



## HOUSE PRINCIPLES

Members are encouraged to evaluate proposed legislation in light of the following guiding principles of the House of Representatives

- Balance the state budget.
- Create a legal and regulatory environment that fosters economic growth and job creation.
- Lower the tax burden on families and businesses.
- Reverse or restrain the growth of government.
- Promote public safety.
- Promote educational accountability, excellence, and choice.
- Foster respect for the family and for innocent human life.
- Protect Florida's natural beauty.

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. EFFECT OF PROPOSED CHANGES:

##### **General Revenue Service Charge Repeal**

###### Present Situation

Pursuant to s. 420.5061, F.S., the FHFC is required to transfer to the General Revenue Fund an amount that otherwise would have been deducted as a service charge if the FHFC Fund, the State Apartment Incentive Loan Fund, the Florida Homeownership Assistance Fund, the HOME Investment Partnership Fund and the Housing Predevelopment Loan Fund were each trust funds.

###### Effect of the Bill

The bill amends s. 420.5061, F.S., to repeal the provision requiring the FHFC to transfer service charges to General Revenue. The repeal would divert approximately \$1.3M annually from General Revenue to the FHFC.

##### **Distribution of Documentary Stamp Taxes**

###### Present Situation

Section 201.15, F.S., provides for the distribution of documentary stamp taxes. The taxes are primarily used to fund varied land and water conservation, preservation, and maintenance trust funds, as well as certain transportation trust funds. Subsection 201.15(15), F.S., currently provides that distributions to the State Housing Trust Fund pursuant to subsection 201.15(9) and (10), F.S., shall be sufficient, within certain limitations, to cover the amounts required to be transferred to the Florida Affordable Housing Guarantee Program's annual debt service reserve and guarantee fund.

###### Effect of the Bill

The bill removes the statutory limitations on the amount of documentary stamp revenue that goes into the State Housing Trust Fund and the Local Government Housing Trust Fund and removes the requirement that enough money be allocated to the State Housing Trust Fund to cover amounts required to the Florida Affordable Housing Guarantee Program's annual debt service reserve and guarantee fund. The bill accomplishes this by:

- Amending subsection 201.15(9), F.S., by striking the language that provides that the money to be distributed to the State Treasury to the credit of the State Housing Trust Fund for certain purposes will be the lesser of 7.53 percent or \$107 million and replaces it with “seven and fifty-three hundredths” percent.
- Amending subsection 201.15(10), F.S., by striking the language that provides that the money to be distributed to the State Treasury to the credit of the State Housing Trust Fund for certain purposes will be the lesser of 8.66 percent or \$136 million and replaces it with “eight and sixty-six hundredths” percent.
- Repealing subsection 201.15(15), F.S. This subsection requires that the distributions made under subsections 201.15(9) and (10), F.S., would be sufficient to cover amounts required to be transferred to the Florida Affordable Housing Guarantee Program’s annual debt service reserve and guarantee fund pursuant to paragraphs 420.5092(6)(a) and (b), F.S., but would not exceed the percentage distribution to the State Housing Trust Fund that was in effect for the 2004-2005 fiscal year.

FHFC asserts that removal of the statutory limitations on the amount of documentary stamp revenue that goes into the trust funds would increase the amount of funds that could be allocated to FHFC for its various affordable housing programs.

FHFC further asserts that the need for the repeal of s. 201.15(15), F.S., relating to the Florida Affordable Housing Guarantee Program, was made apparent during the 2009 appropriations process where funds from the affordable housing trust funds were swept to general revenue. If s. 201.15(15), F.S., was removed and the required funds were not allocated to the State Housing Trust Fund, the bonds under the program would be without backing and this would affect the rating of those bonds. This would affect Florida Housing’s ability to raise funds through bond issuances going forward.

The caps on the above trust fund distributions are eliminated, so that 7.53% of net documentary stamp tax collections are split 50% to the State Housing Trust Fund and 50% to the Local Government Housing Trust fund, and 8.66% of the net collections are split 12.5% to the State Housing Trust Fund and 87.5% to the Local Government Housing Trust Fund.

EDR’s consensus estimate found that there is no impact to cash in the current fiscal year. However, based on a four-year outlook there is an annualized negative impact to recurring general revenue of \$21.4 million and an annualized positive recurring impact to the state housing trust funds in the same amount.

## **Repeal of section 8 of chapter 2009-131, Laws of Florida**

### **Current Situation**

Section 201.15, F.S., provides that all taxes collected under this chapter are subject to the service charge imposed in s. 215.20(1), F.S. In addition, prior to distribution under this section, the Department of Revenue deducts the amounts necessary to pay the costs of the collection and enforcement of the tax levied.

Section 8 of chapter 2009-131, L.O.F., amended s. 201.15, F.S., by adding language that provided for all costs of collection and enforcement of the tax and the service charge to be available and transferred to the extent necessary to pay debt service and any other amounts payable with respect to bonds authorized before July 1, 2009.

This chapter of law also created subsection 201.15(16), F.S., which provides that, if amounts necessary to pay debt service or any other amounts payable with respect to Preservation 2000 bonds, Florida Forever bonds, or Everglades Restoration bonds authorized before July 1, 2009, exceed the amounts distributable pursuant to subsection 201.15(1), F.S., all moneys, distributable pursuant to this section, are available for such obligations and transferred in the amounts necessary to pay such obligations when due. Those amounts distributable pursuant to subsection 201.15(2), (3), (4), and (5), and paragraphs (9)(a) and

(10)(a), F.S., are not available to pay such obligations to the extent that such moneys are necessary to pay debt service on bonds secured by revenues pursuant to those provisions.

### Effect of the Bill

The bill would repeal Section 8 of chapter 2009-131, L.O.F., retroactively to June 30, 2009, which predates its effective date of July 1, 2009. The purpose of this retroactive repeal is to eliminate a conflicting version of s. 201.15, F.S., that was included in SB 2430 (Relating to Taxation of Documents) from 2009. This version provides certain distribution guidelines for tax collections after subtracting costs and the service charge, and refers to bonds authorized before July 1, 2009. SB 2430 was signed into law by the Governor on June 10, 2009, and became ch. 2009-131, L.O.F.

The version that statutory revision included in the body of s. 201.15, F.S., provides different distribution guidelines for tax collections after subtracting costs and the service charge. This version of s. 201.15, F.S., was included in SB 1750 (Relating to Disposition of Tax Revenues) from 2009, and refers to bonds authorized before January 1, 2010. SB 1750 was signed into law by the Governor on May 27, 2009, and became ch. 2009-68, L.O.F.

### State Housing Strategy

#### Current Situation

Currently under ch. 420, F.S., the only existing set-aside or prioritization requirements for affordable housing are for commercial fishing workers, farm-workers, elderly, and homeless. Current law does not specifically address affordable housing for persons with disabilities, youth aging out of foster care, disabled veterans and survivors of domestic violence who are groups at great risk of becoming homeless.

#### Effect of the bill

The bill revises the state housing strategy in s. 420.003, F.S., to provide targeted assistance for persons with special needs and includes an analysis of persons with special needs in the strategy's periodic review and report and provides for the distribution of housing funds for multifamily rental housing to be administered to address the housing needs of persons most in need of housing. Specifically, the bill:

- Includes persons with special needs as a tenant group for specified purposes of the State Apartment Incentive Loan (SAIL) Program.
- Extends low interest mortgage loans for the SAIL Program to sponsors of projects who set aside units for persons with special needs.
- Establishes a maximum threshold of ten percent of the SAIL funds available at that time to be used for persons with special needs.
- Adds projects that reserve units for persons with special needs to the scoring system for evaluation and competitive ranking of applications submitted in SAIL Program.

The bill creates two new definitions to enact the newly established state housing strategies.

- *“Disabling Condition”* means a diagnosable substance abuse disorder, serious mental illness, development disability, or chronic physical illness or disability, or the co-occurrence of two or more of these conditions, and a determination that the condition is:
  - Expected to be of long-continued and indefinite duration;
  - Not expected to impair the ability of the person with special needs to live independently with appropriate supports.
- *“Person with special needs”* means an adult person requiring independent living services in order to maintain housing or to develop independent living skills. This individual must also have a disabling condition; be a young adult existing foster care; a survivor of domestic violence; or a person receiving benefits under Social Security Disability Insurance (SSDI) program, Supplemental Social Security (SSI) program, or veterans’ disability benefit.

## **Powers conferred on the Florida Housing Finance Corporation**

### **Current Situation**

Sections 159.608 and 420.507, F.S., empower the FHFC with specified powers necessary or convenient to carry out and effectuate the purposes for the provision of affordable housing. Among these powers the FHFC is able to receive federal funding in connection with the corporation's programs directly from the Federal Government.

Section 218.415, F.S., provides guidelines for investment activity by local government units. It requires investment policies to be structured to place the highest priority on the safety of principal and liquidity of funds. It emphasizes that the optimization of investment returns is secondary to the requirements for safety and liquidity. Each unit of local government is required to adopt policies that are commensurate with the nature and size of the public funds within its custody.

### **Effect of the bill**

The bill creates s. 159.608(11), F.S., authorizing the FHFC to invest and reinvest surplus funds in accordance with s. 218.415, F.S.

However, in addition to the investments expressly authorized in statute<sup>1</sup>, the FHFC is empowered to invest surplus funds in interest-bearing time deposits or savings accounts that are fully insured by the Federal Deposit Insurance Corporation (FDIC) regardless of whether the bank or financial institution in which the deposit or investment is made is a qualified public depository as defined in s. 280.02, F.S.

State restrictions, pertaining to "qualified public depositories" do not apply to some investments, including "public deposits which are fully secured under federal regulations"<sup>2</sup> Legal counsel for some local housing finance authorities have opined that this waiver includes investments that are fully insured by the FDIC. However, proponents of the countervailing view have interpreted the language so that it does not include FDIC insured accounts. An auditor has suggested that a clarification would be beneficial.

This subsection contains explicit intent language to structure this empowerment as supplementary authority and to avoid interpretation as a limitation upon any powers of the FHFC.

The bill also creates s. 420.507(33), F.S., establishing the authority of the FHFC to administer programs receiving federal funding for which no corresponding program has been previously created by statute and establish selection criteria for such funds by request for proposals or other competitive solicitation. This expands the ability of the FHFC to expend federal housing relief funds in an expedient and efficient manner.

### **Temporary Limitation of New Construction**

The bill provides a legislative finding that:

*"due to the current economic conditions in the housing market there is a critical need to rehabilitate or sell excess inventory of unsold homes, including foreclosed homes and newly constructed homes, as well as a critical need for the rehabilitation and preservation of older, affordable apartments. The Legislature further finds that there is a critical need to create housing-related jobs and that these conditions require the targeting of state and local housing trust fund moneys to assist in the sale or rehabilitation of existing homes and the preservation and rehabilitation of older rental apartments."*

The bill provides that notwithstanding current law<sup>3</sup>, funds from the State Housing Trust Fund or the Local Government Housing Trust Fund that are appropriated for use in the SAIL Program, Florida Homeownership Assistance Program (FHAP), Community Workforce Housing Innovation Pilot (CWHIP) Program, or the State Housing Initiatives Partnership (SHIP) Program may not be used to:

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<sup>1</sup> ss. 218.415(16)(a)-(g) and (17)(a)-(d)

<sup>2</sup> 280.03(3)(e), F.S.].

<sup>3</sup> ss. 420.507(22)(a) and (23)(a), 420.5087(6)(l), 420.5088, 420.5095, and 420.9075(1)(b) and (5)(b), F.S.

- Finance or otherwise assist the construction or purchase of housing sold to eligible individuals, unless the housing unit being sold had an initial certificate of occupancy prior to December 31, 2009; or
- Finance or otherwise assist in the construction or purchase of rental housing, unless the development being financed or assisted received its initial certificate of occupancy prior to December 31, 1995.

The bill expressly states that nothing in this section restricts the use of such funds to assist with the purchase of newly constructed homes that were completed prior to December 31, 2009, or the acquisition and rehabilitation of apartments that received their initial certificate of occupancy prior to December 31, 1995. It also provides that the use of such funds is subject to the restrictions of the program under which the funding is made available.

This section and the limitations imparted by it expires July 1, 2011.

## B. SECTION DIRECTORY:

**Section 1:** Creates subsection 156.608(11), F.S., authorizing the FHFC to invest and reinvest surplus funds.

**Section 2:** Amends Subsections 201.15 (9), (10), (13), (15), (16), and (17), F.S., as amended by chapters 2009-17, 2009-21, and 2009-68, L.O.F., removing the statutory limitations on the amount of documentary stamp revenue that go into the State Housing Trust Fund and the Local Government Housing Trust Fund.

**Section 3:** Repeals section 8 of chapter 2009-131, L.O.F., retroactively to June 30, 2009.

**Section 4:** Creates subparagraph 10. and amends subsection (4) of s. 420.003, F.S., providing additional policy guidelines under the state housing strategy for the development of programs for housing production or rehabilitation; including persons with special needs in the strategy's periodic review and report.

**Section 5:** Creates subsections 420.004(7) and (13), F.S., defining the terms "disabling condition" and "person with special needs".

**Section 6:** Amends s. 420.5061, F.S., to remove the provision requiring the Florida Housing Finance Corporation to pay a general revenue service charge at the time of original transfer or rights and liabilities from the Florida Housing Finance Agency to the FHFC.

**Section 7:** Amends s. 420.507, F.S., extends low interest mortgage loans for the SAIL Program to sponsors of projects who set aside units for persons with special needs and creates s. 420.507(33), F.S., to establish the authority of the FHFC to administer programs receiving federal funding for which no corresponding program has been previously created by statute.

**Section 8:** Amends s. 420.5087, F.S., includes persons with special needs as a tenant group for specified purposes of the SAIL Program.

**Section 9:** Amends s. 163.31771, F.S., to conform cross references.

**Section 10:** Amends s. 212.08, F.S., to conform cross references.

**Section 11:** Amends s. 215.5586, F.S., to conform cross references.

**Section 12:** Amends s. 420.503, F.S., to conform cross references.

**Section 13:** Provides that funds from various affordable housing trust funds and programs may not be used to finance or otherwise assist new construction until July 1, 2011.

**Section 14:** Provides an effective date.

## II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

### A. FISCAL IMPACT ON STATE GOVERNMENT:

#### 1. Revenues:

The repeal of the general revenue service charge in s. 420.5061, F.S., diverts approximately \$1.3M annually from the General Revenue Fund to the FHFC.

EDR's consensus estimate found that the removal of the statutory limitations on the amount of documentary stamp revenue that go into the State Housing Trust Fund and the Local Government Housing Trust Fund will have no impact to cash in the current fiscal year. However, based on a four-year outlook there is an annualized negative impact to recurring general revenue of \$21.4 million and an annualized positive recurring impact to the state housing trust funds in the same amount.

This bill has a fiscal impact of \$1.3M to the current fiscal year and an annualized impact of \$22.7M.

#### Expenditures:

None

### B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

#### 1. Revenues:

None

#### 2. Expenditures:

None

### C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill contains provisions that direct funds from various affordable housing trust funds and programs may not be used to finance or otherwise assist new construction until July 1, 2011. These provisions are aimed at reducing the surplus of available homes on the market.

### D. FISCAL COMMENTS:

See above

## III. COMMENTS

### A. CONSTITUTIONAL ISSUES:

#### 1. Applicability of Municipality/County Mandates Provision:

None

#### 2. Other:

None

### B. RULE-MAKING AUTHORITY:

Establishes the authority of the FHFC to administer programs receiving federal funding for which no corresponding program has been previously created by statute and establish selection criteria for such funds by request for proposals or other competitive solicitation.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None

**IV. AMENDMENTS/COUNCIL OR COMMITTEE SUBSTITUTE CHANGES**