

**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.)

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Prepared By: The Professional Staff of the Committee on Community Affairs

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BILL: SB 194

INTRODUCER: Senator Hukill

SUBJECT: Redevelopment Trust Fund

DATE: September 24, 2015      REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Present	Yeatman	CA	<b>Pre-meeting</b>
2.			FT	
3.			FP	

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**I. Summary:**

SB 194 adds hospital districts to the list of taxing authorities in s. 163.387, F.S., that are exempt from making annual appropriations to a redevelopment trust fund in any community redevelopment agency created on or after July 1, 2016.

**II. Present Situation:**

**Community Redevelopment Act**

The Community Redevelopment Act of 1969<sup>1</sup> authorizes a county or municipality to create community redevelopment agencies (CRAs) as a means of redeveloping slums and blighted areas. In accordance with a community redevelopment plan,<sup>2</sup> CRAs can:

- Enter into contracts;
- Disseminate information;
- Acquire property within a slum or blighted area by voluntary methods;
- Demolish and remove buildings and improvements;
- Construct improvements; and
- Dispose of property at fair value.<sup>3</sup>

Counties and municipalities are prohibited from exercising the authority provided by the Community Redevelopment Act until they adopt an ordinance that declares an area to be a slum or a blighted area.<sup>4</sup>

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<sup>1</sup> Chapter 163, part III, F.S.

<sup>2</sup> Section 163.360, F.S.

<sup>3</sup> Section 163.370, F.S.

<sup>4</sup> Sections 163.355(1) and 163.360(1), F.S.

Section 163.340(8), F.S., defines a “blighted area” as follows:

An area in which there are a substantial number of deteriorated, or deteriorating structures; in which conditions, as indicated by government-maintained statistics or other studies, endanger life or property or are leading to economic distress; and in which two or more of the following factors are present:

- (a) Predominance of defective or inadequate street layout, parking facilities, roadways, bridges, or public transportation facilities.
- (b) Aggregate assessed values of real property in the area for ad valorem tax purposes have failed to show any appreciable increase over the 5 years prior to the finding of such conditions.
- (c) Faulty lot layout in relation to size, adequacy, accessibility, or usefulness.
- (d) Unsanitary or unsafe conditions.
- (e) Deterioration of site or other improvements.
- (f) Inadequate and outdated building density patterns.
- (g) Falling lease rates per square foot of office, commercial, or industrial space compared to the remainder of the county or municipality.
- (h) Tax or special assessment delinquency exceeding the fair value of the land.
- (i) Residential and commercial vacancy rates higher in the area than in the remainder of the county or municipality.
- (j) Incidence of crime in the area higher than in the remainder of the county or municipality.
- (k) Fire and emergency medical service calls to the area proportionately higher than in the remainder of the county or municipality.
- (l) A greater number of violations of the Florida Building Code in the area than the number of violations recorded in the remainder of the county or municipality.
- (m) Diversity of ownership or defective or unusual conditions of title which prevent the free alienability of land within the deteriorated or hazardous area.
- (n) Governmentally owned property with adverse environmental conditions caused by a public or private entity.
- (o) A substantial number or percentage of properties damaged by sinkhole activity which have not been adequately repaired or stabilized.

However, the term “blighted area” also means any area in which at least one of the factors identified in paragraphs (a) through (o) is present and all taxing authorities subject to s. 163.387(2)(a), F.S., agree, either by interlocal agreement with the agency or by resolution, that the area is blighted.

### **The TIF Mechanism for Funding CRAs**

CRAs are not permitted to levy or collect taxes; however, the local governing body is permitted to establish a community redevelopment trust fund that is funded through tax increment financing (TIF).<sup>5</sup> The TIF mechanism, as described in s. 163.387, F.S., requires taxing

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<sup>5</sup> Through tax increment financing, a baseline tax amount is chosen, and then in future years, any taxes generated above that baseline amount are transferred into the trust fund. Section 163.387, F.S.

authorities to annually appropriate an amount to the redevelopment trust fund by January 1 each year. This revenue is used to back bonds issued to finance redevelopment projects in accordance with a redevelopment plan.<sup>6</sup> The incremental revenue amount is calculated annually as 95 percent of the difference between:

- A frozen base year assessed value, which is the value of real property in the CRA determined as of a fixed starting date; and
- The amount of ad valorem taxes levied by each taxing authority on taxable real property within the CRA.

Thus, as the time period of the CRA increases, its property values increase, and the tax increment revenue increases, which is then available to repay public infrastructure and redevelopment costs of the CRA.

### **TIF Limitations and Exemptions**

CRAs created before July 1, 2002, typically appropriate to the trust fund for a period not exceeding 30 years, unless the community redevelopment plan is amended.<sup>7</sup> For CRAs created after July 1, 2002, taxing authorities make the annual appropriation for a period not to exceed 40 years after the fiscal year in which the plan is approved or adopted. The following taxing authorities are exempt from paying the incremental revenues:<sup>8</sup>

- A special district that levies ad valorem taxes on taxable real property in more than one county.
- A special district for which the sole available source of revenue the district has the authority to levy is ad valorem taxes at the time the ordinance is adopted.
- A library district, except a library district in a jurisdiction where the community redevelopment agency had validated bonds as of April 30, 1984.
- A neighborhood improvement district created under the Safe Neighborhoods Act.
- A metropolitan transportation authority.
- A water management district created under s. 373.069, F.S.
- A special district specifically made exempt by the local governing body that created the CRA, if the exemption is made in accordance with the requirements of s. 163.387(2)(d), F.S., which include a public hearing, public notice, and an interlocal agreement.

### **Hospital Districts**

First created in the 1920s to provide indigent care for county residents, hospital districts now differ greatly in roles, powers, and governance.<sup>9</sup> There are currently six hospital districts created as dependent districts, and 24 created as independent special districts.<sup>10</sup> Independent districts are generally created by special acts of the Legislature, whereas dependent districts are created by local governments with their governing bodies under the control of a county or municipal board.

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<sup>6</sup> Section 163.387(1)(a), F.S.

<sup>7</sup> Section 163.387(2)(a), F.S.

<sup>8</sup> Section 163.387(2)(c), F.S.

<sup>9</sup> Florida TaxWatch, *Florida's Fragmented Hospital Taxing District System in Need of Reexamination*, Briefings (Feb. 2009).

<sup>10</sup> Florida Dep't of Economic Opportunity, Official List of Special Districts Online, *available at* <https://dca.deo.myflorida.com/fhcd/sdip/OfficialListdeo/selectfunctions.cfm> (last visited Sept. 25, 2015).

The North Sumter County Hospital District, created in 2004 by special act of the Legislature, is the most recently created hospital district.

### III. Effect of Proposed Changes:

**Section 1** amends s. 163.387, F.S., to add hospital districts to the list of taxing authorities exempt from providing funding for the redevelopment trust fund. Hospital districts in community redevelopment areas created before July 1, 2016, will continue to make appropriations to the trust fund. However, those districts will not be required to fund the redevelopment trust fund of community redevelopment agencies created after July 1, 2016.

**Section 2** reenacts s. 259.042, F.S., to incorporate provisions related to tax increment financing for conservation lands to the changes made by Section 1 of the bill.

**Section 3** of the bill provides an effective date of July 1, 2016.

### IV. Constitutional Issues:

#### A. Municipality/County Mandates Restrictions:

None.

#### B. Public Records/Open Meetings Issues:

None.

#### C. Trust Funds Restrictions:

None.

### V. Fiscal Impact Statement:

#### A. Tax/Fee Issues:

Any new community redevelopment areas created after July 1, 2016, will not be able to rely on hospital districts for appropriations to the redevelopment trust fund.

#### B. Private Sector Impact:

None.

#### C. Government Sector Impact:

In 2015, the Department of Revenue and Department of Economic Opportunity analyzed a functionally identical bill and determined that it had no impact on their operations.<sup>11</sup>

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<sup>11</sup> Florida Dep't of Revenue, *Agency Legislative Bill Analysis for SB 752* (Feb. 10, 2015); Florida Dep't of Economic Opportunity, *Agency Legislative Bill Analysis for SB 752* (Feb. 12, 2015).

According to that analysis, the bill will have a positive fiscal impact on hospital districts that otherwise would have had to appropriate funds to a community development trust fund associated with a newly created CRA. Newly created CRAs will experience a corresponding negative fiscal impact, because hospital districts will be exempt from having to make annual appropriations to a community redevelopment trust fund.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Statutes Affected:**

This bill substantially amends section 163.387 of the Florida Statutes.

This bill reenacts section 259.042 of the Florida Statutes.

**IX. Additional Information:**

**A. Committee Substitute – Statement of Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

**B. Amendments:**

None.