HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 449 Economic Development
SPONSOR(S): Detert
TIED BILLS: **IDEN./SIM. BILLS:** HB 305, SB 624

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Economic Development, Trade & Banking Committee		Olmedillo	Carlson
2) Finance & Tax Committee			
3) Growth Management Committee			
4) Commerce Council			
5)			

SUMMARY ANALYSIS

The bill renames the Urban High-Crime Area Job Tax Credit Program as the Designated Urban Job Tax Credit Area Program; changes the eligibility requirements for the areas so designated; reduces available tax credits from a range of $500 to $1,500, to a credit of $1,000; and limits designations to a period of 7 years. In addition, the bill grandfathers the value of existing tax credits for businesses already in the program until 2013.

The bill has a fiscal impact on state and local revenue. See Fiscal Comments.

The bill has an effective date of July 1, 2006.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Lower Taxes – The bill will provide tax incentives for businesses that relocate to or expand in a designated urban job tax credit area.

B. EFFECT OF PROPOSED CHANGES:

Present situation
Urban High-Crime Job Tax Credit Program

Eligible Businesses
The Urban High-Crime Job Tax Credit Program was created in ch. 97-50, L.O.F. The Program provides job tax credits for businesses located in specific high crime areas that predominantly engage, according to the standard industrial classifications, in the following:

> Agriculture, forestry, fishing, manufacturing, public warehousing and storage, hotels and other lodging places, research and development, public golf courses, amusement parks; and call or customer centers serving multi-state or international markets.

The Program provides tax credits based on the number of employees a qualified business hires and on the severity of the crime rate where it is located.

Designation
The Program requires OTTED to rank areas into 3 tiers along the following criteria:

1. Highest arrest rates within the geographic area for violent crime and for such other crimes as drug sale, drug possession, prostitution, vandalism, and civil disturbances;
2. Highest reported crime volume and rate of specific property crimes such as business and residential burglary, motor vehicle theft, and vandalism;
3. Highest percentage of reported index crimes that are violent in nature;
4. Highest overall index crime volume for the area; and
5. Highest overall index crime rate for the geographic area.

Furthermore, the program requires OTTED to classify high crime areas as “tiers” with tier-one areas ranked 1 to 5 representing the highest crime areas; tier-two areas being ranked as 6 to 10; and tier-three ranked 11 to 15.

Areas nominated by a county for designation as an urban high crime area may not exceed 20 square miles and must have either a continuous boundary or consist of no more than three noncontiguous parcels.
The Program limits the size and population of high crime areas as follows:

- No area may exceed 20 square miles;
- For communities that have a population of 150,000 or more, the selected area must not exceed 20 square miles;
- For communities with populations of 50,000 to 149,999, the selected area must not exceed 10 square miles;
- For communities with populations of 20,000 to 49,999, the selected area must not exceed 5 square miles; and

- For communities having a population of less than 20,000, the selected area must not exceed 3 square miles.

Tax Credit
New eligible businesses in tier-one areas that have at least 10 qualified employees on the date of application for a credit receive a $1,500 tax credit for each employee. Qualified businesses in tier-two areas that have at least 20 qualified employees on the date of application for a credit receive a $1,000 tax credit for each employee. Qualified businesses in tier-three areas that have at least 30 qualified employees on the date of application for a credit receive a $500 tax credit for each employee. New eligible businesses may also qualify for an additional $500 credit for each qualified employee who is a welfare transition participant.

An **existing eligible business** in a tier-one area, which on the date of application for a credit has at least 5 more qualified employees than it had one year prior to the date of application, receives $1,500 for each additional employee. An existing eligible business in a tier-two area, which on the date of application for a credit has at least 10 more qualified employees than it had one year prior to the date of application, receives $1,000 for each additional employee. An existing eligible business in a tier-three area, which on the date of application for a credit has at least 15 more qualified employees than it had one year prior to the date of application, receives $500 for each additional employee.

A tax credit under the Urban High-Crime Area Job Tax Credit Program may not be sold or transferred, but may be used on a subsequent tax return 12 months after the tax credit is approved by the Department of Revenue.

The maximum credit amount that may be approved in one year is $5 million of which $1 million is reserved for tier-one areas. The $5 million dollars in annual tax credits available under the Program have never been exhausted according to Enterprise Florida, Inc., because it is difficult to persuade businesses to relocate to an area labeled "High-Crime".[1]

A total of **$14,303,500** in tax credits have been approved for 12 of the 13 Urban High-Crime Job Tax Credit Areas since 1999.[1] The thirteenth area, Ocala, has not been approved for any credits to date.

The total credits approved by area are broken down as follows:

Ft. Lauderdale	$127,000
Pompano Beach	$178,000
Miami-Dade (1308)	$2,145,500
Miami-Dade (1310)	$749,000
Miami-Dade (1315)	$139,000
Jacksonville	$906,000
Tampa	$163,500
Tallahassee	$63,000
Orlando	$7,389,000
Palm Beach	$1,825,500
St. Petersburg	$216,000
Lakeland	$402,000

Proposed Changes

Urban High-Crime Job Tax Credit Program

The bill renames the "Urban High-Crime Job Tax Credit Program" as the "Designated Urban Job Tax Credit Area Program", and conforms the name change throughout.

[1] According to Senate Bill Analysis for Senate Bill 2212 (2006).

Eligible Businesses
The bill revises the Program to increase the types of businesses that may be eligible for tax credits by including eligible industries under the state's tax refund program for qualified target industry businesses.

Designation
The bill repeals the existing ranking criteria designated for use by OTTED. In its place, the bill provides that OTTED's new ranking for "designated urban job tax credit area" will be based on the highest level of distress experienced in categories enumerated in subsection 212.097(7), F.S., as amended by this bill.

The revised program requires OTTED to rank areas that are nominated to be included within the program every five years, rather than every three years. The bill also provides that an area designated under this section as of June 30, 2006, shall retain designation through June 30, 2013. However, a designated area may never retain its designation longer than 7 years. Upon expiration of an area's designation, that area may seek approval from OTTED for designation under the revised program.

The bill also adds areas designated as federal Empowerment Zones pursuant to the Community Tax Relief Act of 2000, to the definition of "designated urban job tax credit area."

The bill defines the term "urban" to mean a densely populated nonrural area located within an urban county consisting of a cluster of one or more census blocks, each having a population density of at least 400 people per square mile, or an area defined as "urban" by the most recent United States Census.

The bill also adopts the definition of an "urban infill and redevelopment area" from s. 163.2514, F.S., to mean an area or areas designated by the local government in which:

- Public services such as water and wastewater, transportation, schools, and recreation are already available or are scheduled to be provided in an adopted 5-year schedule of capital improvements;
- The area, or one or more neighborhoods within the area, suffers from pervasive poverty, unemployment, and general distress as defined by s. 290.0058;
- The area exhibits a proportion of properties that are substandard, overcrowded, dilapidated, vacant or abandoned, or functionally obsolete which is higher than the average for the local government;
- More than 50 percent of the area is within 1/4 mile of a transit stop, or a sufficient number of such transit stops will be made available concurrent with the designation; and
- The area includes or is adjacent to community redevelopment areas, brownfields, enterprise zones, or Main Street programs, or has been designated by the state or Federal Government as an urban redevelopment, revitalization, or infill area under empowerment zone, enterprise community, or brownfield showcase community programs or similar programs.

The bill revises the eligibility criteria for an area to be designated as an urban job tax credit area and requires the governing body of the entity nominating the area to demonstrate to OTTED the following:

Income characteristics:
- Forty percent of area residents are earning wages on an annual basis that are equal to or less than the annual wage of a person who is earning minimum wage; or
- More than 20 percent of residents or families live below the federal standard of poverty for individuals or a family of four;

Workforce and Employment Characteristics:
- The area has an unemployment rate at least three percentage points higher than the state's unemployment rate;

Crime Characteristics:

- The area has an arrest rate higher than the state's average rate for such crimes as drug sale, drug possession, prostitution, vandalism, and civil disturbances;

Residential and Commercial Property-Related Characteristics:

- Fifty percent or more of area residents rent; or
- Property values are within the lower 50 percent of the county's assessed property values;
- More than five percent of area commercial buildings are currently vacant or have been condemned within the previous 24 months; or
- Tax or special assessment delinquencies exceed the fair value of the land for 25 percent of such delinquencies.

The bill revises population and distance criteria by requiring the designated urban job tax credit areas to be within 10 miles of an urban infill and redevelopment area if the tax credit area has a total population of 150,000 persons or more; to be within 7.5 miles of an urban infill and redevelopment area if the tax credit area has a total population of 50,000 persons or more but fewer than 150,000; to be within 5 miles of an urban infill and redevelopment area for tax credit areas having total population of 20,000 persons or more but fewer than 50,000; and to be within three miles of an urban infill and redevelopment area for tax credit areas having a total population of fewer than 20,000 persons.

<u>Tax Credit</u>
The bill flattens the tax credits available to eligible businesses, providing a flat credit of $1,000 (as opposed to $500 to $1,500 depending on the tier classification). The bill also provides for a $1,000 tax credit for businesses existing in a designated urban job tax credit area that have at least 5 more qualified employees than they had one year prior to their date of application.

Notwithstanding the flattening of the tax credits, the bill provides that a business eligible for a specific value of tax credit (i.e., $1,500 per job) on or before June 30, 2006, shall retain the right to that value of credit through June 30, 2013, provided it complies with job creation requirements.

<u>Certified Capital Company Act</u>

Bill amends the Act to reflect that the "Urban High-Crime Area Job Tax Credit Program" is renamed as the "Designated Urban Job Tax Credit Area Program."

C. SECTION DIRECTORY:

Section 1. Bill amends s. 212.08(5)(o), F.S. to reflect that the "Urban High-Crime Area Job Tax Credit Program" is renamed as the "Designated Urban Job Tax Credit Area Program."

Section 2. Bill amends s. 212.097, F.S. to reflect that the "Urban High-Crime Area Job Tax Credit Program" is renamed as the "Designated Urban Job Tax Credit Area Program."

Section 3. The bill amends s. 220.1895, F.S., to rename the Urban High Crime Area Job Tax Credit as the Designated Urban Job Tax Credit Area and replace references to the "Urban High Crime Area Job Tax Credit" with references to "Designated Urban Job Tax Credit Area.

Section 4. The bill amends s. 228.99, F.S., which provides the purpose of the Certified Capital Company Act, to replace the references to the "Urban High Crime Area Job Tax Credit" with references to "Designated Urban Job Tax Credit Area."

Section 5. The bill provides an effective date of July 1, 2006.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

   The Revenue Estimating Conference estimated the fiscal impact of the bill **as filed** on April 7, 2005 as follows (The Revenue Estimating Conference has not revised the fiscal impact to date):

FY 2005-06	FY 2006-07
($8.4 million)	($8.4 million)

2. Expenditures:

   The bill appears not to have a fiscal impact on state government expenditures.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

   The Revenue Estimating Conference estimated the fiscal impact of the bill **as filed** on April 7, 2005 as follows (The Revenue Estimating Conference has not revised the fiscal impact to date):

FY 2005-06	FY 2006-07
($1.4 million)	($1.4 million)

2. Expenditures:

   The bill appears not to have a fiscal impact on local government expenditures.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

The Revenue Estimating Conference estimated the total fiscal impact of the bill **as filed** on April 7, 2005 as follows:

FY 2005-06	FY 2006-07
($9.8 million)	($9.8 million)

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

   The bill does not require a municipality or county to expend funds or to take any action requiring the expenditure of funds. The bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate. The bill does not reduce the percentage of state tax shared with municipalities or counties.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES