

St. Louis City Ordinance 64691

FLOOR SUBSTITUTE

BOARD BILL NO. [99] 111

INTRODUCED BY ALDERMAN PHYLLIS YOUNG, PARRIE MAY, DIONNE FLOWERS, APRIL FORD GRIFFIN, LEWIS REED, KEN ORTMANN, CRAIG SCHMID, MATTHEW VILLA, STEPHEN GREGALI, MARGARET VINING, MICHAEL MCMILLAN, BENNICIE JONES KING, JAMES SONDERMANN, TOM BAUER, PAUL MICHAEL BECKERLE, LYDA KREWSON, FRANCIS SLAY

AN ORDINANCE RATIFYING AND CONFIRMING THE EXECUTION OF AN INTERGOVERNMENTAL COOPERATION AND DEVELOPMENT ASSISTANCE AGREEMENT AND OTHER RELATED ACTIONS IN CONNECTION WITH THE DEVELOPMENT OF A NEW CONVENTION HEADQUARTERS HOTEL IN DOWNTOWN ST. LOUIS

WHEREAS, the Tax Increment Financing Commission of the City of St. Louis, Missouri (the **Commission**) is duly constituted according to the Revised Statutes of Missouri, 1994, as amended (the **Act**); and

WHEREAS, the Act authorizes the Commission to hold hearings with respect to proposed redevelopment areas, plans and projects and to make recommendations thereon to the Board of Aldermen; and

WHEREAS, staff and consultants at the direction of the Board of Aldermen have prepared a plan for redevelopment titled **Redevelopment Plan for the Convention Headquarters Hotel Redevelopment Area** (the **Redevelopment Plan**), which provides for the development of the Convention Headquarters Hotel within the City of St. Louis (the **City**) in Downtown St. Louis (the **Redevelopment Area**), as legally described in the Redevelopment Plan; and

WHEREAS, upon recommendation of the Commission, the Board of Alderman adopted Ordinance 64595 (1) approving the Redevelopment Plan pursuant to the Act, (2) designating the Redevelopment Area (as that term is defined in the Redevelopment Plan); and

WHEREAS, Historic Restoration, Incorporated (**HRI**), a principal of the Washington Avenue Historic Developer, L.L.C. (the **Developer**) has

previously submitted its proposal for the redevelopment of the Redevelopment Area (the **Proposal**); and

WHEREAS, pursuant to the Act, the City is authorized to enter into a redevelopment agreement with the Developer setting forth the respective rights and obligations of the City and the Developer with regard to the redevelopment of the Redevelopment Area; and

WHEREAS, after substantial due diligence and negotiations by the Land Clearance for Redevelopment Authority of the City of St. Louis (**LCRA**) and the offices of the Mayor, the Comptroller and the President of the Board of Aldermen, an Intergovernmental Cooperation And Development Assistance Agreement setting out the extent and nature of the public and private participation required to implement the Redevelopment Plan and the Redevelopment Proposal was executed on June 22, 1999 by the Mayor, the Comptroller, the President of the Board of Aldermen, the Deputy Mayor for Development on behalf of LCRA, the Executive Director of the Missouri Development Finance Board and the Director of the Missouri Department of Economic Development of the State of Missouri, and accepted by HRI and the Developer; and

WHEREAS, the Intergovernmental Cooperation Agreement references a Development and Financing Master Term Sheet for the St. Louis Renaissance Convention Headquarters Hotel and Suites and Gateway Parking Garage among Washington Avenue Historic Developer, L.L.C., Mercantile Bank, Bank of America, Banc of America Securities, LLC, Greater St. Louis Labor Council, AFL-CIO, Marriott International Capital Corporation, Renaissance Hotel Operating Company, The Clark Construction Group, Inc., Historic Restoration, Incorporated, BIT Corporation, Marriott International Capital Corporation, Renaissance Hotel Operating Company, Mercantile Community Development Corporation, d/b/a Missouri Tax Credit Clearing House and Housing Horizons, LLC, which private proprietary information has been fully reviewed on behalf of the City, LCRA and the State; and

WHEREAS, prior to expending substantial additional predevelopment costs, the Developer has requested that the City approve, ratify and endorse the Intergovernmental Cooperation Agreement and direct City staff to continue negotiations and work diligently to implement the terms described therein; and

WHEREAS, it is acknowledged that substantial additional agreements, ordinances and other actions will be required prior to final closing and

construction of the St. Louis Renaissance Convention Headquarters Hotel and Suites; and

WHEREAS, the Board of Aldermen hereby determines that the approval, ratification and endorsement of the Intergovernmental Cooperation Agreement is in the best interest of the City and the health, safety morals and welfare of its residents, and in accordance with the public proposal specified in the Redevelopment Plan;

NOW THEREFORE, BE IT ORDAINED BY THE CITY OF ST. LOUIS AS FOLLOWS:

SECTION 1: The Board of Aldermen hereby ratifies and confirms its approval of the Redevelopment Plan. The Board of Aldermen further finds and determines that it is necessary and desirable to approve, ratify and endorse the Intergovernmental Cooperation Agreement attached hereto as Exhibit A and incorporated herein by this reference with the Developer in order to implement the Redevelopment Plan and to enable the Developer to carry out its proposal for the redevelopment of the Redevelopment Area.

SECTION 2: The execution of the Intergovernmental Cooperation Agreement by the Mayor, Comptroller and the President of the Board of Aldermen are hereby approved, ratified and endorsed, on behalf of the City, and the Register is hereby authorized and directed to attest to the Intergovernmental Cooperation Agreement and to affix the seal of the City thereto.

SECTION 3: The officers, agents and employees of the City are hereby authorized and directed to execute all documents and take such necessary steps as they deem necessary and advisable in order to carry out and perform the purpose of this Ordinance.

SECTION 4: Be it further ordained that all ordinances or parts of ordinances in conflict with the provisions of this ordinance are hereby repealed.

SECTION 5: This being an ordinance providing for a public work it is declared to be an emergency within the meaning of Section 20 of Article IV of the Charter of the City of St. Louis and therefore this ordinance shall become effective immediately upon its passage and approval by the Mayor.

EXHIBIT A

INTERGOVERNMENTAL COOPERATION AND DEVELOPMENT ASSISTANCE AGREEMENT

THIS INTERGOVERNMENTAL COOPERATION AND DEVELOPMENT ASSISTANCE AGREEMENT, dated June __, 1999 (the "Agreement"), by and among the CITY OF ST. LOUIS, MISSOURI (the **City**) acting by and through the Office of the Mayor (the **Mayor**), the Office of the Comptroller (the **Comptroller**), and the Office of the President of the Board of Aldermen (the **President of the Board of Aldermen**), the LAND CLEARANCE FOR REDEVELOPMENT AUTHORITY OF THE CITY OF ST. LOUIS (the **LCRA**), the MISSOURI DEVELOPMENT FINANCE BOARD ("MDFB") and the DEPARTMENT OF ECONOMIC DEVELOPMENT OF THE STATE OF MISSOURI (the **Department**);

WITNESSETH:

WHEREAS, Historic Restoration, Incorporated (**HRI**) was selected by the City to develop the following described project:

(a) a first class Convention Headquarters Hotel having approximately 916 rooms, including the renovation of the historic Gateway Hotel building and the construction of a new tower (the **Convention Hotel**). The Convention Hotel will contain ballroom and meeting space of approximately 50,000 square feet plus adequate prefunction and public space to satisfy the programmatic requirements of Renaissance Hotel Operating Company, a wholly-owned subsidiary of Marriott International, Inc. (**Renaissance**), as well as sidewalk accessible retail space along Washington Avenue of approximately 8,000 square feet. Such ballroom and retail space shall be located across Ninth Street on City Block 172 and a portion of City Block 272. The Convention Hotel shall be operated by Renaissance as a Renaissance Hotel meeting the program requirements for a Renaissance convention hotel;

(b) the development and renovation of the Lennox Hotel as a Renaissance Suites Hotel having approximately 165 rooms with appropriate public space and restaurant service to meet the program requirements for a Renaissance Suites Hotel (the **Renaissance Suites**). The Renaissance Suites will be operated by Renaissance in conjunction with the Convention Hotel so that operating cost efficiencies may be achieved;

(c) the development of a parking garage on City Blocks 172 and 272 which shall be functionally integrated into the Convention Hotel and shall contain

approximately 850 parking spaces and shall be operated as a public garage, provided that the Hotel shall lease a minimum of 375 spaces for Hotel use for a fixed annual rental and shall have the right to lease an additional 275 spaces for Hotel use on a market rate basis; and

(d) all other improvements, on site and off site, public and private, necessary to accomplish the foregoing;

(the Convention Hotel and Renaissance Suites and all such improvements are collectively referred to herein as the "Hotel" and the Hotel together with the Parking Garage are referred to as the "Projects");

WHEREAS, the City will assist the Projects through the issuance of Tax Increment Financing Bonds, other supplemental City assistance and the loan of a HUD Section 108 loan, all as more particularly set forth below;

WHEREAS, the City, LCRA and HRI have requested MDFB's assistance in the development of the Parking Garage (the Hotel Project and the Garage Project being referred to individually as a "Project" and collectively as the "Projects"). The City, LCRA and HRI have also requested MDFB's assistance with the approval of certain infrastructure tax credits to enhance certain tax increment financing bonds to be issued by the City;

WHEREAS, the City, LCRA and/or HRI have requested or expect to request the following assistance from the Department (i) the use of the State's Brownfield tax credit program, (ii) the use of State's Historic tax credit program, and (iii) the allocation of 50% of the State's share of State sales taxes to be generated by the Hotel for the full term of Tax Increment Financing ;

WHEREAS, the Projects will significantly benefit the City and the State of Missouri by: (i) providing for the remediation of severely blighted conditions in the City, (ii) creating new employment opportunities in and or near the City, and specifically in the Federally designated Empowerment Zone and Enterprise Community in St. Louis, Wellston, Lemay and East St. Louis, Illinois, (iii) providing qualified employees with a welfare to work program to assist in the recruitment and retention of difficult to employ persons; (iv) increasing state and local tax revenues through the creation of new jobs, (v) increasing state and local tax revenues through increased sales, (vi) increasing state and local tax revenues through increased property tax values, (vii) increasing state and local tax revenues through increased property tax values, (viii) enhancing tourism by assisting the City's efforts to recruit and retain convention business; (ix)

creating an environment to stimulate additional private investment in the area where the Hotel will be located; and

WHEREAS, Renaissance is an affiliate of Marriott International with full access to its world wide reservation system and convention sales and planning staffs.

NOW, THEREFORE, in consideration of and subject to the commitments of the Hotel Owner described herein, the Public Entities, subject to final approval of their respective governing bodies, as applicable, hereby collectively offer to provide the following assistance to the Hotel Owner:

A. DESCRIPTION OF THE PROJECT; COMMITMENTS OF THE HOTEL OWNER

Owners of the Projects

The Hotel Project will be owned by Gateway Hotel Partners, L.L.C. (◆Hotel Owner◆), a Missouri limited liability company to be formed. A chart setting forth the ownership structure of Gateway Hotel Partners, L.L.C. is attached as Exhibit A.

The Garage Project will be owned by the Missouri Development Finance Board (◆MDFB◆ or ◆Garage Owner◆).

The developer of the Projects will be HRI◆s affiliate, Washington Avenue Historic Developer, L.L.C. (◆WAHD◆), a Missouri limited liability company.

Plans

A description of the plans for the Project, as they currently exist (the ◆Plans◆), is attached as Exhibit B. The Plans are now in the preliminary stage and the parties acknowledge receipt of a copy of the Plans in their current form. When the Plans on each component of the Project progress to design development with the assistance of Renaissance under the Technical Services Agreement, WAHD shall provide copies to the parties hereto for their review and input. A copy of all schematic, design development and construction drawings shall be regularly provided to the Federal Tax Credit Equity Investor, the City and the lenders for their prompt review and comment. Although formal approval of the Plans has not been received from Renaissance, its design team has been regularly consulted in the design process. Renaissance and WAHD

shall work cooperatively to complete the Plans in accordance with the Technical Services Agreement, and WAHD shall obtain timely approval thereof. WAHD anticipates that there will be continuing and substantial changes to the Plans. WAHD shall provide the parties hereto with the construction documents submitted to the City for building permit review (◆Permit Plans◆) for final approval 75 days prior to Closing. The parties hereto shall have 30 business days to provide comments to the Permit Plans to allow the general contractor adequate time to properly bid the construction work for the Projects so as not to delay the Closing.

Hotel Owner Capital - Private Equity Contribution

WAHD Pre-Development Expenses. As of April 21, 1999, WAHD has incurred approximately \$1,802,225 of third party development costs with respect to the development of the Projects. Third party costs do include the direct costs of HCI◆s architectural services, but not in excess of the budget. Further, WAHD expects to incur approximately \$7,388,000 of other third party development cost prior to Closing. At Closing the Hotel Owner shall reimburse WAHD for the third party pre-development expenses, together with its reasonable cost of funds, as interest thereon, which WAHD incurred in connection with the development of the Projects. This reimbursement shall not include any of HRI◆s other internal or indirect costs which are payable for the services under its Development fee. The development fee will be payable (i) 33 percent at Closing, (ii) 17 percent at the Renaissance Suites completion, (iii) 17 percent at construction completion of the Convention Hotel, and the Garage, at or under budget [net of permitted contingency usage], (iv) one-half of the balance of 33 percent (subject to the impact of price adjusters and savings applications) when there have been 2 consecutive periods of 6 months in which the 6 month average of the secured debt service coverage in the Hotel and Garage is 1.15 to 1, and (v) the remainder upon achieving a one year average of 1.3 to 1 secured debt service coverage (these two tests may be achieved simultaneously); provided, however, that the Hotel Owner may post a letter of credit in form and substance reasonably acceptable to Renaissance in lieu of the final 33 percent retained portion of the development fee, which shall be released upon satisfaction of the same conditions. The deferred portions of the developer◆s fee shall be used during construction to fund any cost overruns not otherwise provided for. After Completion, the portions deferred under (iv) and (v) shall be deposited in the Post-Completion Operating Reserve. Any portion of the deferred developer fee used from the Post-Completion Operating Reserve shall be treated as an Operating/Capital Loan, payable out of Project Cash Flow.

Liquidity Commitment. Hotel Owner (through Housing Horizons, L.L.C. (an affiliate of Kimberly Clark Corporation)) shall provide a guaranty in the amount of \$10,000,000.

Federal Tax Benefits Equity Contribution. Housing Horizons LLC shall contribute the sum of \$17,283,000 in consideration of the purchase of the federal tax benefits of the Hotel Owner identified in the Term Sheet (hereinafter defined).

State Tax Benefits Equity Contribution (Historic Tax Credits). The Missouri Development Finance Board and Mercantile Bank shall contribute an additional \$16,533,000.00 in consideration of the purchase and sale of the state historic tax credits subject to final determination of qualified development costs. The Developer intends to seek a clarification or amendment to state historic tax credit law to incorporate the qualification of the MDFB (or an affiliate) as eligible to receive an allocation of historic tax credits, and to adopt similar provisions of the Internal Revenue Code of 1986, as amended, dealing with the reduction of the MDFB's capital accounts by the amount of the state historic credit allocation, identical to that of Federal equity investor as to federal historic tax credits.

State Tax Benefits Equity Contribution (Brownfields Tax Credits). The Hotel Owner or LCRA shall arrange for the sale of the State Brownfields Tax Credits to the Missouri Tax Credit Clearing House. Such sale is estimated to result in a capital contribution of \$2,974,000.

Estimated Project Budget

The following table is a recapitulation of the Project sources and uses:

Sources

Item

Projects

Private Funding Sources

First Mortgages:	\$1,117,000
Series 1999 A Tax-Exempt Bonds (Hotel):	77,000,000
Series 1999 B Taxable Bonds (Hotel):	30,000,000
Series 1999 C Taxable Bonds (Hotel):	10,000,000
Hotel Owner Equity (Federal Tax Benefits):	17,283,000**
Hotel Owner Equity (Sale of State Tax Benefits):	16,640,000***

Subtotal:	\$ 150,923,000
Tax Increment Financing and other City Assistance	\$52,695,000*
City HUD 108 Loan:	20,000,000
City Supplemental Assistance:	2,000,000
Subtotal:	\$ 74,695,000
State Funding Assistance	
MDFB Series 1999 Taxable Bond (Garage):	16,542,000
Total:	\$242,160,000
Uses	
Hard Costs, Acquisition and Project Contingency:	\$149,436,000
FF&E:	33,984,000
Soft Costs:	15,257,000
Construction Period Interest:	10,665,000*****
Development Fee:	9,265,000
Taxes During Construction:	-0-
Title & Recording:	136,000
Post-Completion Operating Reserve:	4,150,000
Secondary Reserve Fund-1999A	1,605,000*****
Bond Debt Service Reserve:	6,060,000
Hotel Working Capital:	1,369,000
Financing Expenses:	5,698,000
Pre-Opening Expenses:	4,535,000
Total:	\$242,160,000

* Includes funds obtained by the City from other than TIF.

** This equity number excludes the cost of the investor bridging-in the equity on a percentage of completion basis. Additional bridge loan interest will be offset by an increased equity contribution by the Federal Tax Credit Equity Investor.

*** This amount includes \$2,974,000 of equity from the Brownfields credits and \$13,666,000 of state historic credits. The amount is further based upon the assumptions that (i) certain Department of Economic Development regulatory changes to the state historic tax credit program will be made enabling MDFB to purchase such credits for resale at the denoted pricing and (ii) WAHD is

successful in obtaining a favorable tax opinion approved by WAHD and the Federal Tax Credit investor with respect to federal tax partnership issues on qualified allocation rules and capital account treatment. WAHD anticipates that these issues will be resolved within 30 business days after this Agreement is signed. If WAHD is not successful in obtaining such an opinion, the Hotel Project will need additional sources of approximately \$5,000,000.00. WAHD anticipates that it would seek increases in other resources (not the Tax Increment Financing Bonds described below) or other forms of subsidies to offset the reduction in Project Sources after application of any identified Project savings.

**** This amount reflects a netting of interest earned on escrowed funds against construction period interest

***** The Secondary Reserve Fund will be pledged to the 1999A Tax Exempt Bonds and shall be supplemented with a \$4,455,000 letter of credit or a guaranty from an investment grade institution provided by the Hotel Owner.

Project Schedule

WAHD has attached a summary Project Schedule as Exhibit C hereto, and will provide the detailed Project Schedule to all of the signatories hereto within 30 days after the final signing of this Agreement. The detailed Project Schedule shall be subject to approval by the Public Entities by August 20, 1999. After the detailed Project Schedule has been approved, it shall be attached hereto as Exhibit C, replacing the summary Project Schedule.

Project Feasibility

Prior to the execution of a development agreement with the City with respect to the Projects, HRI shall undertake, at its expense, a feasibility study on the Projects in support of the proposed financing (including the TIF component). The City and the Union lender to the Projects shall have the right to approve the consultant conducting the feasibility study.

Application of Project Cash Flow

Project Cash Flow shall be applied in the following order of priority:

First Mortgage Debt Service (Loan A first, Loan B second, Loan C third);

Trustees fees;

Credit Enhancement Fees;

Incentive Management Fee (if earned);

Operating/Capital Loan, but only to the extent that the proceeds of such loan are used to pay debt service under the Series A and/or Series B loans;

Marriott International Credit Corporation (MICC) Reimbursement Loan related to any funding of the guaranty on Loan C;

MICC FF&E Loan for costs for the Projects FF&E in excess of \$33,984,000 and MICC Change Order Loan for Renaissance required change orders during construction; then LCRA issuance fees:

Operating/Capital Loan;

Liquidity Commitment Fee;

The next \$2,000,000 to the Hotel Owner, which amount shall be cumulative commencing with the fourth year of operations; and

The remainder as follows: 73.5% to the Hotel Owner, 25% to the City as amortization of principal under the City 108 Loan, and 1.50 % to MDFB; provided that if Net Operating Income for the entire Project exceeds \$20,000,000, the City's percentage of the excess Net Operating Income over \$20,000,000 shall increase to 33 1/3 percent against a reduction in the Hotel Owner's share. These sharing percentages shall be maintained until the 108 Loan has been paid in full, at which time the City's percentage participation shall terminate.

Application and/or Distribution of Sales/Refinancing/Foreclosure Proceeds on the Hotel

Sales/Refinancing/Foreclosure Proceeds shall be applied in the following order of priority:

The outstanding aggregate balance of Loans represented by the Series 1999A, B and C Bonds.

Operating/Capital Loans, but only to the extent made to fund debt service under Loan A and/or Loan B.

The outstanding balance of the MICC Reimbursement Loan.

The outstanding balance of the MICC Change Order Loan and the MICC FF&E Loan.

The outstanding balance of the Operating/Capital Loan, to the extent not funded to pay debt service on the Series A and B Bonds.

The amount of the tax liability of the Hotel Owner's partners arising from such sale.

To MDFB in an aggregate amount sufficient to pay down the remaining original principal balance of the Garage debt to a 1 to 1 debt service coverage ratio, based on the average Garage net operating income for the previous 24 month period.

The next \$20,000,000 to be shared as follows: an amount up to \$10,000,000 to the City as a principal payment (but not to exceed the then outstanding balance on the City 108 loan), and the remainder of the \$20,000,000 to the Project Owner. Any unpaid balance on the City 108 loan shall be transferable upon sale and any subsequent purchaser shall take subject to the City 108 Loan. .

The remainder to the Hotel Owner.

Order and Extent of Participation

If there are cost savings in the Project Budget as of the Closing, such savings shall be added to the Project contingency. If there are savings upon completion of construction as determined by an independent cost certification audit to be prepared within 90 days after the certificate of occupancy has been issued for the Hotel Project, such cost savings shall be used as follows: first, to make any federal or state tax credit adjuster payment; second, the next funds, up to \$5,000,000 shall be added to post completion operating reserves and specifically dedicated to the Series B Bonds; third, 1/3 of the remainder to be paid to WAHD as an additional development fee (up to \$2,000,000), and the other 2/3 of the remainder (up to \$3,000,000) to be used to fund operating reserves, and fourth, the remainder, if any, to pay down Loans B and C and an amount equal to 2.15 times the outstanding amount of the City HUD 108 loan, on a pari passu basis.

Management

The manager of the hotel will be Renaissance Hotel Operating Company, a wholly owned subsidiary of Marriott International, Inc. The term of the

management agreement will be 30 years from the acceptance of the Hotel by Renaissance with one 10-year renewal at the mutual consent of Hotel Owner and Renaissance.

Renaissance shall use its best efforts to comply with the Empowerment Zone employment requirements, including, but not limited, hiring of 35 percent of the Hotel employees from the Empowerment Zone or Enterprise Communities; provided, however, that Renaissance shall have no liability for its failure to achieve the employment requirements for reasons not within its reasonable control. Renaissance shall timely prepare an employee recruiting and hiring plan for the Hotel which shall address the Empowerment Zone employment requirements. Renaissance agrees to consult with the Hotel Owner on the status of the plan. Additionally, Renaissance shall separately confirm to the Missouri Tax Credit Clearing House that its current plans include the projection of at least 500 full time equivalent jobs.

Welfare to Work

Renaissance shall institute a welfare-to-work program with respect to hiring Hotel personnel.

Work Force

Renaissance will sign a neutrality agreement with the local St. Louis Union the terms of which have been substantially agreed to between Renaissance and the St. Louis Union.

Construction Contract

An entity to be formed by The Clark Construction Group, Inc. and Historic Construction Incorporated d/b/a HCI Construction & Design (◆HCI◆) (the contractor is hereinafter referred to as ◆Clark◆). Clark will subcontract the Project construction to a joint venture between The Clark Construction Group, Inc. and HCI. Clark also intends to include a local general contractor reasonably satisfactory to Clark in the construction joint venture. The Project design will be subcontracted to RTKL, Campbell & Associates, and ESD Group (the ◆Design Team◆).

The type of contract will be Cost Plus Fee Subject to Guaranteed Maximum Price (◆GMP◆). A proposed form of construction contract shall be prepared and distributed to the parties hereto within 60 days of the signing of the Master Term Sheet. Clark shall provide the Project Owners with the GMP 6 weeks

after design development drawings have been completed and construction plans and specifications prepared by the Design Team have been delivered and based upon the bids received. The Project Owner shall have no authority to execute the final construction contract until approval has been obtained from the City, the Federal Tax Equity Investor, the project lenders and Renaissance, which approval shall not unreasonably be withheld or delayed.

Compliance with Standards

The Hotel Owner and WAHD shall abide by all applicable City Ordinances, Executive Orders of the Mayor of the City and state statutes, including, but not limited to those relative to non-discrimination and M/WBE participation goals.

B. JOINT COMMITMENTS OF THE HOTEL OWNER, LCRA, THE CITY AND MDFB RELATING TO PROPERTY ACQUISITION AND ANCILLARY PROPERTY RIGHTS

Acquisition of the Gateway Site and the Lennox Site

Except to the extent of an earlier closing pursuant to Option 2 below, the Hotel Owner shall purchase City Block 171 (the old Gateway Hotel Building and adjacent parking lot) (the **Gateway Site**), from LCRA for a purchase price of \$2,654,000, plus the additional purchase of the work in progress for an amount equal to the Remediation Cost, as defined below, free and clear of all liens and encumbrances, at the Closing. The Hotel Owner shall acquire the Gateway Site, **as is-where is**, subject only to completion of the remediation in accordance with the approved plans and specifications. Prior to the acquisition of the Gateway Site the Hotel Owner shall have the right to perform testing (including structural foundation and environmental) and selective demolition in order to fully access the conditions of the Gateway Site.

The City shall contract with WAHD to begin the environmental, demolition and site preparation work with respect to the Gateway Site pursuant to Option 1 or Option 2 below in the City's sole discretion. The City (or LCRA) shall finance the environmental, demolition and site preparation work through one of the following courses of action:

Option 1. The City (or LCRA) shall advance (i) \$500,000 upon delivery of complete plans and specifications and readiness to commence the work and the receipt by the City of appropriate invoices, to pay (or reimburse WAHD) for the third party costs of plans and specifications to complete the environmental remediation, site preparation, and selective demolition work, and (ii) pursuant

to a construction disbursement agreement and an approved budget, \$4,175,000 on or before September 15, 1999 (up to a total of \$4,675,000) to complete this work, which is estimated to take 4 months. WAHD shall be designated the contract party to cause completion of this work in strict compliance with applicable laws. Any funds so advanced or deposited and not spent shall be returned to the City. Any costs in excess of the advances and deposit shall be borne by the City. The amount of the cost actually applied to undertake this work shall be the Remediation Cost, which shall include (i) construction **hard** costs, (ii) a contractor fee, general conditions and overhead, (iii) architectural, engineering and consulting fees related to this work, (iv) interest on funds as utilized at 6 percent, (v) the cost of the Brownfields tax credit application (which shall be prepared by WAHD), and (vi) other third party costs as approved by LCRA and the Hotel Owner.

Option 2. The Hotel Owner would acquire title on a credit purchase basis, with the payment of the purchase price to be due at the Closing. After acquisition of title, the Hotel Owner would arrange to borrow the necessary funds to accomplish the environmental, demolition and site preparation work from Bank of America or Mercantile Bank, or both.

If Option 2 is selected and the transfer of title to the real estate for the Projects does not close on or before October 1, 2000, LCRA shall be entitled to a reversion of the property conveyed to the Hotel Owner pursuant to Option 2.

If Option 1 is selected, the parties acknowledge that the acquisition of the Gateway Site by the Hotel Owner shall take place at the Closing, but that remediation and selective demolition shall commence on or about September 15, 1999, subject to timely delivery by WAHD of demolition and remediation plans and specifications. This chronology provides the following benefits to the Project: (i) the environmental remediation and demolition of the Gateway Site prior to the Closing will greatly minimize the unforeseen risk presented by the Hotel Project to the financial participants; (ii) the early start will signify that the Hotel Project is moving forward to the subcontractor community giving them confidence that the Hotel Project is real and will result in the subcontractors devoting more time to the Hotel Project; (iii) interior demolition of the Gateway Site will enable the architecture and engineering team to produce more accurate construction drawings (actual column layouts, existing building conditions, penetration locations, etc.) for final pricing resulting in a smoother construction process; (iv) a **clean** building and better plans will result in more accurate construction pricing from subcontractors; (v) the Hotel Owner can insure compliance with National Park Service standards and maximize the

equity contribution available from historic tax credits; and (vi) immediately after the Closing, heavy construction can begin without the Hotel Project experiencing a 4 month delay for environmental remediation, demolition and site preparation, all of which will result in an earlier opening of the Convention Hotel.

At the Closing, LCRA shall convey title to a portion of City Block 170 (the old Lennox Hotel Building), free and clear of all liens and encumbrances, to the Hotel Owner for a purchase price of \$346,000.00. LCRA and the Hotel Owner will explore alternatives to make the Lennox site available for commencement of development prior to the Closing Date, if possible. Prior to the acquisition of the Lennox Site the Hotel Owner shall have the right to perform testing (including structural, foundation and environmental) and selective demolition approved by LCRA to fully access the condition of the Lennox Site.

LCRA or the Hotel Owner, or both, shall apply for State Brownfields tax credits in the amount of approximately \$3,380,000, which will be sold to Mercantile Bank. WAHD shall prepare the tax credit application.

Acquisition and Disposition of Ballroom/Garage Site

LCRA shall acquire title to City Block 172 and the northern half of City Block 272 (◆Ballroom/Garage Site◆) either through private negotiations or by using LCRA's power of eminent domain. LCRA shall make offers to the property owners by July 30, 1999, and WAHD shall immediately commence the process of obtaining any required appraisals. The cost of the appraisal shall be a part of WAHD◆s pre-development costs. However, subject to LCRA◆s approval, WAHD or its designee may attempt to obtain private purchase agreements for all or parts of the Ballroom/Garage Site prior to that date. If title to the Ballroom/Garage Site through private negotiations cannot be acquired, LCRA shall institute an eminent domain proceeding on or about August 30, 1999, and shall secure title with the issue of just compensation to be resolved at a subsequent stage of the eminent domain proceedings so that title to the Ballroom/Garage Site vests in LCRA on a timely basis. As funds are needed by LCRA to implement and prosecute these proceedings, WAHD or the Hotel Owner shall promptly advance the same.

At the Closing, MDFB shall acquire that portion of the Ballroom/Garage Site on which the Garage will be located, which acquisition price shall be adjusted to reflect a pro rata sharing of any costs on the entire Ballroom/Garage Site exceeding an agreed upon maximum, and a pro rata sharing of savings below that amount. Savings achieved in the construction of the Garage shall be

retained by MDFB, in escrow, for application against any shortfall in the payment of debt service on the Garage bonds. If (i) the actual operating history of the Garage for twelve consecutive months makes it clear, in the reasonable discretion of MDFB, that such escrowed savings are not necessary to provide for the payment of the Garage bonds, and (ii) there has been a shortfall in funds available to construct the Hotel, then, at the request of the Hotel Owner, MDFB shall loan the amount of such savings to the Hotel Owner (the **◆MDFB Loan◆**). Such loan shall bear interest at a rate equal to the rate on the Garage bonds, and shall be payable solely out of available cash flow from operations of the Hotel. Unpaid interest shall be accrued (but shall not compound), and all accrued but unpaid interest and principal shall be paid on the tenth anniversary of the MDFB Loan. MDFB shall enter into a turnkey development agreement with WAHD for the construction of the Garage (**◆Garage Development Agreement◆**). Under the Garage Development Agreement, WAHD shall provide turnkey development services to MDFB for the Garage, guaranty completion of the Garage and shall be paid fees for such services in accordance with the agreed upon budget. Subject to any MDFB change orders, any other costs related to such turnkey development agreement in excess of the final approved budget shall be paid by WAHD. MDFB shall enter into a management agreement with the Hotel Owner for the management of the Garage (the **◆Garage Management Agreement◆**). Renaissance shall approve the plans and specifications for the Garage, the Garage Management Agreement and the WAHD Garage Development Agreement, which approval shall not be unreasonably or untimely withheld or delayed. The Hotel Owner shall manage and have exclusive control of the Garage for a term of 45 years plus the construction period. The Hotel Owner's operation of the Garage shall be subject to the requirement that it be operated as a public garage on a first come, first served basis to all users, except as provided under the Hotel Parking Lease described below (including the reservation rights for additional spaces). In the event the Garage fails to generate net operating income (including the use of Garage reserves or payments from the Hotel) in an amount sufficient to make debt service payments under the Garage mortgage, MDFB shall have the right to terminate the Garage Management Agreement. The management fee payable to the Hotel Owner (the **◆Garage Management Fee◆**) shall equal 90 percent of the excess of net operating income over (i) a fixed amount (such amount shall be calculated as the initial debt service) from the debt described below for the Garage mortgage loan, and (ii) mutually agreed replacement reserves. Any reduction in actual debt service shall accrue to the benefit of MDFB. The Hotel Owner shall have the right to appoint a third-party on-site manager, subject to approval by MDFB and Renaissance. MDFB and the Hotel Owner (in consultation with the on-site manager) shall prepare start-up and

annual budgets which shall be mutually acceptable to MDFB and the Hotel Owner. The Hotel Owner shall be granted an option to acquire the Garage during the term of the Garage Management Agreement, and for a period of one year thereafter. The management fee payable to the Hotel Owner shall be available for debt service payments and to fund other operating expenses for the Hotel. MDFB (or the Hotel Owner, to the extent Hotel Owner has exercised its option to acquire the Garage) shall have the right to refinance any debt attributable to the Garage to obtain more favorable terms, but shall not increase the amount of the debt service payments.

At the Closing, LCRA shall impose a condominium regime upon the Ballroom/Garage Site acceptable to MDFB, Hotel Owner and Renaissance, and the improvements to be constructed thereon. The condominium shall consist of a parking garage condominium unit, a hotel condominium unit (which shall include the ballroom space and other hotel functions such as loading dock and the back of the house), and common elements. The parking garage condominium unit shall be conveyed to the MDFB. The hotel condominium unit shall be conveyed to the Hotel Owner. Notwithstanding the foregoing, the parties shall explore the use of a lease or other structure as an alternative to the condominium regime.

At the Closing, the Garage Owner shall lease at least a minimum of 375 parking spaces to the Hotel Owner for a term of 45 years plus the construction period (the  Hotel Parking Lease). The Hotel Parking Lease will be senior to all other encumbrances on the Garage. The obligation to pay rent shall commence when the Convention Hotel begins operations, provided that 2 full years of capitalized interest reserves are available to MDFB after completion of construction of the Garage. The Hotel Owner shall make provisions for the required 2 year interest reserve in the Project Budget. The Hotel Owner and WAHD shall co-ordinate the opening of the Renaissance Suites and the Garage to be at approximately the same time. Funds for the construction of the Garage (the proceeds of the Garage bonds and \$5,311,000 of the funds made available to the Project by the City) shall be disbursed pro rata monthly based upon a disbursement agreement between MDFB, WAHD, the City of St. Louis and if requested by the trustee, the trustee. The Hotel Parking Lease will contain customary notice and cure rights in favor of the Hotel Owner and its mortgage lenders and Renaissance.

Ancillary Real Property Rights

The parties acknowledge that the ancillary real property rights described below are critical to the Projects and that such rights must be secured by the Hotel Owner and Garage Owner from the City on or prior to the Closing.

The City must vacate the subterranean portion of Ninth Street where the tunnel will be located as shown on the Plans and shall have taken all other action to vest title or a perpetual easement with respect to such subterranean portion in the Hotel Owner at no cost to the Hotel Owner.

The City must close and vacate St. Charles Street between Ninth and Tenth Streets.

The City shall timely issue building permits for the Projects and shall expeditiously approve the lot consolidation currently required by local ordinance. The City shall review the design development plans for the Projects and the construction plans in order to expedite the issuance of such building permits. The City must grant an easement, or cause an easement to be granted, of pedestrian and vehicular access to the Hotel Owner over and upon the open area between the old Lennox Hotel and the America's Center and on the northern side of the old Lennox Hotel to Ninth Street and of pedestrian access into the America's Center through the existing west doorway (which shall be unlocked during normal operating hours of America's Center).

The City shall grant such conveyance or easements or rights for \$1.00 in consideration. The Projects must pay for all costs (including utility relocations) associated with the construction, survey recording, and use of such conveyances, easements or rights.

The City and LCRA acknowledge that the Project Schedule will contemplate that the matters described above will be completed on or before the Closing.

C. CONDUIT PARTICIPATION IN THE PRIVATE LOAN FINANCING OF THE HOTEL PROJECT BY THE LCRA

The City shall seek an allocation of \$77,000,000 of tax exempt bond capacity for the governing body of the St. Louis Empowerment Zone. The LCRA shall issue the Series 1999A Tax-Exempt Empowerment Zone Bonds (awarded as part of the HUD Section 1391(g) Empowerment Zone Grant to the City and other participating jurisdictions) in the principal amount of \$77,000,000.00. The term of the Series 1999A Bonds shall be 35 years (including the construction period).

The LCRA shall issue the Series 1999B Taxable Bonds in the principal amount of \$30,000,000. The term of the Series 1999B Bonds shall be 30 years and 2 months (including the construction period). The B Bonds will be placed by the AFL-CIO Building Council with the Union lenders.

The LCRA shall issue the Series 1999C Taxable Bonds in the principal amount of \$10,000,000. The term of the Series 1999C Bonds shall be 9 years (including the construction period). The C Bonds will be enhanced with a guaranty by MICC.

None of the Series 1999 A, B or C bonds will be an obligation of the LCRA (except a limited obligation as issuer), the City or the Empowerment Zone Board.

D. PARTICIPATION IN THE TAX INCREMENT FINANCING BY THE CITY AND THE CONTRIBUTION OF OTHER FUNDS BY THE CITY

Tax Increment Financings

Subject to receiving the maximum state TIF allocation permitted under state law, the City is willing to provide tax increment and other supplemental financing from three sources as next delineated, being (i) the Series 1 taxable tax increment bond financing, (ii) the Series 2 tax-exempt tax increment bond financing, and (iii) other sources identified by the City. The combination of these sources shall result in a deposit (or an acceptable letter of credit or other federally secured funding source), as of Closing, equal to \$52,695,000 of Net Proceeds (the ♦Net Proceeds♦). (In the event a letter of credit is utilized, however, the Net Proceeds shall be increased by an amount equal to the projected interest earnings on the face amount of the letter of credit from Closing until projected disbursement of the funds represented by the letter of credit, currently estimated at \$2,214,000.00.) It is the goal of the City to maximize the funding under clauses (i) and (ii) above, in order to reduce the funding under clause (iii) to the lowest amount feasible, recognizing that the final amounts shall not be definitively determined until the Series 1 and 2 bonds are sold. The term ♦Net Proceeds♦ is cash after all transaction costs, reserve funds, enhancement fees (if any) and capitalized interest, as required by the financing structures detailed below. The Series 1 and Series 2 tax increment bonds will be issued by the City, then purchased by the MDFB, and then marketed to institutional or retail buyers. The City shall select the underwriting team (to be led by Stifel, Nicolaus & Company) for the issuance and placement of these bonds, and Stifel, Nicolaus & Company shall issue a financing letter to the City within 60 days of the signing of this term sheet in a form acceptable to

the City, and supporting the marketability of the bonds to the reasonable satisfaction of MDFB, Mercantile Bank, Bank of America, MICC and the Hotel Owner. The final structure for the availability and utilization of the funds deposited by the City pursuant hereto shall be subject to future agreement between the City and the Federal Tax Credit Equity Investor, but in no event shall such agreement adversely impact the financial obligations and/or collateral positions of any other party hereto. Upon issuance of the TIF Bonds and the funding of other sources identified by the City, the Hotel Owner shall commence construction within 60 days thereafter.

Real Estate TIF Bonds. The City shall issue the Series 1 Taxable Tax Increment Financing Bonds (◆Real Estate TIF Bonds◆). The term of the Real Estate TIF Bonds shall be 23 years with semiannual interest payments only for the first 3-1/2 years of the term, all to be funded with capitalized interest, and then semiannual payments of interest to be funded primarily by Project Pilot payments, as outlined below. The Bonds will have a bullet maturity in 23 years subject to scheduled prepayment from available revenues. Amortization shall be projected to generate total debt service which provides approximately \$250,000 per year in excess Pilots and agreed base assessment taxes subject to a maximum amount equal to the amount of the Pilots otherwise provided for herein. The coverage portion will be available to pay the letter of credit fee, if any, prior to any distributions to the taxing districts. Any excess funds remaining in the special allocation fund may be declared a TIF surplus on an annual basis. Before Closing, the City shall approve Tax Increment Financing for the Project, providing for the deposit of all Payments in Lieu of Taxes (◆Pilots◆) in the Special Allocation Fund for the full TIF term. The Hotel Owner shall enter into an agreement with the City pursuant to which the base assessment is agreed to by all of the financial participants, and the Pilots from the Hotel Projects (net of the taxes due on the agreed base assessment) shall be an amount equal to \$0 on December 31st in 2000-2002 inclusive (provided that base taxes will still be payable by the Hotel Owner in accordance with state law) , inclusive, and approximately \$1,400,000 on December 31st in 2003, \$2,750,000 on December 31st in 2004, which then shall increase by \$100,000 annually until the amount equals \$3,750,000, and thereafter the amount shall increase by 0.25 percent annually until the end of the TIF period. Any payments of tax under the agreed base assessment made by the Hotel Owner shall reduce the Pilots scheduled payments, dollar for dollar. The TIF shall be approved at such a time and in such a manner as to collect Pilots through those due December 31, 2022. Any TIF surplus shall be distributed to the taxing districts after payment of all debt service obligations.

Subject to the priority funding requirements on Series 2 EATS bonds, the City will pledge to make available an amount up to 100 percent of the annual hotel tax payable under Section 67.657 of R.S. Mo. with respect to the Hotel Project (◆Room Increment◆) for the payment of debt service on the Series 1 TIF Bonds, replenishment of the debt service reserve fund, and the repayment of any draws on said letter of credit which are not reimbursed through the issuance of state tax credits generated by the Hotel as a first tier back stop (ahead of the letter of credit described below) for payment of Real Estate TIF Bonds, and the other obligations of the trustee.

Upon Completion of construction of the Projects, Mercantile Bank or Bank of America (with the other to participate on a pro rata basis) will issue an unconditional standby TIF letter of credit in the aggregate amount of \$10,000,000, in favor of the bond trustee to enhance the Series 1 Real Estate TIF Bonds (the ◆Series 1 TIF Letter of Credit◆). The letter of credit will be for a term of at least 3 years from Closing and will be automatically renewable annually thereafter. The Series I TIF Letter of Credit will decline as drawn down, and shall be replenished upon reimbursement in an amount equal to the lesser of \$10,000,000 or 3 years interest on the Real Estate TIF Bonds. The City reserves the right to secure alternative credit enhancement from other sources. The Series 1 Letter of Credit will be renewed automatically, upon expiration for an additional 3 year term, and annually thereafter, and shall be released in full when: (i) all Pilots due through 2006 have been paid in full, (ii) all debt service reserves for Series 1 are fully funded, (iii) all Pilots have been paid when due for the 3 consecutive prior years, and, (iv) either the Series 2 letter of credit has been released, or the Net Operating Income of the Hotel is equal to or greater than \$7,500,000 for at least 2 consecutive prior years.

After Completion, in the event the Series 1 TIF bonds have a payment shortfall, needed funds shall be drawn as follows: first, subject to the Series 2 TIF priority, from the Room Increment, then, from the TIF Series 1 debt service reserve funds, then, from the remaining undrawn balance of the Series 1 TIF Letter of Credit.

Separately, the MDFB will provide \$3,300,000 of state tax credits to Mercantile Bank and Bank of America as additional security for the Series 1 TIF Letter of Credit to be applied to any draws on the letter of credit, as a separate form of reimbursement for the first \$3,000,000 of funds drawn under the letter of credit. The Series 1 TIF Letter of Credit shall be used only if the Pilots and the secondary pledge on the Room Increment are insufficient to

service (after the capitalized interest period) the Series 1 bonds scheduled interest and principal payments.

The Real Estate TIF Bond trustee will apply available revenues in the following order:

- (i) payment of interest on the Real Estate TIF Bonds;
- (ii) annual expenses of bond trustee, including issuers fees and other applicable expenses;
- (iii) to the extent Pilots are available to the scheduled and accumulated principal due on the Real Estate TIF Bonds;
- (iv) replenishment of the Real Estate TIF Bond debt service reserve fund;
- (v) payment of Series 1 TIF Letter of Credit fees;
- (vi) amounts due to the banks under the reimbursement agreement; and
- (vii) reimbursement of MDFB of state tax credits drawn, which reimbursement will result in the reinstatement of the availability of said credits in an amount equal to the lesser of 110% of the then current face amount of the Series 1 TIF Letter of Credit or \$3,300,000; provided, however, that in lieu of reimbursing MDFB as aforesaid, the Banks shall have the right to direct that such funds be placed in a second level reserve to be used to pay debt service after the primary debt service reserve has been depleted. After the Series 1 TIF Letter of Credit has been released, any funds remaining in such second level reserve may be refunded to MDFB.

If tax credits are utilized to reimburse the Series 1 TIF Letter of Credit provider for draws under the \$10,000,000 letter of credit, then the MDFB shall be reimbursed as described above, or from 100 percent of all of the EATS after the Series 2 TIF bonds are retired. The amount reimbursable to the MDFB shall be the amount of tax credits so expended/awarded, plus 5 percent interest annually thereon.

There will be a tax agreement evidencing the Pilots, senior to all mortgages, which agreement shall be a covenant running with the land, binding upon all successors in interest, whether by voluntary or involuntary sale (including, without limitation, tax sale by the City for failure to pay Pilots or other real

estate taxes and foreclosure by the Series A, B or C lenders) and regardless of whether title is held in a for-profit or non-profit owner. The obligation of the Hotel Owner shall be enforced only against the real estate and not personally against the Hotel Owner, its members or affiliates. This tax agreement is not expected to modify or alter the State law provisions regarding foreclosure actions for unpaid taxes. Any payments due under the Pilot Agreement which are not timely made will be subject to a 2% per annum late charge to be included as a supplemental payment in addition to statutory interest.

EATS TIF Bonds. The City shall issue the Series 2 Tax Exempt Tax Increment Financing Bonds (◆EATS TIF Bonds◆). The term of the EATS TIF Bonds shall be 23 years. There shall be semiannual interest payments funded out of capitalized interest based on third party projections, with no scheduled amortization. There shall be a bullet maturity of principal at the end of the 23-year term. All EATS collected from both the City and State portions of the EATS, in excess of the scheduled interest payments, until the bonds are paid off shall be applied, first to pay customary recurring annual costs (i.e., trustee fees); next, to the letter of credit fee detailed below; and then to redeem the bonds.

All EATS collected from both the City and state portions of the EATS shall be used by the City to pay the EATS TIF Bonds. All State sales taxes which constitute EATS collected following the payment of the Series 2 TIF Bonds shall be held in the segregated account described below and used to prevent a default in the payment of the Series 1 TIF Bonds. The City shall not be obligated to reimburse the State or MDFB for any use of the State sales tax to pay the debt service of the Series 1 TIF Bonds or the Series 2 TIF Bonds. In order to enhance the creditworthiness of the EATS TIF Bonds and achieve an adequate coverage ratio of EATS to the debt service of such bonds, the City will pledge to make available an amount up to 100 percent of the annual Room Increment as a backstop for any shortfall in revenues collected to pay debt service, the letter of credit fee described below, and the replenishment of any Series 2 TIF debt service reserve funds utilized. Separately, upon Completion of the Project, the MDFB will provide \$2,200,000 of State tax credits to Mercantile Bank and the Bank of America as additional security for a \$2,000,000 letter of credit (the ◆EATS Letter of Credit◆) to be applied to any draws on the EATS Letter of Credit as a separate form of reimbursement to the Bank. This letter of credit shall be for an initial term of 3 years and shall be automatically renewable annually thereafter. Amounts drawn on the EATS Letter of Credit shall not be subject to replenishment. The EATS Letter of Credit shall be released no earlier than April 15, 2007, when EATS revenues

and Room Increments exceed threshold levels acceptable to the underwriter and Mercantile Bank and Bank of America consistent with third party projections. In the event the Series 2 TIF bonds have a payment shortfall, needed funds shall be drawn as follows: first, from the Room Increment, from the Series 2 TIF debt service reserve fund; then, from the EATS Letter of Credit. The State TIF EATS (i.e., the state sales tax) shall be deposited by the City into a segregated account established under the TIF Ordinance. After payment in full of the Series 1 and Series 2 TIF Bonds, all remaining state sales tax shall be made available to MDFB to be used as provided below. Notwithstanding the above, the funding produced by the sale of the Series 2 EATS TIF Bonds shall be held in escrow and not disbursed until: (i) all other funds made available by the City for Project Costs been fully expended; (ii) receipt by the trustee of an architect's certificate in satisfactory form, to the effect that at least 50 percent of the Convention Hotel construction has been completed; and (iii) all LCRA Series C source construction funds and 50 percent of Series B source construction funds have been appropriately expended.

If tax credits are utilized to reimburse the letter of credit provider for draws under this letter of credit, then from all of the EATS after the Series 1 TIF Bonds and the Series 2 TIF bonds are retired, the City shall reimburse the MDFB the amount of tax credits so expended/awarded, plus 5 percent interest thereon annually.

Additional City Contribution

The City acknowledges that the Series 1 and Series 2 TIF bonds may generate less than \$52,695,000 in Net Proceeds. The City agrees to fund any shortfall in the Net Proceeds amount from other sources. The Net Proceeds (or letter of credit or federally secured funding source) must be on deposit with agreed upon entities at the Closing. In the event a letter of credit is posted, the Net Proceeds shall be increased by an amount equal to the projected interest earnings on the amount represented by the letter of credit from Closing until projected disbursement.

Subject to the approval of Renaissance, WAHD reserves the right to seek the establishment of a community improvement district to add up to another 1 percent sales tax in order to increase the Net Proceeds. WAHD and HRI expressly recognize that a CID increment is the only way to realize an additional contribution from the City, LCRA or any other affiliated City entity.

The City acknowledges all the Net Proceeds (plus any interest earnings thereon realized on and after Closing until expended) shall be among the first dollars

expended on the Garage Project (\$5,311,000) and on the New Tower of the Convention Hotel (\$47,384,000), balanced with other Project sources as set forth in Exhibit D. This allocation assures the City of a quality new building necessary to deliver the number of hotel rooms sufficient to maximize the use of the America's Center by attracting larger and more conventions.

LCRA shall not be paid an issuance fee on the Series A Bonds, but beginning in 2004 in an amount equal to 5 basis points per year on the outstanding principal amount thereof, payable out of the Project Cash Flow of the Project available after scheduled payments due on the secured debt (including the MICC Loans) shall be paid to LCRA. Separately, and not as an expense to the Hotel Owner, the City may collect its costs and fees in accordance with its TIF policy approved by the Board of Estimate and Apportionment on May 18, 1999, from the proceeds from the Series 1 and Series 2 TIF Bonds and annual TIF revenues.

The City will continue to consider the use of NID financing with respect to the Garage Project for 30 days from the date of this agreement, provided that any such structure shall result in savings in the overall capital budget and an increase in projected Cash Flow for the Project, resulting in a greater forecast of the Garage Management Fee. Such alternative financing may only be utilized if the parties hereto mutually agree.

From the proceeds of the issuance of the Real Estate TIF Bonds and the EATS TIF Bonds, the City shall make available to the Projects \$52,695,000 of which \$47,384,000 will be allocated to the new construction portion of the Hotel Project and \$5,311,000 will be allocated to the Garage Project. Subject to eligible Project costs, the available funds shall be used for Project development costs in excess of the projected fair market value of the Hotel and Garage when finished.

The LCRA and the City reserve the right to pursue other financing strategies, terms, and sources of enhancement for the Series 1 TIF Bonds and the Series 2 TIF Bonds, provided that such bonds shall deliver the amount of Net Proceeds required above.

City of St. Louis (HUD 108 Loan)

The City shall make a loan to the Hotel Owner in the form of a nonrecourse hotel construction and term loan (City 108 Loan) in the principal amount of \$20,000,000. The interest rate on the loan shall be 0 percent. The term of the loan shall be 40 years. (It is currently anticipated that HUD will require the

City (but not the Project) to repay the 108 loan over 20 years.) The collateral for the loan shall be acceptable to HUD and the City, which may include a pledge of the other 50 percent of the EATS portion of the TIF district. The loan will be secured by a mortgage on the Hotel Project which shall be the most junior mortgage on the Hotel Project, a lien assignment of all rents, receipts, accounts, and revenues, and a lien security interest in (i) all general intangibles, permits, and licenses (including food and beverage licenses) and personal property, and (ii) all furniture, fixtures, and equipment upon or used in connection with the Hotel Project, and (iii) all deposits, reserves, escrow rights, and actions with respect to the Hotel Project.

If the foregoing collateral is not sufficient to meet the requirements of the U.S. Department of Housing and Urban Development (HUD) under the Section 108 Program, the City agrees to pledge other junior mortgage or other assets outside of the Projects, in whatever amount is necessary to satisfy HUD's requirements so that the City 108 Loan can be made.

The mortgage, lien assignment, and lien security interest described above shall be automatically subordinate and inferior to all Hotel Project mortgages securing Hotel Project debt and any and all renewals or refinancing of such Project debt.

The City 108 Loan shall not be due upon sale of the Hotel Project and any subsequent purchaser shall take subject to the 108 loan.

City Supplemental Assistance

The City will provide the Hotel Owner with supplemental assistance in the amount of \$2,000,000 at Closing . This amount will be used to fund costs of new construction of the Hotel. The final structure of the City supplemental assistance shall be subject to agreement between the City and the Hotel Owner, but in no event shall such agreement adversely impact the financial obligations, tax positions and/or collateral positions of any other party hereto.

E. PARTICIPATION IN THE OWNERSHIP AND FINANCING OF THE GARAGE BY THE MDFB

MDFB shall own the Garage as described above. MDFB shall issue a taxable series of parking garage revenue bonds in an amount equal to \$16,542,000. The interest rate is estimated to be 8.50% (fixed) consisting of an interest rate of 7.50 percent and credit enhancement costs of 100 basis points annually (based on the face amount of the enhancement) on a taxable basis. If tax-exempt debt

can be issued, without restricting the use of the parking deck as herein intended, the rate (and lease payment and debt service payments) shall be adjusted accordingly. The term of the Bonds will be 30 years and shall provide for interest only payable monthly in arrears during the first 5 years of the term and thereafter monthly payments of principal and interest calculated to amortize the loan fully over the remainder of the term. It is expected that Mercantile Bank shall purchase the MDFB Garage Bonds or provide credit enhancement for the Garage Bonds through the issuance of a direct pay letter of credit. Pursuant to Section 100.297 of the Missouri Development Finance Board Act, MDFB shall issue a state tax credit reimbursement agreement (◆MDFB Tax Credit Commitment◆) for 110% of the bond amount to cover the principal, plus a stipulated one year◆s interest cost at 10% deemed interest, to assure utilization of the credits. MDFB shall grant to Mercantile Bank a first deed of trust and security agreement, an assignment of leases and rents and such other security documents as Mercantile Bank may require relative to the Garage Project as security for Mercantile Bank◆s obligations in connection with the Garage Bonds. The MDFB shall confirm to Mercantile Bank that upon issuance of the credits, that same are transferable.

Mercantile Bank shall release \$5,500,000 of the MDFB tax credits from its collateral upon completion of construction of the Garage and Convention Hotel. Mercantile Bank will further release the lesser of (i) \$6,500,000 or (ii) the difference between (a) \$16,542,000 less (b) \$5,500,000 released at completion, less (c) cost savings applied to the principal, but leaving \$4,000,000 of MDFB credits in a top stop-loss position, upon rental achievement. That rental achievement level is 1.15 coverage for 2 years based on the certified NOI of the garage. The remaining \$4,000,000 piece of MDFB tax-credit backed collateral will be released upon the earlier of (i) the reduction by the first scheduled amortization on the debt, or (ii) 3 years of 1.25:1 coverage based on the certified NOI for the Garage (or such other conditions based on the market, required by the underwriter). Mercantile Bank◆s letter of credit will reduce as the tax credits are released on an identical basis.

The MDFB Garage Bonds may be issued in more than one series to reflect the burn-off of the letter of credits (and underlying tax credits) as described in this section, or as segregated by collateral (i.e., secured by the lease, or a series of mortgages), or some combination thereof, as determined by MDFB.

After the Series 1 and Series 2 TIF bonds (or any bonds issued to refinance such bonds) are paid in full, the State TIF EATS shall continue to be collected by the City for the 23 year period of the TIF and applied in the following order

of priority: (i) first, to reimburse the MDFB for any tax credits issued in connection with the Garage debt, plus 5 percent on such credits used, (ii) second, to prepay any unpaid debt service, and (iii) third, to reimburse the MDFB for any tax credits issued in connection with the Series 1 or 2 TIF bonds. To the extent all of the foregoing payments have been made and the MDFB has no further liability for the issuance of tax credits, the City shall declare any remaining State EATS as surplus and return such amounts to the State. Any use by the City under clause (iii) above shall reduce the City's obligation to reimburse the MDFB from the City's EATS. The City shall have the right to refinance the Series 2 TIF bonds but such refinancing shall not increase the annual debt service or the term of such bonds without the prior written consent of the MDFB.

Except as provided above with respect to the state sales tax following payment of the Series 1 and Series 2 TIF Bonds, MDFB shall have no reimbursement rights against the City, the Hotel Owner or LCRA if tax credits are utilized to reimburse the letter of credit provider for draws under the letter of credit relating to the Garage Bonds.

It is recognized that, in addition to the principal amount of the bonds described herein, \$5,311,000 of the City (TIF funds) will be allocated to the Garage Project. These monies shall be disbursed pro rata with the proceeds of the Garage Bonds.

So long as the Garage Management Agreement is in effect, and for one year following termination or expiration of the Garage Management Agreement, the Hotel Owner shall have an option to purchase the Garage at the greater of (i) the fair market value of the Garage, or (ii) \$1,000,000, plus an amount equal to the original principal amount of the Garage Bonds.

The MDFB shall receive a separate completion guaranty from The Clark Construction Group, Inc. in form and substance, as is provided with respect to the Hotel component financing.

MDFB reserves the right to refinance the MDFB Garage Bonds at any time, as it best determines (with or without enhancement from Mercantile Bank or others), with any resultant lower financing costs inuring solely to the benefit of MDFB. Similarly, MDFB, from its or other funds, may prepay this debt as it determines, which prepayment shall not otherwise affect the parking lease payments due from the Hotel Owner.

F. JOINT AGREEMENT RELATING TO THE DISBURSEMENT, ADMINISTRATION, AND USE OF PROJECT FUNDS

Disbursements in General. At the Closing, all financial participants (except MICC) shall disburse immediately available funds or a federally insured letter of credit for disbursement of funds in the full amount of their respective obligations into interest bearing escrow accounts at agreed upon financial institutions for the Hotel Project and Garage Project pursuant to a joint disbursement agreement executed by the financial participants for each Project, consistent with the provisions of the Term Sheet. Mercantile Bank, or such trustee or alternative escrow agent as may be approved by the financial participants, shall provide the participants with a list of available investment vehicles with respect to the funds to be held in escrow, which funds shall be invested in one or more of the available investment vehicles directed by the Hotel Owner, the earnings of which are estimated at a 4.50 percent per annum yield in the Project Budget. In any case the amount of equity will be available at the Closing by virtue of bridge financing or partial payments and firm commitments acceptable to Mercantile Bank, and the amount of equity represented by clause (i) above shall be increased to cover such bridge financing costs. Interest earned on such escrows, less the taxes thereon, shall be applied against interest accruing on the Series A, B and C Debt. Mercantile Bank, or such trustee or alternative escrow agent as may be approved by the financial participants, shall be the escrow agent. All financial parties will execute and deliver an escrow and disbursing agreement acknowledging the deposit of the funds, the specific application of the funds to one or more specific components of the Project, the agency of Mercantile Bank to disburse funds to Chicago Title Insurance Company to make payments pursuant to the construction contracts, and other customary terms for such an agreement. Mercantile Bank shall appoint an independent inspection firm reasonably acceptable to LCRA and the City to advise it with respect to reviewing and approving disbursements from such escrow accounts, to do on-site construction inspections to ensure consistency with construction contract documents, and to monitor the construction of the Projects including approval of funding of draw requests prepared by WAHD.

Order of Use During Construction. The Hotel Project funds shall be used in the following order of priority except as noted below: (i) Hotel Owner capital as contributed on a percentage of completion basis (other than the proceeds from the state historic tax credits and the sale of the state Brownfields tax credits); (ii) equity bridge financing, as contributed on a percentage of completion basis; (iii) City Supplemental Assistance; (iv) City 108 Loan; (v) the proceeds of Series 1999C Bonds and then at least 50 percent of the proceeds of Series

1999B Bonds and then the proceeds of the Series 1999A Bonds; and (vi) Hotel Owner Capital (to the extent attributable to the state historic tax credits and proceeds from the sale of the state Brownfields tax credits). The proceeds of the Real Estate TIF Bonds, the EATS TIF Bonds, and the other funding sources shall be used for eligible project costs with respect to the purposes described above.

The Garage Project funds shall be used as follows: the proceeds of the Real Estate TIF Bonds and the EATS TIF Bonds shall be expended pro rata with the proceeds of the MDFB Garage Bonds.

G. ASSISTANCE TO BE PROVIDED BY THE DEPARTMENT OF ECONOMIC DEVELOPMENT

The Department of Economic Development of the State will approve the allocation of the State sales tax to support the repayment of the EATS TIF Bonds as provided by RSMo. 99.800 et seq.

The Department will cooperate with the City, the LCRA and the Hotel Owner in the promulgation or adoption of rules or regulations which would assist the Hotel Owner and/or MDFB in obtaining the maximum benefit from the proposed issuance and sale of the Missouri Certified Historic Tax Credits described herein; provided such assistance will not have any additional cost to the State. Such assistance may include the promulgation or adoption of rules or regulations, or requesting the assistance of the Department of Revenue in making it clear that the federal income tax method for accounting for computing partnership basis adjustments should also be applied to allocations of the Missouri Certified Historic Tax Credits.

The Department shall cooperate with the City, the LCRA, the Hotel Owner in the processing of an application for tax credits under the brownfield tax credit program administered by the Department. Although the Department has made no investigation into the Projects or their eligibility under such program, the Department is not aware of anything that would disqualify the Projects from eligibility under the brownfield tax credit program.

The Department shall cooperate with the City, the LCRA, the Hotel Owner in the processing of an application for tax credits under the Missouri Certified Historic Tax Credits program administered by the Department. Although the Department has made no investigation into the projects, the Department is not aware of anything that would disqualify the Projects from eligibility under the State historic tax credit program.

H. DEVELOPMENT AND FINANCING MASTER TERM SHEET

The Hotel Owner has represented to the Public Entities that it has obtained preliminary commitments to provide or fulfill each component of the Hotel Owners obligations hereunder upon terms acceptable to the Hotel Owner. Such commitments are evidenced pursuant to the terms of the Development and Financing Master Term Sheet (the **Term Sheet**) which is signed by the parties listed on Exhibit E hereto. The contents of the Term Sheet have been orally disclosed to each of the Public Entities in meetings at which representatives of the Public Entities were present. No Public Entity has raised any objection to such disclosed information and have approved the Term Sheet as presented to each Public Entity. It is the intention of the Parties that this Agreement be, in all respects, consistent with the Term Sheet. The Public Entities understand that the executed Term Sheet contains proprietary financial information relating to the projected operations of the Hotel. The Hotel Owner and the other parties to the Term Sheet have requested that such information be kept confidential. All of the obligations of the Public Entities in connection with the Projects as set forth herein have been described in this Agreement.

I. LIMITED PURPOSES OF THIS AGREEMENT.

The undersigned parties have executed this Agreement to evidence and confirm their intent with respect to the public assistance in connection with the development and financing of the Hotel Project and the Garage Project. By executing this Agreement, each of the parties hereby agrees (i) to work together cooperatively and negotiate, on the basis of the terms set forth herein, definitive participation agreements, and (ii) to present the Projects to their respective governing body (as applicable) for preliminary approval and authorization of its participation in the Projects. It is the intent of the parties hereto that the transactions contemplated by this Agreement (including funding of monies in escrow) shall close by no later than June 30, 2000, with a goal of March 1, 2000 (the **Closing** or **Closing Date**). It is recognized that after the execution of the Term Sheet and this Agreement, the next 60 day period thereafter will be utilized to secure full and customary commitment letters from the banks and underwriters, credit enhancers and equity investors, and development agreements with the City, LCRA and MDFB. This Agreement is intended as a statement of intent only. Notwithstanding anything to the contrary in this Agreement, none of the provisions of this Agreement shall be construed or deemed to be a legally binding and an enforceable agreement to pursue the transactions contemplated hereby, unless such transactions have been approved and authorized by the governing body (as applicable) of each party, and unless

all the documentation relating to the Projects has been finally negotiated and executed by all of the parties.

The City, LCRA, and HRI will use best efforts to negotiate and finalize a development agreement and any other required legislation, including the authorization and approval from the Empowerment Zone Board of the bond allocation described above, for the Projects so that such agreement and accompanying City ordinance authorizing such agreement may be authorized and finalized by the City's Board of Aldermen by July 23, 1999.

Remainder of this page intentionally left blank.

Executed in multiple counterparts as of the 22nd day of June, 1999.

CITY OF ST. LOUIS, MISSOURI, acting by and through the

Office of the Mayor

By: _____

Name: Clarence Harmon

Title: Mayor

Office of the Comptroller

By: _____

Name: Darlene Green

Title: Comptroller

Office of the President of the Board of Alderman

By: _____

Name: Francis Slay

Title: President

LAND CLEARANCE FOR REDEVELOPMENT AUTHORITY OF THE
CITY OF ST. LOUIS, MISSOURI

By: _____

Name:

Title:

MISSOURI DEVELOPMENT FINANCE BOARD

By: _____

Name: Robert V. Miserez

Title: Executive Director

DEPARTMENT OF ECONOMIC DEVELOPMENT OF THE STATE OF
MISSOURI

By: _____

Name: Joseph L. Driskill

Title: Director

ACCEPTANCE

The undersigned hereby accepts all of the obligations imposed upon the Hotel Owner in the foregoing Agreement. The undersigned represents and warrants that the Hotel Owner has obtained preliminary commitments from the other participants to the financing and there has been no material change in the type and terms of such commitments from those previously disclosed to the parties to this Agreement.

HISTORIC RESTORATION, INCORPORATED

By:

Name:

Title:

The undersigned hereby accepts all of the obligations imposed upon the WAHD in the foregoing Agreement. The undersigned represents and warrants that the WAHD has obtained preliminary commitments from the other participants to the financing and there has been no material change in the type and terms of such commitments from those previously disclosed to the parties to this Agreement.

WASHINGTON AVENUE HISTORIC DEVELOPER, L.L.C.

By: Historic Restoration, Incorporated

Its: Manager

By:

Name:

Title:
Exhibit List

Exhibit A: A chart setting forth the ownership structure of Gateway Hotel Partners, L.P.

Exhibit B: A description of the schematic/design development plans for the Project

Exhibit C: A summary of the Project Schedule (To be supplied)

Exhibit D: Disbursement Schedule

Exhibit E: List of Parties to Master Term Sheet

Legislative History				
1ST READING	REF TO COMM	COMMITTEE	COMM SUB	COMM AMEND
06/25/99	06/25/99	HUDZ	07/07/99	
2ND READING	FLOOR AMEND	FLOOR SUB	PERFECTN	PASSAGE
07/09/99			07/16/99	07/16/99
ORDINANCE	VETOED		VETO OVR	
64691				