

## Clifford Cross

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**From:** jfmulliganjr@aol.com  
**Sent:** Friday, May 17, 2019 12:22 PM  
**To:** Clifford Cross  
**Cc:** John F Mulligan; mgrimm@gilmorebell.com; Gregory Rose; mspykerman@gilmorebell.com  
**Subject:** Jon Ferry Document No. 1  
**Attachments:** Rate of Return Table.pdf

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From: jon.ferry83@gmail.com  
To: grose@ucitymo.org  
Cc: MGRIMM@gilmorebell.com, mspykerman@gilmorebell.com, rfwilliams@ucitymo.org, jfmulliganjr@aol.com  
Sent: 5/29/2018 1:12:06 PM Central Standard Time  
Subject: Re: U City Call/Meeting

All:

Per our discussion this morning, I have generated the rate of return table as promised. It is attached for your information. There are a couple of points to note to help explain what this table says, and how it might differ from what Novus might have. First of all, to get his 2nd year Return on Investment of 9.5%, Novus took their projected net operating income (NOI) of \$5.78 million and divided it by their private investment amount estimated at \$60,730,088. He arrived at his private investment amount by subtracting a net incentive amount of approximately \$75.9 million from the total estimated net cost of \$136.6 million. In contrast, I estimate that the max that the incentive will support is only \$73.3 million. (He actually has the incentive generating \$83.4 million and then him funding RPAs 2 & 3 \$7.5 million to get to the net of \$75.9 million. I'm not sure how he got to these numbers, but in my projections, I do not show the TIF generating enough revenue to support a note to provide up front funding to RPA 2 & 3 at the amount of incentive requested). Because of this difference, I show the total private investment being \$63.3 million. The result is that I show a 2-year return on investment of 9.05%, rather than 9.5%. In other words, if there was enough revenue to support a \$75.9 million incentive to the developer, then my 2-year ROI would also be the same as his at 9.5%. Even still, at 9.05%, at the highest incentive amount which I have calculated, his 10 year IRR is still above 10.9%, which far exceeds the norm for returns within the market.

However, and I think this is a very important point, in Novus' private investment figure, they include the full amount of the developer fee as a cost. This developer fee equates to a little less than 6% of total costs. Compared to national averages, however, the typical amount of actual cost that a developer incurs in overhead is approximately equal to 1.5% of acquisition costs plus 4% of all other costs. As a result, I believe that the difference, which amounts to just under \$4.3 million, should actually be treated as developer profit, rather than as a cost. Therefore, I have added in an additional column, named "2-yr NOI w DF Adj" which takes this adjustment into account. The result is a lower net investment amount for the developer, which results in a higher rate of return. In my original IRR calculations, I made the adjustment to the net costs to account for the developer fee, as well. For the purposes of this table, I have added a 10-yr IRR number where I do not adjust for the profit portion of the developer fee. It is my strong belief, however, that the developer fee adjusted numbers are most accurate, and should be what you use for the purposes of negotiation.

Hopefully the above explanation makes the table clear to understand, but if you have any questions, I'll be happy to try and answer them. I look forward to seeing you all this evening.

Best regards,

Jon Ferry

On Fri, May 25, 2018 at 3:17 PM, Gregory Rose <[grose@ucitymo.org](mailto:grose@ucitymo.org)> wrote:

Mark: Great! Thank you.

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**From:** Grimm, Mark (G&B) [mailto:[MGRIMM@GilmoreBell.com](mailto:MGRIMM@GilmoreBell.com) ]  
**Sent:** Friday, May 25, 2018 3:15 PM  
**To:** Gregory Rose <[grose@ucitymo.org](mailto:grose@ucitymo.org)>  
**Cc:** Jon Ferry <[jon.ferry83@gmail.com](mailto:jon.ferry83@gmail.com)>; Spykerman, Mark (G&B) <[mspykerman@GilmoreBell.com](mailto:mspykerman@GilmoreBell.com)>  
**Subject:** U City Call/Meeting

Gregory:

Jon is available for the 10:00 a.m. call and also to meet with the Council in executive session at 6:30 or so.

At 10:00 a.m., Jon Ferry and I will both be joining from our cell phones, and Mark Spykerman will join from the office. Mark Spykerman will send an Outlook invite to everyone in a few minutes with the call-in number.

Please call if you'd like to discuss. Thanks.

Mark

**Mark D. Grimm | Gilmore & Bell, P.C.**  
[211 N. Broadway](#) | One Metropolitan Square | Suite 2000 | St. Louis, MO 63102  
Phone: (314) 444-4118 | Fax: (314) 436-1166 | Cell: (314) 495-4415  
[mgrimm@gilmorebell.com](mailto:mgrimm@gilmorebell.com)

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