

## HOUSE OF REPRESENTATIVES STAFF ANALYSIS

**BILL #:** HB 1521 CS

Community Redevelopment Agencies

**SPONSOR(S):** Sorensen

**TIED BILLS:**

**IDEN./SIM. BILLS:** SB 2060

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REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Finance & Tax Committee	5 Y, 3 N, w/CS	Monroe	Diez-Arguelles
2) Local Government Council	8 Y, 0 N	Camechis	Hamby
3) Fiscal Council	14 Y, 5 N, w/CS	Monroe	Kelly
4) _____	_____	_____	_____
5) _____	_____	_____	_____

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### SUMMARY ANALYSIS

Under this bill, the tax increment financing (TIF) received by Community Redevelopment Agencies (CRAs) which were not created under a delegation of authority from a home rule county and which are not operating pursuant to an interlocal agreement would be limited beginning July 1, 2008, if:

- The CRA has existed for 20 years,
- The amount of revenue a taxing authority must deposit in the CRA trust fund equals or exceeds the amount available to the taxing authority for its own purposes (exclusive of debt service levies), or
- The CRA has existed for at least five years, and the electorate indicates in a countywide referendum that the county contribution to the CRA should not continue to increase.

If one of these conditions exist, the contribution to the CRA by a local taxing authority is limited to the amount contributed by the taxing authority in the prior fiscal year or an amount specified in an interlocal agreement.

Also, the bill provides that counties without home rule charters will not be required to contribute TIF to CRAs created after July 1, 2005, unless an interlocal agreement exists between the county and the municipality creating the CRA. Similarly, a CRA created prior to July 1, 2005, will not be able to expand its boundaries, modify a redevelopment plan, or modify existing debt service without an interlocal agreement with the county in which it is located, if the county was not a home rule charter county when the CRA was created.

This bill has no impact on state revenues and will take effect July 1, 2005.

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. HOUSE PRINCIPLES ANALYSIS:

This bill does not appear to implicate any of the House Principles.

#### B. EFFECT OF PROPOSED CHANGES:

##### Present Situation

##### Community Redevelopment Agencies (CRA)

The Community Redevelopment Act of 1969, Ch. 163, Part II, F.S. (Act), was established with the intent to revitalize slum and blighted areas “which constitute a serious and growing menace, injurious to the public health, safety, morals, and welfare of the residents of the state.” The Act authorizes each local government to establish one Community Redevelopment Agency (CRA) to revitalize designated slum and blighted areas upon a “finding or necessity” and a further finding of a “need for a CRA to carry out community redevelopment.” During the last two decades, municipalities, and to a lesser extent counties, have increasingly relied upon CRAs as a mechanism for community redevelopment. CRAs are funded primarily through tax increment financing (TIF) which diverts some ad valorem tax revenues from the levying authority (a county or municipality) to a redevelopment trust fund for the CRA to use for its redevelopment projects and related activities.

Current law, with some exceptions, does not allow counties to participate in the operations of CRAs established by municipalities. However, counties are required to help fund CRAs, and at times may fund them at a higher level than the municipalities which created and control them. This and other issues have resulted in a rise in the number of CRA-related conflicts between municipal and county governments.

##### Financing of CRAs

Pursuant to s. 163.387, F.S., CRAs are funded primarily through tax increment financing, commonly known as “TIF”, whereby ad valorem revenues in excess of those collected in the base year the redevelopment area was created are remitted by local taxing authorities such as counties, municipalities, and special districts to a redevelopment trust fund used by a CRA to fund redevelopment projects and related activities. CRAs created prior to 2002 may receive TIF contributions for 60 years, while CRAs subsequently created may receive TIF contributions for 40 years.

Section 163.387(2)(c), F.S., exempts the following public bodies and taxing authorities from the requirement to contribute TIF payments:

- A special district that levies ad valorem taxes on taxable real property in more than one county;
- A special district whose sole available source of revenue is ad valorem taxes authorized at the time an ordinance is adopted providing for CRA funding;
- A library district, except a library district in a jurisdiction where the CRA validated bonds as of April 30, 1984;
- A neighborhood improvement district created under the Safe Neighborhoods Act;
- A metropolitan transportation authority; and
- A water management district created under section 373.069, Florida Statutes.

- In accordance with s. 163.087(2)(d), F.S., the local governing body that creates a CRA may, in its sole discretion or in response to a request from the special district, exempt a special district that levies ad valorem taxes within the CRA.

The division of authority between a county and municipality regarding the creation or expansion of a municipal CRA depends upon whether the county is a non-charter or charter county, or whether a CRA was created *prior* to adoption of a county charter. The division of authority may be summarized as follows:

	<b>Authority over creation, expansion, or modification of a CRA</b>
Charter County	Charter counties possess sole authority to create CRAs within the county, but may delegate authority to a municipality via interlocal agreement.
Non-Charter County	Non-charter counties do not have authority over the creation, expansion, or modification of municipal CRAs within the county. Therefore, a municipality may create a CRA and operate the CRA, requiring the long-term contribution of TIF payments from the county, even if the county objects or has other county funding issues to address.
A CRA created in a charter county <i>prior</i> to adoption of the county charter	The charter county does not have authority over the operations of the CRA, including modification of the redevelopment plan or expansion of CRA boundaries.

Counties are required to contribute TIF payments to CRAs and, in some areas, ultimately contribute more than the municipalities creating the CRAs. This is due to the fact that millage rates levied by counties are generally higher than millage rates levied by municipalities. This, among other issues, has increased the number of CRA-related conflicts between county and municipal governments.

#### Legislative Committee on Intergovernmental Relations (LCIR) Study

During the 2003-2004 interim, the LCIR conducted a study of economic revitalization initiatives in distressed urban areas. During the study, local governments in Florida cited CRAs as the most commonly used economic development and revitalization program in Florida. The LCIR continued reviewing the issue of urban revitalization with an emphasis on CRAs. At the conclusion of the review, LCIR issued a comprehensive report in January 2005 entitled *Local Government Concerns Regarding Community Redevelopment Agencies in Florida* (Report).

The Report included the following “Findings” regarding the current applications of CRAs and “Proposals” for legislative action:

#### LCIR Findings

- County and municipal governments agree that CRAs are useful mechanisms for addressing slum and blight.
- Currently, there are 144 CRA districts of which 125 districts were created by 114 municipal governments and 19 districts were created by 14 county governments.
- 32 counties contain only CRA districts created by municipalities; 10 are charter counties and 22 are non-charter counties of which 13 are “small” counties with populations less than 75,000.
- 12 counties contain county and municipal CRA districts and two counties contain only county created CRA districts.
- Representatives from municipal government and CRA officials prefer no change to existing CRA statutes, stating that current law has resulted in improvements to areas previously designated as slum or blighted.

- Representatives from municipal government and CRA officials also submit that any problems can best be addressed locally through interlocal agreements rather than statutory changes.
- Representatives of county government advocate changes to existing CRA statutes, stating current law is responsible for creating an imbalance in power between municipal and county governments.
- Problems cited by county government representatives include, among others: county government has insufficient input into operations and expansion of existing CRA districts and creation of new districts; and non-charter counties have no voice whatsoever in CRA activities within their jurisdiction.
- Current law does not require or provide for interlocal agreements between county and municipal governments.
- According to 2003 millage rates for county and municipal governments, 78 municipalities with CRAs have lower millage rates than their host county and 36 municipalities with CRAs have higher millage rates than their host county.
- LCIR staff estimates that, based on 2003 millage rates, county government contributes \$81,674 to municipal CRAs per each \$100,000 increase in the CRA district's taxable value (assumed increase), compared to municipal government contribution of \$66,905 to municipal CRAs per each \$100,000 increase in the CRA district's taxable value.
- A recent evaluation of three CRAs in Florida, sponsored by the Florida Redevelopment Association, found that TIF payments impose a greater financial burden on municipalities than on counties when measured as a percent of taxable property values and as a percent of overall operating revenues. In addition, some municipalities contribute larger TIF payments than do their host counties.

### LCIR Proposals

- Amend current law to require interlocal agreements between county and municipal governments regarding the formation, expansion, financing, reporting, and duration of CRA districts within the county. To ensure that local governments negotiate in a timely fashion, require that the agreement be approved by a majority of members of the governing body of the county and municipal government within 90 days following the request by either local government to enter into an interlocal agreement. Failure to reach agreement shall be settled through the governmental dispute process provided in Chapter 164, Florida Statutes.
- Amend current law to expand upon current CRA reporting requirements to include status reports on redevelopment projects and related activities contained in redevelopment plans and other information as specified in interlocal agreements.
- Amend current law to authorize funding alternatives to TIF. Such funding alternatives include, but are not limited to, in-kind contributions, providing public infrastructure, business incentives, and waivers of impact fees and other costs related to redevelopment, among others, and shall be specified in interlocal agreements between county, municipal and other affected local governments. Costs for funding alternatives would be a direct credit towards a local government's future TIF obligations. Funding alternatives shall ensure adequate and timely distribution of payments necessary for the CRA to function in an efficient and effective fashion and meet any outstanding bond obligations.

### Effect of Proposed Changes

Under this bill, the TIF received by CRAs which were *not* created under a delegation of authority from a home rule county and which are not operating pursuant to an interlocal agreement would be limited under certain circumstances. Specifically, beginning July 1, 2008, if:

- The CRA has existed for 20 years,
- The amount of revenue a taxing authority must deposit in the CRA trust fund equals or exceeds the amount available to the taxing authority for its own purposes (exclusive of debt service levies), or

- The CRA has existed for at least five years and the electorate indicates on a countywide referendum that the county contribution to the CRA should not continue to increase.

then, the contribution of the local government taxing authority is limited to the amount contributed by the county in the prior fiscal year or an amount specified in an interlocal agreement.

Also, the bill provides that counties without home rule charters will not be required to contribute TIF to CRAs created after July 1, 2005 unless an interlocal agreement exists between the county and the Municipality creating the CRA. Similarly, a CRA created prior to July 1, 2005, will not be able to expand its boundaries, modify a redevelopment plan, or modify existing debt service without an interlocal agreement with the county in which it is located, if the county was not a home rule charter county when the CRA was created.

C. SECTION DIRECTORY:

Section 1: Amends section 163.387, F.S., to include limitations on the amounts that a county is required to contribute to CRA trust funds under TIF.

Section 2: Amends section 163.415, F.S., to specify that new CRAs may not be created in a county without a home rule charter absent an interlocal agreement; a CRA created prior to July 1, 2005, will not be able to expand its boundaries, modify a redevelopment plan, or modify existing debt service without an interlocal agreement with the county in which it is located if the county was not a home rule charter county when the CRA was created.

Section 3: Provides an effective date of July 1, 2005.

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

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues: None.
2. Expenditures: None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues: This bill would result in some local government revenues which would have gone to CRAs remaining with the local government authority that levied the revenue.
2. Expenditures: None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR: None.

D. FISCAL COMMENTS: None.

**III. COMMENTS**

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds. The bill does not reduce the percentage of a state tax shared with counties or municipalities. The bill does not reduce the authority that municipalities have to raise revenue.

2. Other: None.

B. RULE-MAKING AUTHORITY: None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

#### **IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES**

On April 7, 2005, the Committee on Finance and Tax adopted a strike everything amendment to the bill. The amendment made numerous clarifying changes to the language of the bill and included two substantive provisions. First, under this bill as amended, a county's required TIF contribution to an existing CRA will not be affected by this bill until July 1, 2008. Second, the county may not hold a referendum for the purpose of limiting the TIF of a CRA until the CRA has existed for at least five years.

On April 22, 2005, the Fiscal Council adopted three amendments to the bill. All three amendments made minor changes to the wording or formatting of the bill in order to improve clarity without affecting the substance or intent of the language.