Memorandum

MIAMI-DADE COUNTY

Date: July 24, 2007

To: Honorable Chairman Bruno A. Barreiro
And Members, Board of County Commissioners

From: George M. Burgess
County Manager

Subject: Supplemental Information regarding the Purchase of the MLK Office Building

Supplement to
Agenda Item No. 8(F)1a

This supplemental report has been prepared to provide specific summary information regarding the agreements negotiated to construct the MLK Office Building, the purchase of the building, and the benefits of the purchase of the building at this time. The MLK Office Building project grew out of a direction from the Board of County Commissioners to develop facilities to house County offices at locations along the Metrorail line. To date, we have been successful in this effort, constructing the Water and Sewer Department Headquarters at the Douglas Road Station, the Overtown I building (and soon to be constructed Overtown 2 building) at the Overtown/Arena Station, and the MLK Office Building at the MLK Station. Each of these buildings has promoted the use of the Metrorail line for County employees and customers of the departments housed at these facilities.

The development of the MLK Office Building began as an unsolicited proposal submitted by a joint venture which included the following entities.

General Partners:	BAC Funding Corporation
	Peninsula Developers, Inc.
	Teja & Associates, Inc.
Limited Partners:	Raul P. Masvidal
	99 Acres and a Mule, Inc.
	Antonio Junior
Consultants:	The Codina Group
	Ronald E. Frazier and Associates, P.A.
	Keith Carswell
Construction:	Delant Construction
	ACT Services, Inc.
	Solo Construction Co.

Pursuant to direction from the Board, negotiations commenced with the joint venture regarding the development. Ultimately, the agreements adopted which lead to the successful development and construction of the MLK Office Building were between the County and the BAC Funding Corporation. As indicated in the accompanying agenda item, this project underwent considerable scrutiny at many levels by a wide variety of agencies. BAC entered into separate agreements with a subset of the remaining partners and development fees were paid. The item before the Board for consideration on this agenda is to replace the existing Installment Sales Agreement between the County and BAC with a Purchase and Sale Agreement in Lieu of Condemnation. None of the other entities involved in the original proposal are parties to this agreement.

The agreements entered into with BAC required that any construction overages within the original scope of the project be funded by BAC. While there were change orders as a result of scope changes required by the departments ultimately occupying the facility, BAC has covered excess construction expenses under the existing agreements. From the perspective of the County, this development has been very successful: a facility was delivered at a cost below what the County was spending on leased space and arguably less than the County would have spent to construct the building itself and the building has been a catalyst for development in a neighborhood needing an economic boost.

Furthermore, this development has provided a method for the County to invest in the surrounding neighborhoods. The County will continue to lease the current food court to BAC for $1 per year, consistent with the existing agreement. This provision is specifically to provide space for BAC administrative offices and to support developing minority businesses and will be nullified should the space be used for any other purposes. Also, as part of the existing Installment Sales Agreement, BAC has received a differential payment portion as part of the rent payment made by the County. This differential payment is to be used by BAC to further its purposes as outlined in its articles of incorporation. BAC has used this differential as collateral for a working capital loan needed to fund the additional construction expenses, as well as BAC operating expenses and other allowable activities consistent with the BAC articles of incorporation. The Purchase Agreement provides for a $6.977 million differential payment, which represents the net present value of the differential payments that would have been received under the existing agreement, inflated by three percent per year. BAC has indicated it will use this payment to pay off existing loans and development expenses related to the MLK Office Building project, and use the remaining proceeds to further grants, loans, and other real estate investments in the area. The Purchase Agreement contains provisions which will ensure accountability for this use of these funds by requiring a semi-annual report by BAC which will be subject to audit.

The purchase of this building is in the best interest of the County because it will save us more than $4 million over the next seven years, especially critical in this time of constrained revenues. The Board has already authorized the financing of this project as part of the Capital Asset Acquisition Bonds approved in May. The debt service payments related to this project will be funded by the rent payments made by the tenants of the building. While there are financial consequences that could result should this Purchase Agreement not be finalized within 90 days of the sale of the bonds (August 20, 2007), the savings that could accrue to the County if this transaction is approved is a more important aspect for Board consideration, especially when combined with the benefits this project provides to the neighborhood and the protections included in this agreement.

Assistant County Manager

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