

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Policy and Steering Committee on Ways and Means

BILL: CS/SB 2160

INTRODUCER: Finance and Tax Committee and Senator Storms

SUBJECT: Real Property Assessment

DATE: April 15, 2010 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Gizzi	Yeatman	CA	Favorable
2.	Fournier	McKee	FT	Fav/CS
3.	McVaney	Coburn	WPSC	Favorable
4.				
5.				
6.				

Please see Section VIII. for Additional Information:

- | | | |
|------------------------------|-------------------------------------|---|
| A. COMMITTEE SUBSTITUTE..... | <input checked="" type="checkbox"/> | Statement of Substantial Changes |
| B. AMENDMENTS..... | <input type="checkbox"/> | Technical amendments were recommended |
| | <input type="checkbox"/> | Amendments were recommended |
| | <input type="checkbox"/> | Significant amendments were recommended |

I. Summary:

Between 2004 and 2007, numerous homes were built with drywall imported from China. This imported drywall is now under investigation for causing harm to homes, personal possessions, and human health. The defective drywall, coupled with depreciating home values, has rendered some homes valueless and exacerbates the current housing crisis. Homes with defective drywall may even depress the property values of adjacent homes. The extent of the defective drywall problem is unknown.

The bill requires property appraisers to adjust the assessed value of affected single-family residential property by taking into consideration the presence of imported drywall and the impact it has on the assessed value. If the building cannot be used for its intended purpose without remediation or repair, the value of the building shall be \$0.

If the affected property is homestead property, it will not be considered abandoned if the owner vacates the property during repairs and does not establish a new homestead.

The bill contains a provision that the law will be repealed on July 1, 2017, unless reviewed and reenacted by the Legislature before that date.

The Revenue Estimating Conference Impact Conference has estimated that the provisions of this bill will have an indeterminate negative impact on local government revenues.

This bill creates s. 193.1552 of the Florida Statutes.

II. Present Situation:

Between 2004 and 2007, numerous homes were built with drywall imported from China. This imported drywall is now under investigation for causing harm to homes, personal possessions, and human health. The defective drywall is associated with a sulfurous odor (the smell of rotten eggs or fireworks), corrosion of household metals such as copper, and health complaints such as asthma, nosebleeds, coughing, headaches and insomnia. Homeowners with Chinese drywall have reported that they have had to replace their air conditioners and other appliances more frequently than would be necessary under normal conditions.

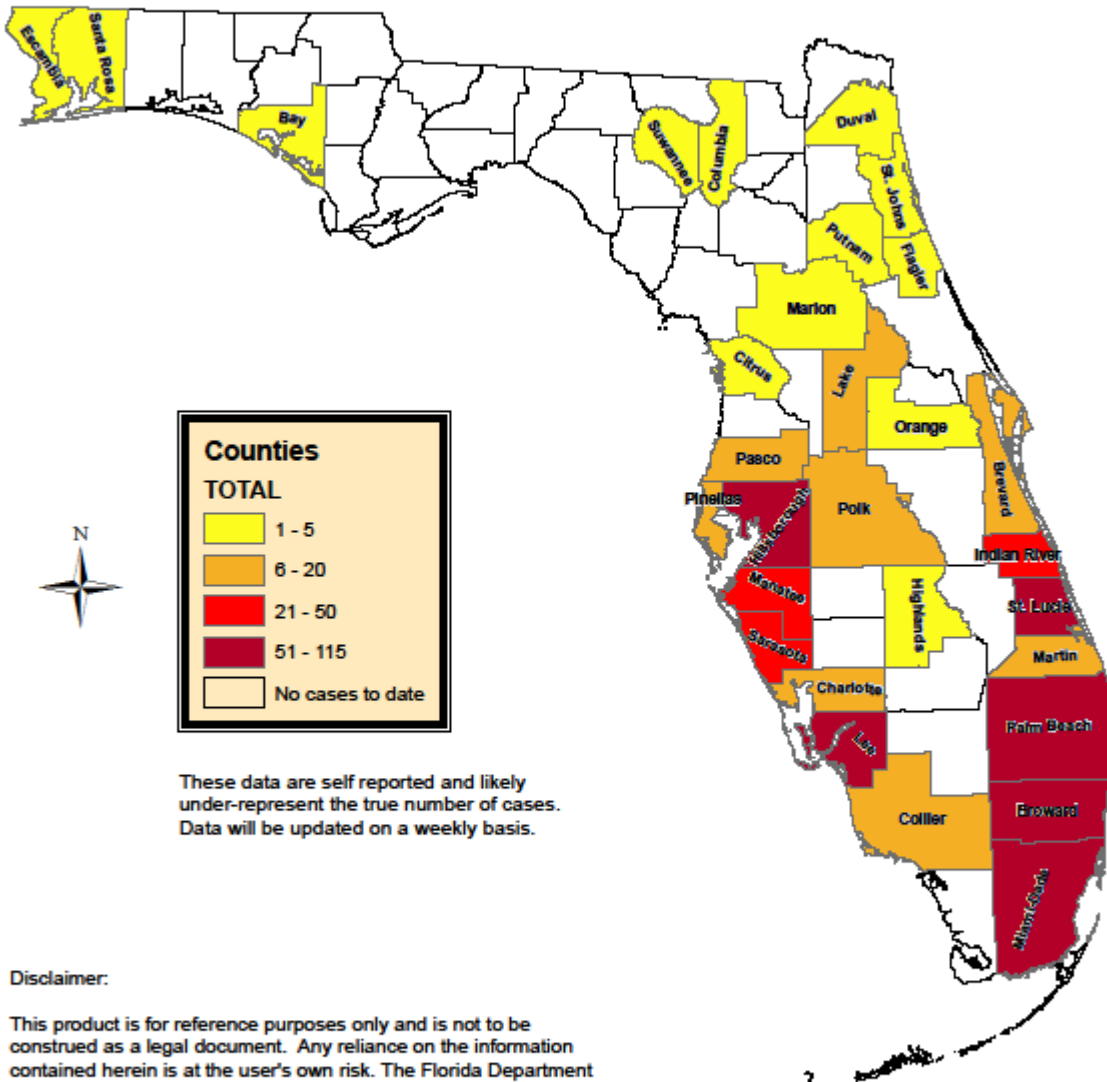
Property appraisers in affected counties have recognized that the presence of defective drywall has reduced the value of these homes and have lowered their assessments, as required under s. 193. 011, F.S., which specifically cites the present cost value of property and its condition as factors to be considered in determining just value. There is no statewide policy addressing this situation, and property owners in different counties may receive different treatment.

On April 2, 2010, The U.S. Consumer Product Safety Commission (CPSC) issued interim remediation guidance to help homeowners struggling to rid their properties of problem drywall linked to corrosion of metal in their homes such as electrical components. Based on scientific study of the problem to date, the Department of Housing and Urban Development and CPSC recommend consumers remove all possible problem drywall from their homes, and replace electrical components and wiring, gas service piping, fire suppression sprinkler systems, smoke alarms and carbon monoxide alarms. Taking these steps should help eliminate both the source of the problem drywall and corrosion-damaged components that might cause a safety problem in the home¹.

¹ <http://www.cpsc.gov/info/drywall/hud10068.html>

Reports of Drywall "Cases" to DOH County Health Departments

March 1, 2010
(N = 678 in 30 counties)



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<http://www.doh.state.fl.us/environment/community/indoor-air/drywall.html>



Most of the drywall was imported from China through companies such as Knauf Plasterboard Tianjin, Beijing New Building Materials (BNBM), and Taian Taishan Plasterboard.² The U.S. Consumer Product Safety Commission (CPSC) has received 3,082 reports from residents in 37 states and the District of Columbia who believe their health symptoms or the corrosion of certain metal components in their homes are related to the presence of defective drywall. The majority of the complaints (59 percent) have been from homeowners in Florida. State and local authorities have also received more than 678 reports of problems associated with Chinese drywall.³

III. Effect of Proposed Changes:

The bill creates s. 193.1552, F.S., to define the term “imported drywall” to mean drywall that contains elevated levels of elemental sulfur that results in corrosion of certain metals.

The bill directs property appraisers to adjust the assessed value of single-family residential property affected by imported drywall by taking into consideration the presence of the drywall and the impact it has on the assessed value. If the building cannot be used for its intended purpose without remediation or repair, the value of the building must be assessed at \$0. To qualify, a home must have imported drywall that has a significant impact on the just value of the property and the purchaser was not aware of the presence of tainted imported drywall at the time of purchase.

The bill provides that homestead property to which the provisions of the bill apply must be considered damaged by misfortune or calamity under the provisions of S. 193.155(4)(b), F.S., thereby resulting in the remediation and repairs not increasing the assessed value of the property, so long as the square footage limitations are followed. Moreover, the homestead property will not be considered abandoned if an owner vacates the property during repairs and does not establish a new homestead.

Once the remediation and repairs have been complete, affected properties will be assessed as if the imported drywall had not been present.

The provisions of the bill will be repealed on July 1, 2017, unless reviewed and reenacted by the Legislature before that date.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

Section 18(b), Article VII, of the State Constitution requires any general law that would reduce a local government’s authority to raise revenues in the aggregate, to be passed by a two-thirds vote of the membership of each house of the Legislature. By reducing the tax base upon which counties and municipalities raise ad valorem revenue, this bill reduces their revenue-raising authority.

² See *Origins of Chinese Drywall*, SARASOTA HERALD-TRIBUNE, available at www.heraldtribune.com/assets/swf/SH16188424.swf (last visited August 10, 2009).

³ <http://www.cpsc.gov/info/drywall/where.html>

An exemption from the mandates provision may apply if the expected fiscal impact of the bill is less than \$1.9 million. For a number of reasons, including the uncertainty regarding the number of properties affected and a clear understanding of how different property appraisers are dealing with the issue under existing law, a precise estimate cannot be developed. As a guide, however, if it turns out that more than 5,000 properties are affected and each property's assessment is reduced by \$22,500 below what the property appraiser would have otherwise reduced the assessment, the \$1.9 million threshold will be exceeded. Therefore, in an abundance of caution, the Legislature should consider passing this bill by a two-thirds vote.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

The Revenue Estimating Conference Impact Conference has determined that this bill will reduce local property tax revenue by an indeterminate negative amount.

B. Private Sector Impact:

Property owners will receive tax relief if their property was built using defective building materials or construction techniques.

C. Government Sector Impact:

The Revenue Estimating Conference Impact Conference has determined that this bill has an indeterminate negative impact on local government revenue.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Additional Information:

- A. **Committee Substitute – Statement of Substantial Changes:**
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

CS by Finance and Tax on April 6, 2010:

The committee substitute applies to single-family residential property affected by imported drywall, and provides that the property appraiser must take into account the presence of the imported drywall in valuing the property. If the residential building cannot be used for its intended purpose without remediation or repairs it is valued at \$0.

The section of Florida Statutes created by the bill is repealed July 1, 2017, unless reviewed and reenacted by the Legislature on or before that date.

- B. **Amendments:**

None.