

**HOUSE OF REPRESENTATIVES STAFF ANALYSIS**

**BILL #:** HB 565 Redevelopment Trust Fund

**SPONSOR(S):** Spano

**TIED BILLS:**           **IDEN./SIM. BILLS:** SB 194

<b>REFERENCE</b>	<b>ACTION</b>	<b>ANALYST</b>	<b>STAFF DIRECTOR or BUDGET/POLICY CHIEF</b>
1) Local Government Affairs Subcommittee	9 Y, 0 N	Monroe	Miller
2) Finance & Tax Committee	15 Y, 0 N	Pewitt	Langston
3) Local & Federal Affairs Committee	14 Y, 0 N	Monroe	Kiner

**SUMMARY ANALYSIS**

Community redevelopment agencies (CRAs) are funded through a mechanism known as tax increment financing, which requires each taxing district within the CRA to pay in to the CRA's redevelopment trust fund an amount equal to the increase in the taxable value of the real and tangible personal property within the district since the inception of the CRA, multiplied by the taxing district's millage rate. HB 565 exempts hospital districts from making payments into the redevelopment trust fund of a CRA created on or after July 1, 2016. The bill does not affect payments made by hospital districts to currently existing CRAs.

This bill has no fiscal impact to state funds.

# FULL ANALYSIS

## I. SUBSTANTIVE ANALYSIS

### A. EFFECT OF PROPOSED CHANGES:

#### **Current Situation**

##### **Community Redevelopment Act**

The Community Redevelopment Act<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>

A “blighted area” generally includes 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 other statutorily-defined criteria exist.<sup>5</sup>

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

CRAs are not taxing authorities and cannot levy or collect taxes. Instead CRAs rely on community redevelopment trust funds that are funded through tax increment financing (TIF).<sup>6</sup> The TIF mechanism requires each taxing authority within the CRA to annually remit a portion of the ad valorem taxes it levies to the CRA’s redevelopment trust fund by January 1.<sup>7</sup> This revenue is used to finance redevelopment projects in accordance with a redevelopment plan,<sup>8</sup> which may include bonding.<sup>9</sup> The amount which must be contributed to the trust funds equals 95 percent of the difference between:

- The amount of ad valorem taxes levied by each taxing authority on taxable real property within the CRA; and
- The amount of ad valorem taxes that would have been produced on the assessed value of the real property within the CRA in the year prior to the creation of the CRA.<sup>10</sup>

Thus, as property values increase within a CRA, the tax increment revenue increases and is available to pay for public infrastructure and redevelopment costs of the CRA.

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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 and 163.360(1), F.S.

<sup>5</sup> See s. 163.340(8), F.S.

<sup>6</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 redevelopment trust fund. Section 163.387, F.S.

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

<sup>8</sup> Section 163.387(1)(a), F.S.

<sup>9</sup> Sections 163.370(2)(f) and 163.385, F.S.

<sup>10</sup> Section 163.387(1)(a), F.S.

## TIF Limitations and Exemptions

For CRAs created before July 1, 2002, taxing districts typically contribute to the redevelopment trust fund for a period equal to the length of any indebtedness pledging the incremental revenues, but not exceeding 30 years, unless the community redevelopment plan is amended.<sup>11</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 community redevelopment plan is approved or adopted. The following taxing authorities are exempt from contributing to the CRA:<sup>12</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 exempted 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>13</sup> There are currently six hospital districts created as dependent districts, and 22 created as independent special districts.<sup>14</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. The North Sumter County Hospital District, created in 2004 by special act of the Legislature, is the most recently created hospital district.<sup>15</sup>

Two existing hospital districts currently have exemptions from providing TIF financing to CRAs in their recodified charters, which are similar to the exemption created by this bill. The South Broward Hospital District is exempt from making payments into the redevelopment trust fund of any CRA created on or after January 1, 1998.<sup>16</sup> The North Broward Hospital District is exempt from making payments into the redevelopment trust fund of any CRA created on or after January 1, 2002.<sup>17</sup>

Payments to the redevelopment trust funds of CRAs can be significant. For example, the Halifax Hospital District reports remitting funds to 10 separate CRAs for a total payment of \$652,258 during the 2014 tax year, which is down from \$4,316,364 paid in 2006. Halifax's records show that their total payments into the redevelopment trust funds of CRAs from 2003 through 2014 were \$24,685,856.<sup>18</sup>

## Proposed Changes

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<sup>11</sup> Section 163.387(2)(a), F.S.

<sup>12</sup> Section 163.387(2)(c), F.S.

<sup>13</sup> Florida TaxWatch, *Florida's Fragmented Hospital Taxing District System in Need of Reexamination*, Briefings (Feb. 2009), available at <http://www.floridatxwatch.org/resources/pdf/02242009HospitalDistricts.pdf> (last visited Nov. 13, 2015).

<sup>14</sup> Department of Economic Opportunity, Official List of Special Districts Online, available at <https://dca.deo.myflorida.com/fhcd/sdip/OfficialListdeo/selectfunctions.cfm> (last visited Nov. 13, 2015).

<sup>15</sup> Chapter 2004-451, L.O.F. However, the District has since been declared inactive. See Department of Economic Opportunity, Special District Accountability Program, "Official List of Special Districts Online" at <https://dca.deo.myflorida.com/fhcd/sdip/OfficialListdeo/criteria.cfm> (accessed 11/24/2015).

<sup>16</sup> Chapter 2004-397, Section 38 of Section 3, L.O.F.

<sup>17</sup> Chapter 2006-347, Section 33 of Section 3, L.O.F.

<sup>18</sup> "CRA Taxing District Pmts 2003 to date" provided by Halifax Hospital District (11/17/15). See Appendix A.

HB 565 exempts all hospital districts from making payments into the redevelopment trust fund of any CRA created on or after July 1, 2016. The bill does not affect payments made by hospital districts to currently existing CRAs.

**B. SECTION DIRECTORY:**

**Section 1** amends s. 163.387, F.S., to add hospital districts to the list of taxing authorities exempt from contributing to the redevelopment trust fund, but only for CRAs created on or after July 1, 2016. Hospital districts will continue to contribute to the redevelopment trust funds of CRAs created before July 1, 2013.

**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** provides an effective date of July 1, 2016.

**II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT**

**A. FISCAL IMPACT ON STATE GOVERNMENT:**

1. Revenues:

None.

2. Expenditures:

None.

**B. FISCAL IMPACT ON LOCAL GOVERNMENTS:**

1. Revenues:

The Revenue Estimating Conference has not adopted an estimate of the impact of this bill. CRAs created on or after July 1, 2016, will not be able to rely on hospital districts for appropriations to their redevelopment trust funds.

2. Expenditures:

Hospital districts will not have to pay into the redevelopment trust funds of CRAs created on or after July 1, 2016.

**C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:**

None.

**D. FISCAL COMMENTS:**

None.

**III. COMMENTS**

**A. CONSTITUTIONAL ISSUES:**

1. Applicability of Municipality/County Mandates Provision:

The mandate restrictions do not apply because the bill does not require counties and municipalities to spend funds, reduce their ability to raise revenue, or reduce the percentage of a state tax shared with counties and municipalities.

2. Other:

None.

**B. RULE-MAKING AUTHORITY:**

Additional rulemaking authority does not appear necessary to implement the provisions of the bill.

**C. DRAFTING ISSUES OR OTHER COMMENTS:**

None.

**IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES**

None.

**APPENDIX A**

CRA PAYMENTS PD BY HALIFAX TAXING DISTRICT

YEAR	DB-Ballough Rd.	DB-Downtown	DB-Main Street	DB-Westside	DB-South Atlantic	South Daytona	PO-Eastport
2003	19,923	167,563	565,105	33,293	13,926	69,720	13,209
2004	35,246	259,863	837,203	81,505	38,502	138,042	27,778
2005	49,756	299,917	1,401,078	118,383	146,932	281,753	44,465
2006	68,797	355,236	1,674,540	190,344	233,101	460,949	57,784
2007	65,770	357,154	1,500,666	215,638	178,541	490,776	63,288
2008	58,291	303,616	1,291,730	193,784	113,901	371,168	62,328
2009	44,321	233,569	938,632	137,546	33,113	312,290	63,859
2010	28,000	150,587	621,459	71,949	0	167,444	39,940
2011	24,277	107,060	443,577	50,281	0	119,340	29,650
2012	13,370	66,412	296,757	24,300	0	76,314	17,502
2013	10,431	52,940	244,824	17,454	0	60,343	13,355
2014	11,125	61,502	251,641	18,671	0	67,918	13,609
<b>TOTAL</b>	<b>429,307</b>	<b>2,415,419</b>	<b>10,067,212</b>	<b>1,153,148</b>	<b>758,016</b>	<b>2,616,057</b>	<b>446,767</b>

CRA PAYMENTS PD BY HALIFAX TAXING DISTRICT

	DB Shores	ORMOND BEACH	OR. BCH. NORTH	HOLLY HILL	HALIFAX TAXING DISTRICT
26,916		135,396		79,270	1,124,321
56,561		206,625		156,447	1,837,772
72,940		351,897		226,511	2,993,632
130,254	423,840	428,643		292,876	4,316,364
120,509	0	376,885	0	333,328	3,702,555
103,047	0	312,217	0	696,358	3,506,440
61,289	7,090	243,183	9,718	450,075	2,534,685
25,922	0	167,882	1,464	293,233	1,567,880
17,590	0	120,478	0	192,368	1,104,621
9,591	0	102,640	0	132,253	739,139
7,009	0	84,709	0	115,124	606,189
8,957		87,159	0	131,676	652,258
<b>640,585</b>	<b>430,930</b>	<b>2,617,714</b>	<b>11,182</b>	<b>3,099,519</b>	<b>24,685,856</b>