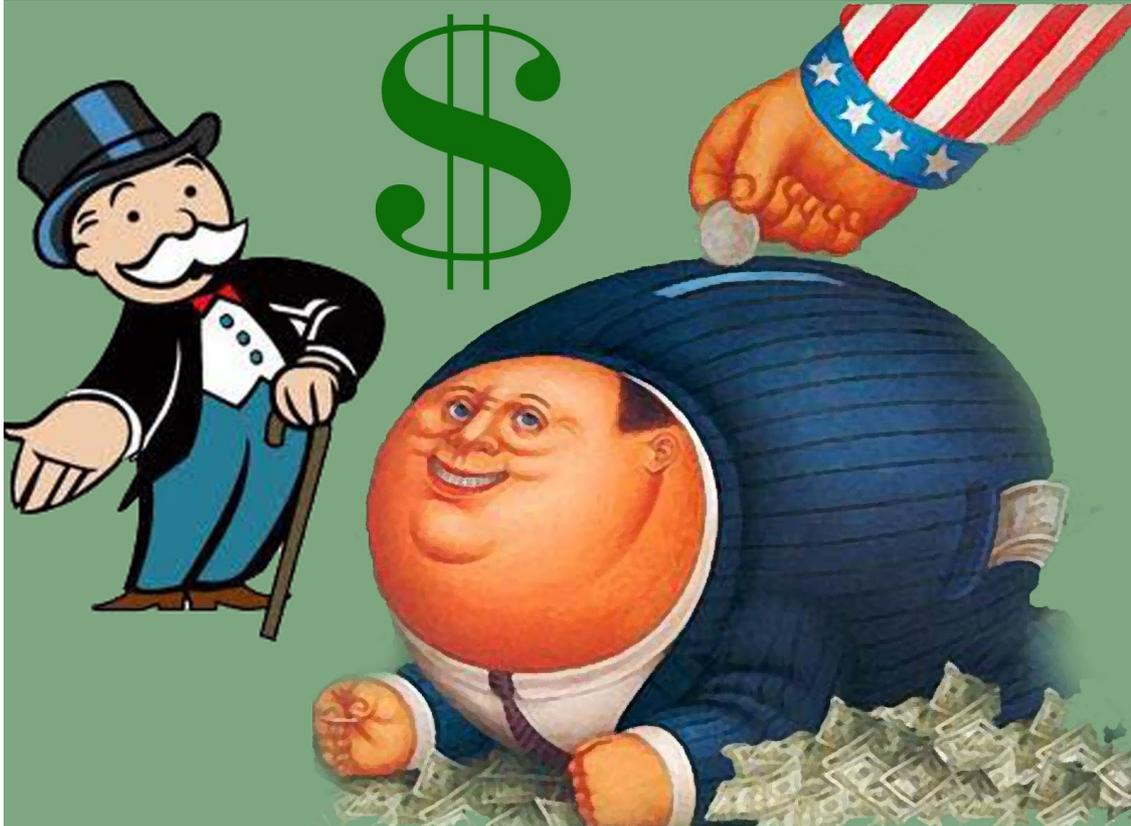




North Side Saint Louis Developer Appears to Have Inflated Expenses in Tax Credit Application

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In late December 2009, pressed to award nearly \$20 million in tax credits to a single development company, the Missouri Department of Economic Development (DED) managed to review the company's formal application within the month, [awarding the company, NorthSide Regeneration LLC, \\$19.6 million](#) just a day before the end of the year.

In its rush, the department awarded the taxpayer money despite the fact that the company's application had [more than 100 discrepancies](#), which would have, if not caught, cost the state hundreds of thousands of dollars.

It was important that the money be awarded in 2009, because if the department had waited until the beginning of the following year, the development company, NorthSide Regeneration LLC, wouldn't be eligible for additional tax credits in 2010. [The statute creating the Distressed Areas Land Assemblage \(DALA\) tax credit](#) caps the total amount that the state can pay out at a cumulative \$20 million per year.

"As expected, there is a desire to gain access to the maximum allowed issuance (\$20M) before the end of this year," wrote Sallie Hemenway, DED director of business and community services, [after meeting with NorthSide representatives in early November 2009.](#)

NorthSide applied for the tax credits to cover part of the initial costs of its \$8.1 billion redevelopment of parts of downtown Saint Louis and portions of the city's north side. [As reported in NorthSide's tax credit application](#) , those costs have so far, for the most part, involved purchasing and maintaining a large amount of property.

The DALA tax credit was created ostensibly to encourage developers to take on large-scale projects in low-income areas. According to the tax credit statute, development companies eligible for the tax credit are entitled to 50 percent of money spent to purchase property, as well as 50 percent of environmental assessment costs, closing costs, real estate brokerage fees, demolition costs, and maintenance costs. Furthermore, eligible companies are also entitled to 100 percent of interest costs, loan fees, and closing costs.

In accordance with the statute, the bulk of NorthSide's application was made up of reported costs: how much the company said it had spent to purchase property, maintain it, and how much the company had spent in brokerage fees and interest costs.

Saint Louis city ordinance makes it possible to [check NorthSide's property price claims against public documents](#) .

[The city of Saint Louis requires individuals and businesses that purchase property within the city to file a document stating who bought property, from whom, and for how much.](#) The document, known as a "certificate of value," also includes the property address, the date that the record was filed, and a signature of the purchaser attesting to the truth of the price reported.

After extensive review of the certificates of value filed for each of the 731 properties for which NorthSide claimed tax credits, [it appears that there were more than 100 price discrepancies between what NorthSide reported to the state and what the company had reported to the city](#) . Ninety-five of the discrepancies were in NorthSide's favor: The price reported to the DED was more than that reported to the city while nine property prices in the application seem to understate the respective prices NorthSide reported to the city. Those discrepancies add up to more than \$500,000, out of the \$25 million that NorthSide reported it had spent to purchase property.

Seeing those discrepancies, the DED did not reject the application, which would appear to be the prudent approach in order to safeguard taxpayer money. Instead, according to copies of emails obtained from the DED with a Sunshine Law request, the department worked long nights during the Christmas holiday in order to make sure that North Side was awarded the most state money.

[List of Apparent Discrepancies in Tax Credit Application Filed by NorthSide Regeneration LLC](#)

About the Author



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[3] <http://www.northside/>

[4] <http://www.moga.mo.gov/statutes/c000-099/0990001205.htm>

[5] <http://showmeliving.org/pdfs/Nov06firstmeetinginformalsubmittal.pdf>

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