Economic Differences: Urban and Rural Areas

Senate Committee on Commerce and Tourism

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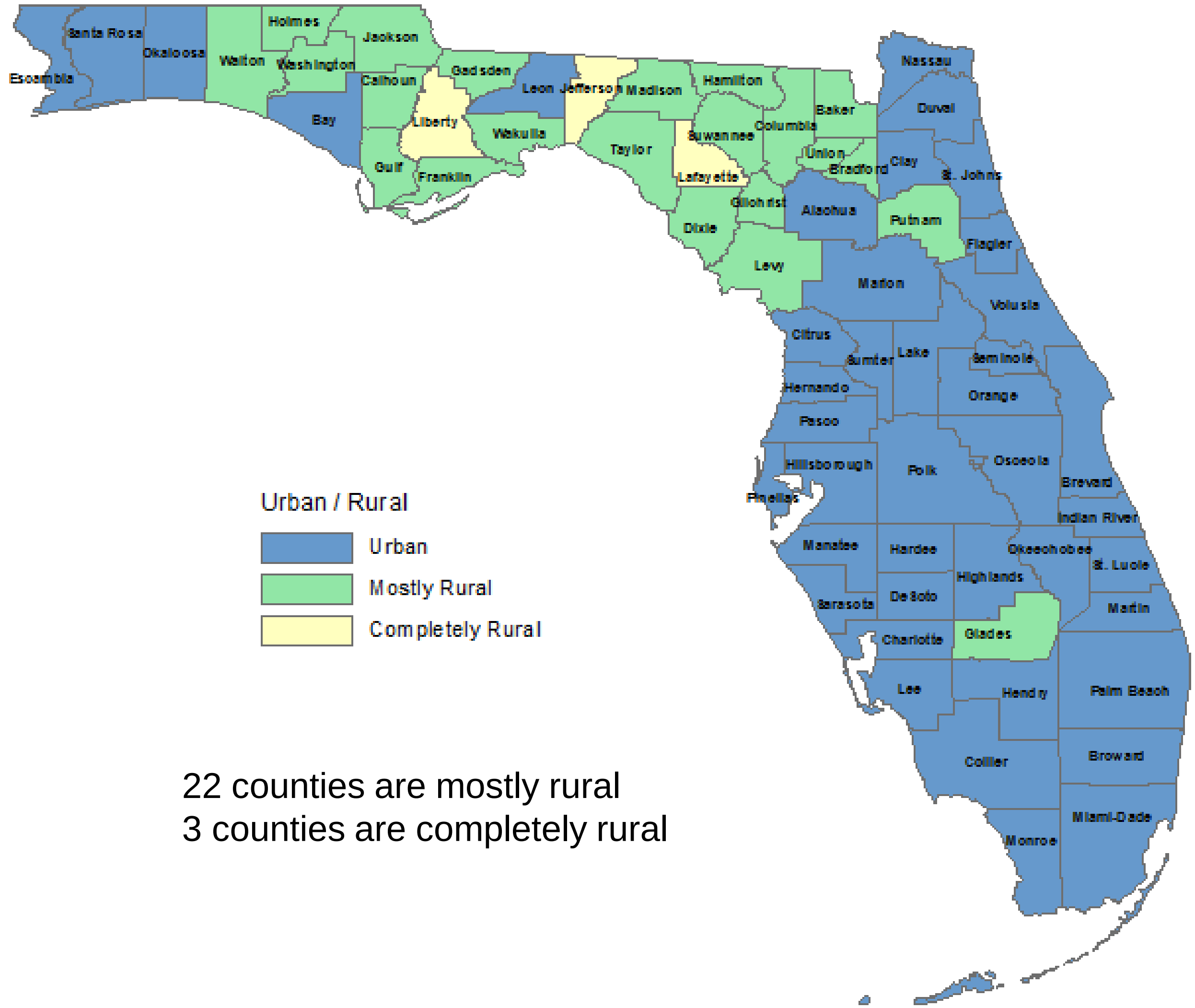
Florida's Urban and Rural Counties
(Based on Census Population Size and Density)…

- The Census Bureau defines rural as all population, housing, and territory not included within an urbanized area (50,000 or more people) or urban cluster (at least 2,500 and less than 50,000 people).
- It defines "rural" at the census tract level, so a county may have a mixture of rural and urban areas as building blocks.
- As a result, the rural portion of Florida encompasses a wide variety of settlements, from densely settled small towns and "large-lot" housing subdivisions on the fringes of urban areas, to more sparsely populated and remote areas.
- In addition to lower overall population, rural areas have a population density of fewer than 500 people per square mile.



22 counties are mostly rural
3 counties are completely rural

Source: US Department of Commerce, Census Bureau, 2010 Census

Florida's Urban and Rural Data…

- **Urban**
  - 91.2% of the state's population lives in urban areas
  - 13.8% of the state's land area is in urban areas
  - 2,315.2 persons per square mile in urban areas
- **Rural**
  - 8.8% of the state's population lives in rural areas
  - 86.2% of state's land area is in rural areas
  - 35.9 persons per square mile in rural areas

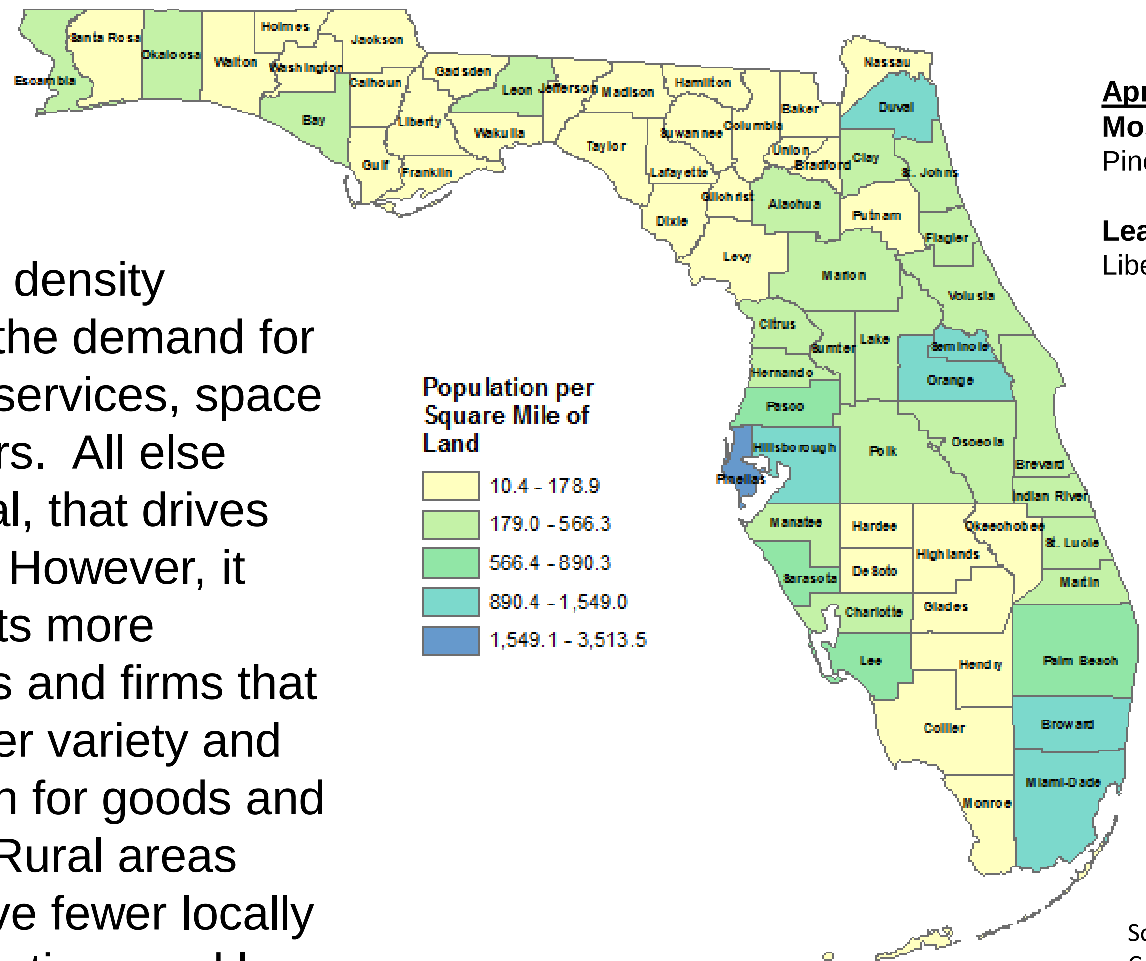
Economic Factors: Why Urban and Rural Areas Differ…

Factors Affecting Costs for People or Firms
• Population density
• Per capita income
• Wages
• Housing cost / Land value (commercial rent)
• Transportation costs
• Job creation

For this group, the higher the factor, the higher the cost of living. Strengths and weaknesses can sometimes be mirror images.

Florida's Population Density…

Population density increases the demand for all goods, services, space and workers. All else being equal, that drives up prices. However, it also attracts more businesses and firms that offer greater variety and competition for goods and services. Rural areas tend to have fewer locally available options and less economic development.



April 1, 2017

Most Dense County:

Pinellas 3,513.5

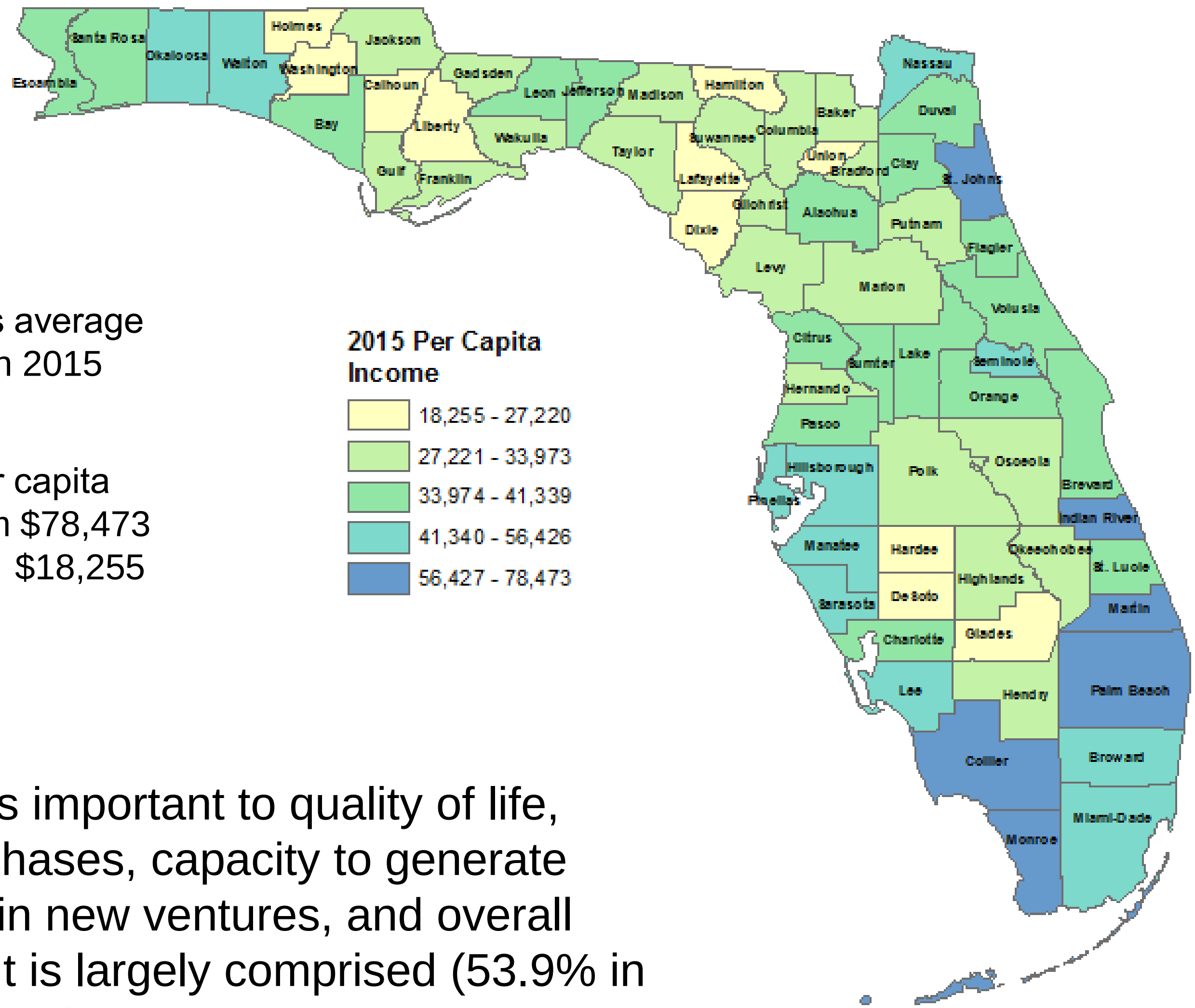
Least Dense County:

Liberty 10.4

Sources: US Department of Commerce, Census Bureau, 2010 Census, Land Area; and Florida April 1, 2017 Population Estimates

Per Capita Income by County…

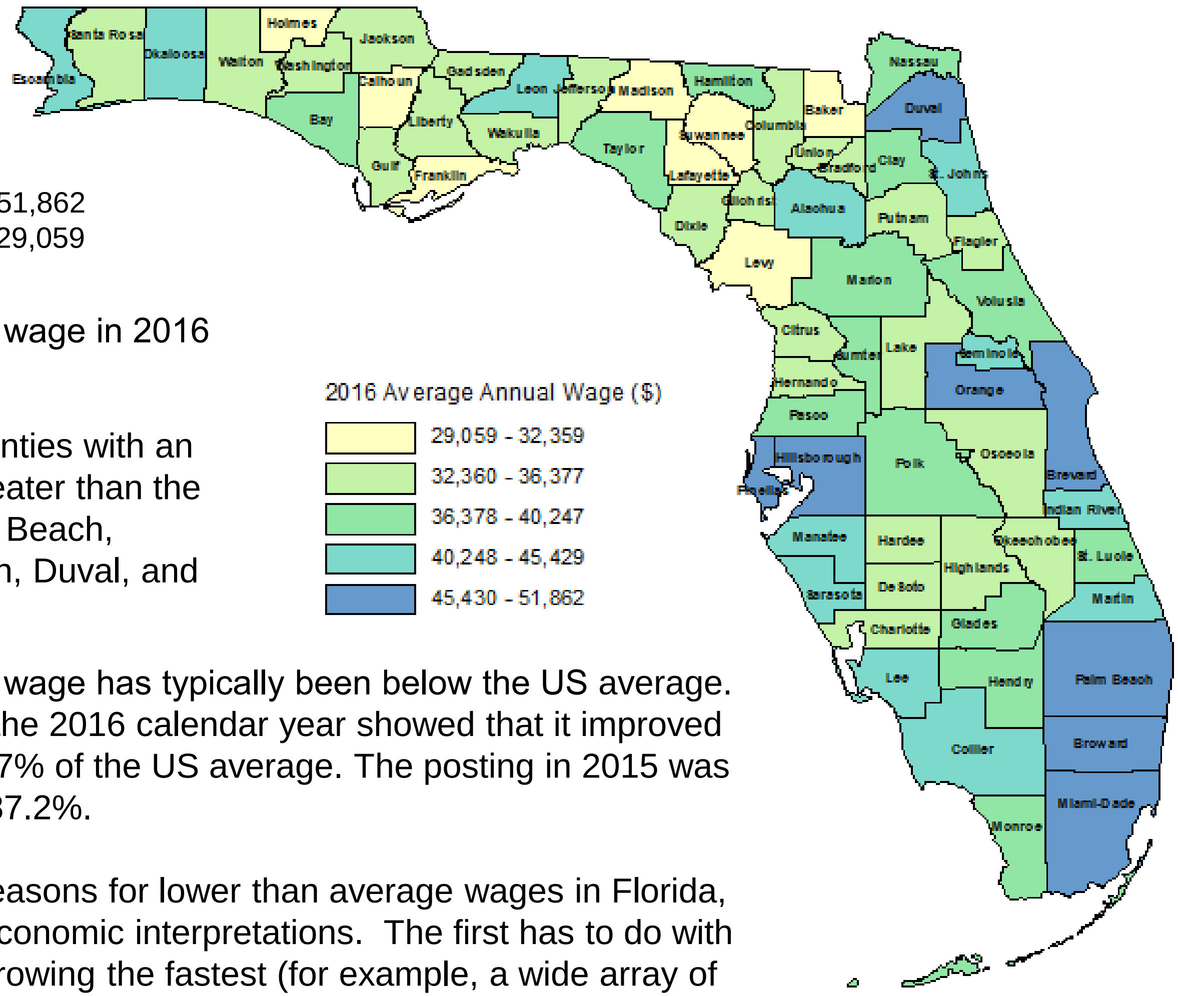
- Statewide, Florida's average per capita income in 2015 was $44,429
- Florida's county per capita income ranged from $78,473 in Collier County to $18,255 in Union County.



Per capita income is important to quality of life, ability to make purchases, capacity to generate savings and invest in new ventures, and overall economic stability. It is largely comprised (53.9% in Florida) of salaries and wages.

Source: US Department of Commerce, Bureau of Economic Analysis; Place of Residence

Average Annual Wage by County…

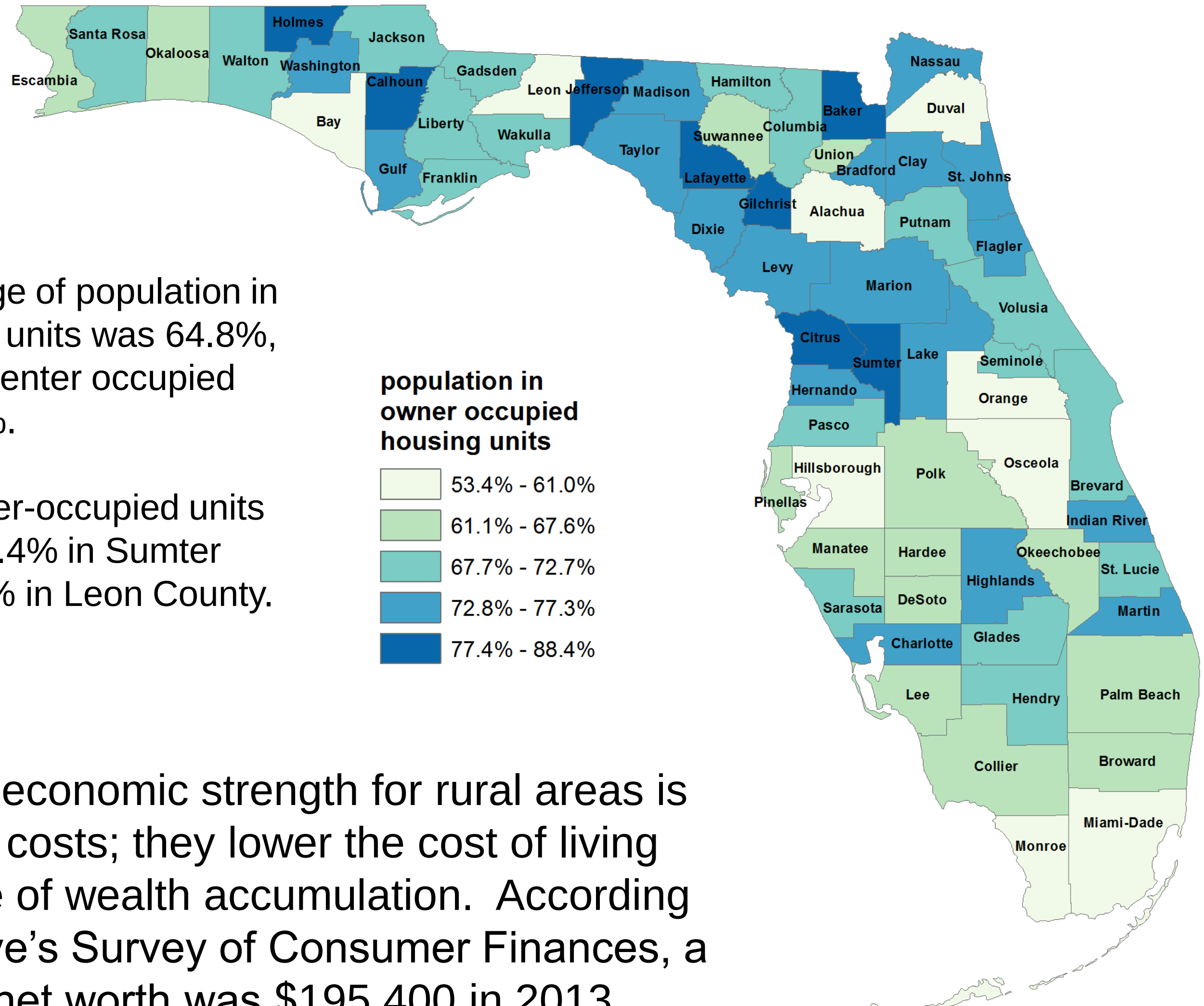


Palm Beach County $51,862
Calhoun County $29,059

- Florida's average annual wage in 2016 was $47,055.
- There were 5 Florida counties with an average annual wage greater than the statewide average (Palm Beach, Miami-Dade, Hillsborough, Duval, and Broward).
- Florida's average annual wage has typically been below the US average. The preliminary data for the 2016 calendar year showed that it improved from the prior year to 87.7% of the US average. The posting in 2015 was 87.4% and in 2014 was 87.2%.
- There are two possible reasons for lower than average wages in Florida, and they have different economic interpretations. The first has to do with the mix of jobs that are growing the fastest (for example, a wide array of wage levels that are heavily influenced by jobs in Accommodations and Food Services which are low-paying). The second has to do with the range and distribution of wages across a community: a narrow band typically has more to do with opportunity and poverty. Urban workers have a higher return to education through higher wages.

Source: Florida Department of Economic Opportunity, Labor Market Statistics, Quarterly Census of Employment and Wages; Place of Work

Homeownership by County…



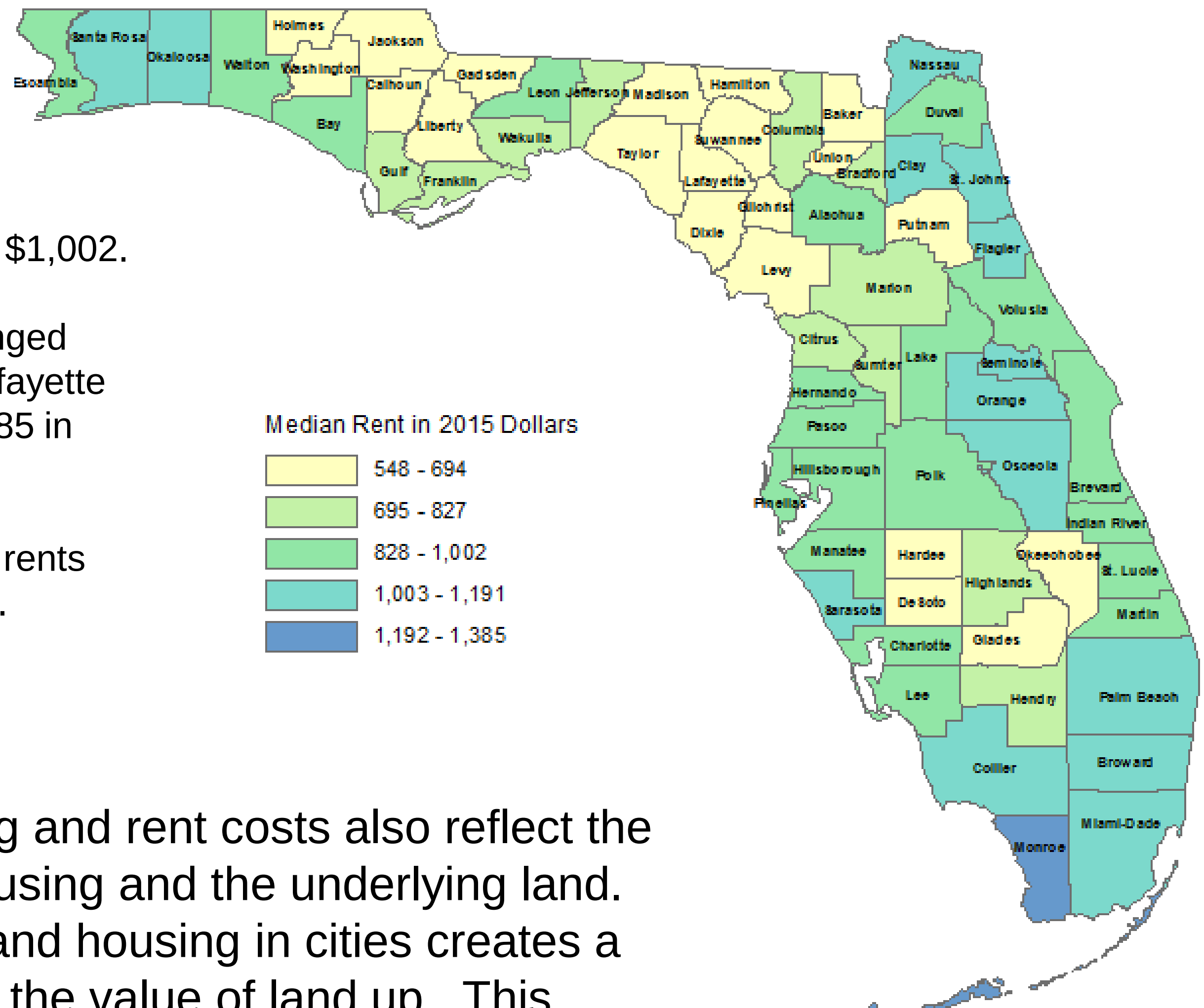
- Statewide, the percentage of population in owner occupied housing units was 64.8%, while the percentage in renter occupied housing units was 35.2%.
- The percentages in owner-occupied units varied from a high of 88.4% in Sumter County, to a low of 53.4% in Leon County.

Perhaps the greatest economic strength for rural areas is low housing and land costs; they lower the cost of living and become a source of wealth accumulation. According to the Federal Reserve's Survey of Consumer Finances, a typical homeowner's net worth was $195,400 in 2013, while that of renter's was $5,400.

Source: US Department of Commerce, Census Bureau, 5-year American Community Survey, 2011-2015

Housing: Florida Median Rent…

- Florida median rent was $1,002.
- County median rents ranged from a low of $548 in Lafayette County to a high of $1,385 in Monroe County.
- 15 counties had median rents above the state average.



However, low housing and rent costs also reflect the lower demand for housing and the underlying land. The scarcity of land and housing in cities creates a constraint that drives the value of land up. This leads to a higher property tax base in urban areas.

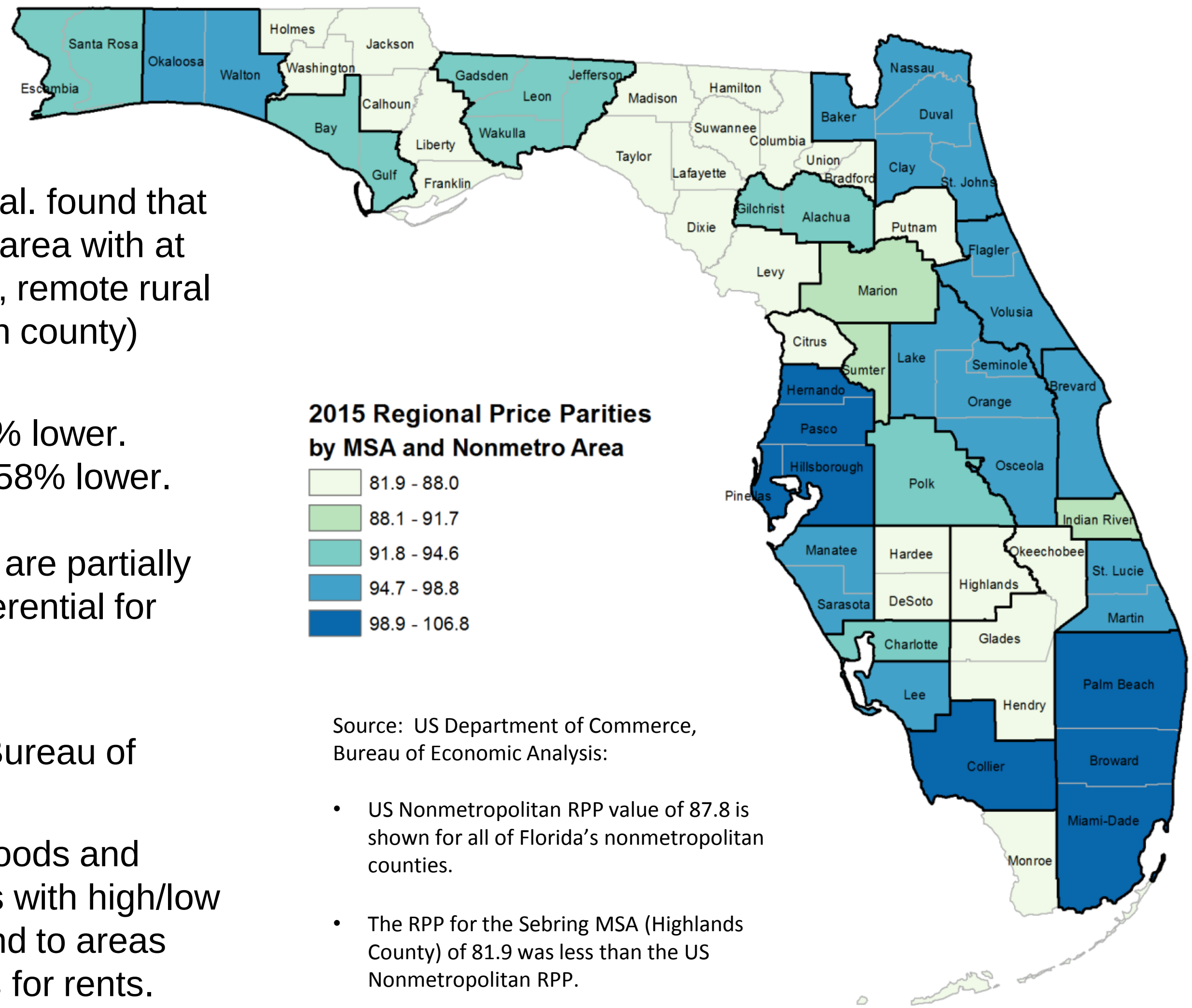
Source: US Department of Commerce, Census Bureau, 5-year American Community Survey, 2011-2015

Linking Wages to Housing and Cost of Living…

- A 2009 study by Partridge et al. found that relative to a US metropolitan area with at least 1.5 million in population, remote rural areas (not bordering an urban county) have:
  - Wages that are up to 43% lower.
  - Housing values that are 58% lower.

- Higher wages in urban areas are partially due to the compensation differential for higher housing costs.

- Regional Price Parities: US Bureau of Economic Analysis:
  - Cover all consumption goods and services; however, areas with high/low RPPs typically correspond to areas with high/low price levels for rents.



Source: US Department of Commerce, Bureau of Economic Analysis:

- US Nonmetropolitan RPP value of 87.8 is shown for all of Florida's nonmetropolitan counties.
- The RPP for the Sebring MSA (Highlands County) of 81.9 was less than the US Nonmetropolitan RPP.

Transportation Costs for Consumers and Businesses…

- Traffic congestion leads to higher costs, lost productivity and injury; however, public transportation or other alternatives to owning a vehicle can partially offset this.
- Distance or proximity to transportation hubs is particularly important to business development and tourism.

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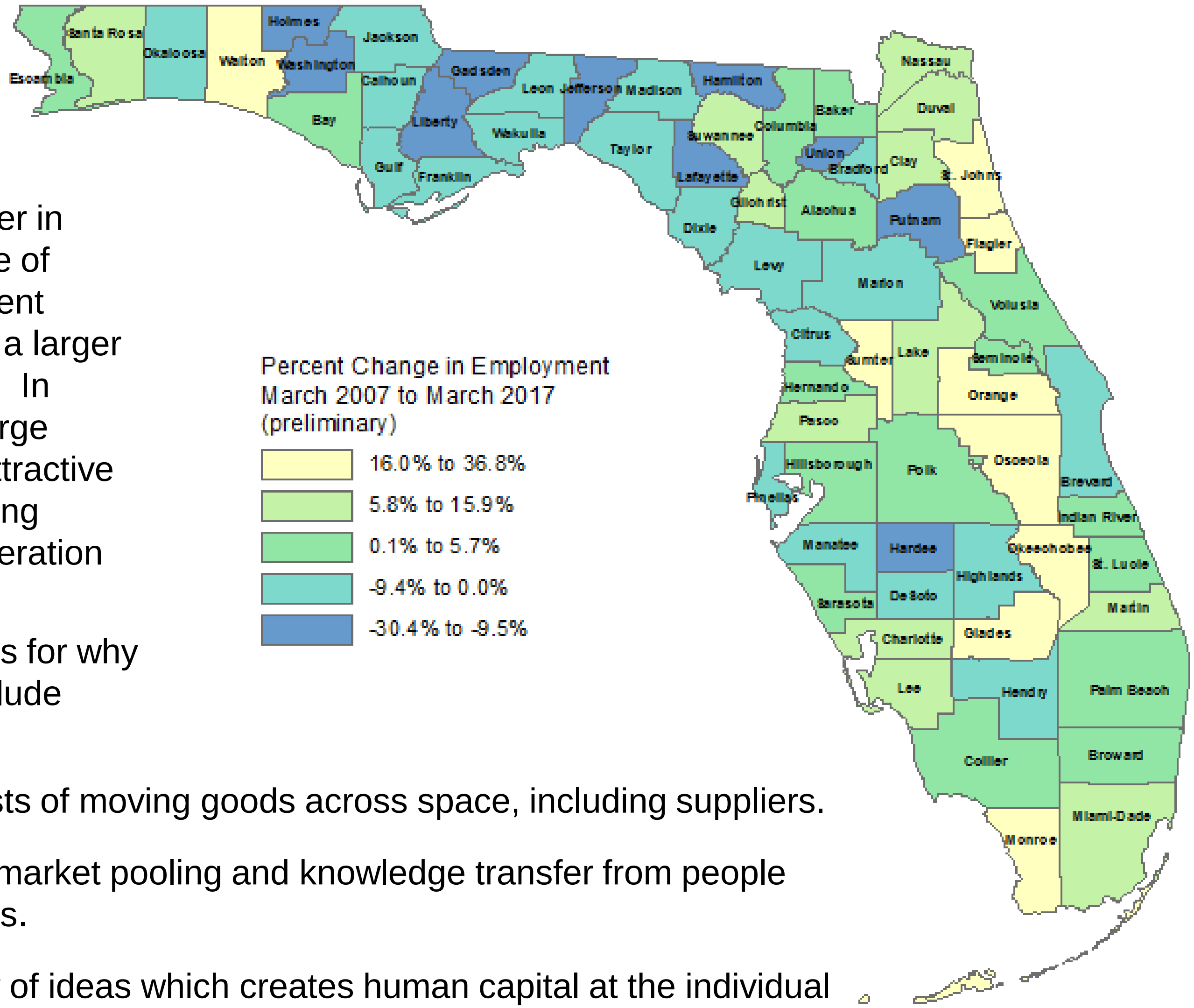
Job Creation Is Higher in Urban Areas...



Job creation is typically higher in urban areas, largely because of population density, the inherent markets they engender, and a larger and more diverse workforce. In addition, urban areas with large populations become more attractive to people and firms by creating economies of scale (agglomeration economies).

Some agglomeration theories for why cities are more attractive include (Glaeser 2009):

- Cities reduce the costs of moving goods across space, including suppliers.
- Cities result in labor market pooling and knowledge transfer from people moving between firms.
- Cities speed the flow of ideas which creates human capital at the individual level and facilitates innovation – human capital spillover.

The New Economy…

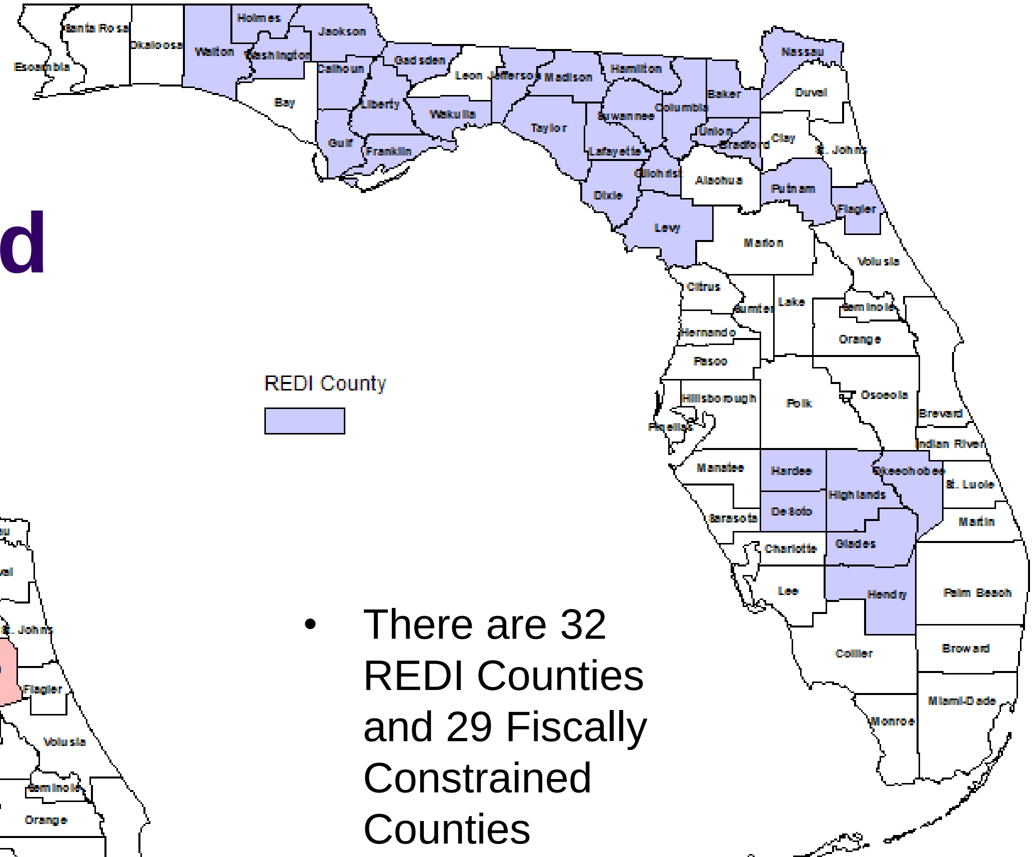
- The new economy, in which many transactions are conducted electronically, has helped bridge some of the differences between urban and rural economies, but not all. Rural areas may be less disadvantaged; however, they are still disadvantaged.

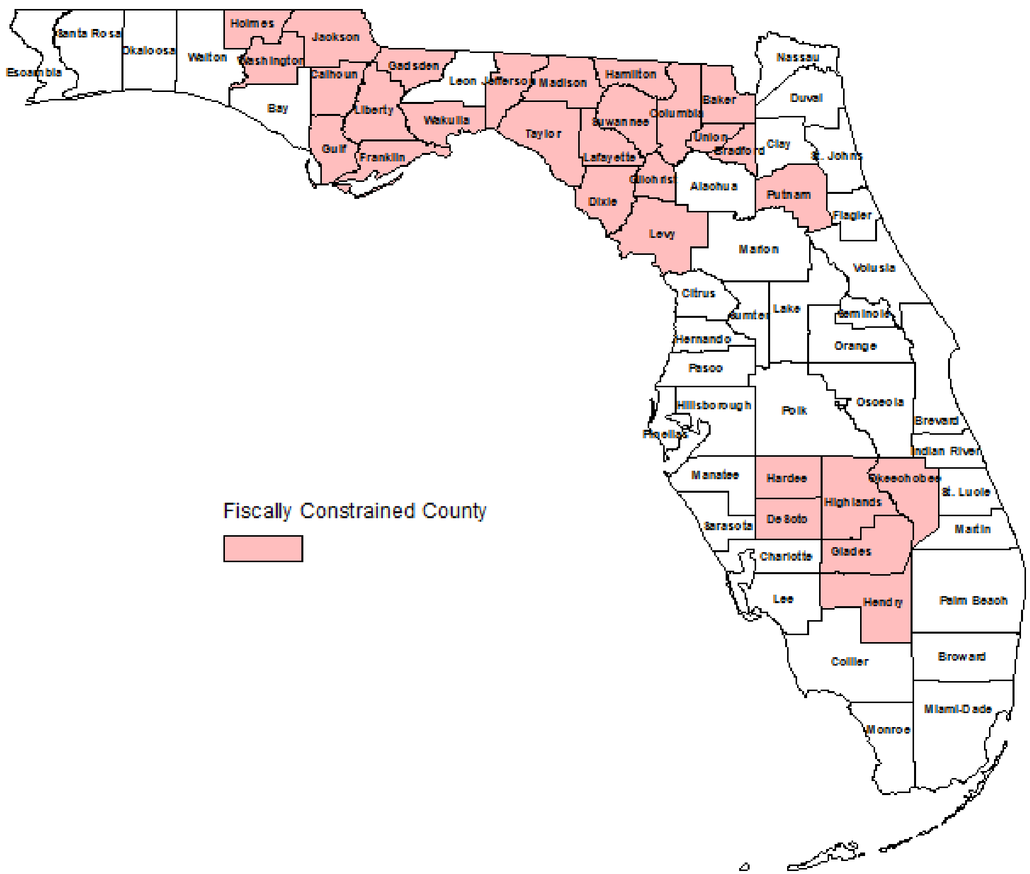
- A significant reason for the remaining disadvantage is low population density rather than remoteness (Kilkenny 2002).
  - Eight Florida counties had a lower population in 2017 than in 2010: Putnam, Bradford, Lafayette, Hardee, Taylor, Jefferson, Hamilton, and Hendry. All except Hardee and Hendry were rural or mostly rural.

- The digital divide still exists (access to information, broadband access etc.).

- Preferences also come into play: consumers generally prefer high wage areas with a greater array of amenities, while firms may prefer the low wage areas for labor costs but the urban areas for the larger / more diverse workforce and transportation savings.
  - Amenities include access to health facilities, entertainment, education, better communication services, etc.
  - In the economic development arena, a lack of amenities and other drawbacks have to be compensated in some other way.
  - Partnerships, visioning and a focus on strengths are important. A head-to-head traditional approach to economic development will not work.

Fiscally Constrained and REDI Counties





- There are 32 REDI Counties and 29 Fiscally Constrained Counties
- The three counties that are REDI counties, but not Fiscally Constrained Counties are: Flagler, Nassau, and Walton

Economic Development Concept...

Economy's Natural or Expected Path

Economic Development

An attempt to shift the Economy's Natural or Expected Path to a "higher" or "better" economic level.

Active Intervention

Population Growth

The state's primary engine of economic growth, fueling both employment and income growth.

Florida is expected to almost double the nation's average annual growth rate between 2015 and 2030, with 92.9% of the growth coming from net migration. Population growth in isolation naturally attracts those businesses that are market dependent. These are projects where the principal reason for a new business to move to Florida or for an expansion of an existing business is that their expected clients will be primarily or solely based in Florida.

An overall strategy that also works for rural areas:

- A broadened focus that includes growing in-state businesses rather than a limited focus on recruiting out-of-state businesses.

- A multi-faceted approach that is inclusive of other policy areas, rather than a limited focus on the traditional toolkit (examples include improving the quality of education; retaining graduates of higher education programs; and, developing different kinds of incentives and programs).

- Formally, this is a grassroots or bottom-up theory of economic development that focuses government efforts on:
  - Helping local businesses find, expand, or create new markets for unique and innovative products (*technical assistance, infrastructure, distribution channels, financing* and *facilitation*),
  - Fostering entrepreneurs and new business development (also called *enterprise development*), and
  - Developing pools of local resources, including human capital, and access to technology (*agglomeration* and *clustering*).