

September 17, 2019

A Statement from Spartan Development LLC and its Joint Venture Partners

On Tuesday, May 28, 2019, the Salem City Council rejected a request from Spartan Development, LLC and its new, and city approved, joint venture partners to include a portion of an adjoining parcel of land within the proposed hotel development. This abrupt decision ended several months of meetings and considerable effort to move forward with the construction of a hotel on the parcel of land adjoining the Salem Civic Center. Of the past several days we have watched a narrative unfold solely blaming Spartan Development, LLC and its partners for the current situation. Today, we believe it is time to provide a more comprehensive review of the situation.

When the City of Salem approached Spartan Development about constructing a hotel and a restaurant on this property, we attempted to work, in good faith, with Salem to accomplish this important economic development goal. We knew it would be a difficult project for many reasons, but Spartan Development committed considerable resources to the effort.

During our initial effort Spartan Development secured a hotel partner, conducted extensive civil planning and engineering, architectural design work, and financial planning.

Yes, our project took longer than we ever anticipated. We admit that reality. This has been a difficult project.

As we prepared to begin construction, the financing for the project simply did not work – until the City of Salem told our joint venture partners that the hotel real estate parcel was within one of President Trump’s newly created Opportunity Zones. The availability of the favorable tax treatment in an Opportunity Zone made the project viable and our team devoted considerable time and resources to prepare an Opportunity Zone project.

Then, we discovered the City of Salem was wrong. The parcel was not in an opportunity zone. The zone was across the street.

Undeterred, our team scrambled to find a path forward. We identified the ability to incorporate land across the street, within the opportunity zone, in our development.

Our partners visited in person and by telephone with the City of Salem and with members of City Council to explain the challenge and the solution.

Council chose to deny the request effectively killing the project.

Later Spartan Development received a letter announcing the date of “closing” to execute the deed. No one asked if we were even in town. The date was simply set.

To be clear, Spartan Development together with its financial partners had the financial wherewithal, the hotel partner, the civil and engineering plans, and the ability to proceed to accomplish the City’s stated goal of a hotel on the property.

Spartan Development attempted to work in good faith with the City Council of Salem to amicably resolve the money owed to Spartan Development and its JV Partners for the work performed at the proposed hotel and restaurant site.

We find it unfortunate that they have chosen to make this a public disagreement.

The facts of the situation speak for themselves. These are the facts:

- The City of Salem approached Spartan Development to develop a new hotel and restaurant.
- Spartan Development engaged and paid to obtain civil reports, hotel feasibility studies, engineering as well as architectural drawings, among other important site planning issues.
- Spartan Development secured the interest of a hotel partner
- Spartan Development secured Joint Venture partners to complete the development and restructured the ownership of the project.
- The City Council of Salem represented that the property was in an Opportunity Zone. An Opportunity Zone is a designated zone that provides tax advantages to encourage development.
- Spartan and its JV partners invested time and money based upon this representation of the City Council. The costs incurred by Spartan Development include: third party feasibility studies, borings, soil investigations, civil engineering, civil site and construction plans, architectural plans for the proposed hotel and convention center, modular preliminary drawings for the hotel, detailed budget analyses of the site work and new development, and negotiated contractual agreements with consultants
- Spartan Development organized a full development plan. Spartan's plan included a fully financed solution including Opportunity Zone funds. Spartan was ready to commence the development of the property.
- The City of Salem informed Spartan Development that the property is not an opportunity zone.
- The City Council's original representation was false and resulted in many hours of work and cost being expended upon bad information.
- The City Council of Salem attempted to extend the existing opportunity zone to fix the problem, but the City Council's attempt failed.
- The City Council of Salem attempted to enlarge the scope of the project to include work inside the opportunity zone. The City Council's attempt failed.

- Spartan Development attempted to set up bond financing to compensate for the loss of Opportunity Zone financing. The City Council rejected this option.
- Spartan Development continued to look for solutions because the project was not viable unless it benefitted from being in an Opportunity Zone. Spartan Development's time and money spent to develop the site for the benefit of the City of Salem and Spartan Development were wasted due to the City Council's misrepresentation.
- Spartan Development's time and money spent to develop the site for the benefit of the City of Salem and Spartan Development were wasted due to the City Council's misrepresentation.
- On Tuesday, July 9, 2019, Spartan Development was sent a letter from the City's attorney setting a date for the execution of the deed to return the property back to the city.

These are the facts. They can be supported with documentary evidence in the form of emails, engineering reports, construction documents, modular drawings, budgets and City Council meetings.