

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

BILL: CS/SB 1216

SPONSOR: Commerce and Economic Opportunities Committee

SUBJECT: Economic Development/Enterprise Zones

DATE: March 30, 2001 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Joseph	Maclure	CM	Favorable/CS
2.	_____	_____	CA	_____
3.	_____	_____	FT	_____
4.	_____	_____	AGG	_____
5.	_____	_____	AP	_____

I. Summary:

This committee substitute has been developed, in part, out of recommendations from the Florida Senate's interim project report 2001-29, *Review and Evaluation of the Enterprise Zone Program*, November 2000. The law currently mandates that prior to the 2001 regular session of the Legislature the appropriate substantive committees of the Senate and the House of Representatives shall review and evaluate the Florida Enterprise Zone Act of 1994, together with the state incentives available in enterprise zones (s. 290.015(3), F.S.). The overall finding of that report is that the Enterprise Zone Program has largely failed to achieve the primary goal of encouraging economic growth and investment in distressed areas by offering tax advantages to businesses.

This committee substitute creates a sales tax version of the community contribution tax credit program, under which a taxpayer may receive a credit of 50 percent of a community contribution against taxes remitted under ch. 212, F.S. This committee substitute provides a community contribution sales tax credit as an alternative to the present corporate income tax or insurance premium tax credit available under ss. 220.183 and 624.5105 F.S. The taxpayer may take the credit against only one of the taxes specified.

This committee substitute proposes a significant change to the enterprise zone program that will affect rural and urban zones by making the job tax credits dependent upon the creation of new full-time jobs rather than being based upon the hiring of new individuals into existing jobs. The committee substitute tailors certain provisions to the circumstances of rural disadvantaged areas, defines rural zones, and allows for the expansion of the size of rural zones to reflect rural land usage patterns and population densities. In addition, the committee substitute revises some existing rural economic development programs, such as an existing loan program, a staffing grant program, and a rural job tax credit program in order to duplicate the package-of-incentives approach that appears to be successful in urban areas. The committee substitute also directs state

agencies to review other existing programs to see if they can be made more accessible to rural communities.

This committee substitute requires Enterprise Florida, Inc. (EFI), to develop a detailed plan for marketing and using government programs and economic development incentives in a coordinated fashion in order to generate business investment in economically distressed urban and rural communities.

This committee substitute contains a number of provisions intended to increase housing ownership for low-income families: it revises the housing provisions in the community contribution tax program to allow lien removal and closing costs to be paid by private donation; allows the use of Florida Homeownership Assistance Program funds for down payment assistance and closing cost assistance in single-family programs; raises the bonding authority under the Florida Affordable Housing Guarantee Program to \$400 million from \$200 million; and allows the Governor to award certificates of recognition to honor individuals and organizations who have demonstrated the ideals of community stewardship and increased the sale of housing to low-income persons.

This committee substitute amends the following sections of the Florida Statutes: 163.356, 212.08, 212.096, 212.098, 220.03, 220.181, 220.183, 288.018, 288.065, 288.0656, 288.1088, 288.9015, 290.004, 290.0065, 290.0066, 290.007, 290.015, 290.048, 420.503, 420.507, 420.5088, 420.5092, and 624.5105. This committee substitute repeals ss. 290.049 and 370.28(4), F.S.

This committee substitute creates the following sections of the Florida Statutes: 288.019, 290.00676, 290.00677, and 290.00694.

II. Present Situation:

Enterprise Zone Program

Florida established one of the first enterprise zone programs in the country in 1980 to encourage economic growth and investment in distressed areas by offering tax advantages to businesses willing to make such an investment. An enterprise zone is a specific geographic area targeted for economic revitalization. Since July 1, 1995, the state has designated 34 enterprise zones.¹

In 1994, the Legislature passed significant revisions to the Enterprise Zone Program. The original program became overwhelmed with the number of zones allowed. As a result, the existing zones were repealed on December 31, 1994, and parameters were established for designation of new zones. Administrative responsibilities of the program were transferred from the Department of Community Affairs to the Department of Commerce. The jobs tax credit eligibility criteria were revised to require both the business and the employee to reside within an enterprise zone. (*See* ch. 94-136, L.O.F.)

¹ Office of Tourism, Trade, and Economic Development (OTTED), Executive Office of the Governor, *Florida Enterprise Zone Program: Annual Report*, March 1, 2000.

In 1995, 19 enterprise zones were designated in urban and rural communities throughout the state. Local governments were required to establish a community-based Enterprise Zone Development Agency (EZDA). In 1996, 11 new enterprise zones were authorized by the Legislature, of which 10 submitted acceptable plans and applications. Administrative duties were transferred to the newly created Office of Tourism, Trade, and Economic Development (OTTED) upon the dissolution of the Department of Commerce. In 1997, OTTED designated the City of Fort Pierce as the 30th enterprise zone.

In 1998, the 31st enterprise zone was added when the Legislature further amended the Enterprise Zone Program by authorizing a new zone to be designated within a brownfield pilot project area (Clearwater). Also in 1998, the Legislature provided that new employees who are Work and Gain Economic Self-sufficiency (WAGES) program participants or Job Training Partnership Act classroom training participants may provide a basis for employers to claim the enterprise zone job tax credit under ss. 212.096 and 220.181, F.S., regardless of whether such employees reside in the zone.

In 1999, an enterprise zone was approved for Lake Apopka (32nd). In addition, Suwannee, Columbia, and Gadsden counties submitted applications for enterprise zone designation pending approval from OTTED. The city of Bradenton and Miami-Dade County were provided an opportunity to create satellite enterprise zones.

In 2000, there were no legislative changes made to the Florida Enterprise Zone Program. OTTED approved enterprise zones in Liberty County (33rd) and Hendry County (34th), and satellite zone boundary amendments were approved in Bradenton and Miami-Dade County.

Enterprise Zone Designation Process and Criteria

Section 290.0055, F.S., provides requirements for nominating and selecting an enterprise zone and provides size limitations depending on the community population category. This section also requires that the selected area suffer from pervasive poverty, unemployment, and general distress, as described and measured under s. 290.0058, F.S.

Section 290.0058(2), F.S., specifies that pervasive poverty must be evidenced by showing that poverty is widespread throughout the nominated area. The poverty rate of the nominated area shall be established using the following criteria: (a) in each census geographic block group within a nominated area, the poverty rate shall not be less than 20 percent; and (b) in at least 50 percent of the census geographic block groups within the nominated area, the poverty rate shall not be less than 30 percent.

Section 290.0065, F.S., outlines the process for designating an enterprise zone. It authorizes OTTED to designate no more than a total of 20 zones to be placed in five population categories. Each application is to be ranked competitively within the appropriate category based on the pervasive poverty, unemployment, and general distress of the area. Areas are to develop a strategic plan and be evaluated on the following key principles: 1) economic opportunity, including job creation within the community and throughout the region, as well as entrepreneurial initiatives, small business expansion, and training for jobs that offer upward mobility; 2) sustainable community development that advances the creation of livable and vibrant

communities through comprehensive approaches that coordinate economic, physical, community, and human development; 3) community-based partnerships involving the participation of all segments of the community; 4) strategic vision for change that identifies how the community will be revitalized; and 5) local incentives should induce economic revitalization, including job creation and small business expansion.

Section 290.0066, F.S., provides the director of OTTED with the ability to revoke the designation of an enterprise zone if the governing bodies: 1) have failed to make progress in achieving the benchmarks set forth in the strategic plan; or 2) have not complied substantially with the strategic plan. Failure to enact and maintain the local fiscal and regulatory incentives committed to by the governing bodies for two consecutive calendar years is to result in the automatic termination of enterprise zone designation.

Program Incentives and Costs

Costs of the Enterprise Zone Program have increased as new areas have been added. The total cost of state and local incentives was \$11.2 million in fiscal year (FY) 1996-97 and \$13 million in FY 1997-98. Costs increased by \$11 million in FY 1998-99, totaling \$24 million in state and local incentives (\$5.2 million in state tax incentives approved by the Department of Revenue, and \$18.8 million in incentives provided by the local governing bodies; however, some of the local incentives provided are federal pass-through funds). In FY 1999-00 the total program cost dropped back down to \$15 million despite an increase of \$300,000 in state program spending. The drop was due to local government incentives declining \$8.7 million.

The financial incentives available to businesses located within a designated zone and the fiscal year 1999-00 incentive costs are as follows:²

- Enterprise Zone Jobs Tax Credit (Corporate Income Tax and Sales Tax): Businesses located in a zone are allowed a credit against their corporate income and sales taxes for 10 percent of the wages paid to new employees who have been employed for at least three months and are residents of an enterprise zone. A 15-percent enhanced credit is provided to employers if 20 percent of their employees are zone residents (s. 212.096 and s. 220.181, F.S.); \$2,058,538.
- Enterprise Zone Property Tax Credit (Corporate Income Tax): New or expanded businesses located in a zone are allowed a credit on their Florida Corporate Income Tax equal to 96 percent of ad valorem taxes paid on the new or improved property (the assessment rate varies by county) (s. 220.182, F.S.); \$545,409.
- Sales Tax Refund for Building Materials Used in an Enterprise Zone: A refund is available for sales taxes paid on the purchase of building materials used to rehabilitate real property located in a zone (s. 212.08(5)(g), F.S.); \$334,668.
- Sales Tax Refund for Business Property Used in an Enterprise Zone: A refund is available for sales taxes paid on the purchase of certain business property, which is used exclusively in a zone for at least three years (s. 212.08(5)(h), F.S.); \$2,188,606.

² Office of Tourism, Trade, and Economic Development (OTTED), Executive Office of the Governor, *Florida Enterprise Zone Program: Annual Report*, March 1, 2001.

- Sales Tax Exemption for Electrical Energy Used in an Enterprise Zone: A 50-percent sales tax exemption is available to qualified businesses located in a zone on the purchase of electrical energy (s. 212.08(15), F.S.); \$331,614.
- Community Contribution Tax Credit Program: Businesses located anywhere in Florida are allowed a 50-percent credit on Florida Corporate Income Tax or Insurance Premium Tax for donations made to approved local community development projects located in an enterprise zone (or a low income housing project located anywhere) (s. 220.183 and s. 624.5105, F.S.); \$4,041,271.
- Enterprise Zone Linked Deposit Program: Financial institutions in certain enterprise zones are selected to receive matching funds to provide loans or lines of credit to individuals for small business startup, expansion, working capital, or inventory financing. This part of the enterprise zone program was repealed on June 30, 2000 (s. 290.0075, F.S.).

State Research on Florida's Enterprise Zone Program

The effectiveness of enterprise zone tax incentives was the topic of a 1998 report issued by the Senate Committee on Ways and Means, Subcommittee E. In this report, and in testimony provided to the Legislative Committee on Intergovernmental Relations (LCIR) by the Office of Tourism, Trade, and Economic Development, the overall success of the Enterprise Zone Program was discussed, as was whether rural and net-ban affected areas were sharing in that success. Net-ban enterprise zones were authorized in s. 370.28, F.S., in the aftermath of the constitutional limitation on the use of certain fishing nets to aid communities suffering negative economic consequences related to restrictions on fishing nets. Rural and net-ban affected areas and many urban areas do not appear to be benefiting much from the program compared to a few urban areas. It was reported that rural enterprise zones claim progress on only 66 percent of goals identified in their strategic plans, compared with an 87-percent rate of progress toward goals for urban areas, and net-ban affected areas report only a 44-percent rate of progress.

In the 1998 report, the lower progress rate for rural and net-ban affected areas was largely attributed to a lack of local resources necessary to formulate, promote, and market an enterprise zone, and an increase in funding to those specific areas was recommended. Another explanation for insufficient progress in rural areas is that the Enterprise Zone Program currently provides certain tax credits to businesses only for employees who reside within the enterprise zone. In rural areas it is less likely that employees reside in the enterprise zone, as residential patterns differ from those common to densely populated urban areas. Because the Enterprise Zone Program was originally created with urban areas in mind, the structure of some of the benefits remains more suited to urban communities. Currently, because of the unique characteristics of rural communities, they are not able to fully utilize the benefits conferred by the enterprise zone program under existing law.³

A March 2000 Office of Program Policy Analysis and Government Accountability (OPPAGA) review of Florida's Enterprise Zone Program concluded that to boost the use of enterprise zone incentives, the Legislature should provide state assistance for program administration, and mesh

³ Florida Senate Committee on Ways and Means, Subcommittee E, *The Effectiveness of Enterprise Zone Tax Incentives: Florida's Enterprise Zone Program Since 1994*, Interim Project Summary 98-63, October 1998.

zone incentives with other state and local economic development initiatives.⁴ In its report, OPPAGA suggested that the addition of \$500,000 toward the Rural Community Development Revolving Loan Fund could help support staffing grants for use in hiring individuals on at least a part-time basis to market enterprise zones in rural counties and net-ban zones in rural or urban communities.

Mandatory Review of the Enterprise Zone Program and Recommendations

The law currently mandates that prior to the 2001 Regular Session of the Legislature the appropriate substantive committees of the Senate and the House of Representatives shall review and evaluate the Florida Enterprise Zone Act of 1994, together with the state incentives available in enterprise zones (s. 290.015(3), F.S.). In November 2000, the Senate Commerce and Economic Opportunities Committee issued its mandatory interim project report 2001-29, *Review and Evaluation of the Enterprise Zone Program* (hereinafter “the interim report”), which was developed out of a combination of the following: recommendations from the Rural Issues Working Group of Enterprise Florida, Inc. (EFI), and from EFI staff; recommendations from local zone coordinators and businesses; recommendations from urban and rural economic development practitioners; and recommendations from OTTED and the Department of Revenue.

The interim report suggests that the Enterprise Zone Program is failing to act as an incentive because the jobs tax credits are not directed at job creation and are too small to actually modify business behavior. A combination of raising the level of state incentives, providing zone marketing staff support for poorer counties, and modifying other incentive programs for use in rural enterprise zones could help to achieve the goal of encouraging economic development. Recommendations from the interim report are as follows:⁵

- Increase the jobs tax credit for both income and sales taxes. Currently employers can receive a 10-percent credit against their corporate income or sales taxes for wages paid to new employees who are residents of an enterprise zone. A 15-percent enhanced credit is provided to employers if 20 percent of their employees are zone residents. For this incentive to make a difference, it could be doubled to 20 percent base (30 percent rural, allowing for any worker living in the rural county to be counted for the base) and 30 percent enhanced (45 percent rural). To make this program improvement neutral in cost, the Enterprise Zone Program could be altered so that the incentives are for new business locations and expansions only. This change would make the program operate more like an economic incentive rather than an after-the-fact reward.
- Eliminate the jobs tax credit cap on maximum eligible wages to encourage higher-paying jobs (ss. 212.096(2)(b) and 220.181(1), F.S.).
- Allow the Qualified Target Industry incentive funds to be used for any business willing to locate in a rural enterprise zone.

⁴ Office of Program Policy Analysis and Government Accountability, *Use of Enterprise Zone Incentives Has Increased, but Challenges Continue*, Program Review Summary 99-43, March 2000.

⁵ Florida Senate Commerce and Economic Opportunities Committee, *Review and Evaluation of the Enterprise Zone Program*, Mandatory Interim Project Report 2001-29, November 2000, pp. 7-8.

- Provide a state matching grant of up to \$25,000 for a zone coordinator, with the local match level to be determined by population size.
- Increase the rural zone size to 20 square miles, including a zero population noncontiguous area.
- Increase the level of funding available in the Rural Infrastructure Fund so that the fund can be used in tandem with zone tax provisions to create a package of incentives.
- Define “rural enterprise zone,” and allow rural Champion Communities and rural areas of critical economic concern to apply as enterprise zones.
- Provide local zone coordinators with access to state funded micro-loan programs to help create small businesses in enterprise zones. The micro-loan could be available for any business willing to locate in a designated enterprise zone.
- Create a state facade improvement matching grant program for zone businesses that own the property they operate from (to be modeled after similar programs in Gainesville and Ft. Lauderdale). The percentage of state match can be determined by county or city population to allow for varying local abilities to match.
- Improve Internet marketing of the enterprise zone program. The Governor’s “MyFlorida” site, the Department of Revenue’s (DOR) site, and the Enterprise Florida, Inc., site should have detailed descriptions of the Enterprise Zone Program, a map of zone locations, forms, and zone contacts.

The following are administrative recommendations from the interim report:⁶

Jobs Tax Credit (Sales Tax)

- Replace “the department within 4 months” to “enterprise zone development agency within 6 months” (s. 212.096(3)(h), F.S.), to clarify the correct agency and extend the submission deadline to aid small business access.
- Remove the word “full” from “3 full calendar months” in s. 212.096(5)(b), F.S., to simplify eligibility criteria for new employees.
- Require DOR to notify the business when the sales tax credit may begin to be taken or specify the date a denial will be sent (s. 212.096(4), F.S.).

Sales Tax Refund for Building Materials

- Request that DOR create general guidelines on what types of building materials are eligible.

Sales Tax Refund for Business Property

- Clarify that the purchase date is defined as the payment of sales tax date (s. 212.08(5)(h), F.S.).
- Request that DOR suggest an updated definition of eligible business property (s. 212.08(5)(h)9., F.S.) since the current definition refers to an obsolete section in the Internal Revenue Code. In addition, DOR could help many businesses by creating general guidelines that list some characteristics of what eligible business property tends to be.

⁶ Florida Senate Commerce and Economic Opportunities Committee, *Review and Evaluation of the Enterprise Zone Program*, Mandatory Interim Project Report 2001-29, November 2000, p. 8.

The following recommendations are to enhance community involvement in disadvantaged areas:⁷

- Require the local enterprise zone administrator and the local Front Porch Florida administrator to coordinate development efforts in areas in which they coexist.
- A combination of enterprise zone coordinators, Front Porch Florida organizers, and local governments could help increase the rate of owner occupied property in a zone. With support from the state, a coordinated effort could boost home and business property ownership, which will directly aid zone improvement and mitigate the negative impacts of increasing land values that drive out residential and business renters. Façade improvement, residential painting, and neighborhood clean up efforts could be used as a property-value inducement to areas that have a high rate of owner-occupied properties.
- Create a website for each enterprise zone that includes downloadable links to state forms and information, as well as local message boards that help the businesses and residents receive information about important topics such as property ownership, micro-loan programs, and neighborhood improvement activities. This site could become a marketing tool for new business location as well as a small and micro-business service guide.

Related Programs and Organizations

Rural Job Tax Credit Program - Section 212.098, F.S., establishes the Rural Job Tax Credit Program to encourage economic expansion of new and existing businesses in rural areas of the state. Eligible businesses must be located in a qualified county and be predominantly engaged in activities that are classified within specific standard industrial classifications (SIC).

Regional Rural Development Grants - Section 288.018, F.S., authorizes the Office of Tourism, Trade, and Economic Development (OTTED) to spend up to \$600,000 each fiscal year from funds appropriated to the Rural Community Development Revolving Loan Fund for the purpose of establishing a matching grant program to provide funding to regionally based economic development organizations representing rural counties and communities for the purpose of building the professional capacity of their organizations.

Rural Community Development Revolving Loan Fund - Section 288.065, F.S., provides that the fund is established within OTTED to facilitate the use of existing federal, state, and local financial resources by providing local governments with financial assistance to promote the economic viability of rural communities. The funds may be used to finance initiatives directed toward maintaining or developing the economic base of rural communities, especially initiatives addressing employment opportunities for residents of these communities. The program provides for long-term loans, loan guarantees, and loan-loss reserves to units of local governments. All repayments of principal and interest are to be returned to the loan fund and made available for loans to other applicants. However, in a rural area of critical economic concern, repayments of principal and interest may be retained by a unit of local government if such repayments are dedicated and matched to fund regionally based economic development organizations representing the rural area of critical economic concern.

⁷ Florida Senate Commerce and Economic Opportunities Committee, *Review and Evaluation of the Enterprise Zone Program*, Mandatory Interim Project Report 2001-29, November 2000, p. 8.

Rural Economic Development Initiative (REDI) - Section 288.0656, F.S., creates REDI within OTTED to coordinate and focus the efforts and resources of state and regional agencies on the problems which affect the fiscal, economic, and community viability of Florida's economically distressed rural communities. The statute requires the leaders of specified agencies and organizations to designate high-level staff persons to serve as representatives to REDI.

Quick Action Closing Fund - Section 288.1088, F.S., creates the Quick Action Closing Fund within OTTED to provide resources to respond to extraordinary economic opportunities and to compete effectively for high-impact business facilities. The statute provides a process for reviewing facility projects and awarding funds under a performance contract.

Florida Housing Finance Corporation - Sections 420.501-420.530, F.S., empower the Florida Housing Finance Corporation to carry out and effectuate the promotion of the public welfare by administering the governmental function of financing or refinancing housing and related facilities in Florida. Section 420.507, F.S., provides the powers of the corporation, which include the borrowing of money through the issuance of bonds or from the Federal Home Loan Bank or Rural Housing Services of the U.S. Department of Agriculture. The powers of the corporation also include the development and administration of the Florida Homeownership Assistance Program, under which the corporation may make loans to borrowers for down payments or closing costs related to the purchase of the borrower's primary residence; may establish a loan-loss insurance reserve; and may geographically and demographically target the use of loans. Section 420.5092, F.S., creates the Florida Affordable Housing Guarantee Program for the purposes of: stimulating creative private sector lending activities to increase the supply and lower the cost of financing eligible housing; creating security mechanisms to allow lenders to sell affordable housing loans in the secondary market; and encouraging affordable housing lending activities that would not have taken place or that serve persons who would not have been served but for the creation of this program.

Department of Community Affairs' Florida Small Cities Community Development Block Grant Loan Guarantee Program - Section 290.048, F.S., empowers the Department of Community Affairs to carry out the purposes and provisions of the Florida Small Cities Community Development Block Grant Loan Guarantee Program, including the power to: make contracts and agreements; seek and accept funding; adopt and enforce rules; assist in training employees; adopt and enforce requirements; and pledge community development block grant revenues from the federal government. Section 290.049, F.S., provides for an advisory council for the purpose of advising the department in planning, developing, implementing, and performing evaluation activities related to the Florida Small Cities Community Development Block Grant Loan Guarantee Program. The council is composed of 13 members appointed by the Secretary of Community Affairs.

Community Redevelopment - Section 163.356, F.S., provides for a county or municipality to create a public body to be known as a "community redevelopment agency." When the county or municipality adopts a resolution declaring the need for a community redevelopment agency, that body must, by ordinance, appoint a board of commissioners of the community redevelopment agency, which must consist of not fewer than five or more than seven commissioners.

Florida Empowerment Zones - Section 290.0491, F.S., recognizes that it is in the public interest that the state create economic opportunity in poverty-stricken areas and rebuild such areas by empowering the people and communities within these areas to create jobs and opportunities. Subsection (4) creates an economic development program known as the Florida Empowerment Zone Program. The program is to be operated by the Department of Community Affairs in conjunction with the Federal Empowerment Zone Program.

Enterprise Florida, Inc. - Enterprise Florida, Inc. (EFI), is the principal economic development organization for the state, with responsibility for leading business-development efforts in the state by aggressively establishing a unified international trade and reverse investment approach; aggressively marketing the state as a location favorable to business investment; and aggressively assisting existing businesses to stay and grow in Florida, while also encouraging the creation of new businesses in this state (s. 288.9015(1), F.S.). As a component of its purpose and duties, EFI is responsible for promoting economic development in rural communities and distressed urban communities. In particular, s. 288.9015(2), F.S., directs EFI:

to aggressively market Florida's rural communities and distressed urban communities as locations for potential new investment, to aggressively assist in the retention and expansion of existing businesses in these communities, and to aggressively assist these communities in the identification and development of new economic development opportunities for job creation.

EFI submits an annual report to the Governor and the Legislature which includes, among other items, a description of the operations and accomplishments of the organization related to its responsibilities for promoting economic development in rural communities and distressed urban communities (s. 288.906, F.S.). In addition, s. 288.905(2), F.S., requires EFI to develop a strategic plan for economic development in the state. The plan must be updated or modified annually. The plan must include strategies for producing better jobs and higher wages for all areas and communities of the state, including rural areas, minority businesses, and urban core areas (s. 288.905(3)(a), F.S.).

Front Porch Florida - In 1999, the Governor announced creation of a Front Porch Florida initiative, the mission of which includes helping urban residents to define neighborhood problems and then develop solutions to such problems in order to preserve and strengthen their communities. Among the goals of the initiative are "to improve schools, reduce crime, increase economic opportunities and provide adequate infrastructure and affordable housing opportunities" (Executive Office of the Governor, "Governor Bush Designates New 'Front Porch Florida Communities,'" press release dated March 23, 2001, p. 1). The program is administered by the Office of Urban Opportunity (s. 14.2015(9), F.S.).

There are currently 11 designated Front Porch Florida communities. The first six were named in October 1999: 1) Pensacola (Greater Pensacola); 2) Ft. Lauderdale (Dorsey-Riverbend Neighborhood); 3) St. Petersburg (Greater South-Central Neighborhood); 4) Tallahassee (Greater Frenchtown); 5) West Palm Beach (Northwood-Pleasant City-Northwest); and 6) Opa-Locka (Opa-Locka-North Dade).

During the spring of 2000, there was another application process, with plans to announce additional designations in September 2000. Those designations, however, were not announced until March 23, 2001: 7) Bartow (West Bartow Neighborhood); 8) Gainesville (Duval Area Neighborhood); 9) Orlando (Holden Heights Community); 10) Miami (Riverside Community of Little Havana); and 11) Sanford (Goldsboro Neighborhood Community).

According to the Office of Urban Opportunity, a new application form and criteria are being developed for release in early 2001. Once the application is available, interested communities will have approximately 30 to 60 days to respond. Plans call for the designation of more communities in approximately May 2001. It is anticipated that there may be another application round, with the goal of designating additional communities in November 2001 or December 2001.

Toolkit for Economic Development - During the 2000 regular session, the Legislature created the Toolkit for Economic Development, ch. 2000-290, L.O.F., which is designed to help communities with low incomes, depressed property values, high unemployment, or similar conditions leverage resources from a wide variety of federal, state, and local programs in order to achieve comprehensive change. The Toolkit is founded on the legislative recognition that the existence of safe and strong communities with healthy economies is critical to reduce dependence on public assistance and promote economic self-sufficiency through employment (s. 12, ch. 2000-290, L.O.F.). The Legislature appropriated \$25 million in Temporary Assistance for Needy Families (TANF) funds, which are the federal funds used to support welfare-reform activities. The program is under the shared responsibility of Workforce Florida, Inc.; Enterprise Florida, Inc.; the Department of Community Affairs; and the Office of Urban Opportunities, who are identified in the legislation as “coordinating partners” for the program (s. 12, ch. 2000-290, L.O.F.).

One of the primary elements in the Toolkit for Economic Development is a requirement for high-level liaisons from more than 20 state agencies to develop an inventory of the various incentives, grants, programs, and other resources that currently are available in support of economic and community development in disadvantaged areas. The inventory will be organized around the following policy areas: building community-based leadership skills; promoting safety and reducing crime; supporting neighborhood clean-up projects; encouraging small business development; renovating schools and providing services such as school-based child care; inducing investment in community improvement projects; and facilitating residential, mixed-use, and commercial redevelopment.

Rural Economic Conditions⁸

Thirty-four counties meet a legislatively prescribed definition of rural community as meaning a county with a population of 75,000 or less, or a county with a population of 100,000 or less, that is adjacent to a county with a population of 75,000 or less. (See, e.g., s. 288.0656(2)(b), F.S.)

Despite the recent period of high economic growth in Florida, rural communities have not shared in the state’s prosperity. Rural Florida makes up 7 percent of the state’s population with a growth rate that is out-pacing the state average; however, the income gap is growing. According to data

⁸ Florida Senate Committee on Commerce and Economic Opportunities, *Rural Economic Development II: Next Steps in Infrastructure & Nature-Based Tourism*, Interim Project Report 2000-20, September 1999, p. 1.

provided by Enterprise Florida, Inc. (EFI), between 1990 and 1997, rural Florida's population has increased by 20 percent compared to the state average of 13.4 percent. The median household income in 32 of 34 of the smallest counties is approximately 30 percent less than the state's median income, according to a study by the Center on Budget and Policy Priorities. Not a single small county enjoys a per capita personal income that exceeds the state average of \$27,806.

Also of concern are low rates of pay by captured businesses in rural communities. According to 1997 data reported by EFI, manufacturing businesses throughout rural Florida pay lower than average sector wages. In northwest Florida, for example, manufacturing pays on average about 38 percent less per hour than the average manufacturing sector wages for all of Florida. In rural south Florida, manufacturing pays closer to the state manufacturing sector wage average; however, the manufacturing sector employs only 3.6 percent of the rural south Florida population. Prison construction has been a growth industry in rural north Florida counties; however, these jobs contribute to a dependence on government as the largest high-wage employer, and this source of development adds less to the tax base than other engines of development.

III. Effect of Proposed Changes:

This committee substitute has been developed, in part, out of recommendations from the Florida Senate Commerce and Economic Opportunities Committee's interim project report 2001-29, *Review and Evaluation of the Enterprise Zone Program*, November 2000. The law currently mandates that prior to the 2001 regular session of the Legislature the appropriate substantive committees of the Senate and the House of Representatives shall review and evaluate the Florida Enterprise Zone Act of 1994, together with the state incentives available in enterprise zones (s. 290.015(3), F.S.). The overall finding of that report is that the Enterprise Zone Program has largely failed to achieve the primary goal of encouraging economic growth and investment in distressed areas by offering tax advantages to businesses.

This committee substitute creates a sales tax version of the community contribution tax credit program, under which a taxpayer may receive a credit of 50 percent of a community contribution against taxes remitted under ch. 212, F.S. This committee substitute provides a community contribution sales tax credit as an alternative to the present corporate income tax or insurance premium tax credit available under ss. 220.183 and 624.5105 F.S. The taxpayer may take the credit against only one of the taxes specified.

This committee substitute proposes a significant change to the enterprise zone program that will affect rural and urban zones by making the job tax credits dependent upon the creation of new full-time jobs rather than being based upon the hiring of new individuals into existing jobs. The committee substitute tailors certain provisions to the circumstances of rural disadvantaged areas, defines rural zones, and allows for expansion of the size of rural zones to reflect rural land usage patterns and population densities. In addition, the committee substitute revises some existing rural economic development programs, such as an existing loan program, a staffing grant program, and a rural job tax credit program in order to duplicate the package-of-incentives approach that appears to be successful in urban areas. The committee substitute also directs state agencies to review other existing programs to see if they can be made more accessible to rural communities.

This committee substitute requires Enterprise Florida, Inc. (EFI), to develop a detailed plan for marketing and using government programs and economic development incentives in a coordinated fashion in order to generate business investment in economically distressed urban and rural communities.

This committee substitute contains a number of provisions intended to increase housing ownership for low-income families: it revises the housing provisions in the community contribution tax program to allow lien removal and closing costs to be paid by private donation; allows the use of Florida Homeownership Assistance Program funds for down payment assistance and closing cost assistance in single-family programs; raises the bonding authority under the Florida Affordable Housing Guarantee Program to \$400 million from \$200 million; and allows the Governor to award certificates of recognition to honor individuals and organizations who have demonstrated the ideals of community stewardship and increased the sale of housing to low-income persons.

Section 1: Section 212.08, F.S., is amended to extend the community contribution tax credit provisions of the Enterprise Zone Program to the state sales tax. Currently, the community contribution tax credit provisions exist in the corporate income tax under s. 220.183, F.S., and the insurance premium tax under s. 624.5105, F.S. The committee substitute provides for a credit against sales taxes equal to 50 percent of a contribution made to an eligible sponsor for an eligible project. This section modifies the community contribution tax program by updating, clarifying, and expanding its current housing role. The following revisions or additions are made to the “eligible sponsor” list:

- Community development corporation has been changed to a nonprofit community-based development organization whose mission is the provision of housing or entrepreneurial and job-development opportunities for low-income households;
- Private industry council has been changed to a regional workforce board;
- Community-based organizations recognized as educational, charitable, or scientific pursuant to s. 501(c)(3) of the Internal Revenue Code, and whose by-laws and articles of incorporation include affordable housing, economic development, or community development as their primary mission;
- Units of local government; and
- Units of state government.

The committee substitute specifies that, with respect to housing, contributions may be used to pay for the following activities:

- Project development, impact, and management fees for low-income housing projects;
- Down payment and closing costs for low-income households;
- Administrative costs, including housing counseling and marketing fees not to exceed 10 percent of the community contribution for low-income housing projects; and
- Contributions received from a non-related third party for the removal of liens recorded against residential property if the lien is recorded by government and removal of the lien is necessary for property transfer and is for the purpose of promoting home ownership for low-income households.

This section allows the Office of Tourism, Trade, and Economic Development (OTTED) to reserve up to 50 percent of the available annual tax credits for housing for very-low-income households for the first six months of the fiscal year. “Very-low-income” is defined in s. 420.9071(28), F.S., as having a total annual gross household income that does not exceed 50 percent of the median annual income. This section directs OTTED to consult with the Department of Community Affairs, the Florida Housing Finance Corporation, and statewide and regional housing and financial intermediaries in the marketing of the community contribution tax credit program.

This section adds broadband communications investments to the “eligible project” list if a project is the investment necessary to increase access to high-speed broadband capability in rural communities with enterprise zones, including projects that result in improvements to communications assets that are owned by a business. The section also adds educational programs and materials for a particular museum project to the eligible project list.

This section increases the total amount of tax credit that may be granted for all community contribution tax credits, including sales tax, corporate income tax, and insurance premium tax, from \$10 million annually to \$20 million, which means that if the credit limit were reached under this provision, over \$40 million in community contributions would be raised. This section allows a community with Front Porch Florida designation to use the community contribution tax credits.

This section also revises a number of provisions for enterprise zone sales tax credits:

- The provision for building materials used in the rehabilitation of real property located in an enterprise zone is revised to allow a refund applicant to submit the application within 90 days after rehabilitated property is first subject to assessment. This will solve application problems for a taxpayer that has contracted the project and does not hold tax receipts, and must wait for an assessor to estimate the value of the project. This section adds nonprofit community-based organizations to the building materials sales tax exemption created for governmental organizations and adds the State Housing Initiatives Partnership Program to the list of funds with which the building materials can be purchased.
- The provision for business property used in an enterprise zone is clarified by providing that an application for a refund must be submitted to the Department of Revenue within six months after the tax is due on the business property that is purchased, and this section creates a minimum sales price of \$500 per unit on property to be claimed for tax refund.

Section 2: Section 212.096, F.S., is amended to raise the enterprise zone jobs sales tax credit from 10 percent to 20 percent for urban areas and to 30 percent for rural areas, for new employees hired when a new job is created by a business located in the zone. If at least 20 percent of the employees live within the zone, the tax credit increases to 30 percent in an urban enterprise zone and to 45 percent in a rural enterprise zone. The credit is provided for 24 months instead of the existing 12 months, and the current wage level cap is removed. The credit is calculated as a percentage of the monthly wages.

This section defines the term “jobs” for use in calculating the enterprise zone jobs credit against sales tax. The tax credit would be for new full-time jobs. The existing statute does not require job creation but rather allows the credit to be claimed based on new hires for existing positions. The definition of “eligible business” is revised to explain that the number of full-time jobs created is calculated using an average of the previous 12 months and to grandfather in businesses that expanded or located in an enterprise zone between July 1, 2000, and December 31, 2001, and created at least five jobs. In this section the definition of “new employee” would now include leased employees who average at least 36 hours per week for more than six months. This section also creates an incentive for a business to upgrade an employee’s status by allowing a former part-time employee to be hired as full-time and allowing the business to get the full credit even if the business is not creating 36 new hours, provided that at least one new full-time job has been created compared to the previous year.

This section requires the Department of Revenue to notify businesses within 10 working days of receipt of a complete application that the jobs tax credit has been approved and can be taken on the next return due.

This section has an effective date of January 1, 2002, to allow time for the Department of Revenue to modify procedures and update tax forms for the refund.

Section 3: Section 212.098, F.S., is amended to add Qualified Target Industry (QTI) eligible businesses to the list of businesses eligible to receive the Rural Jobs Tax Credit. The Rural Jobs Tax Credit Program provides tax credits to eligible businesses in distressed rural areas, including federally designated enterprise communities that are permitted to apply as state enterprise zones in this committee substitute. This section allows a community in a rural area of critical economic concern to participate in the rural job tax credit program at the tier-three level.

Section 4: A new section of the Florida Statutes is created to reduce or waive financial match requirements for rural counties. The committee substitute allows the Office of Tourism, Trade, and Economic Development (OTTED) and the Rural Economic Development Initiative (REDI) to review rules for consistency with the potential impact the rules have on rural counties. The interim report concluded that rural areas frequently have difficulty in providing local incentives due to comparatively less capital. This difficulty includes accessing state resources because of match requirements, especially when the required match is cash. This section requires the state agencies participating in REDI to review program requirements and develop proposals to modify (use other cash match), waive, or reduce match requirements for rural communities experiencing fiscal hardship.

Section 5: Section 220.03, F.S., is amended to create and redefine terms used in the enterprise zone community contribution and jobs tax credit provisions of the state corporate income tax. The definition of “new employee” is updated to include a reference to welfare transition program participants, to eliminate reference to part-time employees, to include leased employees who average at least 36 hours per week for more than six months, and to create an incentive for a business to upgrade an employee’s status by allowing a former part-time employee to be hired as full-time and allowing the business to get the full credit even if the business is not creating 36 new hours. This section creates two new definitions: “New job has been created” is defined as an increase in full-time jobs by a business located in an enterprise zone from the average of the

previous 12 months; and “jobs” is defined as full-time positions consistent with U.S. Department of Labor standards.

This section adds broadband communications investments to the “eligible project” list, for purposes of the community contribution tax credit program, if a project is the investment necessary to increase access to high-speed broadband capability in rural communities with enterprise zones, including projects that result in improvements to communications assets that are owned by a business. The section also adds educational programs and materials for a particular museum project to the eligible project list. The types of eligible housing “projects” have not changed, but the following are clarifications and expansions to the housing project-related activities that may receive a charitable contribution:

- Project development, impact, and management fees for low-income housing projects;
- Down payment and closing costs for low-income households;
- Administrative costs, including housing counseling and marketing fees not to exceed 10 percent of the community contribution for low-income housing projects; and
- Contributions received from a non-related third party for the removal of liens recorded against residential property if the lien is recorded by government, and removal of the lien is necessary for property transfer and is for the purpose of promoting home ownership for low-income households.

Section 6: Section 220.181, F.S., is amended to raise the enterprise zone jobs tax credit for corporate income tax from 10 percent to 20 percent for urban zones, and to 30 percent for rural zones, for new employees hired when a new job is created by a business located in the zone. If at least 20 percent of the employees live within the zone, the tax credit increases to 30 percent in an urban enterprise zone and to 45 percent in a rural enterprise zone. The credit is provided for 24 months instead of the existing 12 months, and the current wage level cap is removed. The credit is calculated as a percentage of the monthly wages, and the number of full-time jobs created is calculated using an average of the previous 12 months. The tax credit would be for new full-time jobs. The existing statute does not require job creation but rather allows the credit to be claimed based on new hires for existing positions. This section grandfathers in businesses that expanded or located in an enterprise zone between July 1, 2000, and December 31, 2001, and created at least five jobs.

This section has an effective date of January 1, 2002, to allow time for the Department of Revenue to modify procedures and update tax forms for the refund.

Section 7: Section 220.183, F.S., is amended to modify the community contribution tax program for corporate income tax by updating, clarifying, and expanding its current housing role. The following are revisions or additions to the “eligible sponsor” list:

- Community development corporation has been changed to a nonprofit community-based development organization whose mission is the provision of housing or entrepreneurial and job-development opportunities for low-income households;
- Private industry council has been changed to a regional workforce board;

- Community-based organizations recognized as educational, charitable, or scientific pursuant to s. 501(c)(3) of the Internal Revenue Code, and whose by-laws and articles of incorporation include affordable housing, economic development, or community development as their primary mission;
- Units of local government; and
- Units of state government.

This section increases the total amount of tax credit that may be granted for all community contribution tax credits from \$10 million annually to \$20 million, which means that if the credit limit were reached under this provision, more than \$40 million in community contributions would be raised. This section allows a community with Front Porch Florida designation to use the community contribution tax credits.

This section also allows OTTED to reserve up to 50 percent of the available annual tax credits for housing for very-low-income households for the first six months of the fiscal year. “Very-low-income” is defined in s. 420.9071(28), F.S., as having a total annual gross household income that does not exceed 50 percent of the median annual income. The committee substitute directs OTTED to consult with the Department of Community Affairs, the Florida Housing Finance Corporation, and statewide and regional housing and financial intermediaries in the marketing of the community contribution tax credit program.

Section 8: Section 288.018, F.S., relating to the Regional Rural Development Grants Program, is amended to allow OTTED to contract for the administration and development of an enterprise zone web portal or websites for marketing the Enterprise Zone Program for job creation in disadvantaged urban and rural enterprise zones. The interim report identified staffing for the purposes of marketing the zone as a serious problem that prevents the program from becoming a job creation tool, especially in rural areas. The interim report also identified the lack of enterprise zone marketing on state websites, including Enterprise Florida, Inc., as a solvable problem. This section allows OTTED the flexibility to use an additional \$150,000 in the rural staffing grants program to either contribute toward marketing staff or contract with Enterprise Florida, Inc., to develop and administer an enterprise zone web portal or website for each zone. Funds are to be released on a quarterly basis determined by need. The rural staffing grants program was created in 1996 to help rural economic development organizations build their professional capacity; however, the web portal or websites will aid in the marketing of all enterprise zones.

Section 9: Section 288.019, F.S., is created to require state agencies to review how grant and loan applications are currently scored. Scoring procedures are to be modified to best reflect the impact of the project, and need for the project, in rural areas. Competitive grants frequently do not recognize or take into consideration fundamental financial differences between rural and urban counties or communities. The interim report identified this financial difference as a critical problem that prevents rural zones from adding local incentives to enterprise zone incentives so that a larger package of incentives can be offered for job creation. This section would require the state agencies participating in the Rural Economic Development Initiative (REDI) to review their programs and develop review and evaluation criteria that take such differences into account.

Section 10: Section 288.065, F.S., is amended to allow economic development organizations that are financially supported by a unit of local government or federal Rural Enterprise Communities

to be the recipient of a rural revolving loan. The interim report discussed the need to include other resources to facilitate the location or expansion of job-creating opportunities into rural enterprise zones. Although the report mentions the rural infrastructure fund, it fails to mention other programs that could be utilized, such as the Rural Revolving Loan Fund. The interim report also mentions the possibility of micro-loan programs, and the loan fund has been and can be used for this purpose. This section solves an inconsistency in the statute that would prevent areas of critical economic concern from using this program even if such communities obtain enterprise zone designation.

Section 11: Section 288.0656, F.S., is amended to require the Rural Economic Development Initiative (REDI) agencies to annually designate a high-level staff person to serve as the REDI representative and to update the REDI list of agencies to include the Agency for Workforce Innovation, Workforce Florida, Inc., and the Department of Juvenile Justice.

Section 12: Section 288.1088, F.S., is amended to revise the Quick Action Closing Fund by allowing the fund to be used in distressed rural and urban communities. This section expands the program from high-impact business facilities that are more common in advantaged areas to allow for “privately developed critical rural infrastructure, or key facilities in economically distressed urban or rural communities.” Fund criteria are expanded to allow for privately developed infrastructure that can be evaluated by the types of business activities and jobs that are stimulated by the investment. The conditions for a contract between OTTED and a business are expanded to allow a demonstration that a baseline of current service can be enhanced and that the business can measure enhanced capability.

Section 13: Section 288.9015, F.S., is amended to revise the responsibilities of Enterprise Florida, Inc. (EFI), to promote economic development in economically distressed urban and rural communities. Specifically, the committee substitute requires EFI to develop a plan for marketing and using, in a coordinated fashion, federal, state, and local programs the purposes of which are to improve economic conditions in distressed communities, such as the:

- Enterprise Zone Program under ch. 290, F.S.;
- Front Porch Florida Initiative; and
- Toolkit for Economic Development.

The committee substitute requires the plan to address:

- Educating businesses that are engaged in a site-selection process about economically distressed communities and about specially designated areas such as enterprise zones and Front Porch Florida communities;
- Informing businesses about the availability of incentive programs that are specially designed to encourage investment in economically distressed communities;
- Employing, as much as possible, general economic development incentives in these communities, such as the tax refund program for qualified target industry businesses (s. 288.106, F.S.); the high-impact performance grants (s. 288.108, F.S.); the Quick Action Closing Fund (s. 288.1088, F.S.); and contracts for transportation projects (“Road Fund”) (s. 288.063, F.S.).

The committee substitute directs EFI to develop performance measures to assess changing levels of economic investment in distressed communities and to report such data as part of the organization's annual report. Further, the committee substitute authorizes EFI to recommend that the Legislature incorporate these measures into the annual agency performance measurement review process under ch. 216, F.S., and to recommend a method for according more importance to these measures than other economic development measures.

The committee substitute requires EFI to consult and coordinate with other organizations with economic development, workforce development, and community development missions and to leverage their combined programs, designations, and initiatives in an effort to secure projects in distressed communities that result in the creation of jobs.

Section 14: Section 290.004, F.S., is amended to provide a definition of the term rural enterprise zone, to include an enterprise zone within a county with a population of 75,000 or less, or a county with a population of 100,000 or less that is contiguous to a county with a population of 75,000 or less. This section designates "net-ban enterprise zones" as rural enterprise zones. Net-ban enterprise zones were authorized in s. 370.28, F.S., in the aftermath of the constitutional limitation on the use of certain fishing nets.

Section 15: Section 290.0065, F.S., is amended to allow designated federal rural empowerment zones and federal rural enterprise communities to be included in the boundaries of the state rural enterprise zones without any limitation as to size. This section changes "department" to "office," reflecting the change of administration from the Department of Commerce to the Office of Tourism, Trade, and Economic Development (OTTED) and changes "rules" to "guidelines." This section also eliminates the ability to amend boundaries at any time.

This section also authorizes a municipality that is located within a county having a population of less than 225,000 to change the boundaries of an existing enterprise zone in which the enterprise zone community has a total population between 50,000 and 150,000. OTTED must approve the boundary change if the new boundaries do not increase the overall size of the enterprise zone and if any territory added to the enterprise zone as a result of the boundary change is contiguous to the remaining area of the existing enterprise zone.

Section 16: Section 290.0066, F.S., is amended to require the director of OTTED to revoke the designation of an enterprise zone if the zone is determined to no longer meet the poverty requirements as specified in statute or is determined by research evaluations under s. 290.015(1) to be one of three urban or three rural zones that are the least active in use of the Enterprise Zone Program. This section also provides for voluntary revocation of a zone designation.

Section 17: Section 290.00676, F.S., is created to allow rural enterprise zones to change their boundaries and increase zone size up to 20 square miles upon submission of an application by December 30, 2001. This section allows rural enterprise zones to add a noncontiguous area that has zero population and sets aside the pervasive poverty criteria for that noncontiguous parcel.

Section 18: Section 290.00677, F.S., is created to allow a business located in a rural enterprise zone access to the rural enterprise zone jobs tax credit for creating a new job and employing a resident of any rural county. Under current law, the individual hired must reside in the zone itself

unless the zone is in an area affected by net-ban limitations, which are primarily in rural areas. In other sections of this committee substitute, net-ban enterprise zones are designated as rural enterprise zones. This section conforms all rural areas, including net-ban zones, to the same standard.

Section 19: Section 290.00694, F.S., is created to allow three Rural Champion Communities to apply for designation as enterprise zones, affecting Hamilton, Madison, and Putnam counties. This section would allow three of the eight champion communities that do not yet have enterprise zones but do have champion community designation under federal law, to apply provided that the areas have met the enterprise zone eligibility criteria. This section also allows one community in each county within a rural area of critical economic concern that does not already have a zone designation, to apply for designation as an enterprise zone through December 31, 2001. This would allow Calhoun, Holmes, Desoto, Glades, Hardee, and Okeechobee counties to apply for designation as an enterprise zone. This section allows for nine new applications for enterprise zone designation; if all apply and are accepted, and use zone incentives at about the same average rate of similar zones, this section can be estimated to cost approximately \$100,000 a year in total state tax credits.

Section 20: Allows Hillsborough County to apply to OTTED for designation of one enterprise zone, which must encompass a high-crime, low-income, high-unemployment area. This section specifies the area to be included within the enterprise zone.

Section 21: Section 290.007, F.S., is amended to revise the list of tax credits provided in the Community Contribution Tax Credit Program to include a sales tax credit.

Section 22: Section 290.015, F.S., requires Enterprise Florida, Inc., to create a research design to be used in the review of the Enterprise Zone Act prior to January 1, 2003. Requires a review of the enterprise zone program by the Auditor General and a report of which zones are not active or do not meet poverty requirements, and provides for a recommendation of which zones are to be revoked. In addition, the report will determine if the enterprise zone program has produced enough positive results in alleviating state poverty to recommend its continuation with the results to be presented to the House and Senate before the 2005 Regular Session.

Section 23: Section 290.048, F.S., is amended to add subsection (7), which authorizes the Department of Community Affairs to establish advisory committees and solicit participation in designing, administering, and evaluating the Florida Small Cities Community Development Block Grant Loan Guarantee Program and in linking the program with other housing and community development resources. The Department of Community Affairs believes that the ability to merge various advisory councils into one advisory committee would provide a more comprehensive approach to addressing community needs and allowing for a broad and more diversified membership.

Section 24: Section 290.049, F.S., is repealed to eliminate an advisory council related to the Department of Community Affairs' administration of the Florida Small Cities Community Development Block Grant Loan Guarantee Program.

Section 25: Section 370.28, F.S., is amended to repeal subsection (4) of the section of the statutes related to the net-ban limitation enterprise zones. The subsection, which established conditions for use of incentives in net-ban zones, would not be compatible with other sections of this committee substitute that define net-ban zones as rural zones and establish new conditions applicable to incentives for rural zones.

Section 26: Subsections (15) and (19) of section 420.503, F.S., are amended to revise two definitions that allow the Mortgage Revenue Bond Program to be included in the federal fair housing definition of an elder project. This section allows the Florida Housing Finance Corporation to have uniform program definitions.

Section 27: Section 420.507, F.S., is amended to allow the Governor or his representative to award certificates of recognition to honor individuals and organizations who have demonstrated the ideals of community stewardship and increased access to affordable housing. Enterprise zone or Front Porch Florida program administrators can use the recognition program to encourage the sale of housing by the current owners to low- or very-low-income persons.

Section 28: Section 420.5088, F.S., is amended to revise criteria related to the Florida Homeownership Assistance Program. This section is designed to allow use of these funds for down payment assistance and closing costs assistance in single-family programs other than those sponsored by the Florida Housing Finance Corporation. This section allows the corporation to use the unused portion of funds for such down payment assistance and closing costs assistance. Currently the program serves income levels at 30 percent of area median income. Because of the difficulty in qualifying at this income level, unused funds are available and can be used in single-family housing programs.

Section 29: Section 420.5092, F.S., is amended to raise the bonding authority under the Florida Affordable Housing Guarantee Program to \$400 million from the current statutory level of \$200 million, which the Florida Housing Finance Corporation expects to reach in 2002. This section does not require state revenue since the funds only guarantee bonds in case of a default and corpus funds are available to pay for defaults before any state revenues are necessary.

Section 30: Section 624.5105, F.S., is amended to conform the community contribution tax credit provisions for insurance premium taxes with changes made to the corporate income tax provisions and with the creation of a tax credit for sales taxes. This section modifies the community contribution tax credit program by updating, clarifying, and expanding its current housing role. The following are revisions or additions to the “eligible sponsor” list:

- Community development corporation has been changed to a nonprofit community-based development organization whose mission is the provision of housing or entrepreneurial and job-development opportunities for low-income households;
- Private industry council has been changed to a regional workforce board;
- Community-based organizations recognized as educational, charitable, or scientific pursuant to s. 501(c)(3) of the Internal Revenue Code, and whose by-laws and articles of incorporation include affordable housing, economic development, or community development as their primary mission;
- Units of local government; and

- Units of state government.

This section adds broadband communications investments to the “eligible project” list if a project is the investment necessary to increase access to high-speed broadband capability in rural communities with enterprise zones, including projects that result in improvements to communications assets that are owned by a business. The types of eligible housing “projects” have not changed but the following are clarifications and expansions to the housing project-related activities that may receive a charitable contribution:

- Project development, impact, and management fees for low-income housing projects;
- Down payment and closing costs for low income households;
- Administrative costs, including housing counseling and marketing fees not to exceed 10 percent of the community contribution for low-income housing projects; and
- Contributions received from a non-related third party for the removal of liens recorded against residential property if the lien is recorded by government, and removal of the lien is necessary for property transfer and is for the purpose of promoting home ownership for low-income households.

This section directs OTTED to consult with the Department of Community Affairs, the Florida Housing Finance Corporation, and statewide and regional housing and financial intermediaries in the marketing of the community contribution tax credit program.

This section increases the total amount of tax credit that may be granted for all community contribution tax credits from \$10 million annually to \$20 million, which means that if the credit limit were reached under this provision, more than \$40 million in community contributions would be raised. This section allows a community with Front Porch Florida designation to use the community contribution tax credits.

Section 31: Section 163.356, F.S. is amended to allow one community redevelopment agency board of commissioners to have up to nine members, instead of not fewer than five or more than seven commissioners under current law. This section also allows a county or municipality having a population equal to or greater than 50,000 to create more than one community redevelopment agency.

Section 32: Appropriates \$225,000 from the General Revenue fund through FY 2008-2009 to the Department of Community Affairs to implement the Florida Empowerment Zone Act. The funds are to be used for federally designated rural enterprise communities.

Section 33: Except as otherwise provided, this act shall take effect July 1, 2001.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:**A. Tax/Fee Issues:****Cost of the Enterprise Zone Programs Structural Changes**

This committee substitute has not been reviewed by the Revenue Estimating Conference for a fiscal impact. However Senate staff have worked with staff from the Department of Revenue and the Office of Tourism, Trade, and Economic Development to provide a preliminary estimate, until the Revenue Estimating Conference can provide a final fiscal impact. Because most zone coordinators report that fewer than 10 percent of the jobs tax credits that are currently granted to zone businesses are provided for new job creation, it seems reasonable to expect a reduction in the cost of the jobs tax credit component of the Enterprise Zone Program by about \$1.5 million. The business property refund component of this program will decrease because of the committee substitutes proposal not to credit property under \$500 per unit, which according to some zone coordinators and Department of Revenue staff will cause at least a 10-percent decrease in the business property refund or about \$200,000. The addition of a sales tax credit in the Community Contribution Tax Credit Program is expected to increase donations from smaller businesses by at least \$1 million. The committee substitute allows for 9 small rural communities to apply for zone designation and allows 15 existing rural enterprise zones to expand their zones to a maximum of 20 square miles with a total expected recurring total annual cost of about \$175,000.

Section 20 of the committee substitute allows Hillsborough County to apply to OTTED for designation of one enterprise zone, which must encompass a high-crime, low-income, high-unemployment area. The cost of this new zone has not been reviewed by the Revenue Estimating Conference.

B. Private Sector Impact:

This committee substitute changes the structure of the jobs tax credit provisions of the Enterprise Zone Program to double the value of the incentive and provide the incentive for two years, for new full-time job creation. These provisions are in response to concerns by zone coordinators and zone businesses that the incentive was too small to stimulate economic activity, that the incentive was not for job creation, and that inclusion of part-time employment created too much paperwork and uncertainty for businesses relative to the value of the incentive. Clarifications have been made in the sales tax refund for both the building materials component and the business property component of the Enterprise Zone Program. Businesses will experience less paperwork and have more certainty that an application will be accepted, which will potentially reduce business costs and frustration with the state

program. Newly locating or expanding businesses that create new jobs are targeted by changes in the jobs tax credit incentive. These changes may provide an improved business climate for job creation and an incentive for better quality jobs in urban core and rural enterprise zones.

C. Government Sector Impact:

Changes to the jobs tax credit provisions of the Enterprise Zone Program should reduce the number of jobs tax credit applications processed each year by the Department of Revenue (DOR) and the Office of Tourism, Trade, and Economic Development (OTTED), based on reports by zone coordinators that only a small fraction of the new hires under the current program were for new full-time job creation. Adding a sales tax credit to the existing community contribution corporate tax credit provisions of the program will increase the number of community donations processed by OTTED and refunded by DOR since smaller businesses will have an opportunity to contribute and receive the 50-percent sales tax refund. Changes to the sales tax refund for business property used in an enterprise zone should reduce refund processing difficulties and the number of business reapplications for the Department of Revenue. The committee substitute provides \$150,000 for a zone website to be used in marketing all enterprise zones with unused portions remaining in a staffing grant program for use in zones that have no enterprise zone marketing staff. The \$150,000 is being made available in the Regional Rural Development Grants Program by increasing the program's funding from \$600,000 to \$750,000 each fiscal year with funds appropriated to the Rural Community Development Revolving Loan Fund.

The committee substitute requires Enterprise Florida Inc., to develop a strategic and operating plan related to the generation of economic development activities in distressed communities and, in the process of doing so, to coordinate with several other entities.

Section 32 of the committee substitute appropriates \$225,000 in recurring General Revenue through FY 2008-2009 to the Department of Community Affairs to implement the Florida Empowerment Zone Act.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None