

## HOUSE OF REPRESENTATIVES STAFF ANALYSIS

**BILL #:** HB 535 Hospital Districts

**SPONSOR(S):** Latvala

**TIED BILLS:** **IDEN./SIM. BILLS:** SB 1072

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Local, Federal & Veterans Affairs Subcommittee	13 Y, 0 N	Darden	Miller
2) Health Market Reform Subcommittee		Guzzo	Calamas
3) State Affairs Committee			

### SUMMARY ANALYSIS

The Community Redevelopment Act authorizes counties and municipalities to create community redevelopment agencies (CRAs) as a means of redeveloping slums and blighted areas. CRAs are controlled by a governing board that either is composed of members of the local governing body creating the CRA or commissioners appointed by the local governing body. CRAs operate under a community redevelopment plan that is approved by the local governing body. CRAs are primarily funded by tax increment financing, calculated based on the increase of property values inside the boundaries of the agency.

Hospital districts are a subset of special districts that assist in the provision of health care services. As of December 1, 2019, there are 27 hospital districts operating in the state. Hospital districts are exempt from providing tax increment financing to any CRA created on or after July 1, 2016.

The bill provides an exemption for hospital districts from making payments into the redevelopment trust fund of a CRA if the CRA revised its community redevelopment plan on or after July 1, 2016 to extend the expiration date of the agency.

The bill will result in a reduction of TIF revenues only to those CRAs created before July 1, 2016 that currently receive TIF contributions from hospital districts and choose to extend the current expiration date of the agency. The affected hospital districts will benefit to the extent those districts currently provide TIF contributions.

# FULL ANALYSIS

## I. SUBSTANTIVE ANALYSIS

### A. EFFECT OF PROPOSED CHANGES:

#### **Present Situation**

##### Community Redevelopment Act

The Community Redevelopment Act of 1969 (Act)<sup>1</sup> authorizes a county or municipality to create a community redevelopment agency (CRA) as a means of redeveloping slums and blighted areas. The Act defines a “blighted area” as an area in which there are a substantial number of deteriorated structures causing economic distress or endangerment to life or property and two or more of the following factors are present:

- Predominance of defective or inadequate street layout, parking facilities, roadways, bridges, or public transportation facilities;
- Aggregate assessed values of real property in the area for ad valorem tax purposes have failed to show any appreciable increase over the five years prior to the finding of such conditions;
- Faulty lot layout in relation to size, adequacy, accessibility, or usefulness;
- Unsanitary or unsafe conditions;
- Deterioration of site or other improvements;
- Inadequate and outdated building density patterns;
- Falling lease rates per square foot of office, commercial, or industrial space compared to the remainder of the county or municipality;
- Tax or special assessment delinquency exceeding the fair value of the land;
- Residential and commercial vacancy rates higher in the area than in the remainder of the county or municipality;
- Incidence of crime in the area higher than in the remainder of the county or municipality;
- Fire and emergency medical service calls to the area proportionately higher than in the remainder of the county or municipality;
- A greater number of violations of the Florida Building Code in the area than the number of violations recorded in the remainder of the county or municipality;
- Diversity of ownership or defective or unusual conditions of title which prevent the free alienability of land within the deteriorated or hazardous area;
- Governmentally owned property with adverse environmental conditions caused by a public or private entity; or
- A substantial number or percentage of properties damaged by sinkhole activity that have not been adequately repaired or stabilized.<sup>2</sup>

An area also may be classified as blighted if one of the above factors is present and all taxing authorities with jurisdiction over the area have agreed that the area is blighted by interlocal agreement or by passage of a resolution by the governing bodies.<sup>3</sup>

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<sup>1</sup> Ch. 163, part III, F.S.

<sup>2</sup> S. 163.340(8), F.S.

<sup>3</sup> *Id.*

The Act defines a “slum area” as “an area having physical or economic conditions conducive to disease, infant mortality, juvenile delinquency, poverty, or crime because there is a predominance of buildings or improvements” in poor states of repair with one of the following factors present:

- Inadequate provision for ventilation, light, air, sanitation, or open spaces;
- High density of population, compared to the population density of adjacent areas within the county or municipality, and overcrowding, as indicated by government-maintained statistics or other studies and the requirements of the Florida Building Code; or
- The existence of conditions that endanger life or property by fire or other causes.<sup>4</sup>

### Community Redevelopment Plans

A community redevelopment plan must be in place before a CRA may engage in operations.<sup>5</sup> The county, the municipality, the CRA itself, or members of the public may submit the plan. Once the plan is submitted, the CRA then chooses which plan it will use as its community redevelopment plan.<sup>6</sup> Next, the CRA must submit the plan to the local planning agency for review before the plan may be considered.<sup>7</sup> The local planning agency must complete its review within 60 days.

The CRA must submit the community redevelopment plan to the governing body that created the CRA as well as each taxing authority that levies ad valorem taxes on taxable real property contained in the boundaries of the CRA.<sup>8</sup> The local governing body that created the CRA must hold a public hearing before the plan is approved.<sup>9</sup>

To approve the plan, the local governing body must find that:

- A feasible method exists to relocate families who will be displaced by redevelopment in safe and sanitary accommodations within their means and without undue hardship;
- The community redevelopment plan conforms to the comprehensive plan of the county or municipality;
- The community redevelopment plan gives due consideration to the utilization of community policing innovations and other factors encouraging neighborhood improvement, with special consideration for impacts on children;
- The community redevelopment plan encourages redevelopment by private enterprise to the maximum possible extent; and
- The community redevelopment plan will reduce or maintain evacuation time and ensure protection for property against exposure to natural disasters if the CRA is in a coastal tourist area.<sup>10</sup>

The community redevelopment plan must also:

- Conform to the comprehensive plan for the county or municipality;
- Indicate land acquisition, demolition, and removal of structures; redevelopment, improvements, and rehabilitation as may be proposed to be carried out in the community redevelopment area; zoning and planning changes, if any; land uses; maximum densities; and building requirements; and
- Provide for the development of affordable housing in the area, or state the reasons for not addressing in the plan the development of affordable housing.<sup>11</sup>

### Redevelopment Trust Fund

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<sup>4</sup> S. 163.340(7), F.S.

<sup>5</sup> S. 163.360(1), F.S.

<sup>6</sup> S. 163.360(4), F.S.

<sup>7</sup> *Id.*

<sup>8</sup> S. 163.360(5), F.S.

<sup>9</sup> S. 163.360(6), F.S.

<sup>10</sup> S. 163.360(7), F.S.

<sup>11</sup> S. 163.360(2), F.S.

CRAs may not levy or collect taxes; however, the local governing body that created the CRA may establish a community redevelopment trust fund funded through tax increment financing (TIF), a percentage of the difference between:

- The amount of ad valorem taxes levied in the current year by each taxing authority, excluding any debt service millage, on taxable real property within the boundaries of the community redevelopment area; and
- The amount of ad valorem taxes that would have been produced by levying the current year's millage rate for each taxing authority, excluding any debt service millage, on taxable real property within the boundaries of the community redevelopment area at the total assessed value of the taxable real property prior to the effective date of the ordinance providing for the redevelopment trust fund.<sup>12</sup>

The default percentage for TIF is 95 percent, but may be reduced as to as low as 50 percent by the local governing body creating the redevelopment trust fund.

The TIF authority of a CRA may be limited where the CRA:

- Did not authorize a study to consider whether a finding of necessity resolution should be adopted by June 5, 2006, did not adopt a finding of necessity study by March 31, 2007, did not adopt a community redevelopment plan by June 7, 2007, and was not authorized to exercise community redevelopment powers pursuant to a delegation of authority under s. 163.410, F.S., by a charter county;<sup>13</sup> or
- Adopted a modified community redevelopment plan after October 1, 2006, which expands the boundaries of the community redevelopment area, if the CRA is in a charter county and was not created pursuant to a delegation of authority under s.163.410, F.S.<sup>14</sup>

If either of these conditions occurs, a CRA may have TIF proceeds from other taxing entities capped at the millage rate imposed by the municipality that created the CRA.<sup>15</sup> If either of these conditions occurs and the CRA is more than 25 years old, the CRA's TIF contributions from another taxing authority may be capped by resolution of the taxing authority at the sum of the amount of TIF available in the year before the resolution was approved and any increased increment subject to an area reinvestment agreement.<sup>16</sup>

Each taxing authority must transfer TIF funds to the redevelopment trust fund of the CRA by January 1 of each year. For CRAs created before July 1, 2002, each taxing authority must make an annual appropriation to the trust fund for a period of no more than 60 years from when the community redevelopment plan was adopted or no more than 30 years from when the plan was amended, whichever is lesser. For CRAs created on or after July 1, 2002, each taxing authority must make an annual appropriation to the trust fund for no more than 40 years from when the community redevelopment plan was adopted.<sup>17</sup> If there are any outstanding loans, advances, or indebtedness at the conclusion of these periods, the local governing body that created the CRA must continue transfers to the redevelopment trust fund until the debt has been retired.<sup>18</sup>

A taxing authority that does not transfer TIF funds to the redevelopment trust fund must pay a penalty of 5 percent of the TIF amount to the trust fund as well as 1 percent interest per month for the outstanding amount.<sup>19</sup> A CRA may choose to waive these penalties in whole or in part.

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<sup>12</sup> S. 163.387(1)(a), F.S.

<sup>13</sup> S. 163.387(1)(b)1., F.S.

<sup>14</sup> S. 163.387(1)(b)2., F.S.

<sup>15</sup> S. 163.387(1)(b)1.a., F.S.

<sup>16</sup> S. 163.387(1)(b)1.b., F.S. An "area reinvestment agreement" is an agreement between the CRA and a private party that requires the increment computed for a specific area to be reinvested in services or public or private projects, or both, including debt service, supporting one or more projects consistent with the community redevelopment plan, which is identified in the agreement to be constructed within that area.

<sup>17</sup> S. 163.387(2)(a), F.S.

<sup>18</sup> S. 163.387(3)(a), F.S.

<sup>19</sup> S. 163.387(2)(b), F.S.

The following taxing authorities are exempt from contributing to the redevelopment trust fund:

- A school district;<sup>20</sup>
- A special district that levies ad valorem taxes on taxable real property in more than one county;
- A special district for which ad valorem taxation is the sole source of revenue;
- A library district, unless the library district is in a jurisdiction where the CRA had validated bonds as of April 30, 1984;
- A neighborhood improvement district;
- A metropolitan transportation authority;
- A water management district created under s. 373.069, F.S.; and
- A hospital district that is a special district as defined in s. 189.012, F.S., if the CRA was created on or after July 1, 2016.<sup>21</sup>

Additionally, the local governing body creating the CRA may choose to exempt other special districts levying ad valorem taxes in the community redevelopment area.<sup>22</sup> The decision to grant the exemption must be based on statutory criteria, must be adopted at a public hearing, and the conditions of the exemption must be included in an interlocal agreement between the county or municipality and the special district.

Any revenue bonds issued by the CRA are payable from revenues pledged to and received by the CRA and deposited into the redevelopment trust fund.<sup>23</sup> The lien created by the revenue bonds does not attach to the funds until the revenues are deposited in the redevelopment trust fund and does not grant bondholders any right to require taxation in order to retire the bond. Revenue bonds issued by a CRA are not a liability of the state or any political subdivision of the state and this status must be made clear on the face of the bond.<sup>24</sup>

A CRA may spend funds deposited in its redevelopment trust fund pursuant to an annual budget adopted by the board of commissioners of the CRA.<sup>25</sup> A CRA created by a municipality must submit a copy of its budget (as well as any amendments) to the county within 10 days of adoption. CRA funds may only be used for:

- Administrative and overhead expenses necessary or incidental to the implementation of a community redevelopment plan adopted by the agency;
- Expenses of redevelopment planning, surveys, and financial analysis, including the reimbursement of the governing body or the CRA for such expenses incurred before the redevelopment plan was approved and adopted;
- Acquisition of real property in the redevelopment area;
- Clearance and preparation of any redevelopment area for redevelopment and relocation of site occupants within or outside the community redevelopment area as provided in s. 163.370, F.S.;
- Repayment of principal and interest or any redemption premium for loans, advances, bonds, bond anticipation notes, and any other form of indebtedness;
- All expenses incidental to or connected with the issuance, sale, redemption, retirement, or purchase of bonds, bond anticipation notes, or other form of indebtedness, including funding of any reserve, redemption, or other fund or account provided for in the ordinance or resolution authorizing such bonds, notes, or other form of indebtedness;
- Development of affordable housing within the community redevelopment area;
- Development of community policing innovations; and
- Expenses that are necessary to exercise the powers granted under s. 163.370, F.S., as delegated under s. 163.358, F.S.

If any funds remain in the redevelopment trust fund on the last day of the fiscal year, the funds must be:

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<sup>20</sup> See s. 163.340, F.S. (defining a “taxing authority” as “a public body that levies or is authorized to levy an ad valorem tax on real property located in a community redevelopment area” and defining a “public body” as excluding school districts.)

<sup>21</sup> S. 163.387(2)(c), F.S.

<sup>22</sup> S. 163.387(2)(d), F.S.

<sup>23</sup> S. 163.387(4), F.S.

<sup>24</sup> S. 163.387(5), F.S.

<sup>25</sup> S. 163.387(6), F.S.

- Returned to each taxing authority on a pro rata basis;
- Used to reduce the amount of any indebtedness to which increment revenues are pledged;
- Deposited into an escrow account for the purpose of later reducing any indebtedness to which increment revenues are pledged; or
- Appropriated to a specific redevelopment project pursuant to an approved community redevelopment plan, which may not be changed unless the project is amended, redesigned, or delayed.<sup>26</sup>

Each CRA must provide for an annual audit of its redevelopment trust fund, conducted by an independent certified public accountant or firm.<sup>27</sup>

### Hospital Districts

First created in the 1920s to provide indigent care, hospital districts now differ greatly in roles, powers, and governance.<sup>28</sup> As of November 21, 2019, there are 27 hospital districts operating in the state, 22 of which are independent special districts.<sup>29</sup>

All hospital districts are exempt from providing tax increment financing to any CRA created on or after July 1, 2016. In addition, the special acts re-codifying the charters of two hospital districts (the South Broward Hospital District and the North Broward Hospital District) provide similar exemptions with earlier reference dates (January 1, 1998 and January 1, 2002, respectively).<sup>30</sup>

The following chart contains the tax increment financing contribution as well as ad valorem tax revenue, for two hospital districts for the three most recent fiscal years:<sup>31</sup>

<u>Year</u>	<u>District</u>	<u>Ad Valorem Revenue</u>	<u>TIF Contribution</u>
2020	North Broward	\$139,272,000	\$4,664,000
2019	North Broward	\$136,892,000	\$4,470,000
2018	North Broward	\$147,736,000	\$4,577,000
2020	Halifax	\$6,471,854	\$345,329
2019	Halifax	\$6,020,474	\$321,252
2018	Halifax	\$5,886,194	\$440,982

### Effect of Proposed Changes

The bill provides an exemption for hospital districts from making payments into the redevelopment trust fund of a CRA if the CRA revised its community redevelopment plan on or after July 1, 2016 to extend the expiration date of the agency.

#### B. SECTION DIRECTORY:

Section 1: Amends s. 163.387 ,F.S., providing an exemption from redevelopment trust fund contributions for hospital districts under certain conditions.

<sup>26</sup> S. 163.387(7), F.S.

<sup>27</sup> S. 163.387(8), F.S.

<sup>28</sup> Florida TaxWatch, *Florida's Fragmented Hospital Taxing District System in Need of Reexamination*, Briefings (Feb. 2009), available at <https://floridataxwatch.org/Research/Full-Library/ArtMID/34407/ArticleID/16012/Floridas-Fragmented-Hospital-Taxing-District-System-in-Need-of-Reexamination> (last visited Dec. 2, 2019).

<sup>29</sup> Department of Economic Opportunity, Official List of Special Districts Online, available at <http://specialdistrictreports.floridajobs.org/webreports/criteria.aspx> (last visited Dec. 2, 2019).

<sup>30</sup> Ch. 2004-397, s. 3(38), Laws of Fla. (providing exemption for the South Broward Hospital District from contributing TIF for CRAs created on or after January 1, 1998) and ch. 2006-347, s. 3(33), Laws of Fla. (providing exemption for the South Broward Hospital District from contributing TIF for CRAs created on or after January 1, 2002).

<sup>31</sup> See Broward Health, *FY2020 Final Budget*, available at <https://www.browardhealth.org/pages/board-calendar> (last accessed Dec. 2, 2019); see also Halifax Health District, *FY 2020 Budget* and *FY 2019 Budget*, available at <https://www.halifaxhealthdistrict.org/> (last accessed Dec. 2, 2019).

Section 2: Provides an effective date of July 1, 2020.

## 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:

None.

2. Expenditures:

None.

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

None.

### D. FISCAL COMMENTS:

The bill may reduce funds available to CRAs to the extent those agencies are currently receiving TIF proceeds from hospital districts. The bill may increase funds available to hospital districts to the extent those districts are currently providing TIF proceeds to CRAs.

## III. COMMENTS

### A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not Applicable. This bill does not appear to require counties or municipalities to spend funds or take action requiring the expenditures of funds; reduce the authority that counties or municipalities have to raise revenues in the aggregate; or reduce the percentage of state tax shared with counties or municipalities.

2. Other:

None.

### B. RULE-MAKING AUTHORITY:

The bill does not provide rulemaking authority or require executive branch rulemaking.

### C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

## IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES