



## SECOND PROGRESS AUDIT OF GAINES STREET REVITALIZATION PROJECT

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### HIGHLIGHTS

Highlights of City Auditor Report #1319, a report to the City Commission and City management

*The City has continued making significant progress in converting Gaines Street and the surrounding area to the envisioned urban corridor. A few issues were identified for which recommendations for improvements were made.*

#### WHY THIS AUDIT WAS CONDUCTED

This was our second progress audit on the Gaines Street Revitalization Project. That project involves (1) establishing new development and use requirements, (2) fostering desired redevelopment, and (3) reconfiguring the Gaines Street corridor. Multiple City departments and offices are playing major roles in the project.

There are 62 separate “projects” within the City’s accounting system established for the revitalization of Gaines Street. The funding established for those 62 projects totaled \$51.3 million. As of mid-October 2012, \$42.6 million of that amount had been expended by the City and the Community Redevelopment Agency (CRA).

This audit was conducted to (1) determine and disclose significant events occurring since the initial progress audit; (2) determine the current status of the revitalization efforts; (3) determine and disclose the funding established for the project and the status of that funding; (4) determine if the City continued to perform due diligence in identifying and addressing environmental contamination within and adjacent to the corridor; (5) determine if the City continued appropriate efforts to inform and involve the public; and (6) determine if project activities/expenditures since the initial progress audit were proper and appropriate; in compliance with governing laws, rules, policies, and good business practices; and properly recorded and supported.

#### WHAT WE RECOMMENDED

To enhance and improve project accountability, we made recommendations relating to (1) accurate coding and allocation of project expenditures; (2) proper and timely preparation and execution of contractual change orders; (3) reviews of contractor pay requests; (4) assessment of liquidated damages; (5) maintenance of required insurance coverage; (6) timely payment of vendor invoices; and (7) notification to nearby property owners when City properties are sold.

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#### WHAT WE CONCLUDED

Over the last two years, reconstruction and reconfiguration of segments 1 and 2 of the roadway have been completed or substantially completed. Two City owned properties were sold for redevelopment purposes. Several new redevelopments have been started and/or completed. Environmental assessments and remediation activities have continued and the general public and affected parties have been kept informed and involved. Indications are that remaining project funds are adequate to ensure project completion. Except for a few instances, expenditures of City funds and related activities have been appropriate and reasonable. Actions remaining before the vision is completely realized include further redevelopment of existing properties and final design and reconstruction/reconfiguration of the last roadway segment. Final actions relating to environmental assessments and necessary remediation must also be completed. The various City departments involved with this project, in conjunction with the Community Redevelopment Agency (CRA), appear to be committed to completing the envisioned revitalization.

Some of the few issues identified during this audit for which recommendations were made included:

- Project costs were not always coded to the most appropriate category within the City’s financial system.
- Construction costs in one instance were not equitably allocated between the established funding sources.
- One contractor did not maintain insurance coverage in the required amount during the initial part of the contract.
- Change orders for certain construction contracts were not always timely prepared and executed.
- A “final” change order for a separate construction contract was not executed for additional work performed outside the contract and to reflect final changes in quantities of materials and services.
- Overpayments and unsupported costs totaling \$1,971 were identified in regard to one contract for environmental assessment services.
- Some vendor invoices were not timely paid.
- Established policy was not followed as to notifying all nearby property owners when a City owned property was sold to a private developer.

We would like to thank staff in the various City departments and the CRA for their assistance during this audit.

# Second Progress Audit of Gaines Street Revitalization Project



Report #1319  
June 14, 2013

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# Table of Contents

*Executive Summary*..... 1  
*Objectives* ..... 9  
*Scope* ..... 9  
*Methodology* ..... 10  
*Background*..... 11  
*Overall Summary*..... 17  
*Project Events and History*..... 18  
*Project Status* ..... 29  
*Project Funding*..... 37  
*Environmental Due Diligence*..... 44  
*Informing and Involving the Public*..... 50  
*Project Activities and Expenditures* ..... 54  
*Conclusion* ..... 69  
*Appointed Official’s Response* ..... 70  
*Appendix A – Action Plan* ..... 73  
*Appendix B - Gaines Street Roadway Segments*..... 75  
*Appendix C - Gaines Street Properties*..... 77  
*Appendix D - Current Gaines Street Activity*..... 79

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# *Second Progress Audit - Gaines Street Revitalization Project*



T. Bert Fletcher, CPA  
Interim City Auditor

Report #1319

June 14, 2013

## *Executive Summary*

*The City took significant steps over the last two years towards realization of a revitalized Gaines Street corridor and surrounding area.*

*The overall purpose of this audit was to ascertain and report on the activities and events occurring since the initial progress audit and to determine the project's current status.*

*OVERVIEW: The City has continued making significant progress in converting Gaines Street and the surrounding area to the envisioned urban corridor. Over the last two years, reconstruction and reconfiguration of segments 1 and 2 of the roadway have been completed or substantially completed. Two City owned properties were sold for redevelopment purposes. Several new redevelopments have been started and/or completed. Environmental assessments and remediation activities have continued and the general public and affected parties have been kept informed and involved. Indications are that remaining project funds are adequate to ensure project completion. Except for a few instances, expenditures of City funds and related activities have been appropriate and reasonable. Actions remaining before the vision is completely realized include further redevelopment of existing properties and final design and reconstruction/reconfiguration of the last roadway segment. Final actions relating to environmental assessments and necessary remediation must also be completed. The various City departments involved with this project, in conjunction with the Community Redevelopment Agency (CRA), appear to be committed to completing the envisioned revitalization.*

**Objectives and Scope.** The overall purpose of this second progress audit of the City's Gaines Street Revitalization Project (project) was to ascertain and report on the activities and events occurring since the initial progress audit (Report #1111 issued June 2, 2011) and to determine the project's current status. Our six specific audit objectives included: (1) determine and disclose significant events occurring since the initial progress audit; (2) determine and disclose the current status of the project, including the remaining steps and actions necessary to successfully complete the project; (3) determine and disclose the current funding established for the project and the current status of that funding; (4) determine if the City continued to

*Six specific audit objectives were identified and addressed.*

perform due diligence in identifying and addressing environmental contamination in City owned properties within and adjacent to the Gaines Street corridor; (5) determine if the City continued to involve and inform the public as to the project and its status; and (6) determine if project activities/expenditures since the initial progress audit were proper and appropriate; in compliance with governing laws, rules, policies, and good business practices; and properly recorded and supported.

*Our audit focused on activity occurring since the initial progress audit.*

For the first five stated objectives, the scope of this second progress audit included activity and events occurring since the issuance of the initial progress audit in June 2011 through April 30, 2013. For the last (sixth) stated objective, this second progress audit addressed activity occurring from the end of our audit fieldwork for the initial progress audit (fall 2010) through October 2012. Because of the comprehensive nature of the revitalization project, activity within multiple City departments was reviewed to meet the stated audit objectives. Activity of the Community Redevelopment Agency (CRA), a related but separate entity, was included in the scope of this review only to the extent it impacted our determination of project history and events. A separate audit of the CRA is scheduled pursuant to the City Auditor's approved annual audit plan.

*Several significant actions and events occurred over the last two years.*

**Significant Events.** Some of the more significant events and activities occurring since the initial progress audit included:

- Completion (December 2011) of the reconstruction and reconfiguration of segment 1, which runs from Monroe Street to Macomb Street.
- Started (June 2012) and substantially completed (April 2013) the reconstruction and reconfiguration of segment 2, which runs from Macomb Street to approximately 600 feet east of Woodward Avenue.
- Continued design work on segment 3, which runs from approximately 600 feet east of Woodward Avenue to approximately 550 feet east of the Lake Bradford/Stadium Drive intersection.
- Sale of two City owned properties to private entities for desired redevelopment (former City utility payment center property sold in June 2012 and former Salie property sold in December 2012).
- Start and/or completion of several private redevelopments within and adjacent to the corridor.

*Tables 1 and 2 within this report provide an updated history of the project's significant events and activities.*

- Continued funding from the CRA for activities that promote and market redevelopment of properties and provide enhancements and improvements to existing businesses within and adjacent to the corridor.
- Use of federal Environmental Protection Agency (EPA) grants for contamination assessment and remediation on specific City owned properties within and adjacent to the corridor; also, subsequent receipt of a new \$1 million EPA brownfield revolving loan-grant award in September 2011.
- Continuation of various City projects other than roadway reconstruction/reconfiguration; primarily utility alterations, replacements, relocations, and improvements associated with private redevelopments within and adjacent to the corridor.

Within this audit report are various tables depicting different significant events, activities, and statuses. **Tables 1 and 2** reflect a chronological history of the more significant events and actions. **Table 1** addresses the roadway and travel corridor and **Table 2** addresses redevelopment. Those tables reflect numerous and varied actions and events pertaining to the project since the early 1990s.

**Completed Actions.** We identified and classified the significant actions that have been completed since the project's inception. (Some of those actions were also reported as completed in the initial progress audit.) Those actions include:

*Some of the more recent significant City actions include the sale of two more City properties for redevelopment and substantial completion of the first two roadway segments.*

- Two community redevelopment (CRA) districts have been created to foster redevelopment of the Gaines Street corridor and surrounding area. As also noted in our initial progress audit, CRA funds collected from incremental property taxes have been, and continue to be, used to provide financial incentives for redevelopment.
- As also reported in our initial progress audit, the City designated the Gaines Street corridor as an "Urban Infill and Redevelopment Area," thereby allowing for the City to target the area for economic redevelopment, job creation, housing, transportation, crime prevention, neighborhood revitalization and preservation, and land use incentives. The City also adopted the "Gaines Street Development Guidelines for



an Urban Revitalization District” that formalized the vision for redevelopment. In accordance with that formalized vision, the City subsequently adopted new land development regulations and accompanying guidelines for the Gaines Street project area.

*Environmental assessments and remediation activities have continued.*

- The City acquired several major properties within the corridor for the purpose of facilitating desired and preferred redevelopments. Certain enhancements/improvements were made to those and other previously-owned City properties within the corridor. To date, three of those major properties have been sold and redeveloped or are currently being redeveloped. (Two of those properties were sold during the period covered by this second progress audit.)
- The City has conducted environmental assessments and necessary remediation (removal and disposal of contamination) for much of the Gaines Street corridor and several City owned properties within the corridor.
- The City has (1) finalized the overall design and substantially completed the reconstruction/reconfiguration for much of the roadway (Monroe Street almost to Woodward Avenue) and (2) replaced, relocated, and/or updated much of the City utility infrastructure (water, sewer, electric, gas, and stormwater) within the corridor.

*Utility infrastructure has been replaced, relocated, and/or updated in connection with the roadway reconstruction and private redevelopments.*

**Remaining Actions.** Significant remaining actions that must be completed before the vision is realized include:

- Completion of the remaining roadway reconstruction and reconfiguration. Construction is complete for the first segment (Monroe Street to Macomb Street) and substantially complete for the second segment (Macomb Street to 600 feet east of Woodward Avenue). Actions to finalize completion of the second segment should be done by the end of spring 2013. The final design for the third and last segment (600 feet east of Woodward Avenue to 550 feet east of the Lake Bradford Road/Stadium Drive intersection) should be completed in June 2013. Reconstruction and reconfiguration of that last segment is expected to start in the summer of 2014.

*The final design and subsequent reconstruction of the final roadway segment remains to be completed.*

*Other remaining actions include (1) sale and redevelopment of applicable City and CRA owned properties and (2) finalization of contamination assessment and remediation activities.*

*Table 3 within this report provides the current status of City and CRA owned properties within the corridor and adjacent area.*

*To date, 10 major redevelopments have occurred or are occurring on privately owned properties within the corridor and adjacent area.*

*62 “projects” were created within the City’s accounting system for the revitalization efforts; funding for those projects totals \$51.3 million, of which 83% has been expended.*

*Tables 5, 6, and 7 within this report provide information on funding of the Gaines Street revitalization.*

- Sale and subsequent redevelopment of various remaining City (and CRA) owned properties within and adjacent to the Gaines Street corridor.
- Finalization of contamination assessment and remediation activities.
- Continuation of various utility alterations, replacements, relocations, and improvements associated with private redevelopments as they occur within and adjacent to the corridor.

**Status of Individual Properties.** We identified 12 specific City (and CRA) owned properties within and adjacent to the Gaines Street corridor. In regard to those 12 properties, several are available for sale to private entities for desired redevelopments. One of the other 12 properties has been developed into a landscaped public parking lot. Two more of the 12 properties were developed into and remain City parks. Plans provide for some of the other properties to be used for bicycle boulevards, streetscape enhancements, and recreational trails. **Table 3** within this report provides a detailed description of the status of each of these 12 City/CRA owned properties.

To date, 10 major redevelopments have occurred or are occurring on privately owned properties within and adjacent to the corridor. Those private redevelopments are described in **Table 4** within this report. Those redevelopment activities are an encouraging indicator that additional significant redevelopment will happen in the relatively near future.

**Project Funding.** We identified 62 separate projects within the City’s accounting system established for Gaines Street revitalization. As of October 2012, the funding established (budgeted) for those 62 projects totaled \$51,311,382. Those projects address corridor reconstruction and reconfiguration, property acquisition, utility infrastructure activities, environmental activities, and CRA activities. As of mid-October 2012, the City and CRA had expended \$42,597,805 (or 83%) of the funds budgeted for those projects. Of the total expended, \$15,607,902 was expended during the period covered by this second progress audit. **Table 5, Table 6, and Table 7** within this report provide information on those 62 projects and the related funding. Remaining funds appear adequate to ensure completion of the envisioned revitalization.

*The City continued due diligence in regard to identifying, assessing, and remediating environmental contamination within the roadway and surrounding properties.*

**Environmental Due Diligence.** Our review showed the City has continued to prudently conduct due diligence in identifying and assessing potential contamination within the Gaines Street Redevelopment area. With the assistance of EPA grant funds, remediation has occurred for applicable properties. Based on the environmental assessments and remediation efforts to date, the City has obtained or is in the process of obtaining Florida Department of Environmental Protection (FDEP) Site Rehabilitation Completion Orders for certain properties. Some of those orders are/will be conditional, as the City has been/will be required to implement specific environmental controls and restrictive covenants to preclude dispersal and/or exposure of remaining contaminants. To date, all City owned properties are considered developable. **Table 8** within this report provides a current status of environmental assessment and remediation efforts on City owned properties within and adjacent to the Gaines Street corridor.

*The City continued conscientious and appropriate efforts to involve and inform affected parties and the general public.*

**Informing and Involving the Public.** Our review showed the City has continued conscientious and appropriate efforts to involve and inform affected parties (property owners, businesses, and residents) and the general public in/of the Gaines Street Revitalization Project. Those efforts included continued use of a “customer liaison” to meet and communicate with affected business and property owners, road construction signs, press releases and media advisories, publicity and promotional events, information and updates provided through the City’s external website, use of social media (Facebook and Twitter) to provide project information and updates, utility bill inserts, and outreach presentations and meetings. Furthermore, the City’s Urban Design Committee (citizen advisory committee) has remained active and continues to review proposed projects and redevelopments within the Gaines Street districts. **Table 9** within this report shows the projects reviewed and approved by this committee during the period covered by this second progress audit.

*For the most part, project activities and expenditures were reasonable, proper, in accordance with project goals and objectives, and in accordance with governing rules and regulations.*

**Project Activities and Expenditures.** As previously noted, project expenditures during the period covered by this second progress audit totaled \$15,607,902. Of that total, \$4,808,177 was expended by the CRA. As also previously noted, expenditures of the CRA were not addressed by this audit (as a separate audit of the CRA is scheduled pursuant to our

approved annual audit plan). Accordingly, our expenditure population for this audit was \$10,799,725. From that population, we selected and tested/analyzed 96 expenditures totaling \$8,705,854, or 80.6% of the amount expended by the City. In addition to that expenditure testing and analysis, we reviewed one of the two property dispositions (sales of City owned properties) that occurred during the period covered by this second progress audit. Overall, we found project expenditures were (1) proper and appropriate and for authorized project purposes; (2) in compliance and accordance with controlling laws, rules, regulations, grant requirements, policies and procedures, and good business practices (includes efficient and appropriate/competitive acquisition of goods and services); (3) properly recorded and accounted for; and (4) properly and adequately supported. Also, we found the one reviewed property disposition (former Salie property) was generally in accordance with the redevelopment objectives for the corridor and provisions of the City's real estate policy. The related sale proceeds were also properly received, accounted for, and deposited. A few issues were identified for which recommendations are made to enhance the project administration process. Those are addressed in the following paragraph.

**Issues.** The issues identified by this audit and related recommendations are discussed below (responsible City departments are noted in italics).

*A few issues were identified.*

- To ensure the usefulness of records for managerial review and analysis, charges should always be coded to the most appropriate expenditure category within the City's accounting system. (*Public Works*)
- Enhancements should be made to ensure construction costs incurred in connection with City projects are allocated to applicable funding sources in the most equitable manner. (*Underground Utilities Water Resources Engineering Division, or WRE*)
- Additional efforts should be made to ensure contractors awarded construction contracts maintain the required insurance coverage for the entire contract period. (*Risk Management*)
- Change orders should be more timely prepared (and approved and executed) for significant revisions to construction contracts. (*Public Works*)

*Recommendations were made to address identified issues.*

- Change orders should always be executed to reflect additional work performed outside the scope of the initial contract (and any previously executed change orders) and to reflect changes in quantities of material and services authorized and quantities actually used in completion of the contracted work. (*WRE*)
- Reviews of contractor invoices should be enhanced to ensure the City is correctly billed for actual quantities of materials used and services received. (*Public Works*)
- A more appropriate method and/or date should be developed/identified to determine whether liquidated damages (LDs) should be assessed when contractors do not complete construction work in a timely manner; and/or better documentation should be prepared and retained as part of City records to justify those instances where LDs are not assessed when contractors do not meet contractually-prescribed work completion due dates. (*Public Works and WRE*)
- Efforts should be enhanced to ensure payments for contracted environmental services are made only for supported and allowed costs. (*Environmental Policy and Energy Resources, or EPER*)
- Efforts should be made to ensure all vendor invoices are timely processed and paid. (*EPER*)
- For sales of City owned properties, appropriate efforts should be made to ensure nearby property owners are properly notified in accordance with the City's real estate policy. (*Property Management Division*)

We would like to thank staff in the various City departments and the CRA for their assistance during this audit.

# ***Second Progress Audit - Gaines Street Revitalization Project***



**T. Bert Fletcher, CPA  
Interim City Auditor**

**Report #1319**

**June 14, 2013**

## ***Objectives***

*The overall purpose of this second progress audit was to report on the status of the Gaines Street Revitalization Project and determine if project funds expended since the initial progress audit were proper and appropriate.*

*Six specific audit objectives were identified and addressed.*

The overall objectives of this second progress audit of the City's Gaines Street Revitalization Project (project) were to ascertain and report on the activities and events occurring since the initial progress audit (Report #1111 issued June 2, 2011) and to determine the project's current status. Our specific objectives included:

- Determine and disclose significant events occurring since the initial progress audit. *(Specific Objective No.1)*
- Determine and disclose the current status of the project, including the remaining steps and actions necessary to successfully complete the project. *(Specific Objective No.2)*
- Determine and disclose the current funding established for the project and the current status of that funding. *(Specific Objective No.3)*
- Determine if the City continued to perform due diligence in identifying and addressing contamination in City owned properties within and adjacent to the Gaines Street corridor. *(Specific Objective No.4)*
- Determine if the City continued to involve and inform the public as to the project and its status. *(Specific Objective No.5)*
- Determine if project activities/expenditures (including real estate, construction, environmental grant, and other activities) since the initial progress audit were (1) proper and appropriate; (2) in compliance with governing laws, rules, policies, and good business practices; and (3) properly recorded and supported. *(Specific Objective No.6)*

## ***Scope***

*This audit focused on activity and events occurring since the initial progress audit issued in June 2011.*

For the first five stated audit objectives, the scope of this second progress audit addressed activity, events, and statuses occurring since the initial progress audit, issued in June 2011, through April 30, 2013. For the last audit objective (*Specific Objective No.6*) the scope of this engagement included project expenditure activity that occurred from the end of our audit fieldwork for the first progress audit (fall of 2010) through October 2012.

*Only selected CRA activity was addressed in this audit.*

As explained in the background section of this report, multiple City departments were and are involved in the Gaines Street Revitalization Project. Our review addressed pertinent activity in most of those departments. A related but separate entity (the Community Redevelopment Agency, or CRA) is also involved in the project. Activity of the CRA was included in our review only to the extent it impacted a determination of project history and significant events. Expenditures and similar efforts of the CRA were purposely excluded from this audit's scope as a separate audit of the CRA is scheduled to be completed pursuant to the City Auditor's approved annual audit plan.

## Methodology

*The project history was updated for recent significant events and activities.*

*Completed actions and remaining actions were identified.*

*The status of the roadway reconstruction, redesign, and reconfiguration was determined.*

*A determination was made of the status of (1) City owned properties and (2) private redevelopment efforts within and adjacent to the corridor.*

Various audit procedures were conducted to meet the stated audit objectives. Those procedures included conducting interviews of knowledgeable personnel and inspecting and analyzing various records and reports. Specific procedures included:

- Reviewing various materials pertaining to the project, including agenda items and meeting minutes of the City Commission and the Community Redevelopment Agency (CRA), information in past project presentations, and project materials stored on the City's Electronic Data Management System (EDMS).
- Discussing project history and events with knowledgeable staff within the applicable City departments (Public Works, Property Management, Underground Utilities, Electric Utility, Environmental Policy and Energy Resources (EPER), Economic and Community Development, and Communications) and the CRA.
- With the assistance of Public Works staff, determining the status of the roadway reconstruction, redesign, and reconfiguration.
- With the assistance of the Property Management, Economic and Community Development, and EPER staff, determining the status of (1) City and CRA owned properties within and adjacent to the corridor and (2) private redevelopment efforts within and adjacent to the corridor.

*Funding for the City’s revitalization efforts was determined and analyzed.*

*Efforts to address environmental contamination and to involve and inform the public were identified and evaluated.*

*Our audit procedures also included identifying, sampling, and testing project expenditures, including those relating to construction activities, redevelopment efforts, and environmental assessment/remediation activities.*

*The sale of applicable City owned properties was reviewed.*

- Identifying and reviewing individual City projects established for the revitalization of Gaines Street and adjacent areas, and the funding established for those projects.
- Identifying grants received to address environmental contamination within and adjacent to the revitalization corridor; analyzing and testing activity/expenditures relating to those grants; and reviewing environmental assessment records and reports and discussing them with knowledgeable City staff.
- Identifying and reviewing records and events demonstrating the City’s continuing efforts to involve and inform property owners, businesses, residents, and the general public; and discussing those events with knowledgeable City staff.
- Identifying City funds expended for the revitalization and selecting and testing representative samples of those expenditures.
- Reviewing the City’s sales of properties within the revitalization area.

We conducted this audit in accordance with the International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards. Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## **Background**

**Project Description.** The current Gaines Street Revitalization Project evolved out of various preliminary studies and visions dating back to the early 1990s. This project is resulting in the corridor’s transition from an obsolete industrial area to a livable downtown urban area with revitalized properties, businesses, and residences that preserve historical resources and enhance opportunities for racial and economic diversity. Descriptions of the envisioned revitalization include “a unique urban corridor with outstanding aesthetic quality, natural park areas, and scenic landscapes.”



*The Gaines Street revitalization provides for transitioning properties, businesses, and residences within the area and establishing a unique urban and aesthetically pleasing travel corridor.*

*Tasks to complete the revitalization consist of establishing new development and use requirements, fostering desired redevelopment, and reconfiguration of the roadway and travel corridor.*

Accomplishing this revitalization is requiring a multi-year and multi-task approach. It also is requiring involvement of various City departments and related entities. As the project has developed and evolved, flexibility has been of paramount importance in regard to designing, planning, and performing/completing tasks.

**Required Tasks to Accomplish Project Objectives.** The primary City tasks performed or being performed to revitalize the corridor include the following:

- Establishing new development and use requirements – The City Commission adopted new land code regulations (by City ordinance) for the corridor and adjacent areas. Those regulations established new zoning districts and development standards. Those regulations include requirements as to density, permitted uses (both residential and commercial), general building design, parking, access, signage, landscape, setback, and service area (e.g., location of dumpsters and air conditioners). Those regulations were adopted in 2005. Also, in 2010 the City adopted the “Urban Design Guidelines for the Gaines Street Design Review Districts” to supplement the land code regulations. Those guidelines provide property owners, developers, builders, architects, and reviewers criteria and guidance for implementing the “Gaines Street Vision.”
- Fostering desired redevelopment – In conjunction with the CRA, the City is working with property owners and developers in the redevelopment of various properties located within and adjacent to the corridor in accordance with the “Gaines Street Vision.” This task has involved:
  - City/CRA acquisition of desired and preferred properties, cleaning up those and other City owned properties (e.g., demolishing existing buildings and addressing contamination), and marketing the properties to potential developers.
  - Providing financial incentives (e.g., grants and loans) to property owners and developers for the purpose of encouraging or facilitating preferred redevelopment.

- Reconstruction and reconfiguration of the corridor – In addition to hiring consultants to assist the City in designing the corridor in accordance with the established vision, the City has:
  - Requested and assumed ownership of the roadway and related right-of-way from the state.
  - Completed installation of new or reconfigured utility infrastructure for water, sewer, gas, electric, and stormwater services for much of the corridor.
  - Converted a significant portion of the roadway from a four-lane thoroughfare to the designed two-lane road with landscaped sidewalks, crosswalks, medians, lamps, street signs, etc.

*Several of those tasks were noted as completed in our initial progress report; the status of the remaining tasks is described in subsequent sections of this report.*

As reported in our initial progress audit (Report #1111, dated June 2, 2011), the new development and use standards and guidelines have been established. As also noted in report #1111 and again in subsequent sections of this report, parts of the other two tasks (fostering desired redevelopment and reconstruction/reconfiguration of the corridor) have also been completed. Specifically, several properties have been acquired and subsequently sold by the City for redevelopment purposes. Privately owned properties have been and are also being redeveloped. For a large part of the corridor new water, sewer, gas, and stormwater infrastructure has been installed and electric utility infrastructure services relocated and reconfigured. Additionally, significant construction has been completed to convert and reconfigure the roadway and adjacent right-of-way. Some of those efforts were made and completed since the initial progress audit. Those initial and subsequent steps are addressed in more detail in later sections of this report.

Notwithstanding the significant actions taken to date, work remains to be done to complete the vision. Significant remaining work includes reconstructing/reconfiguring the last third of the roadway and related right-of-way (segment 3) and more redevelopment of City and privately owned properties. The status of these various remaining tasks is addressed in further detail in subsequent sections of this report.

**Involved City departments and related entities.** The comprehensive scope of the Gaines Street Revitalization Project necessitated the involvement of multiple City departments. Those departments and their primary project roles included:

- Tallahassee – Leon County Planning, Land Management, and Community Enhancement (PLACE) Department – Create and propose new land code regulations governing the development of properties in the Gaines Street districts, and develop the associated “Urban Design Guidelines for the Gaines Street Design Review Districts.” Conducts site plan and development application reviews for planned developments to ensure compliance with the Tallahassee-Leon County Comprehensive Plan.
- Growth Management – Permits and inspects applicable construction and development activities within and adjacent to the Gaines Street corridor. Conducts site plan and development application reviews for planned developments to ensure compliance with land development ordinances and regulations.
- Economic and Community Development – Works with the Community Redevelopment Agency (CRA) and the City’s Property Management Division in marketing properties within and adjacent to the corridor for redevelopment.
- Property Management – Acquires and maintains properties within and adjacent to the corridor on behalf of the City. Assists in marketing and selling those properties for redevelopment in accordance with the project vision.
- Public Works – Designs specific plans for reconfiguration of the roadway and related right-of-way (e.g., sidewalks, bikeways, crosswalks, medians, landscaping, street lights and signs) with the assistance of contracted engineering firms. Hires contractors to implement those plans through actual construction activities resulting in the desired reconfigurations and infrastructure. Also, reviews and approves development plans on adjacent parcels as they relate to the impact to the public right-of-way. Assists in discussions, negotiations, and conditions of sale of City property in the corridor.

*Multiple City departments remain involved in the revitalization project.*

- Underground Utilities – Installs new water, sewer, stormwater, and gas infrastructure within the Gaines Street and adjacent corridors with the assistance of hired contractors.
- Electric Utility – Relocates and reconfigures applicable electric utility infrastructure and services within the Gaines Street and adjacent corridors.
- Environmental Policy and Energy Resources (EPER) – Works with Property Management and the City utility departments to ensure properties within and adjacent to the corridor have been assessed for contamination (petroleum, arsenic, or other hazardous materials) resulting from prior uses, and develops plans for remediation of such contamination. Those activities include working with hired environmental firms and consultants, serving as the City’s liaison with state and federal regulatory authorities, and administering state and federal grants awarded to the City for assessment and remediation activities.
- Communications – Works with other City departments and staff to ensure affected individuals and groups, as well as the general public, are kept informed and involved in the project as it develops.

*The CRA also remains actively involved in assisting the City in redevelopment of the Gaines Street corridor and adjacent area.*

In addition to the noted City departments, the Community Redevelopment Agency (CRA) has worked with City departments, consultants, and agencies to develop and implement a work program for revitalization, including designs and contracts for the initial roadway reconstruction and reconfiguration. The CRA is also involved in promoting and marketing redevelopment of properties within and adjacent to the Gaines Street corridor. The CRA is a separate entity established by the City in 1998 for the purpose of fostering redevelopment and enhancement of selected areas within the City’s central urban district (includes the Gaines Street corridor). The CRA is comprised of nine members, including the five City Commissioners (includes the Mayor) along with four of the seven Leon County Commissioners as selected by the Leon County Commission. Activity of the CRA was included in the scope of our review only to the extent it impacted the project’s history and significant events. Expenditures and similar efforts of the CRA were purposely excluded from

this audit's scope, because a separate audit of the CRA is scheduled pursuant to the City Auditor's annual audit plan.

Furthermore, certain activities of BluePrint 2000's Capital Cascades Trail Project impact the City's Gaines Street Revitalization Project, as infrastructure (e.g., stormwater ponds) built as part of that project will provide direct benefits to the Gaines Street Corridor. BluePrint 2000 is a separate intergovernmental agency, governed jointly by the City and Leon County Commissions, which was created to implement various projects that enhance the community's (City and County) transportation, water quality, environment, and green space. Activities of the Capital Cascades Trail Project are not included in the scope of this audit.

**Project Funding.** In connection with the overall vision established for the Gaines Street Revitalization Project, funding has been provided by the City for:

- Reconfiguration of the roadway from a four-lane road to the envisioned two-lane corridor with landscaped sidewalks, crosswalks, medians, lamps, street signs, trees, etc.
- Acquisition of preferred properties within or adjacent to the corridor that will be enhanced/improved and sold for desirable redevelopment; and improvements/enhancements to other City owned properties within or adjacent to the corridor also being considered for desirable redevelopment. (NOTE: As properties acquired with these funds are sold for desired redevelopment, the resulting sale proceeds will be available to acquire additional properties for redevelopment and/or to assist in funding the roadway reconfiguration for Gaines Street, as directed by City management or the City Commission.)
- Installation of new and reconfigured utility infrastructure and services (water, sewer, electric, gas, and stormwater) within and adjacent to the roadway corridor.
- Assessment and remediation (cleanup) of environmental contamination on properties within and adjacent to the corridor.

*Project funding was provided to (1) reconstruct and reconfigure the roadway corridor, (2) promote redevelopment, (3) install new and reconfigured utility infrastructure, and (4) assess and remediate environmental contamination.*

In addition to those City funds, the CRA (1) provides financial assistance through grants and loans to property and business owners and developers

within and adjacent to the corridor and (2) sponsors promotional events and activities for redevelopment within and adjacent to the corridor.

More detailed information on the current status of the project’s funding is provided in a subsequent section of this report.

**Project History.** The project history dates back more than 20 years as of the date of this second progress audit. An overview of the history, updated for significant events and actions since the initial progress audit, is described in a subsequent section of this report.

**Overall  
Summary**

*The City has made additional strides towards realization of the Gaines Street revitalization.*

Significant strides have been made in realizing a revitalized Gaines Street corridor and adjacent area. New land code regulations and the related “Urban Design Guidelines for the Gaines Street Design Review Districts” have been adopted and used to guide redevelopment within the Gaines Street districts. Various City owned properties have been sold and redeveloped or are currently being redeveloped. Similarly, several privately owned properties within the corridor have been or are being redeveloped. Federal grant funds have been used to assess and remediate (cleanup) environmental contamination on various properties within the corridor to facilitate that redevelopment. Two of the three segments of the corridor (road and related right-of-way) have been reconstructed and reconfigured into a two-lane road with landscaped sidewalks, crosswalks, medians, lamps, street signs, etc. In connection with those efforts new water, sewer, gas, and stormwater infrastructure has been installed and electric utility infrastructure services relocated and reconfigured. Throughout the described revitalization completed to date, the City has made conscientious efforts to involve and inform business and property owners as well as the general public. For the most part, funds used in connection with the revitalization were (1) for proper and appropriate purposes; (2) expended in compliance with controlling laws, rules, policies, and good business practices; and (3) properly accounted for and supported.

*Several tasks remain before the City’s revitalization efforts are completed.*

Remaining work to complete the revitalization includes:

- Finalization of design and subsequent reconstruction and reconfiguration of the last roadway/corridor segment (defined as

*Overall, project activities and expenditures have been proper and appropriate.*

“segment 3,” from just east of Woodward Avenue to just east of the Lake Bradford Road/Stadium Drive intersection).

- Construction of the two planned bicycle boulevards; one north of Gaines Street and the other south of Gaines Street.
- Continued redevelopment of properties within and adjacent to the corridor, both remaining City/CRA owned and privately owned properties.
- Completion of necessary environmental contamination assessment and remediation activities on applicable properties in order to foster and facilitate further redevelopment.
- Installation of new utilities in connection with the remaining roadway reconstruction and subsequent property redevelopments.

Only a few issues, relating primarily to the expenditure of City funds, were identified for which recommendations for improvements or corrective actions were made.

***Project Events and History***  
*(Specific Objective No. 1)*

*Several significant events have occurred since the initial progress audit.*

As reported in the initial progress audit (Report #1111 dated June 2, 2011), the Gaines Street Revitalization Project has a long and storied history, dating back to the early 1990s. Over the project’s life, there have been numerous events and decision points. The project has evolved from an initially envisioned six-lane high speed thoroughfare to the current two-lane landscaped street with strong aesthetic characteristics. Accordingly, to put the project into perspective in the initial progress audit report, we provided a chronology of the more significant events, actions, and activities. Two separate chronologies were provided, one that focused on the roadway reconstruction and the other that addressed redevelopment activities.

Our first specific audit objective was to determine and disclose significant events occurring since the initial progress audit. Several such events occurred. Those events included the following:

- Completion of the reconstruction and reconfiguration of roadway (corridor) segment 1, which runs from Monroe Street to Macomb Street. That work was completed in December 2011.
- Started and substantially completed the reconstruction and reconfiguration of roadway (corridor) segment 2, which runs from Macomb Street to approximately 600 feet east of Woodward Avenue. That work started in January 2012 and was substantially completed in April 2013.
- Continued design work on roadway (corridor) segment 3, which runs from 600 feet east of Woodward Avenue to approximately 550 feet east of the Lake Bradford Road/Stadium Drive intersection. Although not completed, finalization of the design is expected in June 2013.
- Sale of the former City utility payment center property located adjacent to the corridor at Copeland Avenue and West Madison Street to a private developer (American Campus Communities) in June 2012. The developer subsequently started construction of an 81-unit student housing complex, with completion expected in summer 2013.
- Sale of the City owned Salie property, 4.3 acres located on the south side of the corridor at the Gaines and Gay Streets intersection, to a private developer (North American Properties, or NAP) in December 2012. The developer subsequently initiated construction of a mixed-use development of 241 to 248 residential units and 13,000 to 13,500 square feet of commercial/retail space. A separate agreement provides for the developer to construct certain public enhancements and improvements (e.g., public alley, bicycle boulevard, public parking, improved sidewalks and landscaping) with reimbursement of applicable costs from the City.
- Modification and extension to the real estate option on the City owned “Johns Building property” with the Florida Center for Performing Arts (Center) in November 2012, for the purpose of allowing the Center to seek funding for a performing arts center from Leon County from future sales tax funding.

*Some of the significant events since the initial progress audit included (1) substantial completion of a majority of the roadway corridor reconstruction, (2) sale of two City owned properties for redevelopment, and (3) the start and/or completion of several major redevelopments*



*Continuing actions included (1) CRA funding for redevelopment purposes, (2) use of EPA grants for environmental activities, (3) public involvement and outreach efforts, and (4) utility projects.*

- Start and/or completion of several private redevelopments, to include (1) The Lofts on Gaines, (2) College Town, (3) America's Backyard, (4) The Domain, (5) Catalyst Apartments, (6) "601 Copeland", (7) The Deck, and (8) The Block. *(NOTE: Each of these is described in more detail in a subsequent section of this report.)*
- Continued CRA funding for projects that (1) promote and market redevelopment of properties and (2) provide enhancements and improvements to existing businesses within and adjacent to the Gaines Street corridor.
- Use and closeout of Federal Environmental Protection Agency (EPA) grants for contamination assessment (one grant for \$400,000) and remediation (three grants for \$200,000 each, or a total of \$600,000) on specified City owned parcels for which contamination had been identified and/or for which contamination risks were deemed significant; subsequent receipt of a new \$1 million EPA brownfield revolving loan-grant fund to be awarded to eligible property owners for further cleanup (remediation) activities, with a focus on properties within the Gaines Street area. In connection with assessment and remediation efforts, the City has placed and/or is placing appropriate restrictive covenants and environmental controls on certain properties and obtaining State issued "Site Rehabilitation Completion Orders" reflecting completion of appropriate corrective actions.
- Continued public involvement and outreach efforts, including two publicity events - Block Party in August 2011 and Cash Mob in June 2012.
- Continuation of various City projects other than roadway reconstruction/reconfiguration, primarily utility alterations, replacements, relocations, and improvements associated with private redevelopments within and adjacent to the corridor.

To place the above events into perspective, we updated the two chronologies provided in the initial progress audit to reflect most of those significant events (excluded design work on segment 3 as that work was

Tables 1 and 2 provide an updated history of the revitalization efforts.

ongoing and not finalized). Those updated chronologies are included below in **Table 1** that addresses roadway reconstruction and reconfiguration, and **Table 2** that addresses redevelopment. The above-identified events are addressed in the latter parts of each table. Those and other added events (i.e., events not addressed in the initial progress audit report) are highlighted in gray for emphasis.

<p align="center"><b>TABLE 1</b>  <b>CHRONOLOGY OF SIGNIFICANT EVENTS AND ACTIONS</b>  <b>ROADWAY RECONSTRUCTION AND RECONFIGURATION</b></p>		
<p align="center"><b>Dates</b></p>		<p align="center"><b>Event Description</b></p>
1.	1993	To improve east-west travel on Gaines Street, the Florida Department of Transportation (FDOT) suggested changing the current four-lane road into a six-lane high speed thoroughfare. This concept was met with opposition from citizens that preferred a more aesthetic pedestrian and bike friendly corridor that connected downtown and the two college campuses (FSU and FAMU).
2.	1996-1997	Design charette workshops were held and presented to the Tallahassee-Leon County Metropolitan Planning Organization (MPO). <i>(NOTE: A “design charette” is an intensive, hands-on workshop that brings people from different disciplines and backgrounds together to explore design options for a particular area or site.)</i> In accordance with charette recommendations, the MPO supported a four-lane boulevard with on-street parking, landscaped medians, wide landscaped sidewalks, and bike lanes. <i>(NOTE: The Metropolitan Planning Organization (MPO) and its successor, the Capital Regional Transportation Planning Agency, or CRTPA, are responsible for transportation planning in the region. The MPO and CRTPA were/are comprised of elected representatives from the respective cities and counties served by the organization.)</i>
3.	1995-1998	Area stakeholders formed the Gaines Street Vitalization Committee (GSVC). The GSVC was designated to serve as the official citizen advisory body to both the MPO (now CRTPA) and the City on all issues associated with the redevelopment of the Gaines Street corridor. <i>(NOTE: This step is included in Table 2 also as the GSVC addressed redevelopment as well as roadway design.)</i>
4.	2003-2004	Alternative roadway configurations involving adjacent streets were being considered and discussed, including having Gaines and Madison Streets as paired one-way corridors (e.g., traffic on Gaines would flow from east to west and traffic on Madison would flow in the opposite direction – west to east, or vice versa).
5.	2006	The GSVC and City Commission reviewed roadway alternatives and decided to revise the Gaines Street corridor from a four-lane road to a two-lane road with two way traffic.

6.	July 2006	<p>An initial “Implementation Plan” was developed with the assistance of a consultant and approved by the City Commission. The plan provided for implementation in phases. Phase I was to be accomplished over the next 12 to 18 months and involved:</p> <ul style="list-style-type: none"> <li>– Completion of the conceptual and preliminary roadway design for streets within and adjacent to the corridor. Streets being considered for reconfiguration in addition to Gaines Street included Pensacola, Jefferson, St. Augustine, and Madison Streets.</li> <li>– Modifying the intersection of the Gaines Street/Lake Bradford/Stadium Drive intersection to add a north-south movement through the intersection.</li> <li>– Conversion of Gaines Street from a four-lane road to two lanes with parking on each side.</li> </ul> <p>Phase II was to be completed over the subsequent 18 to 54 months and involved:</p> <ul style="list-style-type: none"> <li>– Obtaining funding for permanent and underground improvements to Gaines Street.</li> <li>– Finalizing design and commencing construction of those permanent improvements.</li> </ul> <p>This plan required transfer in ownership of the respective roadways from the State to the City, which had not yet occurred. The plan also addressed the FAMU Way project and extensions of several other adjacent streets.</p>
7.	2007-2008	<p>The City hired an environmental engineering firm to conduct an environmental assessment of the Gaines Street roadway. The resulting environmental assessment showed some soil and groundwater contamination. However, the City obtained a legal opinion that provided there were no “catastrophic” releases or other conditions to suggest the City should not proceed with the project.</p>
8.	June 2008	<p>Ownership of several key roads within and adjacent to the Gaines Street corridor were transferred from the State of Florida to the City. Roads transferred were:</p> <ul style="list-style-type: none"> <li>– Gaines Street from Woodward to Monroe Street.</li> <li>– Parts of St. Augustine, Madison, Pensacola, Stadium Drive, and Woodward streets/avenues.</li> </ul>
9.	2009-2010	<p>New water and sewer lines are installed (underground) on Gaines Street from Monroe Street to Woodward Avenue. The work is done at night to allow the City to keep the road open for traffic during daytime hours. Also, certain electric infrastructure (e.g., feeder lines) is replaced and relocated by the City Electric Utility. Similarly, certain gas infrastructure (e.g., mains) is replaced by a contractor hired by Underground Utilities.</p>
10.	May 2010	<p>The City awarded the contract for road reconstruction/reconfiguration of “segment 1” to Sandco, Inc. (segment 1 covers Gaines Street from Monroe to Macomb Streets). Construction commenced. Applicable electric infrastructure (i.e., not replaced by the City as described in the previous item) was replaced by the contractor concurrently with this road reconstruction. Also, applicable gas infrastructure (e.g., mains and valves) continued to be replaced and/or relocated by the City (or the City’s contractor) during this process.</p>

11.	December 2011	Construction of segment 1 was completed and a Final Acceptance issued to the contractor Sandco, Inc.
12.	November 2011 through April 2013	The City awarded the contract for road reconstruction/reconfiguration of segment 2 to Allen’s Excavation, Inc. (segment 2 covers Macomb Street to approximately 600 feet east of Woodward Avenue) in November 2011. Construction started in January 2012 and was substantially completed in April 2013. Somewhat similar to segment 1, applicable electric infrastructure (i.e., not previously replaced by the City as described above in previous items) was replaced by the City concurrently with this road reconstruction. Also, applicable gas infrastructure (e.g., mains and valves) was replaced and/or relocated by the contractor (Allen’s Excavation, Inc.) during this process.

As previously noted, **Table 2** that follows addresses redevelopment events and actions. Similar to **Table 1**, the more recent events are addressed in the latter parts of the table and are highlighted for emphasis.

<b>TABLE 2 CHRONOLOGY OF SIGNIFICANT EVENTS AND ACTIONS REDEVELOPMENT</b>		
<b>Dates</b>		<b>Event Description</b>
1.	1991-1998	Various preliminary revitalization, design, and environmental studies were initiated involving Gaines Street. While some of these were City studies, others involved entities such as FSU and the Florida Department of Transportation (FDOT). A determination was made to establish a design charette for Gaines Street. <i>(NOTE: A “design charette” is an intensive, hands-on workshop that brings people from different disciplines and backgrounds together to explore design options for a particular area or site.)</i>
2.	1997	The City was awarded grants to assist in redevelopment of the area – including \$400,000 in “brownfield” grants to assess environmental contamination and \$25,500 for an assessment of historical properties. <i>(NOTE: A brownfield is a property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant. Because of contamination resulting from past business uses including gasoline stations, dry cleaners, and railroad activity, the Gaines Street corridor was designated a brownfield area.)</i>
3.	1995-1998	Area stakeholders formed the Gaines Street Vitalization Committee (GSVC). The GSVC was designated to serve as the official citizen advisory body to both the MPO (now CRTPA) and the City on all issues associated with the redevelopment of the Gaines Street corridor. <i>(NOTE: This step is included in Table 1 also as the GSVC addressed roadway design as well as redevelopment.)</i>

4.	1998	The Community Redevelopment Agency (CRA) was established by the City for the purpose of fostering redevelopment and enhancement of selected areas within the City’s central urban district (includes the Gaines Street corridor).
5.	June 2000	The Frenchtown/Southside Community Redevelopment District was created. The south side of Gaines Street is included within that district. <i>(NOTE: Community Redevelopment Districts are separate legal entities created by the City to foster redevelopment in designated urban areas. Funding for the redevelopment is derived from the incremental increase in property taxes collected for properties within the district.)</i>
6.	September 2000	The City Commission amended the Comprehensive Plan to designate the Gaines Street corridor and surrounding area as an “Urban Infill and Redevelopment Area.” That action allowed the area to be targeted for economic redevelopment, job creation, housing, transportation, crime prevention, neighborhood revitalization and preservation, and land use incentives.
7.	November 2000	The original “Gaines Street Plan” (Gaines Street Development Guidelines for an Urban Revitalization District) was adopted by the City Commission. The plan was developed in coordination with the GSVC and with the assistance of a consultant. The plan formalized the vision for redevelopment within the corridor and adjacent area. Among other things, the plan envisioned and proposed distinctive surrounding neighborhoods along a unique urban corridor with natural park areas, scenic landscapes, and distinct residential districts. The plan also proposed five identifiable (distinct) urban districts, each with its own unique land use and urban design requirements. Furthermore, the plan noted the need for new development standards and design guidelines for the area.
8.	February 2002	To facilitate timely implementation and fulfillment of the project, the City Commission adopted bylaws for the Gaines Street Vitalization Committee (GSVC). Those bylaws charged the GSVC with the review and comment of proposed development standards and related proposals. The bylaws established the composition of the committee and provided for quarterly meetings.
9.	April 2002 and August 2004	Through ordinance the City Commission adopted interim review requirements for development and redevelopment (interim development standards) within the Gaines Street Urban Infill and Redevelopment Area. (The interim standards adopted in April 2002 were for only two districts within the designated area).
10.	June 2004	The Downtown Redevelopment District was created. The north side of Gaines Street is included in that district. <i>(See Note for item 5).</i>
11.	June 2004	In connection with the desire to foster redevelopment of desired properties, the City purchased property on Madison Street for \$1.4 million. Environmental assessments are conducted in connection with the acquisition. <i>(NOTE: In accordance with the project vision, this property was subsequently sold and developed as a hotel – the Marriot Residence Inn – see item 18.) (See Appendix C parcel 27.)</i>

12.	June 2004 and March 2005	The City Commission adopted through ordinance new land development regulations for the Gaines Street Urban Infill and Redevelopment Area. Those replaced the former “interim standards.” (See item 9.) Among other things, those regulations established requirements as to density, permitted uses, building design, parking, access, and business and street signs.
13.	January 2005	In connection with the desire to foster redevelopment of desired properties, the City purchased CSX (railroad) properties located between Gaines and Madison Streets and located south of Gaines Street for \$1.5 million. Environmental assessments were conducted in connection with the acquisition. (NOTE: To date, this property has not been sold or redeveloped.) (See Appendix C parcels 31, 32, and 36; also includes parcels south of Gaines Street not reflected in Appendix C.)
14.	January/February 2005	With the assistance of a consultant, the City’s Economic and Community Development Department developed an initial strategy for development of City owned parcels within the Gaines Street corridor.
15.	March 2005	In connection with the desire to foster redevelopment of desired properties, the City purchased the “Salie” property, comprised of five separate parcels south of Gaines Street near Gay Street, for \$3.5 million. Environmental assessments were conducted in connection with the acquisition. (NOTE: In accordance with the project vision, this property was subsequently sold and is currently under construction for a mixed-use development of 241 to 248 residential units and 13,000 to 13,500 square feet of commercial/retail space - see item 38.) (See Appendix C parcels 51, 52, 53, and 54; one of these parcels reflected in Appendix C is actually two separate parcels.)
16.	March 2005	The City’s Urban Design Commission (UDC) was created. The UDC is a citizen advisory committee comprised of seven members. Their assigned role is reviewing each proposed project within the Gaines Street districts to determine whether they contribute to the urban and architectural character envisioned for their locations. Approval by the UDC is required before the City’s Growth Management Department will approve site plans for a project.
17.	April 2005	In connection with the desire to foster redevelopment of desired properties, the City purchased the “O’Connell” property, comprised of one large parcel north of Gaines Street (adjacent to the Civic Center) and three smaller non-contiguous parcels south of Gaines Street, for \$5.6 million. Environmental assessments were conducted in connection with the acquisition. (NOTE: To date, this property has not been redeveloped.) (See Appendix C parcel 4 for the larger parcel; the three smaller parcels south of Gaines Street are not reflected in Appendix C as they are adjacent to but not part of the corridor.)
18.	September 2005	The Madison Street property acquired by the City in June 2004 was sold to a developer for \$1.6 million. The developer received a \$450,000 grant from the CRA to assist in acquisition of the property. The developer built the Marriot Residence Inn on the property. (See Appendix C parcel 27.)
19.	2005-2006	As authorized by the City Commission, the City issued a “request for proposals” to qualified

		<p>developers as part of the process to develop specific City owned properties in the Gaines Street corridor and general downtown area. Only two responses (development proposals) were received. One of those proposals was rejected as it was determined inconsistent with the project vision. The other proposal was accepted, but did not relate directly to the Gaines Street corridor (i.e., it involved development of the “Floridian Hotel” property near Monroe and Tennessee Streets; the Aloft Hotel was subsequently built there).</p>
20.	March 2006	<p>In connection with the desire to foster redevelopment of desired properties, the City purchased the State “Chevron/Johns/Clemons” property located on the east end of the corridor, for \$5.9 million. Environmental assessments were conducted in connection with the acquisition. <i>(NOTE: To date, this property has been improved/enhanced but not sold or redeveloped.) (See items 21, 31, and 37.) (See Appendix C parcels 1 and 2.)</i></p>
21.	March 2007	<p>The City executed a real estate option for the Florida Center for Performing Arts to purchase the Johns property for a price of \$2,972,000 if the Center meets certain fundraising milestones by specific dates. <i>(See items 31 and 37.) (See Appendix C parcel 1.)</i></p>
22.	April 2008	<p>The Council On Culture and Arts (COCA) and Artspace, Inc. presented its “Arts on Gaines” development proposal to the City. The proposal includes residential housing combined with an “arts incubator” facility. The proposed arts incubator facility included a black box theater, rehearsal space, workshop, classrooms, and office space. The initial proposal provided for City participation through a donation of the property and a commitment of \$2 to \$5 million in grant funds available to the City (i.e., Community Development Block Grant and SHIP grant funds). The sites considered included the Salie property <i>(see item 15)</i> and other City-owned property located near the southwest corner of Gaines Street and Railroad Avenue. <i>(NOTE: COCA and Artspace, Inc. were not successful in raising the necessary capital for this project; accordingly, this project is currently not considered a viable venture.) (See Appendix C parcels 40, 41, 42, &amp; 48.)</i></p>
23.	June 2008	<p>Prior to the downturn in the economy in fall 2008, redevelopment of the Gaines Street corridor was gaining momentum. City staff identified a list of current projects being considered. Activity described included:</p> <ul style="list-style-type: none"> <li>– Sale of the Salie property <i>(see item 15)</i> at the corner of Gaines and Gay Streets to a private group for an unnamed development.</li> <li>– Working with a developer of a retail condominium project on Gaines Street on privately-owned property adjacent to the Marriot Residence Inn.</li> <li>– Meeting with the owner of the property at the old “Jax Liquors” site <i>(see item 32)</i> to discuss potential redevelopment.</li> <li>– Working with FSU’s Master Craftsman Studio on a glass-blowing pavilion.</li> </ul> <p><i>(NOTE: Two of these properties were subsequently developed or are currently being developed – see items 32, 38, and 40.)</i></p>
24.	June 2008	<p>A CRA project director was appointed as the City’s “Gaines Street Coordinator.” That person</p>

		<p>serves that role through the initial organization of the project and through the design and commencement of the reconstruction/reconfiguration for segment 1.</p>
25.	May 2009	<p>The CRA approved a grant and loan totaling \$705,806 to a developer planning a mixed-use residential development at the former “Jax Liquor” site near the intersection of Gaines Street and Woodward Avenue. The planned development is known as “The Lofts on Gaines.” (See items 29, 32 and 40.) (See Appendix C parcels 65.)</p>
26.	July 2008 and August 2009	<p>The U.S. Environmental Protection Agency (EPA) awarded the City brownfield assessment and remediation grants totaling \$1 million. Those grants are designated to address contamination in properties within and adjacent to the Gaines Street corridor. (See item 39.)</p>
27.	January 2010	<p>The “Urban Design Guidelines for the Gaines Street Design Review Districts” were adopted. These guidelines are intended to supplement the adopted land development regulations (See item 12.) These guidelines address building orientation; building scale and massing; building heights; building facades, balconies, and terraces; building materials and construction; parking and access; views; setbacks; pedestrian passageways; landscaping; street furniture and equipment; and signs. These guidelines are to be used by the City’s UDC in reviewing proposed developments. (See item 16.)</p>
28.	March 2010	<p>The CRA “purchased” the large O’Connell parcel (adjacent to the Civic Center) from the City for \$4.65 million. (See item 17.) The purchase was made to provide additional funds to the City for the purpose of furthering Gaines Street revitalization efforts and to facilitate marketing and development of the property through CRA resources. (See Appendix C parcel 4.)</p>
29.	June 2010	<p>The City Commission approved the granting of concurrency relief to the private developer of The Lofts on Gaines at the old “Jax Liquors” site. (See item 25.) Requirements for this assistance included commencement of the project before December 31, 2010. (See item 32.) (See Appendix C parcels 65.)</p>
30.	June 2010	<p>The CRA approved a retail incentive (\$50,000 loan) for the Marriot Residence Inn to build out its retail space for an arts supply store.</p>
31.	August 2010	<p>The City amended the real estate option provided the Florida Center for Performing Arts for the purchase of the Johns property. The amendments extend the term of the option agreement until July 2014 and establish new fundraising milestones to be met during interim dates. The City has the right to terminate the agreement if those milestones are not met. (See items 21 and 37.) (See Appendix C parcel 1.)</p>
32.	December 2010	<p>The private developer initiated construction of The Lofts on Gaines. (See items 23, 25, and 29 above and also item 40 below.) (See Appendix C parcels 65.)</p>
33.	August 2011	<p>The City sponsors the “Gaines Street Block Party,” a publicity event to show appreciation for and promote local businesses during construction activities on Gaines Street.</p>
34.	September 2011	<p>In addition to the EPA brownfield assessment and remediation grants received in 2008 and</p>



		2009, the City received a \$1 million EPA revolving loan-grant award to provide loans and/or grants to eligible property owners for additional cleanup (remediation) activities on properties with environmental contamination. The focus of the award will be placed on properties within the Gaines Street area. <i>(See item 26.)</i>
35.	June 2012	The City sold the former utility payment center property, located adjacent to the Gaines Street corridor at the intersection of Copeland Avenue and Madison Street, to a private developer for construction of a student housing complex. <i>(Not shown in Appendix C as outside the corridor.)</i>
36.	June 2012	A second City-sponsored publicity event, the “Gaines Street Cash Mob,” was held to promote Gaines Street businesses.
37.	November 2012	The real estate option with the Florida Center for Performing Arts is again modified. The modification extends the term of the agreement until September 2013, to provide the Center the opportunity to promote the performing arts center to the Leon County Commission as a project to receive funding from future County sales tax proceeds. <i>(See items 21 and 31.) (See Appendix C parcels 1.)</i>
38.	December 2012	The City sold the “Salie” property, acquired in March 2005 and comprised of five separate parcels south of Gaines Street near Gay Street, to a developer to build a mixed-use residential and commercial/retail development. <i>(See item 15.) (See Appendix C parcels 51, 52, 53, and 54; one of these parcels reflected in Appendix C is actually two separate parcels.)</i>
39.	July 2008 through July 2012	The brownfield assessment and remediation grants totaling \$1 million received from the U.S. Environmental Protection Agency were used to conduct various contamination assessment and remediation activities on designated City-owned parcels within and adjacent to the corridor. <i>(See item 26.)</i>
40.	2010 through present	Various private developments are initiated/completed, to include various student housing and other residential and commercial/retail/entertainment establishments. The developments include: (1) The Lofts On Gaines, (2) College Town, (3) America’s Backyard, (4) the Domain, (5) Catalyst Apartments, (6) 601 Copeland, (7) The Deck, and (8) The Block.
41.	2010 through present	The CRA continues to fund various projects that promote and market redevelopment of the corridor and adjacent area.
42.	2010 through present	The City continues various projects involving utility alterations, replacements, relocations, and improvements associated with private redevelopment occurring within and adjacent to the corridor.

As previously noted, there have been numerous events and decision points. **Tables 1 and 2** above disclose what we have identified as the more significant items. Many of those items are discussed in more detail in subsequent sections of this report.

## ***Project Status*** ***(Specific Objective No. 2)***

Our second specific audit objective was to determine and disclose the current status of the Gaines Street Revitalization Project, including remaining actions necessary to successfully complete the project. In this section we also address the status of certain City/CRA and privately owned properties within the corridor.

### **PART 1 – ACTIONS COMPLETED AND/OR IN PROGRESS**

In the initial audit we identified significant actions that had been completed or were in progress at the time of that engagement. Those actions, as updated for actions and events through March 2013, include:

- Creation of two community redevelopment districts (CRAs) by the City that incorporated the Gaines Street corridor and adjacent areas. As noted in our initial progress audit report, CRA funds collected from incremental property taxes have been (and continue to be) used to provide financial incentives to foster redevelopment.
- Completion of preliminary actions to facilitate the envisioned redevelopment, to include:
  - Designation of the Gaines Street corridor as an “Urban Infill and Redevelopment Area,” which allows the City to target the area for economic redevelopment, job creation, housing, transportation, crime prevention, neighborhood revitalization and preservation, and land use incentives.
  - Adoption of (1) the “Gaines Street Development Guidelines for an Urban Revitalization District,” (2) new land development regulations for the Gaines Street corridor and adjacent areas, and (3) the “Urban Design Guidelines for the Gaines Street Design Review Districts.” Those items were adopted for the purpose of formalizing the envisioned redevelopment, establishing new development requirements, and providing guidance in determining whether proposed projects are in accordance with the overall vision. Those new regulations and guidelines are used today in the evaluation and approval of new redevelopments.

*Several completed actions were initially described in our initial progress audit report.*

*Some recently completed actions included sale of certain City properties for redevelopment.*

*Two segments of the roadway corridor have been substantially reconstructed and reconfigured.*

- Acquisition by the City of several properties within and adjacent to the corridor for the purpose of facilitating redevelopment. Several of those properties have subsequently been sold for desirable redevelopment in accordance with the overall vision established for the Gaines Street revitalization. Those properties and their current status are identified and addressed in **Table 3** and, for certain properties subsequently sold for redevelopment, in **Table 4** of this report.
- Environmental assessment and remediation (removal and disposal of contamination) of the Gaines Street roadway and specific City owned properties. The current status of those efforts is addressed in a subsequent section of this report. (Also, see **Table 8** within this report.)
- Completion of the design and subsequent reconstruction/reconfiguration of segments 1 and 2 of the roadway and associated right-of-way. (Segment 1 is completed and segment 2 is substantially completed.) Utility (electric, water, sewer, gas, and stormwater) infrastructure associated with those two segments has also been completed. Those Gaines Street segments are defined geographically as:
  - Segment 1 – Monroe Street to Macomb Street.
  - Segment 2 – Macomb Street to approximately 600 feet east of Woodward Avenue.
- Completion and continuation of various utility alterations, replacements, relocations, and improvements associated with private redevelopments within and adjacent to the corridor.

The above-identified actions demonstrate that significant actions to achieve the envisioned transformation of Gaines Street have been taken and completed.

**PART 2 – ACTIONS TO BE COMPLETED**

While the City has made significant strides in the Gaines Street Revitalization Project, additional work remains to be done before the vision is completed. Significant remaining actions as of April 2013 include the following:

*Final actions remain before segment 2 is considered “officially completed.”*

- Although the reconstruction and reconfiguration of segment 2 is substantially complete, (1) final inspections by City staff must be completed; (2) a Final Acceptance must be issued by the City upon determination by City staff that all remaining items have been properly addressed and resolved (e.g., resolution of any issues identified in final inspections and receipt of remaining contract deliverables such as “As-Builts” showing details on the constructed infrastructure); and (3) a final pay request must be submitted by the contractor (Allen’s Excavation) and approved/paid by the City. It is anticipated that these remaining items will be completed by the end of spring 2013.
- Completion of the final design for segment 3. Segment 3 is defined as the portion of Gaines Street from a point approximately 600 feet east of Woodward Avenue to approximately 550 feet east of the Gaines Street/Lake Bradford Road/Stadium Drive intersection. Public Works anticipates the final design will be completed in June 2013. The final design will address a roundabout at the Gaines Street/Woodward Avenue intersection and an expansion of the corridor from two to four lanes as the corridor approaches the Lake Bradford Road/Stadium Drive intersection.
- Obtaining any remaining right-of-way easements and right-of-way necessary for the construction of segment 3. To date, necessary easements have been obtained, including easements from Florida State University (FSU) for (1) the northwest corner of the planned Gaines Street/Woodward Avenue roundabout; (2) a portion of the northernmost lanes planned for the segment 3 corridor; and (3) an area south of Gaines Street needed for the corridor. Remaining right-of-way needed for segment 3 includes the southern part of the

*Reconstruction and reconfiguration of segment 3 remains to be done.*

planned corridor adjacent to The Lofts on Gaines (immediately east of the Gaines Street/Woodward Avenue intersection).

- Reconstruction and reconfiguration of segment 3, including the roundabout planned for the Gaines Street/Woodward Avenue intersection. Public Works anticipates a request for construction bids will be issued in late 2013 and construction will commence in summer 2014. The delay in starting that construction is planned so as to allow work to be done during the summer months when less students are in town, thereby minimizing traffic disruption.
- Sale and redevelopment of additional City and CRA owned properties within and adjacent to the Gaines Street corridor. *(The current status of those properties is addressed in a subsequent section of this report.)*
- Finalization of contamination assessment and remediation activities on properties within and adjacent to the Gaines Street corridor. *(The current status of the City's efforts in this area is addressed in a subsequent section of this report.)*
- Continuation of various utility alterations, replacements, relocations, and improvements associated with private redevelopments as they occur within and adjacent to the corridor.

*Additional City and CRA owned properties remain to be sold and redeveloped.*

*Certain environmental contamination activities remain to be finalized.*

*Recent major redevelopments are an encouraging sign that additional redevelopment may occur in the relatively near future.*

Other than the sale and redevelopment of applicable City and CRA owned properties, no major issues have been identified at this point that cause City management to question the timely and successful completion of these remaining actions. In regard to the sale and redevelopment of applicable properties, successful completion is contingent, in part, upon a continuing recovering economy. As previously noted in **Table 2** and again in the following **Table 4**, there are currently 10 recent, ongoing, and/or planned private redevelopments, which is an encouraging sign that additional property sales and further redevelopment are highly probable in the relatively near future.

**PART 3 – CURRENT STATUS OF INDIVIDUAL PROPERTIES**

*Table 3 provides the status of City and CRA owned properties within and adjacent to the corridor.*

In this section, we provide the status of several significant City/CRA owned properties within and adjacent to the corridor. Those properties and their statuses are shown in **Table 3**. We also provide information regarding recent, ongoing, and/or planned redevelopments of privately-owned properties within and adjacent to the corridor. That information is shown in **Table 4**.

<p align="center"><b>TABLE 3</b>  <b>COT (AND CRA) OWNED PROPERTIES</b>  <b>CURRENT STATUS AND PLANNED/CONSIDERED USES</b></p>		
	<b>Property</b>	<b>Status/Uses</b>
1.	Johns Building property <i>(See Appendix C parcel 1)</i>	In the initial progress audit, we reported the Florida Center For Performing Arts and Education (Center) obtained a real estate option from the City that provided for the purchase of this property for a price of \$2,972,000 if the Center was successful in raising capital necessary to build the desired performing arts center. To date, the Center has not been successful in raising the needed capital. In November 2012, the City Commission extended the real estate option for the purchase of this property until September 30, 2013, or the date when the Leon County Commission adopts the project list for the sales tax extension funds (County projects to be funded from BluePrint funds), whichever is earlier. The extension was granted for the purpose of allowing the Center the opportunity to promote the proposed performing arts center to the Leon County Commission for inclusion as a project to receive future sales tax funding from the County. (As of the date of issuance of this audit report, indications were the performing arts center did not make the County’s final project list.) In the November 2012 amendment to the real estate option, the City Commission also added language allowing the City to consider other purchase offers on the property during the term of the option agreement, with the Center having the “first right of refusal” to purchase the property before the City could sell to a third party. To date, no offers have been received. The City recently (March 2013) completed improvements (e.g., added gravel and utility connections) to support temporary use of this site by approved mobile food vendors (food truck court). The property remains available for development. Currently, there are no unique or special marketing efforts to sell this property.
2.	Chevron property <i>(See Appendix C parcel 2)</i>	This vacant property remains available for development. To date no offers to purchase this property have been received. Currently, there are no unique or special marketing efforts to sell this property.
3.	O’Connell property - large parcel adjacent to	This vacant property is owned by the CRA and remains available for development. Florida State University (FSU) has expressed an interest in a potential land exchange,

	the Civic Center ( <i>See Appendix C parcel 4</i> )	whereby this property would be exchanged for State owned property near Cascade Park (i.e., the “Firestone Building” and certain Bloxham Annex properties) in which the City is interested. There are currently no unique or special marketing efforts to sell this property. While several private entities have expressed interest in this property, there are no outstanding offers to purchase this property. This property has been considered for a convention center hotel and/or other mixed used developments.
4.	O’Connell properties south of Gaines Street (three relatively small non-contiguous parcels) ( <i>Not shown in Appendix C</i> )	These vacant parcels remain available for development. To date no acceptable offers to purchase any of these properties have been received. Currently, there are no unique or special marketing efforts to sell these properties.
5.	Former “Arts Exchange Area” ( <i>See Appendix C parcels 40, 41, 42, &amp; 48</i> )	These parcels were formerly being considered by private organizations for a mixed-use development with an emphasis on the arts. Those organizations were not successful in raising the capital needed to finance the project. Current plans provide for the southern portions of these parcels to be used for the construction of the bicycle boulevard south of Gaines Street (i.e., as part of the overall area revitalization). In accordance with the purchase-sale agreement executed with the City for the Salie property, North American Properties (private developer) is constructing that bicycle boulevard for the City. The remaining portions of these vacant parcels remain available for development. A developer has recently expressed interest in the remaining property (and adjacent privately owned property) for a possible retail development. Currently, there are no unique or special marketing efforts to sell this property.
6.	Part of purchased CSX Property (North of Gaines Street) ( <i>See Appendix C parcel 36</i> )	This parcel will be used as the right-of-way for the planned bicycle boulevard located north of Gaines Street (i.e., as part of the overall area revitalization). Public Works staff indicated that a request for bids (RFB) for construction of this bicycle boulevard will likely be issued in the summer 2013.
7.	Part of purchased CSX Property (North of Gaines Street) ( <i>Not shown in Appendix C</i> )	This small, narrow parcel located adjacent to Madison Street near Woodward Avenue will be used for streetscape enhancements in front of the current College Town development.
8.	Part of purchased CSX Property (South of Gaines Street) ( <i>Not shown in Appendix C</i> )	Current plans provide for a portion of this property adjacent to Lake Elberta to be developed by the City’s Parks, Recreation and Neighborhood Affairs Department into a recreational trail. Another part of this property will continue to be used as a stormwater conveyance system.
9.	Warehouse Property ( <i>See Appendix C parcels 31 and 32</i> )	In connection with the overall revitalization of the area, the City constructed a landscaped public parking lot on this property; located adjacent to the Gaines Street road corridor and some of the CSX property.

10.	Vacant lot on eastern end of the corridor (East of St. Michael Street and South of Gaines Street) (See Appendix C parcel 12)	This vacant parcel remains available for sale and redevelopment. To date no acceptable offers to purchase this property have been received. Currently, there are no unique or special marketing efforts to sell this property.
11.	Vacant lot on eastern end of the corridor (West of St. Michael Street and South of Gaines Street) (See Appendix C parcel 13)	This vacant parcel remains available for sale and development. To date no acceptable offers to purchase this property have been received. Currently, there are no unique or special marketing efforts to sell this property.
12.	Doug Burnette and Boulevard Parks located on the eastern end of corridor (One located on North side of Gaines Street and the other on the South side of Gaines Street) (See Appendix C parcel 3 )	These two properties are expected to remain City parks.

In addition to the described status and uses of specific City and CRA owned properties, the City and CRA have continued efforts to ensure adequate public parking will be available within (and/or nearby) the new developments within the revitalized area. Specifically:

*Efforts have been made by the City and CRA to ensure adequate public parking is available within the revitalized area.*

- The CRA executed an agreement to acquire up to 141 permanent public parking spaces in the two-story garage to be built as part of North American Property’s (NAP’s) mixed-use development on the former Salie property.
- The CRA executed an agreement to acquire up to 35 permanent public parking spaces in the garage to be built as part of NAP’s mixed-use development on the “Ferguson property” (acquired by NAP from a third party).
- The CRA plans to acquire 16 public parking spaces in the Catalyst Development on Madison Street (a private mixed-use development). Plans are for those spaces to be acquired on a time-



limited basis (i.e., after 25 years the spaces revert to private ownership).

- The CRA is exploring acquiring public parking spaces within the College Town development on Madison Street.
- Depending on the eventual development, the CRA likely will consider acquisition of public parking spaces on the larger O’Connell property adjacent to the Civic Center.

As stated in the above table, there currently are no specific and/or unique marketing efforts to sell and redevelop several of the identified City/CRA owned properties. However, with the rebounding economy, the City and CRA are now considering resuming concerted efforts to facilitate redevelopment of those properties.

*Table 4 describes major private redevelopments within and adjacent to the corridor.*

**Table 4** that follows describes major known redevelopments on privately owned properties within or adjacent to the Gaines Street revitalization area. As described, some of these redevelopments have been completed while others have, or are planned to be, started in the near future.

<b>TABLE 4 MAJOR PRIVATE REDEVELOPMENT EFFORTS</b>		
	<b>Property/Project (See Appendix D)</b>	<b>Description and Status</b>
1.	<u>Marriot Residence Inn</u> at Gaines Street and Railroad Avenue.	Hotel – completed and opened in 2007.
2.	<u>The Lofts On Gaines</u> at 833 West Gaines Street.	Mixed-use development – 24 residential units and seven commercial/retail units totaling 5,200 square feet. Project was started in 2010 and completed in 2011.
3.	Seminole Boosters’ <u>College Town</u> at west end of Madison Street at Woodward Avenue.	Mixed-use development – 72 residential units and 44,000 square feet of commercial/retail space. Construction started in 2011 and is currently ongoing. Anticipated completion is summer 2013.
4.	<u>America’s Backyard</u> at former Post Office at Woodward Avenue and West Madison Street.	Student oriented music and entertainment venue. Renovations have started and are expected to be complete in late fall 2013 or early winter 2014.
5.	Chance Partner’s <u>The Domain</u> townhomes at intersection of Gay and Madison Streets.	Residential development – 23 units. Construction started in 2011 and was completed in late summer 2012.

6.	Chance Partner’s <u>Catalyst</u> apartments on Madison Street.	Mixed-use development – 128 apartments and 3,650 square feet of commercial/retail space. Construction started in 2012 and is currently ongoing. Anticipated completion is summer 2013.
7.	American Campus Communities “ <u>601 Copeland</u> ” at former City utility payment center (intersection of Madison Street and Railroad Avenue).	Student housing complex – 81 units. Construction started in 2012 and is currently ongoing. Anticipated completion is summer 2013.
8.	North American Properties “ <u>The Deck</u> ” at former Salie property (Gaines and Gay Streets).	Mixed-use development – estimated 241 to 248 residential units and 13,000 to 13,500 square feet of commercial/retail space. Construction started March 2013 and is currently ongoing. Anticipated completion is summer 2014.
9.	North American Properties “ <u>The Block</u> ” at Ferguson property site (821 West Gaines Street).	Mixed-use development – estimated 109 to 124 residential units and 12,000 to 14,000 square feet of commercial/retail space. Construction started March 2013 and is currently ongoing. Anticipated completion is summer 2014.
10.	North American Properties <u>residential development (not yet named)</u> at Woodward Avenue and St. Augustine Street (former FSU credit union site).	Residential development – 133 units. This project is in the planning phase and construction has not started.

As previously stated, these recent redevelopment activities are an encouraging indicator that additional significant redevelopment will happen in the relatively near future.

**Project Funding**  
(Specific Objective No. 3)

*A total of 62 separate projects were created within the City’s accounting system for Gaines Street revitalization efforts.*

Our third specific audit objective was to determine and disclose the current funding established for the project and the current status of that funding. As described in the background section of this report, funding was provided by the City for:

- Roadway reconfiguration/reconstruction.
- Acquisition of preferred properties for desirable redevelopment.
- Installation of new and reconfigured utility infrastructure and services (water, sewer, electric, gas, and stormwater).
- Assessment and remediation of environmental contamination on properties within and adjacent to the corridor.

*City and CRA funding established for the 62 projects totaled \$51.3 million.*

As also noted in the background section, the CRA provides financial assistance to the overall revitalization through grants and loans to property and business owners and developers within and adjacent to the corridor. The CRA also has sponsored promotional events and activities within and adjacent to the corridor.

*Table 5 provides a summary of the 62 projects.*

From an accounting perspective, the overall revitalization effort by the City (and CRA) is accounted for through individual “projects” established within the City’s accounting system. (Note: The City also accounts for activities of the CRA.) As of the beginning of this audit, our review and analyses showed 62 individual projects had been established for the overall revitalization.

Total funding established for Gaines Street revitalization through those 62 projects as of the start of this audit in mid-October 2012 totaled \$51,311,382. **Table 5** that follows provides a summary of the 62 City/CRA projects by category and funding amounts.

<b>TABLE 5</b>			
<b>ESTABLISHED PROJECT FUNDING AS OF MID-OCTOBER 2012</b>			
	<b>Activity</b>	<b>No. of Projects</b>	<b>Budgeted Amount</b>
1.	Corridor Reconstruction & Reconfiguration	5	\$15,928,179
2.	Property Acquisition <i>(Note 1)</i>	1	\$18,311,804
3.	Electric Infrastructure	6	\$3,022,021
4.	Gas Infrastructure	6	\$231,919
5.	Sewer Infrastructure	4	\$746,632
6.	Water Infrastructure	4	\$1,219,689
7.	Stormwater Infrastructure	2	\$781,224
8.	Environmental Activities <i>(Note 2)</i>	6	\$1,976,727
9.	CRA Activities <i>(Note 3)</i>	28	\$9,093,187
<b>Totals <i>(Note 4)</i></b>		<b>62</b>	<b>\$51,311,382</b>
<i>Note 1: As expended these funds will be restored upon sales of acquired and improved properties; restored funds may be used for further Gaines Street revitalization efforts, as decided by City management and/or the City Commission.</i>			
<i>Note 2: These include the Federal EPA assessment and remediation grants.</i>			
<i>Note 3: Includes grants, loans, promotional events and activities, consulting services for redevelopment, financial assistance for property acquisitions, etc.</i>			
<i>Note 4: Of this total, \$185,251 pertains specifically to utility infrastructure projects/activities in areas adjacent to the Gaines Street corridor and not to the corridor and developments/properties within the corridor. Examples include utility improvements/relocations/replacements in connection with redevelopment projects on West Madison Street.</i>			

Table 6 shows the funding sources for the 62 projects.

Table 6 that follows shows the funding sources for the 62 projects shown in Table 5 above.

**TABLE 6**  
**Funding Sources for the 62 Gaines Street Revitalization Projects**

Activity		Amount	Source	
1.	Corridor Reconstruction & Reconfiguration	\$15,928,179	\$5,558,492	FDOT transfer for roads ( <i>Note 1</i> )
			\$171,972	City share sales tax extension funds
			\$9,636,504	County share sales tax extension funds
			\$540,000	City share state gas taxes
			<u>\$21,211</u>	Stormwater Redevelopment -Tree Bank Program
			<b>\$15,928,179</b>	TOTAL
2.	Property Acquisition	\$18,311,804	<b>\$18,311,804</b>	City share sales tax extension funds
3.	Electric Infrastructure	\$3,022,021	\$3,016,206	Electric bond proceeds
			<u>\$5,815</u>	Electric Repair, Replacement, & Imprv. Fund.
			<b>\$3,022,021</b>	TOTAL
4.	Gas Infrastructure	\$231,919	\$183,845	Gas Bond Proceeds
			<u>\$48,074</u>	Gas Repair, Replacement, & Imprv. Fund.
			<b>\$231,919</b>	TOTAL
5.	Sewer Infrastructure	\$746,632	\$265,294	Sewer bond proceeds
			<u>\$481,338</u>	Sewer system charges to developers
			<b>\$746,632</b>	TOTAL
6.	Water Infrastructure	\$1,219,689	<b>\$1,219,689</b>	Water bond proceeds
7.	Stormwater Infrastructure	\$781,224	\$680,000	County share sales tax extension funds
			<u>\$101,224</u>	City share sales tax extension funds
			<b>\$781,224</b>	TOTAL
8.	Environmental Activities	\$1,976,727	<b>\$1,976,727</b>	EPA assessment and remediation grants
9.	CRA Activities	\$9,093,187	\$6,384,687	CRA funds – Frenchtown Projects
			\$1,135,000	CRA funds – Downtown Projects
			<u>\$1,573,500</u>	CRA funds – Tourist Development
			<b>\$9,093,187</b>	TOTAL
<b>GRAND TOTAL</b>			<b>\$51,311,382</b>	

*Note 1: This represents funds provided by the Florida Department of Transportation upon transfer of specific roads, including Gaines Street and adjacent streets, from the State of Florida to the City.*

*Table 7 shows the City has expended 83% of the established funding.*

*Approximately \$15.6 million was expended during the period addressed by this second progress audit.*

As of the start of this second progress audit in mid-October 2012, the City and CRA had expended \$42,597,805 (or 83%) of the \$51,311,382 budgeted for the 62 individual revitalization projects. Of the total expended, \$15,607,902 (representing 37% of total amounts expended) was expended during the two-year period from fall of 2010 through fall of 2012. Those expenditures were tested and analyzed in connection with this second progress audit, as described in a subsequent section of this report. The remaining expended funds, totaling \$26,989,903, were spent prior to the fall of 2010. Those earlier expenditures were addressed in our initial progress audit of the Gaines Street Revitalization (Report #1111). **Table 7** on the following page shows the amounts expended by period and by category, as well as the related budget and remaining unexpended funds.

*(NOTE: The 62 projects addressed in this section of the report do not include funding and projects established during the preliminary phases of the revitalization efforts, such as the brownfield grants received and expended during the late 1990s; see item 2 in Table 2 of this report.)*

**TABLE 7  
REVITALIZATION PROJECT FUNDING AND EXPENDITURES AS OF OCTOBER 2012**

Activity		Budgeted Amount	Expended from project inception through October 2010	Expended from October 2010 through October 2012	Total Expended	Remaining Unexpended Budget as of October 2012
1.	Corridor Reconstruction & Reconfiguration	\$15,928,179	\$2,841,056	\$8,689,726	\$11,530,782	\$4,397,397
2.	Property Acquisition <i>(Note 1)</i>	\$18,311,804	\$17,712,101	\$592,130	\$18,304,231	\$7,573
3.	Electric Infrastructure	\$3,022,021	\$1,357,011	\$373,947	\$1,730,958	\$1,291,063
4.	Gas Infrastructure	\$231,919	\$34,437	\$160,631	\$195,068	\$36,851
5.	Sewer Infrastructure	\$746,632	\$459,291	\$199,677	\$658,968	\$87,664
6.	Water Infrastructure	\$1,219,689	\$1,149,570	\$8,471	\$1,158,041	\$61,648
7.	Stormwater Infrastructure	\$781,224	\$101,224	\$2,639	\$103,863	\$677,361
8.	Environmental Activities <i>(Note 2)</i>	\$1,976,727	\$186,936	\$772,504	\$959,440	\$1,017,287
9.	CRA Activities <i>(Note 3)</i>	\$9,093,187	\$3,148,277	\$4,808,177	\$7,956,454	\$1,136,733
<b>Totals</b>		<b>\$51,311,382</b>	<b>\$26,989,903</b>	<b>\$15,607,902</b>	<b>\$42,597,805</b>	<b>\$8,713,577</b>

*Note 1: As expended these funds will be restored upon sales of acquired and improved properties; restored funds may be used for further Gaines Street revitalization efforts, as decided by City*

*Note 2: These include the Federal EPA assessment and remediation grants.*

*Note 3: Includes grants, loans, promotional events and activities, consulting services for redevelopment, financial assistance for property acquisitions, etc.*

There are various remaining costs to be incurred prior to the “completion” of the City’s efforts in the revitalization of the Gaines Street area. Those costs will relate to the following efforts:

*Additional costs must be incurred to complete the revitalization.*

- Continued redevelopment activities, such as grants and assistance from the City and/or CRA, promotional and marketing events, possible acquisitions and subsequent resell of additional properties for further redevelopment, etc.
- Completion of ongoing and future utility infrastructure improvements, relocations, and/or replacements in connection with current and future redevelopments and reconstruction/reconfiguration of the final roadway segment (segment 3).
- Completion of appropriate and applicable environmental contamination assessment and remediation activities (*which will include the new EPA brownfield revolving loan-grant award not reflected in Tables 5, 6 and 7 above*).
- Finalization of the design and subsequent reconstruction and reconfiguration of Gaines Street roadway segment 3 (starts at a point approximately 600 feet east of the Woodward Avenue intersection through a point approximately 550 feet east of the intersection of Gaines Street and Lake Bradford Road/Stadium Drive); also, construction of the two bicycle boulevards, one north and the other south of Gaines Street. Public Works staff estimates the reconstruction and reconfiguration costs (including related administrative and inspection costs) for segment 3 and the bicycle boulevards will be approximately \$2.5 million.

City management believes remaining unexpended project funds are sufficient to cover the additional expected costs necessary to successfully complete the revitalization.



## *Environmental Due Diligence*

*(Specific Objective No. 4)*

Our fourth specific audit objective was to determine if the City continued to perform due diligence in identifying and addressing potential contamination in City owned properties within and adjacent to the Gaines Street corridor. To complete this objective, we:

- Identified and tested/analyzed brownfield grant funds expended within the corridor.
- Determined the status of the City’s EPA brownfield revolving loan-grant award received in September 2011.
- Determined and reported the status of environmental contamination efforts on City-owned properties within and adjacent to the corridor.

The results of those audit efforts are addressed in the following paragraphs of this report.

*The initial assessment and remediation grants are now closed.*

**Brownfield Assessment and Remediation Grants.** As addressed in a previous section of this report and also in the initial Gaines Street Revitalization Progress Audit (Report #1111), the City was awarded one EPA contamination assessment grant in 2008 and three EPA remediation grants in 2009. The assessment grant was for \$400,000, with \$200,000 designated for “petroleum” contamination assessment and \$200,000 designated for “hazardous substances” contamination assessment. The three remediation grants were for \$200,000 each, for a total of \$600,000. Each of those three grants was designated for specific City-owned properties within the corridor (former Salie property, CSX property, and general corridor). The purpose of the grants was to assess and remediate (as needed) those properties so they could be redeveloped in a manner consistent with the City’s vision for the revitalized Gaines Street area.

*The City expended \$955,661 of the grants; the remaining \$44,339 was not used.*

As of the start of this second progress audit, those grants had been expended and closed. Specifically, of the \$1 million in total grants, the City expended \$955,661. The remaining \$44,339 was not expended (used by the City) due to the nature of the assessment and remediation process. Specifically, those activities are conducted on a step-by-step basis, such that a subsequent step cannot be taken until the previous step is completed and the next appropriate action determined. At the end of the EPA

designated period for using those grant funds, the applicable ongoing assessment and remediation actions were not at a stage whereby the next appropriate action could be identified and the remaining grant funds committed to that next action. Accordingly, the grants closed without the City's use of the remaining \$44,339.

*For the most part, the grant funds were properly and appropriately expended.*

Of the \$955,661 expended, an amount of \$768,725 was expended during the two-year period covered by this second progress audit. Our testing of selected disbursements from those grant funds expended during that two-year period showed them to be, for the most part, (1) proper and appropriate and for authorized project purposes; (2) in compliance and accordance with the grant agreements and controlling laws, rules, regulations, requirements, policies and procedures, and good business practices (includes efficient acquisition of goods and services); (3) properly recorded and accounted for; and (4) properly and adequately supported. Two issues were identified for which recommendations are made to enhance the project administration process. Those issues are identified and described in the subsequent section of this report addressing "Project Efforts and Expenditures" (*Specific objective No. 6*).

*To date, no loans or subgrants have been made from the subsequent \$1 million EPA revolving loan-grant award.*

**EPA Brownfield Revolving Loan-Grant Award.** Additionally, the City was awarded a subsequent \$1 million EPA brownfield revolving loan-grant award in September 2011. That grant is to be used for low or no interest loans and/or subgrants to eligible entities for environmental cleanups (remediation) on contaminated properties. While those grant funds are authorized for use on any City brownfield (privately or publicly owned) properties, efforts will be focused towards properties within the Gaines Street revitalization area. The City has publicized this loan-grant program but, as of March 25, 2013, none of those funds had yet been loaned or subgranted as no applications have been received. Properties with known contamination for which these grant funds may be used include (1) City-owned property located near the intersection of Gaines Street and Railroad Avenue (property formerly being considered by a private developer for an "Arts Exchange Project") and possibly adjacent privately-owned property; (2) O'Connell property parcel immediately south of the Civic Center; and (3) City right-of-way access road from Railroad Avenue to Stone Valley Way (i.e., access road to run behind the mixed-use development recently started on the former Salie property by a private developer).

Table 8 shows the current status of environmental contamination efforts on City owned properties.

**Current Property Status.** The current status of environmental contamination assessment and cleanup efforts on City owned properties within and adjacent to the corridor is shown in **Table 8** on the following pages.

<p align="center"><b>TABLE 8</b></p> <p align="center"><b>CURRENT STATUS OF ENVIRONMENTAL ASSESSMENT AND REMEDIATION EFFORTS ON CITY-OWNED PROPERTIES</b></p>				
	<b>Property</b>	<b>EPA grant funds used?</b>	<b>Current Status</b>	<b>Remaining City actions</b>
1.	CSX Property - 4 separate parcels with different statuses ( <i>Note: These are designated as parcels 1, 2, 4, and 5. There is no parcel 3.</i> )	YES – Both assessment and remediation grant funds as described for the different parcels.	<u>Parcel 1</u> - Assessments on this parcel located north of Gaines Street were finalized and subsequent remediation and cleanup activities were completed. A Site Rehabilitation Completion Report was prepared and submitted to the Florida Department of Environmental Protection (FDEP). FDEP has reviewed that report and responded that the site is eligible for a Conditional Site Rehabilitation Completion Order. Specifically, that order will be issued once the City places FDEP-approved restrictive covenants on the site as to commercial use, digging, and groundwater use. As of the end of our audit fieldwork on this engagement, EPER had yet to prepare and submit draft restrictive covenants to FDEP for approval. ( <i>See Appendix C parcels 36</i> )	Complete and submit to FDEP proposed restrictive covenants for the parcel. Upon approval from FDEP, place (record) those restrictive covenants and request and obtain a FDEP Conditional Site Rehabilitation Completion Order.
			<u>Parcel 2</u> - Assessments on this parcel located south of Gaines Street were finalized. Some contamination (benzoapyrene) was identified at higher than acceptable levels. Based on their review of the resulting site assessment report prepared by the City's environmental consulting firm hired to perform the assessment, FDEP responded in a letter that as long as the parcel continues to be used as part of a right-of-way and stormwater conveyance system that it has historically served, no additional actions will be required (i.e., as to remediation of any contamination). FDEP indicated that if the land use changes in the future, the City may be required to initiate actions (e.g., cleanup or implementation of environmental controls) to address existing identified contamination. There are no foreseen changes in the current uses of that parcel. ( <i>Not shown in Appendix C</i> )	None, as long as the current use (right-of-way and stormwater conveyance) does not change.
			<u>Parcel 4</u> - Assessments and interim remediation activities on this parcel located south of Gaines Street were completed. The interim remediation	Complete the necessary remediation activities on the northern portion of the

			<p>activities were intended to remove contaminated soil located on the south end of the parcel such that any remaining contamination meets levels that are acceptable in regard to the intended use of the parcel as part of a City recreational trail. Additional remediation remains to be done for the northern portion of that parcel to remove contamination to the same levels achieved for the southern portion. A Remedial Action Plan to address that remaining remediation has been prepared. As the applicable EPA grants are now closed, that remaining remediation will likely be funded from the City's special projects fund. (Not shown in Appendix C)</p>	<p>parcel and subsequently prepare and submit proposed restrictive covenants to FDEP for their approval. Upon FDEP approval, place (record) those restrictions and request and obtain a FDEP Conditional Site Rehabilitation Completion Order.</p>
			<p><u>Parcel 5</u> - Assessments on this parcel located south of Gaines Street were finalized. Some contamination (benzoapyrene and arsenic) was identified at higher than acceptable levels. No remediation was performed as it was determined that an acceptable environmental control would be placed on the parcel (entire parcel covered with an asphalt cap in connection with related redevelopment (College Town). FDEP reviewed and approved this environmental control and responded to the City that a Conditional Site Rehabilitation Completion Order will be issued once the City prepares and places applicable FDEP-approved restrictive covenants on the site as to permanent maintenance of the asphalt cap and digging (excavating) restrictions. EPER has prepared proposed restrictive covenants that are currently being reviewed by the City Treasurer-Clerk and City Attorney Offices. Upon their review and approval those proposed covenants will be submitted to FDEP for approval. (Not shown in Appendix C)</p>	<p>Submit to FDEP the recommended restrictive covenants. Upon receipt of FDEP approval of those covenants, place (record) the restrictions on the property and request and obtain the FDEP Conditional Site Rehabilitation Completion Order. (NOTE: Subsequent to the end of our audit fieldwork, the restrictive covenants were approved and recorded. As a result, on May 15, 2013, FDEP issued a Conditional Site Rehabilitation Completion Order for this parcel.)</p>
2.	Former Salie Property (Note 1) (See Appendix C parcels 51, 52, 53, and 54)	YES – Remediation grant funds.	<p>The City hired an environmental firm under an existing State contract to complete cleanup and remediation of the contaminated materials located on the property. The cleanup and remediation activities were performed in the spring and summer of 2012. Based on the successful cleanup and remediation efforts, FDEP issued a Site Rehabilitation Completion Order providing soil and groundwater contamination concentrations were below required target levels and therefore the site rehabilitation requirements were satisfied.</p>	None (Note 1).
3.	O'Connell Property (large parcel adjacent to the Civic Center) (See	YES – Assessment grant funds.	<p>Ongoing assessment activities described in the initial progress audit were completed. The resulting report indicates that the presence of "chemicals of potential concern" was further identified in soil and groundwater at levels</p>	Currently none. Additional assessment and remediation may be required in the future, depending on the future

	<i>Appendix C parcel 4)</i>		above those deemed acceptable. The report concluded that (before development) additional assessment will be necessary to confirm the presence of those chemicals, assess the magnitude and extent of those chemicals on the soil and groundwater, and evaluate the source of the contamination (i.e., from former activities on the property or from activities occurring or previously occurring on adjacent properties).	uses (redevelopment) of the property.
4.	John/Clemons Properties ( <i>See Appendix C parcels 1 and 2)</i>	NO.	No actions have been taken or required since the initial progress audit. A determination as to whether additional assessments and remediation are necessary will continue to depend on the type development that is established on the property.	Currently none. Additional assessment and remediation may be required in the future, depending on the future uses (development) of the property.
5.	Roadway Corridor	YES – Both assessment and remediation grant funds.	As disclosed in the initial progress audit, a limited amount of contaminated soil was encountered by the contractor installing new water and sewer infrastructure. As also disclosed in the initial progress audit, the Public Works Department included within its contract, for segment 1 roadway reconstruction and reconfiguration, specifications for handling and disposal of contaminated soils encountered during construction activities. No contamination was found during the segment 1 construction activities. Similar to the contract for segment 1, Public Works included within its contract for segment 2 specifications for handling and disposal of contaminated soils encountered during construction activities. Minor amounts of contamination were identified and removed in July 2012 during the segment 2 construction activities. The contractor was paid \$2,400 for handling and disposing of the contaminated items (soils).	Currently none. Additional remediation activities may be required if more contaminated soil is encountered during the completion of segment 3.
6.	Former “Arts Exchange” Properties ( <i>See Appendix C parcels 40, 41, 42, &amp; 48)</i>	YES – Assessment grant funds.	The City’s contractor completed the environmental assessment of this property and determined the presence of "chemicals of potential concerns" (COPCs) at concentrations above the regulatory standards. The contractor stated the presence of those COPCs in the soil does not preclude redevelopment of the property (i.e., if appropriate remediation, environmental controls, and/or deed restrictions are performed or enacted). The recently awarded EPA grant funds (revolving loan-grant program) may be available for remediation of the property by either the City (if the City retains ownership) or by a developer that subsequently acquires the property. (The building on the property has not yet been demolished; demolition of that building	Complete and submit proposal for use of EPA "revolving loan- fund grant" proceeds for remediation if the City continues to retain ownership of the property.

			depends on future use and development of the parcel.)	
7.	O'Connell Properties (3 noncontiguous parcels south of Gaines Street). <i>(Not shown in Appendix C)</i>	NO.	No actions have been taken or required since the initial progress audit. A determination as to whether assessments and remediation are necessary will continue to depend on the type development that is established on the property.	Currently none. Assessment and remediation may be required in the future, depending on the future uses (development) of the property.
8.	Former Utility Payment Center Property <i>(Not shown in Appendix C)</i>	YES – Assessment grant funds.	The City's contractor conducted assessments on this property adjacent to the corridor. The results showed the presence of "chemicals of potential concern" at concentration levels above regulatory standards. The City subsequently sold the property to a developer. Based on the sale and purchase agreement, the buyer accepted the property in its condition ("as is") based on the results of the City's environmental assessment. Upon execution of the sale, further assessment and remediation activities became the responsibility of the buyer. That site is currently being developed for student housing. (NOTE: The developer performed required remediation activities prior to the start of construction activities.)	None.
9.	Warehouse Property <i>(See Appendix C parcels 31 and 32)</i>	YES – Both assessment and remediation grant funds (EPA approved use of corridor remediation grant funds for this property as it is located within the boundaries of the corridor).	Assessments were finalized and subsequent remediation and cleanup activities were completed. A Site Rehabilitation Completion Report was prepared and submitted to FDEP. FDEP has reviewed that report and responded that the site is eligible for a Conditional Site Rehabilitation Completion Order. Specifically, that order will be issued once (1) the City has completed the parking lot that will serve as an environmental control (i.e., limit migration of impacted groundwater by preventing infiltration of precipitation on the parcel and minimize contact to any remaining contamination) and (2) placed FDEP-approved restrictive covenants on the site as to commercial use and digging. As of the end of our audit fieldwork on this engagement, the parking lot had been completed. However, EPER had yet to prepare and submit (1) evidence of the placement of the environmental control (parking lot) and (2) draft restrictive covenants for FDEP approval.	Complete and submit to FDEP appropriate evidence that (1) the parking lot (environmental control) has been completed (i.e., final engineering drawings, recorded deed restrictions, etc.) and (2) proposed restrictive covenants. Upon FDEP approval, place (record) the restrictive covenants on the property and request and obtain the FDEP Conditional Site Rehabilitation Completion Order.
10.	Vacant lot located east of St. Michael Street and south of Gaines Street <i>(See Appendix</i>	NO.	No assessment or remediation actions have been taken or required. A determination as to whether assessments and remediation are necessary depends on the type development that is established on the property.	Currently none. Assessment and remediation may be required in the future, depending on the future uses (development) of the

	<i>C parcel 12)</i>			property.
11.	Vacant lot located west of St. Michael Street and south of Gaines Street ( <i>See Appendix C parcel 13)</i>	NO.	No actions have been taken or required. A determination as to whether assessments and remediation are necessary depends on the type development that is established on the property.	Currently none. Assessment and remediation may be required in the future, depending on the future uses (development) of the property.
12.	Doug Burnette and Boulevard Parks ( <i>See Appendix C parcel 3)</i>	NO.	No actions have been taken or required since the initial progress audit.	None likely as long as the properties remain City parks.
<i>Note 1: This property was subsequently sold to a developer.</i>				

*Overall, we determined the City has continued its due diligence in regard to environmental contamination.*

Overall, we concluded the City has continued to prudently conduct due diligence in regard to identifying and assessing potential contamination within the Gaines Street Redevelopment area. With the assistance of federal grant funds, remediation has occurred for certain properties. Based on the environmental assessments and remediation efforts to date, the City has obtained or is in the process of obtaining FDEP Site Rehabilitation Completion Orders for certain properties. Some of those orders are/will be conditional, as the City has been/will be required to implement specific environmental controls and restrictive covenants to preclude dispersal and/or exposure of remaining contaminants. To date, all City-owned properties are considered developable.

***Informing and Involving the Public***  
*(Specific Objective No. 5)*

*We identified several methods through which the City has informed and involved affected businesses and the general public as to revitalization efforts.*

Our fifth specific audit objective was to determine if the City continued to involve and inform the public as to the project and its status. Our review showed the City has continued to be proactive in involving and informing impacted entities (businesses, property owners, and residents) and the general public in/of the design and planning for the Gaines Street revitalization. Those efforts addressed ongoing and planned construction activities, design of planned developments, and reconfiguration of the corridor. The public involvement was accomplished through various methods, including:

- Continued use of a “customer liaison” (Public Works employee) to meet with and be available to local businesses and residents during construction activities, for the purpose of providing information on upcoming and planned activities, answer questions, and address

complaints and concerns. Information was provided both through ongoing personal meetings and hand delivery of printed documents.

- Road construction signs, to include:
  - Variable message signs (portable electronic billboards notifying the traveling public of upcoming changes in traffic patterns).
  - Alternate route and detour signs.
  - Special signs to clearly point out accesses to individual Gaines Street businesses during construction activities for segment 2.
- City press releases and media advisories issued by the Communications Department. During the period October 2010 through October 2012 the Communications Department issued 38 news releases addressing revitalization efforts and events (e.g., project updates, descriptions of ongoing and planned construction, temporary road and lane closures, planned events). Those were distributed to newspapers and television/radio outlets; posted on the City's Facebook page; posted on the City external website ([talgov.com](http://talgov.com)); and sent to e-mail groups that subscribed for Gaines Street information through [talgov.com](http://talgov.com). Two media advisories were also issued during that period to newspaper and television/radio outlets for assistance in notifying the public of specific upcoming events.
- Making information available to the public through the City's external website, [talgov.com](http://talgov.com). Specifically, the website:
  - Provides project overviews that describe the project and current ongoing construction activities.
  - Allows interested parties the ability to receive updated project information through an E-mail subscription service (697 subscribers as of 3-28-2013).
  - Provides a brief project history.
  - Provides pictures of completed and ongoing development.

*Social technology was used to involve the public as well as traditional methods.*



- Provides project updates and notifications of events (e.g., City's receipt of new federal brownfield grants and start of work on segment 2).
- Specific City initiated and sponsored publicity events to include:
  - Gaines Street Block Party held on August 26, 2011, in appreciation of local businesses and the community during construction activities within the corridor; attendance estimated at 2,500 people, which was five times the initial plans for 500 people.
  - Gaines Street Cash Mob event held on June 23, 2012, to promote shopping and focus on Gaines Street businesses; overall, rated by participating businesses as a success.
- City social sites on Facebook and Twitter, used to provide information on various events and project updates; also provides a means for the public to ask questions (and the City to provide responses thereto) and make recommendations and general comments. As of January 2013:
  - 1,439 "likes" on Facebook
  - 949 "tweets" on Twitter with 991 followers
- Utility bill inserts in July 2011 (advertising the upcoming "Block Party" event) and in January 2012 (construction update).
- Outreach presentations and meetings by Public Works and other City staff to/with various groups and organizations, including:
  - Kickoff workshop to explain the features and benefits of the Federal Brownfield Revolving Loan-Grant Program (October 2012).
  - FSU to discuss potential roundabouts for the intersection of Woodward Avenue and Gaines Street (August 2012).
  - Chamber of Commerce (July 2012).
  - Civic organizations (Rotary Club) (December 2011).

*Two publicity events were held to show appreciation for and promote Gaines Street businesses.*

- Gaines Street business owners to discuss the method for controlling traffic during construction activities (July 2011).
- Notification and solicitation of comments from surrounding property owners prior to the sale of the City’s former utility payment center at 556 West Madison Street for a student housing development.
- Continuing project updates provided during publicized City Commission meetings.

*The City’s Urban Design Committee continued to review proposed redevelopments for purposes of ensuring they will contribute to the envisioned revitalization.*

In addition, the City’s Urban Design Committee (UDC), a citizen advisory committee, has remained active and continues to review proposed projects and redevelopments within the Gaines Street districts. The UDC reviews proposed projects to determine whether they contribute to the urban and architectural character envisioned for the Gaines Street revitalization area. UDC approval is required before Growth Management will approve site plans for a Gaines Street project. Projects reviewed and approved by the UDC during the period covered by this second progress audit are shown in **Table 9** that follows.

<b>TABLE 9 PROJECTS REVIEWED AND APPROVED BY UDC FALL 2010 THROUGH FALL 2012</b>		
	<b>Date</b>	<b>Description</b>
1.	November 2010	New signs and awnings for Utrecht Art Supply at 600 W. Gaines Street.
2.	May 2011	Signs for Nefertari’s Fine Cuisine and Spirits at 812 S. Macomb Street.
3.	November 2011	Student housing development West Madison Street (The Catalyst).
4.	January 2012	Student housing development at 601 Copeland Street (Former City utility payment center).
5.	March 2012	All Saints Flat at 454 St. Francis Street (residential) located one block south of Gaines Street.
6.	July 2012	Mixed-use development (residential and retail) on the Salie property at West Gaines and Gay Streets (649 W Gaines St).
7.	July 2012	Mixed-use development (residential and retail) at 805 W. Gaines Street (privately owned parcel known as the “Ferguson” property).
8.	September 2012	FSU student housing (fraternity house) at 123 N. Copeland Street.

*The City has continued to make conscientious efforts to involve and inform the public.*

In summary, the City has continued to make conscientious efforts to involve and inform the public.

***Project Activities  
and  
Expenditures  
(Specific Objective No. 6)***

Our sixth specific audit objective was to determine if project expenditures and related activities incurred since the initial audit were (1) proper and appropriate; (2) in compliance with controlling laws, rules, policies, grant agreements, and good business practices; and (3) properly recorded and supported. As previously described on page 40 of this report, expenditures occurring during the two-year period covered by this audit (fall 2010 through fall 2012) totaled \$15,607,902. Of that total, \$4,808,177 was expended by the CRA. As noted in the scope section of this report, CRA expenditure activity was not addressed in this audit as a separate audit of the CRA is scheduled pursuant to our approved annual audit plan. Accordingly, the population of expenditures tested and analyzed by this audit totaled \$10,799,725. Those tested/analyzed expenditures pertained to the 34 individual non-CRA accounting projects established for the Gaines Street Revitalization efforts.

*We tested City funds expended from projects established for Gaines Street revitalization.*

Another significant activity reviewed in connection with this audit objective was property acquisitions and dispositions transacted by the City in connection with redevelopment purposes. Since the initial progress audit there have been no additional property acquisitions by the City. There were, however, two property dispositions. Those two property dispositions included the sale of the former utility payment center property in June 2012 and the sale of the former Salie property in December 2012. Certain activities relating to the sale of the former utility payment center were addressed in our separate follow up engagement addressing issues identified in the initial progress audit report (see City Auditor follow up report #1205 issued February 16, 2012). As part of this second progress audit, we tested and analyzed the City's sale of the former Salie property.

*We also reviewed property dispositions.*

The results of our review of expenditures and the one property disposition are addressed in the following paragraphs.

## PROJECT EXPENDITURES

Out of the population of expenditures totaling \$10,799,725 as defined above, we tested a total of 96 expenditures totaling \$8,705,854, or 80.6% of the amounts expended. Of those 96 tested expenditures, 75 totaling \$8,026,854 pertained to construction and other projects excluding the brownfield grants; and, 21 totaling \$679,000 pertained to the brownfield grants.

*We tested 96 expenditures totaling approximately \$8.7 million.*

Overall, we found that project expenditures were (1) proper and appropriate and for authorized project purposes; (2) in compliance and accordance with controlling laws, rules, regulations, grant requirements, policies and procedures, and good business practices (includes efficient and appropriate/competitive acquisition of goods and services); (3) properly recorded and accounted for; and (4) properly and adequately supported. A few issues were identified for which recommendations are made to enhance the project administration process. Those are addressed in the following:

### **ISSUES - CONSTRUCTION AND OTHER CHARGES (EXCLUDING BROWNFIELD GRANT EXPENDITURES)**

**ISSUE #1** – Some charges were not always coded to the most appropriate expenditure category within the PeopleSoft Financials System (City’s accounting system). Specifically, payments to a contractor for engineering design services were sometimes coded by Public Works staff as “construction services” or “unclassified contractual services” when the more appropriate classification was “engineering services.” Out of 27 payments to this contractor, 7 were incorrectly classified as “construction services” and 13 were classified as “unclassified contractual services,” a less descriptive category. The 27 payments made to this contractor totaled \$570,686. Recording expenditures to incorrect or less appropriate classifications within the accounting records reduces the usefulness of those records for the purpose of managerial review and analysis. We recommend efforts be made to charge costs to the correct and most appropriate categories.

*Efforts should be made to ensure expenditures are coded to the proper categories.*

**ISSUE #2** – In one instance, contract payments for water and sewer infrastructure replacement and enhancements within the Gaines Street corridor were not equitably allocated between the established funding sources. Specifically, the City executed a contract for necessary water and

sewer replacements and enhancements with Crowder Excavating and Land Clearing, Inc. (Crowder). Over the term of the contract Crowder was paid \$1,251,388 for work relating to both City water and sewer infrastructure. Professional engineering staff within the Underground Utilities Water Resources Engineering Division (WRE) reviewed and approved the pay requests submitted by Crowder. In addition to ensuring the work was completed, that staff determined and documented the portion of the completed work related to water infrastructure and the portion related to sewer infrastructure. That determination was used to document the amount of the resulting contract payment that should be paid from the City's water fund and the amount that should be paid from the City's sewer fund.

*Efforts should be made to ensure construction contract charges are allocated to applicable funding sources in the most equitable manner.*

However, we found those amounts as determined by WRE were not used to allocate the payments between the two funding sources. Instead, the payments were charged in their entirety to one funding source (designated by a unique project number) encumbered for the contract until that funding source (i.e., water funds) was depleted. Subsequent payments were then charged to the other encumbered funding source (i.e., sewer funds). This circumstance occurred because of the manner in which the applicable purchase requisition and purchase order were established within the City's procurement and accounting system. Specifically, because staff creating the purchase requisition/order within that system did not designate the appropriate method for allocating payments, the system defaulted to the method that was applied (i.e., all charges to one funding source until that source was depleted, and then the remaining charged to the next funding source.)

When compared to the allocations deemed appropriate based on WRE, this applied methodology resulted in the sewer fund being undercharged by \$100,277 and the water fund overcharged by the same amount. No adjustments were made at the end of the contract to rectify the resulting over/under charges. Accordingly, we recommend appropriate adjustments be made to reimburse the water fund from the sewer fund.

In our discussions on this matter, City staff indicated they had recently become aware of this issue and had implemented actions such that the appropriate methods for allocating payments between project funding

sources are now designated when creating purchase requisitions/orders within the procurement system. We recommend those efforts be continued.

**ISSUE #3** – The contractor awarded the construction bid for segment 2 (Allen’s Excavation, Inc.) did not maintain workers compensation insurance coverage for the first four months of the contract term in amounts required by the contract. Coverage required by the contract included commercial general liability insurance, business automobile liability insurance, and workers compensation and employers liability insurance. That insurance coverage helps protect the City from claims by third parties due to actions of the contractor in the performance of the contracted work (road reconstruction and reconfiguration). In regard to workers compensation and employers liability coverage, the contract required coverage for \$1,000,000 per accident. The initial insurance certificates provided by the contractor showed coverage of only \$500,000 per accident, half the required coverage. Four months after the start of the contract term, the contractor provided evidence of increased coverage of \$1,000,000 per accident. Our discussions with City Treasurer-Clerk’s Risk Management division staff indicated the contractor should have provided evidence (insurance certificates) of the required \$1,000,000 coverage prior to execution of the contract, but staff inadvertently did not initially detect that the initial coverage was not adequate. To ensure the City is properly protected, we recommend enhanced efforts to ensure required and adequate insurance coverage is maintained by City contractors.

*One construction contractor did not maintain all required insurance coverages during the initial part of the contract period.*

**ISSUE #4** – As allowed by the contracts for reconstruction and reconfiguration of the roadway, appropriate Public Works staff authorized construction changes during work on both segment 1 (Sandco) and segment 2 (Allen’s Excavation). Those changes often were of the nature that they needed to be implemented immediately so as to not delay the project. Examples included when the contractor encountered unforeseen conditions such as formerly unidentified or unknown underground structures (e.g., telecommunication duct banks) that required a different design and/or reconstruction to continue the project. To allow for immediate changes so as to not cause delays that significantly impact the project and adjacent property and business owners, the contracts provided for “construction change directives,” whereby the designated Public Works engineer or project manager can direct immediate changes in the initially planned work

*Change orders were not always executed and approved in a timely manner.*

prior to a formal agreement between the City and contractor as to costs or time extensions necessary for the revised and/or additional work. Upon agreement as to costs and/or time extensions, a change order is required to be completed and executed for the additional and/or revised work. The change orders reflect not only a description of the revised/additional work but, also, establish the related costs and expected time of completion. The executed change order represents the formal contract modification and authority for payment for the revised/additional work. However, prior to a final determination of cost (and subsequent execution of a formal change order), the contracts provide the contractor may bill the City for the revised/additional work to the extent the value of (amounts to be paid for) that work is not in dispute. Notwithstanding this last contract provision, execution of a formal change order prior to payment for additional/revised construction services is preferable (so as to reduce the risk of subsequently disputed payments).

During the two construction contracts for segments 1 and 2, several construction change directives were issued under appropriate circumstances to allow immediate and necessary construction changes without adversely impacting the project and nearby property and business owners. However, formal change orders were not always timely prepared and executed to formally modify the applicable contracts and establish amounts (costs) and expected completion dates for the revised work. As a result:

*Public Works agreed that a revised method for preparing and executing project change orders is needed.*

- For the Sandco contract, payments of \$214,218 were made over a two-month period before change orders were prepared and executed for the additional/revised work.
- For the Allen's Excavation contract, payments of \$121,474 were made over a five-month period before change orders were prepared and executed for the additional/revised work.

In response to our inquiries on this matter, Public Works staff indicated that, on occasion, processing of paper work (e.g., preparation and execution of formal change orders) was delayed when staff was aware of other outstanding changes that also needed to be processed once costs for the additional/revised work was negotiated with the contractors. This was done, in part, to reduce the number of individual change orders. Public

Works acknowledged this practice of “bundling changes” into single change orders was not appropriate and increases the risk the City will pay inappropriate amounts for that work (i.e., in those instances where the contractor invoices and is paid by the City for the additional/revised work before a change order is executed). Accordingly, Public Works management acknowledged the process should be revised such that changes will no longer be unnecessarily delayed in order to “bundle” changes into a single change order, with an effort made, to the extent practicable, to execute formal change orders before the contractor invoices the City and gets paid for the revised/additional work. We recommend Public Works make those revisions.

**ISSUE #5** – Contrary to good business practices, a final change order was not executed by WRE for final changes to a contract for replacement and enhancements of water and sewer infrastructure within the Gaines Street corridor. The initial contract in this instance was executed with a contractor, Crowder Excavating and Land Clearing, Inc. (Crowder), in the amount of \$1,407,227. Two subsequent change orders prepared and executed for that initial contract revised the contract amount to \$1,553,502. The required water and sewer replacements and enhancements were, however, subsequently completed at a final cost to the City of \$1,251,388.

*Change orders should be executed for all additional work and to reflect changes in quantities of contracted materials and services.*

Notwithstanding that the contractor successfully completed the contracted construction (replacement/enhancement) work at a cost below the contract amount, some of the performed work (valued at \$13,085) was not addressed in the contract (as amended by two previous change orders). Specifically, additional manholes and manhole risers were installed that were not addressed by the initial contract and previously executed change orders. Accordingly, adequate documentation was not available to demonstrate that additional work had been authorized by appropriate City staff. Inquiry of applicable WRE staff disclosed that a change order was not always executed to authorize additional work outside the scope of the contract when the final contract costs are less than what was authorized per the contract (and any previously executed change orders).

It should be noted that, even in instances where there is no such additional work, but the final quantities of materials and services used to complete the work are different from the quantities provided by the contract (as amended



by any previously executed change orders), a final change order should be executed to reflect the additions and/or reductions in costs based on the differences in quantities. Such “final adjustment change orders” serve to adjust the contract to the actual services performed and completed.

In our discussions on this matter, WRE staff acknowledged this issue and indicated they had recently been informed that formal change orders should be prepared, approved, and executed in any instance where additional work is performed under the contract and/or changes are made to quantities of materials and services included in the initial contract (as amended by any previously executed change orders). We recommend WRE ensure that change orders are properly prepared, approved, and executed in all circumstances where changes are made to contracted work and related quantities of material and services.

**ISSUE #6** – The City’s contract for the roadway reconstruction and reconfiguration for segment 1 provided for compensation to the contractor (Sandco) based on an established scope of work. The scope of work defined specific materials and services to be provided, with established costs (prices) for those materials and services. As work progresses, the contractor invoices the City for the applicable materials and services acquired and provided to the job (i.e., segment 1). A common characteristic of such contracts is a “final adjustment change order” at the end of the construction to adjust the original scope of work (based on planned and estimated material quantities and services) to the material quantities and services actually provided in completion of the job. The City’s estimates are generally accurate such that these adjustments, although sometimes significant, are usually not material to the overall project costs.

*Final adjustment change orders are executed to adjust for differences in estimated and actual materials and services.*

In accordance with this process to adjust compensation to reflect actual material quantities and services for segment 1 construction services, the City executed a “final change order” that increased the contractual costs by \$116,412 (representing 2.5% of final contract costs of \$4.67 million). Our review and discussions with Public Works staff showed those adjustments to be reasonable and appropriate, as Public Works inspectors verify the quantities and services provided for such construction jobs.

Periodic pay requests (invoices) submitted to the City by the contractor as work is completed are required to reflect the material quantities and services rendered for the period covered by the invoice. We found amounts periodically billed (invoiced) by the contractor (Sandco) for segment 1 construction work were, for the most part, properly supported and in accordance with contractual terms and conditions.

*We found the material quantities and services reflected on the final adjustment change order did not agree with those billed on the final pay request.*

However, we noted that the material quantities and services billed for the entire project for certain items and services, as reflected on the contractor's final pay request (invoice), did not agree with the final quantities and services as indicated in the final adjustment change order. Specifically, for 26 of 162 separately defined materials and/or services, the final quantities on the final invoice differed from the final quantities agreed upon by the City and the contractor in the final adjustment change order. The differences offset each other such that there was no over or under payment in regard to the total contractually agreed compensation, as amended by the approved and executed change orders (including the "final adjustment change order"). These circumstances implied that (1) errors in the quantities reflected in the contractor's final pay request were not detected by Public Works staff and therefore the review process for pay requests was not adequate to ensure the payment was appropriate and/or (2) the changes for quantity differences as approved in the final adjustment change order were not properly and adequately determined.

*Public Works agreed that enhancements are needed to ensure pay requests (invoices) are accurate and correct.*

Subsequent to their review of these circumstances in response to our inquiry, Public Works management agreed with our assessment. Public Works management asserted the final quantities and services determined in the final adjustment change order were correct, but the contractor incorrectly adjusted final quantities and services on their final pay request. Public Works management also acknowledged that review of that final pay request had not been adequate and that, without adjustment, the final invoice should not have been accepted and approved for payment.

To ensure City funds are paid only for goods and services rendered, we recommend Public Works enhance the review of contractor invoices for construction services to ensure amounts billed are based on accurate and verified (by Public Works staff) material quantities and services.

**ISSUE #7** - Documentation needs to be prepared and retained as part of the contract records explaining and justifying why liquidated damages (LDs) are not assessed when the contractor does not complete the work by the contractually established deadline. Current contract language has been interpreted to provide LDs are assessable based on the "final completion" date, which is defined by the contract as the date after (1) the physical construction is substantially completed (e.g., roadway and related infrastructure completed and roadway opened for traffic), (2) City staff have completed their final inspections and approved all aspects of the work (e.g., roadway, traffic signals, landscaping, utility infrastructure, etc.), and (3) the contractor has submitted all required paperwork including the final pay request. If the date at which all of those criteria have been met is past the completion date established by the contract (and any related change orders), then LDs are assessable.

*Records should be maintained justifying why liquidated damages are not assessed when contractors do not complete work by contractually established due dates.*

For the contract executed with Sandco for segment 1, our review showed the contract and related change orders and Notice to Proceed (i.e., establishes dates for which the contractor may start work on the project and date when the contractual work should be finished) provided the work was to be completed by November 30, 2011. If work was not completed by that date, those documents provided LDs were to be assessed at a daily rate of \$2,121.

Based on the contractual definition (as confirmed by Public Works staff), the "work" was not completed by Sandco until December 22, 2011. Theoretically, LDs of \$46,662 were therefore assessable to Sandco. However, Public Works did not assess LDs. In response to our inquiry on this matter, Public Works indicated it was their interpretation that "work" was not completed, in part, until December 22, 2011, because of the time required of various City staff (Electric and different Public Works components such as traffic, landscaping, and roadway & drainage) to inspect substantially completed work for the purpose of ensuring all construction and work quality requirements were met. In other words, the delay was attributable, at least in part, to City staff.

*Public Works agreed that better contract language is needed for determining when liquidated damages should be assessed.*

Public Works also acknowledged these same circumstances are applicable to other Public Works contracts and projects where LDs are assessable but not assessed. As a result of this audit, Public Works indicated

consideration is being given to tying the assessment of liquidated damages to the date the work is "substantially completed" instead of the date after (1) City staff have performed and completed their inspections and (2) the subsequent date on which the contractor submits a final pay request. We agree that a more appropriate completion date may be needed for purposes of determining when LDs should be assessed. However, Public Works must also consider retaining a sufficient method to hold the contractor accountable for satisfactory completion of "punch list" items identified during the final inspection process (i.e., after substantial completion). Public Works management acknowledged and agreed with that concern.

Accordingly, we recommend Public Works determine if a more appropriate date can be identified and used for determining if and when LDs should be assessed. If such a date is identified, contract language and provisions should be drafted accordingly. Regardless of whether a revised and more appropriate date is identified to use as the completion date for purposes of assessing LDs, Public Works should better document and justify in City records why LDs are not assessed when "work" as defined in the applicable contract language is not completed by the deadlines established by the applicable contract language. If such justification does not exist, then LDs should be assessed by the City.

*Similar issues were identified in regard to contracts executed and administered by WRE.*

(NOTE: The circumstances described in this issue were also found to be applicable to two contracts executed and administered by the City's Water Resources Engineering Division (WRE) within Underground Utilities. Specifically, for two contracts involving water and sewer improvements (one for the Gaines Street corridor and the other on Jefferson Street for improvements in connection with a private redevelopment adjacent to the corridor), the work completion due dates as defined in the contract and related change orders were not met. In both instances, WRE staff provided reasons justifying why LDs were not assessed. Those reasons were not, however documented in City records prior to our inquiry. Accordingly, as also recommended for Public Works, we recommend WRE document and justify in City records why LDs are not assessed when "work" as defined in the applicable contract language is not completed by the deadlines established by the applicable contract language. Because contract language was similar to that used by Public Works, we also recommend WRE determine if a more appropriate date can be identified and used for

determining if and when LDs should be assessed. WRE should work with Public Works in this matter.)

### **ISSUES - BROWNFIELD GRANT EXPENDITURES**

**ISSUE #8** – Some of our sampled charges involved the acquisition of environmental assessment services for four City-owned properties within and adjacent to the Gaines Street corridor (Warehouse property, former Arts Exchange property, former City utility payment center, and the larger O’Connell property parcel). Those services were acquired through an existing City contract (continuing services agreement) for environmental services. The services were allocated between two categories within the brownfield assessment grant, one for petroleum contamination and the other for other hazardous substances. A total of 10 payments (involving 16 invoices) were made to this contractor for these services. Those payments totaled \$132,290. For the most part, those payments were reasonable, adequately supported, allowable, and in accordance with grant provisions and contractual rates and provisions. Only a few instances were noted where items were either overpaid or not adequately supported. Specifically:

*Overpayments and/or unsupported payments of \$1,971 were identified in our testing of brownfield grant expenditures.*

- Amounts invoiced by the contractor and paid by the City for contractor labor costs were based on inappropriate rates for four invoices, resulting in overpayments totaling \$917.
- Amounts paid the contractor under one task order exceeded the established and authorized amount by \$424.
- No support was provided by the contractor to substantiate field costs of \$630 invoiced by the contractor and paid by the City.

The overpayments and/or inadequately supported costs total \$1,971. While that amount is not material to total payments of \$132,290 (1.5%) paid the contractor for the applicable services, it demonstrates the need for EPER to enhance reviews of vendor invoices to ensure payments are made only for supported and appropriate costs. Discussions with EPER staff and review of the more recent invoices demonstrate EPER staff has enhanced their reviews to identify such instances. We recommend those efforts be continued. In regard to recovering the identified overpayments, EPER indicated that the grantor agency (EPA) advised recovery from the

contractor and reimbursement to EPA was not necessary as the City had unclaimed allowable costs in amounts exceeding the overpayments. Accordingly, EPER does not plan to recover the identified overpayments from the contractor.

For a separate contract involving environmental assessment services for a separate City owned property adjacent to the Gaines Street corridor (CSX property), we identified another overpayment of \$350. That overpayment occurred when EPER staff disallowed an incorrect amount on one of the contractor's invoices. In this instance the contractor invoiced the City for labor costs in excess of the amount allowed by the executed task order. EPER staff properly disallowed the excess with the explanation that the contractor had not previously requested approval for and justified those "extra" labor costs. We commend EPER staff for their review to ensure only allowable costs were invoiced and paid. However, we determined that EPER used an incorrect amount (unsupported and incorrect summary amounts instead of supported detail costs) when determining the amounts to disallow. As a result, costs of only \$311 were disallowed when the amount disallowed should have been \$661 (difference of \$350). Total payments made under this contract totaled \$43,383. The overpayment of \$350 represents less than 1 percent of that amount. We recommend EPER continue efforts to ensure only allowable costs are paid.

**ISSUE #9** – To ensure vendors are timely paid for their services, State statutes and City policy require that vendor invoices be timely processed and paid upon receipt by the City. For construction services, invoices are to be processed and paid within 25 days of receipt by the City. For non-construction services, invoices are to be paid within 45 days of receipt. Our review of the 21 sampled brownfield grant expenditures showed most were timely processed and paid. Yet, four of those 21 were not paid timely. Those four invoices were not paid until 5, 8, 24, and 80 days after the respective deadlines for timely payment. In three of those four instances records show the late payments (8, 24, and 80 days late) were attributable to delays in EPER's review and processing of those invoices prior to submission to the City's Accounts Payable Division for further processing and payment. In the other instance the late payment (5 days late) was attributable to Accounts Payable staff's delay in processing the invoice after receipt from EPER. We recommend EPER take appropriate

*Efforts should be enhanced to ensure vendor invoices are timely paid.*

actions to ensure all vendor invoices are timely reviewed, processed, and submitted to the Accounts Payable Division. Similarly, the Accounts Payable Division should enhance efforts to timely process and pay invoices upon receipt from EPER.

### ISSUE PROPERTY DISPOSITION

We found the one property disposition (former Salie property) was generally in accordance with the redevelopment objectives for the corridor and provisions of the City's real estate policy. The related sale proceeds were also received, properly accounted for, and deposited. However, the following issue was identified.

**ISSUE #10** - City Commission Real Estate (RE) Policy 136 provides that nearby property owners be notified whenever significant consideration is being given to sale of surplus City property. Any comments from those nearby property owners are to be summarized and provided to the City Commission and/or City Manager for their consideration when reviewing the sale for approval or disapproval. Provisions in City RE Policy 136 state that these procedures shall also be followed when the City receives an offer on City owned property not considered surplus. That process ensures fair and proper consideration is provided to nearby property owners that may have an interest in the property and/or in possible uses of the property when sold.

*For future City property dispositions, nearby property owners should be formally notified in accordance with City real estate policy.*

The sale of the City owned Salie property located at the intersection of Gaines and Gay Streets was for the purpose of redeveloping and revitalizing the Gaines Street corridor, a City sponsored and supported program. The sale of the property was accomplished in a very public manner (e.g., open City Commission meetings). Also, one of the nearby property owners was involved in the sale in regard to termination of their existing easement from the Salie property, establishment of a new access easement, and construction by the City of an alley on that property's west border and related parking.

Notwithstanding these circumstances, formal notification was not provided to nearby property owners as required by City RE Policy 136. Formal notification to nearby property owners helps ensure those parties (some of which could be from out-of-town and thus not aware of City Commission

agenda and meetings) had the opportunity to consider and comment on the proposed sale and use of the subject property. In response to our inquiry on this matter, PMD acknowledged the oversight in this instance and indicated actions would be taken to ensure compliance with those procedures in future sales. We recommend appropriate efforts be made to ensure nearby property owners are properly notified in future instances that significant consideration is given to sale of applicable City property. (NOTE: For the sale of the former City utility payment center property, nearby property owners were properly notified in accordance with City RE Policy 136.)

## OTHER PROJECT ACTIVITIES

### **INFORMATION DISCLOSURE: PROJECT CHANGE ORDERS** –

During this audit we determined there was a significant number of change orders executed for the design and construction contracts relating to the reconstruction/reconfiguration of the Gaines Street roadway and related right-of-way (i.e., the corridor).

The construction design contract was initially executed in April 2009 as a task (work) order through an existing City continuing services agreement (CSA) with an engineering firm, Genesis Group. The amount of that initial task order was \$109,417. As of the start of this second progress audit, 14 “change orders” had been executed as the project developed. The amount of those 14 change orders totaled \$1,078,666; approximately 10 times the amount of the initial task order. Those change orders were executed for redesigns and additional design services as the project developed. Additional design services addressed new segments (e.g., segments 2 and 3), bicycle boulevards, and public alleys for examples. Examples of redesign services included revisions to medians and driveways as adjacent redevelopments occurred and to further improve access to existing businesses. Each of the 14 change orders were supported by a detailed description of the redesign and/or additional design services to be provided and an accompanying task/work order detailing the hours and associated costs for those efforts. We found those task/work orders to be supported and in accordance with the provisions of the governing CSA. We also found that those change orders executed since the initial progress audit had been properly reviewed and approved by the appropriate levels of

*There were an unusual number of change orders executed for contracts involving design and construction services.*



management (i.e., knowledgeable Public Works staff and the applicable Assistant City Manager). With the assistance of knowledgeable Public Works staff, we also determined that the redesign and additional design services had been rendered (e.g., through review of plan design documents and revised documents, explanations from the contractor, etc.). In regard to whether other firms should have been considered for the redesign and additional design services, Public Works engineering staff indicated use of the same firm was necessary to maintain continuity of the project and it likely would not have been efficient and cost-effective for another (unfamiliar) firm to provide those services (i.e., avoid the necessity of “reinventing the wheel”).

*Our review showed the change orders to be appropriate and justified.*

In regard to the construction contract with Sandco for segment 1, there were three approved change orders which increased contract costs by \$907,582. The initial contract was \$3,763,867; so the change orders represented a 24% increase. One reason attributed by Public Works management for the significant increase was that Gaines Street is one of the oldest developed areas in Tallahassee and, as a result, various previously unknown and unforeseen items were identified as construction began, such as underground utilities, sanitary sewer lines, telecommunications duct banks, etc., that necessitated construction changes. Additionally, as indicated in the previous paragraph, there were design modifications as the project “personality” developed that resulted in additional construction costs. Public Works management noted many of those costs were not anticipated when the contract was initially awarded due, in part, to lack of records showing the underground conflicts that were eventually encountered. While there were also three change orders for the construction contract with Allen’s Excavation for segment 2, those three change orders represented only 4% of the initial contract amount. Our review of the construction change orders for both contractors showed they were reasonable, supported, and properly reviewed and approved.

Based on (1) the understanding that the reconstruction and reconfiguration of the Gaines Street corridor has continually evolved as the project developed, (2) the amount of unforeseen items (underground utilities, sanitary sewer lines, telecommunications duct banks, etc.) encountered during construction activities, (3) managements review and approval of the changes orders, and (4) the additional audit procedures performed to

address the significant number of design and construction change orders, we determined that the unusual number and value of project change orders was not inappropriate or unreasonable.

## Conclusion

*The City, in conjunction with private developers, has continued to make significant strides in the realization of the envisioned Gaines Street revitalization.*

The City, in conjunction with private developers, has continued to make significant progress in converting Gaines Street to the envisioned urban corridor. Actions taken and/or completed since the initial progress audit included (1) completion of the reconstruction/reconfiguration of segment 1; (2) start and substantial completion of reconstruction/reconfiguration of segment 2; (3) near completion of the design for reconstruction/reconfiguration of segment 3; (4) sales of the former City utility payment center and Salie properties for preferred redevelopments; (5) start and/or completion of several private redevelopments within and adjacent to the corridor; (6) continued CRA funding for redevelopment purposes; (7) use of federal EPA grant funds for further assessment and remediation on certain City-owned properties; (8) continuation of utility alterations, replacements, relocations, and improvements associated with private redevelopments within and adjacent to the corridor; and (9) continued significant efforts by the City to involve and inform affected businesses and property owners and the general public.

Remaining actions to complete the envisioned revitalized corridor include (1) final inspection and approval (acceptance) of the reconstruction/reconfiguration of segment 2 work; (2) completion of the final design and subsequent reconstruction/reconfiguration for segment 3; (3) sale and redevelopment of more City/CRA owned properties; (4) finalization of contamination assessment and remediation activities; and (5) completion of necessary utility alterations, improvements, replacements, and relocations as redevelopment within and adjacent to the corridor occurs.

To date, project funding has been sufficient and adequate to finance the City's revitalization efforts. A total of 62 separate "projects" have been created to date to fund those City (and CRA) efforts. The cumulative budget for those 62 projects was \$51,311,382 at the start of this second progress audit in mid-October 2012. As of that date, \$42,597,805, or 83%,

of that budgeted total had been expended, with \$15,607,902 of that amount expended during the two-year period covered by this second progress audit.

The City has continued its due diligence in addressing environmental contamination. Federal EPA assessment and contamination grants have provided the majority of the funding for those efforts. To date, all City owned properties are still considered developable (i.e., no significant contamination issues that preclude redevelopment have been identified which can and/or have not been addressed through remediation actions).

City efforts to involve and inform impacted local businesses and property owners and the general public have continued. Those efforts include not only traditional methods (e.g., press releases and media advisories), but also innovative methods such as “block parties” and social media (Facebook and Twitter) to provide project information and updates and a medium for the public to make comments and ask questions.

In regard to project financial activity, we found expenditures were, for the most part, (1) proper and appropriate and for authorized project purposes; (2) in compliance and accordance with controlling laws, rules, regulations, grant requirements, policies and procedures, and good business practices (includes efficient and appropriate/competitive acquisition of goods and services); (3) properly recorded and accounted for; and (4) properly and adequately supported. A few issues were identified for which recommendations are made to enhance the project administration process.

The various City departments involved in this project, in conjunction with the CRA, have continued to show their commitment to realize the revitalization of the Gaines Street area.

We would like to thank staff in the various City departments and the CRA for their assistance during this audit.

### *Appointed Official's Response*

#### **City Manager:**

I am pleased with the findings, as well as the resulting corrective actions of this audit. City-wide, our departments have demonstrated strong leadership and a commitment to comply with the City's applicable financial regulations and established procedures. I also thank the audit staff for their thorough analysis and timely follow-up.

## **APPENDICES**

APPENDIX A	ACTION PLAN	73
APPENDIX B	GAINES STREET ROADWAY SEGMENTS	75
APPENDIX C	GAINES STREET PROPERTIES	77
APPENDIX D	CURRENT GAINES STREET ACTIVITY	79

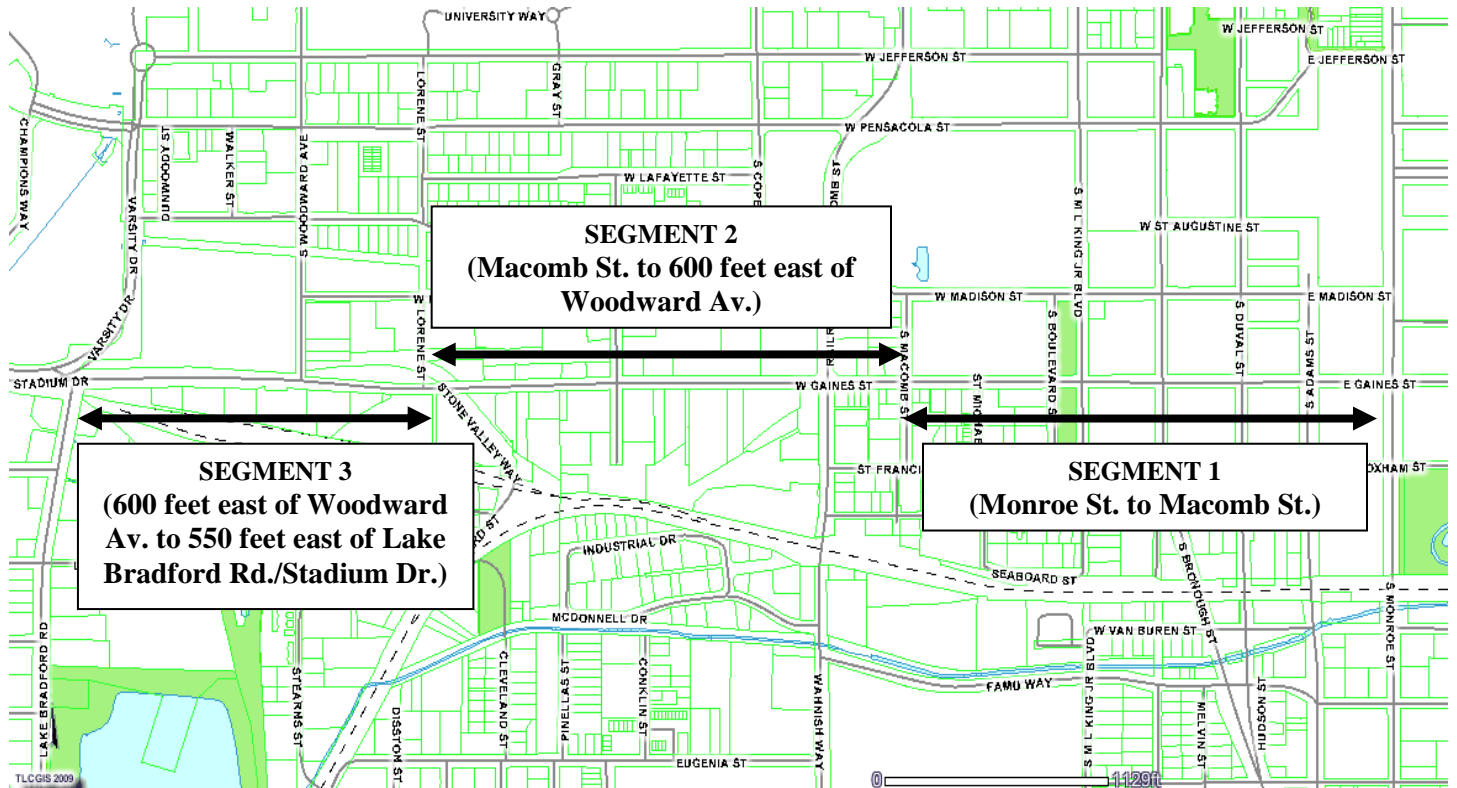
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**Appendix A – Action Plan**

Action Steps		Responsible Employee	Target Date
<b>A. Objective:</b>	<b>Enhance accountability through proper coding of project expenditures (Public Works and Underground Utilities).</b>		
1.	Efforts will be enhanced to ensure project charges are coded to the most appropriate expenditure category. <i>(Public Works)</i>	Steve Shafer	August 1, 2013
2.	Adjustments will be made to transfer charges of \$100,277 from the City’s water fund to the sewer fund as correction of the inequitable allocation of charges as identified in the audit. <i>(Underground Utilities)</i>	Gordon Klein	September 30, 2013
3.	Underground Utilities will use the appropriate available methodology to equitably allocate construction costs between funding sources. <i>(Underground Utilities)</i>	Gordon Klein	June 30, 2013
<b>B. Objective:</b>	<b>Ensure required insurance coverage is maintained (Risk Management).</b>		
1.	Efforts will be enhanced to insurance evidence of required insurance coverages is provided before contracts are executed. <i>(Risk Management)</i>	Gail Shuffler	September 30, 2013
<b>C. Objective:</b>	<b>Ensure change orders are timely executed (Public Works and Underground Utilities).</b>		
1.	Anticipated and outstanding pending changes that affect the contract price will not be unnecessarily delayed in order to bundle changes into a single change order; change orders will be prepared and presented for approval as soon as practicable in an effort to ensure timely execution. <i>(Public Works)</i>	Steve Shafer	August 1, 2013
2.	Change orders will be prepared, approved, and executed for authorized work that increase or decrease the contract price. <i>(Underground Utilities)</i>	Jerry Walden	September 30, 2013

<b>D. Objective:</b>	<b>Ensure liquidated damages are properly assessed upon appropriate circumstances (Public Works and Underground Utilities WRE).</b>		
1. With the assistance of the City Attorney’s Office, contract language will be reviewed to determine if a more reasonable “required completion date” should be used in determination of whether liquidated damages should be assessed. <i>(Public Works and Underground Utilities)</i>	Steve Shafer (Public Works)  Jerry Walden (Underground Utilities)		September 1, 2013  November 30, 2013
2. Justification for not assessing liquidated damages will be documented in those instances where contractors do not complete required work by the contractually designed completion date and the City determines it appropriate to not charge liquidated damages (delays attributable to the City and not the contractor and/or other legitimate reasons). <i>(Public Works and Underground Utilities)</i>	Steve Shafer (Public Works)  Jerry Walden (Underground Utilities)		September 1, 2013  November 30, 2013
<b>E. Objective:</b>	<b>Ensure proper and timely disbursement of City funds (Public Works, EPER, and Accounts Payable).</b>		
1. Reviews of contractor pay requests will be enhanced to ensure quantities of materials and services billed agree with quantities of materials and services provided. <i>(Public Works)</i>	Steve Shafer		September 1, 2013
2. Reviews of vendor invoices will be enhanced to ensure services and fees billed are in accordance with applicable task orders/contracts and adequate support is provided by the contractor to support amounts billed. <i>(EPER)</i>	Administrative Services Manager (EPER)		January 15, 2014
3. Efforts will be enhanced to ensure timely payment of vendor invoices. <i>(EPER and Accounts Payable)</i>	Administrative Services Manager (EPER)  Andre Libroth (Accounts Payable)		January 15, 2014  September 30, 2013
<b>F. Objective:</b>	<b>Ensure real estate dispositions are executed in accordance with City policy (Property Management Division).</b>		
1. In future sales of City properties, nearby property owners will be properly notified in accordance with the provisions of City Commission Real Estate Policy 136. <i>(Property Management Division)</i>	Mark Beaudoin		Upon next sale of City owned real estate

### APPENDIX B ROADWAY CONSTRUCTION SEGMENTS

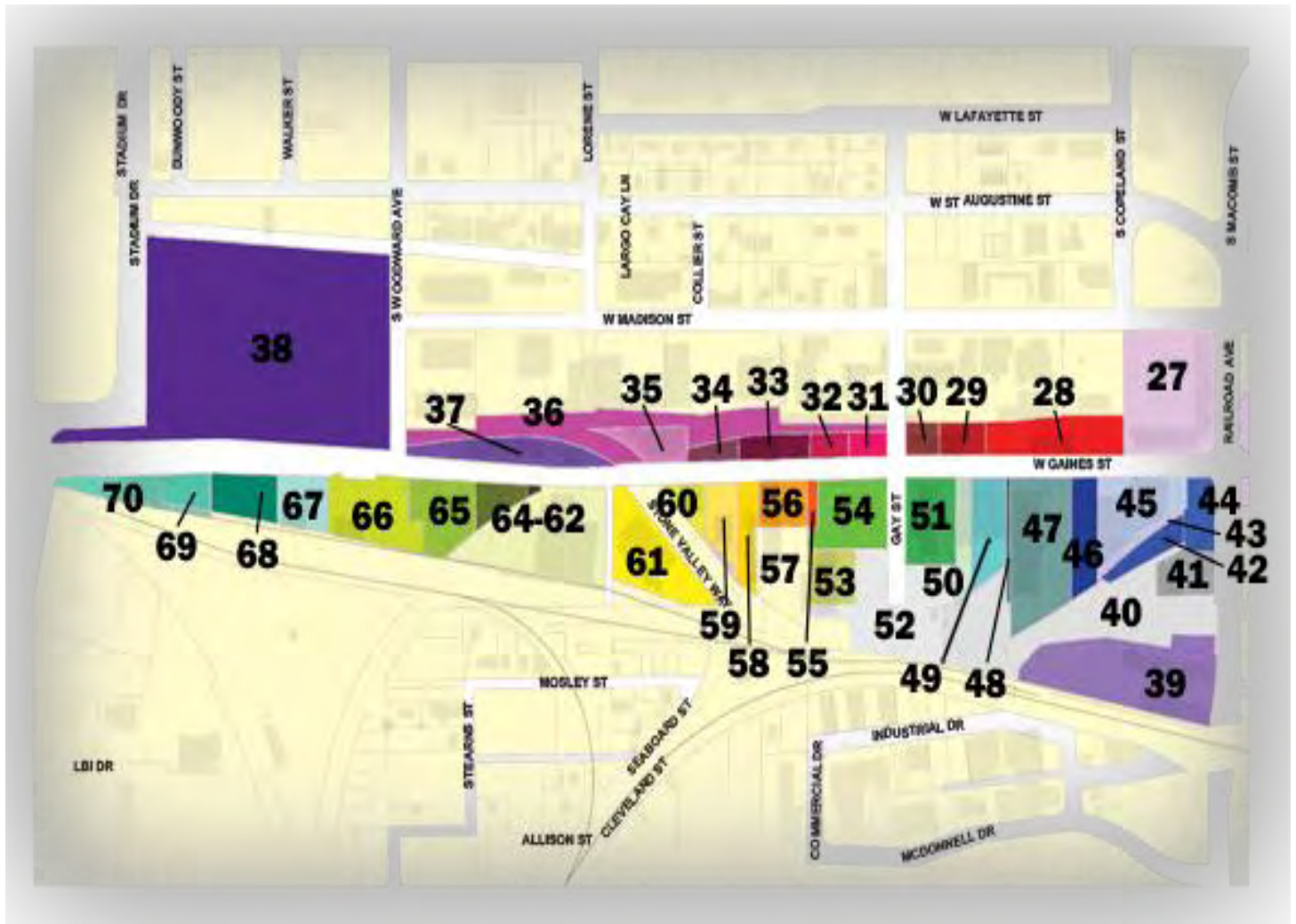




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**APPENDIX C  
GAINES STREET "WESTERN" PROPERTIES  
(BY PARCEL NUMBER)**



Current City-owned parcels: 31, 32, 36, 40, 41, 42, and 48

**APPENDIX D  
GAINES STREET  
SEGMENT 2  
(Looking east on Gaines Street – May 9, 2013)**





**APPENDIX D  
GAINES STREET  
SEGMENT 2  
(Looking west on Gaines Street – May 9, 2013)**



**APPENDIX D**  
**PRIVATE DEVELOPMENT**  
**Residence Inn Marriot**  
**(May 9, 2013)**





**APPENDIX D**  
**PRIVATE DEVELOPMENT**  
**The Lofts On Gaines**  
**(May 9, 2013)**



**APPENDIX D  
PRIVATE DEVELOPMENT  
College Town  
(May 9, 2013)**





**APPENDIX D**  
**PRIVATE DEVELOPMENT**  
**America's Backyard Site**  
**(May 9, 2013)**



**APPENDIX D  
PRIVATE DEVELOPMENT  
The Domain  
(May 9, 2013)**





**APPENDIX D**  
**PRIVATE DEVELOPMENT**  
**Catalyst Apartments**  
**(May 9, 2013)**



**APPENDIX D  
PRIVATE DEVELOPMENT  
601 Copeland  
(May 9, 2013)**





**APPENDIX D**  
**PRIVATE DEVELOPMENT**  
**The Deck**  
**(May 9, 2013)**



**APPENDIX D**  
**PRIVATE DEVELOPMENT**  
**The Block**  
**(May 9, 2013)**





**APPENDIX D**  
**PRIVATE DEVELOPMENT**  
**North American Properties (Not yet named)**  
**(May 9, 2013)**

