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THE EVERGLADES Drop in tax revenue might sour deal to buy U.S. Sugar land

03/10/2009
Miami Herald
Klas, Mary Ellen

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South Florida's steep drop in property values threatens to claim another victim: the governor's \$1.34 billion plan to buy U.S. Sugar Corp. land for Everglades restoration.

Property values are expected to drop 12 percent statewide in the 2009-10 budget year but in the 16 counties that make up the South Florida Water Management District, property values have dropped at least 14 percent, early state estimates show.

It raises the question of whether we can "afford this deal," said Sen. J.D. Alexander, the Lake Wales Republican who is the Senate budget chief and a vocal opponent of the \$1.34 billion proposal.

The water management district draws much of its annual budget from property taxes on the 16 counties it oversees, including Miami-Dade, Broward, Palm Beach and Monroe. Without the expected tax revenue, district officials acknowledge they may not be able to afford the estimated \$100 million in annual debt payments to bankroll the deal. "I'm deeply concerned," said Shannon Estenoz, vice chair of the South Florida Water Management District's governing board. "There is just an irony about this. It's the best land to buy at the worst possible time."

But Gov. Charlie Crist, the architect of the deal, said Monday that he hopes the declining property values won't interfere with his ambitious plan to buy up 180,000 acres of U.S. Sugar land. If it does, he is open to considering other options. "There may be a way to sort of modify it to save some money in light of [declining tax revenues]," Crist said.

Among the options the governor's staff and water management district officials are considering is a plan to scale back the deal by allowing other property owners, such as Florida Crystals and other yet-to-be-named parties, to purchase the sugar mill and other pieces of land that the state buys from U.S. Sugar.

The deal would involve a transaction that allows the state to buy the U.S. Sugar property and then simultaneously sell parts of it.

"Because of the economic conditions today people are raising a lot of questions about whether you want to do this deal," said Robert Coker, vice president of public affairs for U.S. Sugar. "It's forcing a lot of people to go back and be as creative as they can to find ways to get that goal accomplished."

At Estenoz's behest, the governing board inserted a financial "out" clause when it approved the \$1.34 billion contract with U.S. Sugar in December, cautioning that the state's deepening financial crisis could undermine the agency's ability to close the deal. The board can withdraw the offer if financing the purchase threatens to bankrupt the agency's budget or gut "core" operations.

State economists meeting at the Revenue Estimating Conference last week concluded that property values throughout the state will drop 12 percent in the next budget year.

The Herald/Times analyzed the economists' data and found that, if the numbers are correct, the 16 counties of the water management district should expect a 14 percent drop in property values in the 2009-10 budget year.

That would reduce the district's total ad valorem revenue value from \$522 million in 2008-09 to \$449 million. In the previous year, the district's property-tax revenue dropped only 5 percent.

Estenoz, who did not attend the Tallahassee hearing, said the decision about whether to pull out is up to the board. All but one of eight were appointed by Crist, who has championed the deal.

Once the agency has final revenue numbers and credit costs, she said board members would have to weigh any trade-offs before deciding whether to close the deal. "I don't think we can answer the question yet," she said.

The district has until Sept. 1 to sign off on the deal that will enable the state to purchase 30-year bonds. County tax collectors have until July 1 to certify the final property values.

Staff writers Marc Caputo and Steve Bousquet contributed to this report.

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President of foundation expects to recover in time

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President of foundation expects to recover in time

By Joel Feick

FLINT (WJRT) -- (03/09/09)--If your retirement or 401-K is tied to the stock market, you know just how brutal this past year has been.

The Community Foundation in Flint is heavily tied to stocks, so its losses last year are staggering. But its president says it's confident in the recovery.

Nearly all investors are hurting these days. Despite its diversified portfolio, the Community Foundation of Flint experienced a particularly rough 2008.

It still has about \$100 million in assets. Community Foundation President Kathi Horton says the losses won't change the mission.

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Because of the 26 percent drop in its portfolio, Horton is implementing changes.

"Wage freezes and reduced benefits," she said.

Its funds are being used to help restore the former Durant Hotel, along with a Habitat for Humanity restoration on Stockton Street.

It's also investing in the two restaurants on the ground floor of the downtown building it now owns.

"If all goes as planned, in about four weeks, we can have this conversation in the 501 Bar & Grill or Wise Guys Pizza," Horton said.

Because the foundation is invested in U.S. Sugar and it may be sold to the state of Florida later this year, the foundation could benefit big time.

But Horton says it's far from a certainty.

Comment on this story below and we may read what you have to say on the air.

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Deepening plunge in property values could herald future tax-rate hikes in South Florida

03/09/2009

Palm Beach Post - Online

PAUL QUINLAN

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WEST PALM BEACH An historic plunge in property values this year means that many homeowners could see their property taxes rise at the time they can least afford it.

Meanwhile, budget-writers for local government agencies are scrambling to overhaul their tax and spending plans in preparation for a scenario much worse than their earlier, worst-case projections.

With property values falling, local governments would have to raise their tax rates just to take in the same amount of money as they did last year - a step some have not taken in more than a decade.

Statewide property values are now expected to plunge 12.9 percent, with values in Palm Beach, Martin and St. Lucie counties seeing drops of 12.6 percent, 4.4 percent and 14.2 percent, respectively. 'In historical terms, I don't know that we've ever had a drop of that size in one year,' Gary Nikolits, Palm Beach County property appraiser, said of the latest projections released last week. 'Historically, property values don't go down in Florida.' Nikolits said he expects final numbers due out in June to be worse, with Palm Beach County losing between 15 and 17 percent of its total taxable real estate value, or as much as \$45 billion. By comparison, the county's taxable value fell 7 percent last year, the worst drop in three decades.

The projections raise new questions about Gov. Charlie Crist's plan to have the South Florida Water Management District purchase U.S. Sugar's 180,000 acres of farmland in preparation for future Everglades restoration efforts. Crist and proponents of the \$1.34 billion land deal had said it could be done without raising the property taxes the district levies across all or part of 16 counties, which are now expected to lose 14.9 percent of their taxable property value, according to district officials. Water managers' worst-case financial plan predicted a drop in taxable property values of only 9.3 percent. District Executive Director Carol Wehle said her staff still has not proposed a tax increase but is redrawing financial projections based on the unexpectedly sharp drop. 'I don't think any local government agency in the state of Florida was anticipating as deep a cutback,' Wehle said. County department heads, which were asked to prepare their budgets for next year assuming a 10 percent cut, could now be asked to prepare to slash more, said county finance director Liz Bloeser.

Last month, County Administrator Bob Weisman told commissioners that they would either have to raise the tax rate by nearly 8 percent next year or dramatically cut services - advice

that assumed only a 5 percent decline in the county's tax rolls. They now predict this year to bring layoffs and service cuts even worse than last. 'We' re going to be adding to that unemployment rate, unfortunately,' said Bloeser. Staff writer Jennifer Sorentrue contributed to this story.

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