

**The Sorry History of Fallschase:
A Chronology of Repeated Misdeeds and Official Neglect
Bob Rackleff, Leon County Commissioner¹**

1973

11/12 - Leon County approves Planned Unit Development (PUD) zoning district at the 620-acre Fallschase between Buck Lake Road and Upper Lake Lafayette. Developer is E. Lamar Bailey, who later tells the *Tallahassee Democrat* that the name was meant to convey a “country-gentleman feeling of quality and good taste.”

12/05 - *Tallahassee Democrat* hails “Little City Within Big City.” An architect’s design shows waterfront homes on fingers of compacted fill in the lake basin, around a recreational lake created by a berm around the sinkhole that drains water from Upper Lake Lafayette.

12/? - The Northwest Florida Regional Planning Agency approves the proposed Fallschase Development of Regional Impact (DRI), even though it noted that Bailey had not fully assessed the impact of the project on Lake Lafayette and the aquifer, according to a 1985 *Tallahassee Democrat* article. The article noted that Fallschase was required to undergo a thorough evaluation of its impact on the environment, but, “In fact, regional planning officials gave it only a cursory review.”

1974

02/12 - Leon County approves Fallschase DRI and master plan with 2,571 dwelling units.

1975

01/14 - Leon County ordinance 75-2 creates a uniform method for creating special taxing districts. One provision states, “Any trustee may be removed from office by the Board of County Commissioners for misfeasance, malfeasance or willful neglect of duty.” [The BCC never exercises this option.]

¹ *This is a compilation by Bob Rackleff of key events in the development of Fallschase by its principal and current owner, E. Lamar Bailey. It is based on newspaper articles, advertisements, and legal and administrative documents gathered during the summer of 2003. It does not include events since September 12, 2003.*

02/11 - Leon County ordinance 75-6 creates Fallschase Special Taxing District (FCSTD), with authority to levy ad valorem taxes, fees and special assessments within the district to pay for improvements and services and to issue bonds, paying interest and principal from these revenues. County Attorney Ted Steinmeyer drafted the ordinance and also represents the FCSTD as its attorney. One member of the FCSTD board is a county commissioner.

? - Property owners (Bailey) at Fallschase hold election to establish FCSTD. Eligibility to vote is based on one vote per acre or lot owned, in addition to one vote per resident. Resolution passes by vote of 222-1; Bailey casts only 200 of the 567 votes he is authorized.

1976

09/28 - Property owners (Bailey) at Fallschase hold a special election to approve issuing \$10.4 million in bonds, as follows: \$3.2 million water and sewer special assessment, revenue and general obligation bonds; \$3.6 million road special assessment and general obligation bonds; \$3.2 million park and recreation special assessment and general obligation bonds; and \$500,000 electrical special assessment and general obligation bonds.

1978

02/02 - Leon County amends FCSTD in ordinance 78-5, modifying the geographic definition of the district.

03/17 - FCSTD board of trustees adopts an amended final resolution authorizing the issuance of bonds approved in 1976.

03/22 - The Leon County District Court issues a final order validating each of the four bond issues.

08/04 - Florida Comptroller's General Counsel finds that Leon County had no authority to create FCSTD as an independent special district, asserts it is a dependent district, noting also that it has not filed annual financial reports or budgets as required.

08/10 - FCSTD sells \$1.74 million in road and bridge construction bonds. Many of the investors are local individuals. The bonds "support an unorthodox financial plan patterned after the one used to develop Disney World," the *Tallahassee Democrat* states. It plans to sell a total of \$11.8 million in bonds. Because of an exemption in the Securities Act, they are not registered with the Florida Division of Securities.

09/? - Leon County BCC rejects a citizen's request that Steinmeyer resign as County Attorney because he also represents the FCSTD.

09/26 - Because the FCSTD failed to file required annual budgets since 1975, Gov. Reubin Askew, Comptroller Gerald Lewis, and Treasurer Bill Gunter reject its request to sell an additional \$4 million in bonds at a higher interest rate than allowed without State Board of Administration (SBA) approval. Acting as FCSTD attorney, Steinmeyer tells SBA that his clients were too busy to prepare the budget. Askew criticizes Steinmeyer for his conflict of interest and suggests he seek a Florida Bar opinion about this conflict. The SBA adopts a resolution urging the legislature to review laws governing special taxing districts.

09/28 - FCSTD submits report to Florida Department of Community Affairs, states it intends to issue \$6 million in bonds and plans construction of road and drainage areas, sewer and water facilities, and underground electrical systems. "Construction of a clubhouse, complete with meeting rooms, racket sport facilities, craft enters, pool and an exercise center is scheduled to begin shortly," it states.

10/05 - Steinmeyer resigns as FCSTD attorney, "saying he saw no conflict of interest but wished to avoid any appearance of impropriety," according to the *Tallahassee Democrat*.

10/16 - Comptroller's legal staff finds numerous irregularities in FCSTD lack of records, lack of financial safeguards, possible conflict of interest by County Attorney, and lack of notice of bond election.

Fall - Bailey discusses his plans for bond financing, construction, and sales at Fallschase in the Fall issue of the local real estate publication, *The Insider*. Assessments to repay FCSTD bonds "allow a lot purchaser the option of paying for the improvements over 35 years at a low interest rate or paying for the improvements in one lump sum," Bailey says.

Although the county approved 2,572 units, current plans are to build only 1,300 units, "to reduce density and to preserve as much greenspace as possible," the article states. Included in the improvements, Bailey says, "we designed an 'old-timey swimming hole,' we're building tree houses, fishing ponds, playgrounds and bike paths . . . every home will either back up to, or front on, some sort of greenspace, be it woods, nature trails, bike or jogging path, playground or lake front."

Bailey, the article states, "said that sales are expected to start in July of 1979, with the main clubhouse targeted for a completion date about November, 1979. First completed homes are anticipated the first part of 1980."

12/28 - FCSTD issues \$1.94 million in water and sewer constructions bonds for sale to the public. The bonds are unregistered bearer bonds, have an average maturity of 20.6 years, and coupon rates ranging from 8.25 percent to 9 percent. The average annual debt service owed by the FCSTD to bondholders is \$191,015, and final payment would be in 2007.

1979

02/01 - FCSTD issues \$1.74 million in road bonds for sale to the public. The bonds are unregistered bearer bonds, have an average maturity of 20.6 years, and coupon rates ranging from 8 percent to 8.35 percent. The average annual debt service owed by the FCSTD to bondholders is \$173,687, and final payment would be in 2007.

03/21 - Comptroller Gerald Lewis reports to the legislature that, once the FCSTD was formed, “all supervision by the [Leon] county commission ceased.” He reports that Bailey sold land to the FCSTD for public right-of-way at price “high enough to pay for his original cost for the entire 600 acres. This was paid for out of bond proceeds.”

04/05 - Florida Department of Environmental Regulation (DER) objects to Fallschase dredging and filling in parts of Upper Lake Lafayette without state environmental permit and requests that work stop.

05/01 - FCSTD sells \$1.82 million in parks and recreation construction bonds. The average annual debt service is \$175,389, and final payoff is in 2007.

FCSTD also sells \$500,000 million in electrical power construction bonds. The coupon rates range from 8.4 percent to 9 percent, average annual debt service is \$51,785, and final payoff is in 2007. As with other FCSTD bonds, these are unregistered bearer bonds.

[The \$6 million in FCSTD bonds issued to date were nearly half as high as Leon County’s total bonded indebtedness of \$13 million in 1979.]

[An undated county draft memo in the early 1990s estimated that to pay all bond interest, special assessments, and operating assessments – plus county and school board taxes – would require a combined rate of 91 mills for Fallschase homeowners, or annual taxes of \$9,100 for a house of \$100,000 taxable value. The memo stated, “This in effect makes the property unsaleable . . . Possibly this is the reason why there has not been one arms length sale of property in the Fallschase development since the creation of the FCSTD, some twenty years ago.”]

08/10 - DER issues stop work order to Fallschase for dredging and filling in jurisdictional area.

? - FCSTD levies property taxes for 1980 at a millage rate of 42.7 (\$42.70 per \$1,000 of taxable value) on owners of Fallschase property, which are companies controlled by Bailey.

11/26 - Circuit Court Judge Charles E. Miner Jr. enjoins DER from “interfering” with Fallschase dredging and filling of what he terms “uplands.”

1980

03/18 - Florida House Committee on Community Affairs releases report criticizing exercise by counties of “virtually unlimited power” in creating independent special taxing districts and cites the FCSTD as an example of this misuse of authority. It notes that the FCSTD “was not under the control of the county commission. In fact it has achieved a status equal in many ways to that of cities and counties.”

03/? - Attorney General Jim Smith issues opinion that it is a conflict of interest for a county commissioner to serve on the board of a special taxing district. Leon County commissioners decide not to comply with the opinion and continue to serve on the FCSTD board.

03/27 - FCSTD files annual financial report for 1979 with state, notes that it paid Bailey \$400,000 for 68 acres to be used for recreational facilities, paid from the parks and recreation construction bonds.

09/12 – Attorney James R. Brindell, representing FCSTD, sends letter to Ms. Terry Saltiel informing her that the district and Bailey intend to sue her personally for her opposition to the Fallschase plans to dredge and fill and develop the lakebed.

11/? - During A-95 review by Governor’s Clearinghouse of Fallschase application for VA and FHA loan guarantees, DER cites possibility of flooding and sinkhole damage to homes in lakebed. After Fallschase lobbies agencies, DER re-writes letter, but citizens submit original drafts to federal officials.

11/30 - A *Tallahassee Democrat* article reports that Bailey hopes to begin selling lots at Fallschase by January 1981 but is contesting legal challenges to filling in parts of Upper Lake Lafayette. FCSTD attorney Boone Kuersteiner denies that it’s a lake, “It’s a depression with a sinkhole and a swampy area.”

12/31 - Bailey defaults on \$350,000 loan by AmeriFirst Savings & Loan.

1981

02/? - Bailey files a \$15 million federal antitrust suit against City of Tallahassee for appealing FCSTD's permit issued for its plans to provide own sewage service, claiming that the City seeks to monopolize sewer service.

03/? - Bailey misses payments on \$1.65 million in loans from Community Bank of Pinellas.

05/? - Bailey lets go most of his staff, stops construction of model home.

07/? - AmeriFirst files foreclosure proceedings in Leon Circuit Court. By avoiding process servers repeatedly, Bailey does not acknowledge receipt of legal papers until November.

10/08 - FCSTD board of trustees levies a water and sewer improvements special assessment of \$1.94 million (the same amount as the corresponding bonds) on property owners to be paid in 28 annual installments, including interest of 8 percent on the unpaid balance.

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10/? - Bailey's accounting firm (not identified) sues him for nonpayment of \$19,500 note dating back to 1975.

10/? - Community Bank lends Bailey \$450,000 at 18 percent, payable on demand.

11/? - Community Bank files cross-claim in AmeriFirst foreclosure proceedings, foreclosing on a total of \$2.4 million in loans to Bailey.

? - Bailey's primary lenders (no identified) begin foreclosure proceedings after he defaults on nearly \$3 million in loans.

1982

02/28 - *Tallahassee Democrat* article chronicles the history of Bailey's Fallschase project as "a 10-year drama of debt and dreams," noting its "controversy, delay and ferocious legal and financial combat."

FCSTD manager James Carter counters that it is current on all bond payments, that its roads, water and sewer and electrical facilities are finished, and that construction of the district's clubhouse and restaurant complex, on the bluff overlooking the lake, should begin soon. He states that Bailey's companies have paid most of the district's

bond obligations under contract, and that it plans to have lot buyers pay off the bonds in a lump sum, calculated to be an average of over \$13,000 per lot. Carter also states he is resigning as of March 1.

County Commissioner Lee Vause states that he remains convinced the concept of special taxing districts is sound, but concedes he didn't expect the problems Fallschase encountered. "Looking back on all that has happened, if someone had told me, 'This is . . . what is going to happen over the next 10 years,' no, I wouldn't have voted for it."

04/25 - In a "My Turn" article in the *Tallahassee Democrat*, attorney Patricia Posner criticizes the use of tax-exempt bonds to finance Fallschase, stating, "Lot buyers in special taxing districts, having paid for an improved lot, will pay again for the improvements over the life of bonds." She quotes a staff memorandum of the Division of Land Sales expressing concern that "every purchaser of property [should] be fully aware of the dollar amounts of county taxes, FCSTD taxes, and FCSTD assessments."

Posner also notes that the FCSTD bond underwriter, J. Milton Newton, was censured by the Securities and Exchange Commission in 1979 and by the Florida Division of Securities in 1980, and suspended from trading for two weeks by the National Association of Securities Dealers in 1982.

05/07 - In AmeriFirst foreclosure suit, Leon Circuit Judge Donald Hartwell orders Bailey to pay \$421,412 by June 11, or 46 acres of Fallschase will be sold in a foreclosure sale.

09/20 - FCSTD board of trustees adopts a resolution directing the Leon County Tax Collector to bill and collect the water and sewer and road special assessments.

Fall? – After losing an administrative appeal, Bailey as the FCSTD sues in federal district court to overturn the Federal Emergency Management (FEMA) flood elevation determination of Fallschase property in the lake as "capricious and arbitrary." The FEMA determination showed that the Upper Lake Lafayette basin was part of a 100-year flood plain, and thus would affect flood insurance coverage for property owners in much of the Fallschase planned development.

1983

07/21 - Bailey as Fallschase Development Corp. obtains \$10.5 million mortgage from Sunrise Savings and Loan Association of Florida, in exchange for a mortgage lien on 441 acres of the development and ownership of other acreage there, as well as Bailey's personal guarantee of repayment. A later news report states that, of the total, \$7.2 million would pay existing mortgages and bills, \$950,000 would pay for operations, and the rest would pay taxes, assessments and other cost.

07/22 - The FCSTD loses its suit in federal district court, which rules that the FEMA flood elevation determination was based on “competent scientific evidence” and thus stands. The decision notes that FEMA had competently refuted the FCSTD’s evidence to the contrary, and that, when given a second chance to provide more evidence, Bailey submitted “virtually identical” documents.

“Instead of coming forward with [significant technical or scientific data],” the court writes, “plaintiffs complain that it is the agency’s responsibility to conduct studies of surveys to refute their own determination. This is clearly not the case. The burden of coming forward rests squarely with the plaintiff.”

The FCSTD appeal to the 11th U.S. Circuit Court of Appeals is denied in 1986.

08/14 - In a *Tallahassee Democrat* article, Bailey states that construction will begin in September on a 26-unit townhouse complex and a six-story, 48 unit condominium building overlooking the lake, that lot sales will begin then too, and that a planned \$4 million clubhouse complex will include tennis, squash and racquetball courts, two swimming pools, separate exercise facilities for men and women, two swimming pools, lounges and a restaurant. “There won’t be anything like this in Tallahassee,” he said. [Leon County records show no building or other permits for mentioned construction had been issued or applied for.]

Proceeds from the Sunrise mortgage help pay off all debts and provide cash for construction to begin, which is confirmed by a Sunrise officer, the article states. Noting the high lot prices and years of financial problems, local realtor Chip Hartung states, “I think a lot of people, especially those just beginning to get interested there, are going to be very, very skeptical about it.”

1984

03/31 - Bailey fails to pay fiscal year 1983-84 special assessments to FCSTD due on November 1 and is delinquent after this day. [He fails to pay in succeeding years, as well.]

05/12 - Florida Senate Natural Resources and Conservation Committee rejects a proposed amendment to exempt Fallschase from the state’s first comprehensive wetlands protection bill, despite intensive lobbying by Bailey.

05/15 - DER relents and informs Bailey that he can dredge and fill in the lake bottom when it is dry, under current law, but must get a permit when the lake is filled with water. “He is legally permitted to do that as long as the water goes down,” says

Victoria Tschinkel, DER Secretary. She also says, “It’s the quirkiest project in the state, practically.”

08/14 - Leon County approves plat for Unit 1 of Fallschase, 13 blocks of land. The Fallschase Development Corp. says it plans to begin the first phase of sales “with a major marketing campaign.”

10/01 - Bailey fails to pay any interest or principal on Sunrise mortgage.

10/01 - FCSTD sets 1985 property tax rate and assessments for property owners at 111.49 mills (\$11,149 annually for a home of \$100,000 of taxable value). Bailey and Sunrise are the only two owners subject to the tax.

1985

03/31 - Bailey fails to pay 1984-85 ad valorem taxes to the FCSTD. [The FDIC later states that, had he paid over the years, the FCSTD could have paid off two of the bond issues.]

07/18 - Overcome by bad loans, Sunrise is declared insolvent, and the Federal Savings and Loan Insurance Corp. (FSLIC) [later succeeded by the Federal Deposit Insurance Corp., or FDIC] becomes the receiver, reorganizes it as Sunrise Savings and Loan Association, and installs a new management.

10/14 - A *Tallahassee Democrat* article, describing how “leaves and fallen branches half-bury paved streets circling around empty pasture,” recounts the old and new financial problems of Fallschase. It states that Bailey owes \$543,000 in delinquent 1984 property taxes and that, if still unpaid by 1987, the property could be auctioned off. “Bailey said he intends to pay the taxes before then,” the article states. “Meanwhile, he’ll use his money in other investments.” Bailey declares, “Do you want to know if Fallschase is going to be developed? I can tell you it’s going to be developed.”

10/24 - Sunrise files in Leon Circuit Court for foreclosure of the 441 acres that secured the 1983 mortgage with Bailey, charging that he had not paid interest or principal or filed required financial reports and had misapplied funds drawn. Sunrise also states that it had been paying the ad valorem taxes and special assessments owed by Bailey to ensure that the property would not be sold for delinquent taxes.

Bailey counter-sues for damages he alleges were caused by Sunrise’s insolvency.

10/27 - Legal advertisement in *Tallahassee Democrat* prints “sample ballot” for property owners in the FCSTD to vote on operational millage for fiscal year 1985-86.

10/29 - The *Tallahassee Democrat* reports that the FCSTD meets and sets 1986 property tax rate at 212.8 mills (\$21,280 annually for a home of \$100,000 in taxable value). Bailey and Sunrise are the only owners subject to the tax. Sunrise objects when only Bailey is allowed to vote, and the new tax rate is passed by a 1-0 vote. [Federal court documents disclose later that Sunrise had been paying the taxes directly to avoid sale of the Fallschase property for delinquent taxes owed by Bailey.]

12/11 - Federal bank examiners tell the U.S. House Subcommittee on Commerce, Consumer and Monetary Affairs that Sunrise used inflated property appraisals to loan Bailey \$10.5 million in 1983. They state that Sunrise accepted an appraisal of \$29,000 per acre for vacant land, although nearby land had sold for no more than \$5,000.

1986

01/21 - By a 4-3 vote, the Florida Governor and Cabinet vote to pay \$10 million to buy Bailey's 178-acre portion of Shell Island in Bay County, despite concerns that appraisals of its value were inflated.

03/11 - Bailey files suit in Leon Circuit Court that Sunrise Savings and Loan had defrauded him, alleging that its \$10.5 million loan in 1983 was a ruse to gain control of Fallschase. Bailey charges that Sunrise withheld all but a small amount of the funds, knowing that "the mortgage would fall into default and [Sunrise] would obtain title to the property." As a result, Bailey charges, lack of disbursements brought the development to a standstill, unable to generate land sales and cash flow.

He also charges that Sunrise refused him \$550,000 of a \$1,050,000 payment that was to cover a promissory note between Fallschase Development Co. and his company, which "restricted his ability to invest in the project and proceed with the development." [He later amended his complaint to charge that the FDIC "terrorized" trustees of the FCSTD and disrupted their meetings with "verbal threats and excessive questioning."]

03/14 - The *Sarasota Herald-Tribune* reports that Bailey spent \$750,000 on lobbying fees to get the Governor and Cabinet to pay \$10 million for his Shell Island property. Bailey attorney Michael Huey said it was unfair to assume that Bailey spent that much on the lobbying, and that most of the fees were spent for the previous five years of work that only may have been related to the state's Shell Island acquisition.

04/15 - Responding to Bailey's lawsuit, Sunrise sues to foreclose on the Fallschase mortgaged property, charging that he already spent over \$10 million of its money, is unwilling to return the money, and failed to comply with conditions of the loan agreement, such as failure to record the subdivision's plat in a timely manner. Representing Sunrise is Tallahassee attorney Rick Benton.

07/15 - Sunrise amends its complaint, requesting that the court direct the Leon County Tax Collector pay all FCSTD property tax and special assessments collected, about \$642,000, to the bond trustee. It claims that the bond provisions require that the proceeds be paid first to the bond trustee, but that instead the FCSTD adopted a resolution directing the tax collector to give the proceeds directly to the district.

08/26 - The FCSTD files an emergency motion requesting the court to direct the tax collector to disburse the \$642,000 to the district.

09/11 - The court denies the FCSTD motion.

09/12 - Sunrise is again declared insolvent; FSLIC becomes receiver, and removes the foreclosure litigation to Federal district court.

10/17 - After FSLIC withdraws its objections, the court directs the tax collector to disburse \$450,000 to the FCSTD and the rest to the court, which could also be disbursed to the FCSTD if it successfully demonstrates need for such relief. [After October 1987, FCSTD made a few requests, some granted and some denied by the court.]

12/05 - State officials were upset to learn that Bailey had regained control of 16 Shell Island lots he previously sold to private buyers, despite the state's belief that they had bought all his holdings on the island, according to the *Panama City News Herald*. "We were under the impression that we were buying every last acre that he owned," said Butch Horn, the chief state negotiator for the island property.

1987

02/13 - The FCSTD notifies state officials that it is in a "state of financial emergency," as defined by state statute. [This "state of financial emergency" continues unabated through 2003.]

1988

02/22 - Tallahassee Community College files suit against the Baileys' B&H Construction Co. alleging late completion and faulty construction of its sports complex. "TCC President James Hinson said the lawsuit was filed as a last resort, after the company officials ignored two earlier letters asking that the repairs be made," a *Tallahassee Democrat* article states. Problems included roof leaks, improperly installed expansion joints, peeling paint and plaster finishes on the swimming pool, and completion over two years behind schedule.

1989

05/26 - Legal notice in the *Tallahassee Democrat* notifies holders of a limited number of FCSTD bonds that the trustee, Barnett Bank, will redeem their bonds and make “certain payments” of principal and interest.

1990

03/02 - A statewide grand jury finds that Bailey received an inflated price for his Shell Island property from the state in 1986, because “bogus sales [of other Shell Island land] to friendly or non-existent parties to influence the requisite [state] appraisals. . . . Further investigation revealed that the appraisals were affected by these sales and by misleading information about a proposed development on Shell Island,” the grand jury states in its presentment.

It finds insufficient evidence to prosecute Bailey for price manipulation, but recommends several reforms in the state’s conservation lands buying programs, including penalties for providing false information on real estate transaction documents filed with clerks of the court. “The taxpayers deserve property at a fair market value, and not a penny more,” the presentment states.

07/01 - The Federal Deposit Insurance Corp. (FDIC) takes over from FSLIC as Sunrise’s receiver.

09/? - Agents from the Florida Department of Law Enforcement (FDLE) and Federal Bureau of Investigation (FBI) seize business and financial records from Bailey’s Fallschase office as part of a federal grand jury investigation of his alleged bank fraud and banking irregularities.

1991

03/13 - FCSTD files four separate suits in Leon Circuit [?] Court against all Fallschase property owners to foreclose delinquent the water and sewer and roads special assessment liens.

05/31 - The Federal Deposit Insurance Corporation (FDIC) removes the FCSTD suits to the U.S. District Court.

12/12 - The FDIC files against the Fallschase Development Corporation and Bailey to foreclose on Fallschase, the property pledged as collateral for the original \$10.3 million loan by the now-insolvent Sunrise Savings and Loan in 1983 and never repaid.

1992

04/92 - As part of the federal grand jury investigation of Bailey, FDLE and FBI agents seize business and financial records of Tallahassee developer Richard Pelham. Bailey's attorney Steve Turner calls the investigation "another witch hunt" by federal regulators and their attorneys.

07/? - Federal judge Maurice Paul orders the foreclosure of Bailey's mortgaged Fallschase property, as a result of nonpayment since 1984.

09/14 - At the foreclosure auction, Saudi Arabian investor Abdul Aziz Al-Mangour buys 440 acres of Bailey's Fallschase property for only \$100,000, plus the liability for paying some \$10 million in delinquent tax liens.

10/27 - The Leon County Commission holds a public hearing and approves an expansion of the FCSTD's authorized water and sewer service area.

12/10 - A federal grand jury indicts Bailey, Pelham, Tallahassee attorney James R. Guerino and Lake Worth banker Roy Talmo on charges that they defrauded First American Bank and Trust Co. and the federal government of \$1.9 million in three complex schemes. In the first, prosecutors charge that Pelham borrowed \$850,000 from Talmo's First American to buy a county tax certificate on Fallschase's delinquent taxes, then assured the FDIC that he would not force a public auction of Fallschase property if it backed off foreclosing, thus aiding Bailey's efforts to keep the property.

In the second scheme, prosecutors charge that Bailey concealed his ownership of other county tax certificates that the FDIC unwittingly bought from him. The third scheme, prosecutors charge, was an \$865,298 loan by First American to Bailey to make the bank's finances look stronger than they were; the loan actually never had to be repaid.

Pelham's and Bailey's lawyers deny any wrongdoing.

1993

02/? - Bailey files for bankruptcy protection for his company, Fallschase Development Corp., seeking to avoid complying with Judge Paul's order that he pay \$33 million to the federal government for repayment of the 1983 Sunrise loan of \$10.5 million, plus interest and \$813,389 in attorney's fees.

03/26 - Judge Paul rules that federal lawyers can proceed against both Bailey personally and his Fallschase Development Corp., despite the bankruptcy filing.

03/27 - A *Tallahassee Democrat* article about the recent legal developments notes that all that stands at Fallschase after 20 years is some paved roads, a sewer system, a red-brick entranceway, and four homes, including Bailey's.

06/? - Federal judge Lacey A. Collier bars prosecutors from using as evidence thousands of pages of documents seized from Bailey in 1990 before indicting him on criminal fraud charges. In excluding the documents, Collier criticizes the search-warrant affidavit for its “omissions, misleading inclusions and self-serving and sometimes false conclusions.”

11/13 - Federal prosecutors drop their appeal with the 11th U.S. Circuit Court of Appeals of Collier’s ruling, the *Tallahassee Democrat* reports, fearing that losing the Bailey case appeal could establish a more damaging legal precedent. Lacking vital evidence, they also ask a federal judge to drop the criminal indictment against Bailey and the others

1994

12/06 - Bidders purchase tax certificates totaling over \$1.5 million for delinquent taxes unpaid by various Fallschase corporate entities. Some of the taxes have remained unpaid since 1986. The entities include Fallschase Development Corp., Fallschase Investors Inc., Al-Mangour Associates, Inc., Gary Bailey, L. Blair Bailey, Sally Huey Bailey, E. Lamar Bailey Associates, E. Lamar Bailey, Blair Acquisitions Inc., Steven R. Andrews P.A., B & H Construction & Supply et al., and Perimeter Investments, Inc.

1995

02/01 - An undated internal memo attached to a letter on this date in the Leon County Attorney’s office notes that the FCSTD has ignored bills and failed to reimburse about \$2,000 in expenses due the Leon County Supervisor of Elections for biennial elections it conducted for FCSTD trustees since 1987.

03/28 - Leon County Commissioners discuss whether to foreclose on Fallschase and Al-Mangour for delinquent county, school board and FCSTD taxes estimated at \$3.5 million due from 1988 to 1994, according to a *Tallahassee Democrat* article. [The grand total is later estimated at over \$11.5 million.] Concerned that the county had not enforced a state law that requires foreclosure when property owners fail to pay property taxes, Bruce Host says, “There’s been a conscious decision not to follow the statute. I’m uncomfortable about that.” The commissioners vote to continue discussions in April.

04/17 - Hundreds of FCSTD bondholders are notified by Barnett Bank, bond trustee, of a settlement agreement by which they will receive the following amounts for \$1,000 in bonds they purchased in 1978 and 1979:

Water and sewer bonds	\$ 71.60
Road bonds	71.60

Electrical bonds	564.46
Park bonds	561.10

The total for distribution is \$1,453,00 for bonds for which buyers paid a total of \$6 million, according to court documents.

To collect, the bondholders must turn in their bond certificates and waive all claims to the principal and as much as 18 years of unpaid interest. Among the bondholders, according to court documents, many are elderly, and many had died since their original purchase of the bonds.

The settlement also means that the FDIC drops its claims against Barnett that it had been negligent as trustee.

? - Bay Bank of Panama City sues for foreclosure against Bailey's Perimeter Investments Inc. and Bailey himself for defaulting on its \$1.2 loan originally made in 1988 for his Boarcrest Subdivision, 179-unit project farther west of Fallschase on Buck Lake Road. Besides being owed interest and principal, Bay Bank states that it paid delinquent property taxes of \$130,547.80 Bailey owed since 1988.

12/? – Circuit Court in Bay County rules in summary judgment that Bay Bank is entitled to foreclose on Bailey's properties near Bay Point there and in Tallahassee pledged as collateral for the 1988 loan he never repaid. Bailey appeals to the 1st District Court of Appeals.

1996

05/14 – The Baileys and Al-Mangour sue in Leon Circuit Court to declare that FCSTD ad valorem taxes and assessments are illegal because the district (which the Baileys controlled since its creation) cannot provide those services and to enjoin the county from foreclosing on their property.

In their complaint, they argue, among several arguments, that the property owners (the Baileys) had never approved the FCSTD tax levies, that the district (the Baileys) had never completed the improvements, that they did not pay county taxes because it was part of a single bill including the district taxes, and that were therefore justified in not paying. They petitioned the court to stop Leon County's pending foreclosure of their Fallschase property.

06/11 - In County Commission discussions about responding to Bailey's lawsuit, Gary Yordon suggests that the county could use its bargaining power over outstanding back taxes to persuade Bailey to modify the Fallschase plans, but added, "If we [foreclose], we're closing the door on Fallschase forever," according to the *Tallahassee*

Democrat. Bruce Host is willing to work something out and states, “It doesn’t hurt our interests to try to kill it.”

10/29 - Leon County Commissioners accept a settlement agreement by which the FCSTD accepts only \$1.05 million from Bailey and Al-Mangour to settle over \$10 million in taxes and assessments owed to the FCSTD. Bailey’s son, Blair Bailey, chair of its board of trustees, represents the district at the meeting. [This settlement means that future lot buyers will have to pay for improvements never made in the first 25 years of Fallschase as a development.]

The settlement agreement also requires Bailey and Al-Mangour to pay all delinquent ad valorem taxes to the county, school board, and Northwest Florida Water Management District, an estimated \$1.5 million. “We just wanted to get all of the taxes paid and move on with the development instead of trying to collect money that couldn’t or wouldn’t be collected,” Blair Bailey says, according to the *Tallahassee Democrat*.

The vote to approve was 6-1, Carol Kio-Green opposing.

11/05 - A provision of the settlement agreement approved on this date by the court requires that Bailey and Al-Mangour construct or repair the FCSTD sewer plant, lift station, water plant upgrade and certification, street lights, storm water drainage facilities, and security facilities – and to repair any existing infrastructure in need of repairs. The agreement requires them to complete these tasks within six months of receiving the settlement funds from the Leon County Tax Collector.

11/08 - Arguing before the 1st District Court of Appeals to overturn the Circuit Court decision to allow Bay Bank to foreclose on its 1988 loan to him, Bailey’s attorney stated that Bay Bank had caused Bailey to lose zoning rights on the Boarcrest Subdivision land and the possible sale of the land to the Leon County School Board, according to the *Panama City News-Herald*.

11/27 - Peoples First Community Bank, Tallahassee, loans \$236,325 to the FCSTD in a one-year note, with an 11.5 percent interest rate, and interest payable monthly, to complete additional infrastructure improvements over and above those specified under the tax settlement agreement. The bank withholds \$25,000 for an interest reserve. The loan is secured by the pledged revenues of the FCSTD, which consist of the note proceeds, all water and sewer system revenues collected by the FCSTD, any special assessments levied, and all other revenues of the FCSTD of any nature, exclusive of ad valorem taxes.

11/27 – Leon County Tax Collector receives payment of \$2,353,726.21 from Al-Mangour Associates, Inc., settling all claims for unpaid delinquent taxes. Al-Mangour’s

payment is by means of a \$3,063,675 loan from Peoples First Community Bank issued on the same date.

12/27 - The 1st District Court of Appeals rules, without published opinion, in favor of Bay Bank that it may foreclose against Bailey for failing to repay its 1988 loan to him.

1997

02/07 - The FCSTD general counsel [unnamed] files suit on this date against the district “for breach of implied contract in an amount exceeding \$15,000,” according to the district’s annual financial statement.

02/23 - While residents along Buck Lake Road worry about the impact if Fallschase develops as the Baileys plan, county commission chairman Gary Yordon talks about the “new urbanist” design being created, according to a *Tallahassee Democrat* article. Yordon is so excited that “he has given the firm . . . the green light to design the development without regard to current local design standards and other local codes,” the article states.

02/25 - “Imagine leaving your house on foot for a five-minute walk to the neighborhood store. Or walking the same distance to a park, church or even a movie theater – all within your neighborhood,” states a *Tallahassee Democrat* article about Fallschase’s “new urbanist” design. After five days of meetings here, Andres Duany, partner with his wife Elizabeth Plater-Zyberk in their renowned Miami design firm, addresses a crowd of about 200 local leaders, real estate professionals and residents.

“The development has local officials so excited they have been willing to modify ‘cumbersome permitting rules’ to encompass Duany’s design,” the article states. “It’s a wonderful concept,” county commissioner Bruce Host says.

04/15 - In its management comments on this date, the FCSTD’s auditor dismissed the significance of the continuing “state of financial emergency” since 1987 [and still in effect in 2003]. “It is the opinion of management that this does not necessarily indicate a true financial emergency condition . . . but rather a ‘definitional’ classification issue specified under Section 218.503 of the *Florida Statutes*.” The auditors are the FCSTD’s long-time independent auditor firm of Law, Redd, Crona & Munroe of Tallahassee.

06/13 - “A Tallahassee Seaside: Would it Work?” reads the headline of a *Tallahassee Democrat* article about the “new urbanist” plan created for Fallschase by Duany and Plater-Zyberk. The new design would be pedestrian friendly, with sidewalks and front porches and shops within 10-minute walks from the houses. Lamar and Blair

Bailey say they want “more of a medium-priced housing – including garage apartments and row houses – to sell to singles, students and young families,” according to the article.

Home sales will begin in September, Blair Bailey says. “We haven’t begun taking reservations just yet, but hundreds of people have called for information.”

09/17 - The Leon County Development Review Committee approves the first phase of Fallschase, 143 lots for town, garden and estate houses which will resemble designs in old Southern cities like Charleston SC. The Baileys still must seek building and environmental permits.

“Developers hope to start construction on the homes . . . by the end of the year,” according to the *Tallahassee Democrat*.”

10/14 - Leon County Commissioners approve creation of the expanded Fallschase Community Development District (FCCDD) to replace the FCSTD. The new district now encompasses 700 acres, and the Baileys continue to control its Board of Supervisors. The FCCDD would have the same authority to issue bonds and levy taxes and assessments as its predecessor. “County officials say they feel confident the new project will not repeat the same errors as the old one,” the *Tallahassee Democrat* states.

However, all of its records and budgets will be public records. Also, the district can negotiate with the school board to build its own school in Fallschase. The new district will include 2,700 residential units and some commercial development, Blair Bailey says. The vote to approve was 5-2, with Manny Joanos and Bruce Host opposed.

11/10 - Peoples First Community Bank renews its loan to the now-FCCDD for another year, under the same terms.

1998

04/09 - Leon County issues stormwater permit to develop 144 lots in Phase 1A of Fallschase.

09/30 - The FCCDD annual financial statement for the fiscal year ending this date discloses that its long-term debt has doubled in the last year to \$500,442.

The statement discloses that it failed to pay the Internal Revenue Service about \$17,600 for federal income taxes and Social Security taxes due from the employer (FCCDD) and employee payroll withholding. It also discloses that the FCCDD also failed to carry worker compensation insurance for its employees, as required by Florida law.

In its management letter, the FCCDD's independent auditor notes that there was no adequate physical inventory system to account for fixed assets, although "many of the items that existed years ago have been junked," and recommended implementing a tracking system. ["The District is still currently in the process of implementing these recommendations," the auditor states two years later.]

11/29 - "All is going according to plans," the *Tallahassee Democrat* quotes Blair Bailey saying. "Urgency is the word, he insists, and there are no financial problems." He says that he and his partners have been busy preparing a new bond sale, that engineers are drafting plans for a second phase of some 300 townhouses and smaller houses, and that he hopes to begin selling lots "as early as January."

However, county staff are wondering about the lack of progress. "They've got all their permits," David McDevitt says. "I honestly don't know why they haven't proceeded." County Attorney Herb Thiele has asked for more detailed plans for the rest of the property. "They only thing we've had is this little bubble diagram," he says. "We don't know where things would necessarily go."

1999

05/28 - The FCCDD pays the Internal Revenue Service all taxes, penalties and interest it owed from its fiscal year 1998.

06/29 - Peoples First Community Bank loans an additional \$100,000 and renews its note to the FCCDD, to mature on April 1, 2000, when all principal would be payable.

09/30 - The FCCDD annual financial statement for the fiscal year ending this date discloses that its long-term debt has increased by about 30 percent to \$641,612 during the year.

Noting also that its "state of financial emergency" continues because of general and capital fund deficits, the report states, "The District expects to eliminate the deficit fund balances through future sale of bonds and from future non-ad valorem assessments and utility plant revenues when the plant begins operations."

The report also shows that the CPA firm of Berger, Toombs, Elam & Frank of Fort Pierce FL has become the FCCDD's independent auditing firm, replacing the Tallahassee firm of Law, Redd, Crona & Munroe, which had served that role since _____.

2000

01/04 - The FCCDD fails to pay the loan principal due Peoples First Community Bank.

05/24 - FCCDD Chairman L. Blair Bailey conveys ownership of the Fallschase water and wastewater management facilities to the Fallschase Utility, L.C. (FU), a Florida limited liability company, the manager of which is L. Blair Bailey. According to the agreement:

- FCCDD determines “that privatization of facilities without franchise transfer is in the public interest and in the best interests of its present and future landowners and residents.”
- Existing facilities are inadequate to serve the entire development and, because of their age, “may require upgrading or alteration before being dedicated to public service.”
- FU can finance facilities by bond issue approved by FCCDD, or other manner.
- FU can charge Fallschase residents the same rates as City of Tallahassee or Talquin Electric and can recover costs of acquiring and construction of facilities from residents as “contributions-in-aid-of construction (CIAC).”
- However, FU cannot collect any CIAC for the six houses already at Fallschase, which include five owned by the Baileys.
- If the agreement is terminated, FCCDD will pay FU the fair market value of the facilities (but “in no event less than the cost of the facilities”) and the “present value of future connections, per the approved densities allowable under the DRI.”

The agreement was not recorded with the Clerk of Court until February 9, 2001, nearly nine months later.

06/12 - Peoples First Community Bank files suit to collect the unpaid principal, amounting to \$_____, against the FCCDD and the guarantors of the note, L. Blair Bailey and Al-Mangour Associates, Inc.

09/30 - The FCCDD annual financial statement for the fiscal year ending this date discloses that its long-term debt has increased by \$79,299 to total \$720,911 by year’s end. It reports that the FCCDD has a “potential liability” of \$115,865 to Big Bend Technologies for services rendered but unpaid. “The amount is in dispute,” it states.

2001

06/11 - A day before the foreclosure sale of Fallschase property, the Baileys’ company, Fallschase Investors Inc., files for bankruptcy in U.S. Bankruptcy Court. They owed some \$6.8 million in bank debt, according to the *Tallahassee Democrat*. In a written statement, they state that they had run out of time to restructure their debt but now “all matters will be concluded within the next two weeks.”

06/23 - Local developer DeVoe Moore is negotiating with the Baileys to purchase Fallschase, according to the *Tallahassee Democrat*. If the deal goes through, Moore says, Fallschase will become “an upscale, nice project.”

In the meantime, “only a handful of homes dot the landscape, and many side roads and trails lead nowhere,” the article states. “The only sign of the community the developers dreamed of is the Tallahasseeans who occasionally venture in the hills of Fallschase for a quiet evening stroll.”

09/27 - Moore’s company, Lafayette Hills Inc., buys most of Fallschase from Al-Mangour and the Baileys, including the roads, sewer and water facilities and common areas of the FCCDD. The agreement includes an undisclosed option for Bailey’s Fallschase Joint Venture, L.C., to buy back the property within a certain period at an undisclosed price, Bailey later tells others as he asserts that he remains the developer of Fallschase.

10/02 - Moore’s company, Lafayette Hills Inc. paid about \$8 million, according to the *Tallahassee Democrat*. Blair Bailey retains an interest in Fallschase, borrowing \$1.5 million from Lafayette Hills to keep about 15 acres. Moore says he won’t discuss details of his plans for the property but “may release a lot more detail in a week or two.”

11/06 - Leon County receives copy of letter for demand of payment by Big Bend Technologies Inc. to the FCCDD for engineering services for Phase 1A of Fallschase. It states that the plan designs cannot be used until payment is received.

11/30 - In an undated letter received on this date by Florida’s Auditor General, the FCCDD reports that it has repaid Peoples First Community Bank in full. The letter states, “The District successfully negotiated a sale of residential lots in October 2001 and with the proceeds, paid the loan in full.”

12/17 - Reneging on promises made to county commissioners in 1997, Fallschase developers have dropped the “new urbanist” design created by Duany and Plater-Zyberk. They now intend to develop lots around the empty cul-de-sacs built in the 1970s, the *Tallahassee Democrat* reports. “Gone are the connecting street designs of urban planner Andres Duany,” it states.

The Baileys also continue to plan for dredging and filling in Lake Lafayette to build hundreds of new homes there. Their representative, former county commissioner Lee Vause says that he thinks they can reach an agreement with the county. “But if an agreement can’t be reached, he said, Fallschase is ready to go to court,” according to the article.

12/27 - Big Bend Technologies Inc. sues the FCCDD for \$77,833 it never paid for engineering services since 1992, plus interest, the *Tallahassee Democrat* reports.

2002

03/31 - Fallschase owner Moore fails to pay 2001 property taxes of \$68,333.26, which become delinquent on April 1. [The Leon County Tax Collector sells tax certificates for the delinquent amount in May.]

05/11 - “Fallschase – A Classic Vision!” “Fallschase – An Elegant Vision!” “Fallschase – A Stately Vision!” read three advertisements by the Fallschase Land Company in the Tallahassee Builders Association booklet for the 2002 Parade of Homes beginning on this date. The ads describe homes planned in the style of “Charleston, Savannah and New Orleans with porches, verandas, and pedestrian oriented sidewalks,” “a magnificent setting in the shade of moss-draped 200 year old live oaks,” and “homes within walking distance to a town center of shops, cafes, pharmacy, parks, and public squares.”

The ads provide a phone number and address for information.

05/23 - Lamar Bailey submits conceptual stormwater master plan to Leon County to build 2,532 homes in Fallschase, including 822 on berms built in the Lake Lafayette bottomland.

06/23 - Bailey continues to assert that the 1974 Fallschase development of regional impact (DRI) approval exempts it from all subsequent environmental and growth management rules, despite the county staff’s position to the contrary, in a *Tallahassee Democrat* article.

Bailey also says that he would consider selling the lake bottomland to the county for conservation purposes. “County commissioner Cliff Thaell said the [master] plan reflects Fallschase’s strategy of driving up the price for the flood plain land,” the article states.

07/22 - For a formal public meeting on impaired waters held by the Department of Environmental Protection (DEP), Fallschase attorney Thomas Tomasello submits written comments denying that Upper Lake Lafayette is a lake; the 1974 DRI exempts the Fallschase portion of the lake from DEP jurisdiction. The DEP report of the meeting, dated October 1, 2002, summarized that, furthermore, “[Fallschase] maintains that this portion of the lake is not a lake unless it rains.”

In its report, DEP responded, “The Department has jurisdiction over almost all surface waters of the state, including Lake Lafayette. It is not necessary for the lake to

contain water at all times and places within its prescribed areal extent. It is quite normal for the size and volume of a lake to change as a function of high or low rainfall amounts, but this does not alter the Department's duty to protect or restore those waterbodies."

07/30 - Leon County submits application for grant funds of up to \$6.6 million to the Florida Communities Trust Fund (FCT) to purchase 217 acres of the Fallschase lake bottomland. The maximum grant would amount to one-half of the estimated purchase price of \$13.2 million. Bailey has stated his selling price is \$16.5 million which, if the county agreed, would cost the county \$9.9 million.

08/01 - A *Tallahassee Democrat* editorial urges the county to buy the Fallschase lake bottomland to avoid Bailey's lawsuit, which would be a "debacle" for the county. The editorial mentions sympathetically his frustration "with increasingly more rigorous government regulations," most recently the county's upholding its rules that prevent building in lakebeds and flood plains. The editorial calls Upper Lake Lafayette "now a dry plain."

[It does not mention Bailey's 29-year financial history or the repeated efforts by state and federal officials to prevent development in the lake bottomland that began in the mid-1970s.]

09/30 - The FCCDD continues to be on list of "Local Government Entities With Financial Emergencies Being Monitored" in annual report issued this date by the Office of the Chief Inspector General, Executive Office of the Governor.

11/27 - Peoples First Community Bank, Tallahassee, loans \$236,325 to the FCSTD in a one-year note, with an 11.5 percent interest rate, and interest payable monthly, to complete additional infrastructure improvements over and above those specified under the tax settlement agreement. The bank withholds \$25,000 for an interest reserve. The loan is secured by the pledged revenues of the FCSTD, which consist of the note proceeds, all water and sewer system revenues collected by the FCSTD, any special assessments levied, and all other revenues of the FCSTD of any nature, exclusive of ad valorem taxes.

11/15 - The FCT awards Leon County a grant of up to \$6.6 million for one-half of the purchase price of the Fallschase bottomland, subject to an appraisal of its fair market value.

12/10 - County commissioners decide to obtain three appraisals of the Fallschase lake bottomland's fair market value, each using one of three assumptions of development potential: six residential units (the maximum allowed under current environmental regulations); 650 residential units and 22 acres of mixed use; and 1,200 residential units and 50 acres of mixed use (which Bailey claims he is legally vested to do).

2003

02/09 - The county attorney receives a letter from Moore's attorney, Charles Gardner, confirming that Bailey has an option to buy back Fallschase, but insists that his Lafayette Hills Inc. must agree to any deal the county makes with Bailey. [Several county officials later tell the *Tallahassee Democrat* that they wonder who owns the property and whom they're supposed to be dealing with.]

02/14 - The county attorney receives letter from CNL Bank of Orlando asking for confirmation that Leon County had agreed to purchase part of Fallschase for \$13.2 million, which Bailey had stated in a loan application. The county attorney receives a similar telephone inquiry from a bank in Walton County.

02/25 - County commissioners hear from staff that Bailey and Moore have refused to cooperate with appraisers who requested sales, option and other key financial document needed for an accurate appraisal. Also, the FCT had confirmed that it would not consider appraisals based on "hypothetical conditions," and thus would only accept an appraisal based on its value as a site for six residential units. The commissioners decide to sign the grant agreement with the FCT, which would conduct the appraisal.

03/31 - Fallschase owner Moore fails to pay 2002 property taxes of \$59,053.87, which become delinquent on April 1. This brings total unpaid delinquent taxes to \$127,387.13.

05/10 - The Tallahassee Builders Association begins its 2003 Parade of Homes annual promotional event. Unlike the year before, its booklet has no advertisements by the Fallschase Land Company.