

Memorandum

MIAMI-DADE
COUNTY

Date: July 24, 2007
To: Honorable Chairman Bruno A. Barreiro
and Members, Board of County Commissioners

Supplement #2 to
Agenda Item No, 8(F)1a

From: George M. Burgess
County Manager

Subject: Supplemental information No. 2 Re: The Purchase of the MLK Office Building

Agenda Item 8F1A for the July 24, 2007 Board of County Commissioners (BCC) meeting recommends the purchase of the MLK building at 2525 N.W. 62 Street, Miami, Florida. The purpose of this second supplemental is to respond to questions which have come up during agenda briefings as follows:

Question: Are we purchasing the building at this time?

Answer: Yes, the County is purchasing the building through a long term Installment Sales Agreement. Each monthly payment includes a portion of debt service owed by the BAC Funding Corporation; an amount for maintenance of the building; and, a differential payment which compensates the BAC Funding Corporation for its equity in the project. This total compensation is similar to how "rent" is determined in any landlord/tenant relationship. At the end the of 30 year Installment Sales Agreement the County will own the building.

Question: Why are we accelerating this transaction rather than waiting to the end of the Installment Sales Agreement.

Answer: We were initially approached by BAC Funding Corporation during negotiations of a change order regarding the potential acceleration. The financial benefit saves net present value of nearly \$4.07 million over the next seven (7) years by reducing the operating costs and management fees of the building. It is less expensive to maintain under County ownership. Furthermore, implementing this transaction will close out our relationship for this building with BAC Funding Corporation at this time and discontinue any further payments to the Corporation.

Question: Who built the building?

Answer: The building was constructed by the MLK Joint Venture which was disclosed to the BCC when the original transaction was approved July 13, 1999 and is described in the first supplement to Item 8F1A on the July 24, 2007 BCC Agenda. The relationship with the members of this joint venture is with the BAC Funding Corporation (our landlord) and not with Miami-Dade County.

Question: Is the construction joint venture still receiving any money or will it receive any money from the transaction before the BCC today?

Answer: Per the attached unaudited July 17, 2007 correspondence from Ron Frazier, Chairman and CEO of the BAC Funding Corporation, all the proceeds of the transaction will go to the BAC Funding Corporation and will be used for its not-for-profit purposes of the corporation as defined in its charter. The BCC should be aware

that the Contract for Sale and Purchase requires a semi- annual report of the use of these proceeds and allows the County to audit these reports.

Question: If we do not complete this transaction what will happen to the \$27.3 million already borrowed to fund the agreement?

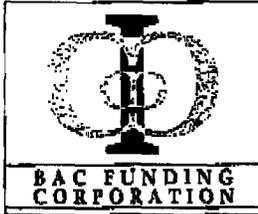
Answer: There are options. If the BCC is not comfortable with the Contract for Sale and Purchase, the bonds may be defeased subject to an estimated expense of approximately \$300,000 for legal and other matters. Alternatively, other projects previously approved by the Board could be funded with the proceeds. These projects, approved by the BCC in the FY 06-07 Capital Budget, include \$3.5 million for Rickenbacker and Venetian causeways tolls system improvements; \$4.5 million for marina improvements; \$7 million for cyber security; \$7 million for traffic signal improvement (LED); and, the remainder of \$5.3 million for traffic signal mast arm upgrades. This strategy would eliminate the \$300,000 fee but is subject to an Internal Revenue Service ruling on the substitution of the funds which the County Attorney's Office and our bond counsel believe is achievable.

In summary, the benefits of this project are clear. Cooperation with Miami-Dade County in the development of the MLK Office Building has strengthened an economic development organization predominantly in the African American community and the building itself has turned around a very distressed neighborhood and an underutilized transit station. By completing the transaction before its full term, there will be significant savings and there will be no further payments to the BAC Funding Corporation or the individuals who are currently involved in the operation and maintenance of the building some of whom were part of the original MLK Joint Venture which built the building. Again, if the BCC is uncomfortable with the transaction, alternate projects are available to utilize the monies already borrowed.

Attachment



Assistant County Manager



July 17, 2007

Mr. Roger Carlton, Assistant County Manager
 Miami Dade County
 Stephen P. Clark Center
 111 N. W. 1st Street
 29th Floor
 Miami, FL 33128-1988

Officers and Directors

Ronald E. Frazier, Chairman
 Ronald E. Frazier & Associates

Roderick Harvey, Treasurer
 Harvey, Covington & Thomas, LLC

Otto Latimer, Secretary
 Latimer Insurance Agency

Basil Bernard
 Apriori Office Supplies
 And Furnitures

Clara Diaz-Leal
 Wachovia Bank, N.A.

William Diggs
 Miami Dade Chamber
 of Commerce

Leonard H. Garrett

Mark Grafchik
 Bank of America

Adam Hurwitz
 Colonial Bank

Danny Martin
 Eastern National Bank

Sonya Milord
 Tajiri Ventures, Inc.

Jason Murray
 Carlton Fields P.A.

Barbara Romani
 Citibank, F.S.B.

Hilda Leigh Toney
 Entrepreneur Education Center

Karin Vieckens
 Moore Stephens Lovelace, P.A.

**Ref: Differential Payments To BAC And MLK
 Joint Venture Development Fee Payments**

Dear Mr. Carlton:

Pursuant to your request, transmitted herein is the following information regarding the MLK Office Building Project.

As you are aware, this project has had a transparent and full disclosure process from its inception. The development team and its composition were fully disclosed on July 17, 1997, ten (10) years ago, and were accepted by both county staff and the Board of County commissioners at that time. BAC Funding Corporation has fully complied with all the terms and conditions of the contractual agreements for this project.

A. Proceeds From The Sale Of The MLK Office Building

All of the proceeds from the sale of the MLK Office Building will go totally to BAC Funding Corporation. These proceeds will be used for not for profit community and economic development purposes as defined our articles of incorporation. See the USE OF FUNDS CHART Attached

B. Differential Payments Received By BAC Funding Corporation

BAC Funding Corporation has received all of the differential funds paid as rent by Miami-Dade County for the MLK Office Building. These payments commenced on March 11, 2004 and were paid to BAC Funding Corporation by the Trustee, Wachovia Bank. The total amount of differential payments received is \$1,193,000.00 as of June 2007. BAC Funding Corporation has used \$717,000.00 as collateral for a working capital loan funding construction expenses absorbed under the existing Development Agreement with Miami-Dade County. The remainder of the differential Payments earned (\$476,000.00) has been used to fund BAC operating expenses including interest on the loan and allowable program activities under our articles of incorporation

C. MLK Joint Venture Payments

The MLK Joint Venture were the development consultants and construction managers for the MLK Office Building Project and received a fixed fee from the IDA bond proceeds used for construction. *The total amount of fixed fee earned and paid to the MLK Joint Venture for services rendered was \$2,367,307.43. The last payment was made to the MLK Joint Venture on May 9, 2005 .*

D. MLK Office Building Operation Cost

The MLK Office Building is managed jointly by PTA Property Management, LLC, Codina Realty and BAC Funding Corporation. PTA Property Management, LLC is an the African American Property Management Company created as a result of the Private letter Ruling issued by the Internal Revenue Service, dated May 1, 2000. Mr. Otis Pitts is the managing partner of this company. Miami-Dade County pays a 6% management fee for the MLK Office Building. PTA receives a 36.67% portion of the management fee, Codina Realty receives 30% of the management fee and BAC Funding Corporation receives 33.33% of the management fee. Miami-Dade County GSA Department sets the operation budget every year and reviews and monitors the expenditures every year.

I hope this letter clarifies any concerns that you may have regarding this project

Sincerely yours,



Ronald E. Frazier
Chairman, CEO
BAC Funding Corp.

CC: BAC Board Of Directors

BAC Funding Corporation and Affiliates

BAC Differential Payment from Sale of MLK Building

The tables below depict the projected disbursement of funds from the sale of the MLK Building totaling \$6,977,079.00.

BAC Differential Payment	\$6,977,079.00
The following expenses are to be paid to BAC Funding Corporation as reimbursement for funds expended on behalf of the MLK Building for construction costs, expenses and repayment of loans:	
Repayment of Wachovia Loan	-547,830.54
Payment of Arbitrage Tax	-356,297.13
Payment of Balance of Construction Retainage	-316,166.58
Payment of Balance of Change Order	-355,670.05
Payment of Balance of Operational Costs and Development Expenses	-262,500.00
Total - Recuperation of MLK Bldg. Dev. Costs & Expenses	<u>(\$1,838,464.30)</u>
Net Balance of Differential Payment	\$5,138,614.70

Use of Net Balance of Differential from Sale		
Description	Amount	Percentage
BAC Operational Costs	\$1,260,311.17	23%
Grants	217,514.91	4%
Real Estate Investments	2,079,993.53	41%
Loans	998,396.90	20%
CRA Development	349,438.91	7%
Uncommitted Reserve	232,959.28	5%
Totals	\$5,138,614.70	100%