

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 1795 w/CS (PCB FT 04-02) Affordable Housing

SPONSOR(S): Finance & Tax

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

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) <u>Finance & Tax</u>	<u>24 Y, 0 N</u>	<u>Levin</u>	<u>Diez-Arguelles</u>
2) <u>Local Government & Veterans' Affairs</u>	<u>19 Y, 0 N w/CS</u>	<u>Nelson</u>	<u>Cutchins</u>
3) _____	_____	_____	_____
4) _____	_____	_____	_____
5) _____	_____	_____	_____

SUMMARY ANALYSIS

State policymakers have long recognized the importance of having safe and affordable housing available to all Floridians. In 1992, the Legislature dramatically increased the commitment to affordable housing by earmarking a portion of the State's documentary stamp tax revenues for affordable housing when it passed the William E. Sadowski Act.

On October 1, 2003, Speaker Johnnie Byrd created a Select Committee on Affordable Housing and charged the Committee with reviewing the state's housing goals and policies, along with assessing achievement toward those goals. The committee convened in Jacksonville, Pensacola, Miami, Tampa, Orlando and Tallahassee for the purpose of making site visits and taking public testimony. A final report was issued in February 2004, and this bill includes many of the recommendations made in the report. The report is available at: myFloridaHouse.com under Documents & Publications; Committees (Finance & Tax); Proposed Committee Bills (PCBs).

Families occupying homes which they own are an important component in any plan to provide economic security to Floridians. HB 1795 expands existing programs that create homeownership by increasing the community contribution tax credit program from \$10 million to \$20 million annually, and by extending the program until 2015. The bill also provides new funding for the Florida Housing Finance Corporation to facilitate homeownership by matching developers' rent set aside programs (to assist in the purchase of homes), by developing a program to defer or waive impact fees on new homes, and by further advertising the programs which currently help families to afford their first home.

The bill also addresses a number of areas dealing with multifamily rental housing. The Florida Housing Finance Corporation is given new powers to assess overdevelopment, adjust certain interest rates, and write rules to provide for master leases for farmworker housing. The Public Housing Authorities are given the authority to enter into public-private partnerships in order to increase the stock of safe and decent housing.

Fiscal impact: The changes in the community contribution tax credit will result in a reduction to General Revenue of \$10 million in FY 04-05 and \$20 million in FY 05-06. The bill also appropriates \$5.7 million of General Revenue in FY 04-05.

This document does not reflect the intent or official position of the bill sponsor or House of Representatives.

STORAGE NAME: h1795d.lgv.doc

DATE: April 5, 2004

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. DOES THE BILL:

- | | | | |
|--------------------------------------|---|-----------------------------|---|
| 1. Reduce government? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. Lower taxes? | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 3. Expand individual freedom? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. Increase personal responsibility? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. Empower families? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. EFFECT OF PROPOSED CHANGES:

Section 1. Creates the Florida Homeownership Act of 2004.

Section 2. Chapter 193, F.S., addresses property assessments for real property. Currently, variations exist between counties in the manner that multifamily affordable housing is valued. Section 2 of the bill creates a new s. 193.017, F.S., dealing with the valuation and assessment of properties which have received a low-income housing tax credit issued by the Florida Housing Finance Corporation ("FHFC"). The section directs that neither the tax credits (and the financing generated by the credits) nor any costs paid for by tax credits (and additional financing proceeds received under ch. 420, F.S.) be considered as income to the property when assessing just valuation. Actual rental income from rent restricted units is to be recognized as such by the property appraiser, who also is directed to take into account the limitation on the highest and best use of the property imposed by recorded documents which restrict the rent that may be charged.

Sections 3, 4, 5 and 21. These sections make similar amendments to ss. 212.08, 220.03, 220.183 and 624.5105, F.S. The total community contribution tax credits are increased from \$10 million to \$20 million annually and may be applied against sales tax, corporate income tax and insurance premium taxes. The expiration of the tax credit is extended from year 2005 to 2015. The bill changes the allocations of the credits and the time for which they are reserved. Current law permits the Governor's Office of Tourism, Trade, and Economic Development (OTTED) to reserve 50 percent of the tax credits for very low income housing for the first six months of the fiscal year. This section makes an initial reservation of 80 percent of the credit for homeownership opportunities for low and very low income households. The remaining 20 percent is initially reserved for non-housing projects. If the tax credit applications for low income homeownership opportunities exceed 80 percent of the housing allotment in the first 10 business days of the fiscal year, sponsors with less than \$200,000 in applications will have their applications granted in full. Those sponsors with applications that in total equal or exceed \$200,000 will receive a pro-rata share. If additional funds become available after the first two months of the fiscal year, the tax credits of those sponsors that received a pro-rata share are increased. If funds remain after funding the projects at 100 percent, then those applications received on or after the 11th business day will be granted on a first come, first-served basis. The section makes similar pro-rata and first come-first served provisions for the 20 percent of credits reserved for non-housing applications. Provisions also are made for transfer between the 80 percent fund and the 20 percent fund if the credits are not allocated within the first two months of the fiscal year.

Section 6. Surplus state lands currently may be used for public schools, public libraries, fire or law enforcement substations, and governmental, judicial or recreational centers. Section 6 amends s. 253.034, F.S., to add affordable housing as a permitted use of state owned surplus lands.

Section 7. Current statutes do not directly address what types of structures are included in the affordable housing strategy for Florida. Section 7 creates s. 420.0003, F.S., the State Affordable

Housing Strategy, which includes single family housing, multi-family housing, manufactured housing, and housing coordinated with services for special needs populations in the affordable housing delivery system.

Section 8. Amends s. 420.507, F.S., concerning the powers of the FHFC. The FHFC is given the power to determine whether existing housing supplies exceed demand. The section clarifies that zero to three percent interest loans are available to projects that *set aside* at least 80 percent of their total units for farmworkers, commercial fishing workers and the homeless. The availability of mortgage loan rates of zero to three per cent are also expanded from only projects which maintain an 80 percent occupancy by farmworkers, commercial fishing workers, and the homeless to those *portions* of any project which set aside units for farmworkers, commercial fishing workers, and the homeless.

Currently, the corporation may only re-structure loans after a default occurs. This section also will permit the corporation to re-structure loans before actual default occurs, provided that the procedure is designed to maximize returns to the state. This section also permits the FHFC to advertise and educate the public concerning its single family home ownership initiatives and creates a “match” program of up to \$5,000 per home for purchase of a home by persons participating in affordable housing provider rent set aside programs. It also creates a program to incentivize local governments to defer, reduce or waive impact fees for affordable homeownership. The program is limited to \$4,000 per home. It also requires periodic reporting of data by present sponsors to the FHFC.

Section 9. At the present time, s. 420.508, F.S. is not explicit as to whether the FHFC may write rules to provide for master lease agreements for farmworker housing developments. This bill creates subsection (8), of s. 420.508, F.S., to allow the FHFC to create rules relating to master lease agreements for farmworker housing developments.

Section 10. Amends s. 420.5087, F.S., the State Apartment Incentive Loan Program (SAIL) to increase the amount of repairs which may be financed with SAIL funds to rehabilitate housing for the elderly from \$200,000 to \$500,000 per housing community. It also introduces a new requirement that sponsors of projects certify annually the adjusted gross income of the project’s occupants.

Section 11. Amends s. 420.511, F.S., to require the corporation to include in its annual report changes made to the rules of the corporation, the quarterly physical occupancy rate of each multi-family housing project, and certain information relating to the Affordable Housing Guarantee Program.

Section 12. Under current law, there is no mechanism which permits the Legislature to assess the risks faced by the Guarantee Program over the next several years. This section creates subsection (12) of s. 420.5092, F.S., which requires an annual assessment of the Florida Affordable Housing Guarantee Program to be submitted to the Governor and the Legislature.

Section 13. At the present time, there is no organized program to provide information to tenants and providers of affordable housing regarding the availability of support services. The bill requires that the FHFC coordinate with state agencies to provide affordable housing tenants and providers with information regarding available services. Agencies with information to be included in the support services include the Agency for Workforce Innovation, Department of Education, Department of Elder Affairs, Department of Children and Families, Department of Veterans Affairs, Department of Corrections and the Department of Juvenile Justice.

Section 14. Amends s. 420.9072, F.S., to require that local governments which have established affordable housing advisory committees retain the committees that they created.

Section 15. Amends s. 420.9075, F.S. to require local governments participating in the State Housing Initiatives Program (SHIP) to set a maximum purchase price for single family homes at the amount established by the FHFC.

Section 16. Amends s. 420.9076, F.S., to change the composition of affordable housing advisory committees by requiring a minimum of nine committee members and requiring additional members, beyond nine, to be citizens within the jurisdiction of the local governing body making the appointments. The section requires counties and eligible municipalities to maintain an operational, affordable housing advisory committee. The committees are to review the Local Affordable Housing element of the local comprehensive plan pursuant to ch. 163, F.S., and are to act as liaisons between local government councils and the general public.

Section 17. Chapter 421, F.S., created public housing authorities in 1937, and only minor statutory amendments having been adopted since then. The legislative findings set forth in s. 421.02(2), F.S., are changed to recognize that public housing should include partnerships with private enterprise.

Section 18. This section amends s. 421.08, F.S., to clarify the statutory authority for housing authorities to create public-private partnerships to assist in creating and maintaining affordable housing. It permits projects to include non-residential uses and to include housing for individuals whose income does not exceed 150 percent of area median income. The existence of current public-private partnerships is ratified. Housing authorities are authorized to use federal travel and per diem guidelines.

Section 19. Section 421.09, F.S., is amended so that the not-for-profit status of housing authorities does not prohibit or restrict the activities allowed by section 18 of the bill.

Section 20. Amends s. 421.23, F.S., to permit the governing boards of housing authorities to pledge funds in addition to rents, fees, revenues, grants or subsidies paid by the federal government.

Section 21: Amends s. 624.5105, F.S., to increase the amount of available community contribution tax credits from \$10 to \$20 million.

Section 22. Repeals s. 421.54, F.S., concerning required notice and approval provisions for public housing in Orange and Seminole Counties.

Section 23. Appropriates \$350,000 in General Revenue to the FHFC for the purpose of promoting single family homeownership and an additional \$350,000 in General Revenue for the purpose of matching rent set-asides used to provide financial assistance in the purchase of a home pursuant to s. 420.507(42), F.S. The sum of \$5,000,000 in General Revenue is appropriated to establish incentives which defer, reduce or waive impact fees pursuant to the provisions of s. 420.507 (44), F.S.

Section 24. Provides an effective date of July 1, 2004.

C. SECTION DIRECTORY:

Section 1: Creates the Affordable Housing Act of 2004.

Section 2: Amends ch. 193, F.S.

Section 3: Amends s. 212.08, F.S.

Section 4: Amends s. 220.03, F.S.

Section 5: Amends s. 220.183, F.S.

Section 6: Amends s. 253.034, F.S.

Section 7: Amends s. 420.0003, F.S.
Section 8: Amends s. 420.507, F.S.
Section 9: Amends s. 420.508, F.S.
Section 10: Amends s. 420.5087, F.S.
Section 11: Amends s. 420.511, F.S.
Section 12: Amends s. 420.5092, F.S.
Section 13: Amends s. 420.517, F.S.
Section 14: Amends s. 420.9072, F.S.
Section 15: Amends s. 420.9075, F.S.
Section 16: Amends s. 420.9076, F.S.
Section 17: Amends s. 421.02, F.S.
Section 18: Amends s. 421.08, F.S.
Section 19: Amends s. 421.09, F.S.
Section 20: Amends s. 421.23, F.S.
Section 21: Amends s. 624.5105, F.S.
Section 22: Repeals s. 421.54, F.S.
Section 23: Provides for appropriations.
Section 24: Provides an effective date.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

State revenues will decrease as a result of the community contribution tax credit increasing from \$10 million to \$20 million and the delay in the repeal date from 2005 to 2015. General Revenue will decrease by \$10 million in FY 04–05 and \$20 million in FY 05–06.

2. Expenditures:

The bill appropriates \$5.7 million in General Revenues for new initiatives.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

Local government revenues will decrease slightly as a result in the decrease in the revenue sharing and the local half cent sales tax resulting from the increase in the community contribution tax credit.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

More corporations will be able to realize tax credits for the donation of materials.

D. FISCAL COMMENTS:

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds.

Although the bill will reduce the authority of municipalities and counties to raise revenues, the impact is expected to be insignificant and the bill is therefore exempt from the provisions of art. VII, s. 18(b), State Constitution.

While the bill will reduce the amount of the Local Government Half Cent Sales Tax shared with municipalities and counties, it does not reduce the percentage of a state tax shared with municipalities and counties. Therefore, art. VII, s.18(b) of the State Constitution, does not apply.

2. Other:

B. RULE-MAKING AUTHORITY: This bill provides the FHFC with additional rule-making authority.

C. DRAFTING ISSUES OR OTHER COMMENTS:

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

The Local Government & Veterans' Affairs Committee adopted four amendments at its meeting on April 1, 2004. Three of the amendments were technical. One amendment removed a \$10 million appropriation, and provided an effective date for the bill of July 1, 2004.