

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 Committee on Commerce and Tourism

BILL: CS/SB 904

INTRODUCER: Judiciary Committee and Senator Powell

SUBJECT: Judicial Process

DATE: February 19, 2018

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Cibula</u>	<u>Cibula</u>	<u>JU</u>	<u>Fav/CS</u>
2.	<u>Little</u>	<u>McKay</u>	<u>CM</u>	<u>Pre-meeting</u>
3.	_____	_____	<u>RC</u>	_____

Please see Section IX. for Additional Information:

COMMITTEE SUBSTITUTE - Substantial Changes

I. Summary:

CS/SB 904 makes changes relating to judicial processes governed by chapter 48, F.S. One section of the bill clarifies how long a notice of lis pendens constitutes a bar to the enforcement of all liens or other interests on a property that is sold in a judicial sale. Several other sections revise statutes governing service of process.

The bill clarifies that a notice of lis pendens precludes the enforcement of liens or other interests against a property sold at a judicial sale until the instrument transferring title to the property is recorded. This clarification is a response to a recent appellate court opinion, which, due to its wording, could be interpreted to allow liens to be enforced against a foreclosed property during the timeframe between the date that the property is sold at a judicial sale and the date that the instrument transferring title is recorded.

The changes in the bill relating to service of process allow:

- A certified process server to serve, with respect to civil process, any nonenforceable civil process.
- A process server to serve the spouse of the person to be served in any county of the state, not just the county of their shared residence.
- A process server to serve a limited liability company at additional types of addresses used as the business address, including the address of a virtual office, executive office, or mini suite.

- Any process server to electronically sign return-of-service forms that document the date and time of service, which is a convenience currently reserved for process servers employed by a sheriff.
- The attachment of dark window tinting material to the side and back windows of a vehicle owned or leased by a process server.

II. Present Situation:

A notice of lis pendens,¹ upon recording in the official records of the county, provides notice that a property is the subject of litigation. The notice essentially warns parties who are not involved in the litigation, such as subsequent purchasers or encumbrancers, that any interest they acquire in the property while the litigation is pending may be adversely affected by the outcome of the case.² In other words, the notice of lis pendens helps potential purchasers or encumbrancers of a property avoid becoming embroiled in the dispute, and protects the plaintiff from intervening liens and interests that may impair any property rights claimed.³

The Lis Pendens Statute

The current statutory scheme regulating the procedural requirements and effect of notices of lis pendens has its origins in common law. As modified by statute, “[a]n action in any of the state or federal courts in this state operates as a lis pendens on any real or personal property involved therein or to be affected thereby only if a notice of lis pendens is recorded in the official records of the county where the property is located.”⁴

The following information must be contained in a notice of lis pendens:

- The names of the parties to the lawsuit.
- The date that the lawsuit was filed, the date of the clerk’s electronic receipt, or the case number of the lawsuit.
- The name of the court in which the suit is pending.
- A description of the property involved or to be affected.
- A statement of the relief sought as to the property.⁵

Once a lis pendens is filed, a holder of an unrecorded interest or lien who fails to timely intervene in the proceedings may lose the right to those interests as described below:

[T]he recording of such notice of lis pendens . . . constitutes a bar to the enforcement against the property described in the notice of all interests and liens, including, but not limited to, federal tax liens and levies, unrecorded at the time of recording the notice unless the holder of any such unrecorded interest or lien intervenes in such proceedings within 30 days after the recording of the notice. If the holder of any such unrecorded interest or lien does not intervene in the proceedings and *if such proceedings are*

¹ “Lis pendens” is Latin for a pending lawsuit. BLACK’S LAW DICTIONARY (10th ed. 2014).

² *Chiusolo v. Kennedy*, 614 So. 2d 491, 492 (Fla. 1993).

³ *Id.* at n. 1. (Thus, lis pendens exists at least in part to prevent third-party purchasers from “buying” a lawsuit when they purchase the property.)

⁴ Section 48.23(1)(a), F.S.

⁵ Section 48.23(1)(c), F.S.

*prosecuted to a judicial sale of the property described in the notice, the property shall be forever discharged from all such unrecorded interests and liens.*⁶

The Ober Opinions

Ober I, the Withdrawn Opinion

On August 24, 2016, the Fourth District Court of Appeal issued an opinion in *Ober v. Town of Lauderdale-by-the-Sea*, which was later withdrawn and replaced with a substitute opinion.⁷ The issue in the opinions required the court to interpret the meaning of the foregoing portions of the lis pendens statute. Specifically, the court sought to determine whether the statute bars the enforcement of liens recorded after a final judgment of foreclosure but before a judicial sale of the property.

Under the facts of the case, a bank recorded a notice of lis pendens on a property as part of a foreclosure proceeding that it initiated on November 26, 2007. On September 22, 2008, the bank obtained a foreclosure judgment on the property. Then, between July 13, 2009, and October 27, 2011, the Town of Lauderdale-by-the-Sea recorded seven code enforcement liens. Finally, the property was sold at a judicial sale to James Ober on September 27, 2012, more than 4 years after the foreclosure judgment. After purchasing the property, Mr. Ober filed suit to quiet title and the town counterclaimed to foreclose on its liens.

In its first *Ober* decision, the district court recognized that the lis pendens statute “does not provide an end date for the lis pendens.” Then the court sought to identify an end date to “avoid the absurd result of a lis pendens precluding any lien from ever being placed on the property in perpetuity.”

Upon reviewing a portion of the lis pendens statute which states, “[a]n action in any of the state or federal courts in this state operates as a lis pendens . . . only if a notice of lis pendens is recorded,”⁸ the court declared that the

plain meaning of [the] provision indicates that the action itself is the actual lis pendens, which takes effect if and when a notice is filed. The lis pendens therefore logically must terminate along with the action. The “action” in this case was the foreclosure action initiated by the non-party bank, which terminated thirty days after the court’s issuance of a final judgment.

The court ultimately held that “a lis pendens bars liens only through final judgment, and does not affect the validity of liens after that date, even if they are before the actual sale of the property.” The court went on to state that the *Ober* “case appears to reveal a misstatement of the law” in the Final Judgment of Foreclosure form incorporated into the Florida Rules of Civil Procedure. The

⁶ Section 48.23(1)(d), F.S. (emphasis added).

⁷ *Ober v. Town of Lauderdale-by-the-Sea* No. 4D14-4597 (Fla. 4th DCA 2016). The withdrawn opinion is no longer available on Westlaw, but it is available without reference, pages, or volume numbers at findlaw.com at <http://caselaw.findlaw.com/fl-district-court-of-appeal/1746796.html> (last visited Feb. 19, 2018).

⁸ Section 48.23(1)(a), F.S.

form, according to the court, incorrectly suggests that “all liens from the filing of the lis pendens until the certificate of sale⁹ is filed are discharged.”

Ober II, the Substitute Opinion

The Fourth District Court of Appeal’s initial opinion in *Ober* “shocked the mortgage lending community by holding that the protections traditionally afforded by the recordation of a lis pendens terminated 30 days after the entry of final judgment of foreclosure even when the sale had not yet occurred.”¹⁰ The opinion, going against the traditional understanding of the statute, was expected to disrupt the sale of title insurance, the real estate market, and reduce bids on properties at foreclosure sales, which would result in more foreclosed property owners facing liability for deficiency judgments.¹¹

However, the court granted Ober’s motion for rehearing and issued a substitute opinion, essentially reversing its initial opinion.¹² In the substitute opinion, the court stated:

We reject the Town’s argument that the statute applies only to liens existing or accruing prior to the date of the final judgment. The language of the statute is broad, applying to “all interests and liens.” Significantly, the statute expressly contemplates that its preclusive operation continues through a “judicial sale.” This is consistent with how foreclosure suits operate in the real world.¹³

The court’s opinion also indicates that several groups that are active participants in real estate transactions filed amicus briefs in opposition to the court’s initial decision. The Florida Bankers Association advised the court that foreclosure suits are “unlike many civil lawsuits in that ‘much remains to be accomplished after entry of final judgment, including the foreclosure sale, the issuance of certificates of sale and title, and, in many instances, the prosecution of a deficiency claim, all under court supervision.’”¹⁴ The court also noted that the Business Law Section of The Florida Bar explained that the statement of law, which the court previously criticized, in the Final Judgment of Foreclosure form “reflects the common understanding of the operation of the lis pendens statute.”¹⁵

In concluding its substitute opinion, the court recognized that precluding the attachment of local code enforcement liens between a final judgment of foreclosure and the judicial sale of a foreclosed property presents the practical problem of collecting fines for code violations. This problem, according to the court, is in the province of the Legislature.¹⁶

⁹ A certificate of sale is a document that the clerk of court will file and serve on the affected parties after the judicial sale of the property. The certificate will identify when notices of the sale were published in a newspaper and identify the purchaser and the amount paid for the property. Afterwards, the clerk will record a certificate of title transferring title of the property to the purchaser. Section 45.031(4) and (6), F.S.

¹⁰ Lauren Reynolds, *The Resurrection of Lis Pendens: Ober Reversed on Rehearing*, 20 No. 17 CONSUMER FIN. SERVICES L. REP. 26 (Feb. 28, 2017).

¹¹ *Id.*

¹² *Ober v. Town of Lauderdale-by-the-Sea*, 218 So. 3d 952 (Fla. 4th DCA 2017), cert. denied, 2017 WL 3883662 (Fla. 2017).

¹³ *Id.* at 954.

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ *Id.* at 954-55.

Real Property Probate & Trust Law Section of The Florida Bar

Although, the Fourth District Court of Appeal reversed itself, the Real Property, Probate, and Trust Law Section of The Florida Bar is pursuing legislative changes to the lis pendens statute.¹⁷ The wording of the court's substitute opinion in *Ober* described the preclusive effect of a notice of lis pendens as continuing "through a 'judicial sale.'"¹⁸ As such, the court may have inadvertently created a gap of time between a judicial sale and the recording of a certificate of title, during which liens may attach to a foreclosed property. In some cases, this timeframe may last "days, weeks, or months."¹⁹

Accordingly, the changes pursued by the Section are intended to "preserve the widely understood interpretation of the statute, that . . . a lis pendens remains in effect through the recording of an instrument transferring title pursuant to a judicial sale."²⁰ This change will "provide the purchaser [of foreclosed property] with title free and clear of intervening subordinate interests or liens."²¹

Service of Process

Service of process involves the delivery of papers such as pleadings, complaints, and subpoenas in connection with judicial proceedings. These documents must be delivered by a process server who is disinterested in the outcome of the case. There are four types of individuals who are authorized to serve process: sheriffs' officers, special process servers, certified process servers, and those authorized to serve civil witness subpoenas under the rules of civil procedure.²² Certified process servers may serve "initial nonenforceable civil process, criminal witness subpoenas, and criminal summonses."²³

Typically, personal service is accomplished by personal delivery of the process to its intended recipient.²⁴ In some cases, however, the statutes allow for service on others in place of the intended recipient. For example, process may be made on the intended recipient's spouse "if the cause of action is not an adversary proceeding between the spouse and the person to be served, if the spouse requests such service, and if the spouse and person to be served are residing together in the same dwelling."²⁵

¹⁷ Real Property, Probate, and Trust Law Section of The Florida Bar, *White Paper: Proposal to Amend Section 48.23, Fla. Stat. (Lis Pendens)* (Oct. 10, 2017) (On file with the Senate Committee on Judiciary).

¹⁸ *Ober v. Town of Lauderdale-by-the-Sea*, 218 So. 3d 952, 954 (Fla. 4th DCA 2017), *cert. denied*, 2017 WL 3883662 (Fla. 2017).

¹⁹ Real Property, Probate and Trust Law Section, *supra* n. 1.

²⁰ *Id.*

²¹ *Id.*

²² See ss. 48.021(1), 48.27, F.S., and Fla.R.Civ.P. 1.070.

²³ Section 48.021(1), F.S.

²⁴ Section 48.031(1)(a), F.S.

²⁵ Section 48.031(2)(a), F.S.

Substitute service is also allowed if the only address discoverable through public records for the person to be served is a private mailbox, a virtual office, or an executive office or minisuite.²⁶ In these instances, substitute service may be made by leaving a copy of the process with the person in charge of the facility.

Similarly, service may be made on a limited liability company by serving the process on its registered agent.²⁷ The agent's business address for service of process must be the same as the agent's registered office, but this address may be a residence or a private mailbox.²⁸

When a process server serves process, the process server must place "on the first page of at least one of the processes served, the date and time of service and his or her identification number and initials for all service of process."²⁹ The process server must also sign a return-of-service form identifying all the initial pleadings delivered and served with the process. If the process server is employed by a sheriff, he or she may sign the form with an electronic signature.³⁰ The person who requested service or the person authorized to serve the process must file the form with the court.³¹

When service of process must be made on a person who is outside this state, the statutes state that the process "shall be made . . . by any officer authorized to serve process in the state where the person is served."³² The statutes further provide that the officer's affidavit, which identifies the time, manner, and place of service, should be filed with the court.

Motor Vehicle Sunscreening Material

Sections 316.2951 – 316.2956, F.S., prohibit certain sunscreening material³³ from being attached to the windshield and windows of motor vehicles operated on public highways, roads, and streets. Individuals are permitted to attach sunscreening material to "a strip at the top of a windshield, so long as such material is transparent and does not encroach upon the driver's direct forward viewing area."³⁴ Generally, sunscreening material may not be attached to any side windows or windows behind the driver if the material "has the effect of making the window nontransparent or would alter the window's color, increase its reflectivity, or reduce its light transmittance..."³⁵

²⁶ Section 48.031(6)(a), F.S. A virtual office is "an office that provides communications services, such as telephone or facsimile services, and address services without providing dedicated office space, and where all communications are routed through a common receptionist." Section 48.031(6)(b), F.S. An executive office or mini suite is "an office that provides communications services, such as telephone and facsimile services, a dedicated office space, and other supportive services, and where all communications are routed through a common receptionist." *Id.*

²⁷ Section 48.062, F.S.

²⁸ Sections 605.0113(1)(a) and 48.062(4), F.S.

²⁹ Section 48.031(5), F.S.

³⁰ Section 48.21(1), F.S.

³¹ Section 48.031(5), F.S.

³² Section 48.194(1), F.S.

³³ "Sunscreening material" is a product attached to the windshield or other windows of a motor vehicle to reduce the effect of the sun. Sunscreening materials include film, glazing, and perforated sunscreening. *See* s. 316.2951(4), F.S.

³⁴ Section 316.2952(2)(b), F.S.

³⁵ Section 316.2953, F.S.; Section 316.2954, F.S.

Section 316.29545, F.S., requires the Department of Highway Safety and Motor Vehicles to exempt law enforcement officers and individuals with certain medical conditions from the window sunscreening limitations in ss. 316.2951-316.2957, F.S. This section also exempts private investigators from the window sunscreening limitations under ss. 316.2953, 316.2954, and 316.2956.

III. Effect of Proposed Changes:

Notices of Lis Pendens

A notice of lis pendens is notice recorded in the official records of a county warning that the outcome of litigation involving the property may affect the interests of future purchasers or encumbrancers, such as those who may enforce a lien against the property. This bill clarifies that a notice of lis pendens precludes the enforcement of liens or other interests against a property sold at a judicial sale until the instrument transferring title to the property is recorded. This clarification to the lis pendens statute, according to the Real Property, Probate, and Trust Law Section of The Florida Bar, is consistent with “the long established and accepted understanding of the lis pendens statute.”³⁶

The bill is a response to a recent appellate court opinion interpreting the current lis pendens statute. Due to its particular wording, the opinion could be interpreted to allow liens to be enforced against a foreclosed property during the gap between the date that the property is sold at a judicial sale and the date that the instrument transferring title is recorded.

The bill declares that because of its clarifying nature, the changes to the lis pendens statute apply to actions pending on the effective date of the bill.³⁷

Service of Process

This bill allows certified process servers to serve a wider variety of process. Under current law, these process servers, with respect to civil process, may serve only the initial nonenforceable civil process. Under the bill, they may serve any nonenforceable civil process.

The bill also allows for substituted service on a spouse in any county, not just the county of residence of the spouse and person to be served, as provided in current law.

³⁶ Real Property, Probate, and Trust Law Section of The Florida Bar, *White Paper: Proposal to Amend Section 48.23, Fla. Stat. (Lis Pendens)* (Oct. 10, 2017) (On file with the Senate Committee on Judiciary).

³⁷ Courts presume that when the Legislature amends a statute, a change in the meaning of the statute is intended. *Hill v. State*, 143 So. 3d 981, 986 (Fla. 4th DCA 2014) However, courts also “recognize that, at times, a mere change in the language of a statute ‘does not necessarily indicate an intent to change the law’ because the intent may be to clarify what was doubtful and to erase misapprehension as to existing law.” *Id.* (quoting *State ex rel. Szabo Food Servs., Inc. of N.C. v. Dickinson*, 286 So. 2d 529, 531 (Fla.1973)). Similarly, “if the Legislature amends a statute shortly after a controversy arises with respect to the interpretation of the statute, then the amendment may be considered to be a legislative interpretation of the original statute rather than a substantive change to the statute.” *Leftwich v. Florida Dept. of Corr.*, 148 So. 3d 79, 83 (Fla. 2014) (citing *Lowry v. Parole & Prob. Comm’n*, 473 So. 2d 1248, 1250 (Fla. 1985)). Accordingly, these interpretive principles support the assertion in the bill that it clarifies existing law and that the bill may apply to pending actions without violating the constitutional restrictions on retroactive laws.

Under the bill, a limited liability company may be served at additional types of business addresses. Existing law contemplates that a limited liability company will be served at the address for the registered agent, member, or manager if it is a residence or a private mailbox. The bill allows the limited liability company to also be served at a virtual office, executive office, or mini suite.

The bill allows out-of-state service of process to be made by any person authorized to serve process in that state. In contrast, current law requires that out-of-state service of process be made by an officer authorized to serve process in the state.

Under the bill, any process server may sign return of service forms with an electronic signature. Under current law, this convenience is reserved for process servers employed by a sheriff.

Finally, the bill adds certified process servers to the window sunscreening exemption under s. 316.2956(3), F.S., allowing specified individuals to apply dark window tint to the side and back windows of their motor vehicle. Currently, only vehicles used by private investigators, those with a medical exemption, and law enforcement agencies may use dark window tinting.

Effective Date

The bill takes effect upon becoming a law.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

Subsection (b) of s. 18, Art. VII, Florida Constitution, provides, that except upon approval of each house of the Legislature by two-thirds vote of the membership, the Legislature may not enact, amend, or repeal any general law if the anticipated effect of doing so would be to reduce the authority that municipalities or counties have to raise revenue in the aggregate, as such authority existed on February 1, 1989. However, the mandate requirements do not apply to laws having an insignificant impact,³⁸ which for Fiscal Year 2017-2018, is \$2.08 million or less.³⁹

To the extent that the bill limits local government authority to raise revenue by prohibiting the enforcement of code violations, the county/municipality mandates provision of Art. VII, S. 18 of the Florida Constitution may apply. If the bill does qualify as a mandate, final passage must be approved by two-thirds of the membership of each house of the Legislature.

³⁸ An insignificant fiscal impact is the amount not greater than the average statewide population for the applicable fiscal year times \$0.10. See Florida Senate Committee on Community Affairs, *Interim Report 2012-115: Insignificant Impact*, (September 2011), available at <http://www.flsenate.gov/PublishedContent/Session/2012/InterimReports/2012-115ca.pdf> (last visited Feb. 19, 2018).

³⁹ Based on the Demographic Estimating Conference's population adopted on July 10, 2017. The conference packet is available at <http://edr.state.fl.us/Content/conferences/population/ConferenceResults.pdf> (last visited Feb. 19, 2018).

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

By precluding the enforcement of liens or other interests to a foreclosed property between the judicial sale and the transfer of title to the new purchaser, the bill may simplify or prevent the complication of real estate transaction.

C. Government Sector Impact:

This bill may limit the ability of local governments to collect fines for code violations by ensuring that local governments cannot enforce a lien against a foreclosed property between the date of the foreclosure sale and the date title to the property is transferred to the purchaser.

VI. Technical Deficiencies:

The catch line for s. 316.29545, F.S., (lines 187-189) should be amended to include the exemption for process server vehicles created by the bill.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill substantially amends the following sections of the Florida Statutes: 48.23, 48.021, 48.031, 48.062, 48.194, 48.21, 48.27, 316.29545.

IX. Additional Information:

A. Committee Substitute – Statement of Substantial Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

CS by Judiciary on January 30, 2018:

The original bill amended a statute relating to lis pendens. The committee substitute also makes changes to statutes governing process servers and service of process.

B. Amendments:

None.

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