Board of County Commissioners

Live Local Tax Exemption Options

Work Session

October 29, 2024



- Purpose
- Background
- Options for Consideration
- Stakeholder Feedback
- Summary
- Board Direction



 Consider options relating to Live Local Act affordable housing programs for Ad Valorem tax exemption



- Purpose
- Background
- Options for Consideration
- Stakeholder Feedback
- Summary
- Board Direction

Background

- Live Local Act (2023) provided state and local ad valorem tax exemption options for multifamily units meeting specific criteria for affordability
- Board opted to evaluate how the state program was utilized before considering a local option
- Orange County saw 15 developments apply for the state "Missing Middle" tax exemption for qualifying units with rents between 80 and 120% Area Median Income (AMI)
 - -1,854 units at 120% AMI
 - -369 units at 80% AMI

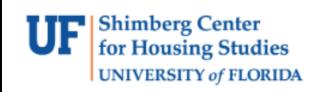
2025 Tax Year exemption totals
County - \$2.3M
Municipalities - \$2.8M



- September 10, 2024, Board work session
 - -Reviewed first year "Missing Middle" program outcomes
 - -Advised of HB 7030 opt-out provision for MM program
 - Provision to opt out if surplus of affordable units is identified by Shimberg Report
 - 799-unit surplus identified in Orlando-Kissimmee Metropolitan Statistical Area (MSA)
 - -Staff provided analysis of deficits vs surplus data for MSA

```
0-30% (-51,154) 40-50% (-18,969) 60-80% (+17,962) 30-40% (-18,984) 50-60% (-5,608) 80-120% (+78,532)
```

All other counties and many cities in MSA have opted out





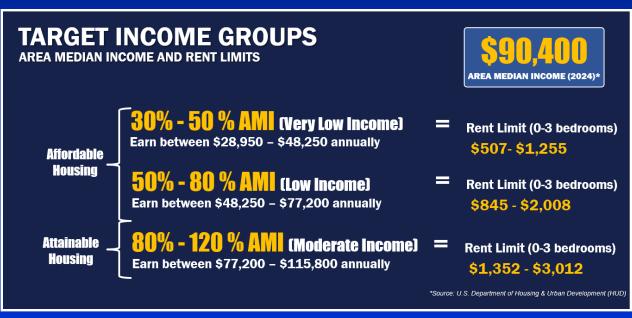
■ September 10, 2024, Board work session

- —Pros to opting out
 - Mitigates loss of tax dollars that exceed our standards of affordability (80-120% AMI)
 - Allows for local government to customize exemption program that aligns with targeted needs
- –Cons to opting out
 - May appear the County is obstructing affordable housing supply
 - May lose potential for future projects that are truly affordable
 - May be a loss of overall supply



Board discussion

- -Market is supplying adequate units between 80-120% AMI
- -Significant deficits are identified up to 60% AMI
- -Units receiving state exemption allow rents that do not align with County affordable housing goals or needs
 - in "Housing for All" Action Plan





Board direction

- -Bring back a work session to discuss state and local tax exemption options
 - Consideration of opting-out of state "Missing Middle" program
 - Consideration of the pros and cons of adopting a local option tax exemption program



- Purpose
- Background
- Options for Consideration
- Stakeholder Feedback
- Summary
- Board Direction



- Overview Opting out of "Missing Middle" tax exemption program
 - -Shimberg report identifies a surplus of affordable units
 - -All counties and many cities in Orlando-Kissimmee MSA have opted out
 - Osceola/Lake/Seminole
 - Apopka/Winter Park/Maitland/Kissimmee/St. Cloud/Ocoee/Orlando
 - -Updated Shimberg report comes out in December 2024
 - -If no surplus is determined, County would lose the opportunity to opt out



Requirements for opting out

- —Adopt an ordinance or resolution which includes:
 - A finding that the current Shimberg Housing Studies Annual Report identifies a surplus of affordable and available units within the MSA
 - Grandfathering of projects that were previously granted an exemption
- -Adoption proceeding must be advertised
- -Approval requires a 2/3 vote of the governing body
- Must take effect on the January 1 immediately succeeding adoption and expire on January 1 two years after
- -Must be provided to the Property Appraiser by the effective date



- Overview Creation of a Local Option Property Tax Exemption (196.1979, FS)
 - -Must establish program by ordinance
 - Available to developments with 50 or more units that set aside at least
 20 percent of its units as affordable housing
 - -Program may exempt units rented to eligible persons or households
 - Up to 60% Median Adjusted Gross Income
 - -Only applicable to the local taxing authority granting the exemption
 - -Ordinance must expire every 4 years



- Creation of a Local Option Property Tax Exemption (196.1979, FS)
 - –Rents may not exceed:
 - Florida Housing Finance Corporation multifamily rental program information, or

Florida Housing Rent Limits, 2024						
Geography 🔷	AMI Category 🌲	0 Bedroom Limit (\$) 🌲	1 Bedroom Limit (\$) 🌲	2 Bedroom Limit (\$) 🌲	3 Bedroom Limit (\$) 🍦	4 Bedroom Limit (\$) 🌲
Orange County	30%	507	543	651	753	840
Orange County	50%	845	905	1086	1255	1400
Orange County	60%	1014	1086	1303	1506	1680
Orange County	80%	1352	1448	1738	2008	2240
Orange County	120%	2028	2172	2607	3012	3360
Sources: Florida Housing Finance Corporation, 2024 Combined Income and Rent Limits by County						

 90% of fair market rent as determined by rental market study performed by a certified appraiser, whichever is less



- Creation of a Local Option Property Tax Exemption (196.1979, FS)
 - -Tax exemption options:
 - If 100% of the units qualify, then <u>up to</u> 100% of the assessed value may be granted an exemption
 - If <100% of the units qualify, then <u>up to</u> 75% of the assessed value may be granted an exemption



- Creation of a Local Option Property Tax Exemption (196.1979, FS)
 - -Requirements:
 - Annual application submitted to the Property Appraiser by March 1 with approval from Orange County
 - Property must have less than 3 code violations within the last 2 years
 - Pending code violations must be remedied
 - No unpaid fines related to violations



- Current programs in Florida
 - -City of Jacksonville (Jax- 2023-349-E)
 - -City of St. Petersburg (St. Pete Sec. 28-200-206)







- City of St. Petersburg (St. Pete Sec. 28-200-206)
 - —Applies to new developments
 - —Applies to existing developments if 2 of 3 conditions apply:
 - Applicant has extended period of affordability for 15 years
 - Substantial renovations have occurred (>40% of "as is" value, excluding land)
 - Insurance increases are documented (50% over the last 3 years)
 - -Tiered based on number of affordable units
 - -Local application process with annual renewal
 - Code compliance for the past 2 years, any citations remedied, no debt to local government



Program Usage
4 projects qualified in first year



- Purpose
- Background
- Options for Consideration
- Stakeholder Feedback
- Summary
- Board Direction



Stakeholder Feedback

- October 2, 2024 Discussion with Affordable Housing Developers
 - -Held meeting with 7 affordable housing developers
 - —Staff provided background on Live Local tax exemption and opt-out options, seeking feedback from developers on feasibility/usefulness of the options



Stakeholder Feedback

October 2, 2024 - Discussion with Affordable Housing Developers

- –Key feedback:
 - Developers like idea of property tax relief, but Live Local does not provide the guarantees needed to work this incentive into their proforma to produce additional affordable units
 - Lenders need to know that incentives are guaranteed, and annual renewal requirements will not generate additional financing for affordable units
 - Most important aspect of a property tax incentive is surety, at least 15 years, which this bill does not provide the authority for local government to do
 - When tax exemptions are guaranteed long-term, it can allow for as much as a 10% increase in units



- Purpose
- Background
- Options for Consideration
- Stakeholder Feedback
- Summary
- Board Direction



- Market is supplying adequate units between 80-120% AMI
- Significant deficits are identified up to 60% AMI
- Units receiving state "Missing Middle" exemption allow rents that do not align with County affordable housing goals or needs
- Most jurisdictions in MSA have opted out of state program
- A local option tax exemption is available for rental units up to 60%AMI
- Discussions with affordable housing developers identified limitations in a local program's effectiveness
- Biggest need for developers is a guaranteed longer-term program
- Current local option may have limited effectiveness in creating new units



- Purpose
- Background
- Options for Consideration
- Stakeholder Feedback
- Summary
- Board Direction



- Question 1 Opting-out of state ad valorem exemption program
 - -Surplus of higher AMI units (80-120%)
 - Not meeting objectives of Housing For All Action Plan
 - -Most jurisdictions in MSA have opted-out
 - —Potential to lose option to opt-out in future
 - Option 1 Retain exemption provision
 - Option 2 Opt out
 - Board approval for November 19, 2024



- Question 2 Creating a local option ad valorem exemption program
 - -More in line with deficits identified in Shimberg Report
 - -Short term of program is not beneficial adding new units
 - Developers need a 15-year timeframe of tax exemption to secure additional funding or meet other state exemptions (adding new units)
 - Option 1 Develop local option tax exemption program as currently authorized by statute
 - Option 2 Defer consideration of a local program and lobby legislature to increase program timeframe and terms to improve program effectiveness