MATERIALS SUBMITTED BY NORTHSIDE REGENERATION, LLC TO

NEIGHBORHOOD DEVELOPMENT COMMITTEE

ST. LOUIS CITY BOARD OF ALDERMEN

JUNE 13, 2018

This Memo was prepared prior to receipt of the letter from the City of St. Louis Law Department, transmitted late on the afternoon of Tuesday, June 12, 2018, regarding the Northside project. This Memo is not intended to be a response to the City's letter - a full and detailed response to the City's letter will be prepared in due course after Northside Regeneration, LLC has an opportunity to review and properly address the City's claims.

However, in January 2016, pursuant to a document entitled "Future Assurances Agreement," NSR and the City agreed to materially amend the terms of the Redevelopment Agreement. NSR is in complete compliance with the terms and conditions contained in the Future Assurances Agreement (as subsequently amended). NSR believes the City's letter and the City's repeated attempts to interfere with NSR's development rights, some instances of which are described in this Memo, are in violation of both the Future Assurances Agreement and the Redevelopment Agreement.

Introduction

Over the last sixty years, north St. Louis has suffered from debilitating blight and indifference from the development community. The Board of Aldermen's attorneys recently described the predicament to the Missouri Supreme Court as follows:

> The abandonment of the City has been felt acutely on its north side, and in particular in the redevelopment area at issue in this suit. As far back as 1947, the City's Comprehensive Plan reclassified much of this area as "obsolete or blighted." As the trial court noted, this area today "suffers from declining population, higher than average crime rates, low owner occupancy of residential premises, and a fairly high percentage of dilapidated housing…." Today, approximately 44% of the redevelopment area is vacant or contains vacant structures, and much of its infrastructure (sewers, utilities and roads) is

> outdated, deteriorated and incapable of supporting the needs of modern development.

Substitute Brief of Appellants The City of St. Louis, Board of Aldermen for the City of St. Louis and the TIF Commission for the City of St. Louis, submitted by Carmody MacDonald, PC in *Smith v. City of St. Louis* ("Aldermen's Brief") at p. 5. Document A in Dropbox folder accessible at either of the following links:

https://goo.gl/baLFUs or https://www.dropbox.com/sh/2vdbjdqnq786r7p/AADclWaf3uBtyjJr9RdFF2wsa?dl=0

In 2000, the City's 5th Ward impaneled a group of experts to propose a solution. Those experts published a report in which they concluded that the only way to address the devastating scale of this urban decay was through a redevelopment project grander and larger than the decay itself: "Large-scale planning ideas are needed as a catalyst for development." As the region has witnessed, the only problem with the experts' recommendation was that no one (including the City) was willing to risk the resources necessary to attempt it. This is worth repeating. No one has been willing to invest in any meaningful way in north St. Louis for 60 years.

Until Paul McKee. Through his redevelopment company, Northside Regeneration, LLC ("NSR"), Paul McKee has attempted the unthinkable. He has risked his personal fortune in an unprecedented effort to revitalize North St. Louis, an endeavor praised by the Board of Aldermen's attorneys:

> Northside submitted the Redevelopment Plan for consideration by the City in September 2009. By the time the Plan was presented to the Board of Aldermen later in the Fall of 2009, Northside had invested more than $20 million in the redevelopment area. By the end of 2009, Northside had borrowed $27.6 million which was invested in the redevelopment effort, all of which was guaranteed by McKee personally.

Aldermen's Brief at p. 7. NSR stepped in where the City could not and would not: "We don't have any money to give" to the redevelopment of North St. Louis, Aldermen Bosley testified (Aldermen's Brief at p. 14).

And Paul McKee's unprecedented risk taking has now borne fruit. In the summer of 2023, a brand new $1.8 billion federal facility, with approximately 4,000 employees, the National Geospatial-Intelligence Agency Western Headquarters facility (the "NGA HQ"), will open in the center of NSR's redevelopment project. In addition, NSR recently broke ground on a market that will offer north St. Louis low cost fresh food. The market will open in late Fall of this year. A hospital and new housing will soon follow.

One would think that NSR's efforts would be met with accolades and enthusiastic support. Instead, city officials and the media are complaining that it has taken NSR too long to reverse 60 years of blight, completely losing sight of the fact that McKee has been the only developer willing to try. Of even more concern, NSR has witnessed systematic attempts by SLDC, the City's development agency, to *actively undermine* NSR's development efforts, the most recent of which is SLDC's decision to use a recent eminent domain proceeding as a forum to vilify Paul McKee. SLDC's misleading attacks at that trial have reopened old wounds. As Alderman Freeman Bosley, Sr. stated in 2010, in connection with the *Smith* case:

> [T]hey came along and they redlined our area banks and lending institutions. They drew an imaginary line around certain areas, and most of those were in North St. Louis where our poor African-American people lived. Even if your roof was leaking and you needed to upgrade your plumbing, or you needed new electrical services, the banks and lending institutions would not lend you the money to effect that repair. But … they would lend you money to go out in St. Louis County…. That's how they rebuilt those areas down there is through fancy TIFs and fancy tax maneuvers, and North St. Louis **never had a prayer at getting any of that done….**

(Aldermen's Brief at pp. 15-16)(emphasis added).

NSR asks only that this Committee investigate SLDC's inexplicable efforts to undermine the first meaningful effort to redevelop north St. Louis in more than 60 years -- before history repeats itself.

Recent Media Coverage Of The City's Eminent Domain Proceedings

SLDC's longstanding agenda recently resurfaced in what should have been unrelated proceedings to condemn property for the NGA facility.

The City instituted eminent domain proceedings to acquire property owned by Jim Osher and needed for the NGA site, including property and a commercial building located at 1516-30 North Jefferson (the "Buster Brown" building, and the "Buster Brown Condemnation"). Without provocation, the City's attorneys turned the condemnation trial into a referendum on Paul McKee and the Distressed Area Land Assemblage Tax Credit program ("DALATC"). The attacks were unnecessary and unwarranted, and purposefully mischaracterized how the DALATC program worked and how NSR used it.

NSR had contracted to acquire Buster Brown before NGA surfaced. The Buster Brown property is located at an important intersection in the heart of NSR's redevelopment area. Even before NGA, NSR understood that Buster Brown stood on a critical corner and would play a central role in its redevelopment efforts - and, in fact, the Buster Brown property is located in the heart of the site that NGA eventually chose for the new NGA HQ project. It was one of only three occupied commercial buildings (out of nearly 800 purchases under the DALATC program) that NSR attempted to purchase in its redevelopment area. The fact that Buster Brown was occupied by an operating business was a beneficial feature that gave NSR some flexibility if it

could structure the acquisition to keep the business (and its jobs) in the area for as long as possible.

NSR and Osher agreed to a seller-financed transaction for $3,750,000, pursuant to which Osher would lease and occupy the building after the closing. While the City's attorneys cried foul in the Buster Brown Condemnation regarding the structure of the Buster Brown sale, Sallie Hemenway, Division Director at the Missouri Department of Economic Development ("DED"), testified that seller-financing is a common tool used in real estate transactions (Buster Brown Condemnation Tr. p. 276). Seller financing is quite common and is not, in fact, controversial – except when it is being discussed by those with an ulterior motive.

The Buster Brown sale also contemplated that NSR would apply for DALATC tax credits. The sale closed on December 8, 2011, and NSR applied for the corresponding tax credits under the DALATC program later that month. Thereafter, DED issued $1,875,000 in DALATC tax credits to NSR for the 2011 Buster Brown transaction. As NSR had done in regard to hundreds of previous acquisitions financed by its commercial lenders, NSR applied a portion of the tax credit proceeds (in this case $591,406) to pay down principal on the debt arising from its purchase of Buster Brown. By December 2012, NSR had made principal and interest payments to Osher totaling over $966,000.

In December 2012, NSR submitted its next annual application for DALATC credits, which included a request for credits in connection with two other seller-financed transactions (among other credit eligible expenses): the Bee Cabinet building owned by Osher, and the Elkay building owned by a third party. DED denied NSR's request for credits associated with Bee Cabinet (even though DED had never seen the property). DED issued credits in connection with Elkay and, without notice or hearing, retroactively offset those credits with a "claw back" of the

credits previously issued for Buster Brown, suggesting in a letter signed by Sallie Hemenway of DED that the Osher transactions "lacked economic substance."

The Buster Brown transaction had very real economic substance to NSR, who had already paid Osher nearly $1,000,000 by the time DED took its unilateral action. This is real money that NSR paid pursuant to a very real sale transaction. NSR could not, and did not, ask for its money back, and could not, and did not, ask Osher to re-negotiate when DED improperly clawed back the previously issued credits.

The claw back of the Buster Brown tax credits necessarily impacted the Elkay transaction. While DED approved $2,495,000 in credits for Elkay, DED effectively issued only $625,000 of the Elkay credits, after accounting for the $1,875,000 Buster Brown claw back. The shortfall prompted NSR to engage DED in a lengthy exchange of letters and meetings over the validity of DED's decision during a substantial portion of 2013. When NSR could not convince DED that its decision mischaracterized the Buster Brown transaction and violated DALATC, NSR then discussed the matter with the Missouri Attorney General in the Fall of 2013. The Attorney General indicated that he agreed with NSR's position, but felt that NSR's only recourse was to sue the State. NSR concluded that suing the governmental entity that controlled a significant source of future capital for the redevelopment of north St. Louis would not help move the development forward, and was not in the best interest of NSR or the City.

Further, NSR hoped and believed that DED would ultimately relent, because DED knew (or should have known) that DALATC contained the internal check necessary to protect the State from abuse. The DALATC Act provided that "funds generated through the use or sale of the tax credits issued under this section shall be used to redevelop the eligible project area." RSMo §99.1205.2(2)(b)a. That is, NSR had to, ***and did***, reinvest all of the DALATC tax credit

proceeds in the Northside redevelopment project, including the net proceeds received on account of the Elkay transaction.[1]

NSR believed then, and believes now, that DED's claw back of previously issued credits without due process violated DALATC, a conclusion supported by Ms. Hemenway's testimony during the Buster Brown Condemnation. Ms. Hemenway acknowledged that, during the initial negotiation and drafting of the DALATC legislation, she had asked the legislature to include an appraisal or fair market value requirement in the statute and had also asked the legislature to grant DED discretion to allow or disallow transactions that otherwise met the statutory requirements (which both of the Osher transactions did) (Buster Brown Condemnation Tr. pp. 252-53). Document B in Dropbox folder accessible at either of the following links: https://goo.gl/baLFUs or https://www.dropbox.com/sh/2vdbjdqnq786r7p/AADclWaf3uBtyjJr9RdFF2wsa?dl=0

As Ms. Hemenway testified, the Missouri legislature rejected her suggestions:

> Q: It's interesting, your opinion about the statute. You fought hard, it seems, to have the statute have more requirements than it did, right?
>
> A: Yes.
>
> * * *
>
> Q: And rightfully so, I think, Ms. Hemenway, that you wanted appraisals to be required in the law of the city selected developer, but that wasn't something that the legislature wanted?
>
> A: That's correct.

[1] Many months after DED issued the Elkay tax credits, and after NSR sold the credits to a third party and reinvested the proceeds in the redevelopment project, the Elkay owners insisted that NSR unwind the transaction. At the Buster Brown trial, the City suggested that NSR should pull the funds invested in the redevelopment project and repay them to the State. NSR questions the legality and wisdom of such an approach, given its implications for north St. Louis, NGA, the market and the hospital. The DALATC Act does not provide for or contemplate any mechanism to strip tax credit proceeds from an ongoing development project. Nonetheless, NSR has been and remains willing to discuss reasonable alternatives with the State. NSR would like for that conversation to include consideration of NSR's belief that the State incorrectly withheld more than $4,100,000 of DALATC tax credits, well in excess of the credits issued in connection with the Elkay transaction.

(Buster Brown Condemnation Tr. p. 285).

The legislature rejected Ms. Hemenway's suggestions and, in so doing, purposefully created an entitlement for any developer who had already spent the resources necessary to assemble more than 50 acres and 250 parcels of property in a historically disadvantaged area. The legislature understood and appreciated the practical dilemma facing NSR (or any other redeveloper): that once property owners learned of the redevelopment objective, prices and "values" went up. Property owners can and did leverage their negotiations based on the knowledge that NSR ***needed*** their property. Further, DALATC expressly prohibited a developer from utilizing eminent domain to acquire property, thereby removing one of the most important developer tools for a project involving urban site assembly, and leaving only "paying more money" as the developer's solution for difficult to acquire properties.

Ms. Hemenway may not have approved of the legislature's solution to the foregoing "property value" issue, but that disapproval did not give her the legal right to unilaterally disregard the intent of the Missouri legislature, by changing the DALATC program's rules mid-stream. Those rules, and the non-discretionary entitlement they created, were designed to incentivize developers to make extraordinary (and extraordinarily risky) investments in our State's inner cities. The discretionary system proposed by Ms. Hemenway would have had the opposite effect. It would have chilled developers' interest in assembling the necessary 250 parcels and 50 acres of blighted real estate, if the same developer had to then convince DED and specifically Ms. Hemenway (who seems to have had little interest in improving north St. Louis), that each and every expenditure otherwise qualifying under the express terms of the DALATC Act merited the State's discretionary support.

The City also suggested at the Osher trial, and has suggested outside of the trial on various occasions, that NSR's use of DALATC proceeds to finance the acquisition and assemblage of real property was contrary to the Act because of a lack of vertical development, a very odd argument to make when construing a "land assemblage" tax credit. This criticism of course ignores the NGA HQ project and the Greenleaf market - and the ER Hospital that NSR has been trying to develop despite the City's inexplicable opposition. The City's complaints also ignore the contrary position that the City (and the very same lawyer representing the City at the Osher trial) took in the Missouri Supreme Court in the ***Smith*** case. The City urged the Missouri Supreme Court that:

> the statutory definition of "redevelopment project" and the relevant statutory provisions surrounding it make clear that the term is to be understood broadly to include any development-oriented plan, undertaking or enterprise that would further the larger-scale redevelopment plan (Aldermen's Brief at p. 29).

There, the City and its Aldermen acknowledged that NSR's redevelopment "Work" specifically included, by definition, "property acquisition" (Aldermen's Brief at pp. 11, 12). The City's position before the Supreme Court not only was correct, but also reflects common sense regardless of the City's new position on the subject. Without accomplishing the large-scale land assemblage deemed necessary by the City and the 5th Ward experts, there would be nothing to "redevelop," and the NGA HQ facility project would not be underway in north St. Louis.

History of NSR's Redevelopment Project

In 2002, independent of (but consistent with) the City's experts who crafted the 5th Ward Plan, Paul McKee concluded that any revitalization of the pervasive blight affecting north St. Louis would require a project of extraordinary scale. Piecemeal redevelopment efforts had left much of north St. Louis in complete and utter decay. A developer serious about transformative

redevelopment would have to control - and therefore be able to control development of - vast areas of north St. Louis.

The City had learned this the hard way – the City itself owned hundreds of scattered sites throughout north St. Louis, but historically had been unable to interest developers, even with the promise that the City would sell its land at little to no cost. Moreover, the City seemingly got bad advice as the north St. Louis blight festered and expanded. For example, as early as the 1970s, Team Four advised the City that it should spend its scarce resources on projects located south of Delmar, a development strategy that the City has historically followed to the disadvantage of its north side residents.

NSR formulated a redevelopment strategy that, at its most basic level, contemplated the acquisition of as much land in a 1,500 acre area of north St. Louis as possible, and combining it with the land already owned by the City to create a project of scale. The partnership and support of the City was thus a critical component from the outset – NSR was only willing to take the assemblage risk if the City would commit to a sale of its land holdings (owned by LRA) to allow NSR to acquire the "puzzle pieces" needed to create large developable sites. Before NSR began the acquisition process, NSR sought and obtained Mayor Francis Slay's informal commitment to deliver the LRA land at a nominal price consistent with those that the City had previously offered to potential developers of individual LRA sites.

With that understanding, NSR affiliates began contacting individual north St. Louis property owners within the 1,500 acre redevelopment area, and were able to purchase hundreds of parcels through these private negotiations. Why was this important? NSR (and the Mayor) were concerned that, as soon as NSR's intentions became public, property owners would hold out for excessive prices regardless of the value of their property. Because NSR was and always

has been committed to completing the project without the use of eminent domain – the typical method of compelling sales at fair market value – these initial buying efforts were a critical component of NSR's redevelopment plan. (And, as noted above, DALATC prohibited the use of eminent domain acquisitions.)

In late 2006 and early 2007, the media broke a series of stories identifying Paul McKee as the buyer and disclosing his intention to apply for redevelopment rights. NSR later learned that these media reports immediately followed the Mayor's disclosure of NSR's project to SLDC. NSR had not sought SLDC's permission to begin the project and regrettably that fact has negatively impacted the relationship between NSR and SLDC going forward. NSR's hope was that the development agency would understand the necessity of unannounced buying activity, would understand the financial ramifications of publicity surrounding the acquisitions, and would ultimately encourage the completion of the undertaking.

Also during 2006 and 2007, NSR began lobbying efforts to enact what ultimately became DALATC. DALATC created a new economic development tool providing incentives to redevelopers of large-scale areas designated as "distressed" under applicable state or federal guidelines. DALATC contemplated the issuance of tax credits to qualifying redevelopers to ameliorate the extraordinary costs and financial risks associated with large scale acquisitions in areas that had previously languished in disinterest and blight.

SLDC surprisingly provided only lukewarm support for the creation of the DALATC program, generally siding with opponents who suggested that existing federal, state and local incentives were enough to support the redevelopment of large-scale urban decay. NSR believed, and still believes, that SLDC need only have looked to its own inability to revitalize north St. Louis for more than a half century to judge the efficacy of existing subsidy programs.

With this less than supportive backdrop, in 2008, NSR began to work with SLDC on the terms of a Redevelopment Agreement. By then, NSR had purchased almost 800 separate parcels (representing almost 100 acres) in the proposed redevelopment area. SLDC quickly pushed back on the conveyance of the LRA land holdings previously promised by the Mayor. SLDC preferred a project by project approach, involving piecemeal transfers and piecemeal development. Setting aside the previous assurances from the Mayor, SLDC's position was contrary to the 5th Ward recommendations, to rational redevelopment objectives and, perhaps most importantly, to SLDC's own experience. The City owned hundreds of scattered parcels in north St. Louis, to be sure, but had never been able to attract any meaningful development interest on a parcel by parcel basis - those individual lots, standing alone, simply had little or no significant development potential. NSR negotiated with SLDC for nearly ***three years*** to acquire the LRA property, without which acquisition NSR would never have been able to attract the enormous NGA HQ facility project to north St. Louis.

That is one reason NSR objects to the media's repeated complaints that NSR's redevelopment of decades of blight has taken too long. The practical obstacles facing a redevelopment project of this magnitude are enough on their own. Moreover, the execution of NSR's Redevelopment Agreement prompted legal challenges to both the Agreement itself and to the DALATC Act. Although the courts ultimately rejected all challenges, the lawsuits and lengthy appeals embroiled NSR in years of needless litigation, and (along with the City's foot-dragging on the sale of its LRA holdings to NSR) kept lenders, investors and users on the sidelines for years, and slowed progress on development to a crawl.

Despite all of the foregoing challenges, NSR continued to press ahead, and in late 2012, began courting the National Geospatial-Intelligence Agency to relocate its proposed new western

headquarters facility to the redevelopment area. As the discussions began to bear fruit, NSR involved the City in the NGA discussions, understanding that it would be necessary for the City to use eminent domain to acquire the remaining property within the proposed NGA site that NSR did not own.

What followed was something that NSR could never have expected, in light of the extraordinary opportunity that NSR's efforts had brought to the City.

SLDC's Efforts to Derail North St. Louis Redevelopment

1. SLDC Attempts to Buy NSR's Land on the Cheap and Strip NSR of its Redevelopment Rights

Shortly after NSR brought NGA to the table, SLDC promptly threatened to declare NSR in default under its redevelopment agreement, and used that threat in an overt effort to: (i) force a "fire sale" of NSR's land within the proposed NGA site, and (ii) force NSR to hand over all of NSR's interest in the Economic Activity Taxes which would be generated by the NGA project (the "EATs") - estimated at *$38,000,000* - which EATs otherwise would have flowed into the TIF account available to reimburse development costs under NSR's Redevelopment Agreement.[2]

NSR and its lender (Bank of Washington) held firm, leading to lengthy negotiations involving NSR, NSR's lender and SLDC for LCRA's purchase of NSR's land for NGA and a series of detailed agreements, including:

(i) Letter from Mayor Slay dated January 25, 2016 (with agreed form of Term Sheet attached);

(ii) Term Sheet (the "Term Sheet");

[2] Under Missouri's "Real Property Tax Increment Allocation Redevelopment Act" §§ 99.800-99.865, RSMo (the "TIF Act"), one source of funds to reimburse qualifying development costs is 50% of certain local taxes generated by new economic activity within the redevelopment area. See § 99.845, RSMo. Such taxes are referred to as "economic activity taxes" or "EATs", and include earnings tax, sales tax and certain utility taxes. Under the terms of NSR's existing Redevelopment Agreement, its TIF account would have captured 50% of the EATs generated by the NGA HQ project.

(iii) Purchase and Sale Agreement dated January 27, 2016, relating to the acquisition by LCRA of NSR's property mentioned above (the "PSA"); and

(iv) Future Assurances Agreement, also dated January 27, 2016 ("FAA").

As a result of those negotiations, NSR agreed to assign the $38,000,000 in EATS to the City (a huge financial concession and a critical component of the City's bond financing necessary to ensure the success of the NGA project). In return, NSR requested, and SLDC (and other participating City agencies) agreed: (i) to withdraw their claims of alleged defaults and (ii) to enter into a Future Assurances Agreement (the "FAA") that:

(i) Set forth detailed new terms and conditions that "shall" or "will be" be incorporated into a new redevelopment agreement (the "Second ARA");

(ii) Established "New Minimum Development Thresholds" which contemplated that NSR would ***commence*** new project improvements within the redevelopment area every 12 months with project costs of at least $5 million; and

(iii) Obligated the City, the Bank and NSR to cooperate in drafting and submitting the Second ARA to the Board of Aldermen, which would include the "New Minimum Development Thresholds", among other things.

The Mayor provided his support for the negotiated terms in his January 25, 2016 letter.

NSR submitted a draft Second ARA to the City that tracked the parties' agreements, as memorialized in the FAA. The City responded with a revised draft that included dozens of material changes and added many ***new*** provisions, virtually all of which violated the letter and spirit of the FAA. In fact, NSR concluded that NSR would have been ***in default*** the moment it signed any of the draft Second ARAs proposed by the City over the course of the discussions.

NSR also concluded that SLDC's participation in months of negotiations was a sham. Despite putting a good face forward, SLDC had never lost sight of ***its*** objective, the elimination

of NSR's redevelopment rights, and the redistribution of those rights and NSR's properties to other developers.

As just one example, both the Term Sheet and the FAA contain the provision that the parties "*shall* further cooperate diligently and in good faith to pursue and obtain all necessary Aldermanic and other approvals required in connection with the authorization and execution of the Second Amended Redevelopment Agreement." Not a difficult concept. Yet, for more than two years, SLDC has made sure that the contemplated Second ARA never surfaced in any aldermanic proceeding.

The Bank of Washington and NSR made extraordinary financial concessions in order to move the various January 2016 agreements forward and, more importantly, in order to do their part to support the NGA facility. NSR submits that, when it agreed to assign the $38 million in EATS to the City, it gave up more than any similarly-situated developer would have ever given up. The City now takes the position that NSR and its lender are bound to *their* agreements and concessions, including the pledge of EATS, but the City is free to renege on *its* promises set forth in the same documents. *We assure you that if the City is not bound by the agreements, then NSR and its lender are not bound by them either.*

As noted above, the City's bond financing associated with the NGA project is predicated upon NSR's assignment of the EATS. Thus, this is a dangerous game that SLDC is playing with the City and its reputation with bond rating agencies. If the City intends to renege on its written agreements, it should carefully consider the consequences, both short-term and long-term.

NSR stands ready, willing and able to honor its agreements. Will the City honor its word? [3]

2. SLDC Attempts To Engineer A Forfeiture Of NSR's Ownership Of Pruitt-Igoe

The old abandoned 32 acre Pruitt-Igoe site sits just south of the NGA site and square in the middle of NSR's redevelopment area. Thus, even before NSR began working with NGA, Pruitt-Igoe was a crucial part of NSR's project. In 2012, the City granted NSR an option to purchase Pruitt-Igoe, which NSR exercised in August 2016. Given the property's history, it was obvious that any redevelopment of Pruitt-Igoe would require rezoning and targeted environmental remediation, including funding from the Brownfields Remediation Program administered by the Missouri Department of Economic Development ("DED").

The Brownfield program is administered by the *State*, not the City. Nonetheless, when NSR's affiliate applied for Brownfield tax credits in 2016, DED demanded that NSR agree that *the City could repurchase the entire Pruitt-Igoe site – for one dollar* – if NSR missed certain development deadlines. See Document C in Dropbox folder accessible at either of the following links:

https://goo.gl/baLFUs or https://www.dropbox.com/sh/2vdbjdqnq786r7p/AADclWaf3uBtyjJr9RdFF2wsa?dl=0

[3] Another example of the City's unusual conduct is its purchase of land owned by "Titan Fish, LLC," a company with City connections that had no business operations other than "fortuitously" buying property in the NGA site. In the Spring of 2015, Titan Fish bought 5 acres of scattered parcels within the NGA site, along with the mortgages on 40 acres of additional parcels outside the NGA footprint, all for $1,800,000. During the summer of 2015, when the City was negotiating with Paul McKee (and others) for the control of land within the proposed 100 acre NGA site, the City agreed to pay Titan Fish $5,000,000 by September of 2015, plus an additional $2,000,000 if NGA selected and acquired the 100 acre site. The City's agreement to pay $7 Million for Titan Fish's $1.8 Million investment is not all that is unusual about this transaction. The City only negotiated options on the other, third-party properties within the NGA footprint (to protect the City in the event NGA did not pick St. Louis). When it came to Titan Fish, the City, for reasons that we cannot explain, rushed to pay Titan Fish $5,000,000 *before* NGA's record decision. Furthermore, Titan only owned roughly 5 acres inside the NGA footprint - the City could have just bought what it needed, saving the taxpayers millions.

This forfeiture provision is, to NSR's best knowledge, unprecedented. It is also highly curious, patently inequitable and an apparent "trap" given SLDC's previously demonstrated willingness to frustrate and slow progress on the Second ARA, the Market and the Hospital (see paragraph 5 below). First, assuming that the condition was meant to remedy NSR's failure to implement the remediation, the issuing entity (the State) would not receive any benefit from the transfer of Pruitt-Igoe—the benefit would flow instead to a third party, the City. Second, the scope of the forfeiture bears no relationship to the relatively small size of the remediation project area or the actual amount of the Brownfield credits requested. Pruitt-Igoe is worth many multiples of the Brownfield credits sought. Thus, the forfeiture would be an enormous windfall, even assuming the State would somehow benefit from it.

NSR has never been able to determine why the State deviated from its typical default remedy – repayment of the credits – in this one instance. Why would DED impose a massive financial "penalty" on a developer for the benefit of a City agency? SLDC must have requested the favor, hoping to award the opportunity to redevelop Pruitt-Igoe to others now showing interest in the site following NGA's decision to build a $1.75 billion facility next door.

DED's decision to support the City's efforts has had very real world consequences. The lack of Brownfield assistance adds an unexpected funding challenge for a hospital that the community badly needs.

3. SLDC Actively Competes with NSR's Efforts to Locate Ameren within NSR's Project Area

NSR devoted a substantial amount of time and effort to negotiating with Ameren and working on site design for a new Ameren office and maintenance facility to be located on a 15 acre site within NSR's project area. NSR made SLDC aware of the discussions with Ameren, and was thereafter surprised to learn that SLDC had then begun its own dialogue with Ameren,

seeking to locate Ameren's facility on LCRA's own competing alternative (smaller) site located in the 22nd Ward. LCRA's efforts continued notwithstanding that the Alderman for Ward 22, Jeffrey Boyd, advised LCRA that he preferred commercial and retail development of the LCRA's proposed site, rather than Ameren's proposed office/service facility. It should also be noted that, when focus shifted back to the NSR site, SLDC advised Ameren that NSR did not have a fully assembled site and that eminent domain would be required to complete the site. This latter assertion was incorrect and SLDC knew that it was incorrect.

4. The City Seeks to Rezone NSR's Redevelopment Area to Make NSR's Planned Redevelopment Obsolete

On January 5, 2018, Alderman Brandon Bosley introduced Board Bill 219, which provided for creation of "The NGA Protection and Enhancement Zone Special Use District", a new zoning district covering over 800 acres around the NGA Western Headquarters site, including Pruitt-Igoe, the balance of NSR's redevelopment area and a wide additional area of north St. Louis. No one contacted NSR before introducing the bill, even though the bill sought to impose restrictions that would impact every inch of NSR's development area, either directly or indirectly. It turns out that the Board Bill was drafted by Don Roe, Director of the City's Planning and Urban Design Agency, and presented to Alderman Bosley for introduction, along with assurances that it reflected demands and requirements communicated by NGA. However, NGA staff has indicated that the City's Bill went far beyond any conditions NGA had requested from the City. SLDC continues to push the "NGA made me do it" story to the Mayor, in its Project Connect public meetings, and in discussions with NSR – without regard to the fact that it has no basis in fact. See Document D in Dropbox folder accessible at either of the following links:

https://goo.gl/baLFUs or https://www.dropbox.com/sh/2vdbjdqnq786r7p/AADclWaf3uBtyjJr9RdFF2wsa?dl=0

5. SLDC Attempts to Slow Walk NSR's Building Permit for a North St. Louis Hospital

One of NSR's long-standing development objectives has been the construction of a 15,000 square foot, 3 bed ER Hospital on the southwest corner of the abandoned Pruitt-Igoe site, which will provide around the clock emergency room and medical services sorely needed by residents of north St. Louis. (The site originally approved for the Hospital was located within the area selected by NGA for the NGA HQ project, and the Hospital had to be relocated, resulting in some delay.) By March 2018, after numerous public hearings, the following had already occurred: (i) the State had issued a Certificate of Need, authorizing the new Hospital, (ii) the Board of Aldermen had approved a Parcel Development Agreement and TIF financing for the Hospital project and (iii) the Hospital project site had been subdivided pursuant to a plat approved by the City. But the project required a Building Permit, typically a formality for a project that had achieved these milestones with the necessary public engagement. At the final hearing for the building permit, Jay Watson, an employee of SLDC and project manager of Project Connect, appeared and raised objections to the requested permit, based on "lack of community input," the "suddenness" of the permit request and the lack of authority of elected Alderpersons to appropriately represent the views of their community. See Document E - Video taken at hearing in Dropbox folder accessible at either of the following links: https://goo.gl/baLFUs or https://www.dropbox.com/sh/2vdbjdqnq786r7p/AADclWaf3uBtyjJr9RdFF2wsa?dl=0. NSR complained bitterly to SLDC, prompting Otis Williams, Director of SLDC, to subsequently disavow and apologize for Mr. Watson's remarks. On May 23, the City, after a 2 month delay, issued the necessary building permits. NSR believes that it would still be waiting for building permit approval to build the ER Hospital, had it not captured Mr. Watson's remarks on film.

Better Things To Come

Notwithstanding these delays and setbacks, NSR remains committed to the redevelopment of north St. Louis. The NGA HQ project, and its extraordinary promise, remains on track for a 2023 opening. NSR will find a way to bring fresh food, 24/7 health care, jobs and high-speed internet to north St. Louis, hopefully with SLDC's support. In late 2017, construction commenced on the "Greenleaf Market Project," a 20,350 square foot, full service grocery store and a 4,400 square foot convenience store, both located on North Tucker Boulevard, the first vertical development begun under NSR's existing redevelopment agreement. The total projected cost for the Market Project exceeds $20 million and the project will create 72 new full-time jobs.

NSR remains frustrated by media and governmental complaints that NSR has taken too long to begin building in the Northside. Compared to who? Compared to what?? Is there someone else who has overcome years of litigation, years of governmental neglect (and worse) and decades of blight—and come out the other side with a major federal facility, a market and a hospital? The answers to these questions are, of course, obvious.

SLDC has laid dormant, sitting on massive holdings of scattered, undevelopable sites for decades. Can SLDC be trusted to steward the rebirth of north St. Louis? NSR believes that its treatment and experiences with SLDC suggest not - its experience suggests that SLDC is more interested in currying favor with unidentified developers who sat on the sidelines while Paul McKee invested 15 years of hard work and assumed unimaginable financial risk.