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PINELLAS COUNTY, FLORIDA

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## Division of Inspector General

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### REPORT NO. 2023-28

TO: Barry Burton, County Administrator  
The Honorable Chair and Members of the Board of County Commissioners

CC: Ken Burke, CPA, Clerk of the Circuit Court and Comptroller  
Jewel White, County Attorney  
Mike Twitty, Property Appraiser

FROM: Melissa Dondero, Inspector General/Chief Audit Executive *md*

SUBJECT: Investigative Review of County Administration Sale of Property

DATE: November 6, 2023

The Division of Inspector General's Public Integrity Unit (IG) has completed an investigative review of the following allegations related to the County's proposed property sale:

1. The Respondent initiated a transaction for a local agency to acquire County property in violation of rules, regulations, policies, and/or statutes. **Unfounded.**
2. The Respondent has a personal relationship with the Chief Executive Officer of a local agency that the County may engage in a business transaction with, which has presented a real or perceived conflict of interest. **Unfounded.**

To determine whether the allegations were substantiated, we reviewed policies, procedures, and appropriate records. We also contacted and interviewed staff and other parties, as needed. Our investigative review was performed according to the *Principles and Standards for Offices of Inspector General* and *The Florida Inspectors General Standards Manual* from The Commission for Florida Law Enforcement Accreditation.



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We use the following terminology for the conclusion of fact/finding(s):

- **Substantiated** – An allegation is substantiated when there is sufficient evidence to justify a reasonable conclusion that the allegation is true.
- **Unsubstantiated** – An allegation is unsubstantiated when there is insufficient evidence to either prove or disprove the allegation.
- **Unfounded** – An allegation is unfounded when it is proved to be false or there is no credible evidence to support it.

We appreciate the cooperation shown by the staff of County Administration, the Department of Administrative Services (DAS), the Housing Finance Authority (HFA), the Office of Management & Budget (OMB), the Property Appraiser's Office (PAO), and the County Attorney's Office (CAO) during the course of this investigative review.

### **A. Background and Allegations:**

On July 14, 2022, the IG received an anonymous complaint, which alleged that the Respondent, an Assistant County Administrator (ACA), had initiated a transaction for a local agency, Florida Dream Center (FLDC), to acquire County property (Parcel No: 34-30-16-54432-000-0310; 4017 56th Avenue N., St. Petersburg), which is an office building that FLDC currently occupies. Per the Complainant, the original purchase price for the property was approximately \$640,000 and the current fair market value was at least \$900,000, but the County planned to sell the property to the FLDC for the purchase price of \$640,000.

The FLDC is a 501(c)(3) tax-exempt, faith-based nonprofit organization that provides resources and aid to at-risk communities. The FLDC has been leasing the property since June 2017. The initial lease for year 1 was \$28,500, and rent was to be increased 3% annually after that. The first amendment to the lease dated June 2019 stated that the remainder due for the initial 5-year lease term was \$1.00, with no rent redetermination for the remaining term or with any successive additional renewal terms. The lease has been extended through June 2024.

The Complainant provided email documentation from the Respondent, indicating the County acquired the property for \$640,000 using Penny for Pinellas funds. We later confirmed with the DAS that since the property was purchased with a group of parcels for \$4,590,000, there was no breakdown of cost for each parcel. However, the \$640,000 was likely calculated based on the pro-rata share of acreage. The Complainant further alleged the Respondent had a personal relationship with the Chief Executive Officer (CEO) of the FLDC, which presented a conflict of interest. This resulted in the IG investigating the following allegations:

1. The Respondent initiated a transaction for a local agency to acquire County property in violation of rules, regulations, policies, and/or statutes.

2. The Respondent has a personal relationship with the CEO of a local agency that the County may engage in a business transaction which has presented a real or perceived conflict of interest.

### **B. Investigative Activity:**

During the course of the investigative review, we performed the following to obtain evidence to conclude on the allegations:

- Interviewed staff from the following County departments:
  - County Administration
  - DAS
  - HFA
  - OMB
  - PAO
  - CAO
- Interviewed Pinellas Community Foundation (PCF) management
- Reviewed historical property information, American Rescue Plan Act (ARPA) application information, DAS property information and correspondence, and budget and accounting information
- Reviewed Florida Statutes, and other rules as applicable

### **C. Investigative Conclusions:**

During the course of the investigative review, we determined the following facts to conclude on the allegations:

#### **1. The Respondent initiated a transaction for a local agency to acquire County property in violation of rules, regulations, policies, and/or statutes.**

In 2016, the County acquired a group of parcels (7.75 acres of land) in Central Lealman through the HFA, using Land Assembly Funds, also known as Penny for Pinellas funds. The total purchase price for the group of parcels was \$4,590,000. The transaction closed on February 29, 2016, with the buyer listed as “Pinellas County Land Assembly Trust – Lealman, dated December 4, 2015.”

The Land Trust Agreement between the County and the HFA included the following information:

- The Land Trust Agreement was entered into in furtherance of the Community Housing Program adopted by the Board of County Commissioners (BCC), and Resolution 2007-04, which authorized the use of land trusts for affordable housing projects.
- The real property underlying this Land Trust Agreement consisted of multiple parcels located in the Lealman area of Pinellas County, Florida (Property).

- The County authorized creation of this Land Trust Agreement and acceptance of title to the Property, so the Property would be utilized for the development of affordable housing units in furtherance of the Community Housing Program.
- The Trustee shall not manage or operate the Property nor undertake any other activity not strictly necessary to the attainment of the foregoing objects and purposes.
- The term of the Agreement was 99 years.

On June 8, 2017, the HFA conveyed the property to the County through a quit claim deed, which conveyed the property to the County and removed it from the Land Trust Agreement. Since the property was no longer being used for affordable housing, the HFA did not need to manage the property.

As noted in the Background, the FLDC has been leasing the property since 2017. The Complainant included documentation from June 2022 illustrating the Respondent directed County staff to initiate a transaction for the BCC to consider, to dispose of the property by selling it to the FLDC for less than fair market value (original purchase price of \$640,000). The Respondent indicated the FLDC would apply for ARPA dollars through the County's program to purchase and renovate the property.

In July 2022, the Pinellas County PAO listed the property with a market value of \$1,112,512, and an assessed value of \$915,338. County management indicated it is the County's practice to reimburse the fund used to purchase property when the property is sold (Penny for Pinellas in this case).

In October 2022, the IG interviewed the Respondent. The Respondent indicated that the proposed sale price was no longer \$640,000 and was going to be based on an appraisal obtained by the County for approximately \$1.1M and provided the appraisal to the IG. The County had not performed a cost analysis to determine if selling the property or continuing to lease it with maintenance costs would be more cost-effective, but the Respondent noted the current lease provided no income to offset any maintenance or other costs. The current lease requires the FLDC to pay \$1 annually, with maintenance responsibilities as follows:

- *“OWNER [County] shall maintain the roof, structural load-bearing walls, slab, parking lot and site drainage on said Premises. OWNER shall be responsible for the upkeep, maintenance, repair, replacement and management of the Premises building infrastructure, as defined in Exhibit ‘B’.*
- *TENANT [FLDC] will be responsible for paying all charges for water, sewer, electric, and trash removal supplied to the Premises, as determined by meter or otherwise. OWNER shall not be liable in any manner for damages to TENANT, or for any other claim by TENANT,*

*resulting from any interruption in utility services, unless the interruption is caused by the OWNER.*

- *TENANT shall pay for its own janitorial services, data/voice/telecommunication installation and service, security and alarm systems and service, office equipment and furnishings, carpet and floor cleaning and repair, repair and maintenance of aesthetic finishes, interior pest control, appliance and fixture maintenance, and any other necessary utility or service requirements.*
- *TENANT shall be responsible for the first Five Hundred Dollars (\$500.00) for each occurrence of repair, replacement, or service performed on the structure, appliances, equipment, fixtures, and furnishings for all maintenance and services listed as TENANT'S responsibility in Exhibit 'B'. Any appliances, fixtures, and furnishings owned by TENANT will be solely TENANT'S responsibility. TENANT shall not expend monies on repairs, replacements, or maintenance and services as listed in Exhibit 'B' over Five Hundred Dollars (\$500.00) without prior written approval from the OWNER."*

Exhibit B Maintenance and Services, includes items such as air conditioner filter replacement, carpet cleaning, flooring, painting, and roof repairs.

In November 2022, DAS staff indicated that the proposed sale of the property was delayed while FLDC applied for ARPA funding.

The County engaged PCF to accept and review applications for ARPA funding, as well as enter contracts with awardees, and manage grant funding reimbursement requests and payments. In September 2022, the FLDC submitted a letter of intent to PCF. The letter of intent indicated the FLDC was requesting \$1,825,998 in ARPA funding for the purchase and renovation of 4017 56th Ave N. St. Petersburg, in the Lealman Community Redevelopment Area (CRA), with a purchase price of \$1,270,000. The Letter of Intent included the following:

*"Since 2019, FLDC has rented the property at 4017 56th ave N., St. Petersburg from Pinellas County at \$1.00 per year. We have recently been given the opportunity to purchase this property if we can obtain suitable funding. Without suitable funding, this building will no longer be available for rent, this funding is the only opportunity available to obtain this property and remain in Lealman."*

The PCF established a committee made of industry experts (engineering, law, general contracting, government, and nonprofit/philanthropy). The committee members individually reviewed and scored applications using a rubric based on application questions. The committee met on March 7, 2023, to discuss their review, ask applicants

questions, and make a decision on the funding awards. The committee members had the following concerns about FLDC's application:

- FLDC was asking for \$1,825,998, which is twice its operating budget.
- FLDC CEO has a construction company that will perform renovations and is a Board member of the Lealman CRA Advisory Committee, which yielded two concerns:
  - No independent management of contractor regarding policy decisions and contract performance.
  - In-kind donation of the CEO's time as a contractor may result in higher costs in other areas; no competitive bids were received to compare.
- There is not enough funding contingency built into the project to cover material escalations/inflation or costs for expediting work.

FLDC management commented that the CEO was donating the general contracting services to save funds and it was difficult to get bids from vendors when they could not promise the work would be awarded or without proper drawings. The committee said concerns remained regarding contractor independence and noted on the award ranking documentation, "*Additional oversight over contracting relationships.*"

PCF management indicated that they would manage the renovations and have a contract in place with FLDC in that regard. PCF would retain an owner's representative who has construction expertise to monitor costs. In addition, PCF was requiring FLDC to contract an independent contractor to monitor activities, which would address the concerns above. There would also be a land use restriction agreement in place, in favor of the County.

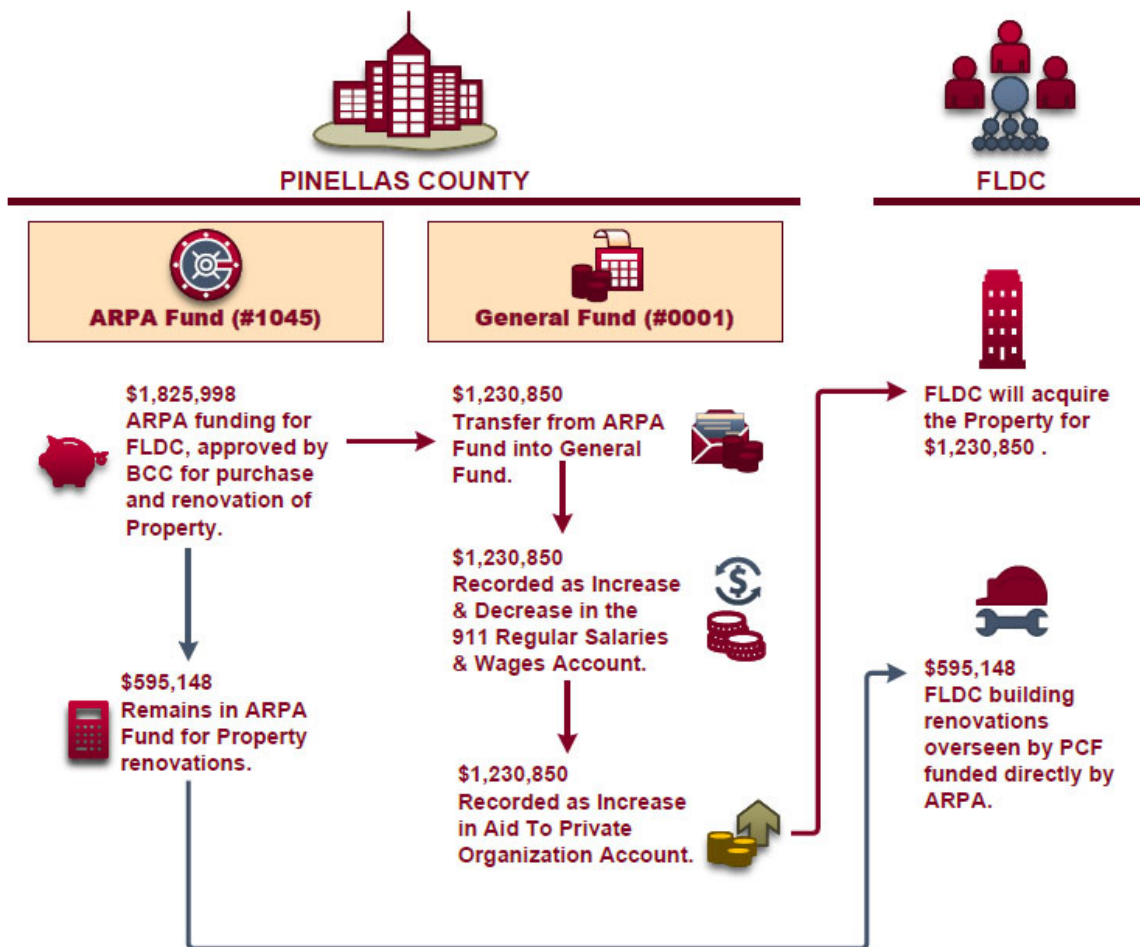
The committee asked the FLDC CEO if the County would request it vacate the property if ARPA funding was not awarded. The CEO indicated the County would not. When the committee referenced the statement in the application stating the building would no longer be available without this funding, the CEO referred the committee to the County for an answer. The PCF committee ultimately approved the funding award for the FLDC, with the condition that there would be additional oversight of the contractor performing the renovation work. The BCC approved the recommendation to award \$1,825,998 in ARPA funding to the FLDC on June 13, 2023.

The County notified the PCF in August 2023, that PCF would not be involved in the sale of the property going forward since the County would fund it. However, the PCF would be responsible for overseeing the renovations, which would still be funded by ARPA. The estimated cost for the purchase was \$1,230,850, leaving \$595,148 to be funded by ARPA for renovations.

PCF also inquired about whether or not the building would be available to the FLDC if funding had not been awarded. The PCF indicated they have not been able to get a clear answer from the County on this point. Per the DAS, the building would still be available to the FLDC to lease for the foreseeable future.

Also in August 2023, DAS staff notified the IG that they became aware the project was no longer being funded by ARPA funds and that the CAO would have more information. The CAO indicated that they had a concern about using ARPA funds and the project would now be funded with general funds.

The IG met with the OMB to understand the funding change for the project. OMB management indicated they had a concern with ARPA funds going directly to the County for this project and wanted an arm's-length transaction. The renovation work would still be paid for with ARPA funds (\$595,148), but general funds would be used for the purchase (\$1,230,850). When asked if the County had ever provided general funds to an agency for the agency to buy County property, OMB said they were not aware of any instances. Upon review of the supporting documentation for the budget amendment, the IG noted the \$1,230,850 for the purchase of the property was transferred from the ARPA fund into the General Fund, specifically, the 911 Regular Salaries & Wages account. The \$1,230,850 was then transferred from the 911 Regular Salaries & Wages account into the Gen Govt/ Aid To Private Organization account.



The \$1,230,850 would remain in the General Fund until the purchase was complete. Based on the transactions above, the funds flowed from the ARPA Fund to the General Fund and will be provided to the FLDC to purchase the Property if the BCC approves the transaction.

During the BCC meeting on August 15, 2023, OMB provided the following information:

- A portion of the funds that were already approved by the BCC from ARPA for the FLDC (\$1,230,850 of the \$1,825,998) were transferred to Safety and Emergency Services, which is an allowable ARPA expenditure, to free up general funds for the FLDC purchase.
- OMB indicated this transfer was proposed in an abundance of caution so the Treasury would approve of how the County used the ARPA funding.

The County Administrator and County Attorney clarified that when the purchase occurs, the funding will need to reimburse the Penny for Pinellas fund, and the decision was made to use general funds instead of ARPA funds. OMB added that an arm's-length transaction was needed.

The BCC approved the budget amendment on August 15, 2023.

As of August 2023, the PAO indicated a market value of \$1,285,832 and an assessed value of \$1,006,872 for the subject property.

In September 2023, the CAO provided advice to the DAS about moving forward with this sale. § 125.38, Florida Statutes (F.S.), Sale of county property to United States, or state., allows the County to apply to the BCC for the sale of a property, which may be for any price, regardless of value. As such, the BCC could legally approve the sale of this property to the FLDC.

However, the CAO warned that § 163.380, F.S., Disposal of property in community redevelopment area., requires that since the property is in a CRA, the County would need to follow the statutory notice and 30-day period to obtain proposals and then sell the property based on the proposals received. This was the *“safest and recommended course of action given 1) the property’s location in a CRA and 2) recent case law which requires Florida counties to follow 163 before disposing of property within a CRA regardless of when, or for what purpose, the property was acquired.”*

DAS notified County Administration of the CAO’s opinion, and County Administration requested DAS move forward with the proposed sale pursuant to § 125.38, F.S. The item is planned to be submitted to the BCC for consideration at the November 14, 2023, BCC meeting.

Conclusion



We determined this allegation was **unfounded**. The property was initially proposed to be sold at the price the County paid for it. Subsequently, management obtained an appraisal to ensure it would be sold for the appraised value. Since that time, the FLDC has applied for and received ARPA funding. While there are concerns about some of the steps taken during the funding process related to the information contained in FLDC's letter of intent about the availability of the building going forward, and the ARPA funding accounting transactions, the Respondent did not violate any rules, regulations, policies, or statutes when initiating the sale of the property.

**2. The Respondent has a personal relationship with the CEO of a local agency that the County may engage in a business transaction, which has presented a real or perceived conflict of interest.**

The Complainant alleged that the Respondent had a personal relationship with the FLDC CEO, which presented a real or perceived conflict of interest. Per the Complainant, the Respondent and FLDC CEO are known to have a personal friendship and regularly go out to breakfast and lunch.

The County's Administrative Directive 2-14 Conflict of Interest Disclosure Requirement includes the following definition of a conflict of interest:

*"Conflict of Interest – A situation in which a private/business interest or relationship may create the perceived or actual potential for an employee or a personal acquaintance to be personally advantaged. This may disregard public duty which, in turn jeopardizes the public trust."*

Witness testimony confirmed that regular meetings occur, which according to the Respondent, are to discuss Lealman business. The Respondent's supervisor indicated this was an expected activity given the Respondent's job responsibilities. The FLDC CEO indicated there have been a handful of personal dinners between the two and their families, but each family pays separately for their meals.

Conclusion

We determined this allegation was **unfounded**. Although there exists a working relationship between the Respondent and the FLDC CEO, and potentially a personal relationship outside of that, there is no evidence to suggest that the Respondent has benefited from the relationship or has a private interest related to FLDC, which are key components of a conflict of interest.

MD/DE