

# **Gaines Street Revitalization Project**

**AUDIT REPORT #1111**

**June 2, 2011**



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## HIGHLIGHTS

Highlights of City Auditor Report #1111, a report to the City Commission and City management

### WHY THIS AUDIT WAS CONDUCTED

The Gaines Street Revitalization Project was conceptualized and initiated in the early 1990's. The current project has evolved from various preliminary studies and visions. Multiple City departments and offices are playing major roles in the project. Required tasks performed or being performed include: (1) establishing new development and use requirements, (2) fostering desired redevelopment, and (3) reconfiguration of the corridor.

A total of \$43 million has been budgeted for the project, with a portion of those funds intended for the FAMU Way Project, a separate "sister project" that evolved out of the initial Gaines Street project. To date, approximately \$26.4 million has been expended for project purposes, with \$6.1 million of that recovered through sales of City-owned properties within the corridor.

This audit was conducted to (1) determine the project's history and significant events to date; (2) determine the current status and remaining steps and actions to complete the project; (3) determine and disclose the project's funding sources and the current status of that funding; (4) determine if project expenditures/activities were proper and appropriate; (5) determine if due diligence was performed in regard to environmental contamination within the corridor; and (6) determine if City efforts to inform and involve the public were adequate and reasonable.

### WHAT WE RECOMMENDED

To help ensure project accountability, we recommended the Gaines Street and FAMU Way projects be budgeted and accounted for separately. While most expenditures and activities were appropriate, other recommendations were made to (1) amend the City's real estate policy to provide for notification to nearby landowners when the City markets and sells properties to foster redevelopment; (2) execute contract amendments to justify payment methods; (3) obtain appropriate management approvals for change orders; and (4) use competitive procurement practices for all applicable purchases.

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## AUDIT OF GAINES STREET REVITALIZATION PROJECT

*While work and redevelopment remains, the City is making significant strides in realizing a revitalized Gaines Street corridor and adjacent area. Only a few issues were identified for which recommendations for improvements were made.*

### WHAT WE CONCLUDED

The City is making significant progress in converting Gaines Street and the surrounding area to the envisioned urban corridor. New development regulations and guidelines have been established. Properties for redevelopment have been acquired and enhanced. Some redevelopment has occurred. New utility infrastructure has and is being installed. Reconstruction of the first roadway segment is in progress. Environmental assessments are ongoing and the general public and affected parties have been informed and involved. Except for a few relatively minor instances, expenditures of City funds have been appropriate and reasonable.

Significant actions remaining before the vision is realized include:

- Further redevelopment of existing properties.
- Final design and reconstruction of the roadway.
- Further environmental assessments and necessary remediation of identified contaminated materials.
- Addressing project funding as the Gaines Street and FAMU Way Projects develop.
- Keeping the public and affected parties informed and involved as the project develops.

We believe the various City departments involved with this project, in conjunction with the Community Redevelopment Agency (CRA), have demonstrated a commitment to follow through on these remaining actions.

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

- The costs for the Gaines Street Revitalization and FAMU Way Projects were not budgeted/accounted for separately.
- The City's real estate policy currently does not provide for notification to nearby property owners when City-owned properties are being marketed and sold for redevelopment purposes.
- Contract amendments were not prepared and executed to justify a departure from contractually-established payment methods.
- Required managerial approvals were not obtained for change orders relating to one contract for services.
- In one instance competitive quotes should have been obtained for the acquisition of temporary fencing for a City-owned property undergoing abatement and demolition.

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

Office of the City Auditor

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# Gaines Street Revitalization Project



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## Executive Summary

*While much work and redevelopment remains, the City is making significant strides in realizing a revitalized Gaines Street corridor and surrounding area.*

*The overall purpose of this audit was to determine and report on the current status of the project and to determine whether project funds were properly and appropriately expended.*

*OVERVIEW: The City is making significant progress in converting Gaines Street and the surrounding area to the envisioned urban corridor. New development regulations and guidelines have been established. Properties for redevelopment have been acquired and enhanced. Some redevelopment has occurred. New utility infrastructure has and is being installed. Reconstruction of the first segment of the roadway is in progress. Environmental assessments are ongoing and the general public and affected parties have been informed and involved. Except for a few relatively minor instances, expenditures of City funds have been appropriate and reasonable. Notwithstanding this progress, significant actions remain before the vision is realized. Remaining actions include further redevelopment of existing properties and final design and reconstruction/reconfiguration of the roadway. Environmental assessments and necessary remediation must be completed. Also, funding issues must be addressed as the Gaines Street and FAMU Way projects develop. Efforts should continue to keep the public and affected parties informed and involved. We believe the various City departments involved with this project, in conjunction with the Community Redevelopment Agency (CRA), have demonstrated a commitment to follow through on these remaining actions.*

**Objectives and Scope.** The overall purpose of this audit was to ascertain and report on the current status of the City's Gaines Street Revitalization Project and determine whether project funds have been properly and appropriately expended. Our six specific audit objectives included: (1) determine and disclose the project's history and significant events to date; (2) determine and disclose the current status of the project and remaining significant steps and actions necessary to successfully complete the project; (3) determine and disclose the funding established for the project and the current status of that funding; (4) determine whether project

*Six specific audit objectives were identified and addressed.*

*Our audit focused on activity from 2004 through the present.*

*The Gaines Street Revitalization Project has a history dating back almost 20 years.*

*Several significant actions have been completed or are otherwise in progress.*

*Significant completed actions include creation of CRA's to foster redevelopment and adoption of new land development regulations and related guidelines.*

activities and expenditures incurred to date were proper and appropriate, in compliance with controlling requirements and good business practices, and properly recorded and supported; (5) determine if the City performed due diligence in identifying and addressing potential environmental contamination within the corridor and adjacent area; and (6) determine if City efforts to inform and involve the public were adequate and appropriate.

While the scope of this audit inherently included activity dating back almost 20 years (i.e., to the inception of the project), the main focus of our review addressed activity from 2004 through the fall of 2010. Because of the comprehensive nature of the revitalization project, activity within multiple City departments was reviewed to meet the stated audit objectives.

**Project History.** 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 over the last 20 years.

**Actions Completed and In Progress.** We identified and classified the significant actions that have been completed and those that are in progress. Those actions include:

- Two community redevelopment districts (CRA) districts have been created to foster redevelopment of the Gaines Street corridor and surrounding area. Funds from incremental property taxes within those two CRA districts are being used to provide various redevelopment incentives (loans and grants) and to otherwise assist the City in redevelopment of the corridor/area.
- The City designated the Gaines Street corridor as an “Urban Infill and Redevelopment Area” through an amendment to the Comprehensive Plan, 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

*Several major properties were acquired in connection with redevelopment efforts.*

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 have been conducted.*

- The City acquired five 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, one of those five major properties has been sold and redeveloped (Marriot Residence Inn).

*The design is complete for most of the roadway and conversion of the roadway has started.*

- The City has and continues to conduct environmental assessments and some remediation (removal and disposal of contamination) for the Gaines Street corridor and City-owned properties within the corridor.
- The City has (1) finalized the overall design for much of the roadway (Monroe Street almost to Woodward Avenue); (2) replaced and/or relocated much of the City utility infrastructure (water, sewer, electric, and gas) within the corridor; and (3) started the roadway conversion for the segment running from Monroe Street to Macomb Street.

*Much redevelopment remains before the vision is realized.*

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

- Redevelopment of various properties, both City-owned and privately-owned parcels. Redevelopment has slowed during the economic recession that began in the fall of 2008.
- Environmental assessments and necessary remediation activities for the roadway and City-owned properties must be finalized. As noted previously, those efforts are ongoing.

*Further environmental assessments are needed in addition to necessary remediation efforts.*



*In addition to completing the roadway conversion for two segments, the City must develop the final design for the third segment; that final design cannot be completed until several factors and issues are resolved.*

*Many of the 70 property parcels within the corridor are privately owned.*

*While some of the existing structures and uses likely comply with the new development standards, others do not.*

*As the recently envisioned FAMU Way Project evolved from the Gaines Street Revitalization Project, many of the established capital project funds could be used for either project.*

*Capital Projects established for the Gaines Street revitalization provide funding of approximately \$43.1 million.*

- Completion of the roadway reconstruction and reconfiguration (conversion). As previously noted, construction is in progress for one segment (Monroe Street to Macomb Street). Completion of that segment is expected in June 2011. Work for the second segment (Macomb Street almost to Woodward Avenue) is expected to start in late spring or early summer of 2011. In regard to the third segment (almost Woodward Avenue to the Gaines Street/Lake Bradford Road/Stadium Drive intersection), a design cannot be finalized and construction started until several factors and issues are resolved.

**Status of Existing Property Parcels.** The City identified 70 individual property parcels within the Gaines Street corridor. Of those 70 parcels, 17 are owned by the City and CRA, 7 are owned by other governmental entities, and the remaining 46 are owned by private non-governmental entities. Some of the existing structures and current uses on these 70 parcels likely will comply with the new land development regulations and related guidelines while others likely do not. The ones that do not will be “grandfathered in” as long as the current uses are continued without interruption and modifications are not made to the existing structures.

**Project Funding.** Capital projects identified as established for the Gaines Street revitalization provide funding totaling \$43.1 million. That funding is for acquisition and improvement of properties (redevelopment) and utility and roadway reconstruction and reconfiguration (conversion). As of September 30, 2010, approximately \$26.4 million of those funds had been expended, with \$6.1 million of that amount recovered through sales of City properties; leaving approximately \$22.8 million currently available for remaining activities. Additional funds will become available as other City-owned properties within the corridor are sold for preferred redevelopments. It appears sufficient funds will be available to finish the Gaines Street revitalization. Project funds not spent to complete the Gaines Street revitalization will be available to complete the FAMU Way project, a “sister” roadway project that will run parallel to (south of) Gaines Street. This is because the FAMU Way Project evolved out of the initial Gaines Street Revitalization Project. Additional funding necessary to complete the FAMU Way Project likely will come from applicable sales tax funds, concurrency fees, and bond proceeds.

*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.*

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

*The City has successfully involved and informed affected parties and the general public.*

**Project Activities and Expenditures.** We classified project expenditures and activities into five categories and tested either all or a representative sample from each of those categories. Categories included: (1) acquisition of properties; (2) property improvements, enhancements, maintenance, etc.; (3) disposal of City-owned properties; (4) utility reconstruction and reconfiguration; and (5) roadway reconstruction and reconfiguration. Overall, we found expenditures and activities were reasonable, properly authorized and approved, in accordance with project goals and objectives, executed using appropriate methods, in accordance with applicable contractual terms and conditions, timely paid, properly supported, and correctly recorded in the City's records.

**Environmental Due Diligence.** Our review shows the City has conducted due diligence in identifying environmental concerns for the Gaines Street travel corridor and various properties adjacent to that corridor. The results of various environmental assessments were properly considered by the City in making decisions on whether to acquire properties for redevelopment purposes and in deciding what further actions are necessary. Those environmental assessments are ongoing. The City received federal grants totaling \$1 million to assist in the assessment and related remediation activities.

**Informing and Involving the Public.** Our review showed the City made successful and conscientious efforts to involve and inform affected parties (property owners, businesses, and residents) and the general public in/of the Gaines Street Revitalization Project. Communication with those parties and the general public has been accomplished through various means, including use of citizen advisory committees, personal face-to-face meetings, the City's website, social media (e.g., Facebook), outreach presentations, TV and radio presentations, news releases, fliers and letters, formal public meetings, and an on-site customer liaison. Input obtained from these efforts has been instrumental in finalizing plans for the Gaines Street revitalization.

**Issues.** A few issues were identified by this audit for which recommendations were made, as discussed below.

*A few issues were identified for which audit recommendations were made.*

- Costs for the Gaines Street Revitalization Project and the FAMU Way Project should be budgeted and accounted for separately. *(Public Works)*
- Efforts should be made to ensure competitive quotes are always obtained when required by City policy and good business practices. *(Property Management Division)*
- Consideration should be given to amending the City's real estate policy to provide for notification to nearby property owners whenever the City is marketing and selling City-owned properties to foster redevelopment within the City. *(Property Management Division)*
- Additional efforts should be made to ensure future payments for services are in accordance with bids/offers/proposals received in connection with competitive solicitations. *(Electric Utility)*
- Contract amendments should be executed in the future to justify payments made contrary to methods established in an initial contract. *(Public Works)*
- Appropriate management approvals should be obtained for future contract change orders. *(Public Works)*
- Roadway conversion project records should be adjusted for one significant charge that does not pertain to reconstruction and reconfiguration of the designated roadway corridor. *(Public Works)*

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

# Gaines Street Revitalization Project



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## Objectives

*The overall purpose of this audit was to report on the status of the Gaines Street Revitalization Project and determine if project funds have been properly and appropriately expended.*

*Six specific audit objectives were identified and addressed.*

The overall objectives of this audit were to ascertain and report on the current status of the City's Gaines Street Revitalization Project (project) and determine whether project funds have been properly and appropriately expended. Our specific objectives included:

- Determine and disclose the project's history and significant events that have occurred to date. *(Specific Objective No.1)*
- Determine and disclose the current status of the project and remaining significant steps and actions necessary to successfully complete the project. *(Specific Objective No.2)*
- Determine and disclose the funding established for the project and the current status of that funding. *(Specific Objective No.3)*
- Determine whether project activities and expenditures incurred to date were: *(Specific Objective No.4)*
  - Proper and appropriate.
  - In compliance with controlling laws, rules, policies, and good business practices.
  - Properly recorded and supported.
- Determine if the City performed due diligence in identifying and addressing potential contamination in City-owned properties within the Gaines Street corridor, and other properties within the corridor considered for acquisition by the City as part of the project. *(Specific Objective No.5)*
- Determine if the City's efforts to inform and involve the public were adequate and appropriate. *(Specific Objective No.6)*

## Scope

Based on the stated audit objectives, the scope of this engagement inherently included activity since the project's inception, particularly in regard to determining and disclosing the project's history. As the project was conceptualized and initiated in the early 1990's, our review therefore addresses activity which occurred over the last 15 to 20 years. However,

*While this audit addressed activity since the project's inception, our primary focus was on activity occurring from 2004 to the present.*

most activity occurring during the initial years pertained to establishing the project's vision. Most actual activity (acquiring properties, designing and construction of the new corridor, conducting environmental assessments, etc.) has occurred since 2004. The main focus of our audit addressed that more recent activity.

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 primarily to the extent it impacted a determination of project history and significant events. The CRA's involvement is addressed further in the background section of this report.

## ***Methodology***

*Our procedures included interviewing knowledgeable staff and analyzing various records and reports.*

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 the project history and status with knowledgeable staff within the applicable City departments (Economic and Community Development, Public Works, Property Management, Underground Utilities, Electric Utility, Environmental Policy and Energy Resources, and Communications) and the CRA.
- With the assistance of the City's Gaines Street Coordinator, determining the current status of properties and businesses within the Gaines Street corridor as to compliance with "new" design and use requirements established for the Gaines Street districts as part of the overall project vision.

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

*We reviewed environmental assessment records and the City's efforts in involving and informing the public.*

- Reviewing capital projects established for the revitalization of Gaines Street.
- Identifying City funds expended for the project and selecting and testing representative samples of those expenditures.
- Reviewing the City's acquisitions and sales of properties within the revitalization area.
- Reviewing environmental assessment records and reports and discussing them with knowledgeable City staff.
- Identifying and reviewing records and events demonstrating the City's efforts to involve and inform property owners, businesses, residents, and the general public; and, discussing those events with knowledgeable City staff.

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***

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

**Project Vision and Objectives.** The current Gaines Street Revitalization Project evolved out of various preliminary studies and visions dating back to the early 1990's. The primary objectives and purposes of the project can be described as:

- Transitioning the properties, businesses, and residences within and adjacent to the corridor in a manner that revitalizes obsolete industrial areas, preserves historical resources, creates a livable downtown urban area, and enhances opportunities for racial and economic diversity.
- Establishing a unique urban corridor with outstanding aesthetic quality, natural park areas, and scenic landscapes.

See **Appendix B** within this report for drawings of the envisioned revitalized corridor.

Accomplishing those objectives is requiring a multi-year and multi-task approach. It also is requiring involvement of various City departments and related entities. Because of evolving events and decisions, flexibility has been required in regard to designing, planning, and performing/completing tasks.

**Required Tasks to Accomplish Objectives.** For purposes of this audit, we categorized the primary City tasks performed or being performed to meet the noted project objectives into the following categories:

- 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 establish 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 are intended to 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.

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

- 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.
  - Partially completed installation of new or reconfigured utility infrastructure for water, sewer, gas, and electric services for much of the corridor.
  - Started the process of converting the roadway from a four-lane thoroughfare to the designed two-lane road with landscaped sidewalks, crosswalks, medians, lamps, street signs, etc.

*The status of those tasks is described in subsequent report sections.*

As described, the new development and use standards and guidelines have been established. Parts of the other two tasks (fostering desired redevelopment and reconfiguration of the corridor) have also been completed. Specifically, several properties have been acquired by the City and certain properties have already been developed (redeveloped). For a large part of the corridor, new water, sewer, and gas infrastructure has been installed and electric utility infrastructure and services relocated and reconfigured. Additionally, construction has started to convert the roadway. However, work remains to be done to complete the vision. That work includes finalizing the roadway (and right-of-way) conversion (reconfiguration) and more redevelopment of City and privately-owned properties. The status of these various tasks is addressed in further detail in subsequent sections of this report.

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

- Tallahassee – Leon County Planning Department – Creation and proposal of new land code regulations governing the development of properties in the Gaines Street districts, and development of the associated “Urban Design Guidelines for the Gaines Street Design Review Districts.”



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

- Economic and Community Development – Working with the CRA and the City’s Property Management Division in marketing properties within and adjacent to the corridor for redevelopment.
- Property Management – Acquiring preferred properties within and adjacent to the corridor on behalf of the City, maintaining and improving City-owned properties within and adjacent to the corridor, and assisting in marketing and selling those properties to developers for redevelopment of the properties in accordance with the project vision.
- Environmental Policy and Energy Resources (EPER) – Assisting Property Management and the City utility departments in assessing properties within and adjacent to the corridor for contamination (petroleum, arsenic, or other hazardous materials) resulting from prior uses, and developing 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.
- Public Works – Designing specific plans for reconfiguration of the roadway and related right-of-way (e.g., sidewalks, crosswalks, medians, landscaping, street lights and signs) with the assistance of contracted engineering firms; and hiring contractors to implement those plans through actual construction activities resulting in the desired reconfigurations and infrastructure.
- Underground Utilities – Installation of new water, sewer, and gas infrastructure within the Gaines Street corridor with the assistance of hired contractors.
- Electric Utility – Relocation and reconfiguration of applicable electric utility infrastructure and services within the Gaines Street corridor.
- Communications – Working with the City’s Gaines Street Coordinator 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, created by the City in 1998, is also 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) is 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.

Because of the involvement of multiple departments and the CRA, the City Commission assigned a program director of the CRA to serve as the City's Gaines Street Coordinator.

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

*Several capital projects were created and funded for the Gaines Street revitalization.*

- Installation of new and reconfigured utility infrastructure and services (water, sewer, electric, and gas). As of this review, capital project funds budgeted for those purposes totaled \$6,483,926.
- 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. As of this review, the City had budgeted \$17,726,804 for those purposes. *(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 the Gaines Street or FAMU Way corridors, as described in the following item.)*
- 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. As of this review, the City had budgeted \$18,906,596 for that work and similar work to be completed for the FAMU Way Project. The capital project established for that purpose does not distinguish funds to be used for

*The recently envisioned FAMU Way Project evolved out of the initial Gaines Street Revitalization Project.*

Gaines Street from those to be used for FAMU Way. Funding was established in this manner because the FAMU Way corridor was initially considered part of the overall Gaines Street Revitalization Project. (NOTE: The FAMU Way project is a “sister” project that evolved out of the Gaines Street Revitalization Project. FAMU Way will be a thoroughfare that runs parallel to [south of] the redeveloped Gaines Street corridor. The FAMU Way Project is in the preliminary stages, with designing and planning in process but no construction activities to date.)

*Total identified budgeted funds as of this audit totaled \$43.1 million. However, some of those budgeted funds were intended for the recently envisioned FAMU Way corridor as well as Gaines Street.*

The total of these budgeted amounts is \$43,117,326. However, as noted, a portion of those budgeted funds are intended for the FAMU Way project.

The sources of those budgeted funds are;

- \$18,585,000 from the City’s share of sales tax extension revenues (\$17 million of that amount was committed to the project in accordance with a 2004 interlocal agreement between the City and County).
- \$10,700,000 from Leon County’s share of sales tax extension revenues (in accordance with a 2004 interlocal agreement between the City and County).
- \$7,348,400 received from the State of Florida in connection with the transfer of the Gaines Street and adjacent roadways to the City.
- Utility revenues and utility bond proceeds in amounts necessary to fund the reconfigured utility infrastructure and services (current budgeted amounts total \$6,483,926 as described earlier in this report).

*Available sources for the funding of the Gaines Street revitalization were identified.*

These sources total \$43,117,326, the total amount currently budgeted as described above. It is important to note (1) some of these funds (i.e., sources) are intended to not only fund the Gaines Street Revitalization Project but also a portion of the FAMU Way project, and (2) the \$17,726,804 budgeted for acquisition and improvement/enhancement of corridor properties should be returned to (recovered by) the City upon sale of those properties and reinvested in the project. For example, if all properties purchased with the \$17,726,904 were sold to developers for that amount, that \$17,726,904 could be rededicated (by City management

and/or the City Commission) for additional redevelopment efforts or construction activities within the Gaines Street corridor, or design/construction/redevelopment activities within the FAMU Way corridor.

In addition to the above projects and funding, City records show that an additional \$566,545 was budgeted and expended on the Gaines Street Revitalization Project for various purposes during the project's "earlier years." Those purposes included, for example, feasibility studies, initial contamination studies, some preliminary concept and design reviews, and initial redevelopment enhancements. The use and expenditure of funds from those earlier projects were not included in the scope of this audit.

*The history of the Gaines Street revitalization dates back almost 20 years.*

The current status of the project's funding and related issues are addressed in a subsequent section of this report.

**Project History and Status.** The project history dates back almost 20 years as of the date of our review. An overview of the history as well as the current status of the project is described in subsequent sections of this report.

## ***Overall Summary***

*The City has made significant strides towards the Gaines Street revitalization.*

While much work and redevelopment remains, we found that the City is making significant strides in realizing a revitalized Gaines Street corridor and adjacent area. New land code regulations and accompanying guidelines have been established to direct and control redevelopment of the area. Attractive properties have been acquired and are being marketed for preferred redevelopment. A few redevelopments have been completed and/or are in progress. Construction has commenced to reconfigure the first segment of the roadway and related travel corridor. To date, City funds have generally been properly and appropriately spent in connection with the redevelopment and reconstruction/reconfiguration. Furthermore, the City has performed due diligence in obtaining environmental assessments to identify and address contamination and hazardous materials within the corridor and surrounding area. And lastly, the City has informed and involved affected entities/individuals and the general public. Only a few issues were identified for which recommendations for improvements or corrective actions were made.

*Overall, project funds have been properly and appropriately expended.*

*Several significant challenges and tasks remain before the complete vision is realized.*

Significant tasks remaining to complete the revitalization include further redevelopment of the area and finishing reconfiguration of the travel corridor in accordance with the established vision. Redevelopment has slowed and become a more significant challenge due to the economic downturn over the last few years. Also, for City-owned properties within the corridor and adjacent area, environmental assessments must be finalized and any identified contamination removed and disposed of (remediated) as necessary to allow for desired redevelopment. Furthermore, while plans for reconfiguration for most of the travel corridor have been completed and are in the process of being implemented, several issues must be addressed and resolved before the last segment of the corridor can be designed and reconfigured. Lastly, funding issues must be addressed as both the Gaines Street and FAMU Way Projects develop.

## ***Project History*** ***(Specific Objective No. 1)***

Our first specific audit objective was to determine and disclose the project's history and significant events. The Gaines Street Revitalization Project has a long and storied history, dating back to the early 1990's. 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. Throughout the project's life there has been a desire to revitalize the corridor and surrounding area. The City has made concerted efforts to involve and inform the public in the project since the project's inception.

*As described in the report tables, the Gaines Street project has a long and storied history.*

The following tables provide a chronology of the more significant events, actions, and activities. **Table 1** focuses on the roadway reconstruction and reconfiguration while **Table 2** addresses redevelopment activities. Information for these tables was obtained from review of various records prepared and retained by various City staff and from discussions with that staff. Due to the passage of time, many of these events cannot be validated as to accuracy as certain records are no longer available and/or applicable staff no longer employed with the City. Notwithstanding, we believe the information in these tables to be an appropriate representation of the project's history.

**TABLE 1 – CHRONOLOGY OF SIGNIFICANT EVENTS AND ACTIONS  
ROADWAY RECONSTRUCTION AND RECONFIGURATION**

DATES		EVENT DESCRIPTION
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 form 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 review roadway alternatives and decide to revise the Gaines Street corridor from a four-lane road to a two-lane road with two way traffic.
6.	July 2006	An initial “Implementation Plan” is 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: <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 shows some soil and groundwater contamination. However, the City obtains a legal opinion that provides there are 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> <p>Segments of some of those roads were not transferred (and still have not been transferred) due to “ownership issues.”</p> <p><i>(NOTE: The transfer process was initiated in 2004 but did not occur until June 2008.)</i></p>
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 awards the contract for road reconstruction/reconfiguration of “segment 1” to Sandco, Inc. (segment 1 covers Gaines Street from Monroe to Macomb Streets). Construction commences. Applicable electric infrastructure (i.e., not replaced by the City as described in the previous item) is being replaced by the contractor concurrently with this road reconstruction. Also, applicable gas infrastructure (e.g., mains and valves) continues to be replaced and/or relocated by the City (or the City’s contractor) during this process. <i>(NOTE: This work is still in progress as of the date of this audit – see Appendix E.)</i> Other segments involving the remainder of Gaines Street are to be completed subsequent to segment 1.</p>

**TABLE 2 – CHRONOLOGY OF SIGNIFICANT EVENTS AND ACTIONS  
REDEVELOPMENT**

<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 charrette for Gaines Street. <i>(NOTE: A “design charrette” 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.)</i>
3.	1995-1998	Area stakeholders form 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) is 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 amends the Comprehensive Plan to designate the Gaines Street corridor and surrounding area as an “Urban Infill and Redevelopment Area.” That action allows 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) is 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 parks 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 D parcel 27.)</i>
12.	June 2004 and March 2005	The City Commission adopts through ordinance new land development regulations for the Gaines Street Urban Infill and Redevelopment Area. Those replace the former “interim standards.” <i>(See item 9.)</i> Among other things, those regulations establish 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 are conducted in connection with the acquisition. <i>(NOTE: To date, this property has not been sold or redeveloped.) (See Appendix D parcels 31, 32, and 36; also includes parcels south of Gaines Street not reflected in Appendix D.)</i>
14	January/February 2005	With the assistance of a consultant, the City’s Economic and Community Development Department develops 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 are conducted in connection with the acquisition. <i>(NOTE: To date, this property has not been sold or redeveloped.) (See</i>

		<i>Appendix D parcels 51, 52, 53, and 54; one of these parcels reflected in Appendix D is actually two separate parcels.)</i>
16.	March 2005	The City's Urban Design Commission (UDC) is 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 are conducted in connection with the acquisition. <i>(NOTE: To date, this property has not been redeveloped.) (See Appendix D parcel 4 for the larger parcel; the three smaller parcels south of Gaines Street are not reflected in Appendix D as they are adjacent to but not part of the corridor.)</i>
18.	September 2005	The Madison Street property acquired by the City in June 2004 is 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 builds the Marriot Residence Inn on the property. <i>(See Appendix D parcel 27.)</i>
19.	2005-2006	As authorized by the City Commission, the City issued a "request for proposals" to qualified 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 (student housing complex with retail and parking on the Salie property within the corridor) 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).
20.	March 2006	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 are conducted in connection with the acquisition. <i>(NOTE: To date, this property has been improved/enhanced but not sold or redeveloped.) (See Appendix D parcels 1 and 2.)</i>
21.	April 2008	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>see Appendix G</i> ). ( <i>NOTE: Although no agreement has been reached, this proposal is still considered a potential development for Gaines St.</i> )
22.	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 to discuss potential redevelopment.</li> <li>– Working with FSU’s Master Craftsman Studio on a glass-blowing pavilion.</li> </ul> <p>(<i>NOTE: With the exception of the “Jax Liquors” site, these activities have not yet materialized - likely attributable in part to the current economic environment that started with the significant economic downturn in the last half of 2008.</i>)</p>
23.	June 2008	A CRA project director is appointed the City’s “Gaines Street Coordinator.”
24.	May 2009	The CRA approves 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.”
25.	July 2008 and August 2009	The U.S. Environmental Protection Agency awards 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.
26.	January 2010	The “Urban Design Guidelines for the Gaines Street Design Review Districts” are adopted. These guidelines are intended to supplement the adopted land development regulations ( <i>See item 12.</i> ) 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. ( <i>See item 16.</i> )
27.	March 2010	The CRA “purchases” the large O’Connell parcel (adjacent to the Civic Center) from the City for \$4.65 million. ( <i>See item 17.</i> ) The purchase is 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. ( <i>See Appendix D parcel 4.</i> )
28.	June 2010	The City Commission approves the granting of concurrency relief to the private developer of The Lofts on Gaines. ( <i>See item 24.</i> ) Requirements for this assistance include commencement of the project before December 31, 2011.

29.	June 2010	The CRA approves a retail incentive (\$50,000 loan) for the Marriot Residence Inn to build out its retail space for an arts supply store.
30.	December 2010	The private developer initiates construction of The Lofts on Gaines ( <i>see items 22, 24, and 28 above and also Appendix F</i> ).

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 actions completed to date and the remaining steps and actions necessary to successfully complete the project. In this section we also address the status of individual properties within the corridor and their likely compliance with the new land code regulations on permitted designs and uses, as well as potential redevelopment on those properties.

**PART 1 – ACTIONS COMPLETED AND IN PROGRESS**

As of the date of our audit fieldwork during the fall of 2010, the City had made significant strides in the transformation of Gaines Street. Significant actions completed or in progress include:

**ACTION 1** - The CRA (created by the City) established two community redevelopment districts which incorporate the Gaines Street corridor. (*See items 4, 5 and 10 in TABLE 2 above.*) The creation of those districts will foster redevelopment of the corridor through funding provided by incremental increases in property taxes collected for properties within the districts. CRA funds collected from incremental property taxes and used to date for the Gaines Street Revitalization Project include financial incentives provided to:

- A private developer for a mixed-use residential development near the intersection of Gaines Street and Woodward Avenue. The planned development is known as The Lofts on Gaines. The financial incentive was a loan and a grant totaling \$705,806. Those funds are to be used by the developer to finance a portion of the total costs for which financing was not otherwise obtained. (*See item 24 in Table 2 above.*)

*Two community redevelopment districts were created to foster redevelopment; funds resulting from those districts were used by the CRA to provide several financial incentives for specific Gaines Street redevelopment activities.*

- The developer of the Marriot Residence Inn to assist in the purchase of the applicable property from the City. The incentive consisted of a \$450,000 grant. *(See item 18 in Table 2 above.)*
- The Marriot Residence Inn to build out its retail space for an arts supply store. The incentive is in the form of a \$50,000 loan to be repaid over a ten-year term. *(See item 29 in Table 2 above.)*

Additionally, the CRA “purchased” from the City the larger O’Connell property parcel located adjacent to the Civic Center. The CRA acquired the property for \$4.65 million, with \$1.6 million paid at the closing in March 2010 and the balance payable to the City in three equal annual installments commencing on January 15, 2011. The sale proceeds received by the City are committed to supporting the Gaines Street Revitalization Project through further redevelopment efforts and/or roadway reconstruction/reconfiguration. *(See item 27 in Table 2 above.)*

**ACTION 2** - The City completed several preliminary actions necessary to allow for facilitated and envisioned redevelopment of the corridor. Those preliminary actions included:

- Designating the Gaines Street corridor as an “Urban Infill and Redevelopment Area” through an amendment to the Comprehensive Plan. That designation allows the City to target the area for economic redevelopment, job creation, housing, transportation, crime prevention, neighborhood revitalization and preservation, and land use incentives. *(See item 6 in Table 2 above.)*
- Adopting the “Gaines Street Development Guidelines for an Urban Revitalization District” which formalized the vision for redevelopment of the corridor and surrounding area. *(See item 7 in Table 2 above.)*
- Adopting new land development regulations for the Gaines Street corridor and adjacent areas. Those new regulations establish requirements as to density (e.g., number of residents within an area), permitted residential and commercial uses, building design, parking, access, and business and street signs. *(See item 12 in Table 2 above.)*
- Creating the Urban Design Commission (UDC) and tasking that commission to review proposed projects to determine if they are

*Various preliminary actions were completed to allow for preferred redevelopment projects; including adoption of new land code regulations and guidelines and creation of the Urban Design Commission.*

consistent with the envisioned urban and architectural character for the corridor. UDC approval is required before a project will be permitted by the City's Growth Management Department. *(See item 16 in Table 2 above.)*

- Adopting the "Urban Design Guidelines for the Gaines Street Design Review Districts" to supplement the newly adopted land code regulations. These guidelines are to be used by the UDC as additional criteria in determining whether proposed projects are in accordance with the envisioned redevelopment. *(See item 26 in Table 2 above.)*

Completion of these actions was necessary before most redevelopment projects could be considered.

**ACTION 3** - The City acquired five major properties within the corridor for the purpose of facilitating redevelopment; certain enhancements/improvements were made to some of those properties. The acquisitions were made during the period June 2004 through March 2006. Those acquired properties and their current status include:

*The City acquired five major properties during the period June 2004 through March 2006 in connection with redevelopment efforts.*

- Madison Street property (2.25 acres) near the northwest corner of Gaines Street and Railroad Avenue. The property was acquired for approximately \$1.4 million. The property was subsequently sold approximately 15 months later for \$1.575 million to a developer that constructed the Marriot Residence Inn. *(See items 11 and 18 in Table 2 above.)*
- CSX property (7.5 acres) comprised of four parcels located on both sides of the west end of Gaines Street. The property was acquired for approximately \$1.5 million. The property remains undeveloped and unsold. *(See item 13 in Table 2 above.)*
- Salie property (4.3 acres) comprised of 5 separate parcels located on the south side of Gaines Street near Gay Street. The property was acquired for approximately \$3.5 million. Those properties have been improved (i.e., certain buildings demolished). The property has been (is being) considered for redevelopment by at least one developer but remains undeveloped and unsold. *(See items 15 and 19 in Table 2 above.)*

- O’Connell property (6.45 acres) comprised of 4 separate parcels. The largest parcel (5.34 acres) is located adjacent to the Civic Center while the three smaller parcels are located south of Gaines Street. The property was acquired for approximately \$5.6 million. The largest parcel (adjacent to the Civic Center) was sold to the CRA for \$4.65 million as described previously within this report. None of the parcels have been developed to date. (See items 17 and 27 in Table 2 above.)
- State of Florida properties located on the east end of the corridor. The properties total 5.14 acres and are comprised of the former “Johns-Clemons building” property (2.65 acres) and the “Chevron” property (2.49 acres). The properties were acquired for approximately \$5.9 million. Those properties have been improved (i.e., buildings demolished) and are being considered for redevelopment (Performing Arts Center) but remain undeveloped and unsold. (See item 20 in Table 2 above.)

*One of the five major properties was sold and redeveloped; another major property was sold to the CRA to provide the City additional project funding and to facilitate the marketing and development of that property using CRA resources.*

These properties were acquired by the City with the intent of making appropriate enhancements/improvements and then selling them to developers with favorable and approved development proposals. As of this audit, only one of the five properties has been sold and redeveloped (Marriot Residence Inn). As noted above, another one (largest parcel in the O’Connell property) was sold by the City to the CRA to (1) provide the City additional funds for further redevelopment (or roadway reconstruction) efforts and (2) facilitate the marketing and development of that parcel through available CRA resources.

**ACTION 4** – The City has and is conducting environmental assessments and some remediation (removal and disposal of contamination) for the Gaines Street roadway, the five acquired properties, and certain other City-owned properties within the corridor. Those activities include:

- The City hired an environmental engineering firm to complete an environmental assessment of the roadway. Some contamination was identified by the resulting review. The City obtained a legal opinion that provided the contamination was not “catastrophic” and did not suggest the City not proceed with the acquisition (transfer) of the roadway from the state. The contract for the water and sewer

*The City has and is conducting environmental assessments to identify contamination.*

infrastructure replacement/relocation and the contract for the road reconfiguration include provisions for remediation of contamination encountered during construction activities. To date, relatively small amounts have been encountered for those activities.

- For each of the five major property acquisitions made to date for redevelopment purposes (Marriot Residence Inn, CSX, Salie, O'Connell, and state properties), the City obtained appropriate environmental assessments. While some contamination was found, those assessments justified the City's acquisition of those properties for redevelopment purposes. Some limited environmental remediation actions were also completed on certain properties, including:
  - Removal of asbestos and other hazardous materials from buildings that were demolished (located on the acquired state properties).
  - Limited clean-up of soils and removal of drums and barrels (CSX property).
  - Removal of an underground petroleum tank (Salie property).
- For other City-owned properties within the parcel, federal grant funds are being used to complete environmental assessments of applicable properties. Those assessments are on-going, but preliminary results show some groundwater and soil contamination.

*The City applied for and received federal grants totaling \$1 million to assist in these efforts.*

To date no contamination has been identified that indicates redevelopment or reconstruction/reconfiguration activities should not continue. The City applied for and was awarded four federal brownfield assessment and remediation grants for these properties. Some of those grants are for further assessments while others are designated for cleanup (remediation). The federal funds awarded through those grants total \$1 million. (*NOTE: Environmental assessment and related activities are discussed further within this report on pages 53 through 58.*)

**ACTION 5** - The City finalized the overall roadway design for two of the three Gaines Street segments and completed or commenced (1) replacement/relocation of existing City utility infrastructure (water,



sewer, electric, and gas) in those two segments and (2) road reconstruction in one of the two segments. Specifically:

- The City divided the Gaines Street roadway into three segments for construction purposes. Those segments include (see **Appendix C** within this report):
  - Segment 1 – Monroe Street to Macomb Street.
  - Segment 2 – Macomb Street to approximately 600 feet east of Woodward Avenue.
  - Segment 3 – Approximately 600 feet east of Woodward Avenue to the Gaines Street/Lake Bradford Road/Stadium Drive intersection.

*Significant utility infrastructure installation and reconfiguration has been completed for two of the three roadway segments.*

- The overall design for the roadway configuration for segments 1 and 2 has been completed. The selected configuration is a two-lane road with two-way traffic and scenic/landscaped sidewalks, medians, crosswalks, lamps, street signs, etc.
- The City has completed installation of new water and sewer infrastructure for segments 1 and 2.
- The City has relocated and replaced some electric utility infrastructure and services for segments 1 and 2. For example, new “feeder lines” (larger source lines) have been installed on parallel streets (i.e., Madison and All Saints) to replace the feeder line currently located on Gaines Street. That Gaines Street feeder line (an overhead line) will be removed once services on Gaines Street are installed and/or reinstalled/reconnected to new source lines (i.e., for new street lamps and traffic signals as well as for applicable customers).
- The City has replaced certain gas infrastructure for segments 1 and 2. For example, mains were replaced and relocated within the corridor.
- The City is in the process of reconstructing Gaines Street for segment 1 in accordance with the final design. Remaining un-replaced gas and electric utility infrastructure is being replaced and reconfigured concurrently with this road reconstruction. Work on segment 1

*Reconstruction and reconfiguration of the roadway and travel corridor has started for the first segment.*

commenced in May 2010 and is expected to be completed in June 2011.

As explained in the following section, designs have not been finalized for segment 3. Accordingly, no significant work has been done for that segment to date.

## **PART 2 – ACTIONS TO BE COMPLETED**

While the City has made significant strides in the Gaines Street Revitalization Project, much remains to be done before the vision is realized. Significant remaining actions include the following:

**REMAINING ACTION 1** – Redevelopment of properties (both City-owned and non-City-owned). While the City has acquired several properties in connection with the project and has received some plans or proposals for redevelopment on those (and other previously owned) parcels, only one significant redevelopment has occurred to date – the Marriot Residence Inn. Other than the recently started “The Lofts on Gaines” project (*see item 1 in Table 4 within this report*), significant redevelopment of non-City-owned properties also has not occurred. Notwithstanding, redevelopment efforts continue.

*Significant redevelopment needs to occur before the vision is realized.*

The rate of redevelopment hinges, to some degree, on the current real estate market. In accordance with this premise, proposals for and interest in redevelopment by development entities have slowed significantly since the major economic downturn in the fall of 2008. Because of the relatively long economic downturn and current sluggish economy, redevelopment interests remains relatively low as of the date of our review (fall 2010) when compared to interest expressed prior to the downturn. The City anticipates that redevelopment interests will increase as the economy improves.

*Various financial incentives are available to encourage redevelopment.*

The CRA and City have various financial incentives that can be offered developers to foster the desired redevelopment. Those incentives include:

- CRA façade grants to businesses to enhance the fronts and entrances to their buildings.
- CRA painting grants to allow businesses and property owners to improve the visual quality and life of their existing buildings.

- The CRA Retail Incentive Program that provides loans up to \$50,000 for interior build-outs or equipment purchases for retail activities or qualified exterior building improvements.
- Other CRA/City incentives, such as:
  - Negotiated loans or grants.
  - Negotiated concurrency relief.

See description in items 18, 24, 28, and 29 within **Table 2** of this report where some of these incentives have been used.

In addition to the above incentives, property owners and businesses within the corridor may be eligible for other assistance under various programs, such as:

- City historic grants and loans for restoration of eligible historic structures.
- Various state tax credits and property tax/development fee rebates for eligible businesses and activities.

These incentives, along with an improved economy, should help facilitate redevelopment of the corridor.

**REMAINING ACTION 2** – Completing environmental assessments and necessary remediation activities for City-owned properties and the roadway. As described previously, the City has conducted environmental assessments and performed some limited remediation for City-owned properties and the Gaines Street roadway. As also noted, those activities are on-going. To date no contamination has been identified that indicates redevelopment or reconstruction/reconfiguration activities should not continue. Current assessment activities are focused primarily on what has been identified as “high risk” parcels, including:

- City-owned properties south of Gaines Street on Railroad Avenue being considered for the “Arts on Gaines” development (*see item 21 in Table 2 within this report*).
- Certain parcels obtained in connection with the CSX and O’Connell property acquisitions (*see items 13 and 17 in Table 2 within this report*).

*Environmental assessment needs to be completed and appropriate remediation performed.*

- Other City-owned parcels adjacent to the corridor (i.e., the former Utility Payment Center located on Madison Street north of Gaines Street and the Marriot Residence Inn).

These properties are considered high risk due to known prior uses (e.g., arsenic was used on railroad tracks located within the CSX parcels) and results from earlier environmental assessments.

The amount and degree of remediation necessary on City-owned properties, including the roadway, is generally not known at this point. This is because (1) final assessments are not completed; (2) actual contamination will not be known in some instances until construction activities commence; and (3) future redevelopment projects have not been identified and planned, thereby precluding a determination of what type and amount of remediation activity will be required. In regard to the last factor, federal and state regulatory authorities mandate certain remediation measures based on the degree the soil and groundwater will be disturbed or altered in connection with the construction activity. Generally, required remediation increases the greater (e.g., deeper) the disturbance.

For the roadway, City staff indicated based on environmental assessments completed to date, they anticipate more contamination will be encountered in segment 2 than has been encountered in segment 1. When encountered, appropriate remediation (removal and disposal) will be necessary.

**REMAINING ACTION 3** – Completion of the roadway reconstruction and reconfiguration for segments 1 and 2. As previously noted, construction activities for segment 1 started in May 2010 and are expected to be completed in June 2011. That work is being performed by Sandco, Inc., the City’s contractor (see **Appendix E** within this report). In regard to segment 2, the final design and specifications are near completion. Those plans are currently being re-reviewed based on issues (e.g., traffic circumstances) that have been identified during segment 1 construction. Once the plans are finalized, the Public Works Department anticipates the solicitation for bids (using the Invitation for Bids, or IFB, process) will occur in early spring 2011. The Public Works Department anticipates completion of segment 2 will take approximately one year

*While construction activities are ongoing for segment 1 and plans are being finalized to start segment 2, those segments still remain to be completed*

once the construction contract is awarded and the City authorizes the start of construction activity.

**REMAINING ACTION 4** – Design and construction of segment 3. At the time of this review, the design and development of plans for segment 3 (runs from a point approximately 600 feet east of Woodward Avenue to the Gaines Street/Lake Bradford Road/Stadium Drive intersection) had not been completed. Completion of the segment 3 design is contingent on the outcome and/or resolution of several factors and issues, including:

*Several factors and issues must be addressed and resolved before a design can be selected and finalized for segment 3.*

- The City’s “multi-modal transportation district study” needs to be completed as it may impact the transportation needs for segment 3 of Gaines Street. That study includes a review of transportation infrastructure needs within the geographic heart of the City, including Gaines Street.
- The City and state must agree on the final design of the Gaines Street/Lake Bradford Road/Stadium Drive intersection. While ownership of Gaines Street was transferred to the City, the state still owns Lake Bradford Road and Stadium Drive. Currently, the City prefers a design that includes a north-south movement through the intersection that does not exist in the current intersection.
- It is anticipated that FAMU Way will impact the traffic in the Gaines Street corridor. Accordingly, design of that sister roadway needs to be conceptually completed before the City completes the design for segment 3.
- Part of the northernmost lane on the current roadway (within segment 3) is owned by the State of Florida through the Board of Trustees of the Internal Improvement Trust Fund. It is adjacent to the current FSU intramural fields. Ownership of that property likely will have to be transferred to the City, or an agreement executed with applicable state entities, including FSU and the Department of Environmental Protection, before plans for segment 3 can be finalized and construction started.

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

In this section, we identify redevelopment currently being considered on various City and non-City owned properties. We also identify properties being considered for future acquisition by the City or the CRA for future redevelopment and/or to facilitate future redevelopment. Lastly, we present a summary of individual properties as to (1) ownership, (2) current use, and (3) likely compliance with the recent land code regulations and related guidelines as to allowed uses and building design.

*This section and related tables show the status of various individual properties within the corridor and adjacent area.*

**PROPERTY STATUS ITEM 1** – **Table 3** below shows plans and/or concepts considered for redevelopment of City-owned properties within the corridor. **Table 4** that follows shows known developments currently planned and/or being considered on privately-owned properties within the corridor.

<b>TABLE 3</b>		
<b>Potential Redevelopment of City/CRA Owned Parcels</b>		
	<b>Description and Parcel Number (See Note A)</b>	<b>Description of Potential Redevelopment Project</b>
1.	Part of purchased CSX Property (Parcel 36 )	This parcel is being considered as part of an envisioned bicycle boulevard. This parcel could also be used to connect an existing north-south street (Lorene) to Gaines Street. Lorene Street currently dead ends at Madison Street. Alternatively, the parcel could be combined with other adjacent City-owned parcels to increase their attractiveness for redevelopment, or could be used to grant easements to adjacent privately-owned parcels to increase their size/access as an incentive for redevelopment of those properties.
2.	Salie property (Parcels 51, 52, 53, & 54)	This property is being marketed by the CRA for a mixed-use development (residential, retail, entertainment, restaurant), including a public parking garage. This property is being actively marketed by the Tallahassee-Leon County Economic Development Council (EDC) as well as the CRA.
3.	“Arts Exchange Area” (Parcels 40, 41, 42, & 48)	As noted in item 21 within <b>Table 2</b> of this report, the Council on Culture and Arts (COCA) and Artspace, Inc. have developed a proposal for this property that includes mixed uses with an emphasis on the arts. The proposal includes residential units, an arts incubator facility (art gallery, studios, black box theater, classrooms), and office space for non-profit organizations. The City is in favor of the project and has granted an option of a low-cost, long term lease

		of the property if the COCA and Artspace, Inc. can obtain the needed capital to finance the project and obtain approvals for the plan designs. The biggest challenge currently faced by COCA and Artspace, Inc. is raising the necessary capital to fund the project.
4.	O’Connell property adjacent to the Civic Center (Parcel 4)	This property is being marketed by the City and CRA for development of a convention center hotel. The CRA is initiating a marketing and feasibility study of this site to analyze and objectively determine if the envisioned convention hotel can be supported as to attendance and conferences. Further development actions will be determined based on the results of that study. This property is also being actively marketed by the EDC through brochures, the EDC website, and outreach presentations.
5.	Chevron property (Parcel 2)	Similar to the Salie and O’Connell properties (see item 2 and 4 above), this east Gaines Street property acquired from the state is being actively marketed by the CRA and the EDC through brochures, the EDC website, and outreach presentations.
6.	Johns Building property (Parcel 1)	The Florida Center for Performing Arts and Education (Center) has a real estate option that provides for the purchase of this former state-owned property for a price of \$2,972,000 if the Center meets certain milestones involving raising minimum funds by specific dates. The initial deadline was not met due to the economic downturn. In August 2010, the City Commission extended the terms of the option agreement until July 1, 2014, and established new fund raising milestones for the Center to meet. The City has the right to terminate the agreement if those milestones are not met.
7.	Various properties for Public Parking Garages (O’Connell, Salie, and adjacent privately-owned properties)	The City and CRA envision the building of three public parking garages for the revitalized and reconfigured Gaines Street corridor. The garages are to be strategically spaced and located. Accordingly, likely properties include portions of the O’Connell and Salie parcels acquired by the City/CRA and a private development (Seminole Boosters) on Woodward Avenue north of Gaines Street. Consideration is also being given by the City/CRA to a walk-over bridge that connects the envisioned public parking garage (envisioned for the Salie Property) to the arts and retail area located south of Gaines Street in the area known as “Railroad Square.”
8.	Former City Utility Payment Center	This City-owned property is adjacent to the Gaines Street corridor and located north of Gaines Street near the corner of Madison Street and Railroad Avenue. Similar to several other properties described above, this property is being

		actively marketed by the CRA and the EDC through brochures, the EDC website, and outreach presentations. (Note: As of the end of our audit the City was in the process of negotiating a contract to sell this property to a private developer.)
NOTE A: See <b>APPENDIX D</b> to this report for a map showing the parcel locations.		

**Table 4** below describes developments on privately owned (non-City/CRA) parcels known by City and CRA staff to be in process or being considered.

<p style="text-align: center;"><b>TABLE 4</b> <b>Potential Redevelopment of Privately (Non City/CRA) Owned Parcels</b></p>		
	<p style="text-align: center;"><b>Description and Parcel Number (See Note A)</b></p>	<p style="text-align: center;"><b>Description of Potential Redevelopment Project</b></p>
1.	The Lofts On Gaines (Parcel 65)	As addressed in items 24, 28, and 30 in <b>Table 2</b> within this report, a private developer has obtained approval for a mixed-use development near the intersection of Gaines Street and Woodward Avenue. The development includes 24 residential units and seven commercial units. The CRA provided financial incentives including a \$300,000 grant and a \$405,806 low-interest loan for this project. Construction started on this project in late 2010 ( <i>see Appendix F</i> ).
2.	FSU Master Craftsman Studio (Parcel 66)	There have been discussions between the City/CRA and the FSU Master Craftsman Studio regarding building a glass blowing pavilion on Gaines Street.
3.	College Town	Although not technically included in the Gaines Street corridor, the Seminole Boosters are considering several adjacent parcels immediately north of Gaines Street (Woodward Avenue and Madison Street area) for a mixed-use development, including residential units for college students and faculty.
NOTE A: See <b>APPENDIX D</b> to this report for a map showing the parcel locations.		



*Two additional properties are being considered for future acquisition by the City and/or CRA in connection with Gaines Street redevelopment efforts.*

**PROPERTY STATUS ITEM 2** – The CRA Director indicated two properties being considered for future acquisition by the City and/or the CRA include:

- The southwest corner of Gaines and Railroad Avenue (Parcel 44) where a gasoline station and store are currently located. Acquisition of that property was considered by the CRA in 2009 but not made as recommended by CRA staff. The recommendation to not acquire the property was made because of the unknown liabilities relating to significant identified contamination resulting from prior (and current) uses (e.g., underground petroleum storage tanks). Notwithstanding those circumstances, the property is desirable because of its strategic central location within the corridor. Accordingly, in the event the City/CRA finds a developer and project that are compatible with the envisioned corridor and environmental contamination issues can be efficiently and effectively addressed, the City/CRA will likely again consider acquisition of this property for redevelopment.
- The south end of the property currently occupied by Scott Burnett Mechanical Contractors (Parcel 58). The City is interested in obtaining this property in a right-of-way acquisition. Ownership of that property will allow the City to complete a desired rear access road (would connect Railroad Avenue to Stone Valley Road south of Gaines Street). The envisioned rear access road would be open to vehicular, pedestrian, and bicycle traffic. It could also provide a road for large trucks to park when delivering goods and materials to businesses located on Gaines Street, opposed to those trucks parking on Gaines Street for loading and unloading, which would impede the Gaines Street traffic flow.

To date, neither of those two properties has been acquired.

**PROPERTY STATUS ITEM 3** – The City has identified 70 different property parcels that comprise the Gaines Street corridor. See **APPENDIX D** to this report for a map showing the parcels and their respective locations. (*NOTE: There are other parcels immediately adjacent to these 70 parcels that are considered part of the overall corridor but are not reflected within Appendix D – this report section only addresses the 70 parcels reflected in Appendix D.*) With the

*Of the 70 parcels comprising the Gaines Street corridor, 17 are owned by the City/CRA, 7 are owned by other government entities, and 46 are privately owned.*

assistance of the Gaines Street Coordinator, we reviewed the status of those 70 parcels as to ownership classification and current use. We found:

Ownership Classification:

- 17 are owned by the City (one of those is owned by the CRA).
- 7 are owned and used by other governmental entities - State of Florida, Leon County, and FSU.
- 46 are owned by private non-governmental entities.

Current Use:

Of the 70 parcels:

- 27 are vacant lots.
- 41 currently have structures for which 4 are vacant (no current use) and 37 are in use (commercial, office, retail, warehouse).
- 1 is a City park and 1 is an intramural field (FSU).

*Of the 70 parcels, 27 are vacant lots and 41 have structures; the other 2 are a park and intramural field.*

Additionally, at our request the CRA Coordinator reviewed the 70 parcels and made preliminary determinations as to whether the current structures and current uses would likely be in compliance with (1) the building design and setting (placement) requirements and (2) the permitted use requirements established by the new land code regulations and related guidelines. *(NOTE: These were preliminary non-binding determinations based on observation and currently known circumstances.)* Those preliminary determinations showed:

Likely Compliance with Permitted Use Requirements. As noted above, 27 of the 70 parcels are vacant lots and an additional 4 parcels have vacant structures with no current use. Of the remaining 39 parcels with current ongoing uses (commercial, office, retail, warehousing, intramural field, etc.):

- 19 likely meet the permitted use requirements.
- 12 likely do not meet the permitted use requirements.

*For some parcels, the related structures and current uses likely comply with the new building and use requirements; structures and uses on other parcels likely do not.*

- 4 have multiple uses for which some likely meet the permitted use requirements while others likely do not meet those requirements.
- 4 are not subject to the new land code regulations (state office building, state parking lot, City park, and FSU intramural field) but do not contradict the overall vision and plans for the Gaines Street corridor.

Likely Compliance with Building Design and Placement Requirements.

As noted above, structures are currently located on 41 of the 70 parcels. For those structures:

- 15 likely meet the building design and placement requirement (this includes one structure in the process of being built in connection with a redevelopment project – The Lofts on Gaines).
- 22 likely do not meet the building design and placement requirements.
- 1 likely meets the placement requirements but likely does not meet the design requirements.
- 3 are state-owned buildings (DOE building, parking lot, and vacant building) that are not subject to the building design and placement requirements.

*“Grandfathering in” provisions apply to existing structures and uses.*

It is important to note that the parcels and structures which are not in compliance with the (1) building design and setting (placement) requirements and (2) permitted use requirements (i.e., at the time they were adopted) are “grandfathered in.” This means the City cannot require those property owners and related businesses to change their structures or uses to comply with those new requirements, as long as they continue the existing uses without interruption and do not make modifications to the structures.

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

Our third specific audit objective was to identify and determine the status of the funding established for the project. In the background section of this report we describe the current funding established for the project and the committed sources of those funds. A summary of that information is provided in **Table 5** and **Table 6** that follow.

<b>Table 5</b>		
<b>Established Project Funding as of September 30, 2010</b>		
<b>Component</b>		<b>Budgeted Amount</b>
1.	Utility Infrastructure	\$6,483,926
2.	Acquisition and Improvement of Properties (NOTE 1)	\$17,726,804
3.	Roadway Reconfiguration (NOTE 2)	\$18,906,586
<b>Total Funding Established To Date</b>		<b>\$43,117,316</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 or for FAMU Way, as decided by City management and/or the City Commission.</i>		
<i>NOTE 2: These funds may be used for Gaines Street or FAMU Way.</i>		

<b>Table 6</b>		
<b>Dedicated Sources of Project Funds as of September 30, 2010</b>		
<b>Source</b>		<b>Amount</b>
1.	City share of sales tax extension funds (NOTE 1)	\$18,585,000
2.	Leon County share of sales tax extension funds	\$10,700,000
3.	State of Florida funds received in connection with roadway transfers	\$7,348,400
4.	Utility revenues and bond proceeds	\$6,483,926
<b>Total Dedicated Sources To Date (NOTE 2)</b>		<b>\$43,117,326</b>
<i>NOTE 1: Of this amount, \$17 million was committed pursuant to a 2004 City-County interlocal agreement.</i>		
<i>NOTE 2: These funds are dedicated to both the Gaines Street Revitalization Project and FAMU Way Project.</i>		

*As of September 30, 2010, the City had expended \$26.4 million for the Gaines Street revitalization; \$6.1 million of that has been recovered.*

As of the end of fiscal year 2010 (September 30, 2010), funds expended from the described sources totaled \$26,425,386. Of that amount, \$6,135,225 were recovered through subsequent sales of two of the acquired properties (i.e., the Marriot Residence Inn property to a private developer and the larger O'Connell parcel to the CRA). As of September 30, 2010, that left \$22,827,155 available for further reconstruction and redevelopment activities. This is shown in **Table 7** that follows.

<b>Table 7 – Project Funds Expended and Available as of September 30, 2010</b>				
<b>Component</b>		<b>Amount Funded (Budgeted)</b>	<b>Amount Expended</b>	<b>Remaining Available Funds</b>
1.	Utility Infrastructure	\$6,483,926	\$3,055,570	\$3,428,356
2.	Acquisition and Improvement of Properties (NOTE 1)	\$17,726,804	\$11,576,875 (NOTE 3)	\$6,149,929
3.	Roadway Reconfiguration (NOTE 2)	\$18,906,586	\$5,657,716	\$13,248,870
<b>Totals</b>		<b>\$43,117,316</b>	<b>\$20,290,161</b>	<b>\$22,827,155</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 or for FAMU Way, as decided by City management and/or the City Commission.				
NOTE 2: These funds may be used for Gaines Street or FAMU Way.				
NOTE 3: This is a “net” amount determined by deducting funds totaling \$6,135,225 received for the sales of the Marriot Residence Inn and O’Connell parcels, as described in items 18 and 27 of Table 2 within this report, from expenses totaling \$17,712,100.				

*Significant costs remain to complete the roadway.*

The most significant remaining costs to be incurred to complete the Gaines Street Revitalization Project (excludes FAMU Way) include finalizing the roadway reconstruction and reconfiguration, and related utility infrastructure relocation and reconfiguration. While other significant expenditures may be incurred in connection with additional property acquisitions, it is anticipated those funds will be recovered when the acquired properties are sold to developers for approved redevelopment projects. **Table 8** that follows categorizes those remaining costs and amounts as projected with the assistance of the Public Works Department.

<b>Table 8 – Projected Remaining Costs as of September 30, 2010 (NOTE 1)</b>		
<b>Description</b>		<b>Amount</b>
1.	Completing the reconstruction and reconfiguration of <b>segment 1</b> (Monroe Street to Macomb Street). (NOTE 2)	<b>\$3.65 million</b>  (Comprised of an estimated \$3.45 million for remaining construction and infrastructure costs and approximately \$200,000 for related inspection activities and project management.)
2.	Starting and completing the reconstruction and reconfiguration of <b>segment 2</b> (Macomb Street to approximately 600 feet east of Woodward Avenue). (NOTE 2)	<b>\$5.7 million</b>  (The construction costs will not be known until the IFB for construction is issued, related bids are received and evaluated, and a construction contract is awarded. However, the Public Works Department estimated \$5.7 million for construction costs, related infrastructure costs, and related inspection activities and project management.)
3.	Preparing and finalizing plan designs and starting and completing the reconstruction and reconfiguration of <b>segment 3</b> (Approximately 600 feet east of Woodward Avenue to the Lake Bradford Road/Stadium Drive intersection). (NOTE 3)	<b>NOT ESTIMATED</b>  (Until the various factors and issues noted on page 32 of this report are resolved, an accurate and appropriate estimate of the costs for segment 3 cannot be ascertained. However, the Public Works Department does believe the currently budgeted funds likely will be sufficient to complete this segment.)
NOTE 1: These are costs estimated with the assistance of the Public Works Department. These are estimated costs as of September 30, 2010, updated for information known as of February 28, 2011.		
NOTE 2: In addition to roadway construction/reconfiguration costs this includes the cost of remaining electric and gas infrastructure relocation and installation activities.		
NOTE 3: In addition to roadway design and construction/reconfiguration costs, segment 3 costs will include the cost of related water, sewer, electric and gas infrastructure relocation and installation. As noted these costs cannot be accurately estimated at this point.		

Source identified as available to fund those cost include:

- The \$22,827,155 available funds as identified in **Table 7** above.
- Additional funds received/recovered by the City from the sale of additional City-owned properties within the Gaines Street corridor for approved redevelopments.

This analysis shows sufficient funds are likely available to fund the completion of the envisioned Gaines Street corridor. Project funds not used to complete the Gaines Street revitalization (corridor) are available for the FAMU Way Project. (NOTE: The FAMU Way Project is not included in the scope of this audit. However, it is significant to note that additional funds necessary to complete the currently envisioned FAMU Way Project will likely come from available sales tax proceeds, concurrency fees, and available bond proceeds; as previously noted that project is currently in the design phase.)

**AUDIT ISSUE #1.** The capital project established for revitalization of Gaines Street (Project #05082) was initially created in 2004 to account for activities within the Gaines Street and adjacent corridors (e.g., Madison Street and Wahnish Way.) As that project has evolved, a determination was made to establish a parallel but separate corridor to complement the Gaines Street corridor. As previously noted within this report, that envisioned corridor is presently known as “FAMU Way” and will be located south of the Gaines Street corridor. A separate project was created in the City’s financial system in 2009 to account for funds budgeted for that project (#10017). Our review of activity charged to project #05082 (Gaines Street revitalization) shows several costs that related specifically to the FAMU Way project, including an acquisition of property within that corridor for \$1,789,908 in August 2010. Other costs pertaining to the envisioned FAMU Way Project identified by audit as charged to #05082 were incurred for preliminary engineering studies, design, and research. Those charges totaled \$325,150. There are likely additional costs that pertain specifically to the FAMU Way corridor but were charged to the Gaines Street project (#05082). Many of those other costs were incurred before the creation of the separate project (#10017) for FAMU Way in 2009.

*Enhanced accountability and oversight will be achieved if costs for FAMU Way are accounted for separately from those incurred for the Gaines Street revitalization.*

While project #05082 was initially established to account for costs relating to Gaines Street and adjacent corridors, it likely will be more efficient and provide improved accountability for both projects (Gaines Street Revitalization and FAMU Way) to account for their respective costs separately. Accordingly, we recommend the Public Works Department and the Department of Management and Administration (DMA) take appropriate measures to ensure future costs for those

projects are accounted for (charged in the accounting system) separately. Consideration should also be given to transferring costs from project #05082 that are identifiable to the FAMU Way Project to the project established for FAMU Way in 2009 (#10017). Those actions, if taken, will provide City management better information on the actual costs of each of the two related but separate projects. Such information should enhance management's ability to monitor those and future projects.

***Project Activities  
and  
Expenditures***  
(Specific Objective No. 4)

*Expenditures and activities were classified into five categories for purposes of our specific audit tests.*

Our fourth specific audit objective was to determine if project expenditures and related activities incurred to date were (1) proper and appropriate; (2) in compliance with controlling laws, rules, policies, and good business practices; and (3) properly recorded and supported. Our audit fieldwork began in September 2010. Accordingly, for this audit objective we reviewed expenditures and related activities incurred as of September 13, 2010. For purposes of this audit, we classified expenditures and activities into the following categories:

- Category 1 - Expenditures made for acquisitions of properties to foster redevelopment.
- Category 2 - Expenditures made in connection with acquired properties, including improvements and enhancements, maintenance, and environmental assessments.
- Category 3 - Disposals of properties in connection with redevelopment efforts.
- Category 4 - Expenditures made in connection with utility infrastructure (water, sewer, gas, and electric) relocation and/or reconfiguration.
- Category 5 - Expenditures made in connection with the reconstruction and reconfiguration of the roadway corridor.

From each of those categories we tested either all or a representative sample of expenditures and activities. The following provides a description of the performed tests and related results.

**CATEGORY 1 – Acquisition of Properties.** As previously noted within this report, to date the City has acquired five specific properties within



*Property acquisitions were made in accordance with City policies and good business practices.*

the Gaines Street revitalization area with the intent of marketing and selling those properties for redevelopment. The five specific properties include the (1) Madison Street property, (2) CSX property, (3) Salie property, (4) O'Connell property, and (5) State of Florida properties. (See pages 25 and 26 within this report.) Funds paid for those properties totaled \$17,343,141. Among other things, we tested each of those land acquisitions to ascertain compliance with the City's real estate policy (Policy 136) and sound business practices. That policy and sound business practices require:

- Appropriate review and approval of the proposed purchase by the Property Management Division (e.g., Real Estate Administrator), City Attorney's Office, Department Head (e.g., Public Works), City Manager, and City Commission.
- Independent appraisals to determine an appropriate and fair price and justify the amounts paid for the properties.
- Environmental assessments to ascertain whether likely contamination exists and whether any identified likely contamination is sufficient to warrant not acquiring the property.
- Proper execution and documentation of the purchase including title insurance, deeds/titles, settlement statements, etc.

No reportable issues were identified. Our review showed the acquisitions were:

- Reviewed and approved by applicable City staff.
- Supported and justified by appropriate independent appraisals.
- Supported and justified by environmental assessments which were reviewed and properly considered by appropriate City staff prior to executing the purchase.
- Properly executed and supported by appropriate documentation such as real estate contracts, title insurance, deeds, closing/settlement statements, etc.

**CATEGORY 2 – Property Improvement, Enhancements, Maintenance, etc.** We identified expenditures totaling \$368,960 charged to the project for improvements, enhancements, and maintenance of the

*Expenditures for property improvements, enhancements, and maintenance were generally proper, appropriate, and in accordance with controlling policies and procedures.*

five acquired properties and other City-owned properties located in the Gaines Street corridor. We selected and tested a representative sample of 23 of those charges totaling \$223,006. Overall, we found those charges and the related goods and services were:

- Reasonable.
- In accordance with the project’s goals and objectives.
- Properly approved.
- Acquired using appropriate methods (e.g., competitive acquisition procedures).
- In accordance with applicable contractual terms and conditions.
- Timely paid.
- Adequately supported (e.g., by purchase orders, vendor invoices, contracts and related proposals, and deliverables evidencing receipt of applicable goods and services).
- Correctly recorded in the City’s financial accounting system.

Only one reportable issue was identified as addressed in the following paragraph.

**AUDIT ISSUE #2** – Except for one instance, competitive acquisition practices were properly used for sampled acquisitions of goods and services. The one instance involved the purchase of a temporary fence that was not competitively procured. Specifically, for one of the acquired properties (“Chevron” property acquired from the state), the City paid a vendor to install a temporary fence around a building on the property that was being demolished. The cost of the fence was \$1,680. Pursuant to City policy, competitive procurement practices were required (i.e., quotes from at least three vendors) as the anticipated cost exceeded \$1,000. Contrary to that requirement, City staff (Property Management Division) obtained only one quote (proposal) from a single vendor for the temporary fencing. While the City was in the process of executing a contract with that vendor for installation and repair of permanent fencing based on evaluation of several competitive proposals, (1) that contract had not yet been executed and (2) the scope of that proposed contract did not address temporary fencing. Accordingly, the temporary fencing

*Competitive quotes should have been obtained in connection with acquisition of temporary fencing on one acquired property.*

should have been obtained through competitive solicitations. In future circumstances the Property Management Division should ensure appropriate procurement methods are used in the acquisition of such goods and services.

**CATEGORY 3 – Disposal of City-Owned Properties in Connection with Redevelopment Efforts.**

As identified previously within this report, two of the properties acquired by the City have subsequently been sold (*see items 18 and 27 in Table 2 within this report*). One of those properties was sold to the developer of the Marriot Residence Inn for approximately \$1.6 million and the other sold to the CRA for approximately \$4.65 million. We reviewed those two dispositions to ascertain if they were for the purpose of achieving the goals of the Gaines Street Revitalization Project and were made in accordance with the City's real estate policy (Policy 136). We also determined if the related disposition (sale) proceeds were properly accounted for and deposited.

Our review showed the sales transactions were, overall:

- For appropriate purposes and in accordance with the City's real estate policy.
- Properly reviewed and approved by the City's Real Estate Committee, City Manager, and City Commission.
- Supported by independent appraisals that substantiated the City was paid a fair and reasonable price.
- Adequately supported and justified by applicable records, such as closing documents, deeds, promissory notes, covenants, etc.

We also found the sale proceeds received on the dates of the respective real estate closings were properly accounted for and deposited. Only one reportable issue was identified. That issue is addressed in the following paragraph.

**AUDIT ISSUE #3** – Consideration should be given to amending the City's real estate policy (Policy 136) to require notification of nearby property owners whenever the City is selling City-owned properties to foster redevelopment within the City. City real estate policy currently provides that nearby property owners (i.e., those located within 500 feet of the subject property) be notified whenever significant consideration is

*Property sales were made in accordance with City policies and good business practices.*

*Consideration should be given to revising the City's real estate policy to require notification to all nearby property owners when City-owned property is being marketed and proposed for sale.*

being given to sale of “surplus” City property. Surplus property is defined as “City-owned real estate that is not currently being used by any City department and for which there is no potential identified future City use.” Any comments received from nearby property owners are to be summarized and provided to the City Commission and/or City Manager for their consideration when reviewing the proposed sale for approval or disapproval. That process helps ensure fair and proper consideration is provided other entities that may have an interest in the property and/or possible uses of the property when sold. However, there is no policy provision that requires formal notification to nearby property owners when City-owned properties, which are not deemed surplus, are considered for sale for an economic development purpose, such as the Gaines Street Revitalization Project.

The sale of the City-owned property at the northwest corner of Gaines Street and Railroad Avenue (Marriot Residence Inn property) in 2005 (*see item 18 within Table 2 of this report*) was for the purpose of redeveloping and revitalizing the Gaines Street corridor. Accordingly, there was no policy requirement that nearby owners be notified of the intended sale. We also acknowledge that the sale was accomplished in a very public manner (i.e., City Commission meetings are open to the public). Notwithstanding those circumstances, notification to nearby property owners, some of whom may be located outside the Tallahassee area, would ensure those parties had the opportunity to consider and comment on the proposed sale and use of the subject property. Accordingly, we recommend City management consider revising City Real Estate Policy 136 to provide for notification to nearby property owners in all instances where City-owned property is being marketed and considered for sale.

**CATEGORY 4 – Utility Infrastructure Relocation and Reconfiguration.** Total expenditures for infrastructure relocation and reconfigurations as of September 13, 2010, for the three selected capital projects totaled \$2,876,629. The three selected capital projects pertained to water, sewer, and electric infrastructure activities and comprised the largest utility infrastructure capital projects established for Gaines Street revitalization. From that population we selected for testing a representative sample of 49 charges totaling \$1,378,652. Sampled

*Expenditures for utility relocation and reconfiguration were generally proper, appropriate, and in accordance with controlling policies and procedures.*

expenditures included (1) staff salaries and overhead charged to the projects; (2) payments to firms for construction, engineering, and other related services; and (3) charges for equipment usage and materials.

We reviewed the sampled charges and the related goods, services, and project activities (monitoring and oversight) as applicable to ascertain whether they were:

- Reasonable.
- In accordance with the project's goals and objectives.
- Properly approved.
- Acquired using appropriate methods (e.g., competitive acquisition procedures).
- In accordance with applicable contractual terms and conditions.
- Timely paid.
- Adequately supported (e.g., by purchase orders, vendor invoices, contracts and related proposals, and deliverables evidencing receipt of applicable goods and services).
- Correctly recorded in the City's financial accounting system.
- Adequately performed (project monitoring and oversight).

Overall, we found the tested charges and the related goods and services were in accordance with project goals and objectives; reasonable; properly approved and authorized; adequately supported; in accordance with governing contractual terms and conditions; efficiently and properly procured (e.g., competitive procurement methods used); properly recorded and supported; and timely paid. We also found the related activities (installation/relocation/reconfiguration) were properly monitored by appropriate City staff to ensure infrastructure was installed properly. Only one issue was identified as described below.

*In one instance a contractor was incorrectly overpaid \$497; upon our notification the Electric Utility promptly recovered the overpayment.*

**AUDIT ISSUE #4** – In one instance a contractor was hired to provide electric service relocations at selected locations in the Gaines Street corridor. The applicable contractor was properly selected using competitive procurement techniques; as the contractor bid \$19,503 for the desired services, which was determined to be the lowest and best offer.

The Electric Utility created and issued a purchase order in the amount of \$20,000 for those services. The additional amount of \$497 (difference between the \$20,000 and the \$19,503) was to cover any additional unanticipated costs. Upon completion of the contracted services, the vendor billed the City for the amount of the purchase order (\$20,000) instead of the amount of the bid/offer (\$19,503). The City paid the \$20,000 as billed. As the contractor did not provide services in addition to those initially agreed upon, the contractor was overpaid \$497. In response to our inquiry on this matter, the Electric Utility promptly recovered the \$497 from the contractor. We recommend the Electric Utility ensure future payments for services are in accordance with bids/offers/proposals received in connection with competitive solicitations for those services.

**CATEGORY 5 – Roadway Reconstruction and Reconfiguration.**

Expenditures for this category as of September 13, 2010, totaled \$5,567,577. However, as noted previously within this report (*see Table 7 as well as the audit issue on page 42*), this includes an undetermined amount of expenditures incurred for the FAMU Way Project, as well as expenditures for the Gaines Street corridor. Accordingly, when selecting charges from this category to test in connection with this audit, we only selected charges pertaining to the Gaines Street corridor. This resulted in the selection and testing of 73 charges for the Gaines Street corridor totaling \$2,087,291. Those 73 sampled charges included staff salary and overhead charged to the project; various contractual services for (1) design and engineering, (2) construction, (3) materials, (4) consulting, and (5) environmental assessments; and miscellaneous charges (food and beverages for public information and marketing events).

We reviewed the sampled charges and the related goods, services, and project activities (monitoring and oversight) as applicable to ascertain whether they were:

- Reasonable.
- In accordance with the project's goals and objectives.
- Properly approved.

*Expenditures for roadway reconstruction and reconfiguration were generally proper, appropriate, and in accordance with controlling policies and procedures.*

- Acquired using appropriate methods (e.g., competitive acquisition procedures).
- In accordance with applicable contractual terms and conditions.
- Timely paid.
- Adequately supported (e.g., by purchase orders, vendor invoices, contracts and related proposals, and deliverables evidencing receipt of applicable goods and services).
- Correctly recorded in the City's financial accounting system.
- Adequately performed (project monitoring and oversight).

Overall, we found sampled charges and the related goods and services were reasonable; in accordance with the project's goals and objectives; properly approved; efficiently and properly procured (e.g., competitive procurement methods used); in accordance with governing contractual terms and conditions; timely paid; and properly recorded and supported. We also found the related activities (road reconstruction and reconfiguration) were properly monitored by appropriate City staff to ensure proper construction. Issues identified are addressed in the following paragraphs.

**AUDIT ISSUE #5** – Notwithstanding our conclusion as to appropriateness of the sampled charges, we found the complexities of the project combined with the evolving design decisions resulted in some justified variances from typical practices. Specifically, in one instance the Public Works Department contracted with an engineering firm to design and prepare construction plans for the roadway reconstruction. The initial contract was executed for \$109,417 in April 2009. The contract provided that payment would be made only upon timely delivery of the contracted deliverable, which was a complete set of construction plans and contract documents to be used by a contractor hired by the City to build the roadway. The contract stated that no payments would be made for partial deliverables or based on the firm's estimated percentage of work completed as of a specific date.

As the project evolved additional services were requested resulting in six change orders over the next 16 months that totaled \$440,622. Those additional services included, for example:

*Consideration should be given to executing contract amendments to reflect accepted and justified practices.*

- Additional design and analyses relating to sidewalk, curbs, and drainage systems.
- Additional design services relating to drainage pipe and system conveyance.
- Additional design services for street lighting and landscaping.
- Post design services such as assistance in preparing presentations for the City Commission.

Because of these additional services, the contractor billed the City for reasonable portions of the work as it was completed, but before the final deliverable (final design and construction plans) was completed and provided to the City. The Public Works Department reviewed those “partial billings” and approved their payment upon satisfaction the billings were fair and reasonable under the circumstances. In response to our inquiry, the Public Works Department acknowledged the payment process was contrary to the contract provisions, but indicated that under the changing circumstances (six change orders over a 16-month period due to evolving management decisions), it would not have been fair to the contractor to delay payment until the final design and construction plans were provided.

We do not dispute the fairness and appropriateness of the described practice. However, in future similar circumstances, we recommend the Public Works Department consider executing a formal contract amendment that justifies a change in the payment terms and conditions. Such an amendment should be crafted to protect the City’s interest and to provide the process for making partial payments.

**AUDIT ISSUE #6** – The Gaines Street Revitalization Project was designated a “fast track project” under authorization of the City’s Fast Tracking Program adopted by the City Commission in February 2009. That program allows for facilitated acquisition of goods and services for approved projects. Under the authorized fast tracking procedures, approval for contracts was delegated in certain instances to various levels of City management. For example, for capital projects approved by the City Commission, such as the capital projects established for the Gaines Street revitalization efforts, the City Manager is authorized to approve all

*Appropriate formal approval was not obtained for acquisition of certain engineering design services.*



contracts, expenditures, and change orders regardless of their amount. Additionally, contracts, expenditures, and change orders less than or equal to \$125,000 may be authorized and approved by the Procurement Service manager; those less than \$50,000 may be authorized and approved by the applicable department director.

For most sampled charges appropriate approvals were obtained under the City's established fast tracking procedures. However, in regard to the acquisition of design services described in the previous audit issue, we found appropriate authorizations and approval were not obtained. Specifically, the initial purchase order (contract) of \$109,417 was properly approved by Procurement Services in accordance with fast tracking procedures. However, as there were six subsequent change orders that resulted in total contracted costs of \$550,000 (one change order was for \$176,345), those change orders should have been approved by the City Manager. City Manager approval was not solicited or obtained.

We did not identify anything to indicate the change orders and related services were not appropriate for the project. However, not obtaining the required authorization and approval was contrary to the City's process for ensuring appropriate management oversight of the project. In future similar circumstances we recommend the Public Works Department and Procurement Services ensure appropriate authorizations and approvals are obtained.

**AUDIT ISSUE #7** – We identified an expenditure charged to the Gaines Street Revitalization Project established for roadway reconstruction and reconfiguration that should have been charged to a different project. Specifically, a \$585,000 payment to the State of Florida made in October 2005 as a down payment for the acquisition of the state properties located on the eastern end of the planned revitalization near the state capital was charged to the roadway reconstruction and reconfiguration project. (*See item 20 in Table 2 within this report.*) While that was an appropriate and correct payment, it would have been more logical and appropriate to charge the payment to the capital project established for the acquisition of properties within the Gaines Street corridor.

*One expenditure was identified that should have been charged to a different project.*

To enhance accountability of Gaines Street activity, the Public Works Department should ensure that future costs are charged to the most appropriate capital projects. We recommend adjusting project records for the charge described above.

## ***Environmental Due Diligence***

*(Specific Objective No. 5)*

*Properties were classified into four categories for purposes of assessing the City's due diligence in regard to environmental contamination.*

*Our analysis showed the City has and continues to conduct due diligence in identifying and addressing environmental contamination.*

Our fifth specific audit objective was to determine if the City performed due diligence in identifying and addressing potential contamination in City-owned properties within the Gaines Street corridor, and other properties within the corridor considered for acquisition by the City as part of the project. For purposes of addressing this audit objective, we classified applicable properties into the following four categories:

- Category 1 – The five major properties acquired directly in connection with the Gaines Street Revitalization Project. The five properties include the (1) Madison Street property, (2) CSX property, (3) Salie property, (4) O'Connell property, and (5) State of Florida properties. (See pages 25 and 26 within this report.)
- Category 2 – The Gaines Street corridor (roadway and related right-of-way).
- Category 3 – City-owned properties within the project area other than the five specific properties included in category 1. These properties were owned by the City prior to the start of the revitalization project.
- Category 4 – Properties considered for acquisition by the City in connection with revitalization efforts, but not purchased.

For each category we reviewed applicable records and held discussions with knowledgeable City staff (within Public Works, Property Management, and EPER) to ascertain if the City (1) conducted due diligence in identifying environmental concerns and; (2) has or is taking actions to address concerns that were identified. We also identified the sources of funds used to address environmental concerns.

We concluded the City conducted due diligence in identifying environmental concerns for each category. The results of that due diligence were properly considered in making decisions on whether to acquire properties (categories 1, 2, and 4) and in what further actions should be taken in regard to identified and/or potential contamination

(categories 1, 2, and 3). Specific activities and related action/results included:

- Environmental analyses were performed to identify actual or potential contamination (e.g. petroleum, arsenic, asbestos, or other hazardous materials) in the soils, groundwater, and buildings located on the properties within each category, including the roadway.
- Actual or likely contamination has been identified for most of the properties. Contamination includes, for example:
  - Petroleum - likely attributable to former gasoline stations located in the area.
  - Arsenic - used to control vegetation on and near the current and former railroad tracks located in the area.
  - Miscellaneous contaminated metals and other materials - attributable to former uses on the properties, such as metal and machine shops, printing facilities, and dry cleaners.
  - Asbestos - found in buildings located on the properties.
- Appropriate actions have been planned, and taken in some instances, to address the confirmed or likely contamination. Those plans and actions include:
  - Additional assessments to identify the quantity and degree of contamination.
  - Removal of asbestos and other hazardous material from buildings that were demolished.
  - Initial cleanup of contaminated soils and removal of drums and barrels that likely contained hazardous materials.
  - Contracted removal and disposal of contamination encountered during utility and roadway reconstruction and reconfiguration activities.
  - Further remediation activities to be determined upon completion of additional assessments and the type development to be built (i.e., the amount of remediation sometimes depends on the degree that contaminated soil or

*Appropriate actions have been and are being planned or taken.*

*City funds as well as federal grants are being used to pay for assessments and related remediation.*

groundwater is disturbed during construction activities; generally, the greater the disturbance the greater the required remediation).

At this point, the final assessments for many properties have not been completed. However, the City has obtained legal opinions that indicate the known and likely contamination is not so significant as to warrant the City not continuing the project and on-going revitalization efforts. No “catastrophic releases” of contaminated material have been identified.

The City has funded the environmental efforts from various sources, including project funds for both the reconstruction and reconfiguration of the roadway and corridor and the acquisition of properties for redevelopment efforts. The CRA also has funded a portion of the environmental assessments and remediation efforts (i.e., for asbestos and other hazardous material surveys and removal from buildings that were subsequently demolished on the properties acquired from the state). Additionally, the City applied for and was awarded four federal “brownfield assessment and remediation grants” totaling \$1 million. As of the date of our review on January 27, 2011, the City had expended \$223,118 of the assessment grants and \$76,229 of the remediation (cleanup) grants. The remaining assessment grant funds must be used by June 30, 2011; the remaining remediation funds must be used by July 31, 2012.

*The related report tables describe environmental activities and circumstances for individual properties.*

**Table 9** that follows shows the environmental assessment and remediation activities and circumstances for specific properties included in categories 1, 2, and 3, as described above.

<b>TABLE 9</b>	
<b>Environmental Activities and Circumstances</b>	
<b>CATEGORY 1 - Five Major Properties Acquired</b>	
<u>Property</u>	<u>Circumstances</u>
1. Madison Street Property	While some petroleum contamination was found, the Florida Department of Environmental Protection (FDEP) allowed development so long as there were no violations of provisions established by a FDEP restrictive covenant for the property and proper measures were taken during construction. The City sold the property to a private developer that built the Marriot Residence Inn on the property. FDEP was responsible for

		ensuring the private developer complied with applicable regulations and provisions.
2.	CSX Property	Contamination (arsenic and petroleum) and potential contamination from hydraulic equipment, drums, storage tanks, etc. located on the property were identified during initial assessments conducted by the City. Some interim remediation was done, including removal of drums, barrels, and associated soils. The City plans on using some of the federal brownfield assessment grant funds to complete further assessments for that property. Additionally, the City received a \$200,000 brownfield cleanup grant specifically for that property. The City is currently using a consultant in planning and performing that remediation work.
3.	Salie Property	The initial assessments performed by the City when acquiring the property indicated some contamination and the need for additional assessments. Some interim remediation had been performed (removal of an underground petroleum storage tank). On behalf of the City, the FDEP contracted with and paid a firm to conduct additional assessments, the results of which showed some limited soil contamination but no groundwater contamination. The City received a \$200,000 brownfield cleanup grant specifically for that property. The City is currently using a consultant in planning and performing that remediation work.
4.	O’Connell Property (largest parcel adjacent to the Civic Center)	Because of groundwater contamination identified by environmental assessments conducted prior to the City’s acquisition of the property, FDEP issued a restrictive covenant regarding development of the property. The City obtained a legal opinion that provided the identified contamination was not so significant so as to warrant the City not purchasing the property. The City is currently using federal grant funds to make additional environmental assessments for the property. Those additional assessments are currently ongoing. The ultimate determination of required/necessary remediation will depend on the results of those assessments, reviews by state and/or federal regulatory authorities, and the type development that is established on the property.
5.	State Properties	The City and CRA hired a contractor to identify and remove asbestos and other contaminants (e.g., lead based paint, fluorescent light fixtures, freon) from buildings located on the purchased properties that were subsequently demolished. Some groundwater and soil contamination was identified in environmental assessments; that contamination does not warrant further assessment and remediation at this point. A determination as to whether additional assessments and remediation is necessary will depend on the type development that is established on the property.
<b>CATEGORY 2 – Gaines Street Roadway</b>		
1.	Roadway and related	The City hired an environmental engineering firm to assess the level of

	right-of-way	contamination within the main corridor as well as adjacent roadways (e.g., Madison and St. Augustine Streets). The results showed some contamination. The legal opinion from the law firm hired by the City to review the results indicated there was some soil and groundwater contamination from prior uses (gasoline stations, dry cleaners, machine shops, printing facilities, and railroad activities). In some instances that contamination was found to be above regulatory standards. In other locations within the corridors no contamination was found. No “catastrophic releases” were identified. Based on these results, (1) the City’s Water Resources Engineering Division within Underground Utilities hired an environmental engineering firm to incorporate areas of likely contamination into the design plans for the new water and sewer utility infrastructure installed in the corridor as part of the revitalization efforts. Additionally, the contract for the water and sewer infrastructure installation (relocation and reconfiguration) included specifications for removal and disposal of encountered contamination. A limited amount was encountered. The contractor was paid \$66,757 for handling and disposing of the contaminated items (soils) that were encountered. Furthermore, 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. As of the date of our review in late January 2011, no contamination had been encountered in connection with that work.
<b>CATEGORY 3 – Other City-Owned Properties Located in the Project Area</b>		
1.	“Arts Exchange” property (comprised of 4 parcels located near the intersection of Gaines Street and Railroad Avenue)	A portion of the federal brownfield assessment grants are being used to conduct environmental assessments of these parcels. Those assessments are currently in process as of late January 2011. Preliminary results indicate some soil contamination (arsenic). Additionally, the City paid an environmental firm to survey and determine the amount of asbestos within a building located on one of the parcels. The results show there is some asbestos that will need to be properly removed and handled (abated) if and when the building is demolished for future redevelopment.
2.	O’Connell Property (3 non-contiguous parcels located south of Gaines Street)	An environmental assessment was conducted on these parcels when the City considered the property for acquisition. No environmental contamination conditions were identified by that assessment. No environment assessments are underway or foreseen as necessary for these properties.
3.	Doug Burnette Park	No environmental assessments are underway or foreseen as necessary for this property (City park).

There is currently only one property that falls within category 4 as defined above. As also explained and described on page 36 of this report, that property is the southwest corner of Gaines Street and Railroad Avenue where a gasoline station and store are currently located. Acquisition of that property was considered by the CRA in 2009 but not made as recommended by CRA staff. The recommendation to not acquire the property was made because of the unknown liabilities relating to significant identified contamination resulting from prior (and current) uses (e.g., underground petroleum storage tanks). That contamination was identified through environmental assessments of that property.

Overall, we concluded the City is prudently conducting due diligence in regard to identifying and assessing the impact of known or likely environmental contamination within the project area. Limited interim remediation activities have been conducted and other remediation activities are currently being planned.

## ***Informing and Involving the Public***

*(Specific Objective No. 6)*

*We determined the City has been proactive in involving and informing affected parties and the general public.*

Our sixth specific audit objective was to determine if the City's efforts to inform and involve the public were adequate and appropriate. To address this objective we reviewed applicable records and interviewed the CRA Coordinator and staff within the Economic and Community Development and Communications Departments. Our review showed the City has been 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 pertained to both (1) the new zoning standards and related guidelines on building designs and uses and (2) the major modifications and reconfiguration of the roadway and related travel corridor. Additionally, the City has been proactive in keeping impacted entities and the general public informed as to the status of upcoming and ongoing construction (utility as well as roadway). This public involvement was accomplished through various methods, including:

- Establishment and use of citizen advisory committees to assist in development and finalization of plans (visions) for both architecture (buildings design and related uses) and the travel corridor. Committees included;

*Several citizen committees were established to assist in the project design.*

- The 1997 Planning Charette established by the former Metropolitan Planning Organization (MPO) to develop a vision plan. The charette recommended an interconnected greenway and open space system. *(NOTE: A design charette is an intensive, hands-on workshop involving people from different disciplines and backgrounds to explore design options for a particular area or site.)*
- The Gaines Street Vitalization Committee (GSVC) established by the MPO in 1997 and recognized by the City Commission in 1998 as its advisory committee on revitalization of the corridor. The GSVC was comprised of property owners, business people, area residents, government representatives, and other stakeholders. The GSVC held workshops and played a significant role in development of the Gaines Street vision and related plans. This committee served in its role through 2009.
- The City’s Urban Design Commission established by the City in 2005 to review proposed projects for the purpose of ensuring they meet and contribute to the urban and architectural character envisioned for the Gaines Street revitalization area.
- City interaction with the “Get Gaines Going Committee,” which was established by a separate entity (Knight Creative Communities Initiative) and comprised of community volunteers. The committee’s role was to accelerate the revitalization and facilitate development of arts and entertainment as part of the project.
- City staff and their representatives (Gaines Street Coordinator, Public Works Director, and contracted design consultant) met with and interviewed business and property owners and neighborhood groups. Useful input received from those interactions included, for example:
  - The need for higher standards of quality as to development and environment.
  - The desire to establish a “sense of place” with unique identifiable characteristics.

*Efforts involved direct contact with affected individuals and groups.*



- The need to incorporate residential and mixed (both residential and retail) uses within the revitalized area.
- The need to address and resolve issues relating to pedestrian and vehicular traffic and parking.
- Providing the public an ongoing means to provide their comments, concerns, questions, and suggestions through:
  - The City’s website - Talgov.com
  - Social media, primarily “Facebook.”

*Facebook and the City’s website were/are used to inform and involve the public.*

Those sites, as well as “YouTube” (an Internet website where videos can be posted for observance by the public with Internet access), are also used by the City to keep the public informed as to the status of the project, such as construction activities and resulting traffic detours and changes. (NOTE: One example of a YouTube video was the Gaines Street Flash Mob Dance posted on the Internet in May 2010.)

- Numerous outreach presentations to various groups since 2008 by the Gaines Street Coordinator, including presentations to/for:
  - FSU Real Estate Conference.
  - Chamber of Commerce.
  - Downtown Realtors Group.
  - Leadership Tallahassee.
  - Civic Center Board.
  - FSU Urban Design class.
- Various presentations and discussions (“City Talk”) on the City’s cable channel (WCOT) and local and national radio shows.
- Various news releases issued by the Communications Department to the local media.
- Distribution (through mail and by hand) of fliers and letters to impacted entities and other interested parties notifying them of upcoming and ongoing construction as well as related traffic pattern changes.

*Various media including TV, radio, and news releases have been used.*

*Formal public information meetings were held.*

- Placing signs in the travel corridor notifying the traveling public of upcoming and ongoing construction activities as well as related changes in the traffic pattern.
- Formal advertised public meetings, including the formal public information meeting held March 26, 2009, to show interested individuals and groups the plans and designs for the corridor; and to solicit their comments, concerns, and other input.
- Appointment of a customer liaison (Public Works employee) to be on-site during construction activities to inform, answer questions, and address complaints from local businesses and residents.

In addition to those means and methods, all decisions on major revitalization plans and designs were made by the City Commission in public meetings that provided interested/concerned citizens the opportunity to speak and express their opinions, preferences, concerns, questions, and suggestions. Also, updates on the status of the project have been provided by City and CRA staffs in periodic City Commission meetings.

In addition to keeping the public and interested parties informed, the solicited public input has been instrumental in finalizing plans for the Gaines Street revitalization. Some of the more significant examples include;

*Solicited public input was obtained and incorporated into the final vision and designs.*

- The GSVC was instrumental in developing the overall vision that was incorporated into the final design, including street lamps, benches, waste containers, street signs, trees, and the Gaines Street logo.
- Residents and business owners were successful in their efforts to change the initial roadway design from a large divided four-lane boulevard to the current envisioned two-lane and two-way travel corridor.
- The cycling community was successful in design revisions that provided for separate “bike boulevards” on the north and south sides of the travel corridor.

In summary, the City made conscientious efforts to involve and inform the public and has been successful in that endeavor.

## Conclusion

*Significant progress has been achieved in conversion of the roadway into the envisioned urban corridor; applicable City departments and the CRA have demonstrated a commitment to follow through on remaining actions necessary to realize that vision*

The City is making significant progress in converting Gaines Street to the envisioned urban corridor. New development regulations and guidelines have been established. Properties for redevelopment have been acquired and enhanced. Some redevelopment has occurred. Reconstruction of the first segment of the roadway is in progress. Environmental assessments are ongoing and the public and affected parties have been informed and involved. While a few issues were identified for which recommendations for improvements were made, City funds expended and activities relating to these efforts have, for the most part, been appropriate and reasonable.

Even with the progress made to date, significant actions remain to realize the vision. Those remaining actions include further preferred redevelopment of existing properties and final design and reconstruction of the remaining roadway segments. Environmental assessments and necessary remediation of identified contamination must be completed. Also, funding issues must be addressed as the Gaines Street Project and related FAMU Way Project develop. Throughout those activities, the City must continue its efforts to inform and involve affected parties and the general public. The various City departments involved in this project, in conjunction with the CRA, have demonstrated a commitment to follow through on these remaining actions.

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

***Appointed  
Official's  
Response*****City Manager:**

I am very pleased with the results of the Gaines St. Revitalization Project audit. The Gaines St. Revitalization is one of the most complex projects that the City, in conjunction with Leon County, has undertaken in recent years. Successful implementation of this type of large-scale redevelopment requires that staff from several different disciplines and departments work as one team to overcome multiple challenges and accomplish a complex set of goals. The results of this audit demonstrate that we are able to meet such challenges and produce a project that will, when completed, help create a more positive civic identity for the residents of the City of Tallahassee and Leon County.

It is worthwhile to note the audit produced only a few comments, as noted in the attached action plan. City staff and administration have reviewed the report and action plan and we are already working on ways to address the objectives outlined in the plan. As we move forward with the Gaines St. Revitalization we will continue to work to maintain, and improve when possible, our high levels of quality and service.

I would like to thank the City's Auditor's Office for their detailed and thorough reporting, as well as the multiple City departments that assisted with the audit. With great anticipation, I look forward to the completion of the Gaines St. Revitalization Project.

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## APPENDICES

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**Appendix A – Action Plan**

Action Steps		Responsible Employee	Target Date
<b>A. Objective:</b>	<b>Enhance accountability and management oversight (Public Works).</b>		
	1. Future expenditures for the Gaines Street revitalization efforts and the more recent FAMU Way project will be budgeted and accounted for separately. Assistance from DMA will be obtained as needed to complete this action.	Steve Shafer	Completed (July 2010) *
	2. Expenditures specifically for the FAMU Way Project previously charged to the Gaines Street revitalization project will be identified and “transferred” to the capital project established for the FAMU Way Project. Assistance from DMA will be obtained as needed to complete this action.	Greg Wilkerson	August 15, 2011
	3. The expenditure charged to the Gaines Street revitalization project for roadway reconstruction and reconfiguration that should have been more appropriately charged to the capital project established for land acquisition will be “transferred” to that project (i.e., the \$585,000 down payment for land acquisition). Assistance from DMA will be obtained as needed to complete this action.	Greg Wilkerson	August 15, 2011
<b>B. Objective:</b>	<b>Ensure proper and efficient acquisition of services (Property Management Division).</b>		
	1. Management will review future proposed acquisitions to ensure staff acquire goods and services using the most appropriate procurement methods in accordance with City procurement policy and good business practices.	Mark Beaudoin	Completed *  (Management and staff rededicated efforts to ensure compliance in October 2010.)
<b>C. Objective:</b>	<b>Ensure proper and efficient acquisition of services (Public Works).</b>		
	1. Required levels of management approval will be obtained for future change orders in accordance with established City requirements.	Steve Shafer	June 1, 2011



Action Steps		Responsible Employee	Target Date
<b>D. Objective:</b>	<b>Ensure proper disbursement of City funds (Public Works).</b>		
1. Management will ensure proper and appropriate contract amendments are executed in future instances where payments for goods and services necessitate and justify a departure from initial contract terms and conditions.	Steve Shafer	August 15, 2011	
<b>E. Objective:</b>	<b>Ensure proper disbursement of City funds (Electric Utility).</b>		
1. The \$497 overpayment to the electrical contractor will be recovered.	Tina Drose	Completed	
<b>F. Objective:</b>	<b>Ensure real estate activity is conducted in the most appropriate and fair manner (Property Management Division).</b>		
1. During the next update to City Real Estate Policy 136, consideration will be given to making revisions that require notification to nearby property owners in all instances (not just surplus property) where City-owned property is marketed and considered for sale.	Mark Beaudoin	Consideration will be given during the next policy update.	

\*Per department, action plan step has been completed as of indicated date. Completion will be verified during the audit follow-up process.

## Appendix B Streetscape Design

(Source: CRA – Consultant Drawing )



# Appendix B Environmental Focus

(Source: CRA – Consultant Drawing )





## Appendix B Arts, History & Culture

(Source: CRA - Consultant Drawing )

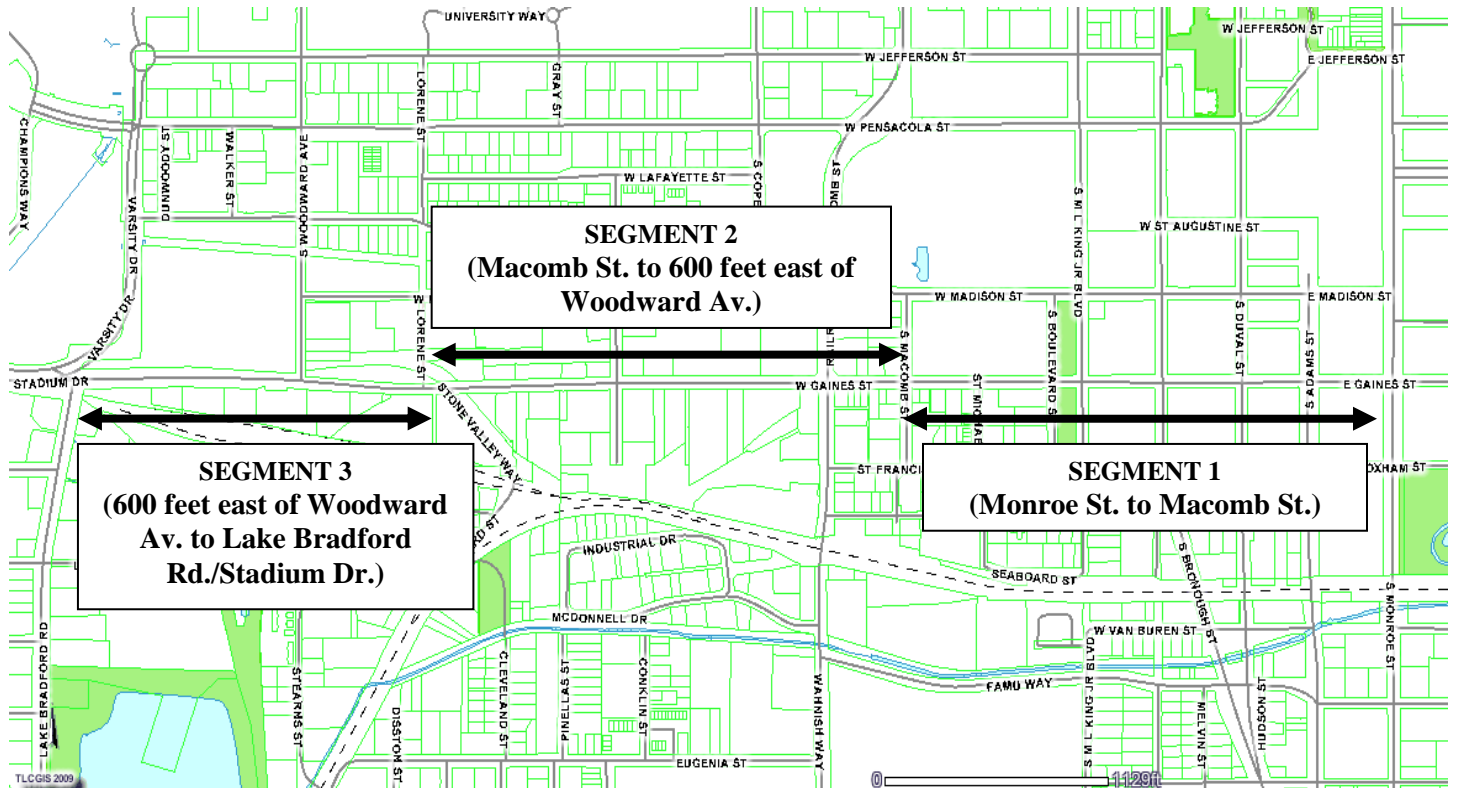


# Appendix B Intersection

(Source: CRA - Consultant Drawing )



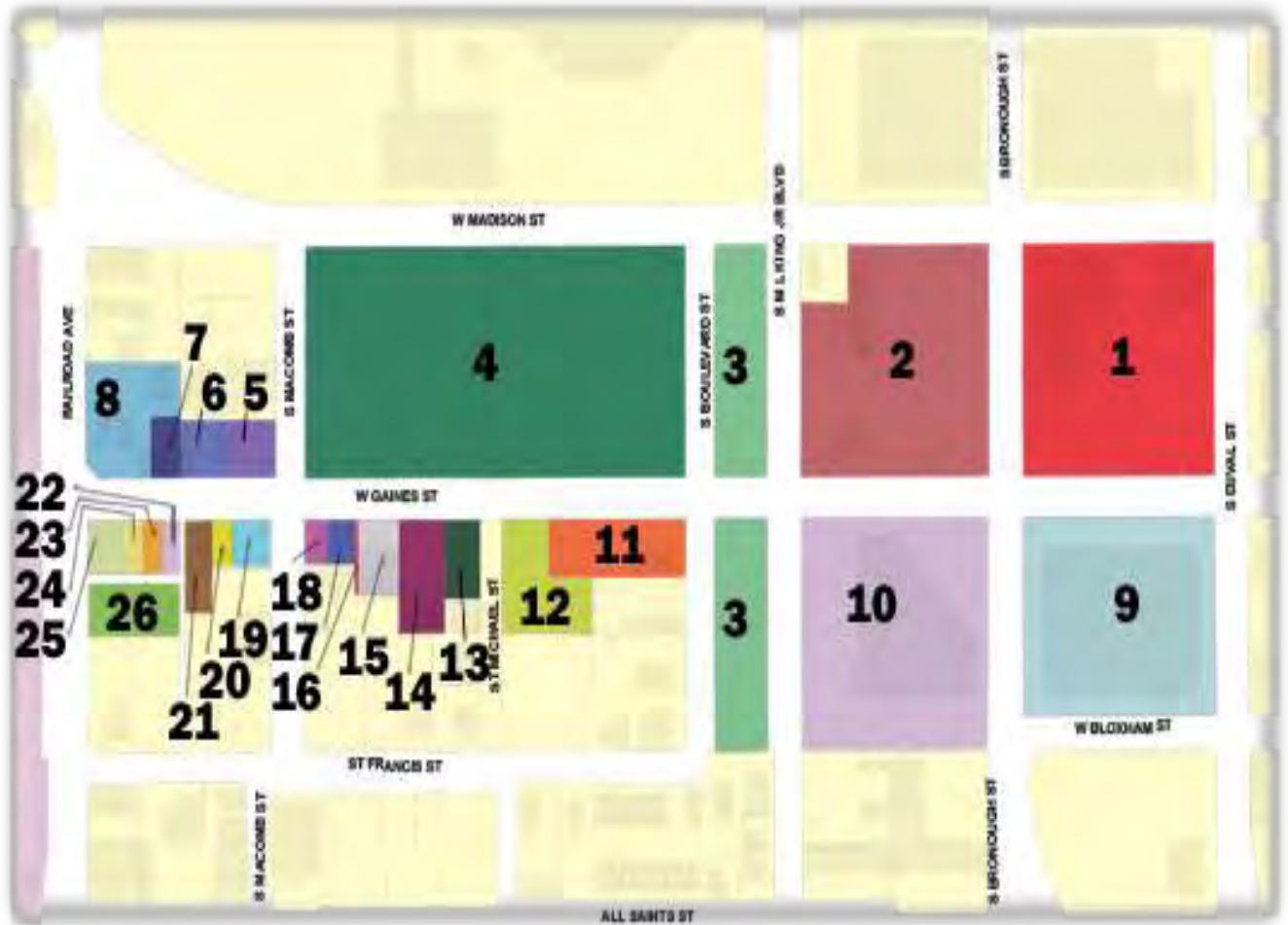
### APPENDIX C CONSTRUCTION SEGMENTS



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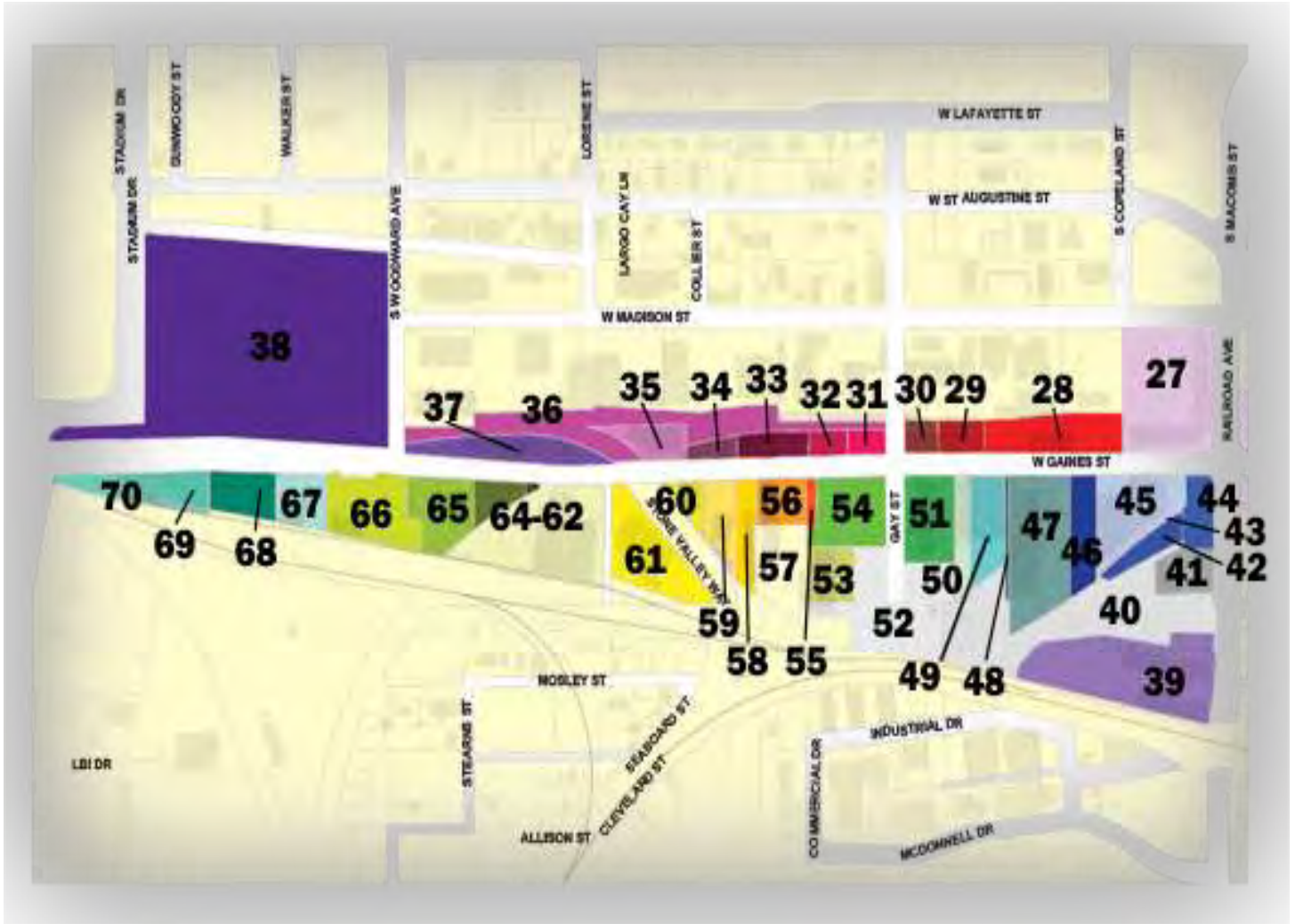
**APPENDIX D  
GAINES STREET “EASTERN” PROPERTIES  
(BY PARCEL NUMBER)**



City-owned parcels: 1, 2, 3, 4, 12, and 13  
(CRA now owns parcel 4)



**APPENDIX D  
GAINES STREET “WESTERN” PROPERTIES  
(BY PARCEL NUMBER)**



City-owned parcels: 31, 32, 36, 40, 41, 42, 48, 51, 52, 53, and 54

**APPENDIX E  
GAINES STREET  
SEGMENT 1 CONSTRUCTION ACTIVITY  
(Looking east on Gaines Street - February 17, 2011)**





**APPENDIX E  
GAINES STREET  
SEGMENT 1 CONSTRUCTION ACTIVITY  
(Looking west on Gaines Street - February 17, 2011)**



**APPENDIX E  
GAINES STREET  
SEGMENT 1 CONSTRUCTION ACTIVITY  
(Looking west on Gaines Street - February 17, 2011)**



**APPENDIX E  
GAINES STREET  
SEGMENT 1 CONSTRUCTION ACTIVITY  
(Looking east on Gaines Street - February 17, 2011)**





**APPENDIX F**  
**“THE LOFTS ON GAINES”**  
**CONSTRUCTION ACTIVITY**  
**(February 17, 2011)**  
**(See Parcel 65 in Appendix D)**



**APPENDIX G**  
**“ARTS EXCHANGE” SITE**  
**(February 17, 2011)**  
**(See Parcels 40, 41, 42, & 48 in Appendix D)**

