



GREENE COUNTY DAILIES

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The Cape Coral Story — Part II

By **BILL TAYLOR**

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It seems to me that our society is obsessed with the idea that behind almost all negative news there is some kind of conspiracy - you know, those evil villains lurking in the background who are manipulating things for their own purposes. To be sure that are plenty of rascals around that are trying to do their dastardly deeds for fun and profit, but does that mean every unfavorable or even disastrous happening can be attributed to some fiendish plot? Let's see what has happened in the case of Cape Coral, Florida, which has recently been identified as having the highest home foreclosure rate in the entire country.

As noted in Part I of this little tale, Cape Coral is a planned city with the streets, canals, four lane boulevards, utilities, parks and such all laid out long before there were many people living there. Then a few years ago a variety of people more or less "discovered" Cape Coral had lots of potential, both as a place to call home and as a place for business and investment. As a result there was quite a boom in the real estate business.

Coincidentally, this was about the same time that Hurricane Charlie hit the area causing both destruction and damage to lots of buildings. The combination of the real estate boom and the reconstruction after Hurricane Charlie pushed the cost of both construction material and labor to much higher levels. One result of these two factors was that prices for new construction escalated as did the value of existing homes. But that doesn't explain the high mortgage default rate.

Florida doesn't have an income tax - that's one of the big drawing cards for folks to relocate there, particularly from states that do. But in the absence of an income tax, state and local authorities have had to find other ways to raise money.

One of the primary means of getting funds is real estate property taxes. As elsewhere, the amount of tax on each parcel of real estate is based on the assessed value of that piece of property. In the case of Cape Coral, the assessed value of homes has gone sky-high in the past few years, and real estate taxes have gone up accordingly. In addition, the tax rate has increased considerably because of the increased expenses with the expanded population. The result has been that homeowners find themselves facing incredibly high tax bills.

By the way, Florida has a two-level real estate tax system where non-residents pay many times the amount of taxes on similarly valued real estate than do Florida residents. This has hit the "snowbirds" (or seasonal residents) who own homes in Florida particularly hard. In fact, real estate taxes have been such a big problem for all homeowners throughout the state that a "taxpayer revolt" has led to recent changes to the tax code which have capped the annual increase in real estate taxes; furthermore, moves are now afoot to reduce property taxes by 25% in an effort to help homeowners. All in all, real estate taxes have gotten to the place where a number of homeowners, both full-time and part-time residents, are having great difficulty in coming up with the money.

To add to the financial woes of homeowners, insurance costs have absolutely gone through the roof since the flurry of hurricanes a few years ago. In addition to regular homeowner insurance, there is a separate "hurricane" rider that adds a monstrous fee. Then there is flood insurance to cover rising water damage that isn't covered by any other policy. The state has made attempts to force insurers to lower these incredibly high premiums, but to little avail. And so, the combination of the cost of insurance coverage which mortgage companies insist on, added to the huge taxes, has driven many homeowners to financial despair - eventually to the point where they can no longer keep their homes.

There are other factors at play such as Florida's a system of "impact fees" that are assessed on new construction. These fees, which must be paid "up front" and can amount to as much as \$30,000 or more on a one family dwelling, are supposed to help pay for the "impact" of new construction on schools, roads, and other infrastructure but the effect is to drive the cost of homes even higher. Interestingly enough, Lee County, where Cape Coral is located, is seriously considering having an impact fee holiday for a year or so to help the housing situation, but the school system is yelling bloody murder because there are many millions at stake.

Oh, I'm sure there are some villains who have made those nasty sub-prime loans to people in Cape Coral, and there are adjustable rate mortgages just waiting to squeeze the unwary homeowner. But the more a body looks at the situation in Cape Coral, it sure appears the combination of market forces, the tax and fees systems, and insurance premiums have had a much greater influence on the high mortgage foreclosure rate than have conniving plots on the part of some scoundrels. At least that's how it seems to me.

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