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TIF Communication: TIF Commission - Due Diligence

1 message

Heather Cole <heather.cole@como.gov>

Thu, Oct 26, 2017 at 12:04 PM

To: Andrew Beverley <andrew.beverley@columbiabancshares.com>, Andy Waters <awaters36@gmail.com>, Christine King <chking@cpsk12.org>, "Ernie Wren, III" <erniewren@gmail.com>, "Grimm, Mark (G&B)" <MGRIMM@gilmorebell.com>, Heather Cole <Heather.Cole@como.gov>, Helen Wade <hwade@cpsk12.org>, Jeremy Root <Jar281@nyu.edu>, "John G. Clark" <jgclark@mchsi.com>, June Pitchford <jpitchford@boonecountymmo.org>, Ken Pearson <Kmpearson11@gmail.com>, Lynn Cannon <LMCANNON@gocolumbiamo.com>, Maria Oropallo <maria.oropallo@gmail.com>, Martin Ghafoori <ghafoorim@stifel.com>, Melissa Carr <mcarr@dbri.org>, Michael Kelly <michael.kelly@lssliving.org>, Nancy Thompson <Nancy.Thompson@como.gov>, Paul Cushing <pcushing@cpsk12.org>, "Tony St. Romaine" <Tony.St.Romaine@como.gov>

Good morning,

Please see the communication and staff response below from Mr. Root.

Mr. Root Inquiry (also see attachment):

Hi Lynn:

Since I swore my oath of office as a TIF Commissioner Wednesday morning and received the packet of materials, I have begun my review of the materials. I don't see any independent due diligence information in the materials that were provided to me. Has anyone on City Staff undertaken any type of diligence investigation on the information provided by the applicant? I started to do a bit of basic background review, and the preliminary results suggest this will be important.

For example, I notice that the applicant represents that Eagle Bank and Trust of St. Louis is the lender "as of this date" on the Hampton Inn & Suites owned by Valley Lodging LLC. I assume "this date" is the date of the application - April 26, 2017. According to the FDIC, Eagle Bank and Trust is no longer an active lending institution effective February 11, 2017. See attached PDF. I would like to understand the discrepancy between the information provided by the applicant and readily available public information.

I think it is prudent and necessary to undertake this type of due diligence investigation regarding the information provided by the applicant for any TIF project. On this particular project, for example, Broadway Lodging Two LLC is identified in the application as "an affiliate of Broadway Lodging LLC which will be operated and managed in the same manner...." (Application at page 2). I understand that information regarding mechanics lien litigation pending against Broadway Lodging, LLC was presented to the Commission at its October 4 meeting. Has any effort been made to understand the nature of that dispute? This type of information is relevant to the overall cost-benefit analysis of the proposed project.

I do not want Columbia to learn of a history of uneven performance or persistent construction litigation after it has already approved the use of tax increment financing. This occurred to some extent on the Tiger Hotel TIF (see <http://www.komu.com/news/target-8-investigation-tiger-hotel-owner-has-rocky-entrepreneurial-past-36858>), and we will all be well-served to avoid repeating these mistakes. I don't mean to suggest that uneven past performance or litigation is or should be disqualifying factors, but they are relevant and should be known and understood to enable an informed decision of the Commission.

If this type of diligence has already been performed on the information provided by the applicant, please provide me with the results as it will save me a great deal of time.

And again, I apologize if this has already been covered by the good work the Commission and city staff has done to date. I am trying to get up to speed on the materials as quickly as I can, but I have not yet completed my review.

Thanks,
Jeremy Root

Staff response:

The TIF Act includes two requirements that relate to financial feasibility:

- Section 99.810.1 requires the Redevelopment Plan to include “evidence of the commitments to finance the project costs”
- Section 99.810.1(5) requires the City Council to find, as a condition of approving a redevelopment plan, that the cost-benefit analysis includes sufficient information from the developer for the commission to evaluate whether the project as proposed is financially feasible.

The Redevelopment Plan includes a letter from Carrollton Bank expressing the bank's commitment to the financing subject to customary due diligence, credit underwriting and formal loan committee approval. The form of the commitment is consistent with the commitment letters for most TIF projects undertaken in Missouri.

The cost-benefit analysis contains information from the developer regarding the rate of return on the project with and without TIF assistance, and with an additional community improvement district. The developer has advised the TIF Commission that the rate of return with TIF/CID assistance is sufficient to obtain loan approval and therefore makes the project financially feasible. I have asked the developer to confirm that in writing to the TIF Commission, and to attach that confirmation to the cost-benefit analysis.

If the Council decides to authorize tax increment financing assistance for the project, a redevelopment agreement between the City and the developer will be drafted that identifies, among other things, the obligations that must be satisfied to obtain reimbursement for costs through TIF. The City's special counsel has not yet begun drafting a redevelopment agreement for this project. However, the redevelopment agreement for the Broadway Hotel project required the developer to close on the private financing for the project and to demonstrate a 15% cash investment in the project before the City's issuance of TIF notes; there would be no public assistance for the project unless those conditions were satisfied. If the project does not get completed, the City will have no obligations (financial or otherwise) to the developer or the lender. No city funds will be at risk.

In the Broadway Hotel redevelopment agreement, the City also took steps to protect itself against any other liability associated with its involvement in the project. For example, the redevelopment agreement had a broad indemnification clause and the developer had to provide evidence that its insurance policy would cover claims for which the developer was obligated to indemnify the City. We would expect a redevelopment agreement on the Phase 2 project to include similar provisions.

Finally, the City is very familiar with Mr. Parmely's background and operations, given that he has been a Columbia businessman for nearly 10 years. As you know, he is the primary owner of companies that own the Hampton Inn and Suites and the Stadium Grill, in addition to the Broadway Hotel. The City is aware there is litigation between Broadway Lodging, LLC and Killian Construction as well as various subcontractors of Killian on the hotel construction project who asserted mechanics liens due to an alleged failure of Killian to make payment to its subcontractors. There is a bona fide contractual dispute between Broadway Lodging and Killian being litigated which does not affect the underlying tax increment financing district nor does it create any potential exposure or liability for the City.

Please contact me if you have additional questions.

Tony

Heather Cole

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Eagle Bank and trust - No longer doing business.pdf
66K

Eagle Bank and Trust Company of Missouri (FDIC # 17691)**Inactive** as of February 11, 2017

Merged or acquired without government assistance

Data as of: October 18, 2017

Eagle Bank and Trust Company of Missouri is no longer doing business under that name because it has been merged or acquired without government assistance. See the successor institution, Enterprise Bank & Trust (FDIC #: 27237)

FDIC Certificate#:

17691

Headquarters:

10596 Highway 21
Hillsboro, MO 63050
Jefferson County

Established:

April 29, 1911

Insured:

November 21, 1956

Bank Charter Class:

Non-member of the Federal Reserve System

Contact the FDIC about:

Eagle Bank and Trust Company of Missouri or Enterprise Bank & Trust

[Locations](#)[History](#)[Identifications](#)[Financials](#)[Other Names /
Websites](#)**Location information is not available for inactive or renamed banks**