

Is Florida Over?

By CONOR DOUGHERTY

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Tampa, Fla.

"Own Your Own Home in Florida for \$350 down. Total Price \$4,950 includes house and lot. It's Pompano Beach Highlands on the famed Florida east coast!"

--Advertisement in Life magazine, 1955

"It's just not the place I originally moved to. You've got overcrowded roads. The utilities are higher now. Taxes are unreasonable. Everything in Florida is more expensive."

--John Cypherd, retiree, who left Florida last month for North Carolina

For almost a century, Florida has been a magnet for mobile Americans. The state's plentiful sunshine and open space has attracted "snowbirds" fleeing winter, retirees living out the last chapter of their lives and down-on-their-luck workers in search of jobs. A steady flow of newcomers has kept the state's population growing faster than the nation's, often much faster, since the 1920s.

But for Americans on the move, Florida has become a less-appealing destination. Moving company Atlas Van Lines brought 6,700 families into Florida last year and took 8,000 out, the first time it has moved more out than in. The number of people from other states who switch to a Florida driver's license is down more than 8% from last year. And the state's crowded schools actually lost students last year, prompting many counties to cut back on their construction schedule and, in some cases, look to close schools. While foreigners continue to arrive at a rate of about 100,000 year, migration from inside the country is slowing.

Florida's pull has been weakened mostly by rising costs. Though real-estate prices are now falling, the median price for an existing single family home, at \$231,900 remains 64% more than five years ago. That kind of price appreciation has increased property taxes, especially for newcomers and for snowbirds, whose primary residence is out of state. Florida is also recovering from a spate of hurricanes that have pushed up already high property-insurance rates. A two-tier tax system hits newcomers and part-time residents harder than long time homeowners.

Florida is also dealing with new competition. Looking to tap the economic boost seniors can give, many of the South's less-expensive, relatively warm states have been reaching out to seniors and fiddling with their tax laws in the hope of grabbing more retirees. Georgia Gov. Sonny Perdue is pushing to exempt all retirement income from taxation as a way to attract and retain retirees.

"Instead of everyone making the assumption that they're going to move to Florida, now it's more of an open playing field," says Dave Schreiner, national vice president at [Pulte Homes'](#) Del Webb communities.

Florida has been soaking up migrating Americans since the 1920s and has had one of the fastest-growing populations ever since. The most prominent group, retirees, started pouring in after World War II. Just as Americans started living longer lives, with shorter work weeks and fat union pensions, developers responded with trailer lots and tract houses sold with slogans like "We Give Years to Your Life and Life to Your Years." Some Americans came to stay year-round, but about one million live in Florida just part of the year and return North to avoid the steamy summer.

Long before Disney World opened in 1971, tourists drove down to see aquatic theme parks with dolphin shows and roadside alligator pits. Last year, about 85 million people visited the state. Many of those tourists have later made Florida their permanent home.

"Growth is what Florida is known for," says Carl Hiaasen, the novelist and Miami Herald columnist.

"Florida is in the business of cramming people into real estate for absurd prices."

Florida's reality has always been seamier than its sun-kissed image. In the 1950s, flim-flam men peddled mail-order real-estate schemes. In 1980s, the drug trade was celebrated in "Miami Vice." The state's lenient bankruptcy laws have long made the state a destination for debtors on the run. Florida's unrestrained growth has destroyed mangrove swamps and drained large swaths of the Everglades.

But growth has transformed Florida from an agricultural backwater to a key player on the national stage. Florida had just 10 electoral votes when John F. Kennedy was elected in 1960; he didn't carry the state, but won anyway. In 2000, Florida delivered the presidency to George W. Bush with 25 electoral votes.

A few months ago, Randy Quinones, a retired plumber in New Hampshire, was gearing up to leave the chilly Northeast and live out his days in Florida -- just like millions of retirees before him. He got ready to put his home on the market and told his buddies that he'd be in Florida soon. But Florida housing prices caused him to look elsewhere. "It didn't fit our budget, so we didn't do it," he says: Instead of Gainesville or Ocala where prices were \$250,000 to \$300,000, Mr. Quinones moved in May into a home outside Knoxville, Tenn., that cost \$207,000.

Then there are the so-called "half-backs," northerners who move to Florida and then move halfway back home.

Faith Cohan moved to Florida from Rhode Island in 1982, with dreams of living on the beach and opening her own business. With the proceeds of their house sale, Ms. Cohan and her then husband moved to Florida and opened a store near Naples.

Two years ago, Ms. Cohan and her husband divorced. Ms. Cohan had planned on staying in their condominium, but after Hurricane Wilma, condo fees jumped to \$3,200 from \$1,220, reflecting higher insurance costs for the building. The couple sold their condo for \$280,000 and split the proceeds. But instead of looking in Florida, Ms. Cohan paid \$140,000 for a townhouse in Simpsonville, Ky. "I just couldn't stay another year and pay those kinds of fees by myself," she says.

After years of nonstop growth, many Florida cities have been caught off guard by slowing growth.

Between 2000 and 2005, the Tampa Bay region, with its 2.7 million residents on Florida's west coast, grew 10%, adding about 242,000 residents. The number of single-family-home permits doubled, as new residents flooded in, buoyed by subprime and no-down-payment mortgages. Tract homes on the outskirts of the county, in a town called Ruskin, have blossomed on land that was once set aside for oranges and tomatoes. The supply of new housing had everyone from the school district to local churches gearing up for years of booming growth.

But all this has slowed. Two years ago, Father Tracy Wilder, rector at Ruskin's St. John the Divine Episcopal Church, envisioned his parish growing 10% a year for the foreseeable future. He asked a church volunteer to do a feasibility study for an elementary school. That's now been shelved. Father Wilder says the number of new members has declined precipitously. When he first arrived in 2001,

the church was signing up 70 new members a year. This past year there were 15. "We had to scale back some of our plans," he says.

Few organizations have been as rattled as the local public-school system. In recent years, the schools have added an average of about 5,400 new students a year, and have put overflow classes in portable trailers. This year, through the 20th day of school, Hillsborough County schools have between 400 and 500 fewer students than last year. Last year, the school district opened a new high school in the Ruskin area, one of five new schools built to relieve the cramped classrooms and address projected growth. But on the first day of school, Lennard High School had about 1,028 students, half of capacity. Every teacher in the school has a dedicated classroom plus an unused classroom where they've put copy machines and are storing computers and extra chairs. "We're not seeing the growth we anticipated," says Principal Denny Oest.

The school district now projects flat attendance for at least three years and has shelved plans for yet another high school as well as two elementary schools.

A decline in migration trends could spell broader trouble for Florida's economy. In addition to tourism, the influx of retirement savings and Social Security checks are a big driver of the state's economy. This, in turn, creates a huge stock of service-oriented jobs -- one reason why some of Florida's best-known businesses include homebuilding companies and restaurants like Outback Steakhouse and the Olive Garden.

Florida is always in need of doctors and nurses as well as civic employees like teachers. Over the past five years Florida has created 846,000 jobs, more than any U.S. state, and about as many as California and Arizona combined. The growth has helped out communities even beyond Florida: The state's demand for new workers has acted as a sort of a pressure release valve for many rust belt states that have seen unemployed workers leave for better opportunities in the South.

Michigan, Ohio and Illinois have long been among the biggest contributors to Florida's population growth. Yvette Thomas moved to Tampa from Dayton, Ohio, in 2002. In Ohio, Ms. Thomas had been working as a full-time substitute teacher in an elementary school, but had to move to a charter school after the teacher she was subbing for came back from maternity leave.

Then came a spring break vacation to Tampa. It was cold in Ohio; balmy in Tampa. Ms. Thomas and her future husband hung out on the beach, saw dolphins from a boat and ate fresh grouper. On a whim, they stopped by the school district's recruiting office. A recruiter called them the next day, and a few months later they were looking for a new apartment. "It was very easy for us to come in the system," she says.

Five years later, Ms. Thomas has her mind set on going back north. With the aid of a no-money-down mortgage, Ms. Thomas and her husband bought a \$168,000 house. The mortgage, with property taxes and homeowner's fees, comes to about \$1,500 a month -- more than half a month's pay. To supplement her income as a middle-school teacher, Ms. Thomas teaches night school two days a week. "There is no way I could raise a family here," she says. Next year, she plans to sell her home and move north, perhaps back to Ohio. "I thought it would be like a vacation," she says. "It turned out to be a hurricane."

Florida has been through this before. In the early 1990s, economic weakness and failures in the savings-and-loan industry pushed the state's unemployment rate to among the highest in the nation.

Immigration slowed and some metropolitan areas had a net outflow of residents. The state recovered and the next boom came along.

Many economists believe that this lull, too, will be temporary. Despite a 41% drop in home sales in the past year, Florida's economy has so far skirted recession, and unemployment remains a low 4%, though joblessness has been rising. While domestic migration from other states to Florida has slowed, it hasn't turned negative. Last year, domestic immigration contributed 166,000 people to Florida's population, down 19% from the five-year average of 206,000, according to the census bureau. Those figures don't reflect the most recent trends.

But there are some signs of trouble in the economy. In July, retail sales declined 2.5% statewide from the same period a year earlier, compared with a 0.5% gain nationally. Car retailer [AutoNation](#) Inc. reported a dip in second-quarter revenue because of "a decline in new-vehicle retail sales especially in California and Florida." Over the past few months, retailers, including [Wal-Mart Stores](#) Inc., [Target](#) Corp. and [Lowe's Cos.](#) Inc. have all reported sluggish sales in Florida.

A Florida rebound would likely require housing prices to fall further than they already have. With the help of subprime and no-money-down mortgages, the state became a place for rampant speculation that more than doubled prices in a four-year period. The price appreciation fueled a refinancing boom that gave consumers access to billions in home equity, and they spent it. Research firm Moody's Economy.com estimates the real-estate sector has been responsible for one in three new jobs over the past few years, everything from mortgage brokers to [Home Depot](#) Inc. stockboys. But the rise in prices also locked out a lot of prospective migrants from other states. While home prices were doubling, the state's personal income rose just 31%. That made it tough for anyone living on Florida wages to crack the real-estate market and recent declines haven't offset that.

What's more, as Florida's population has swelled, the state has created a two-tiered tax system that hit newcomers and part-time residents harder than longer-term residents. For tax purposes, permanent residents receive a \$25,000 "homestead" reduction in the assessed value of their home, which reduces their property taxes. A 1992 amendment to the state's constitution caps the annual increase in residents' assessed home value at 3% a year or the rate of inflation, whichever is lower.

The effect is that over the past few years, as home values have soared, newcomers have paid higher tax bills. For instance, the owner of one North Tampa house assessed at \$214,764 paid \$1,992 in taxes last year, according to the Hillsborough County property appraiser's office. A new owner, who made it his primary residence, would pay about \$3,820 in taxes next year, assuming the house doesn't decline in value.

Rising insurance rates prompted by hurricanes are also eroding Florida's appeal. The average premium for homeowner's insurance in Florida was \$929 in 2004, the fourth-highest of any state in the country. In Hillsborough County, rates on a five-year-old \$150,000 house range from \$940 to \$2,313 a year.

Florida is now scrambling to reduce property taxes and the cost of homeowner's insurance. Over the summer, Gov. Charlie Crist signed a bill to roll back property taxes to last year's level. Next year, Floridians could vote on a constitutional amendment that would lower property taxes by increasing the tax exemption given to permanent residents. New legislation also requires the state-run Citizens Property Insurance Corp. to freeze rates in 2007. The idea is to keep other insurers from raising their prices.

But none of that makes a difference to Mel Graves. He sold his New Hampshire software and advertising systems support company and moved to Florida in 2002. He spent \$275,000 on a house near Sarasota on the Gulf Coast. In 2004, when Hurricane Charley bore down on their home, Mr. Graves and his wife left for their son's place in Tennessee. When the hurricane was past, Mr. Graves returned to Florida and sold the house for almost double what he paid for it.

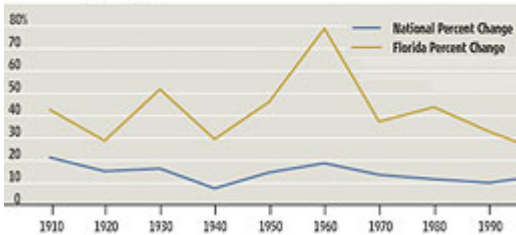
"My wife said 'No way am I staying here,'" he says.

The Graves have decided to settle in Tennessee.

SEE DATA ON FLORIDA'S SLOWDOWN

Florida's Slowdown

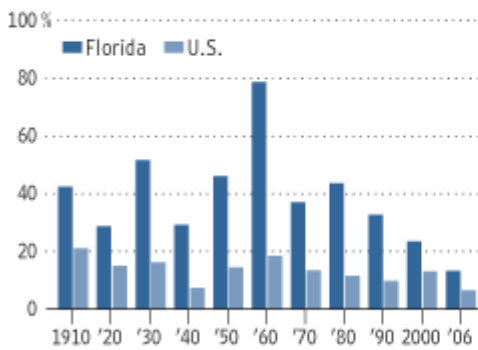
Florida's population growth outstripped that of the U.S. in the mid-1900s but has slowed down since then.



Cloudy Outlook

Long a boom state, Florida is now seeing a slowdown in growth.

Population growth
Change from a decade earlier



Source: Census Bureau

Moving in
Net migration to Florida*



*The difference between migrants moving in and moving out.