Agenda Report

2725 Judge Fran Jamieson
Way
Viera, FL 32940

Brevard County

New Business - Miscellaneous

J.4. 8/16/2022

Subject:
Letter Regarding Community Redevelopment Agency Plans and Affordable Housing.

Fiscal Impact:
N/A

Dept/Office:
District 3 Commission Office

Requested Action:
Review and approve the attached letter to be sent on behalf of the Board to the following CRAs:

- Cocoa Downtown CRA
- Melbourne CRA
- Titusville CRA
- MIRA
- City of Cocoa Beach CRA
- City of Cape Canaveral CRA
- City of Rockledge CRA
- City of Cocoa Diamond Square CRA

Summary Explanation and Background:
The affordable housing crisis has been a repeated topic of discussion and we should maximize our current resources to address this issue.

Community Redevelopment Agencies are given authority under F.S. 163.360 provides "for the development of affordable housing in the area." This letter is intended to urge CRAs to modify their plans in order to better meet these community needs.

Clerk to the Board Instructions:
Send the approved letter to the following CRAs:

- Cocoa Downtown CRA
- Melbourne CRA
- Titusville CRA
- MIRA
- City of Cocoa Beach CRA
- City of Cape Canaveral CRA

- City of Rockledge CRA
- City of Cocoa Diamond Square CRA

BREVARD County
BOARD OF COUNTY COMMISSIONERS

FLORIDA'S SPACE COAST

Kimberly Powell, Clerk to the Board, 400 South Street • P.O. Box 999, Titusville, Florida 32781-0999

Telephone: (321) 637-2001
Fax: (321) 264-6972
Kimberly.Powell@brevardclerk.us

August 17, 2022

MEMORANDUM

TO: John Tobia, District 3 Commissioner

RE: Item J.4., Letter Regarding Community Redevelopment Agency (CRA) Plans and Affordable Housing

The Board of County Commissioners, in regular session on August 16, 2022, reviewed the letter to be sent to the CRAs considering the community crisis of affordable housing, making funding for affordable housing be part of the CRAs scope, to hear back from the CRAs in 60 days, and adding the referenced Statute of requiring CRAs make it apart of its plan or to explain why it is not part of its plan; authorized the Chair to sign and send the Letter to the following CRAs: Cocoa Downtown CRA, Melbourne CRA, Titusville CRA, MIRA, City of Cocoa Beach CRA, City of Cape Canaveral CRA, City of Rockledge CRA, and City of Cocoa Diamond Square CRA.

Upon execution by the Chair, please return a copy of the Letter to this office for inclusion in the official minutes.

Your continued cooperation is greatly appreciated.

Sincerely,

BOARD OF COUNTY COMMISSIONERS
RACHEL M. SADOFF, CLERK

Kimberly Powell
Kimberly Powell, Clerk to the Board

/ns

cc: Each Commissioner
County Manager
County Attorney

BREVARD COUNTY BOARD OF COUNTY COMMISSIONERS

Kristine Zonka
Chair, District 5

Curt Smith
Vice-Chair, District 4

Rita Pritchett
Commissioner, District 1

John Tobia
Commissioner, District 3

August 5, 2022

Executive Directors and Chairpersons,

The Board of County Commissioners is concerned with and prioritizing the affordable housing crisis plaguing our county. Community Redevelopment Agencies were created under F.S. 163 Part III for the purpose of addressing "slum and blighted areas." F.S. 163.360 provides "for the development of affordable housing in the area." Unfortunately, according to your plans and expenditures, it appears this has not been the focus.

The Shimberg Center for Housing Studies determined that more than one out of five individuals making less than 60% of the area median income cannot find affordable housing. This amounts to a deficit of 8,396 housing units in Brevard County.

The intent behind your creation is clear in that community redevelopment agencies should provide an actual and tangible benefit to the community. While Florida Statute allows for other lawful expenditures, this Board strongly urges you to invest our resources into affordable housing.

We look forward to evaluating the changes to your plan within the next 60 days.

Sincerely,

Kristine Zonka, Chair
As ratified by the Brevard County Board of County Commissioners

J.4 or J.S.

MIT | Center for Real Estate

Can Landlords really pass on higher property taxes to tenants?

October 2018 | Bill Wheaton

The standard commercial lease involves a rent that incorporates current property taxes (for which the landlord is legally responsible). It also allows to landlord to automatically "pass on" any increase in those taxes to tenants through rent increases. To economists the age-old question of tax "incidence" is whether the landlord has enough market power to do this? If not, as rents rise, vacancies develop, and NOI actually can drop. The wise landlord tries to figure all this out in advance so as not to have to "eat crow".

Recent research is able to answer this question with far better precision than any previous work.[i]The research relies on data from Massachusetts where commercial property taxes have a number of unique features. Since 1978, cities and towns have been allowed to effectively set separate tax rates for residential, commercial and industrial property. Only about one third of the Commonwealth's 351 communities choose to discriminate this way, but those that do tend to have much higher commercial rates, that vary from neighboring towns, and sometimes change quite significantly over time. All this variation provides a perfect environment in which to study the impact of commercial taxes on rents. With CBRE's building level rent data we can examine over time as each community changes their commercial rate how the office rents in individual buildings within that town respond to the change.

Without getting into detail about the actual econometrics of this research, the results showed conclusively that rents rise after tax changes sufficiently to fully absorb 80-90% of the change in landlord tax payments! This estimate is highly significant statistically.

Hopefully this research may make towns think twice about the practice of trying to extract as much revenue as possible from commercial and industrial property. Local municipalities have often treated such property as fair game in the search for revenue that does not come from voting local residents. If raising commercial rates in turn increases the tax burden of local business tenants (and not landlords), might it not:

-reduce new business development

-then curtail local job and wage growth

-and eventually reduce the local land values that underpin resident house prices?

Commercial property taxes are not necessarily "free money". By excessively raising commercial property taxes, cities and towns might be biting the generous hand of business that helps to support them and the services they provide.

[1]Lyndsey Rolheiser, "Commercial Property Tax Incidence: Evidence from the Rental Market", MIT PhD Dissertation, Center for Real Estate, 2017.

BUSINESS

Property-tax burden shifts to renters, second-home owners

By Mary Shanklin
Orlando Sentinel • Nov 11, 2015 at 5:53 pm

Expand

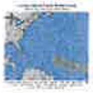
A photo of a "For Rent" sign. (Peter Dazeley / Getty Images)

Listen to this article

Renters and vacation-home owners now shoulder a bigger share of Florida property taxes than homeowners and owners of commercial property, a new analysis shows.

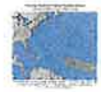
A boom in apartment construction and declines in homeownership throughout Orlando and the entire state have recast the property-tax landscape in a state where tax breaks favor longtime homeowners.

Hurricane center monitoring tropical wave in eastern Atlantic



'Constitutional' sheriff movement escapes DeSantis' scrutiny

Tropical wave moves off African west coast after weeks of quiet



Hurricane center begins tracking potential tropic system after weeks of q

In short, renters are picking up the biggest tab for property taxes in the state and get fewer tax exemptions than owner-occupied property. They rarely see the tax bill but still have to pay it.

"My choice? I can either go broke or pass the tax along to my renters," said Osceola County landlord Tom Long.

Instead of holding tax revenues steady, local governments in Osceola and elsewhere in Central Florida keep tax rates the same but collect more money as property values increase. If they set tax rates to raise the same amount of money every year, Long said it would save his renters at least 10 percent this year.

Long said he shows his tenants the tax and insurance bills he pays on the houses they rent from him so that they can understand why he has to increase their rents. Typically, he said, landlords don't disclose taxes, and renters end up being clueless about how taxes impact their rents. The result, he added, is that city and county commissioners get fewer complaints about taxes from renters than from other property owners who get tax bills.

"They are basically getting more taxes from voters who are the least informed," Long said.

More than 117,000 homeowners in Orange, Seminole, Osceola and Lake counties lost their houses — and homestead-exemption tax breaks — in distress sales during the downturn from 2010 to last year. With ruined credit and savings accounts, they often turned to rentals, which get little or no tax break and leave tenants ultimately footing the bill with higher rents.

"I've never seen it like this before. I don't think anyone has," said Marvin F. Poer & Co. Vice President William Coleman III, a Florida property-tax specialist for more than 30 years. "This is all a big hangover from the big mess."

An Orlando Sentinel analysis of state data shows the trend is even more pronounced in Central Florida. During the depths of the downturn in 2010, owners of shops, warehouses and offices paid 33 percent of the property taxes in Orange County. By last year, that dropped to 30 percent.

Bob Smith, president of Smith Equities multifamily brokerage in Orlando, said another relatively new tax pressure on the market is the effect of tax exemptions that were passed by Florida voters in 2008, limiting increases on commercial-property values to no more than 10 percent a year. In comparison, owner-occupied house values increase no more than 3 percent a year under the Save Our Homes initiative.

Because of that voter-approved tax exemption, Smith said, older apartments get more tax savings than new ones and those that sold recently. That greater tax burden on new apartments comes just as apartment sales have been one of strongest parts of the real-estate market.

"If you sell your property, they're going to the maximum level of what's allowed" for tax assessments, Smith said. "That's just going to get passed along to renters."

Owen Beitsch, senior principal of Real Estate Research Consultants in Orlando, said Florida's shift in its property-tax base has also been exacerbated by the apartment boom.

A decade ago, apartment construction made up only about 25 percent of all housing-related construction in the state. By last year, so many new complexes were being built that apartments made up 30 percent of the state's housing-construction mix. In Orange County, about a third of residential construction last year was apartments — more than double the rate from the housing-boom years of 2003 through 2006.

The relatively high-end nature of so many of those new apartment properties further puts the tax burden on rentals because they bring more taxable value to the tax rolls than affordable housing would, added Beitsch, who also teaches at University of Central Florida.

Meanwhile, owners of rentals and vacation homes accounted for a greater share of Orange County's property taxes during that time. They paid just 28 percent of property taxes in 2010, but that grew to 33 percent by 2014, according to records from the state Department of Revenue.

mshanklin@tribpub.com *or 407-420-5538*

	2010	2014
Owner-occupants with homestead		
Owners of residential with no hon		
Owners of nonresidential property		

SOURCE: Florida Department

Who's paying what

Percentage of property taxes p

construction):