

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: SB 850
 SPONSOR: Senator Burt
 SUBJECT: State Facilities
 DATE: March 9, 2001 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	White	Wilson	GO	Favorable
2.	_____	_____	AGG	_____
3.	_____	_____	AP	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

The bill, also referred to as the “Stay in Place” act, would permit agencies to avoid an additional competitive lease procurement in certain lease renewal circumstances. Under the bill, if the agency wishes to stay in its leased space, it may do so if it obtains an independent market analysis demonstrating that it is cost effective to do so. The bill specifies the required market analysis process. The bill also permits an agency, if it obtains approval from the Department of Management Services (DMS), to enter a lease for office space in a community redevelopment area or a Front Porch community without utilizing the competitive bid process.

II. Present Situation:

State Agency Leasing of Buildings--The DMS is statutorily charged with the responsibility of overseeing state agency leasing of buildings, and with adopting rules for uniform leasing procedures for all state agencies, except the Department of Transportation.¹ These procedures provide that agencies, when leasing privately owned building space², must:

- Determine that the lease is in the best interest of the state, and certify to the DMS compliance with all DMS leasing criterion if the lease is for less than 5,000 square feet of building space.³

¹Section 255.25(2)(c), F.S.; *See also* Chapters 334 and 337, F.S. (granting leasing authority to and establishing leasing procedures for the Department of Transportation).

²Section 255.248, F.S., defines “privately owned building” as any building not owned by a governmental agency.

³Sections 255.249(4)(k) and 255.25(2), F.S.; Rule 60H-1.002, F.A.C.

- Receive competitive bids for the needed space, award the lease agreement to the lowest bidder, and obtain approval of the lease and the need therefore from the DMS if the lease is for at least 5,000 square feet.⁴

When leasing public building space owned by other governmental entities, the agency, notwithstanding the amount of square footage involved, need not utilize the competitive bid process; i.e., the agency may directly negotiate with the governmental entity.⁵

If an agency wishes to renew an existing lease for 5,000 square feet or more, the agency must first obtain DMS approval.⁶ The maximum renewal period that may be approved is 11 months. In the event the agency continues to need space after the 11th month, a new lease must be procured by competitive bid.

All leases entered into by state agencies for a period in excess of one fiscal year, including renewal periods, must contain a provision stating that, "The State of Florida's performance and obligation to pay under this contract is contingent upon an annual appropriation by the Legislature."⁷

Community Redevelopment Areas--Part III of chapter 163, F.S., the "Community Redevelopment Act of 1969," grants local governments authority to establish community redevelopment agencies (CRAs). In order to do so, the local government must adopt a resolution finding that:

- One or more slum or blighted areas, or one or more areas in which there is a shortage of affordable housing for low or moderate income residents, exist within the county or municipality; and
- The rehabilitation, conservation, or redevelopment of these areas is necessary in the interest of the public health, safety, morals, or welfare of the residents of the county or municipality.⁸

The local governing body may appoint a separate board of commissioners to head the CRA, or the body may adopt a resolution declaring itself to be the CRA.⁹ Once established, the CRA must develop a community redevelopment plan for the designated areas, and is permitted to issue revenue bonds to fund redevelopment and to establish a redevelopment trust fund utilizing revenues derived from tax increment financing.^{10 11}

⁴Section 255.25(2) and (3), F.S.; Rule 60H-1.002, F.A.C.

⁵Section 255.25(4)(b), F.S.

⁶Section 255.25(3)(b), F.S.

⁷Section 255.202, F.S.

⁸Section 163.355, F.S.

⁹Sections 163.356 and 163.357, F.S.

¹⁰Sections 163.350, 163.353, 163.356, 163.360, 163.385, and 163.387, F.S.

¹¹In tax increment financing, property values in a defined community redevelopment area are frozen by local ordinance at the assessed value for a particular base year. As redevelopment proceeds within the area, the actual assessed value of property within the redevelopment area should increase. Taxing authorities located within the community redevelopment area are required to deposit the incremental revenue received as a result of this increase in property value in a redevelopment trust fund established by the CRA.

According to data provided by the Florida Redevelopment Council, approximately 125 CRAs have been created in Florida to date.

Front Porch Communities--In 1999, the Legislature created the Office of Urban Opportunity (OOU) within the Office of Trade and Economic Development (OTED) for the purpose of administering the Front Porch Florida initiative.¹² This initiative is statutorily defined as a, “comprehensive, community-based urban core redevelopment program that will empower urban core residents to craft solutions to the unique challenges of each designated community.”¹³ Currently, the program is housed in and receives administrative assistance from the Department of Community Affairs.¹⁴

Programs administered by the Front Porch initiative in designated communities include:

- **Microcredit Loans:** Through this program, funds are provided to stimulate minority small business entrepreneurship. Small amounts are lent to people who might not otherwise qualify for conventional lending, and business advisors are assigned to borrowers to provide guidance and education about business start-ups.
- **Black Business Investment Loans:** Under this program, the Black Business Investment Board (BBIB)¹⁵ conducts workshops in Front Porch communities for the purpose of addressing economic development priorities in each community’s neighborhood action plan. The BBIB also designs economic development projects, assists in matchmaking entrepreneurs with projects, and certifies Black Business Investment Corporations, which are financial institutions that lend money to or invest in black business enterprises.
- **Front Porch Mentoring:** Under this program, mentors are matched with at-need children in Front Porch communities to provide prevention against academic failure, alcohol and drug abuse, teen pregnancy, and gang participation.¹⁶

In order to become a Front Porch community, a neighborhood must demonstrate need based on housing conditions, school grades, and poverty and unemployment rates, and must be nominated by a community-based organization. To date, the following six areas have been designated Front Porch communities: (1) Greater South Central Neighborhood in St. Petersburg; (2) areas in Opa-Locka; (3) Northwood, Pleasant City, Northwest Community in West Palm Beach; (4) Frenchtown in Tallahassee; (5) Dorsey-Riverbend in Ft. Lauderdale; and (6) areas in Pensacola. It is anticipated that 20 Front Porch communities will be designated by 2002.¹⁷

¹²Section 14.2015, F.S.

¹³*Id.*

¹⁴Office of Program Policy Analysis, *The Florida Monitor*, retrieved March 10, 2001 from <http://www.oppaga.state.fl.us>

¹⁵See Chapter 288, F.S. (establishes the BBIB and enumerates its powers and duties).

¹⁶Retrieved March 10, 2001, from <http://www.myflorida.com/myflorida/government/learn/frontporch>

¹⁷*Id.*

III. Effect of Proposed Changes:

Section 1. The bill, also referred to as the “Stay in Place” act, would amend s. 255.25(3), F.S., to permit agencies to avoid the necessity of an additional competitive lease procurement in certain lease renewal circumstances. Under the bill, if the agency wishes to remain in its leased space of at least 5,000 square feet beyond an 11-month extension, it may do so if: (a) it determines that it is in its best interest to remain in the space; and (b) it obtains an independent market analysis demonstrating that the renewal lease rates are within market rates and that the cost of the renewal lease does not exceed the cost of a comparable lease plus documented moving costs. The bill specifies that present value analysis and the consumer price index must be used in calculating lease costs, and that the term of the replacement lease cannot exceed the base term of the expiring lease.

The bill also adds that an agency, contingent upon obtaining approval from the DMS, may enter a lease for office space in an area designated as a community redevelopment area or Front Porch community without utilizing the competitive bid process.

Section 2. The bill takes effect on July 1, 2001.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

The bill’s provisions would allow agencies, if permitted by the DMS, to directly negotiate leases in community redevelopment areas and Front Porch communities, rather than requiring competitive procurement as mandated by current law. As a result, lessors in the designated areas would be afforded greater opportunity with less red tape in making office

space available to state agencies.¹⁸ Potentially, this provision could result in increasing revenues in the designated areas, thereby, facilitating the state's and local governments' goals of economic redevelopment.

C. Government Sector Impact:

Under existing law, state agencies are required to competitively procure new leases as they expire. Depending upon the bids received, the agency may be forced to move to a new facility, which results in temporarily halting work production and high moving costs. This procedure does not account for agency costs associated with the competitive bidding process, nor with moving.

Given the costs of moving, it may, in some cases, be more cost effective for the agency to remain in its current space. In such a circumstance, the bill would enable an agency to remain in its lease. Under the bill, the agency, if it determines that remaining in the office space is in its best interest and finds that it is more cost effective to do so after obtaining an independent market analysis, may re-lease the space without competitive procurement.

The DMS estimates that an independent market analysis will cost an agency no more than \$500. In instances where the analysis indicates that it is more cost effective for the agency to remain in its current facilities, the savings resulting from the avoidance of moving costs should more than overcome the cost of the analysis. However, in what would likely be a minority of cases, the analysis may indicate that it is more cost effective to move. In those instances, the agency would have to absorb the nominal market analysis fee.

Although the precise fiscal impact of this bill is indeterminate, its impact should be positive. The bill should enable the state to accrue a substantial savings due to the avoidance of expensive moving costs.

VI. Technical Deficiencies:

None.

VII. Related Issues:

This bill may facilitate redevelopment in areas of the state designated as community redevelopment areas or Front Porch communities. *See* "Private Sector Impact," *supra*. The bill should also result in saving the state money by providing agencies with flexibility to remain in their existing facilities without conducting a second competitive procurement, where an independent market analysis finds that it is more cost effective to do so. *See* "Government Sector Impact," *supra*.

¹⁸This particular provision of the bill would make agency leasing procedures in community redevelopment areas and Front Porch communities comparable to the leasing procedures for agencies when negotiating with other government entities. Under existing law, agencies may directly negotiate leases for office space owned by other governmental entities.

VIII. Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
