

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

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

Prepared By: The Professional Staff of the Budget Subcommittee on Finance and Tax

**BILL:** CS/SB 582

**INTRODUCER:** Community Affairs Committee and Senator Simmons

**SUBJECT:** Neighborhood Improvement Districts

**DATE:** December 5, 2011      **REVISED:** \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Toman</u>	<u>Yeatman</u>	<u>CA</u>	<b>Fav/CS</b>
2.	<u>Fournier</u>	<u>Diez-Arguelles</u>	<u>FT</u>	<b>Pre-meeting</b>
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

**Please see Section VIII. for Additional Information:**

- |                              |                                     |   |
|------------------------------|-------------------------------------|---|
| A. COMMITTEE SUBSTITUTE..... | <input checked="" type="checkbox"/> | Statement of Substantial Changes        |
| B. AMENDMENTS.....           | <input type="checkbox"/>            | Technical amendments were recommended   |
|                              | <input type="checkbox"/>            | Amendments were recommended             |
|                              | <input type="checkbox"/>            | Significant amendments were recommended |

**I. Summary:**

This committee substitute (CS) renames the Safe Neighborhoods Act as the “Neighborhood Improvement Act” and revises its focus from safety and crime reduction to neighborhood improvements such as street and sidewalk enhancement, landscaping, mass transit, and stormwater and public utility improvements. This CS also authorizes local government neighborhood improvement districts (NIDs) to borrow money, contract for loans and issue bonds by resolution of the governing body, and if required by the Florida Constitution, obtain the affirmative vote of the district electors. The authority of local government NIDs to levy ad valorem taxes, borrow money, and collect certain special assessments is subject to approval by a referendum of freeholders (property owners) in the local government NID.

The Safe Neighborhoods Program and related grant opportunities, unfunded since 1992, are eliminated by this CS. Many of the Department of Legal Affairs’ administrative duties associated with safety, crime reduction, and community policing efforts are also removed. The CS also allows NIDs to contract with county or municipal government for legal advice, and to plan for certain public improvements.

This CS substantially amends the following sections of the Florida Statutes: 163.2511, 163.2517, 163.3182, 163.3246, 163.387, 163.501, 163.502, 163.503, 163.5035, 163.504, 163.5055, 163.506, 163.508, 163.511, 163.512, 163.514, 163.5151, 163.516, 376.84, 775.083, and 932.7055.

This CS repeals the following sections of the Florida Statutes: 163.513, 163.517, 163.519, 163.521, 163.5215, 163.522, 163.523, 163.524, and 163.526.

## II. Present Situation:

### Neighborhood Improvement Districts

#### Purposes and Creation

Part IV of ch. 163, F.S., is known as the “Safe Neighborhoods Act.” The intent of the Act is to:

- Guide and accomplish the coordinated, balanced, and harmonious development of safe neighborhoods;
- Promote the health, safety, and general welfare of these areas and their inhabitants, visitors, property owners, and workers;
- Establish, maintain, and preserve property values and foster the development of attractive neighborhoods and business environments;
- Prevent overcrowding and congestion;
- Improve or redirect traffic and provide pedestrian safety; and
- Reduce crime rates.<sup>1</sup>

Section 163.503(1) defines the term “neighborhood improvement district” to mean:

A district located in an area in which more than 75 percent of the land is used for residential purposes, or in an area in which more than 75 percent of the land is used for commercial, office, business, or industrial purposes, excluding the land area used for public facilities, and where there is a plan to reduce crime through the implementation of crime prevention through environmental design, environmental security or defensible space techniques, or through community policing innovations. . . .

The Safe Neighborhoods Act allows county or municipal governing bodies to create NIDs through the adoption of a planning ordinance. Each NID that is established is required to register within 30 days with both the Department of Community Affairs<sup>2</sup> and the Department of Legal Affairs and provide the name, location, size, type of NID, and such other information that the departments may require.<sup>3</sup> Under current law, there are four types of NIDs:

- Local government NIDs,
- Property owners’ association NIDs,
- Special NIDs, and

<sup>1</sup> See s. 163.502, F.S.

<sup>2</sup> The Department of Community Affairs is a now a part of the Department of Economic Opportunity.

<sup>3</sup> Section 163.5055, F.S.

- Community redevelopment NIDs.<sup>4</sup>

As of December 2011, there are 29 active NIDs in the state of Florida,<sup>5</sup> and they are classified as dependent districts. Twenty-six of these are local government NIDs, two are special NIDs and one is a property owners' association NID.

Section 163.5035, F.S., provides that any special district created pursuant to the Safe Neighborhoods Act must comply with ch. 189, F.S., which governs special districts. It specifically provides that if there is a conflict between any provision of the Safe Neighborhoods Act and ch. 189, F.S., the provision in ch. 189, F.S., will prevail.

### **NID Boards and Revenue Sources**

The local governing body is designated as the board of directors for local government NIDs, however, as an alternative, a majority of the local governing body may also appoint a board.<sup>6</sup> Officers of an incorporated property owners' association serve as the board of directors for property owners' association NIDs.<sup>7</sup> Special NIDs have appointed boards while community redevelopment NIDs designate the local community redevelopment board of commissioners as the board of directors for their districts.<sup>8</sup>

Local government NIDs are authorized to levy an ad valorem tax on real and personal property of up to 2 mills annually and to impose special assessments. Special NIDs have the same taxing authority, however, this authority is subject to referendum. Special *residential* NID ad valorem taxes are approved by a majority of the district electors voting a referendum. Special *business* NID ad valorem taxes are approved if freeholders representing in excess of 50 percent of the assessed value of the property within the district endorse the referendum.<sup>9</sup>

Local government, property owners' association and special NIDs are also authorized, subject to referendum approval, to make and collect special assessments pursuant to s. 163.514(16), F.S.<sup>10</sup> Such assessments may not exceed \$500 for each individual parcel of land per year and require an affirmative vote by a majority of the registered voters residing in the district. Community redevelopment NIDs utilize community redevelopment trust funds to implement district planning and programming.<sup>11</sup>

### **NID Dissolutions**

Local government and community redevelopment NIDs may be dissolved by the governing body that established them through the rescindment of the district's creation ordinance.<sup>12</sup> Property owners' association NIDs continue in perpetuity as long as the property owners' associations

<sup>4</sup> See ss. 163.506-163.512, F.S.

<sup>5</sup> Florida Department of Economic Opportunity, Division of Community Development, *Official List of Special Districts Online* (November 2011) available at <http://dca.deo.myflorida.com/fhcd/sdip/OfficialListdeo/criteria.cfm> (last visited November 29, 2011).

<sup>6</sup> Sections 163.506(1)(e), 163.506(3), F.S.

<sup>7</sup> Section 163.508(1)(e), F.S.

<sup>8</sup> Sections 163.511(1)(f), and 163.512(1)(d), F.S., respectively.

<sup>9</sup> See s. 163.511(3)(g), F.S.

<sup>10</sup> Sections 163.506(1)(d), 163.508(3)(c), and 163.511(1)(c), F.S.

<sup>11</sup> Section 163.512(1)(c), F.S.

<sup>12</sup> Sections 163.506(4), 163.512(3), F.S.

created when establishing the NIDs exist.<sup>13</sup> Special NIDs are dissolved at the end of the tenth fiscal year of operation.<sup>14</sup>

### **NIDs and Bond Authority**

Although NIDs have various powers, they do not have bond authority. In 2006, the Florida Attorney General issued Advisory Legal Opinion 2006-49, stating that an NID created by ordinance pursuant to s. 163.511, F.S., does not have the authority to borrow money to carry out the purposes of the district.<sup>15</sup> The Attorney General's Office reasoned that a statutorily created entity is limited to such powers expressly granted by law or reasonably implied to carry out its expressly granted power. The opinion further stated that "[w]hen the Legislature has directed how a thing shall be done, that is in effect a prohibition against its being done any other way."

### **Duties of the Department of Legal Affairs**

Many of the programs in The Safe Neighborhoods Act are administered by the Department of Legal Affairs (DLA) whose duties include, but are not limited to, the authority to:

- Develop program design and criteria for funding NIDs;
- Develop application and review procedures;
- Review and evaluate applications for planning and technical assistance;
- Utilize staff to provide crime prevention through community policing innovations, environmental design, environmental security, and defensible space training; and
- Review and approve or disapprove safe neighborhood improvement plans prior to the adoption by the local governing body.<sup>16</sup>

### **Safe Neighborhoods Program**

Section 163.517, F.S., provides for the creation of the Safe Neighborhoods Program. The purpose of this program is to "provide planning grants and technical assistance on a 100-percent matching basis to neighborhood improvement districts." Under this section, planning grants are to be awarded as follows:

- Property owners' association NIDs may receive up to \$20,000.
- Local government NIDs may receive up to \$100,000.
- Special NIDs may receive up to \$50,000.
- Community redevelopment NIDs may receive up to \$50,000.

Grants are awarded to eligible applicants based on evaluation of specified criteria provided in subsections (2) and (3) of s. 163.517, F.S.

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<sup>13</sup> Section 163.508(4), F.S.

<sup>14</sup> Section 163.511(13), F.S. Special NIDs may continue for subsequent 10-year periods if the continuation of the district is approved through referendum.

<sup>15</sup> Op. Atty. Gen. Fla. 2006-49 (2006).

<sup>16</sup> See s. 163.519(1)-(11), F.S.

While the DLA is charged with overseeing the Safe Neighborhoods Program, funding for the program was repealed in 1992.<sup>17</sup> According to the Bureau of Criminal Justice Programs in the Office of the Attorney General, there is currently no staff or funding allocated to manage the program and its grants.<sup>18</sup>

### **Safe Neighborhood Improvement Plan**

All NIDs are currently required to prepare a safe neighborhood improvement plan that addresses the statutory criteria provided in s. 163.516, F.S. The safe neighborhood improvement plan must be consistent with the adopted county or municipal comprehensive plan and must be “sufficiently complete to indicate such land acquisition, demolition and removal of structures, street modifications, redevelopment, and rehabilitation as may be proposed to be carried out in the district.”<sup>19</sup> Additionally, the NID must provide some method for and measurement of the reduction of crime within the district.<sup>20</sup>

According to the Department of Economic Opportunity, because of the lack of funds available for the Safe Neighborhoods Program, it is unknown how many Safe Neighborhood Plans there are or whether they are still being implemented.<sup>21</sup>

### **Neighborhood Preservation and Enhancement Program**

The governing body of a municipality or county may authorize participation in the Neighborhood Preservation and Enhancement Program through the adoption of a local ordinance.<sup>22</sup> Neighborhood Preservation and Enhancement Districts shall be created by the residents of a particular neighborhood or through county or municipal initiative by identifying those areas that are in need of enhancement. Neighborhood Preservation and Enhancement plans shall be enforced through an agency created by the local government which may be composed of the local code department or any other agency that will provide adequate enforcement of the plan.

After the boundaries and size of the Neighborhood Preservation and Enhancement District have been defined, the residents therein shall create a Neighborhood Council, consisting of five elected members who shall have the authority to receive grants from the Safe Neighborhoods Program under s. 163.517, F.S. The established Neighborhood Council and local government designated enforcement agency shall have such powers and duties as provided under s. 163.526, F.S. These powers include the special assessments provisions of s. 163.514, F.S.<sup>23</sup>

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<sup>17</sup> Office of the Attorney General, *Proposed 2012 Legislation*, (Sept. 16, 2011) (on file with the Senate Committee on Community Affairs).

<sup>18</sup> *Id.*

<sup>19</sup> Section 163.516(3), F.S.

<sup>20</sup> *Id.*

<sup>21</sup> Department of Economic Opportunity, *Analysis of HB 191 by Representative Soto* (September 29, 2011) on file with the Senate Committee on Community Affairs. Note: HB 191 is similar to SB 582.

<sup>22</sup> *See* s. 163.524, F.S.

<sup>23</sup> Section 163.526(1)(a), F.S.

There are currently no references to Neighborhood Preservation and Enhancement Programs or Councils contained in the reporting documents of the 29 active NIDs registered with the Special Districts Information Program of the Department of Economic Opportunity.<sup>24</sup>

### **Neighborhood Improvement Districts inside Enterprise Zones**

The local governing body of any municipality or county, in which the boundaries of an enterprise zone, in whole or in part, include a NID, may request the DLA to submit provisions to fund capital improvements within its budget request to the Legislature.<sup>25</sup> Local governments must demonstrate the ability to implement the project within two years after the date of appropriation. All requests received for capital improvement functions must be ranked by the Department of Legal Affairs based on the following:

- The necessity of the improvements to overall implementation of the safe neighborhood plan;
- The degree to which the improvements help the plan achieve crime prevention through community policing innovations, environmental design, environmental security, and defensible space objectives;
- The effect of the improvements on residents of low or moderate income; and
- The fiscal inability of a local government to perform the improvements without state assistance.<sup>26</sup>

### **Community Organization Involvement**

- ❖ Section 163.523, F.S., authorizes local governments to cooperate and seek the involvement of certain community organizations to assist in the creation of safe neighborhood improvement districts. Except for the preparation of safe neighborhood improvement plans, NIDs may contract with such community organizations to carry out any activities therein and may compensate such organizations for the value of their services in an amount not to exceed 1 percent of the total annual budget of the NID.

### **Other Sources of Funding for Local Government Improvement Efforts**

County and municipal governments have authority under current law and their constitutional home rule authority to raise revenue that could be used for many of the purposes identified by the Safe Neighborhoods Act in current law and the Neighborhoods Improvement Act created by this bill.

Section 125.01(1)(q), F.S., provides that counties may establish:

municipal service taxing or benefit units for any part or all of the unincorporated area of the county, within which it may provide fire protection, law enforcement, beach erosion control, recreation service and facilities, water..., streets, sidewalks, street lighting, garbage and trash collection and disposal, waste and sewage collection and disposal, drainage, transportation, indigent health care services, mental health care services, and

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<sup>24</sup> E-mail from Jack Gaskins, Jr., Special Districts Information Program, Department of Economic Opportunity (Dec. 2, 2011) (on file with the Senate Committee on Community Affairs).

<sup>25</sup> Section 163.521, F.S.

<sup>26</sup> *Id.*

other essential facilities and municipal services from funds derived from service charges, special assessments, or taxes within such unit only.... This paragraph authorizes all counties to levy additional taxes, within the limits fixed for municipal purposes, within such municipal service taxing units under the authority of the second sentence of s. 9(b), Art. VII of the State Constitution.

Section 125.01(1)(r), F.S., grants counties the power to levy and collect ad valorem taxes, and provides that no referendum is required for the levy by a county of ad valorem taxes for county purposes or for providing municipal services within any municipal service taxing unit. The distinction between a municipal service taxing unit and a municipal service benefit unit is that in a benefit unit the services are funded by a service charge or a special assessment rather than a tax.

Article VII, section 1(a) of the State Constitution preempts all taxes, other than ad valorem taxes, to the state and local governments may levy other taxes only if these taxes are authorized by general law. Not all local government revenue sources are taxes, however, and counties and municipalities may levy fees, assessments, or charges for services under their home rule authority. Special assessments may be used to fund certain services and to construct and maintain capital facilities such as those appropriate for Neighborhood Improvement Districts, if they meet two requirements: (1) the property subject to assessment much derive a special benefit from the service or improvement funded by the assessment, and (2) the assessment must be fairly and reasonably apportioned among the properties that receive the special benefit.<sup>27</sup>

### III. Effect of Proposed Changes:

**Section 1** amends s. 163.2511, F.S., relating to urban infill and redevelopment, to make conforming references.

**Section 2** amends s. 163.2517, F.S., relating to the designation of urban infill and redevelopment areas, to make conforming references.

**Section 3** amends s. 163.3182, F.S., relating to transportation deficiencies, to make conforming references.

**Section 4** amends s. 163.3246, F.S., relating to local government comprehensive planning certification, to make conforming references.

**Section 5** amends 163.387, F.S., relating to redevelopment trust funds, to make conforming references.

**Section 6** amends s. 163.501, F.S., to rename part IV of ch. 163, F.S., as the “Neighborhoods Improvement Act.”

**Section 7** amends s. 163.502, F.S., related to the legislative findings and purposes for this Act, to include “lack of adequate public improvements such as streets, street lights, street furniture,

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<sup>27</sup> See *City of Boca Raton v. State*, 595 So. 2d 25 (Fla. 1992)

street landscaping, sidewalks, traffic signals, way-finding signs, mass transit, stormwater systems, and other public utilities and improvements.” References to crime prevention objectives are removed.

**Section 8** amends s. 163.503, F.S., to modify the definition for “neighborhood improvement district,” and to delete the definitions for the following crime-related terms: “environmental security,” “crime prevention through environmental design,” “defensible space,” “enterprise zone,” and “community policing innovation.”

**Section 9** amends s. 163.5035, F.S., to delete the term “safe” in the title of this section.

**Section 10** amends s. 163.504, F.S., to delete provisions relating to the Safe Neighborhoods Program and safe neighborhood improvement plans currently administered by the DLA.

**Section 11** amends s. 163.5055, F.S., to provide that neighborhood improvement districts shall be required to notify (rather than register with) the Department of Economic Opportunity and the DLA and to delete obsolete provisions.

**Section 12** amends s. 163.506, F.S., to authorize local government neighborhood improvement districts to borrow money, contract loans, and issue bonds, certificates, warrants, notices, or other evidence of indebtedness to finance the undertaking of any capital or other projects for purposes permitted under the Florida Constitution and this part. This section also authorizes the district to pledge the funds, credit, property, and taxing power of the improvement district for payment of such debts and bonds. Bonds issued under this part shall be authorized by a resolution of the governing board of the district, and if so required by the Florida Constitution, by affirmative vote of the electors of the district. The CS provides criteria and governing board authority regarding the issuance, sale, and distribution of bonds and allows for the establishment and administration of sinking funds for the payment, purchase, or redemption of any outstanding bond indebtedness of the district.

The CS also allows the governing body of the district to levy ad valorem taxes upon real and tangible personal property within the district, as it deems necessary to make payment, including principal and interest, upon the general obligation and ad valorem bond indebtedness of the district or into any sinking fund so created.

The CS authorizes a commercial local government NID to make and collect special assessments to pay for capital improvements within the district and for reasonable operating expenses of the district, including those in the district budget. Such special assessments may not exceed \$1,500 for each individual parcel of land per year.

The CS allows the district to charge, collect, and enforce fees and other user charges.

The authority of a local government NID to levy ad valorem taxes and issue bonds, and, for a commercial local government NID to make and collect special assessments, is subject to approval by a referendum of freeholders in the local government NID. The CS specifies requirements for the referendum including notice to freeholders and certification of the referendum results to the governing body of the municipality or county where the local



government NID is located. Ad valorem taxes, bond issuance, and special assessments are authorized if freeholders representing in excess of 50 percent of the assessed property value in the local government NID approve of the referendum.

This section deletes provisions in statute that allow a majority of the local governing body of a city or county to appoint a board of directors as an alternative to designating the local governing body as the board of directors of the local government NID.

This section references differences between residential local government NIDs and commercial local government NIDs, however these differences are not explicitly defined.

**Section 13** amends s. 163.508, F.S., to delete provisions relating to the Safe Neighborhoods Program and safe neighborhood improvement plans. This section also allows property owners' association NIDs to request grants from any source and requires the property owners' association in a property owners' association NID to be a not-for-profit corporation.

**Section 14** amends s. 163.511, F.S., to make conforming changes and to revise the method of appointing and removing directors of a special NID.

**Section 15** amends s. 163.512, F.S., to make conforming changes and delete provisions allowing the use of a community redevelopment trust fund to implement crime prevention plans of a community redevelopment neighborhood district. The trust fund may continue to be used for implementing the community neighborhood improvement district's improvement plan as provided in the section.

**Section 16** repeals s. 163.513, F.S., which relates to crime prevention through community policing innovations, environmental design, environmental security, and defensible space functions of neighborhood improvement districts.

**Section 17** amends s. 163.514, F.S., to remove powers provided to NIDs to contract with experts on crime prevention through community policing innovations, environmental design, and similar crime deterrence methods. In addition, s. 163.514, F.S., is amended to allow NIDs:

- to contract for the services of planners, engineers, attorneys, and other consultants;
- to contract with county or municipal government for legal advice; and
- to plan, design, construct, operate, provide, and maintain street lighting, parks, streets, drainage, utilities, swales, parking facilities, transit, landscaping, and open areas.

NIDs authorized to make and collect special assessments provided for in s. 163.514(16)(a), F.S., are amended to *only* include residential local NIDs, special NIDs, community redevelopment NIDs, and property owners' association NIDs. The special assessments remain subject to referendum approval by a majority vote of the registered voters residing in the district and may not exceed \$500 per parcel of land, per year. (Special assessments in a commercial local NID are limited to \$1,500 per parcel in section 12 of the bill.)

**Section 18** amends s. 163.5151, F.S., to state that each local government and special NID levying an ad valorem tax on real or personal property shall establish its budget pursuant to ch. 200, F.S.

**Section 19** amends s. 163.516, F.S., providing that certain information is no longer required to be included in neighborhood improvement plans or amended neighborhood improvement plans.

**Section 20** repeals s. 163.517, F.S., relating to the Safe Neighborhoods Program.

**Section 21** repeals s. 163.519, F.S., relating to the duties of the Department of Legal Affairs in NIDs.

**Section 22** repeals s. 163.521, F.S., addressing NIDs inside enterprise zones and capital improvement projects to promote safe neighborhood and crime prevention programs.

**Section 23** repeals s. 163.5215, F.S., which states that the provisions of this part shall not be construed to modify, limit, expand, or supersede any existing laws relating to the closing or abandonment of public roads, the denial of access to areas for public ingress or egress, or the use of public facilities.

**Section 24** repeals s. 163.522, F.S., stating that counties or municipalities with enterprise zones or community redevelopment areas are directed to give consideration to the creation of NIDs.

**Section 25** repeals s. 163.523, F.S., relating to safe neighborhood districts and the cooperation and involvement of community organizations.

**Section 26** repeals s. 163.524, F.S., relating to the Neighborhood Preservation and Enhancement Program.

**Section 27** repeals s. 163.526, F.S., relating to neighborhood councils and local government designated agencies and their powers with respect to the Neighborhood Preservation and Enhancement Program.

**Section 28** amends s. 376.84, F.S., relating to brownfield redevelopment economic incentives, to make conforming references.

**Section 29** amends s. 775.083, F.S., relating to criminal fines, to make conforming references.

**Section 30** amends s. 932.7055, F.S., relating to liens and forfeited property, to make conforming references.

**Section 31** provides that this act shall take effect July 1, 2012.

**IV. Constitutional Issues:****A. Municipality/County Mandates Restrictions:**

Under current law, local government NIDs are authorized to levy an ad valorem tax on real and personal property of up to 2 mills annually, and to impose special assessments. This bill allows ad valorem taxation and special assessments only if approved by referendum.

**B. Public Records/Open Meetings Issues:**

None.

**C. Trust Funds Restrictions:**

None.

**V. Fiscal Impact Statement:****A. Tax/Fee Issues:**

This CS creates a requirement that special assessments (in commercial NIDs), levies of ad valorem taxes upon real and personal property within the district, and borrowing to finance district projects must be approved by a referendum of the freeholders in the district. Special assessments in residential NIDs must be approved by a referendum of the electors in the district.

**B. Private Sector Impact:**

Individuals residing and business located in NIDs may be subject to special assessments, ad valorem taxes, and user fees only if they are approved by a referendum of the freeholders (or electors in the case of special assessments in residential local government, special, community redevelopment, and property owners' association NIDs.)

**C. Government Sector Impact:**

This CS allows local government NIDs, subject to referendum approval, to borrow money, issue bonds, collect special assessments, charge fees, and levy ad valorem taxes upon real and tangible personal property within the district. There will be costs associated with conducting a referendum if a local government NID exercises its authority to implement the above.

The CS will also allow NIDs to contract with the county or municipal government for legal advice.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Additional Information:**

- A. **Committee Substitute – Statement of Substantial Changes:**  
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

**CS by Community Affairs on December 5, 2011:** Makes clarifying and conforming changes.

- B. **Amendments:**

None.

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This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.

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