

# DAILY BUSINESS REVIEW

## Affordable Housing Wins, Tax Cut Loses in Legislature

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Florida's legislative session adjourned on time this year after passing an \$82.3 billion budget, bringing with it wins and losses for the real estate community, which firmly pushed for a reduction in the business rent tax and more affordable housing funds.

While the latter was successful — funding for affordable housing is at its highest level since 2007 — lawmakers failed to pass a bill that would have reduced the sales tax on commercial leases by 1 percentage point, an issue real estate professionals have consistently advocated.

Opponents say the 6 percent sales tax drives businesses away and deters others from coming. But they realize full repeal of the tax that generates more than \$1 billion a year could take some time.

During the latest session, the tax cut measure was supported by Gov. Rick Scott and the state House but died in the Senate.

"We got closer this year," said Danielle Blake, senior vice president of government affairs and housing for the Miami Association of Realtors.

Backed by nearly 100 members, the association represented South Florida in Tallahassee and pushed for the tax cut and a cap on a controversial estoppel certificate fee. Neither passed.

Rather than reduce the business rent tax, lawmakers moved in a different direction that ended up benefitting homeowners, real estate professionals and public schools, Florida Realtors pointed out.

The Legislature allocated \$428 million to offset higher property taxes for schools, the Orlando-based trade group reported.

The legislation will apply to all property owners, said Trey Goldman, legislative counsel for Florida Realtors.

"They're buying down the taxes that property owners pay," he said. "This in and of itself is fairly significant because everybody is going to get this tax relief. It's not the win that we had hoped for. We had a different use for those monies. But nevertheless, if you are a property owner in Florida, the way the Legislature has passed the tax relief package, you will benefit."



Jason Kellogg, a partner at Levine Kellogg Lehman Schneider + Grossman, said it was a quiet session from the real estate litigation perspective.

### AFFORDABLE HOUSING

Florida Realtors hoped to come out of the 2016 session with a dollar value north of last year's \$175 million for affordable housing.

Lawmakers responded by appropriating more than \$200 million for the Sadowski Affordable Housing Trust Funds this session, the highest level of funding in nine years.

Lawmakers had a bucket of \$324 million to work with. On the table were \$297 million in documentary stamp tax revenues plus a projected balance of \$27 million in housing trust funds as of June 30, according to the Sadowski Housing Coalition, a collection of 30 statewide organizations that came together in 1991 to secure a dedicated revenue source for Florida's affordable housing programs.

But since the financial crisis, housing funds have been routinely swept to other areas.

"It was a very good year," said Mark Hendrickson, who sits on the executive committee of the Sadowski coalition, of this year's allocation. "We will be working to get full funding of the Sadowski trust funds in future years, but the legislation is moving in the correct direction."

Of the \$200 million made available, \$135.5 million will fund the State Housing Initiatives Partnership, or SHIP, which goes directly to

local governments. South Florida will receive nearly \$31 million with \$11.5 million allocated for Broward County, \$10.6 million for Miami-Dade County and \$8.7 million for Palm Beach County. Lawmakers also made a direct appropriation of \$42.3 million.

An extra \$75 million was made available for the State Apartment Incentive Loan, or SAIL, program, which funds apartment construction and rehabilitation. Developers must compete for those funds.

Other wins included a change in statewide water policy that lays the groundwork for a comprehensive water management program, \$500,000 allocated to combat unlicensed real estate activity and a bill requiring faster housing lease approval for members of the military.

It was a quiet session from the real estate litigation perspective, which focuses on condominium and homeowner associations, said Jason Kellogg, a partner at Levine Kellogg Lehman Schneider + Grossman in Miami.

"It could be that the Legislature thinks we're in a good period of balance and that nothing is really needed to kick start or correct this year," Kellogg said.

### WHAT'S COMING

Florida Realtors believes the business rent tax issue will gain momentum during the next session. The organization said repeal of the tax has the potential to add 185,000 jobs and bring \$21 billion back to the state's economy.

Another hot-button issue that may come up is a change in the law on assignment of benefits.

Realtors and insurers are seeking to address escalating water-damage claims, which could lead to 10 percent annual rate hikes for policyholders in the state-backed Citizens Property Insurance in South Florida, where the claims are most prevalent.

Assignments of benefits occurs when homeowners facing repairs sign over their insurance benefits to contractors, who then pursue payments from insurance companies on the owners' behalf. The insurance industry contends this mechanism leads to fraud and more lawsuits.

"This is the fourth year the Legislature has considered it," Goldman said. "We're sure this will be back next year."

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