright ban on the renting out of ADUs. Recently, lawmakers in both cities have explored easing ADU rules, but reform has thus far failed to materialize. **ADU restrictions are by no means exclusive to Florida’s metropolises, however, as evidenced by the stringent regulations in Milton (near NAS Pensacola), Valparaiso (near Eglin AFB), and Escambia County, among other jurisdictions.**

Note that because municipalities set their own zoning laws, Escambia County’s ADU laws apply only to its unincorporated areas. Significantly, Escambia County’s rules pertaining to low and medium density residential districts, which limit ADUs to the largest lots, are more restrictive than those of Pensacola, whose zoning code recognizes the ability of ADUs to allow for a “more efficient use of the city’s existing stock of detached single-family housing” and to provide “attractive and affordable housing opportunities” (Pensacola Land Development Code, Chap. 12-3 § 81, 2022). Thirty two percent of the county’s entire active-duty population—equivalent to 3,152 service members—reside in 10 of its unincorporated Census-designated places, rivaling the total in the geographic area including and immediately surrounding NAS Pensacola.⁷ Of those personnel, more than half (1,748) live in Myrtle Grove. The concentration of active-duty service members in unincorporated Escambia County suggests that the bulk of NAS Pensacola’s off-base personnel are subject to a zoning code that severely limits the renting out of ADUs. In denying many of its residents an opportunity to earn passive income, Escambia’s ADU restrictions also harm the approximately 6,000 households that struggle to meet their mortgage payments and other housing costs.

“Contrary to the wishes of the Legislature, zoning codes surrounding Florida’s military installations frequently restrict the renting out of ADUs in single-family residential districts, depriving service members and their families an affordable, yet desirable, housing option.”

⁷ This count of Census-designated places excludes Pensacola Station, whose geographic overlap with the installation means that service members live almost exclusively in on-base housing.

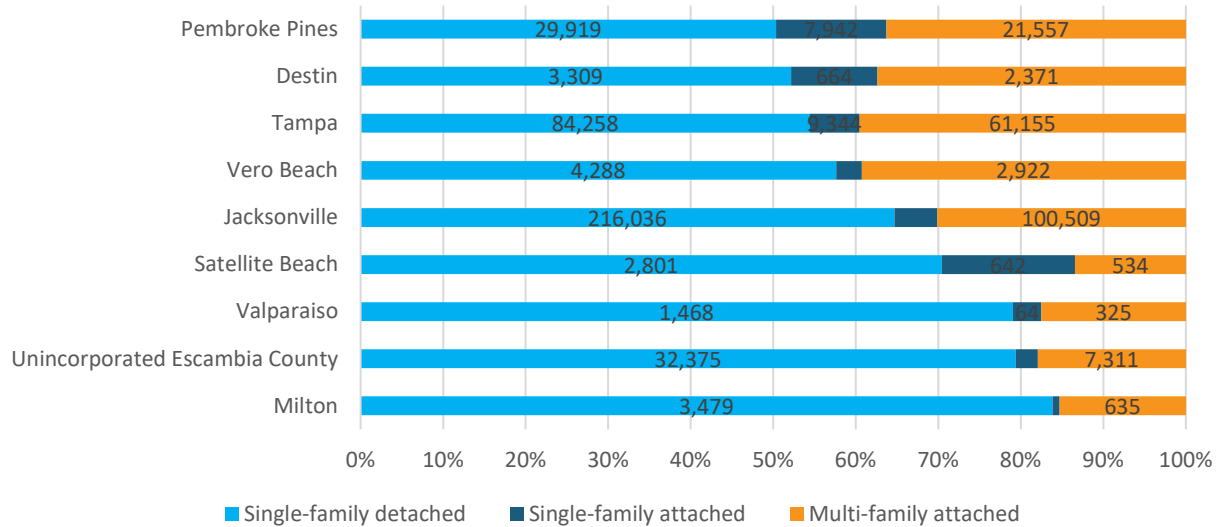
Table 3. Accessory Dwelling Unit Restrictions in Selected High-Active-Duty Population Jurisdictions

Jurisdiction	Restriction
Unincorporated Escambia County	In low density residential districts, ADUs are permitted only on two-acre or larger lots (Escambia Land Development Code Ch. 3 § 2-5, 2022). In medium density districts, ADUs are restricted to one-acre or larger lots (Escambia County Land Development Code, Ch. 3 § 2-7, 2022).
Milton	ADUs “shall be occupied by non-paying guests and family members only and shall at no time be permitted as a rentable or tenant space” (Milton Unified Development Code, Art. 9 § 3, 2022).
Vero Beach	“An accessory building to a single-family use shall not be rented or leased and shall only be used by members of the household occupying the principal dwelling of their guests” (Vero Beach Land Development Code, Ch. 61 § 1-2, 2022)
Destin	ADUs cannot exist in low density residential districts (Destin Land Development Code, Art. 7 § 12.07, 2022).
Satellite Beach	“Accessory structures shall not be used for living quarters” (Satellite Beach Land Development Regulations, Art. 5 § 10, 2022).
Jacksonville	ADUs “shall have no kitchen, cooking facilities, or kitchen sink. The quarters shall not be rented, leased, or otherwise made available for compensation of any kind” (Jacksonville Zoning Code, Ch. 656 § 16-1, 2022).
Tampa	ADUs are restricted to a subset of neighborhoods in two of the five types of single-family districts (Tampa Code of Ordinances, Ch. 27 § 3-1-27-156, 2022).
Valparaiso	In single-family districts, “accessory buildings ... shall not be used commercially ... no accessory buildings will be utilized as living quarters. Nor will any existing accessory building be converted into living quarters” (Valparaiso Code of Ordinances, Ch. 114 § 4-107, 2022).
Pembroke Pines	ADUs are prohibited in detached single-family districts (Pembroke Pines Land Development Code, Art. 5 § 155.501, 2022).

Although the supply of affordable housing would inevitably increase in each community following the liberalization of ADU laws, military personnel would not benefit equally from reform across the state. In order for a jurisdiction to meet renter demand, it must first have a sizeable inventory of detached single-family homes, particularly given that only a small percentage of homeowners would be willing to build and rent out ADUs even if permitted to do so. Figure 33 illustrates that detached single-family homes constitute a majority of the housing stock in all nine regions. Pembroke Pines (near USSOUTHCOM) has the fewest detached single-family homes as a percentage of its housing stock, at 50%. Still, the city’s supply of single-family lots is likely sufficient to measurably improve service members’ prospects of securing quality affordable housing. The data for Escambia County were aggregated from 10 of its unincorporated Census-designated places and thus do not factor in Pensacola and other municipalities.

Along with Valparaiso (near Eglin AFB) and Milton (near NAS Pensacola), Escambia County stands apart from the other communities, with 79% of its housing stock consisting of detached single-family homes.

Figure 33. Housing Structural Diversity in Selected High-Active-Duty Population Jurisdictions



Notes: Figures for unincorporated Escambia County are from Bellview, Brent, Ensley, Ferry Pass, Gonzalez, Goulding, Molino, Myrtle Grove, Warrington, and West Pensacola.

Source: 2020 five-year American Community Survey estimates

To best serve their military populations struggling to secure affordable housing in a volatile market, local governments in Florida should strongly consider liberalizing their zoning restrictions to permit the renting out of ADUs on all adequately sized single-family lots by right—that is, without a public hearing and discretionary review process. Detached single-family homes are the predominant type of housing throughout the state and in most off-base communities inhabited by large active-duty populations. In prohibiting them in some or all residential districts, municipal and county governments are denying service members access to housing that represents a compromise between traditional single-family and multi-family homes and, in a community with few multi-family units, could be the only affordable option available. We anticipate that service members in general, but especially those in search of affordable housing in a suburban neighborhood, would find ADUs appealing.

Opposition to ADUs is commonly driven by the concern that their expansion would undermine neighborhoods’ suburban character. A number of options exist for local governments as they seek to minimize any perceived undesirable effects of ADUs and reduce public resistance to reform. In this regard, the cases of Orlando, Pinellas County, and Tallahassee are instructive (see Table 4). First, to alleviate the concern that ADUs will cause on-street parking congestion, governments can mandate that one off-street parking space be reserved for the ADU’s tenant(s), especially in areas where public transit is inaccessible. Second, structural regulations can prevent sharp increases in density or any other changes that could dramatically change a neighborhood’s aesthetic. For example, ADUs commonly are subject to setback, building height, and maximum floor area requirements; cannot be built on lots below a minimum size; and must closely resemble the design, colors, and other physical characteristics of the principal dwelling unit. It is imperative that these regulations be both *reasonable* and *easily understandable* without causing an undue burden on homeowners, so as not to discourage or needlessly bar them from pursuing ADU construction. Third, occupancy requirements can reduce the perception

that renters are overtaking a neighborhood. Jurisdictions may want to consider limiting the number of occupants per ADU and mandating that the owner live on the lot.

Table 4. Examples of Accessory Dwelling Unit Regulations

	Orlando	Pinellas County	Tallahassee
Minimum lot size	Ranges from 4,500 to 15,000 square feet depending on ADU size and zoning district	—	800 square feet
Parking	One off-street parking space required for 500-square foot or greater ADUs	—	—
Maximum unit floor area	50% of the principal unit's size or 1,000 square feet (whichever is smaller)	750 square feet by right, but larger units may be approved on a conditional basis	500 square feet or 40% of principal unit's size (whichever is larger)
Occupancy	—	Owner required to occupy either primary or accessory dwelling	—
Design standards	Required to share the principal structure's exterior finish and architectural style and details	—	Building materials must be identical to those used in the construction of the principal structure
Special height requirements	—	—	Must not exceed the height of the principal structure

Sources: Orlando Code of Ordinances, Ch. 58 § 3A-58.501, 2022; Pinellas County Land Development Code, Ch. 138 § 9-2-138-3210, 2022; Tallahassee Land Development Code, Ch. 10 § 412

Allowing residents to rent out ADUs is only the first step in providing for their expansion. Unless governments also facilitate the construction of ADUs, reform is unlikely to produce the desired effects. Perhaps the most significant action governments can take is to provide homeowners with attractive financing options. Existing options, including cash-out refinancing and home equity loans and lines of credit, enable homeowners to exploit the equity they have accumulated in their homes to qualify for a lower interest rate than would be possible under an unsecured loan. Many homeowners, however, do not have sufficient equity to finance the significant costs of building an ADU—a shortcoming exacerbated by limits on the amount of equity that borrowers can extract. Another weakness of conventional financing methods is that they do not account for the future rental income that the homeowner will receive upon project completion, diminishing the pool of eligible borrowers and often leading to unfavorable loan terms.

The inadequacy of existing financing options has prompted localities to experiment with innovative programs intended to spur ADU construction. Boston, Massachusetts and Montpelier, Vermont offer zero-interest loans up to \$30,000 and \$10,000, respectively, for low- or moderate-income borrowers

interested in building an ADU. The latter municipality also leverages federal Community Development Block Grant (CDBG) funds to provide grants as high as \$20,000 for ADU construction. An outgrowth of the Housing and Community Development Act of 1974, the CDBG program affords state and local officials' considerable discretion in the allocation of funds for affordable housing projects, with the requirement that 70 percent of expenditures benefit low- and moderate-income individuals. Another option is to provide forgivable loans to homeowners who agree to lease the units at an affordable rate to tenants below a certain income threshold. In Napa, California, such homeowners can receive up to \$50,000 in financing, to be forgiven at a rate of five percent per year. In some cases, the city makes available an extra \$25,000 in the form of a deferred interest-free loan. The Los Angeles-based Backyard Homes Project seeks to spur ADU construction by considering 75% of projected rental income as qualifying income for the purpose of cash-out refinance approval.

Florida municipal and county governments should follow the lead of the aforementioned cities in offering favorable loan terms to homeowners willing to build ADUs on their parcels. The Florida Housing Coalition recommends that local governments subsidize ADU construction through State Housing Initiatives Partnership (SHIP) funds. All Florida counties and cities entitled to CDBG funds receive at least \$350,000 from SHIP on an annual basis, primarily to provide housing assistance to families earning below area median income (AMI). Those (mostly rural) communities that do not enjoy entitlement status through CDBG can apply for funding through the Florida Small Cities CDBG Program administered by the Florida Department of Economic Opportunity. To ensure that the (lower-ranking) service members who encounter the most difficulty in securing affordable housing benefit from the new units, government-sponsored refinancing programs should only be made available to those agreeing to rent the units to tenants making 100% or less of AMI. It is also critical that the creation of any ADU subsidy program is followed by an aggressive public education campaign that informs residents of the new financing options available to them.

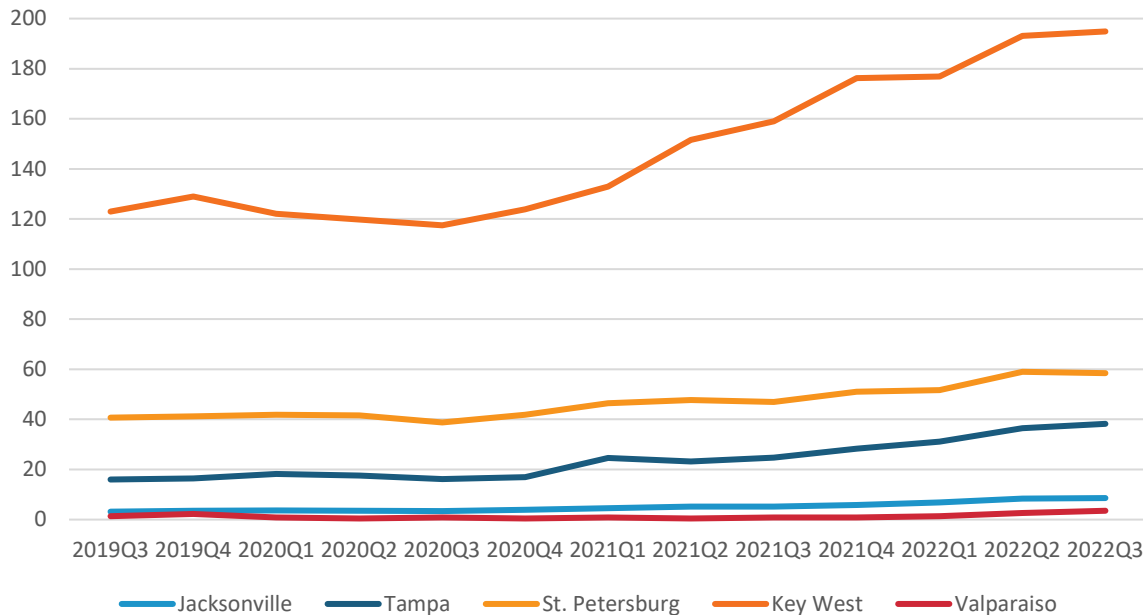
Local officials also may want to reassess any government-imposed regulatory barriers to ADU construction. As the Florida Housing Coalition points out, localities throughout the state routinely treat ADUs as multi-family units for the purpose of assessing impact fees, meaning that homeowners could easily owe thousands of dollars. A prominent example of one such locality is Orlando, which otherwise has lenient ADU rules. These steep costs are likely to deter some homeowners from proceeding with construction. Moreover, impact fees are just one type of development fee that homeowners may face; governments also commonly levy permitting and inspection fees on ADUs. Municipal and county governments should consider revising their impact and other development fee schedules as applied to ADUs—especially those that are likely to have more affordable rents. One approach involves reducing or waiving any fees imposed on the building of smaller ADUs. California, for instance, recently adopted legislation to exempt ADUs below 750 square feet from most impact fees. To expedite the building of ADUs, localities should also explore ways to streamline the development review process.

Incentivize Short-to-Long-Term Rental Conversion

The ascendance of online platforms such as Airbnb and Vrbo has served to increase short-term rentals' (STRs) share of the housing inventory. Naturally, STRs are concentrated in popular vacation destinations, serving as the main competitor to hotels. As such, Florida is home to a disproportionately high number of STRs. Figure 34 displays the number of STR listings per 1,000 housing units in five Florida municipalities of interest over time. In recent years, all five cities have experienced an increase in their rates of STR listings. The STR market has grown particularly strong in Key West, which saw 195 listings per 1,000 units in the third quarter of 2022—a dramatic rise over the figure for the equivalent period in 2019. Overall, these trends suggest that property owners in general, but especially those with homes

near tourist attractions, are increasingly concluding that they can maximize the profitability of their units by converting them to short-term rentals.

Figure 34. Short-Term Rental Listings Per 1,000 Housing Units in Selected Florida Municipalities



Source: AirDNA and 2020 five-year American Community Survey estimates

It is no secret that tourism is a major driver of Florida's economy. In 2019 alone, it is estimated that tourists contributed nearly \$100 billion to the state's GDP. STRs may help account for this impact, to the extent that they are attracting travelers who otherwise would not visit the state. As a plethora of empirical evidence demonstrates, however, STRs have the effect of promoting housing shortages for local residents, which in turn induce long-term rent increases. One study found that, from 2014 to 2017, Airbnb alone was responsible for removing as many as 13,500 units from New York's long-term rental (LTR) supply and thereby increasing annual rental costs by \$380.⁸ Due in large part to STRs' deleterious effect on the LTR market, the economic costs of Airbnb's introduction and expansion have likely exceeded the benefits, according to research from the Economic Policy Institute.⁹

The research on the economic effects of STRs suggests that restrictions on their proliferation can help combat rising LTR costs and, by extension, yield a net positive economic impact. Critically, though, Florida law bars local governments from banning STRs or limiting the frequency or duration of STR stays.¹⁰ This means that while Florida localities are not completely powerless in regulating STRs, they are

⁸ Wachsmuth, David, David Chaney, Danielle Kerrigan, Andrea Shillolo, and Robin Basalaev-Binder. "The High Cost of Short-Term Rentals in New York City." *Urban Politics and Governance Research Group at McGill University's School of Urban Planning*, 2018. <https://www.politico.com/states/fj/?id=00000161-44f2-daac-a3e9-5ff3d8740001>.

⁹ Bivens, Josh. "The Economic Costs and Benefits of Airbnb." *Economic Policy Institute*, 2019. <https://files.epi.org/pdf/157766.pdf>.

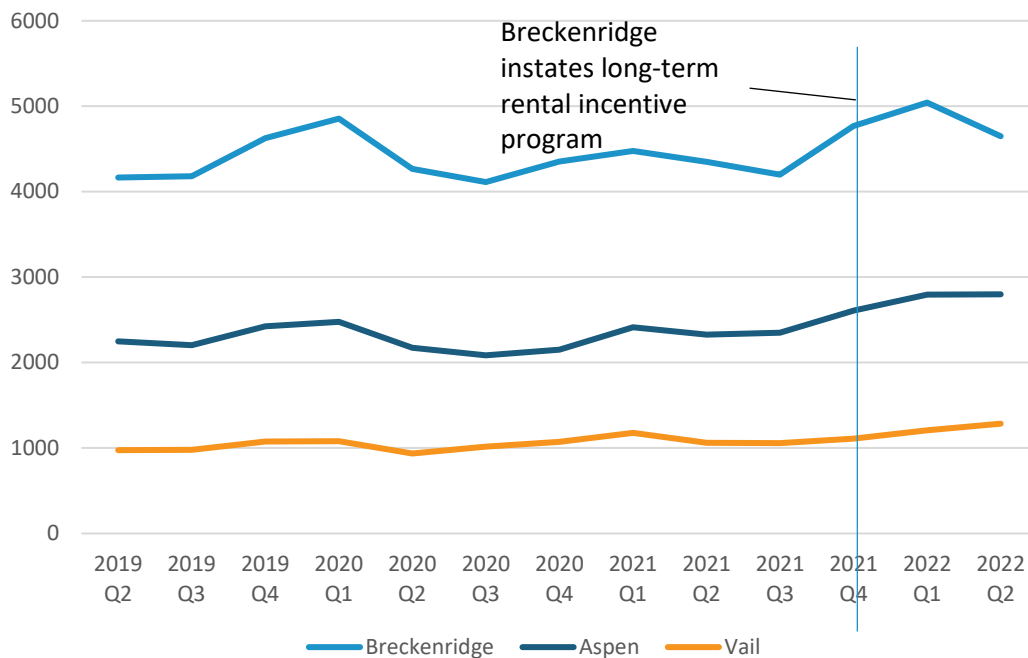
¹⁰ Notably, the Florida legislation that hamstrung local efforts to contain or ban STRs explicitly allows regulations enacted before June 1, 2011, to remain intact, so STRs continue to be illegal in parts of Clearwater and Jacksonville, among other communities.

prohibited from taking aggressive action to stymie the STR market. Indeed, a moratorium on new STRs similar to the ones recently instated in Summit County, Colorado and Marin County, California would almost certainly violate state law. Similarly, it is unclear whether a measure codifying the New York and San Francisco Airbnb policy that limits the number of STRs a single host can operate would withstand a legal challenge. Instead, Florida localities’ regulatory arsenal is limited to occupancy limits, registration requirements, and other measures that are unlikely to noticeably affect the inventory of STRs.

To our knowledge, although localities are forbidden from restricting STRs, they remain free to use cash incentives to entice STR operators to convert their properties to LTRs. Such incentive programs seek to close the revenue gap between STRs and LTRs and thereby dampen the appeal of the former in the eyes of property owners. This gap is likely to be pronounced in Florida, given its status as a vacation destination, underscoring the vital role that this reform could play in remedying the housing crisis. Indeed, the state’s average Airbnb rates in 2021 were among the highest in the U.S., at \$217 per night.

The case of Breckenridge, Colorado serves as evidence of the effectiveness of LTR incentive programs. Like many Florida communities, Breckenridge experienced a drastic rise in short-term rental listings following the introduction of Airbnb and other platforms, lowering the supply of workforce housing. In October 2021, Breckenridge launched its “Lease to Locals” pilot program, which provided up to \$24,000 to STR operators who agreed to lease their units on a long-term basis. Additionally, property managers were eligible to receive up to \$2,400 for each unit converted to an LTR, among other incentives. Figure 35 illustrates the effect that the incentive program had on STR listings in the city. While listings increased in the months immediately following its implementation, they fell sharply in the second quarter of 2022, as more property owners became aware of the program. Furthermore, this decline does not appear to be the result of seasonal effects. From the first to the second quarter of 2022, STR listings slightly increased in two comparable Colorado cities—Aspen and Vail—that did not offer a similar incentive program. As more Breckenridge property owners remove their units from the STR market, local residents’ housing options are likely to improve.

Figure 35. Short-Term Rental Listings by Colorado Municipality, 2019 Q2 to 2022 Q2

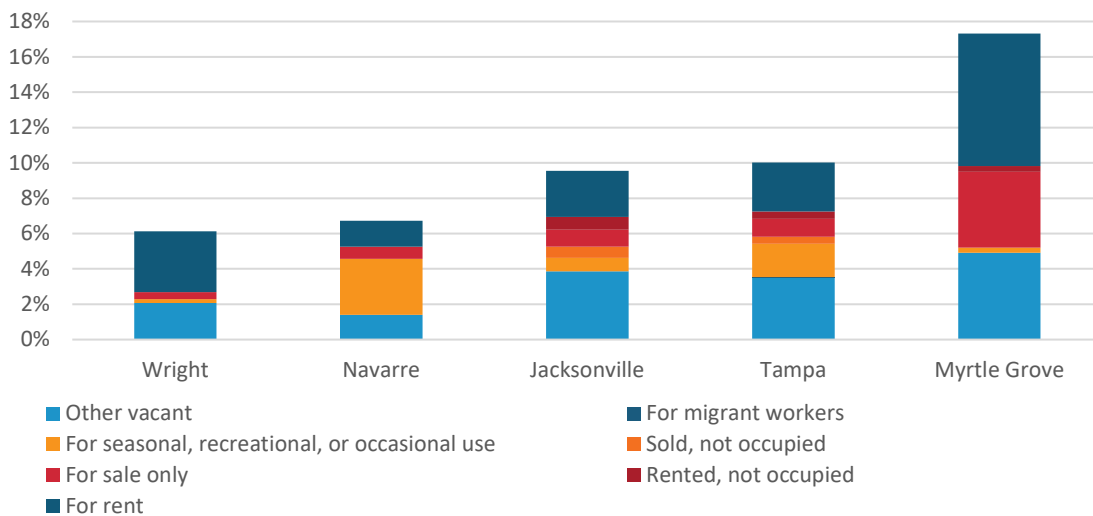


Source: AirDNA

Develop and Execute Vacant Property Plans

Florida is in the midst of a vacant property crisis. A recent report revealed that the state has 1.6 million vacant homes—the most of any state. The crisis is particularly acute in key areas near Florida’s military bases. Figure 36 presents the vacancy rates for the state’s top five municipalities and Census-designated places by active-duty population size, as well as breaks down the status of the empty units. 17% of Myrtle Grove’s (near NAS Pensacola) housing units are thought to be empty, making it a clear outlier, but the vacancy rates for three other communities—Jacksonville, Tampa, and Wright (near Eglin AFB)—are also well above the recommended upper threshold of four percent, even when vacation, seasonal, and recreational homes are excluded. **Concerningly, large shares of homes are vacant for other, miscellaneous reasons, a category that includes dilapidated and abandoned homes.** While many of these properties are likely in high-crime neighborhoods, a sizeable share of them can feasibly be repurposed into suitable homes for service members.

Figure 36. Vacancy Rates in Top Five Florida Municipalities and Census-Designated Places by Active-Duty Population Size



Source: 2020 five-year American Community Survey estimates

Unfortunately, local governments throughout the state are ill-equipped to transform abandoned or otherwise empty homes into affordable housing. Vacant property plans appear to be the exception rather than the norm, including in the state’s military housing areas. Further, the plans that do exist, such as in Pembroke Pines (near USSOUTHCOM), tend to be rather limited in scope. It is difficult to see how counties and municipalities will be able to tackle the vacancy crisis without first developing a comprehensive strategy aimed at identifying empty properties; assessing their condition; facilitating the renovation or demolition and rebuilding processes, if necessary; and encouraging their rental or sale. Although usually regarded as tools for reducing vacancies, some of our recommendations—specifically those related to community land trusts (CLTs) and split-rate taxation—are also general remedies for the affordable housing shortage.

Mandate Registration of Vacant Properties

Requiring registration of all vacant properties is the most basic step policymakers can take in addressing the vacancy crisis. The primary purpose of a registration program is to produce an accurate accounting of where a community's empty homes are located. Armed with this information, local officials will be able to ensure the units are being properly maintained and determine the best course of action. Local governments across the state would benefit from following the example of Hillsborough County, which created its vacant property registration program in 2009. Currently, the County imposes a \$200 registration fee on the mortgagees of empty properties on a semiannual basis. To enforce the registration requirement, governments can assess a penalty for non-compliance and reject violators' building permit and other property-related applications.

Expand Land Banks

Land banks are a powerful tool at the disposal of governments seeking to reduce vacancies. These public or nonprofit entities mainly acquire tax-foreclosed properties, but they may also purchase properties with other liabilities. The rules for acquisition vary by jurisdiction. In some communities, any property that fails to sell at a price equal to or above the minimum statutory bid automatically comes under the land bank's possession, whereas other jurisdictions merely authorize the banks to place bids on tax-delinquent and other undesirable properties during the auctioning process. From there, the land bank can temporarily "hold" the property for an affordable housing developer, during which time the property is exempt from municipal taxes. The developer will then purchase the property upon completing the typically lengthy process of securing the necessary financing. More often, the land bank will simply sell the property shortly after acquiring it, sometimes on the condition that it ultimately become affordable housing. Land banks have also been known to facilitate the demolition of structures in order to create space for affordable housing projects. **The primary benefit land banks provide to a community is their unique ability to clear the titles of vacant properties. In the absence of land banks, many properties with defective titles would likely never be purchased and rehabilitated, as for-profit developers often find them unappealing.**

Unfortunately, there exists scant empirical research on whether land banks live up to their promise. The preliminary evidence that has emerged so far, however, is encouraging. An analysis of the Cleveland-based Cuyahoga County Land Reutilization Corporation, also known as the Cuyahoga Land Bank, found that its activities helped preserve nearby property values.¹¹ This represents compelling evidence that land banks are able to rehabilitate vacant properties to the point of lowering their negative externalities—that is, the harm they cause to other homes in the neighborhood. In turn, the study also attributed \$3.9 million of the property taxes collected to the land bank's work. The value recovered by the land bank, the researchers concluded, far exceeded the costs of operating it.

Communities across the U.S. are increasingly looking to land banks as a means of ameliorating affordable housing shortages. The Center for Community Progress counts over 250 land bank and land banking programs across the U.S. In addition to Cuyahoga County, Houston and San Antonio—both of which are known for their comparatively low housing costs—are notable examples of localities that have long relied on land banks to repurpose vacant properties. Land banks are a versatile means of restoring properties that the private market has rejected, flourishing in not only large cities but also rural and suburban areas.

¹¹ Whitaker, Stephan and Thomas J. Fitzpatrick IV. "Land Bank 2.0: An Empirical Evaluation." *Journal of Regional Science*, vol. 56, no. 1, 2016, pp 156-175. <https://onlinelibrary.wiley.com/doi/full/10.1111/jors.12206>.

Although typically established by local governments, state legislatures have a key role to play in promoting the expansion of land banks. The Cuyahoga Land Bank was only established following the passage of legislation by the Ohio General Assembly in 2009 that increased land banks' acquisition powers and provided them with stable operating budgets, among other things. States as varied as Missouri, Michigan, Tennessee, Georgia, and New York have adopted similar land bank-enabling legislation. **Largely because Florida has failed to join these states in doing so, land banks are practically nonexistent in the state.** As a case in point, there do not appear to be any land banks serving Jacksonville, Pensacola, Tampa, and Santa Rosa County, among other high-military population communities. Previous efforts to create Jacksonville- and Pensacola-based land banks in 2015 and 2022, respectively, seem to have failed to materialize. In addition to enacting land bank-enabling legislation, the Florida Legislature should create a statewide land bank association akin to the ones in Michigan, Ohio, Georgia, Pennsylvania, and New York. The chief responsibilities of such an association would be to foster the sharing of resources and information among the state's land banks and to serve as a source of technical assistance.

Transition from a Property Tax System to a Split-Rate Tax System

Localities can also facilitate the rehabilitation of vacant properties by abandoning the property tax in favor of split-rate taxation. Unlike a property tax system, which taxes land and the buildings on it at one rate based on the total assessed value, a split-rate system taxes the former more heavily than the latter. There exist at least two interrelated means by which the property tax promotes vacancies. First, erecting a new building or renovating an existing one typically results in a significantly higher property tax burden, leading developers, in some instances, to forgo or delay making necessary structural improvements. Second, because investors with lower tax liability are more willing to wait until market conditions shift in their favor to sell underutilized or empty parcels, the property tax is thought to encourage speculation. The hefty tax burden that even vacant lots can incur under a split-rate tax, by contrast, serves to disincentive the hoarding of land. Naturally, the higher the land-to-structure tax rate ratio, the stronger the incentive to fully develop and sell the land is. In Pennsylvania, where nearly twenty municipalities, including Harrisburg, have experimented with a split-rate system, this ratio has ranged from 2.42 to 44.¹²

Relatedly, the property tax disincentivizes the development of higher-density multi-family housing by severely penalizing properties with high building-to-land ratios. By contrast, numerous studies suggest that, in deemphasizing the value of improvements, the split-rate tax fosters affordable housing projects. Following the adoption of the split-rate tax, municipalities tend to see a rise in the number of building permits issued.¹³ Further, contrary to the concerns of critics, the split-rate tax positively impacts housing *density* to a far greater extent than it does housing *size*. **One study estimates that the split-rate tax increases the number of housing units by as much as 10 percentage points, meaning this reform is likely to have a large, positive impact on Florida's multi-family housing supply.**¹⁴

Figure 37 highlights the need for additional higher-density housing projects in Florida's top five municipalities and Census-designated places by active-duty population size. Apartments and condos—

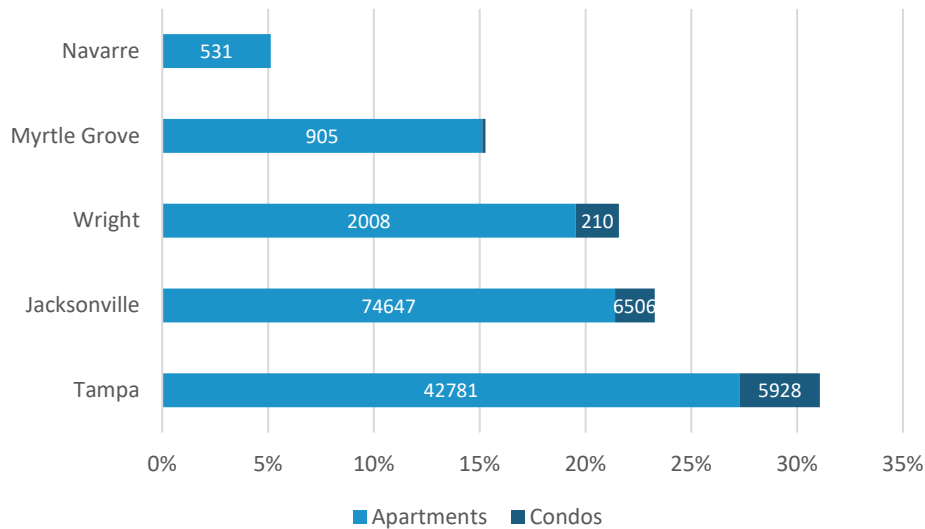
¹² Yang, Zhou and Zackary Hawley. "Split-Rate Taxation: Impacts on Tax Base." *Lincoln Institute of Land Policy*, 2021. https://www.lincolnst.edu/sites/default/files/pubfiles/yang_wp21zy1.pdf.

¹³ Oates, Wallace, and Robert Schwab. "The Impact of Urban Land Taxation: The Pittsburgh Experience." *National Tax Journal*, vol. 50, no. 1, 1997. <https://www.journals.uchicago.edu/doi/epdf/10.1086/NJ41789240>.

¹⁴ Banzhaf, H. Spencer and Nathan Lavery. "How 'Smart' is the Split-Rate Property Tax? Evidence from Growth Patterns in Pennsylvania." *Lincoln Institute of Land Policy*, 2008. https://www.lincolnst.edu/sites/default/files/pubfiles/banzhaf_wp08sb1.pdf.

defined, for our purposes, as attached homes consisting of five or more dwellings—are particularly rare in Navarre (near NAS Pensacola) and Myrtle Grove (near NAS Pensacola). Whereas 21% of Florida’s overall housing inventory consists of apartment and condo units, this figure is just five percent for Navarre and 15% for Wright (near Eglin AFB). Switching to a split-rate tax system is likely the most significant action Florida communities can take in promoting the transformation of vacant buildings and undeveloped land into high-density housing. Two other policies intended to promote affordable high-density housing projects—density bonuses and tax abatements—are already widespread in Florida’s defense communities. The former allow developers to build more dwelling units per acre, on condition that a certain share of those units—typically between 10 and 20%—become affordable housing, while the latter, as mentioned previously, help offset the cost to property owners of providing affordable housing by temporarily reducing or waiving their property tax payments.

Figure 37. Prevalence of Apartments and Condos in Top Five Florida Municipalities and Census-Designated Places by Active-Duty Population Size



Source: 2020 five-year American Community Survey estimates

The aforementioned advantages of split-rate taxation suggest that a pure land-value tax would serve to maximize the amount of land devoted to affordable housing. As the name implies, the land-value tax is an alternative to the property tax that is levied exclusively on the land. In practice, this means that a vacant lot would face the same tax burden as a fully developed lot of identical size. More than 30 countries, including New Zealand, Singapore, and Denmark, rely on a land-value tax, but there is little precedent for such a tax in the U.S. To our knowledge, Altoona, Pennsylvania is the only U.S. municipality to have experimented with a land-value tax system. The City repealed the tax in 2016—a mere five years following its implementation—after it allegedly failed to yield any discernible benefit. But because Altoona is far less reliant on the property tax than the typical Florida municipality or county, its experience is not necessarily generalizable.

Although Altoona’s idiosyncratic tax system makes it a poor test of the effects of a pure land-value tax, we recommend that Florida communities instead opt for the split-rate tax, primarily because it is the more feasible option. Particularly given the property tax’s highly visible nature in comparison to other types of taxes, such as the sales tax, that are paid in small sums on a frequent basis, any efforts to reform the status quo are likely to undergo intense public scrutiny and, in turn, spark vocal opposition from the segment of residents whose tax burden would increase under the proposed change. Perhaps

due to the split-rate tax's less drastic effect on property owners' tax bills and demonstrated ability to increase Pennsylvania's housing supply, its proponents have repeatedly been able to overcome this opposition. The same, of course, cannot be said of proponents of the pure land-value tax.

Impose a Vacant Property Tax

A vacant property tax is another instrument that local governments could utilize to fill empty homes. Proponents of this tax argue that it serves a similar purpose to excise, or "sin," taxes by disincentivizing something deemed to be undesirable—in this case, vacant properties. The theory is that the threat of taxation will encourage owners to quickly bring the units to market and sell or lease them, thus increasing the housing supply and lowering prices. Further, any revenues generated could be earmarked for affordable housing initiatives. In 2019, Oakland, California began imposing a tax ranging from \$3,000 to \$6,000 on vacant properties, which proceeded to raise \$7 million that year for housing grants and efforts to combat homelessness. Similarly, Washington, D.C. levies a tax of \$5 per \$100 of assessed value on vacant property owners—over five times the rate owners of occupied residential properties are subject to. For such a program to fulfill its intended purpose, of course, local governments must first have an accurate record of the vacant properties within their jurisdictions—something that, at least in the case of Washington, D.C. has proven difficult at times. Indeed, the D.C. Department of Consumer and Regulatory Affairs became the target of criticism after failing to designate large numbers of vacant properties as such and was consequently divided in two smaller agencies with more focused missions. This example also underscores the need for municipalities and counties considering adopting a vacant property tax to have aggressive enforcement mechanisms in place.

Encourage Community Land Trusts (CLTs)

CLTs are a more permanent affordable housing solution for defense communities, particularly those with large populations of service members seeking to become homeowners. Headed by community residents and public representatives, these nonprofit organizations rely on public and private funds to acquire land and maintain ownership of it in perpetuity. The CLT will typically either proceed to build a new home on the land or renovate the existing one. Thereafter, the organization will sell the home, but not the underlying land, to an income-eligible resident or family who pledges neither to rent the unit out nor renovate it for the sole purpose of quickly reselling it. By separating the cost of the improvements from that of the land, the CLT is able to ensure that the mortgage will be affordable for low- or moderate-income households. Furthermore, the use of restrictive covenants or ground leases serves to guarantee that the home will remain affordable to future generations of low- or moderate-income buyers.

Researchers have uncovered compelling evidence that CLTs generally succeed in promoting accessible, sustained homeownership. **An Urban Institute analysis of three cities found that the median CLT home sale price ranged from 73% to 75% of the property's assessed value and from 37% to 56% of the median home sale price in the broader metropolitan statistical area.**¹⁵ CLTs are also effective in helping borrowers retain their homes, as evidenced by the lower rates of delinquency and foreclosure that CLT homeowners face in comparison to conventional homeowners.¹⁶ Despite commonly being subject to restrictions that prevent the resale price from exceeding a certain threshold, CLT homeowners build a

¹⁵ Temkin, Kenneth, Brett Theodos, and David Price. "Balancing Affordability and Opportunity: An Evaluation of Affordable Homeownership Programs with Long-Term Affordability Controls." *The Urban Institute*, 2010. <https://www.urban.org/sites/default/files/publication/29291/412244-Balancing-Affordability-and-Opportunity-An-Evaluation-of-Affordable-Homeownership-Programs-with-Long-term-Affordability-Controls.PDF>.

¹⁶ Thaden, Emily. "Making Sense of the Low Rates of Delinquencies and Foreclosures in Community Land Trusts." *Lincoln Institute of Land Policy*, 2010. <https://www.jstor.org/stable/pdf/resrep18338.1.pdf>.

considerable amount of wealth, and the majority who move subsequently purchase market rate housing.¹⁷

CLTs are on the rise throughout the State of Florida. In a significant development for prospective lower-income homebuyers in the state's largest city, Jacksonville, Mayor Lenny Curry announced the creation of the Jacksonville CLT in July 2022. Just three months later, the Pensacola Habitat for Humanity launched its own CLT program, intended to serve households earning between 30% and 80% of area median income in Escambia and Santa Rosa Counties. Additionally, Hillsborough County is reportedly in the process of establishing a CLT. Communities that currently lack a CLT, such as Okaloosa County and Crestview (near Eglin AFB), should consider following suit.

Government has a critical role to play in promoting CLTs. As exemplified by the Jacksonville CLT's small initial budget of \$250,000, CLTs often struggle to attract the funds needed to acquire lands, relying heavily on the largess of private donors. The Legislature should augment these efforts by directing funding to CLTs specifically. California legislators took this step in 2021, when they devoted \$500 million to nonprofit-led efforts to restore dilapidated homes across the state. Local officials may also want to explore whether it would be feasible to follow Texas' lead in limiting the property tax obligations of CLT properties. Enacted in 2021, the Texas law requires real estate appraisers to treat CLT projects as rent-restricted properties for the purpose of determining the capitalization rate—that is, an investment property's expected rate of return. Under the income method of valuation that CLT project assessors are required to use by Texas statute, the capitalization rate is a primary determinant of a property's estimated worth.



¹⁷ Temkin, Theodos, and Price. "Balancing Affordability and Opportunity."

Government-Supported Solutions

This section details two solutions that enable defense communities to address the housing crisis by taking advantage of existing government programs. Because new legislation is not necessary, defense communities may find that these solutions are more feasible. The amount of developable land in an area, however, represents a key limiting factor that could stymie federal- or state-backed efforts to build more housing.

Establish Public-Private Partnerships

Public-private partnerships are an undervalued avenue for increasing the affordable housing supply. Oklahoma's Altus AFB recently succeeded in helping forge such a partnership and, in doing so, provided a framework for installations located throughout the country. Seeking to increase the number of Airmen stationed at Altus AFB—and, by extension, the base's already large economic impact on the broader community—the City of Altus rezoned city-owned land located in the vicinity of the installation for housing, before selecting a developer to build a high-density rental complex. Thereafter, the City secured a \$4 million loan from the Oklahoma Department of Commerce (ODC) to fund the project, to be paid off over time through the ODC's Public-Private Partner Military Infrastructure Pool program.

By pursuing a similar strategy, Florida's installations may be able to replicate Altus AFB's success in advancing new affordable housing projects. Key partners in this endeavor could include housing authorities, which are mainly responsible for administering the Department of Housing and Urban Development Section 8 housing choice voucher program. Because it can be difficult to locate landlords willing to rent to Section 8 voucher recipients, housing authorities stand to benefit from new affordable housing projects. Major cities, including Tampa, Jacksonville, and Orlando, have their own housing authorities, while smaller municipalities depend on county-level organizations for these services. Through collaboration with housing authorities, local governments, and other stakeholders, Florida's installations can identify nearby plots of developable land and suitable developers. Potential projects will likely need to be financed through a combination of sources, including CDBG and SHIP funds and two loans administered by the Florida Housing Finance Corporation: the Predevelopment Loan Program (PLP) and the State Apartment Incentive Loan (SAIL). PLP provides community-based organizations, local governments, and housing authorities with loans not exceeding \$750,000 at a non-amortizing one percent interest rate, while SAIL offers loans at an identical interest rate to developers who reserve at least 20% of units for families earning 50% or less of AMI.

Expand On-Base Privatized Housing

Finally, we recommend that the installations explore the possibility of expanding on-base privatized housing. Particularly since the turn of the century, DoD has emphasized an "off-base first" approach to housing, but, as recent experience demonstrates, it is risky to force BAH recipients into the private economy. With on-base housing, service members can be assured that rent will not exceed their BAH rates. After confirming that there exists sufficient developable land, the installations should urge DoD to amend their contracts with property management companies to allow the construction of additional on-base homes. Table 5 identifies the property management companies associated with seven Florida installations.

Table 5. On-Base Housing Property Management Companies for Selected Florida Installations

Installation	Property Management Company
Eglin AFB	Corvias Property Management
NAS Pensacola	Balfour Beatty Communities
MacDill AFB	Harbor Bay
Patrick SFB	Patrick Family Housing
Tyndall AFB	Tyndall AFB Homes
NAS Jacksonville	Balfour Beatty Communities
NAS Key West	Balfour Beatty Communities

A significant percentage of service members have come to recognize the benefits associated with living in on-base privatized housing. Accordingly, demand is far exceeding supply at the state’s major installations. At the time of this writing, the waiting period for one of NAS Pensacola’s 549 homes averages three to four months. MacDill AFB has a similarly sized inventory, but its estimated wait period ranges from six to 18 months, depending on rank and number of dependents. According to our interviews with staff, an E-5 with two dependents would face a wait time at the higher end of that range.

Table 6 provides a detailed breakdown of the waitlist for Eglin AFB, which has 876 homes, as of November 2022. The data indicate that enlisted personnel in search of housing face a minimum waiting period of two months. Senior non-commissioned officers, a category that includes E-7s through E-9s, may have to endure a waiting period of as long as 10 months. **In an indication that BAH rates are particularly inadequate for E-1 through E-6 personnel with multiple dependents, the waitlist for three-bedroom junior non-commissioned officer housing includes 91 households.** In total, 152 households are currently waiting for a suitable on-base home to become available. This figure, however, likely understates the true gap between supply and demand, as it is likely that many service members who would have preferred to live on-base were deterred from joining the waitlist by the long waiting periods.

Table 6. Waitlist for Enlisted Personnel On-Base Privatized Housing at Eglin Air Force Base, November 2022

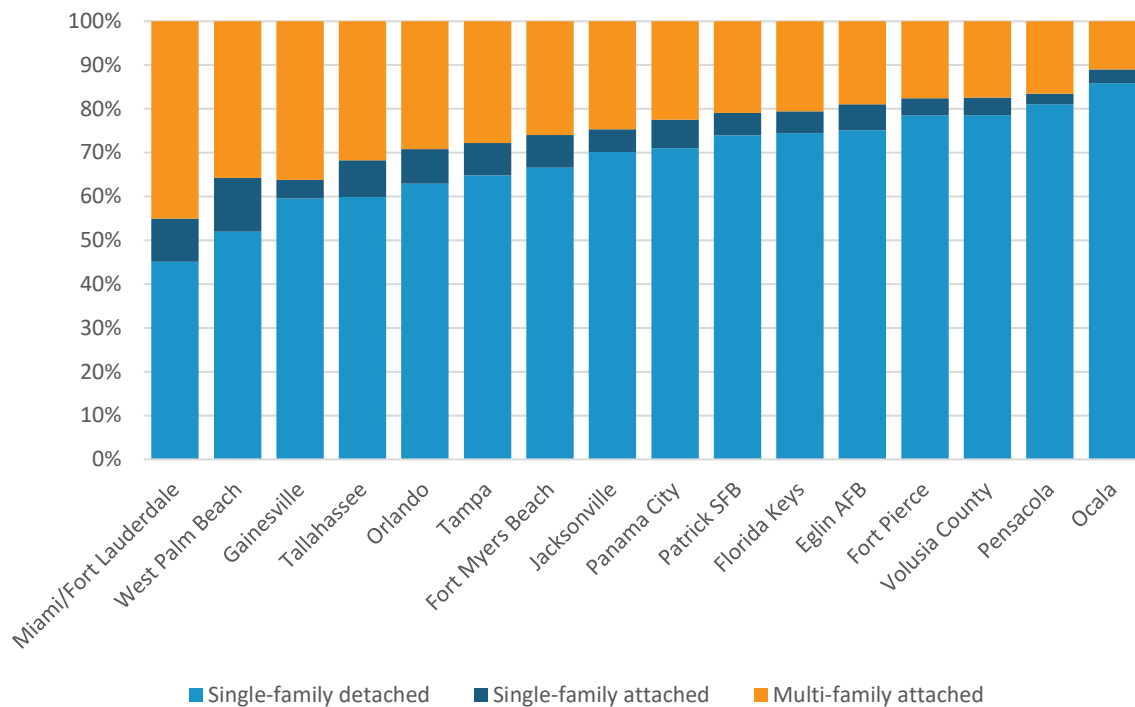
Class	Number of Bedrooms	Number of Households on Waitlist	Wait Period (months)
Junior Non-Commissioned Officer (E-1 through E-6)	2	13	2-4
Junior Non-Commissioned Officer (E-1 through E-6)	3	91	3-5
Junior Non-Commissioned Officer (E-1 through E-6)	4	17	5-7
Senior Non-Commissioned Officer (E-7 through E-9)	3	11	2-4
Senior Non-Commissioned Officer (E-7 through E-9)	4	20	8-10

Targeted Guidance for Florida’s Defense Communities and Installations

As our intent was to design solutions that would have maximum impact on the military housing crisis, the preceding analyses emphasized the highest active-duty-population MHAs, such as Jacksonville, Tampa, Pensacola, and Eglin AFB. We recognize, however, that the crisis is not exclusive to the state’s largest defense communities. Figures 38 through 40 offer insight into the MHAs that would yield the most benefit from our policy recommendations.

Communities with large inventories of detached single-family homes are prime targets for efforts to implement “gentle” density and permit and expand ADUs. In all but one of Florida’s 16 MHAs, detached single-family homes represent a majority of the housing stock, suggesting they have an abundance of lots suitable for ADUs, duplexes, and similar structures. **The most room for progress, however, exists in the Ocala, Pensacola, Volusia County, Fort Pierce, and Eglin AFB MHAs, where detached single-family homes are more than 75% of the occupied housing inventory (see Figure 38).**

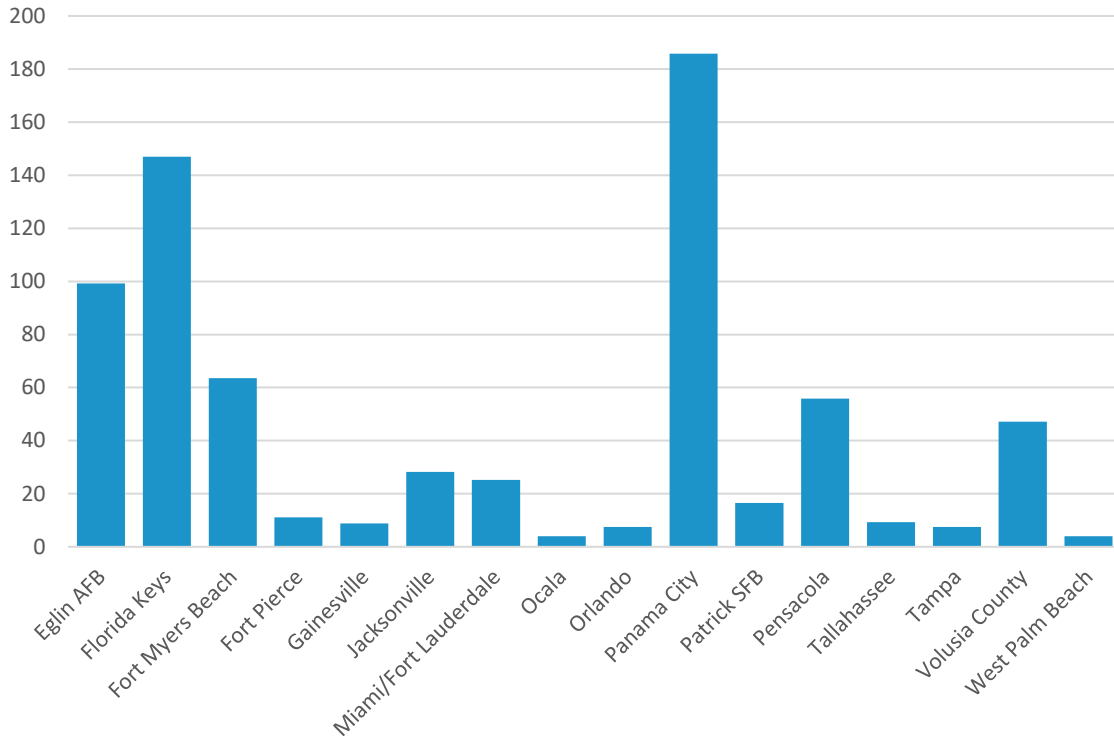
Figure 38. Housing Structural Diversity in Florida’s Military Housing Areas, 2020



Source: 2020 five-year American Community Survey estimates

The number of STR listings per 1,000 housing units in each MHA’s 10 largest zip codes by active-duty population size appear in Figure 39. The estimates reflect the state of the STR market as of the second quarter of 2022, at the height of the housing crisis. **The Panama City and Florida Keys MHAs had the highest rate of STR listings, at 186 and 147 per 1,000 housing units, respectively.** Three other MHAs—Fort Myers Beach, Pensacola, and Volusia County—each saw between 50 and 100 listings per 1,000 housing units. These five MHAs should most seriously weigh creating programs to entice short-term rental operators to lease their properties on a long-term basis. MHAs with virtually nonexistent STR markets, such as West Palm Beach and Ocala, would not be able to significantly improve service members’ prospects of securing affordable housing by focusing exclusively on reducing STRs.

Figure 39. Short-Term Rental Listings per 1,000 Housing Units in Florida's Military Housing Areas, 2022 Q2



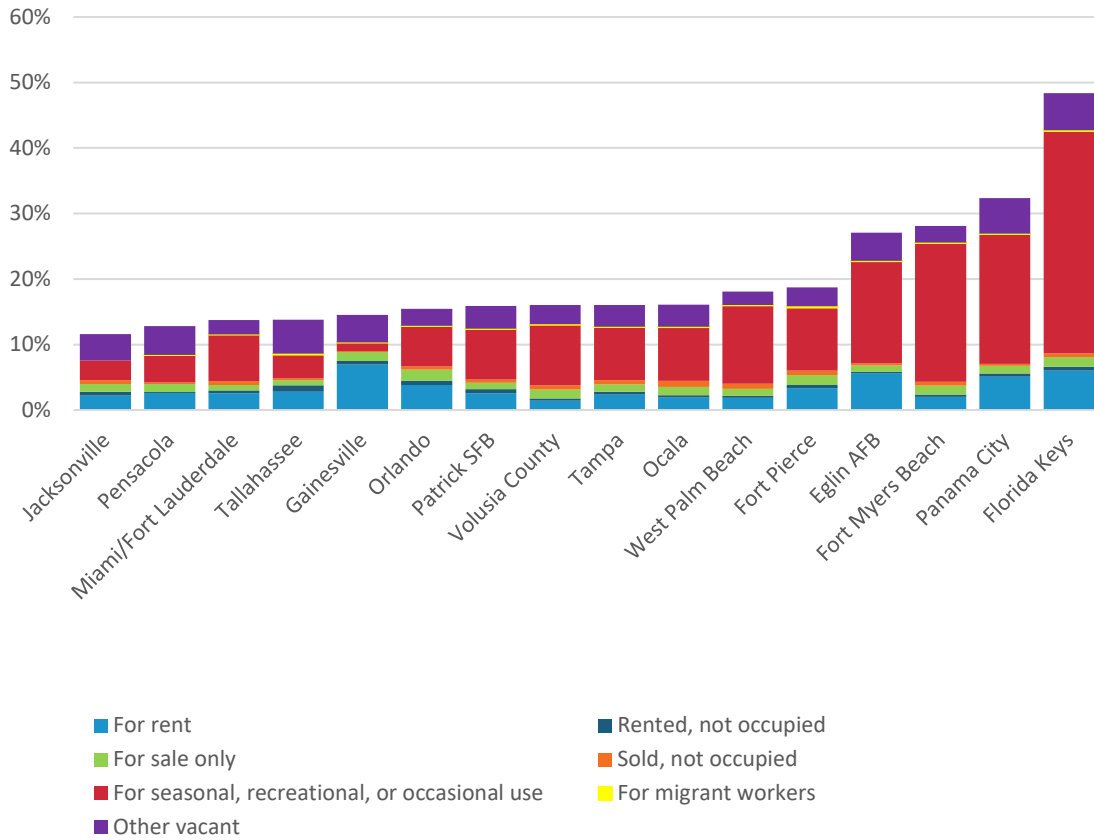
Notes: Estimates are for the 10 largest zip codes by active-duty population size in each military housing area.

Sources: AirDNA and 2020 five-year American Community Survey estimates

Figure 40 provides an overview of each MHA’s inventory of vacant homes. In virtually every case, vacation, seasonal, and recreational homes are the main contributor to the vacancy rate. There is little, if anything, that policymakers can do to discourage these types of homes. Still, we strongly suggest that each defense community develop a vacant property plan that incorporates at least some of our five proposed solutions, because the vacancy rate in all 16 MHAs easily exceeds the recommended range of two to four percent even when not accounting for temporarily unoccupied second homes. **In our estimation, the Florida Keys, Gainesville, Panama City, Eglin AFB, and Tallahassee MHAs should place particularly high priority on addressing this issue.** Given the polarizing nature of tax policy, they are likely to find the most success in advocating for the expansion of land banks and CLTs. Defense communities with limited ability to transform their housing inventories through one of our proposed policy initiatives should instead explore the feasibility of expanding on-base housing and financing high-density off-base housing projects with state loan programs.

“Communities with large inventories of detached single-family homes are prime targets for efforts to implement ‘gentle’ density and permit and expand ADUs.”

Figure 40. Vacancy Rates in Florida's Military Housing Areas, 2020



Source: 2020 five-year American Community Survey estimates



Synopsis of Recommendations

- Communities can increase their housing supplies—and, by extension, lower prices—by utilizing land more efficiently. Single-family zoning districts that ban all attached housing are incompatible with the efficient use of land but are unfortunately prevalent in Florida’s defense communities. For political and logistical reasons, local governments are unlikely to reform zoning laws to allow high-density housing projects in single-family neighborhoods. Therefore, they should instead implement “gentle” density in a subset of single-family districts, which would eventually introduce townhomes, duplexes, triplexes, and quadruplexes into many residential areas. These attached homes result in modest increases in housing density without fundamentally altering a neighborhood’s character. Localities should also consider temporarily exempting owners who lease the units to low- or moderate-income residents from some or all property taxes.
- Existing regulations on accessory dwelling units are far too stringent in Jacksonville, Tampa, and unincorporated Escambia County, among other military communities. Counties and municipalities should allow accessory dwelling units on all lots large enough to accommodate them. In addition, we suggest that governments subsidize the construction of ADUs by offering loans with favorable terms to homeowners who agree to lease the units to low- or moderate-income residents, a group that includes the service members struggling to find suitable housing.
- The prospect of increased revenues has prompted a sizeable number of property owners to move their units to the short-term rental market over the past decade. While Florida law bars local governments from restricting short-term rentals, counties and municipalities retain the authority to entice short-term rental operators to convert their units to long-term rentals. In late 2021, Breckenridge, Colorado, began experimenting with a program providing cash incentives that could serve as a model for Florida communities with large short-term rental markets.
- Florida must place priority on reducing vacancies if it is to address the broader housing crisis. To that end, we propose that municipalities and counties develop comprehensive vacant property plans. Two similar but different institutions—land banks and community land trusts—should form the basis of any such plan. The former have the unique power to clear the titles of properties with significant liabilities, while the latter effectively remove the cost of land from a home’s sale price. Additionally, localities can encourage the development of high-density housing projects by switching from a traditional property tax system to a split-rate tax system. When land is taxed at a significantly higher rate than improvements, the tax consequences of fully developing a plot of land are less likely to be a deterrent to property owners, and speculation of underdeveloped or empty parcels is less profitable. Governments also may want to consider requiring registration of vacant properties and imposing a tax on them.
- Rankings of the 16 MHAs based on the extent to which they would benefit from our proposed policy initiatives appear in Table 7. Installations expected to derive a small relative benefit from one or more policies should especially consider facilitating public-private partnerships that would result in the construction of additional high-density off-base housing or advocating for increased on-base privatized housing units.

Table 7. Rankings of Military Housing Areas by Expected Benefit from Proposed Policy Initiatives

Military Housing Area	“Gentle” Density and Accessory Dwelling Unit Expansion	Long-term Rental Incentives	Vacant Property Plans
Eglin AFB	5	3	4
Florida Keys	6	2	1
Fort Pierce	4	10	7
Fort Myers Beach*	10	4	13
Gainesville	14	12	2
Jacksonville	9	7	9
Miami/Fort Lauderdale*	16	8	15
Ocala	1	15	12
Orlando*	12	13	6
Panama City	8	1	3
Patrick SFB*	7	9	10
Pensacola	2	5	8
Tallahassee	13	11	5
Tampa	11	14	11
Volusia County*	3	6	14
West Palm Beach*	15	16	16

Appendix

Table 8. Zip Codes Within Each Military Housing Area

Military Housing Area	Zip codes
Eglin AFB	32422 32433 32434 32435 32439 32459 32531 32536 32537 32538 32539 32540 32541 32542 32544 32547 32548 32549 32550 32564 32567 32569 32578 32579 32580 32588
Florida Keys	33001 33036 33037 33040 33041 33042 33043 33045 33050 33051 33052 33070
Fort Pierce	32948 32957 32958 32960 32961 32962 32963 32964 32965 32966 32967 32968 32969 32970 32971 32978 34945 34946 34947 34948 34949 34950 34951 34952 34953 34954 34979 34981 34982 34983 34984 34985 34986 34987 34988
Fort Myers Beach*	33901 33902 33903 33904 33905 33906 33907 33908 33909 33910 33911 33912 33913 33914 33915 33916 33917 33918 33919 33920 33921 33922 33924 33928 33929 33931 33932 33936 33945 33956 33957 33965 33966 33967 33970 33971 33972 33973 33974 33976 33990 33991 33993 33994 34133 34134 34135 34136
Gainesville	32601 32602 32603 32604 32605 32606 32607 32608 32609 32610 32611 32612 32614 32615 32616 32618 32627 32631 32633 32635 32640 32641 32643 32653 32654 32655 32658 32662 32667 32669 32694
Jacksonville	32003 32004 32006 32030 32033 32043 32050 32065 32067 32068 32073 32079 32080 32081 32082 32084 32085 32086 32091 32092 32095 32099 32145 32160 32201 32202 32203 32204 32205 32206 32207 32208 32209 32210 32211 32212 32214 32216 32217 32218 32219 32220 32221 32222 32223 32224 32225 32226 32227 32228 32229 32231 32232 32233 32234 32235 32236 32238 32239 32240 32241 32244 32245 32246 32247 32250 32254 32255 32256 32257 32258 32259 32260 32266 32277 32656
Miami/Fort Lauderdale*	33002 33004 33008 33009 33010 33011 33012 33013 33014 33015 33016 33017 33018 33019 33020 33021 33022 33023 33024 33025 33026 33027 33028 33029 33030 33031 33032 33033 33034 33035 33039 33054 33055 33056 33060 33061 33062 33063 33064 33065 33066 33067 33068 33069 33071 33072 33073 33074 33075 33076 33077 33081 33082 33083 33084 33090 33092 33093 33097 33101 33102 33106 33109 33111 33112 33114 33116 33119 33122 33124 33125 33126 33127 33128 33129 33130 33131 33132 33133 33134 33135 33136 33137 33138 33139 33140 33141 33142 33143 33144 33145 33146 33147 33149 33150 33151 33152 33153 33154 33155 33156 33157 33158 33160 33161 33162 33163 33164 33165 33166 33167 33168 33169 33170 33172 33173 33174 33175 33176 33177 33178 33179 33180 33181 33182 33183 33184 33185 33186 33187 33188 33189 33190 33191 33192 33193 33194 33195 33196 33197 33198 33199 33206 33222 33231 33233 33234 33238 33239 33242 33243 33245 33247 33255 33256 33257 33261 33265 33266 33269 33280 33283 33296 33299 33301 33302 33303 33304 33305 33306 33307 33308 33309 33310 33311 33312

	33313 33314 33315 33316 33317 33318 33319 33320 33321 33322 33323 33324 33325 33326 33327 33328 33329 33330 33331 33332 33334 33335 33336 33337 33338 33339 33340 33345 33346 33348 33349 33351 33355 33359 33388 33394 33427 33428 33431 33432 33433 33434 33441 33442 33443 33486 33497 33498
Ocala	32102 32111 32113 32133 32134 32158 32159 32162 32163 32179 32182 32183 32192 32195 32617 32621 32625 32626 32634 32639 32644 32663 32664 32668 32681 32683 32686 32696 32702 32726 32727 32735 32736 32756 32757 32767 32776 32778 32784 33513 33514 33521 33538 33585 33597 34420 34421 34423 34428 34429 34430 34431 34432 34433 34434 34436 34441 34442 34445 34446 34447 34448 34449 34450 34451 34452 34453 34460 34461 34464 34465 34470 34471 34472 34473 34474 34475 34476 34477 34478 34479 34480 34481 34482 34483 34484 34487 34488 34489 34491 34492 34498 34705 34711 34712 34713 34714 34715 34729 34731 34736 34737 34748 34749 34753 34755 34756 34762 34785 34788 34789 34797
Orlando*	32701 32703 32704 32707 32708 32709 32710 32712 32714 32715 32716 32718 32719 32730 32732 32733 32745 32746 32747 32750 32751 32752 32762 32765 32766 32768 32771 32772 32773 32777 32779 32789 32790 32791 32792 32793 32794 32795 32798 32799 32801 32802 32803 32804 32805 32806 32807 32808 32809 32810 32811 32812 32814 32816 32817 32818 32819 32820 32821 32822 32824 32825 32826 32827 32828 32829 32830 32831 32832 32833 32834 32835 32836 32837 32839 32853 32854 32855 32856 32857 32858 32859 32860 32861 32862 32867 32868 32869 32872 32877 32878 32885 32886 32887 32891 32896 32897 33848 34734 34739 34740 34741 34742 34743 34744 34745 34746 34747 34758 34760 34761 34769 34770 34771 34772 34773 34777 34778 34786 34787
Panama City	32401 32402 32403 32404 32405 32406 32407 32408 32409 32410 32411 32412 32413 32417 32438 32444 32456 32461 32466
Patrick SFB*	32754 32775 32780 32781 32783 32796 32815 32899 32901 32902 32903 32904 32905 32906 32907 32908 32909 32910 32911 32912 32919 32920 32922 32923 32924 32925 32926 32927 32931 32932 32934 32935 32936 32937 32940 32941 32949 32950 32951 32952 32953 32954 32955 32956 32959 32976
Pensacola	32501 32502 32503 32504 32505 32506 32507 32508 32509 32511 32512 32513 32514 32516 32520 32521 32522 32523 32524 32526 32530 32533 32534 32535 32559 32560 32561 32562 32563 32565 32566 32568 32570 32571 32572 32577 32583 32591
Tallahassee	32301 32302 32303 32304 32305 32306 32307 32308 32309 32310 32311 32312 32313 32314 32315 32316 32317 32318 32320 32322 32323 32326 32327 32328 32329 32346 32355 32358 32362 32399
Tampa	33503 33508 33509 33510 33511 33523 33524 33525 33526 33527 33530 33534 33537 33539 33540 33541 33542 33543 33544 33545 33547 33548 33549 33550 33556 33558 33559 33563 33564 33565 33566 33567 33568

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Volusia County*	<p>32105 32110 32114 32115 32116 32117 32118 32119 32120 32121 32122 32123 32124 32125 32126 32127 32128 32129 32130 32132 32135 32136 32137 32141 32142 32143 32164 32168 32169 32170 32173 32174 32175 32176 32180 32190 32198 32706 32713 32720 32721 32722 32723 32724 32725 32728 32738 32739 32744 32753 32759 32763 32764 32774</p>
West Palm Beach*	<p>33401 33402 33403 33404 33405 33406 33407 33408 33409 33410 33411 33412 33413 33414 33415 33416 33417 33418 33419 33420 33421 33422 33424 33425 33426 33429 33430 33435 33436 33437 33438 33444 33445 33446 33448 33449 33454 33458 33459 33460 33461 33462 33463 33464 33465 33466 33467 33468 33469 33470 33472 33473 33474 33476 33477 33478 33480 33481 33482 33483 33484 33487 33488 33493 33496 33499</p>

Source: Department of Defense