

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL

FINAL AUDIT REPORT

*The Agreement Between Miami-Dade Transit and the Miami-Dade Empowerment Trust
to Jointly Develop the 7th Avenue Transit Village Project*

**OIG
APPENDIX A**

Miami-Dade Transit's Response



July 9, 2007

2007 JUL 18 AM 10:14

Mr. Christopher Mazzella
Office of the Inspector General
19 West Flagler Street, Suite 220
Miami, Florida 33130

Dear Mr. Mazzella:

Miami-Dade Transit (MDT) has reviewed the Office of the Inspector General's (OIG's) Audit Draft Report IG 07-09A regarding MDT's agreement with the Miami-Dade Empowerment Trust (MDET) to jointly develop the 7th Avenue Transit Village Project.

MDT shares all of the concerns expressed in the report, and in fact, it was those same concerns that prompted us to request the OIG's review and recommendations. We concur with the recommendations cited in the report.

MDT will implement those recommendations as follows:

- Invoices dated prior to the execution of the Memorandum of Understanding (MOU) between MDT and MDET will not be paid
- Invoices for work performed prior to the date of the execution of the MOU will not be paid
- Invoices currently submitted without adequate support justification will not be paid until verifiable documentation is submitted in accordance with the MOU and as required by the Federal Transit Administration
- Expenses not clearly identified as transit-related expenses or shared joint development expenses will not be paid

We agree with the OIG's concerns regarding the contingency in the project budget, MDT will meet with MDET to further discuss this issue.

Thank you for your thorough review and findings. We look forward to receiving the Final Audit Report.

Sincerely,

Harpal Kapoor
Director

cc: George M. Burgess, County Manager
Ysela Llort, Assistant County Manager

- ADA Coordinator
- Agenda Coordination
- Animal Services
- Art in Public Places
- Audit and Management Services
- Aviation
- Building
- Building Code Compliance
- Business Development
- Capital Improvements
- Citizen/ Independent Transportation Trust
- Commission on Ethics and Public Trust
- Communications
- Community Action Agency
- Community & Economic Development
- Community Relations
- Consumer Services
- Corrections & Rehabilitation
- Cultural Affairs
- Elections
- Emergency Management
- Employee Relations
- Empowerment Trust
- Enterprise Technology Services
- Environmental Resources Management
- Fair Employment Practices
- Finance
- Fire Rescue
- General Services Administration
- Historic Preservation
- Homeless Trust
- Housing Agency
- Housing Finance Authority
- Human Services
- Independent Review Panel
- International Trade Consortium
- Juvenile Assessment Center
- Medical Examiner
- Metro-Miami Action Plan
- Metropolitan Planning Organization
- Park and Recreation
- Planning and Zoning
- Police
- Procurement Management
- Property Appraisal
- Public Library System
- Public Works
- Safe Neighborhood Parks
- Seaport
- Solid Waste Management
- Strategic Business Management
- Team Metro
- Transit**
- Task Force on Urban Economic Revitalization
- Vizcaya Museum And Gardens
- Water & Sewer

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL

FINAL AUDIT REPORT

*The Agreement Between Miami-Dade Transit and the Miami-Dade Empowerment Trust
to Jointly Develop the 7th Avenue Transit Village Project*

**OIG
APPENDIX B**

Miami-Dade Empowerment Trust's Response

GENOVESE
JOBLOVE &
BATTISTA
PA
Attorneys at Law

Theresa M.B. Van Vliet, Esq.
Phone: (954) 453-8012
Fax: (954) 453-8010
Email: tvanvliet@gjb-law.com

July 27, 2007

Christopher R. Mazzella
Inspector General
Office of the Inspector General
19 West Flager Street
Suite 220
Miami, Florida 33130

ORIGINAL

2007 JUL 20 AM 11:19

RE: Draft Audit Report – IG07-09A

Referenced Exhibit A – L are not attached to this Final Report but are available for viewing by contacting OIG

Dear Mr. Mazella:

This firm has been retained by the Miami Dade Empowerment Trust (MDET) in connection with the response to the above referenced draft audit report (hereinafter referred to as the “draft”). Initially, let me convey my client’s gratitude at the extension of time through the close of business on July 27, 2007 in which to provide the response.

The draft examines the project known as the 7th Avenue Transit Village Project (“the project”). The draft references three general areas of examination: (1) the selection process resulting in Red Rock Global, LLC (RRG) being selected as the project manager; (2) the reimbursement requests relating to RRG, and in particular the documentation or lack thereof; and (3) “other” business between RRG and MDET.

We note that the Office of the Inspector General (OIG) did not review the “other” business between MDET and RRG. (*See, Draft at 5*). Nonetheless the OIG makes reference to other business dealings and suggests, based on “certain evidence” obtained during the normal course of the audit of the project that RG has defaulted on certain loan payments to MDET. While the OIG’s comments in this regard are somewhat mollified by the caveat that it has not conducted a full review, the inclusion of the information is prejudicial to the MDET as it infers some insider relationship between the two entities that does not exist and which, upon full and complete review will be established. As a consequence the MDET respectfully requests that this portion of the draft be stricken in its entirety and addressed only at such time as the OIG has had an opportunity to fully and fairly review **all** information relevant to these matters and reached whatever conclusions and recommendations it deems appropriate – at which time the MDET can and will provide the appropriate response.¹

¹ We submit, however, that when all the relevant facts and circumstances are reviewed it will become clear that RRG is not in reality in aggregate arrears to the MDET.

In response to the remainder of the draft report, we have organized our response to address factual errors contained within the response as well as substantive comments and presentation to the conclusions and recommendations of the OIG. Relevant documents and exhibits are attached to this response. In order to expedite transmission of the response, we have forwarded it via electronic mail to the OIG. A hard copy of the response, with attachments, has been forwarded via Federal Express.

Relevant Facts

The OIG notes in its draft that RRG was “chosen” as the development partner for the project without submission without utilization of a selection process based on an assessment of competitive quality and price. *See, Draft at 2.* While the OIG’s conclusion is correct from a technical standpoint, it is a technical infraction and one which would have reached the same inevitable result had a selection process been utilized. To be sure, that does not excuse the technical failure, but it does ameliorate the result and does away with the patina of insider dealings that may be taken from the draft.

On or about May 27, 2004 the MDET Board of Directors passed Resolution No. 05-07-2004, which was approved by and initialed as to form and legal sufficiency by the County Attorney. (Exhibit A). That resolution approved the implementation of a Joint Developers Pool (“Pool”) as detailed in the memorandum attached to the memorandum, and incorporated by referenced therein. The Pool was to consist of three to five developers for use in non-recurring projects in the categories of affordable housing, infill housing, industrial and commercial development, and community based public purpose real estate projects.

The resolution also explicitly set forth that “[m]embership in the Pool is a prerequisite for obtaining opportunities to present proposals for projects selected for this Pool.” In other words if a given project – such as the project at issue here – was to be a “Pool” project the developer had to be a member of the Pool.

Pursuant to the enabling resolution, the MEDT sent out a Request For Qualifications (RFQ) No. 001-EZ-05-04 calling for proposals to be submitted the prospective Pool developers no later than July 2, 2004. (Exhibit B).

Seven developers submitted qualifications. The approved selection process was adhered to and each was ranked in numerical order. (Exhibit C). After completion of the review process, the top three finishers were selected for the Pool: Redeveco (Exhibit D); Housing Trust Company (Exhibit E) and RRG (Exhibit F).²

On or about December 16, 2004 the MDET Board approved Resolution No. 12-09-2004 authorizing the MDET to participate in the Pool with three developers: Redeveco, Housing Trust and RRG. The terms of the resolution, as before, were set forth

² It is interesting to note that Aundra Wallace, the current CEO and President of the MDET awarded the highest scores to the Housing Trust.

in the memoranda attached thereto and incorporated by reference therein. As before the resolution was approved for form and substance by the County Attorney. (Exhibit G). In the memoranda attached to the resolution made it explicitly clear that membership in the Pool is a prerequisite for obtaining certain MDET work such as the project at issue. As a result the Pool was established with the three developers set forth above.

On or about December 5, 2005 the Miami-Dade Board of County Commissioners approved Resolution R-1339-05 approving entry of an MOU between Miami-Dade Transit and MDET for the development of the Project. (Exhibit H).

On or about January 11, 2006 MDT and MDET entered into a MOU regarding negotiation of a Joint Development Agreement (JDA) for the Project. Relevant portions include MDT's responsibility for acquisition of the land for the project and MDET's responsibility for, among other things, pre-development plans – regardless of the source of funding to MDET. On March 20, 2006 a Letter of Engagement (LOU) was executed with an effective date of January 2, 2006 between MDET and RRG. (Composite Exhibit I). The MOU required that MDET be able to provide MDT **upon request** all relevant documentation for invoices, costs, expenses, etc. (*See, Exhibit I, MOU at 5*). No request for back up documentation for invoices or any line item thereon has ever been made by MDT. At present no JDA exists and its future prospects for completion of the Project are dim owing in large part to MDT's inability thus far to make progress on the land acquisition.

In addition, on March 20, 2006 RRG provided MDET with a package that provided the estimates for the Initial Phase, including the costs for third party consultants and experts (architectural design, parking design, construction management, etc.). The estimate for the Initial Phase to be at \$996,826.00. (Exhibit J). It should be noted that the terms of the Letter of Engagement between RRG and MDET specifically set forth the Initial Phase duties to be undertaken by RRG. Moreover, the agreement expressly notes that RRG had already performed work relative to preparation to the Initial Phase plans and schematics for which it had not been compensated. More importantly, however, the Letter of Engagement expressly notes that RRG agrees to **defer** its payment of such fees (as distinguished from costs) as set forth by the terms of the Letter of Engagement. There are no provisions relative to production of documentation for costs and expenses in the Letter of Engagement other than that they must be reasonable and comply with all applicable laws. The understanding between all parties was that the compensation until such time as a JDA was executed was to be a flat amount for fees and, in essence, a cap on reimbursable expenses unless expenses above that amount were specifically approved in writing.

A subsequent letter agreement between MDET and MDT dated June 1, 2006 agrees that costs for the initial pre-development phase (Initial Phase) would be carried by MDET and that MDT would reimburse MDET for 50% of those fees and costs. (Exhibit K).

At all times relevant to the process of selecting the Pool developers Bryan K. Finnie was the President and CEO of the MDET. Mr. Finnie announced his intention to resign from MDET at a Board meeting on April 28, 2005. At its next meeting on May 26, 2005 the Board asked Mr. Wallace, who at the time was the Vice President of the MDET, to take over as President and CEO. Mr. Wallace assumed the position of President and CEO of MDET on June 23, 2005.

The Selection Process

At the time of the selection of RRG from the Pool to participate in the Project the other remaining Pool members were essentially unavailable. Redevco was immediately ruled out as a viable Pool candidate for this, or any other MDET project, immediately after Mr. Finnie's termination of employment with MDET owing to the fact that Mr. Finnie accepted employment with Redevco immediately after his resignation from MDET. The Housing Trust, which as noted above had been the highest scorer in Mr. Wallace estimation in the Pool selection process, was contacted regarding the Project to determine interest. Mr. Wallace reports that despite attempts to reach them, the Housing Trust never returned his attempts to contact them, leaving them essentially unavailable.

Thus, faced with three Pool members, two of which were unavailable because of the appearance of a conflict of interest or a total lack of responsiveness and interest, MDET chose the third and final Pool developer – RRG. We do not suggest that this selection, in retrospect, was technically accurate. However, when it appeared to Mr. Wallace that the other Pool candidates were unavailable or uninterested in doing the MDET work, the defaulted to the last developer left standing – RRG. It should be noted that it is not as if RRG was woefully lacking in qualifications. As noted in the selection process RRG came in third out of seven submissions. RRG's cumulative score of 74.50 is within 10 points of the next highest developer (Housing Trust) and almost 20 points above the next lowest developer.

Thus, while the selection process from Pool developers originally contemplated by the above referenced resolutions was not carried out, as a practical matter the only viable Pool member at the time pre-development work needed to begin on the Project was RRG. We acknowledge a error and a failure of the process, but note emphatically that it was not an action born of bad intent. It should also be noted that all concerned in the conceptual stage of the Project wanted the Project "fast tracked."

Documentation for Pavments to RRG

At the outset, we note that we have requested from RRG copies of the cancelled checks evidencing their payment of third party vendors (such as the design and architectural firms.) Again it must be noted that the fees for those individuals (as distinguished from reimbursable expenses) was set at a flat fee during the Initial Phase of pre-development. It should also be noted that there has never been a suggestion, nor could there credibly be one, that the deliverables contemplated by the RRG and the subcontractors during the Initial Phase were not met. Up until the point where continued

work was preconditioned on progress in the acquisition of the land – which was the responsibility of MDT – all deliverables were met. It should also be noted that those deliverables were, in fact, utilized by MDT in its submissions to the Federal Transportation Administration.

Additionally, it should be noted that RRG has provided some documentation of reimbursable expenses. Unfortunately after entities outside MDET reviewed its original records the order in which the originals were kept, and the copies now in MDET's possession are not in the same fashion as originally organized. While that is a natural and expected result of any review by a third party, it does make it more cumbersome at this juncture to provide a detailed breakdown of the documentation that was provided. Most importantly, however, it must be remembered that the Letter of Engagement did not call for the submission of details as to time work owing to the flat fee arrangement. To the extent that these matters are addressed in RRG's response to the OIG, MDET refers to that response relevant to the documentation issue.

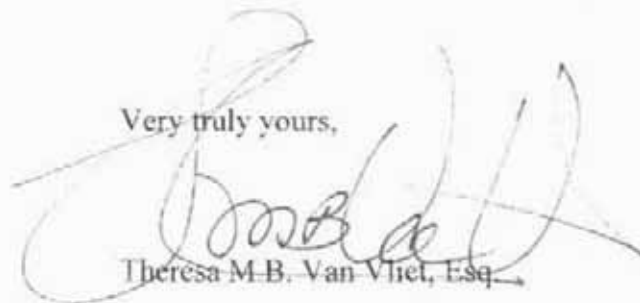
In addition MDET has prepared spread sheets reflecting the breakdown of the payments of the RRG invoices. (Exhibit L). As noted above and in the Letter of Engagement, a large portion of the fees to RRG remain due and owing under the deferment plan set forth in the Letter of Engagement. MDET is in the process of discussions with MDT regarding its portion of payment of RRG's compensation to date.

Conclusion

MDET takes its role and mission in the community seriously. We acknowledge that errors were made, albeit without any ill intent, or that better checks and balances might have been employed in this situation to ensure that there was no appearance of lack of accountability for the public funds spent in the Initial Phase of the Project. However, we stress that there was, in fact, no lack of accountability and that, in fact, the deliverables were met and utilized. We appreciate the input of the OIG and have begun the process of taken internal steps to add additional measures to ensure that there is not even the appearance of lack of accountability.

Should you have any questions or require additional information, please do not hesitate to contact me.

Very truly yours,



Theresa M.B. Van Vliet, Esq.

Enclosures

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL
FINAL AUDIT REPORT
*The Agreement Between Miami-Dade Transit and the Miami-Dade Empowerment Trust
to Jointly Develop the 7th Avenue Transit Village Project*

OIG
APPENDIX C

Red Rock Global, LLC's Response



ORIGINAL

590 MEANS STREET • SUITE 104 • ATLANTA, GEORGIA 30318

TELEPHONE: (404) 815-1819
FACSIMILE: (404) 815-0399

TRANSMITTAL SHEET

TO: CHRISTOPHER MAZZELLA

FROM: MICHAEL TABB
mtabb@redrockglobal.net

COMPANY: OIG MIAMI DADE

CONFIRMATION: (404) 815-1819

FACSIMILE:

PAGES:

RE: OIG 07-09A

URGENT FOR REVIEW PLEASE COMMENT PLEASE REPLY PLEASE RECYCLE

NOTES/COMMENTS:

Please find the attached response to the referenced draft audit of the 7th Avenue Transit Village.

Enclosed are:

1. Response to points raised and questions
2. MLK Transit Center and Carver Theater Conceptual Package
3. Final Conceptual Package
4. Final Development plan dated November 11, 2005
5. August 24, 2006 Transit Options for Phase I

Respectfully,

Items 2-5 are not attached to this Final Report but are available for viewing by contacting the OIG.

Michael Tabb

2007 JUN 27 AM 8:47

July 26, 2007

Mr. Christopher Mazzella
Inspector General
Office of the Inspector General
Miami-Dade County
19 West Flagler Street, Suite 220
Miami, FL 33130

Re: Red Rock Global, LLC Response to OIG Draft Report – IG07-09A

Dear Mr. Mazzella,

Thank you for providing a copy of OIG Draft Report – IG07-09A. We appreciate the opportunity to review and respond to this draft report. While we were not interviewed as part of its preparation, we understand that the audit's purpose was initiated as a request to review the relationship between the Miami Dade Empowerment Trust ("MDET") and the Miami Dade Transit ("MDT"). As a fee based development partner and advisor to MDET, we have no contractual obligations with MDT.

For purposes of this response, several general points of clarification need to be understood and considered when auditing the entire process to select Red Rock Global, LLC ("RRG") as MDET's development partner and to understand the scope of work completed to complete the discovery, conceptual and schematic phases of planning the development of the 7th Avenue Transit Village (the "Project").

Recurring Points:

1. RRG was selected by MDET in a competitive Joint Development Pool RFP. This selection followed our being awarded an Empowerment Zone loan of \$300,000, awarded with the understanding that we would open and staff an office in Miami and support real estate activities in Miami Dade County. We are extremely proud of this loan and selection to the pool and made supporting the public entities of Miami Dade County our top priority. We understood the difficulty in entering new markets and were grateful for the opportunity to support MDET. We also are realistic enough to know we needed to work with local firms and often larger firms. We have sought qualified partnerships whenever possible. We also understood the expectation being placed on us and the need to occasionally "prove" ourselves. We have been willing to demonstrate our selves first and spend our own money first to demonstrate our commitment; even when it was not our project.
2. The decision was made by MDET and MDT that the Project team needed certainty and limitations to the cost of the initial work to get to a JDA, and that economic and community challenges posed a high possibility for scope and timing changes. It was the group's belief that the Project would move forward quickly with the Commission's

authorization to negotiate a JDA. It became desirable to have a fixed cost for pre-development and schematic work that MDET and MDT staff could count on to be strictly followed. This is why both Directors' agreed to the initial budget. A scope was then set and a priced fixed. This meant a time and materials format was not contracted for and therefore, not followed. The uncertainty and complexity of inter-agency and the community political process caused all vendors to agree to fixed fees versus a time and material billing structure. Had this not been the format followed, costs would have been considerably higher, not to mention difficult to predict. An accurate budget, as presented to the Commission, would have been compromised.

(a) Developer Partner Fee – A Development Partner fee and overhead fee (collectively the "Development Partner Fee") both calculated based on the total Project value, or (b) the total minimum monthly payment of \$45,302, whichever is greater. The Development Partner Fee is estimated based upon the Project's current scope and current estimated total Project cost of \$84,656,051; however this may vary prior to execution of the formal JDA and Developer Services Agreement, based on the cost of land acquisition, the refinement of the scope, and the receipt of an acceptable general contractor price quote and/or other factors. The Trust shall be entitled to receive \$750,000 of the Development Partner Fee to offset its Project costs.

3. All deliverables have been provided to MDET, including several conceptual plans, multiple schematic options for MDT, a full assemblage assessment and strategy, cost estimates, code consultation and community interviews. (After Attachment E)

In short, Red Rock Global, LCC continues to be willing to discuss any of these issues and is fully supportive of the Miami Dade County, MDET and MDT. We have gone above and beyond the typical efforts of service providers, repeatedly reaffirming our qualifications, our standards and our intentions. We would ask that the OIG consider the complexity of this Project and the fact that RRG did not create the Project or its vision, but instead was asked to and agreed to support it. RRG with its team of consultants have preformed all portions of the initial scope we were retained to perform.

Regards,



Michael E. Tabb
Managing Principal

Red Rock Global, LLC

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL
DRAFT Audit Report of Miami-Dade transit's Agreement with the Miami-Dade
Empowerment Trust to Jointly Develop the 7th Avenue Transit Village Project

Results – MDET Selection Process

MDET staff did not comply with Trust Board Resolutions No. 05-07-2004, dated May 27, 2004, which required MDET staff issue a Joint Development Proposal (JDP) to members of a joint developers pool" (POOL) and that a Selection Committee evaluate Pool member responses to the JDP and recommend a joint development award based competitively on a proposal's quality and price. Rather, MDET's President/CEO, in his recommendation memo to the MDET Board, dated November 17, 2005, states that RRG was "chosen" to participate in the Project. We note that the first RRG "proposal" for this Project, which we ware are of, was the budget that it formally submitted to MDET, dated March 20, 2006, which MDET, in turn, submitted to Transit on June 1, 2006.

In the spirit of our team relationship with MDET as stated in recurring point #1 above, RRG actually began its support of MDET in April 2005, submitting its first draft of a development plan in June 2005 (Attachment A). This work was done without compensation, purely for the purpose of demonstrating our commitment and capability, with the understanding that if MDET was asked to support/join MDT in the Project, we would be able to structure an agreement to be compensated.

At this time, RRG was supporting MDET in the conversation between MDT and MDET to combine their department's efforts to accomplish the District County Commissioner's non-profit and for profit objectives of using the Project as a catalyst for economic growth and development.

Result's MEDT/RRG Reimbursement Requests (i.e., payment requisitions)

Our audit reviewed the first three payment requisitions submitted by RRG and the \$351,906 paid by MDET.

MDET's invoice to Transit, dated June 1, 2006, totaling \$136,515.41, lacks adequate documentations to support the costs purportedly incurred by RRG that would justify its reimbursement by Transit. MDET's support for its invoice to Transit was RRG's Invoice #3, which totaled \$273,030.82, and which was also coincidentally dated June 1, 2006. That invoice, as well, lacks adequate documentation to support the costs purportedly incurred that would justify its payment by MDET. Accordingly, the OIG considers the invoiced amounts as questioned costs.

RRG's billings followed the language in the agreement with MDET provided in recurring item #2. RRG was asked to prepare its invoice and also the back up for MDET's request from MDT for reimbursement of its portion. Since we were the development partner responsible for accomplishing the work, managing the sub-contractors, RRG was in the best position to present the separation of cost between MDET and MDT. That is why the invoices are dated the same date and follow a similar format. It is important to note that MDT staff asked MDET for an estimate of the division of cost between MDET and MDT, and that this information was provided to MDET by RRG (Attachment B). This was the agreed upon split that RRG used to produce its billing.

At this beginning stage of the Project, there was essentially no major division of activities between MDT and MDET, hence the similar charge to both.

RRG's invoice #1 and #2, as submitted to MDET, are similarly beset by the lack of adequate support justifying their payments. Accordingly, the OIG also consider the invoiced amounts of \$48,639.71 (Invoice #1) and \$31,641.13 (Invoice #2) as questioned costs. In total, our questioned costs amount to \$353,311—100% of the amount already paid by MDET. Without adequate supporting documentation or an "audit trail," OIG auditors could not validate that any of the charges shown on the invoices were allowable and consistent with the agreed-upon work scopes, schedules and other contract requirement.

The agreement the RRG committed to with MDET was that it would only collect reimbursable expenses and sub-contractor, deferring all RRG overhead and profit until the Project became an approved project by the County Board of Commissioners. This allowed our development partner, MDET, to keep their expenses at a bare minimum while they supported MDT and continued to work with MDT to get County approval. That is why no money is ever taken by RRG for profit or overhead until the project is funded. Since we were doing the work, we insisted however that the money owed to RRG be recorded and tracked as owed, but deferred.

Invoice 1 (Attachments C & D) was initially billed on November 1, 2005 as \$48,639.71. On November 15, 2005, RRG identified the error in this billing and resubmitted the correct invoice for \$39,383.45. As you will note, we charged \$25,000.00 for the mobilization, \$45,302.00 for the overhead and profit (as per the contract), \$27,793.18 actual cost of HOK's work, \$2,334.01, \$4,072.93, \$1,913.98 and \$3,269.35 for RRG reimbursable expenses for June 2005, July 2005, August and September 2005. This totaled \$109,685.45 of which RRG deferred \$70,302.00 (\$25,000.00 +\$45,302.00).

Invoice 2 (Attachment E) was billed on March 6, 2006 as 139,223.45 which includes the (\$17,457.31) in scope reduction. This reduction also includes the previous error in billing of \$9,257. It also includes a RRG generated price reduction due to our identification of cost saving. Additionally, note that although this invoice is 4 months since the previous invoice #2, and RRG continued to work throughout this period, we did not charge the full amount of \$181,208 for RRG profit and overhead. We adjusted the charge to MDET to be in line with our actual personnel expenditures \$51,470.14).

In particular, MDET should closely review all RRG reimbursable to ensure their accurate accounting, allowability and reasonableness. For example, RRG's Invoice #1, dated November 1, 2005, totaling \$48,640 contains \$9,257 of duplicate expenses. WE note that RRG apparently noticed this duplication and later related its Invoice #1, with the revised amount of t \$39,383; however, there is no evidence that RRG ever returned this money or credited a later invoice for this amount. In addition, we noticed two instances, albeit only totaling \$90.00, when a RRG principal paid for what RRG labels as "Meals and Entertainment" at a restaurant that he owns in Atlanta, Georgia and another \$20.00 for similar expenses at the Doral *Hooters*. In addition, RRG invoiced MDET for other questionable reimbursable expenses, such as for a "condo conversion conference" -three Charges totaling \$1,196.00, a subscription to the South Florida Business Journal totaling \$206.00, and \$85.00 in annual membership fees for American Express (\$35.00) and for the Latin Builders Associations (\$50.00).

The issue above is addressed in the explanation of invoice #2. It is our opinion that the reference to meals totaling \$90 is not relevant. Under any reimbursable agreement, it is appropriate that meals be reimbursed.

RRG's charge for the condo conversion conference is debatable as to its acceptability. It was agreed upon by the team that the conference represented a great opportunity to expose the Project to local builder who may be interested in buying the rights from MDET to own the for-profit residential portion of the conference. RRG would not have attended the conference, had it not been for the Project. The conference was actually cancelled due to the hurricane.

RRG does not agree that the \$206 for the business journal and the \$85 for membership fees were charged to MDET. If it can be clarified why this is believed to be true, we will absolutely repay MDET for these incorrect charges. Please consider when addressing this point that RRG never intends to take advantage of or incorrectly bill its clients. Our willingness to stand beside our clients, share in their risk and defer our own compensation should be worth the acknowledgment of our professionalism and high ethical standards.

The 7th Avenue Transit Village Project is not the only County project that RRG is involved in. Other MDET involvement with RRG includes RRG's participation in South Dade/Homestead vicinity housing construction project as the master developer, pursuant to an agreement dated December 8, 2003, with an agreed-upon compensation to RRG totaling \$500,000. This project, however, was stopped in early 2007. RRG was paid \$104,575 for its part in this project (\$70,367 for its administrative costs and overhead, and \$34,208 for property acquisition related expense) before the project was halted.

In addition, MDET loaned RRG \$300,000 in April 2004. In June 2006, MDET restructured this loan to extend this "interest only" payment period for an additional year but did not extend the final payment date of May 11, 2011. Certain evidence obtained by the OIG during the course of this audit shows that, as of September 30, 2006, this loan was past due. This OIG audit did not review either of these two items, although we obtained some records of them during the normal course of the audit. The OIG intends to further review and investigate, as deemed necessary, MDET's relationship with RRG.

The OIG has mischaracterized the SW Homestead agreement between MDET and RRG. It does not call for "compensation to RRG totaling \$500,000." It says "the maximum amount payable for services rendered under this Agreement for year one, shall not exceed Five Hundred Thousand Dollars (\$500,000), for the predevelopment costs associated with development of affordable single and multi family homes...."

A review a of the scope of services and items to be covered by those funds shows that RRG was to cover essentially all cost associated with the predevelopment costs.

AMOUNT PAYABLE. Subject to availability of funds, the maximum amount payable for services rendered under this Agreement for year one, shall not exceed Five Hundred Thousand Dollars (\$500,000), for the predevelopment costs associated with development of affordable single and multi family homes and the Southwest Neighborhood in the Homestead Empowerment Zone. The Trust shall provide Red Rock with funds in the amount of \$500,000.00 (the "Funds"), which will be expended consistent with the Scope of Services and the approved budget. Reimbursement will be made as provided in Paragraph

V below. Both parties agree that should available Trust funding be reduced, the amount payable under this Agreement may be proportionately reduced at the option of the Trust.

The MDET loan to RRG as referenced in recurring point #1 was for the establishment of a Miami office of RRG. This office for RRG of Florida existed to support the real estate activities in Empowerment Zone areas. It was staffed at its peak with 3 full time employees and 4 part time employees. RRG, on behalf of RRGF, was current on all of its loan payments to MDET until all of RRGF's earned compensation for activities on behalf of Miami-Dade County or its affiliates were not paid. As a result of the cancellation of several projects and the failure to be compensated, the entire office of RRGF has been released. Although RRGF is still owed money for its government-related activities in Miami Dade County, it has brought its loan payments current.

Supplementing the *Letter Agreement* is the aforementioned 7th Avenue Transit Village Pre- JDA Project Schedule. RRG states in the accompanying memo. "[t]hat approximately four (4) months will be required in order to finalize the project scope and vision and to advance the project through the Schematic Design Phase." This schedule shows the start of RRG's engagement as March 22, 2006 and that that "[Joint] Development Agreement execution/JDA Approved" is targeted for September 28, 2006. In addition, the schedule shows a *Notice to Proceed* to RRG on April 20, 2006. In fact, MDET authorized RRG, via a formal *Noticed to Proceed*, dated April 10, 2006, to start initial services during the Project's "predevelopment phase" and the engage several key vendors to "fast-track" this phase.

Our Review of these documents and their scopes reveal that the terms pre-development, planning, initial phase and engagement service are used distinctly in separate documents, proposals, and budgets. However, in actuality the terms refer to the same work scopes and/ or services to be provided prior to the execution of the Joint Development Agreement (JDA). Moreover, there does not seem to be an actual starting point. There is a defined start point of March 22, 2006 as defined in the Project schedule; however, significant Project activities – that were compensated – began as early as June 2005.

As referenced several times, RRG's activities began in early April 2005 and became formalized as the relationship between MDET and MDT progressed and the Board of County Commissioners approved MDT and MDET to form a JDA. The scope of services and timing of work reflects the desires of our client and the timing they faced internally in the County.

In addition, the MDET President/CEO mentioned that the basis of award to RRG was because of its "staff experience with developing transit oriented developments." Notwithstanding his statement, conspicuously absent from his Background of Red Rock Global of Florida and in his Red Rock Global, LLC (Parent Company) write-ups that accompanied Resolution No. 11-04-2005 was any detail of what this "staff experience" actually was. Neither of these write-ups specifically identified any participation by either entity in any transit-oriented development project. Moreover, the President/CEO did not name the RRG "staff" possessing such experience in his Red Rock Global, LLC Professional Support write-up that included biographies of RRG's two principals; neither of whom has any transit-oriented development experiences attributed t them in the biographies.

In response to an OIG request for additional information, the MDET President/CEO provided an undated "corporate biography" of a RRG individual listed as a "Project Manager." This individual was credited with working on Atlanta's *Lindberg Transit Oriented Development* and is

attributed with having been responsible for \$103 million in development and project management activities. However, it is not stated in the biography who this individual worked for or was employed by during the Atlanta project or for how long the individual worked on the project. We do know that RRG did not list this individual as "key personnel" in its proposal responding to the earlier mentioned MDET RFQ to become a Pool member. Also, as stated above, this individual with his Atlanta transit experience was not mentioned in any of the write-ups presented to the MDET Board.

The OIG references write ups not provided by RRG or RRGF. RRG's principals are very experienced in real estate services including brokerage, development and project management. Our projects and professional activities have ranged from the leadership of the development of international headquarter facilities to the sale of a four star resorts. As with any opportunity, RRG assesses the opportunity's requirements and attempts to assemble the most qualified team that is practical. In the case of the Project, RRG felt it imperative that it augment its real estate experience of its principals with internal expertise in transit oriented development ("TOD"). One of RRG's senior Project Managers had previously served as Project Manager for Atlanta's first TOD. That Project Manager led the MBE service provider that was partnered with the prime contractor for the development. His role was daily, onsite and integral to the Atlanta TOD's success.

Furthermore, RRG assembled a team of top tier firms that include HOK (one of the largest design firms in the world and expert at urban planning and redevelopment), Perez and Perez (outstanding local architectural firm that was engaged in several MDT projects and intimately familiar with staff and MDT standards) and Beauchamp (well known and well regarded general contractors of mixed-use projects in Miami). It is important to note that this team worked along side RRG for a long time without compensation due to a great deal of local and political confusion.

Attachment A

SEE NEXT 8 PAGES

Development Plan



Prepared For:

Miami-Dade County Transit

MLK Transit Village

June 1, 2005



Miami-Dade Empowerment Trust

3050 Biscayne Boulevard

Suite 300

Miami, Florida 33137

Telephone: (305) 372-7620

Facsimile: (305) 372-7629

www.ezonetrust.org

MLK TRANSIT VILLAGE

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Executive Summary

Miami-Dade Empowerment Trust ("MDET") is proposing a comprehensive, mixed-use development plan ("the Project") to Miami-Dade County Transit ("MDCT") for the development of the MLK Transit Village. This \$30 million project will be a comprehensive joint development program between Miami-Dade Empowerment Trust ("MDET") and the Miami-Dade County Transit Authority. This transit oriented development ("TOD"), will initially provide for the building of 221 apartment units, 36,400 square feet of retail, 22,900 square feet of commercial office, and 459 parking spaces. The transit village will also provide for the parking of 8 bus stalls and a transit support facility, including ticket center, passenger waiting area, and driver's lounge.

The site is bounded by 7th Avenue and 6th Court, and 60th and 62nd Streets, on the north by 62nd Street. The 3.8 acre site is of sufficient size to accommodate a high density development, contains vacant land and several vacant commercial buildings that can be assembled quickly, is free of significant environmental impacts. The location of the site presents the optimum proximity to existing bus routes that is preferential to transit operations and the adequate linkages to major pedestrian and vehicular thoroughfares to be a catalytic project in the revitalization of Liberty City.

MDET has assembled a development team that consists of Tim Haahs & Associates for design, Turner Construction, and Red Rock Global the development management firm. This team will solicit the services of a multitude of local contractors and vendors in order to create a project that is truly visionary.

The development of the MLK Transit Village, or the MLK TOD, will be conducted in accordance with neighborhood revitalization goals and with the cooperation of federal, state, and local agencies. The delivery of the MLK TOD will enable the City to expeditiously provide a much deserved high-quality, mixed use transit oriented development project in District 2 of Miami-Dade County.

Project Vision

Consistent with the revitalization plan for Liberty City and the efforts to improve transit options along the proposed to develop a transit hub at the southwest between 60th and 62nd Streets. A redevelopment of that will require the development of residential accompanied by streetscape and infrastructure improv

in response to this effort, the team has proposed a (TOD) to complement the transit hub. This will provide housing to accompany a much needed transit function

The team views the MLK TOD as a catalytic project proposed for the area by Councilwoman Carrie P. corridor between 54th Street and 79th Street. The project improve the efficiency of the existing transit system community. Next, it will improve the quality of life in housing options in addition to retail and commercial absent in the Liberty City community.

The transit hub of the MLK TOD will provide park southeast corner of the site, with access from NW 6th 60th Street and proceed to 7th Avenue. The plan movement while allowing for bus access from either will be proposed at the intersection of 60th Street and turn movement onto southbound 7th Avenue for the all

The vision for the MLK Transit Village include:

1. Housing
 - a. Affordable housing for Liberty City's quality of the region.
 - b. Housing product that is a mix of product almost all income levels.

2. Commercial Office & Retail

- a. The re-creation of a commercial office corridor at the intersection of NW 62nd Street and NW 7th Avenue.
- b. Restaurant, service retail, and shopping along the 7th and 62nd Street corridors, which will promote a pedestrian friendly environment consistent with new urbanist principles, and the neighborhood revitalization vision.

3. Transit Hub

- a. Parking facilities for eight (8) bus stalls in order to provide consolidated transit operations.
- b. Transit support facilities that will provide a passenger waiting room, driver's lounge and restrooms, and ticket facilities.

4. Job Creation

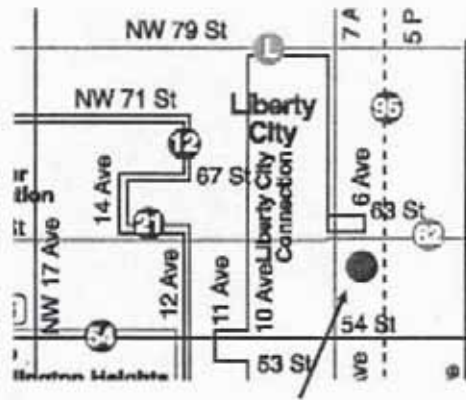
- a. Increased job growth for Liberty City residents as a result of the construction and development efforts in addition to employment opportunities from the ongoing operation of the retail and commercial uses.

Development Plan

<Insert Tim Haahs narrative>

Transportation Plan

The MLK Transit Village will improve the efficiency of customer convenience by providing parking facilities. This will reduce the necessity for street side bus stops and 7th Avenue, and it will provide a centralized point related functions in the area. As a result, the Transit bus routes in a safer, more convenient and comfortable in a clockwise direction, as buses will travel southbound onto 6th Court to enter the bus intermodal to 7th Avenue. Traffic signals will have to be installed onto 7th Avenue. This configuration will reduce unsafe major thoroughfares and will reduce traffic congestion.



MLK Transit Village



Despite the increased traffic on 6th Court and 60th Street that will be caused by the facility, the project is not expected to produce any significant traffic impact to the area. The location of Transit Village will maintain existing bus linkages and address the needs of route that currently travel along 62nd Street and 7th Avenue. It must be noted however, that all discretion in transit operations will remain with Miami-Dade County Transit.

Neighborhood Linkages

The MLK Transit Village is located in at the intersection of two of the most traveled roadways in Liberty City and possesses direct access to I-95 via 62nd Street. It is proposed that the project be a catalytic project in the revitalization and redevelopment of the area. The site is proximate to several local businesses and existing residences, and is adjacent to several planned redevelopment ventures

- Edison Marketplace – Edison is an important step in community-responsive economic redevelopment projects. Located at the northeast quadrant of the 62nd Street and 7th Avenue intersection, this project has been proposed as a destination point and convenience commercial center that will include more than 80,000 square feet of retail space, in addition to office facilities, supermarket shopping and other amenities.
- MDC Entrepreneurial Center - The Carrie P. Meek Entrepreneurial Education Center (EEC) is a major outreach center of Miami-Dade College North Campus. Located along 7th Avenue at 63rd Street, the Entrepreneurial Education Center opened its doors on October 4, 1989 in the heart of Liberty City. Although entrepreneurship is the primary focus of the center, the Entrepreneurial Education Center also offers a vast array of college credit and non-credit courses for both degree and non-degree seeking students. Additionally, there are opportunities to pursue certificate and vocational programs as well as take part in a variety of seminars, conferences and workshops. Students at the Entrepreneurial Education Center can obtain workforce and business skills training to enter the labor market or become successful entrepreneurs.
- <possibly insert info on Carver?>

Acquisition Strategy

The project site contains 13 parcels which are comprised of retail and/or commercial space, as well as vacant land. \$5 million in Federal Transportation Authority funds has been identified for the acquisition of the required parcels to undertake the project. The site is anchored by Regions Bank and its associated surface parking lot. Regions has expressed interest in returning as a tenant in the Transit Village in order to continue to provide service to Liberty City residents.

<discuss w/ Aundra to expand further>

Financial Summary

Summary of Significant Financial In
Dates

Number of Total Rental Units Developed:	221 un
Retail Space Developed	36,400
Office Space Developed	22,900
Transit Facilities Developed	45,000
Parking Facilities Developed	459 sp
Total Project (estimated) Cost:	\$TBD
Project Duration:	August 2009

Project Budget

<insert budget information>

The Development Team

MDET has assembled a team of development, design and construction professionals to plan, design and execute this project. The team is prepared to work with the County to develop the MLK TOD as a catalytic project for Liberty Square as follows:

Not for Profit Partner

Miami-Dade Empowerment Trust (MDET) - <insert name>

Development Partner

Timothy Haahs & Associates - Timothy Haahs & Associates is an engineering and architectural firm that specializes in multi-level parking structures. Founded in 1994, the firm has designed parking structures that are user-friendly, cost-effective, and designed over 300 parking facility projects, and designed and constructed over 180,000 spaces.

Mr. Haahs is currently a Board member of the International Parking Institute, National Parking Institute, and the Prestressed Concrete Institute. *TimHaahs* educates its employees through in-house technical seminars, and is active in professional organizations. In addition to its commitment to the community, *TimHaahs'* corporate mission emphasizes assisting and giving of time through charitable organizations.

TimHaahs is a certified minority-owned business enterprise with offices in Pennsylvania (Philadelphia), and South Florida. *TimHaahs* has worked with corporations, hospitals, municipalities, developers, and

Red Rock Global - Red Rock Global is a leading full-service management, advisory and development services to community and government agencies. Through a broad range of industry partnerships and coverage of multiple markets, Red Rock Global is a single source of research, planning and execution for all project requirements.

Our goals are focused and appropriate for today's economic environment and the economy's intolerance for non-value adding activities.

commitment to value-adding recommendations and actions, and sincere understanding and dedication to improving communities speaks to the core values of our company.

Red Rock Global's leadership in encouraging development and community empowerment is an essential part of the cohesiveness and success of our overall business strategy. Our commitment is to understand and support communities, becoming involved at almost every level of community activity. Thus far, we have been viewed by our clients and by community leaders as trusted, respected and proactive participants in their communities' real estate activities, capable of presenting sophisticated and innovative real estate solutions.

Turner Construction – Turner provides building services to institutions who recognize the value of a partner who works diligently and creatively to find the best possible solution for each particular project. With construction volume of \$6.1 billion in 2003, Turner ranks first or second in major segments of the construction industry. Turner maintains a nationwide network of offices and a staff of more than 5,000 employees, performing work on over 1,500 projects each year. Turner's nationwide presence offers clients the accessibility and support of a local firm with the strength, stability and resources of a national corporation.

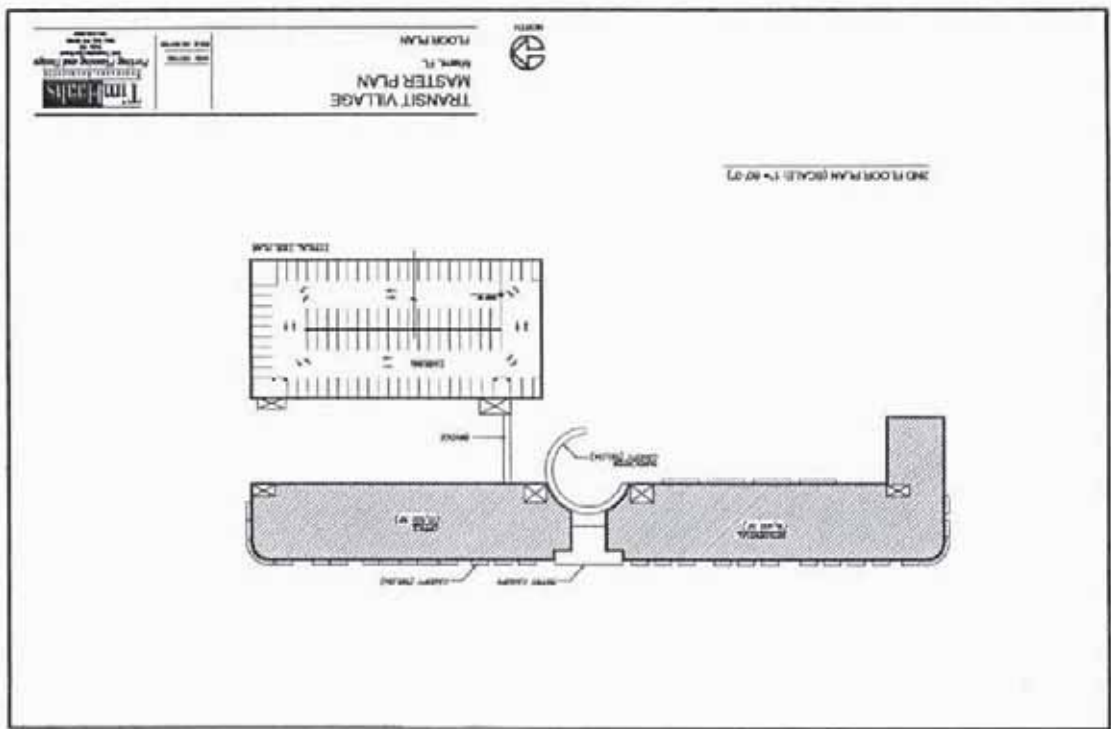
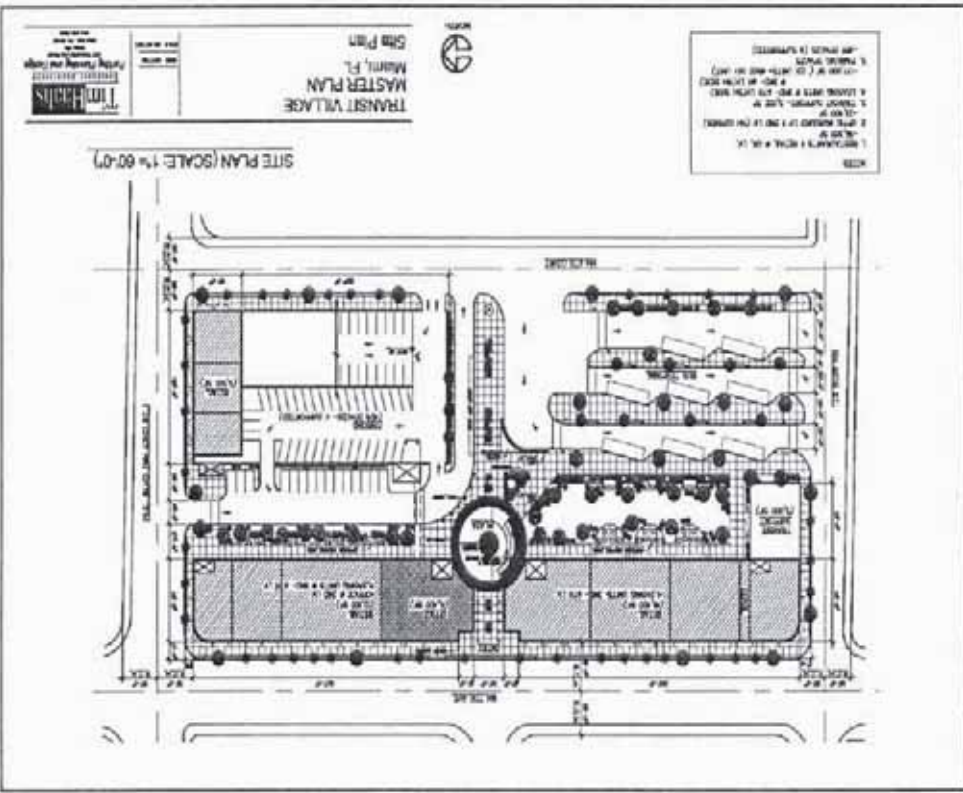
Turner Construction Company has had a presence in South Florida for more than 90 years. Beginning with the Venetian Hotel in Miami in 1910, Turner built many of the landmarks that South Floridians recognize and that have helped shape the region's character and landscape.

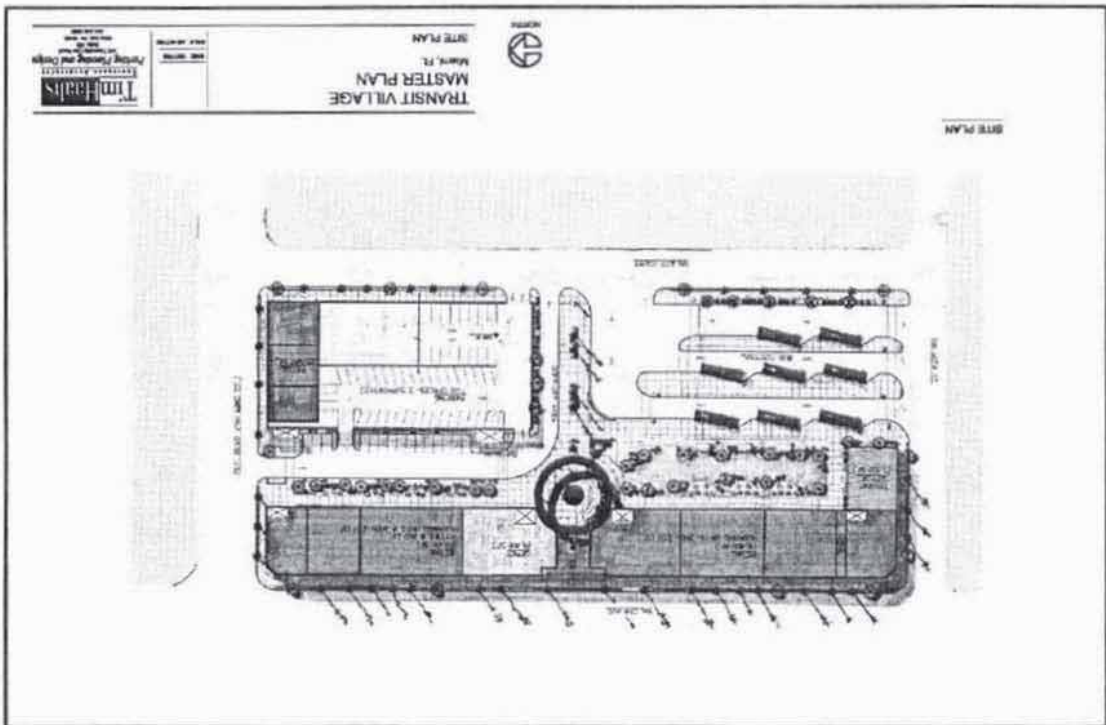
Many of these buildings, such as the 13-story Ingraham Building in downtown Miami, built in 1927, and the Breakers Hotel in Palm Beach, built in 1926, stand as examples of Turner's knowledge and experience.

Turner's long history in Miami has not only resulted in important landmarks, but also has given Turner the opportunity to have a positive affect on the community. For many years, Turner has been a pioneer of corporate community relations and continues to be a model for other businesses.

<possibly insert Fruchtmann>

Site Plan & Renderings





TRANST VILLAGE
MASTER PLAN
MIAMI, FL
SITE PLAN

100 YEARS
OF
ARCHITECTURAL
EXCELLENCE
AND
INNOVATION
IN
DESIGN
AND
CONSTRUCTION

Attachment B

Budget to SD - Phase IA				
DESCRIPTION	\$	%	MDET	MDT
Developer Overhead	99,016	9.9%	49,508	49,508
Developer Reimbursables	23,200	2.3%	11,600	11,600
Survey / Appraisal	0	0.0%	-	-
Due Dilligence (Feasibility, Traffic Study)	50,000	5.0%	25,000	25,000
Geotechnical Testing	50,000	5.0%	25,000	25,000
Environmental Testing	75,000	7.5%	37,500	37,500
Architect Fees (includes consultants)	237,000	23.8%	154,050	82,950
Architect Reimbursables	20,000	2.0%	10,000	10,000
Contractor Fees	100,000	10.0%	65,000	35,000
Contractor Reimbursables	10,000	1.0%	5,000	5,000
MUSP Application	5,000	0.5%	2,500	2,500
Legal	50,000	5.0%	25,000	25,000
Financial Advisor	10,000	1.0%	5,000	5,000
Contingencies	233,116	23.4%	116,558	116,558
Development Fee	34,493	3.5%	17,247	17,247
TOTAL BUDGET	996,826	100.0%	548,963	447,863

Attachment C

Red Rock Global, LLC

INVOICE

3059 Grand Avenue - Suite 410
Miami, Florida 33133
Phone 305-567-0922 Fax 305-567-0923

DATE: November 1, 2005
INVOICE # 1
FOR: Reimbursable Expenses
for MLK Transit Village

Bill To:
Aundra Wallace - Executive Director
Miami-Dade Empowerment Trust
3050 Biscayne Boulevard, Suite 300
Miami, Florida 33137
(305) 372-7620

DESCRIPTION	AMOUNT
<u>Deferred Expenses</u>	
Deferred Mobilization Fee	25,000.00
Deferred Development Overhead & Development Fee	45,302.00
<u>Reimbursable Expenses</u>	
Design Services - HOK Architects	27,793.18
Reimbursable Expenses - Red Rock Global	20,845.53
Total Invoice	118,941.71
Less Deferred Expenses	70,302.00
TOTAL	\$ 48,639.71

Make all checks payable to **Red Rock Global, LLC**
If you have any questions concerning this invoice, contact Keith G. Mack, (404) 815-1819, kmack@redrockglobal.net

THANK YOU FOR YOUR BUSINESS!

Attachment D

Red Rock Global, LLC

INVOICE

3059 Grand Avenue - Suite 410
Miami, Florida 33133
Phone 305-567-0922 Fax 305-567-0923

DATE: November 15, 2005
INVOICE # 1
FOR: Reimbursable Expenses
for MLK Transit Village

Bill To:
Aundra Wallace - Executive Director
Miami-Dade Empowerment Trust
3050 Biscayne Boulevard, Suite 300
Miami, Florida 33137
(305) 372-7620

DESCRIPTION	AMOUNT
<u>Deferred Expenses</u>	
Deferred Mobilization Fee	25,000.00
Deferred Development Overhead & Development Fee	45,302.00
<u>Reimbursable Expenses</u>	
Design Services - HOK Architects	27,793.18
Reimbursable Expenses - Red Rock Global - June 2005	2,334.01
Reimbursable Expenses - Red Rock Global - July 2005	4,072.93
Reimbursable Expenses - Red Rock Global - August 2005	1,913.98
Reimbursable Expenses - Red Rock Global - September 2005	3,269.35
Total Invoice	109,685.45
Less Deferred Expenses	70,302.00
TOTAL	\$ 39,383.45

Make all checks payable to **Red Rock Global, LLC**
If you have any questions concerning this invoice, contact Keith G. Mack, (404) 815-1819, kmack@redrockglobal.net

THANK YOU FOR YOUR BUSINESS!

Attachment E

Red Rock Global, LLC

INVOICE

3059 Grand Avenue - Suite 410
Miami, Florida 33133
Phone 305-567-0922 Fax 305-567-0923

DATE: March 6, 2006
INVOICE # 2
FOR: *Reimbursable Expenses
for 7th Avenue Transit
Village*

Bill To:
Aundra Wallace - Executive Director
Miami-Dade Empowerment Trust
3050 Biscayne Boulevard, Suite 300
Miami, Florida 33137
(305) 372-7620

DESCRIPTION	AMOUNT
<u>Deferred Expenses</u>	
Deferred Development Overhead & Development Fee	139,223.45
Less: Scope Reduction in Overhead Rate (Previously billed and deferred in Invoice #1)	(17,457.31)
<u>Reimbursable Expenses</u>	
Design Services - HOK Architects	48,553.60
Less: Previously Billed Amount in Invoice #1	(27,793.18)
Reimbursable Expenses - October 2005 - February 2006	
Supplies	217.74
Travel	7,850.04
Meals & Entertainment	1,325.93
License & Certifications	1,487.00
Total Invoice - This Period	153,407.27
Less Deferred Expenses - This Period	121,766.14
TOTAL	\$ 31,641.13

Make all checks payable to **Red Rock Global, LLC**
If you have any questions concerning this invoice, contact Keith G. Mack, (404) 815-1819, kmack@redrockglobal.net

THANK YOU FOR YOUR BUSINESS!