

## 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			
3) Fiscal Council			
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 on a countywide referendum that the county contribution to the CRA should not continue to increase.

Under these conditions, the contribution of the local government authority would be 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 that county is not a home rule charter county.

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:

##### **Background**

##### Community Redevelopment Agencies (CRAs)

The Community Redevelopment Act of 1969 authorized 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."<sup>1</sup> 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.

##### Tax Increment Financing (TIF)

Under tax increment financing (TIF) each local government authority must deposit in the CRAs trust fund an amount equal to the difference between the amount of revenue the current year's tax rate generates in the CRA and the amount that same tax rate would have generated in the year before the CRA was formed, exclusive of debt service levies. The intent of this is to allow the CRA to be funded by the benefit, in the form of higher property values, which the CRA has produced. However, this funding mechanism also results in the CRA, rather than the levying local government authority, benefiting from the general rise of property values in Florida.

##### **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.

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<sup>1</sup> Chapter 163, Part II, Florida Statutes.

then, the contribution of the local government authority shall be 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 that county is not a home rule charter county.

C. SECTION DIRECTORY:

**Section 1** amends section 163.387, F.S., to include limitations on the amounts that local government are 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, nor may old CRAs be substantially modified, in a county without a home rule charter absent an interlocal agreement.

**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:

Not Applicable

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.