



WINTER 2007

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# HOUSING NEWS

Volume 23, Number 1

The Journal of the Florida Housing Coalition, Inc. NETWORK

## Florida Legislators Taking the Lead to Repeal the Cap



Senator King



Senator Geller



Senator Wilson



Rep. Saunders



Rep. Fitzgerald



Rep. Bucher

Senator Jim King (Jacksonville) filed SB 144, Senator Steve Geller (Hallendale Beach) filed SB 180, and Senator Frederica Wilson (Miami) filed SB 368. Representative Ron Saunders (Key West) filed HB 367, Representative Keith Fitzgerald (Sarasota) filed HB 381, and Representative Susan Bucher (West Palm Beach) filed HB 477. Each bill repeals the cap on the state and local housing trust funds.

From the Editor - Jaimie Ross  
*Florida Housing Coalition Board President*

## Repeal of the Cap: Legislative Priority Number One for 2007

In 2005, at the request of Governor Bush, the Florida Legislature enacted a cap on the amount of monies to be distributed into the state and local housing trust funds beginning July, 2007. If the cap is not repealed, the amount of monies distributed into the state and local housing trust funds will be \$243 million per year—with no meaningful increase over time. Florida's landmark legislation will cease to function as intended; the need for housing the elderly, the infirm, and the workforce will continue to rise while the funding to meet that need will stagnate. The following "Fact or Folly" is intended to dispel myths and aid the collective effort to "scrap the cap."

**FOLLY 1:** *The large amount of monies generated by the state and local housing trust funds are a "windfall."*

**FACT 1:** The monies dedicated to the state and local housing trust funds were purposefully tied to documentary stamp taxes so the money distributed into the state and local housing trust funds would increase as real property prices increased and decrease as real property prices decreased. There is a direct nexus between high prices and greater need for subsidy.

**FOLLY 2:** *The recent downturn in the housing market changes the need for full funding into and appropriation out of the state and local housing trust funds.*

**FACT 2:** Although prices may have dropped in the past year, they have not come down anywhere close to the prices of 2002, the last year we had full funding into the state and local housing trust



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The Florida Housing Coalition is a nonprofit, statewide membership organization whose mission is to act as a catalyst to bring together housing advocates and resources so that Floridians have a safe and affordable home and suitable living environment.

*The Housing News Network* is published by the Florida Housing Coalition as a service to its members and for housing professionals and others interested in affordable housing issues.

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The Florida Housing Coalition would like to recognize **BANK OF AMERICA, CITIBANK, WACHOVIA** and **WASHINGTON MUTUAL**, for their partnership, leadership and support as our **PLATINUM SPONSORS**. *We are deeply appreciative.*






fund programs (funded at \$249 million in 2002). Capping the funds at \$243 million would be to fund a level less than the monies generated by 2002 housing prices.

**FOLLY 3:** *Florida's housing providers could not use all the state and local housing trust funds if they were made available.*

**FACT 3:** Florida's state programs are continually oversubscribed; far more applicants than monies available. Florida's local programs have had to significantly reduce the number of families assisted in buying their first home as the gap between Floridian's income and Florida's housing prices increasingly can not be met with the reduced subsidy available (e.g. using subsidies based on an appropriation level from 2002 and housing prices that are double those of 2002).

**FOLLY 4:** *The gap between income and housing prices can be closed by reducing government regulation.*

**FACT 4:** While government regulation increases the cost of housing and significant improvements can be made in this area such as expedited permitting and density as of right, growth must be sustainable with concomitant infrastructure such as roads, schools, and parks. Regulatory reform is a critical tool in the affordable housing tool kit, but it cannot supplant the need for financial subsidy.

**FOLLY 5:** *The Legislature needs to cap the trust funds so that the monies dedicated to affordable housing can be used to balance the budget.*

**FACT 5:** The basic premise that is being used to justify the cap is that the money will be needed to balance the budget, and that repeal of the cap will somehow prevent the budget from being balanced. This is a false dilemma. The cap is on distributions INTO the housing trust funds—once in the trust funds, the legislature can appropriate them as needed. If they are indeed needed to balance the budget, they can be used accordingly. There is no need to cap distributions into

Repeal of the cap is universally supported in Florida as reflected by every major newspaper and constituent group, including the low income advocates and industry groups that participate in the Sadowski Workforce Housing Coalition as follows:


- **AARP of Florida**
- **Associated Industries of Florida**
- **Florida Retail Federation**
- **Florida Coalition for the Homeless**
- **Florida Chamber of Commerce**
- **Florida United Way**
- **Florida Bankers Association**
- **Florida Home Builders Association**
- **Florida Association of Realtors**
- **Florida Catholic Conference**
- **Florida Impact**
- **Florida Legal Services**
- **Florida Housing Coalition**
- **1000 Friends of Florida**
- **Florida League of Cities**
- **Florida Association of Counties**
- **Florida Association of Homes and Services for the Aging**
- **Coalition of Affordable Housing Providers**
- **Florida Association of Local Housing Finance Authorities**
- **Florida Association of Housing and Redevelopment Organizations**

the trust funds in order to respond to potential budget problems when and if they ever happen.

The monies which are statutorily dedicated to the state and local housing trust funds are derived from the documentary stamp tax which was increased for the sole purpose of funding the state and local housing trust funds. In the 14 years that the Sadowski Act has been enacted, there has been only one year when the monies from the state and local housing trust funds were needed to balance the budget—FY03-04—and in that year, a portion of the funds were diverted to general revenue. This proves conclusively that if the legislature needs the state or local housing trust funds for other purposes it is able to appropriate accordingly.

There is no reason to believe that Florida will now and forever after have a budget deficit. If that is indeed the projection, the Legislature needs to look at what the cause or causes of that deficit are and take corrective action. Designing a system for the unusual years when the trust funds will be needed to balance the budget is illogical—the system should be designed for the overwhelming majority of years when the money can be spent on housing.

**FOLLY 6:** *Housing advocates are laying claim to too much money because only half the monies distributed into the state and local housing trust funds are from the increase in the documentary stamp tax.*

**FACT 6:** When the tax was raised on the documentary stamp tax on real property transactions in 1992 it was agreed to by anti-tax industry groups on the condition that twenty cents per hundred would be dedicated to the housing industry— a dime from the increase in the documentary stamp tax effective in 1992 and an equivalent value of revenue beginning in 1995. 

For additional information on the Sadowski Trust Funds go to [www.flhousing.org](http://www.flhousing.org) or contact Jaimie Ross at [jaimieross@aol.com](mailto:jaimieross@aol.com)