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HOW PROPERTY TAX REFORM Will Reinvigorate South Florida's Economy

BY RICHARD W. BARKETT

No one is saying South Florida's economy is bad these days; but no one is saying it's great, either. The reality is somewhere in between.

While economists who see the glass as "half-full" may be awaiting an up-tick in business across our region, I don't expect that to occur in the near future. In fact, the economic forecast may be better positioned for decline than surge, to use a frequently quoted term. Consider some of the headlines you may have read recently: "Florida Exodus"; "Driven Away by High Costs"; "Leaving South Florida for North Carolina."

Residents fleeing the high cost of living in South Florida for a simpler — and less expensive — life in several Mason-Dixon border states? That's certainly the case. But all these headlines were atop business stories. Businesses that were packing up and leaving for greener pastures to the north.

While many issues need to be addressed to lower the cost of living, one of the most important is that of property taxes. Property taxes in Florida have risen faster than income, inflation and population growth. The state's property tax rules must be modified, to give relief to both residents and businesses.



High property taxes are filling Florida's coffers but forcing fed-up residents and business to move out of state, Richard W. Barkett says.

ONE LEADS TO ANOTHER

The fact is, the stresses faced by our individual residents are creating a ripple effect in business. As a result, our region's overall economy is disrupted. At the heart of the matter are higher real estate prices for homes and businesses, in addition to dramatically increasing insurance premiums and property taxes.

Of course, achieving a more robust economy is not as simple as resolving a trio of complaints, but these three issues have emerged as significant factors in the decision-making process for businesses. Consider the findings of a Greater Miami Chamber of Commerce study conducted by The Metropolitan Center at Florida International University, released in November. Sixty percent of businesses surveyed told researchers that rising housing expenses adversely affected their ability to hire and retain employees.

Miami-Dade County's economic development partnership, The Beacon Council, and Broward's partnership, The Broward Alliance, both have indicated that climbing property taxes and insurance premiums now leave businesses wondering if they may be better off moving out of South Florida. Many already have made that decision: Coleman Cable, Genesis Press, Mako Marine and National Partitions among them.

Reigning in escalating costs associated with home ownership is paramount if we expect South Florida's economy to regain its forward momentum.

PROPERTY TAX FOCUS

The marketplace already has begun exerting pressure on the costs of property. Real estate prices have moderated significantly since peaking in mid-2005. Florida's Legislature has begun working on the challenging issue of homeowner and windstorm insurance relief.

According to Florida Rep. Marco Rubio (R, West Miami), addressing property insurance is only half the battle. In a published commentary, he referred to unaffordable property taxes as the "second threat" facing Florida's economy.

Statistics appear to support his alarm. In the past six years, property tax revenues in the state have climbed by 80 percent, but inflation plus population growth and personal income growth were substantially less than half that. That means property tax revenues have outpaced residents' income growth.

The disparity affects everyone — homeowners, renters, first-time buyers, families looking to relocate and business owners. As property taxes increased faster than our ability to pay, housing became less affordable and Florida economic growth slowed.

The Florida Chamber of Commerce has joined the battle, believing that the property tax crisis has begun to destroy the ability of Florida companies to stay in business. The organization's executive vice president, Mark A. Wilson, suggests that wide-reaching reform is a necessary element in the "overall stability of Florida's economy."

In Florida, property taxes comprise a cornerstone of public spending and we — Florida's residents and businesses alike — are shouldering one of the highest local tax burdens in the nation. The state's tax code is nearly 60 years old and in dire need of change to conform to evolving public needs and demographics.

FORCING CHANGE

Escalating prices, insurance premiums and property taxes — real estate agents and brokers must deal with these issues every day. During the height of the price rise in 2005, real estate professionals told me it was not the cost of homes that deterred would-be buyers. With low interest rates, purchase prices were still manageable. However, the added burden of insurance and taxes pushed monthly mortgage payments beyond their ability to pay.

Florida adopted the Save Our Homes amendment — a step in the right direction, but not far enough. Under its current tax system, the state has created a caste system of sorts that treats some taxpayers differently than others. Homeowners, for example, are protected by limits on how much their property taxes can rise, while rentals and business properties receive no such pro-

tection. As a result, affordable rental property becomes unaffordable for most residents and they move elsewhere, depleting the workforce. And, many businesses have to leave the area, or the state, in order to remain profitable.

Save Our Homes must be amended to encompass businesses as well. We must address problems within the language of the amendment that imprisons growing families in too-small homes and prevents empty-nesters from downsizing because of dramatically increasing property taxes. Once consumers sell a home protected from inordinate tax hikes under Save Our Homes, they face skyrocketing rates — even on property less expensive what they have sold — unless they leave Florida.

The solution is enactment of homeowner tax portability, which would allow residents to carry their current tax savings with them to a new residence. They would still face higher taxes, but the increase would be mitigated.

The argument has been made that tax portability may cripple government's ability to pay for needed services. Early this year, however, the Florida Department of Revenue suggested a portable tax cap on homes would lead to just a 1 percent decline in local tax revenues next year. In other words, the lost revenue would be manageable.

Floridians are caught in a cost-of-living (and doing business) crisis. Left unchecked, more of our human resources will look outside the state for a better lifestyle, and business will follow. Consider one reason why a South Florida company recently decided to move its operations to South Carolina: property taxes that will be less than one-quarter what they are here.

We all have to be smarter about what we need and what we expect from the state. And our lawmakers must be both innovative and realistic in budgeting for those needs. Florida cannot continue to spend beyond what its citizens can afford.

It's time Florida realign its public spending and taxes to this new paradigm and, as part of the solution, property tax reform must become a top priority. Only then will we fully address the housing issues that determine the direction of our economy. ❏

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