

Florida started penalizing bureaucratic delay. Housing permits spiked.

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Carpenters build new townhouses in May 2021 in Tampa. (Octavio Jones/Reuters)

Opinion by Hayden Dublois

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Rising interest rates aren't the only thing holding back home buyers. So is a nationwide shortage of homes. America needs more than 5 million new houses to meet demand, according to a study last year by Realtor.com. With sales of existing homes slowing, the need for more new houses is only growing. Florida, my home state, might have found part of the solution: Reform the permitting process so that building houses is easier.

Last year, Gov. Ron DeSantis (R) signed a bill that fundamentally changes the state's permitting process for home building. It requires local jurisdictions to post online not only their permitting processes but also the status of permit applications. The transparency takes a good amount of mystery out of what can be an inscrutable branch of bureaucracy.

More important, the reforms also created a system that strongly incentivizes cities and counties to approve new home permits in a timely way. When a builder or property owner submits an application to build a new home, cities and counties have 30 business days to process it or request corrections.

If the government offices fail to respond in that time frame, the locality must refund 10 percent of the application fee for every additional business day of silence. Application fees can vary widely by locality, but the average cost in Florida is nearly \$1,000, according to HomeAdvisor.com. If officials request corrections to the application, they have 10 business days to approve or disapprove of the resubmitted application. Blowing past that deadline leads to an automatic 20 percent refund, with a further 10 percent added for each additional missed day, up to a five-day cap.

The point of this policy is to put government on the hook for holding up new housing construction. A study of housing sales in southwest Florida between 2007 and 2017 by the James Madison Institute found that permitting delays added as much as \$6,900 to the cost of

a typical house. That's a de facto tax on Florida families; now the Sunshine State is making cities and towns pay for their own delays.

My recent research for the Foundation for Government Accountability indicates that the policy is already making a difference. This spring, we submitted public-records requests to the state's most populous jurisdictions. We asked how long it took them to process new home permits in the four months before and four months after the policy was enacted in October 2021.

Consider St. Cloud, a growing suburb in the Orlando metro area. In the four months before the law was passed, fewer than half of permit applications for new housing were processed within 30 business days. After the law was passed, roughly 80 percent of applications were processed within 30 days — or 182 out of the 227 permit applications over four months.

In Santa Rosa County, including much of the rapidly growing Pensacola region, before the law was passed, fewer than half of applications were handled within 30 days. In the four-month period after enactment, the rate rose to 100 percent of applications — for as many as 347 new homes.

While local governments don't provide a breakdown of what percentage of applications are approved or denied, other evidence suggests that applications are generally approved.

In the years leading up to the new law, the rate of increase for new home construction in Florida was about the same as the national average. Though many factors can influence home building, and the law was in effect for only a portion of the year, Florida's home building rate in 2021 was two-thirds higher than the national average. More than 30 percent more permits were issued in Florida last year compared with 2020. Reducing red tape surely aided the boom.

Today in Florida, thousands of new home permits are being processed faster under this law by bureaucracies faced with paying a penalty for foot-dragging. When officials ignore the deadline, Floridians are reaping the rewards. One Orange County resident received a 60 percent discount in his permit application fee because the county was egregiously late, with total savings of nearly \$4,000 off the total permit cost of about \$6,600.

The speedier approval process appears to be enhancing a Florida home building boom that was already in progress. Charlotte County has seen new permit applications grow by nearly half, to more than 1,500 over the four-month window, compared with the same period last year. Volusia County, which includes Daytona Beach, has seen a 54 percent spike, to more than 250 applications in that time frame.

America needs more housing, fast. States can't do much about rising interest rates, but as Florida has shown, they can certainly do something to lower the impediments to house building.

