

Testimony to Senate Budget and Taxation Committee
by
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on
**SB0446 (Local Government – Condominium and Homeowners Associations –
Repair and Rehabilitation Funds)**

The collapse of a condominium building in Surfside Florida a few years ago is a stark reminder to all of us how difficult it is for boards of directors of associations that govern common ownership communities to collect enough funds to adequately and timely maintain their infrastructure.

The problem is that developers build these communities, but too often it's those associations that have to pick up the cost of repairing their common elements. And, that cost has turned out to be huge and unaffordable.

Excessive burden on associations. When local governments approved development plans, too many underestimated how much of a burden they would impose on associations. The governing documents drafted by the original developers made the situation worse because there are serious restrictions on how much the associations can raise their annual assessments. So, over the past 50 years, older communities could not collect enough money to adequately fund their reserves, and even if those restrictions are eased, the total amount of money needed is still so massive that it is impractical and unfair to extract them from today's residents.

Serious inequity issue. Much of an association's infrastructure, like roads and stormwater facilities, are types of facilities that governments normally provide. But, in too many development cases, local governments agreed with developers to declare that such facilities are private, and by so doing saddled the associations of the communities with the burden of repairing them. Meanwhile, in other cases, they declared that such facilities were public, and therefore local governments would be responsible for such repairs. Those differing decisions have caused a serious inequity among common ownership communities. It has created an arbitrary divide of haves and have-nots, with some associations paying little or nothing to repair their infrastructure, while other associations having to pay the entire cost.

Bill resolves inequity. This bill allows local governments to create Repair and Rehabilitation Funds that help resolve that inequity and place all community associations on an equal financial footing. It also removes double taxation, whereby residents of some communities not only pay assessments to their associations to restore their own infrastructure but also pay property taxes to local governments to pay for restoring the infrastructure of other comparable communities.

Bill is enabling legislation. This bill simply enables counties and cities, if they so choose, to allow all community associations to recoup, via local grants from the fund, a percentage of the property taxes that their residents pay each year to local governments. The grants would prevent further deterioration of common elements that are unsafe and detract from such communities, and help avoid depressed property values and the resulting negative impact and a drain on local governments' property tax income.

Similar in concept to TIF. Such a fund is generally similar to TIF (Tax Increment Financing), whereby the State has authorized local governments to create a fund that developers could use to recoup a portion of their development's property taxes to pay for their development's infrastructure. Just as TIF is a justified resource for developers, the proposed Repair and Rehabilitation Funds would be a justified resource for community associations.

For the above very important reasons, I urge a favorable report for SB0446.