

Board of County Commissioners

Live Local Tax Exemption Options

Work Session

October 29, 2024



Presentation Outline

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



Purpose

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



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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



Background

- **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





Background

▪ 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



Background

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

TARGET INCOME GROUPS
AREA MEDIAN INCOME AND RENT LIMITS

\$90,400
AREA MEDIAN INCOME (2024)*

Affordable Housing	30% - 50% AMI (Very Low Income) Earn between \$28,950 – \$48,250 annually	= Rent Limit (0-3 bedrooms) \$507 - \$1,255
	50% - 80% AMI (Low Income) Earn between \$48,250 – \$77,200 annually	= Rent Limit (0-3 bedrooms) \$845 - \$2,008
Attainable Housing	80% - 120% AMI (Moderate Income) Earn between \$77,200 – \$115,800 annually	= Rent Limit (0-3 bedrooms) \$1,352 - \$3,012

*Source: U.S. Department of Housing & Urban Development (HUD)



Background

▪ 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



Presentation Outline

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Options for Consideration

- **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



Options for Consideration

▪ 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



Options for Consideration

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- **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



Options for Consideration

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



Options for Consideration

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



Options for Consideration

- **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



Options for Consideration

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





Options for Consideration



▪ 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



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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**



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Summary

- **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**



Presentation Outline

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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



Board Direction

- **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