

Cape Girardeau  
Historic Testimony  
9-20-10

# Bill Bunch Historic Testimony

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1 here.

2 MS. STRICKLAND: Thank you.

3 CO-CHAIR GROSS: Next --

4 CO-CHAIR STOGEL: For the record, Ms.

5 Court Reporter, my name is Steven Stogel and I'm a

6 co-chair. And it's spelled S-T-O-G-E-L. Would other

7 witnesses please state their names very clearly for the

8 record.

9 Thanks, I appreciate it.

10 CO-CHAIR GROSS: Very good. Next on

11 the list is Bill Bunch. Welcome, Mr. Bunch.

12 MR. BUNCH: Thank you.

13 CO-CHAIR GROSS: Please state your name

14 and continue.

15 MR. BUNCH: My name is Bill Bunch, and

16 I am the executive director of East Missouri Action Agency.

17 I'm here to speak on behalf of Missouri Low-Income Housing

18 Tax Credits and Historic Tax Credits.

19 East Missouri Action Agency, as some of you

20 may know, is the community action agency having its roots

21 in the Economic Opportunity Act of 1964. We administer a

22 variety of programs targeting low-income individuals and

23 families in Southeast Missouri. Head Start, HIHEP, CSBG,

24 Section 8 housing, CHOICE vouchers, and Weatherization are

25 our primary programs, but we have many, many other smaller

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1 programs.

2           EMA has always worked to ensure a supply of  
3 quality affordable housing in Southeast Missouri.  
4 Initially most of our work was done with home repair  
5 programs, weatherization and that type of thing. But more  
6 recently, EMA has been actively involved in the development  
7 of new housing and rehabilitation of older housing.

8           We also have worked on the conversion of  
9 historic structures into housing units. Typically we do  
10 partner with a for-profit developer that assumes most of  
11 the risk and does most of the work. The primary advantage  
12 of for-profit partnering with our organization is the CHOTO  
13 set-aside, which there are some CHOTO funds set aside,  
14 particularly for not-for-profits.

15           Since being designated CHOTO in 1998, East  
16 Missouri Action Agency has been involved in bringing 325  
17 units of senior and family housing to Southeast Missouri.  
18 Most -- most of our developments are in the northern part  
19 of our counties. Basically we get a feel from MHDC where  
20 they are looking the need for housing is, and it has  
21 primarily been in Perry, Madison and St. Francis Counties  
22 in our -- in our service area.

23           Most of the units we've developed have been  
24 wholly or partially funded by Low-Income Housing Tax  
25 Credits and Historic Tax Credits.

1 Funding through these tax credits are  
2 generally combined with federal Home Funds, USDA Rural  
3 Development and even Community Development Block Grant. We  
4 are particularly proud of two of our recent developments,  
5 Eugene Fields Apartments in Park Hills and Parkman Senior  
6 Apartments in Farmington.

7 The Eugene Field took the old Eugene Field  
8 school house in Park Hills, which was built in 1909, and  
9 being -- it was in danger of being demolished. And also  
10 the Presbyterian Home for Children in Farmington. Both of  
11 these were converted into senior housing by adding  
12 additional structure with each one of those facilities.

13 And through the use of Historic Tax Credits,  
14 we maintained the historic integrity of the structures, and  
15 -- which requires retrofitting windows and doors because  
16 the outside of the building has got to look like it did  
17 when it was built.

18 And in most cases that's very expensive.  
19 These programs helped save two -- two structures or  
20 facilities that were near and dear to the heart of the  
21 communities in St. Francis County, Farmington and Park  
22 Hills.

23 As you're all aware, with the economic  
24 downturn we've been experiencing, there is not a lot of  
25 construction going on. Some of the only construction in

1 Washington County, for instance, is two duplex that our  
2 agency are constructing. We started them in January, and  
3 they'll be finished here this month, later this month.

4           Generally these projects, you make extensive  
5 use of local contractors, which infuses capital into the  
6 local -- local economy. Most of the materials are bought  
7 locally. Most, if not all, of the contractors are from --  
8 from the state of Missouri. I don't believe there is any  
9 -- any requirement that they be from the Missouri, but MHDC  
10 looks very closely at that when they're doing the projects.

11           All of money for these develops goes to  
12 stimulate local economies in Missouri in general. Once the  
13 developments are completed, they continue to be a blessing  
14 to the local economies to the families utilizing and  
15 purchasing goods and services locally.

16           The most recent development in which EMA has  
17 been involved is Archer View Phase II, which is 56 units --  
18 a 56-unit mix of two- and three-bedroom apartments, and it  
19 was fully leased in Farmington prior to it actually being  
20 completed.

21           Phase I of that development experienced the  
22 same thing. There's a lot of economic development in the  
23 Farmington area, and a survey done stated that 50 percent  
24 of the people that moved into Archer View Apartments were  
25 working in Farmington, but they were not living there.

1 They could not live in Farmington. They could not afford  
2 the rents. Now they're much closer to their jobs. So  
3 these developments not only provide for more affordable  
4 housing to low and moderate income families, but it helps  
5 them to move closer to where they work.

6 It is my belief that without tax credit  
7 programs, there would be significant less affordable  
8 housing production in Missouri, and in the current economic  
9 dountimes we -- we need more affordable housing, not less.

10 In our area of Southeast Missouri, all the  
11 housing developments have waiting lists. Some of them are  
12 one of 150 to 200 families on the waiting list. And I'm  
13 keenly aware of the budget pressures that Missouri is  
14 facing, and I understand the need to closely examine  
15 various tax credit programs, but I believe continuing the  
16 Low-Income Housing Tax Credit Program and the Historic Tax  
17 Credit Programs are worth the cost.

18 The question that we often get asked is how  
19 much does it cost to build a unit. I have private  
20 developers say they can build them for \$50 a unit. Ours is  
21 about \$75 to \$85 a square foot, and I know in the major  
22 metropolitan areas that figure is a lot higher. But out in  
23 the rural areas, you've got some lower labor costs, and  
24 about 75 to 85 dollars per square foot is what we're  
25 looking at.

1 Typically the rents on the developments  
2 we've partnered in are anywhere from 75 to a hundred  
3 dollars less than the local market rents. So -- and as you  
4 know, these all have either regulatory agreements or land  
5 use restriction agreements which tie these -- tie these  
6 things too for 20 to 30 years.

7 And so it's -- it's a good deal for our  
8 families that are struggling to make ends meet, and as you  
9 know, you can't live here if you're just drawing Welfare.  
10 You can't live in one of these developments. You have to  
11 have enough income to pay the rent.

12 CO-CHAIR GROSS: What does a typical  
13 two-bedroom subsidized unit rent for?

14 MR. BUNCH: Just a second. I have it  
15 back here. We have at Archer View Apartments, a  
16 two-bedroom is 345. At Parkland Apartments that figure is  
17 350 -- or 397. And these are nice size apartments, and  
18 they have all amenities. They have washer and dryer --  
19 washer and dryer hookups in the facilities, but there is a  
20 laundry facility at each of these developments. But they  
21 come with dishwasher, stove, refrigerator, and they're very  
22 well built.

23 If you haven't seen one of these  
24 developments that's been built in the last five years, I  
25 encourage you to stop down and visit because --

1 CO-CHAIR GROSS: Are the ones you're  
2 seeing built in this area, are they typically a hundred  
3 percent tax credit?

4 MR. BUNCH: No, they're generally a mix  
5 of tax credits, home funds.

6 CO-CHAIR STOGEL: I think the question  
7 was whether a hundred percent of the units are set aside  
8 for the tax credit program. Not the chemistry of the  
9 capital sack.

10 MR. BUNCH: Okay. I'm not sure about  
11 that then.

12 CO-CHAIR STOGEL: The numbers would  
13 work better if it's a hundred percent set-aside project.

14 MR. BUNCH: Uh-huh, yeah.

15 CO-CHAIR STOGEL: And we know it's more  
16 than the state low-income. We know it's the federal  
17 low-income, and we know there's --

18 MR. BUNCH: Right.

19 CO-CHAIR STOGEL: -- some funds and  
20 there's other kinds of alphabet soup, --

21 MR. BUNCH: Yeah.

22 CO-CHAIR STOGEL: -- additions that  
23 could go into making the -- because I know the development  
24 rent is down.

25 MR. BUNCH: Yes. The two duplexes we

1 just had funded last year, they're strictly home funds. So  
2 there's no tax credits on those.

3 CO-CHAIR STOGEL: Okay.

4 MR. BUNCH: And I think that's  
5 generally the single family and the smaller projects like  
6 that are different with straight home funds. But I do know  
7 that a significant amount of the funding for Archer View  
8 Phase II was tagged -- was total satisfied, but I know it  
9 wasn't a hundred percent.

10 CO-CHAIR GROSS: Thank you.

11 MR. BUNCH: Okay. Thank you.

12 CO-CHAIR GROSS: Anything else?

13 MR. BUNCH: Thank you. That's it.

14 CO-CHAIR GROSS: Okay. Appreciate you  
15 being here. Three things I failed to do at the beginning.  
16 One was to thank Southeast Missouri State University for  
17 their hospitality and to thank Senator Crowell for his  
18 assistance in doing this. I recognize that he is here, and  
19 Representative Bray as well. Thank you both for being  
20 here.

21 I think either or both you may be speaking  
22 later on, but I wanted to thank you for helping to set this  
23 up.

24 Next on the list is Jennifer Mullen --  
25 Mullix. Did I get that right, Jennifer?

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1 MS. MULLIX: Yeah.

2 CO-CHAIR STOGEL: Okay.

3 MS. MULLIX: Yeah, so a lot of  
4 volunteer labor that we -- we couldn't do, but we don't  
5 want to take three years to do the second half, because  
6 that's how long it took us to be able to get it, was three  
7 years because of the volunteer.

8 CO-CHAIR STOGEL: Thanks very much.

9 CO-CHAIR GROSS: Next on the list is  
10 Scott House. Welcome, sir. Go ahead and state your name  
11 and spell it. I forgot to add that to the last person's  
12 request, and then proceed.

13 MR. HOUSE: Sure. My name is Scott  
14 House. H-O-U-S-E.

15 And I'm chairman of the Historic  
16 Preservation Commission of the City of Cape Girardeau. So  
17 that pro- -- and with me is Richard Withers, another member  
18 of the Commission.

19 Being that we're from the Historic  
20 Preservation Commission, we do have a written statement,  
21 which we'll be happy to give to you, and it kind of  
22 reiterates. You can probably imagine why we'll up here,  
23 that we're in favor of continuing the Historic Tax Credits  
24 Program. It's been an important one for Cape Girardeau.  
25 We think in the future it's going to become even more

1 important.

2                   There's been a lot of redevelopment activity  
3 as a result of these tax credits, and we're lay people. We  
4 don't have all the figures. We're representing the general  
5 public here, but it is our -- our commission's desire that  
6 you know that we are in favor of continuing these tax  
7 credits.

8                   I think in one of the best examples which  
9 may be brought up later is the Schultz School, which is the  
10 old Central High School of Cape Girardeau building that the  
11 school district had no further use for, and was essentially  
12 in the hole on because they had to continue to maintain it.  
13 And today it's senior housing thanks to Historic Tax  
14 Credits and other tax credits as well.

15                   So this is the kind of thing that keeps the  
16 flavor. You know, of course it could have been torn down  
17 at a cost to the school district or to the city, but it's  
18 providing housing for people, providing the kind of housing  
19 that they like, and maintaining the look of the city.

20                   You know, the historic cities of Missouri,  
21 and there's a lot of them, and particularly river cities  
22 like Cape Girardeau, St. Joseph and Hannibal, have a  
23 special geographic problem, which is how to bring people  
24 into the older parts of town.

25                   You know, if we think of new development and

1 everything, it's always out on the periphery, but with the  
 2 river towns, you're not even in the middle of town anymore.  
 3 You know, you're just strictly to one side, and so  
 4 geography really hurts the river towns because people  
 5 aren't inherently going to travel from one side of the city  
 6 to the other and pass through downtown. They have to make  
 7 a special effort, and that's why river towns have a special  
 8 problem of -- of downtowns dying, simple just luck of the  
 9 draw now.

10                   And we believe that maintaining the historic  
 11 nature of these cities is very important. You have to  
 12 bring people downtown. You also have to encourage people  
 13 to live downtown. If you have buildings that are decaying  
 14 around you and abandoned, then you're not likely to want to  
 15 live downtown.

16                   But what we have seen over the years in  
 17 downtown Cape Girardeau is bit by bit more people wanting  
 18 to live downtown, wanting to buy a historic home. And some  
 19 of those people have used tax credits. Most have not, but  
 20 we believe that in the future more people knowing more  
 21 about these programs would take advantage of them.

22                   And so we're here in favor or retaining  
 23 those Historic Tax Credits.

24                   CO-CHAIR STOGEL: Mr. House, in terms  
 25 of your impression of the type of developments that are in

1 this region going on, are they individual buildings or are  
2 they buildings in districts, single-family homes or smaller  
3 commercial buildings in a district, or are they individual  
4 nominated buildings?

5 MR. HOUSE: We have both. We have  
6 individual nominated buildings, and we have historic  
7 districts. We have several National Registry districts in  
8 -- in the city, and so we have -- we do have a mixture of.  
9 We have a downtown business on Main Street recently  
10 renovated, and did use Historic Tax Credits, and they were  
11 part of a district, not individually nominated.

12 We have other buildings that are  
13 individually nominated, such as the Southeast Missourian  
14 building, which did get tax credits for its extensive  
15 renovation. And I suggest that you go look at those  
16 buildings. So we do have a mix, and we've also had houses  
17 that were individually nominated.

18 We're getting more and more districts under  
19 way.

20 CO-CHAIR STOGEL: The -- the preference  
21 by DNR and by the National Historic Service try to do  
22 districts, but zeroing in on districts, we've heard  
23 testimony in, I guess it was, St. Joseph that the notion of  
24 individual homes is a very important part to stimulating  
25 community investment, investment by homeowner in a house it

1 was that partial payback.

2 And not to leave the question, but there was  
3 a sense that at some level some limit on a home would make  
4 sense so that you don't have folks in the central west end  
5 and, you know, taking \$400,000 in credits and spending six  
6 million on their home.

7 So people had suggested there ought to be a  
8 Gold Coast cap. The testimony in St. Joseph was 10 or 12  
9 thousand dollar per home one time award so you don't have a  
10 house get credit several times.

11 MR. HOUSE: I understand the problem.  
12 We haven't had that experience here --

13 CO-CHAIR STOGEL: No, I understand.

14 MR. HOUSE: -- of anybody spending  
15 400,000 on a -- on a home themselves. So I really couldn't  
16 speak to that. It may make some sense. Certainly in Cape  
17 Girardeau, we're probably not going to be presented with  
18 that problem. So it's probably more of a St. Louis issue.

19 CO-CHAIR STOGEL: Well, in terms of --  
20 well, it's at some point, it's why does -- why do all the  
21 tax credits say is for one house at that level. That's a  
22 different question that's been raised.

23 The question is to help investments in homes  
24 and keep neighborhoods up, and we all know about the home  
25 crisis, is there some limit, the threshold, suggesting St.

1 Joseph is -- I don't remember the exact amount, but it was  
2 some \$15,000 as a cap. Maybe it was 12, and we'd  
3 appreciate your thoughts on that.

4 MR. HOUSE: Well, it's nothing that I  
5 have considered before. I don't know what the amount spent  
6 or acquired through credits was for the house. I think  
7 there's been one house private. So I don't know the amount  
8 that they spent. I would be interested in finding that  
9 out, but it would take a while probably. So --

10 CO-CHAIR STOGEL: Well, why don't do  
11 that. The Commission's got a couple of months to go.

12 MR. HOUSE: Sure. We'd be happy to  
13 communicate further with you on that, but--

14 CO-CHAIR STOGEL: Just hearing the St.  
15 Joseph views that a cap on single-family homes would be --

16 MR. HOUSE: I understand.

17 CO-CHAIR STOGEL: -- an area of some  
18 focus for the Historic Credits.

19 MR. HOUSE: Sure. I understand the  
20 question, and I'm just -- I laugh at that figure, but I do  
21 understand the problem of say the central west end as well.  
22 I -- now, when you talk about districts, we -- I think it's  
23 important to note that people have done things in the city  
24 to go above and beyond tax credits themselves.

25 So they are serious about historic tax

1 credits, but they're also serious about historic  
2 preservation. We have local land marks, and we now have  
3 our first local historic district. This doesn't get any  
4 tax credits whatsoever, and it was entered to voluntarily  
5 by the residents of that district. It puts limitations on  
6 what they can do to their property, and they're all in  
7 favor of it because they know it will -- well, they're not  
8 all in favor of it, but the majority were in favor or it  
9 because they do realize that in the end it will improve the  
10 saleability of their house and also just maintain the  
11 neighborhood in the way that they like it.

12 So people are willing to give up something  
13 as well. So I -- we will investigate this, the cost.

14 CO-CHAIR STOGEL: Thank you.

15 CO-CHAIR GROSS: Thank you very much.

16 MR. HOUSE: You bet.

17 CO-CHAIR GROSS: Next on the list is  
18 Chad Hartle. Welcome, Mr. Hartle. State your name and  
19 spell that for the record and proceed.

20 MR. HARTLE: Okay. Chad Hartle.  
21 H-A-R-T-L-E. I'm a local developer that has used the tax  
22 credit programs for the past 20 years to develop affordable  
23 housing. In -- in the process of developing affordable  
24 housing, I've also started a management company years ago  
25 that now employs 20 people. I've employed dozens of

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25 that now employs 20 people. I've employed dozens of

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1 construction workers every year developing this housing.

2 I've drastically reduced crime in  
3 neighborhoods that I've performed rehabs in, and also  
4 created affordable housing for hundreds and hundreds of  
5 Missourians in that period of time, all with the use of tax  
6 credits.

7 I can't develop affordable housing in rural  
8 areas without the Missouri Affordable Housing Tax Credits.  
9 Using only federal credits, the rents would be too high to  
10 make it affordable for folks in rural areas. So years ago  
11 when I developed rural development properties, they had  
12 rental systems available.

13 And whenever the federal government started  
14 curtailing their funding and giving more of the funding to  
15 states or more of the authority to states to administer the  
16 tax credit programs and develop their own programs, it  
17 became essential to have the Missouri tax credits to make  
18 these units affordable since there's no longer rental  
19 assistance programs for this sort of housing.

20 In addition to creating housing, creating  
21 jobs, and transforming neighborhoods, the tax credits also  
22 stimulate economic activity for local banks. Over the past  
23 20 years, I've used local banks to finance the construction  
24 of these developments until the tax credits are sold, and  
25 those investors come in with their money and pay off the

1 local banks.

2 Also these developments have accounts at the  
3 local banks where all the money is held locally. Also  
4 these properties are insured by insurance -- local  
5 insurance agencies. Also use local accounting firms to do  
6 the annual audits and other accounting work. They also  
7 provide business for title companies, surveyors, engineers,  
8 architects, and printing companies.

9 Many of these other tra- -- or these  
10 businesses that I just mentioned I'm the largest customer  
11 for them because of the Affordable Housing Credit. So this  
12 money turns over quite a few times in the economy.

13 But I'm here in support of the Affordable  
14 Housing Tax Credit, especially the Missouri Affordable  
15 Housing Tax Credit, the Historic Tax Credits, and also the  
16 AHAB Credits, and several of the other credits have also  
17 dove-tailed into those.

18 CO-CHAIR STOGEL: The people that have  
19 shared the same sentiment about the multiplier effect, if  
20 you take the Department of Commerce has a point 8 factor.  
21 So if you have a \$5 million project, the consequential  
22 impact on the local economy is 8 percent of that.

23 MR. HARTLE: Well --

24 CO-CHAIR STOGEL: When you measure it  
25 over a long time. So --

1 MR. HARTLE: I think probably the point  
2 I'd like to get across is a little different from that.  
3 Without the Missouri credit, I can't use the federal credit  
4 to provide housing in rural areas.

5 CO-CHAIR STOGEL: Well, I understood  
6 that part.

7 MR. HARTLE: So --

8 CO-CHAIR STOGEL: You need the  
9 additional equity drive down --

10 MR. HARTLE: Correct. We wouldn't get  
11 the federal dollars here if it wasn't for the state credit.

12 CO-CHAIR STOGEL: There is a powerful  
13 argument that with the state credit you bring in the  
14 federal government money otherwise you wouldn't utilize in  
15 this region, and I understand you get the equity from the  
16 federal credits, state credits so you can get your debt  
17 down low enough so that the rents are very affordable, and  
18 people will stay in the apartments.

19 MR. HARTLE: For example, my --  
20 typically a two-bedroom apartment I can rent for below \$400  
21 a month, and without -- well, without the state credit, you  
22 can't do the affordable at all because it would be 600 to  
23 700 dollars a month at best, and that's no longer  
24 affordable in rural areas.

25 It may be in metropolitan areas, but it's

1 not here in rural areas.

2 CO-CHAIR STOGEL: What's your -- all  
3 the operating cost per unit per year?

4 MR. HARTLE: My what?

5 CO-CHAIR STOGEL: All the operating  
6 costs.

7 MR. HARTLE: Operating cost per unit  
8 per year? Typically, depending on if it's senior or  
9 family, I will run anywhere from \$2,000 per unit per year  
10 to \$3,800 per unit per year operating costs.

11 CO-CHAIR STOGEL: All in that's  
12 controllable and non-controllable expenses?

13 MR. HARTLE: That would be all of my  
14 operating and maintenance expenses, reserve account  
15 funding, everything except debt service, and typically on  
16 an affordable housing deal, I won't have any debt service  
17 because of the equity from the tax credits.

18 CO-CHAIR STOGEL: Right.

19 MR. HARTLE: As soon as you put, you  
20 know, a loan against it, it's no longer affordable. But  
21 that's my total O and M expense, management, insurance,  
22 taxes, all of those line items.

23 CO-CHAIR STOGEL: So if you have \$400 a  
24 month, you're at \$4,800 a year times vacancy, and if you're  
25 at \$3,800, there's a sliver of cash flow to your project,

1 but there's no hard debt?

2 MR. HARTLE: Typically.

3 CO-CHAIR STOGEL: Right.

4 MR. HARTLE: Not always, but typically.

5 CO-CHAIR STOGEL: I understand the  
6 math. It's a little different in St. Louis, but I  
7 understand the math of their operating expenses are much  
8 higher. But the rents are significantly higher, so there's  
9 that matrix too.

10 MR. HARTLE: Of course, we're  
11 controlled on our rents. We will establish our rents when  
12 we originally apply for a development. Then we need  
13 approval from MHDC to raise those rents.

14 CO-CHAIR STOGEL: Yes.

15 MR. HARTLE: So that controls any --  
16 any cash flow that we get.

17 CO-CHAIR STOGEL: Do the developers  
18 around here have elect opt out provision, or are they all  
19 30-year contracts?

20 MR. HARTLE: Typically mine are.

21 CO-CHAIR STOGEL: Okay. That's --

22 MR. HARTLE: I have some that are, you  
23 know, now gone past the 15-year opt out trigger, but I  
24 haven't opted out on any of them yet.

25 CO-CHAIR STOGEL: Thank you very much.

1 That's a good answer.

2 MR. HARTLE: Thank you.

3 CO-CHAIR GROSS: Thank you. Next on  
4 the list is Senator Crowell.

5 SENATOR CROWELL: Thank you very much.  
6 Ray, it's good to see you.

7 MR. WAGNER: Thank you, sir.

8 SENATOR CROWELL: I can't believe the  
9 root chairman won't introduce the illustrious Ray Wagner as  
10 the candidate.

11 CO-CHAIR GROSS: I'm glad I said he was  
12 going to be here.

13 SENATOR CROWELL: You did.

14 MR. WAGNER: My apologies. I was at  
15 the committee hearing in St. Louis. I raced down here and  
16 got caught up in all the construction.

17 SENATOR CROWELL: No, I really do  
18 appreciate you all being here, and I appreciate the  
19 dialogue that we were able to chair with the two -- share  
20 with the two co-chairmen before we came up. And I really  
21 do appreciate you all coming down to Cape Girardeau.

22 What you're engaging in in every definition  
23 of the word is a Herculean effort, and I do not diminish  
24 your task or -- or the effort to which you move forward as  
25 we deal with this.

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1 MR. LEONI: Yes, sir.

2 CO-CHAIR GROSS: Nathan, yeah. Go  
3 ahead and state your name, and spell it please for the  
4 reporter and then proceed.

5 MR. LEONI: I am Nathan Leoni.  
6 N-A-T-H-A-N. Leoni. L-E-O-N-I.

7 I'm a project manager and superintendent for  
8 Double Diamond Construction. We do all tax credit  
9 projects. We are a general contractor for those projects,  
10 and I work directly under Chad Hartle.

11 Now, these tax credits, state credits, are  
12 needed for four reasons. The first reason is that they  
13 create jobs. The second reason is they maintain and  
14 sustain jobs. The third reason is they boost our economy  
15 locally and otherwise. And number four is they create  
16 housing that's needed.

17 Now, first where they create jobs, I was  
18 fortunate enough not only to come directly out of college  
19 -- I went to a local -- I went to SEMO here, local  
20 university, and graduated in construction management. But  
21 I came not only directly out into my career, but I was  
22 fortunate enough to have that job for my entire last year  
23 of college.

24 I was able to run Schultz School, which is a  
25 recent project we did that was all tax credits, or majority

1 credits. And that created my job for me, and I just have  
2 looked for other people. We have another, a guy, we just  
3 hired straight out of college too that is going to start  
4 with his career and have that because of these projects.

5 And I know people that I graduated with a  
6 year ago that's still do not have jobs in this field just  
7 because construction projects are not happening anywhere  
8 else, other than these that are helped along with these  
9 credits.

10 Now, number two, it maintains and sustains  
11 jobs. Now, I'll keep it -- keep it current, but our last  
12 two jobs, or three, sorry -- two of them are going  
13 currently, and the one we finished up, Schultz. We have  
14 another one in Cape and another one in Desoto, Missouri.  
15 These are all large jobs that all have credits on them. On  
16 each of those jobs alone, we subcontracted a minimum of 20  
17 companies.

18 Now, this is 20 companies local to that  
19 project, local to that area, that would not have this work,  
20 and it's not work that is two weeks or a month long. You  
21 know, this is a year-long steady work for these companies,  
22 which is huge. And I can't tell you how many times I've  
23 been on there and they've -- either a worker or a business  
24 owner has come up to me and said, without this job, me or  
25 my guys would be sitting at home.

1                   So it keeps these guys working, which is  
2   huge on number three, where it boosts our economy. When  
3   these guys are working, these businesses are making money  
4   because of this. Their guys are making money because they  
5   are not sitting at home on unemployment, and they get out.  
6   They buy lunch when they're at work. They go to movies on  
7   Friday because they've got money, where if they didn't have  
8   these jobs and they were sitting at home, they wouldn't be  
9   able to spend this money.

10                  So it boosts our economy that way, and also  
11   another one is when they bid these projects, the supplies,  
12   the materials, they all come from local suppliers, local  
13   lumber yards. And you're not talking hundreds of dollars.  
14   I mean, there's thousands and thousands of dollars that are  
15   poured into these businesses, and it's the support, the  
16   trickle effect that goes all the way through.

17                  And then of course, number four is the  
18   creation of the housing. These projects, as you all know,  
19   are done with market study after market study, and they  
20   show that this housing is needed. It's not just done  
21   because there's a lot here or a building there that can be  
22   used. It's needed housing.

23                  When these projects are done, they don't  
24   fill up over a year's time. They fill up in months, you  
25   know, I mean, days. They're -- they're -- they fill up

Leoni (cont.)

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1 immediately, and on those projects, it shows that they  
2 either did not have that housing that was needed or they  
3 were in inferior housing.

4 So the taxpayer program is a huge benefit to  
5 all of us in the state of Missouri, and when these guys,  
6 these companies that have work because of this that we can  
7 get in there immediately that goes into our economy that  
8 the State pays out over ten years, it's this immediate  
9 boost that we're all gaining as given guys that would be at  
10 home to be able to work.

11 So we hope to keep it going. Thank you.

12 MR. WAGNER: Just one thing.

13 MR. LEONI: Yes, sir.

14 MR. WAGNER: Not just for you, but  
15 anybody else --

16 MR. LEONI: Sure.

17 MR. WAGNER: -- that either has  
18 testified or listening.

19 You know, the -- the redevelopment of  
20 historic properties, the either redevelopment or building  
21 of low-income housing and all those things, nobody has  
22 certainly probably out there in the audience is going to  
23 come forward and say it's a lousy idea. Probably most of  
24 the people that are on this Commission are not going to  
25 say, you know, philosophically, no, no, no, we don't want

1 to do any of that in Missouri.

2 The questions that I've been trying to find  
3 an answer to is, is our program too rich. Because  
4 essentially what we're doing is is we're taking taxpayers'  
5 dollars and incenting or enabling projects to go forward,  
6 because apparently this is -- hopefully this is true in  
7 every case, that if we didn't, it wouldn't happen. That's  
8 that but-for task that is supposed to be analyzed.

9 If we didn't, it wouldn't happen, and as a  
10 policy matter, the Legislature decided we wanted that to  
11 happen. We want low-income housing be developed as  
12 affordable or for our seniors, disabled folks, et cetera.  
13 We want historic properties, those that are eligible, to be  
14 redeveloped. It's good for our communities.

15 So as a policy matter, we've decided we want  
16 those things to happen. The question is how badly do we  
17 want those things to happen, how much taxpayers' dollars  
18 needs to go in in order for that developer to say now it's  
19 worth the risk.

20 MR. LEONI: Right.

21 MR. WAGNER: Do you have any feedback  
22 on that?

23 MR. LEONI: I would say my immediate  
24 response would be as -- as a taxpayer, I would like to know  
25 that my money is coming back to me and to these guys, and

1 you know, when you say is our program too rich, and I  
2 understand what you're saying, is there too much in there  
3 going out, but when we bid these projects, just from the  
4 very start in the beginning, there's always people coming  
5 to us needing work.

6 We're always able to allocate these dollars.  
7 It's not like, you know, they're going to nothing. They're  
8 always coming back to these companies and keeping them  
9 going and keeping us going and keeping all these people  
10 working. So you know, as far as the cap levels, it's not  
11 like this money is getting turned down or going to the way  
12 side. You know, it's all being directly distributed. So  
13 that's the way I would look at it.

14 So you know, whether there is a cap  
15 necessary, I don't think so.

16 CO-CHAIR GROSS: Well, that's not  
17 really the kind of richness --

18 MR. LEONI: Okay.

19 CO-CHAIR GROSS: -- I was thinking of.  
20 I was thinking of the return that the developer gets. How  
21 much profit do you get on your -- on your investment is  
22 where I'm going.

23 MR. LEONI: Okay.

24 CO-CHAIR GROSS: And again, it's hard  
25 to find somebody who works in the business to come forward

1 and say I'm making too much money --

2 MR. LEONI: Yeah.

3 CO-CHAIR GROSS: -- on this Missouri  
4 program.

5 MR. LEONI: Yeah.

6 CO-CHAIR GROSS: So and that's why I  
7 can't exactly put you on the spot, are you making too much  
8 money. It's not going to happen, but I'm trying to find  
9 that through the discussions, through what people say and  
10 what they don't say about the programs. And I'm not there  
11 yet.

12 MR. LEONI: I understand.  
13 Unfortunately, I don't know if I can help you on that.

14 CO-CHAIR GROSS: Okay.

15 CO-CHAIR STOGEL: We appreciate your --  
16 you're both the contractor side and the developer side?

17 MR. LEONI: I work under the developer  
18 as the end contractor side.

19 CO-CHAIR STOGEL: But just the  
20 contractor?

21 MR. LEONI: Correct. Yes, sir.

22 CO-CHAIR STOGEL: Understood. But you  
23 work for a variety of developers in this region?

24 MR. LEONI: No, I work strictly for one  
25 developer, Mr. Hartle.

Leoni (cont)

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1 CO-CHAIR STOGEL: Oh, okay. So Greg  
2 Hartle testified earlier.  
3 MR. LEONI: Yes, sir.  
4 CO-CHAIR STOGEL: Okay. Thank you.  
5 MR. LEONI: Thank you.  
6 CO-CHAIR GROSS: Thanks for being here.  
7 Let's see. Next -- Bill -- did Bill Bonney testify before?  
8 MR. BONNEY: No.  
9 CO-CHAIR GROSS: Mr. Bonney, please  
10 come forward. Sorry about that.  
11 MR. BONNEY: That's okay.  
12 CO-CHAIR GROSS: And that's the last  
13 person that I have that is marked that they desire to  
14 testify. We'll let anybody else come up afterwards. Okay.  
15 Proceed. State your name and spell it please for the  
16 recorder.  
17 MR. BONNEY: My name is Bill Bonney,  
18 and I work for a mechanical contractor, Dutch Enterprises,  
19 Incorporated. I've worked for them for 15 years. I was in  
20 the military ten years prior to that, and I was able to get  
21 our men involved in a couple of these projects, low-income  
22 projects, during a period of time where there was no work.  
23 And that project came at an opportune time  
24 when we really, really needed to keep people busy and  
25 working and their incomes intact during the winter. Those

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1 laying foundations or putting in the plumbing.

2 So we appreciate it.

3 MR. BONNEY: Thank you.

4 CO-CHAIR GROSS: Thank you for being  
5 here.

6 Come on forward. I -- that's all that was  
7 indicated from individuals who wanted to testify, but  
8 please come on forward.

9 MR. GILMORE: Sorry I didn't sign up.

10 CO-CHAIR GROSS: That's okay. Go ahead  
11 and state your name. Please spell it also for the reporter  
12 and then proceed.

13 MR. GILMORE: My name is Joe Gilmore.  
14 G-I-L-M-O-R-E. I'm with Bolder, B-O-L-D-E-R, Construction  
15 in Cape.

16 We have -- Bolder Construction has worked on  
17 -- first, I need to take exception to what Mr. Bonney said.  
18 My ex-wife never balance her checkbook.

19 CO-CHAIR STOGEL: That's beyond the  
20 scope of the Commission.

21 MR. GILMORE: I'm sorry. We've worked  
22 on about seven projects in the down -- what I call the  
23 downtown area of Cape Girardeau. I know five of them had  
24 tax credits. I think the other two did. I'm not privy to  
25 that information. I also know that of the five that I do

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1 know that had tax credits, none of them would have been  
2 done without them, and the result of that would be the  
3 crumbling of the bricks and the mortar in the Cape  
4 Girardeau area.

5 We employ about 25 people. We worked on  
6 those projects over the last five or six years, and  
7 presently working on Cape Riverview Apartments, and we're  
8 keeping 12 to 15 guys busy for approximately four months.

9 That's important. The thing that I think  
10 that's more important, if you've traveled the world and  
11 seen older countries, and their buildings have been there  
12 since the 1700s, and ours have been here since 1950 and  
13 they're falling down because we won't spend the money to  
14 pick them up.

15 We are letting our history fall apart.  
16 Without taxing credits, it will continue, and that is a  
17 travesty. Thank you for your time, unless you have  
18 questions.

19 CO-CHAIR GROSS: Thank you very much.

20 MR. GILMORE: Thank you.

21 CO-CHAIR GROSS: Anyone else?

22 MR. THOMPSON: Hi, gentlemen. My name  
23 is John Thompson, and I'm with First Midwest Bank in  
24 Jackson. It's T-H-O-M-P-S-O-N.

25 And first of all, I'd like to thank you as a

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1 commission coming down here and wanting hear from the folks  
2 here in the area. Obviously, I think as Senator Gross had  
3 said, nobody probably is going to get up and speak against  
4 the tax credits. And I too are here to speak in -- in  
5 behalf of keeping the Affordable Housing Tax Credits and  
6 the Historical Tax Credits.

7 My personal and professional experience with  
8 the tax credit program has been very, very good, been  
9 rewarding, exciting, fulfilling. My bank has participated  
10 in many projects over the past few years. We believe that  
11 these projects have a very positive impact on the local  
12 community and the economy.

13 And I'm not going to get into reiterating a  
14 lot of the things that everybody else has said about job  
15 creation, but the list just goes on and on obviously, and  
16 you gentlemen know this, and the people that it affects,  
17 architects, engineers, title companies, subcontractors,  
18 contractors, everybody down the line. And we've heard some  
19 very, very good testimony here.

20 You know, right now, in these troubled  
21 economic times that we're in, we're particularly excited  
22 about being able to participate in some of these projects.  
23 I was a partner in Schultz, and a wonderful project.

24 I've been in the area personally for over 40  
25 years. I was a Jackson guy. Didn't grow up here in Cape

1 Girardeau, but spent a lot of time in Cape, and it's just  
2 -- it's just wonderful seeing these old buildings being  
3 refurbished and utilized because I think like another  
4 gentleman came up here and said that, you know, gosh it was  
5 a burden on the school district. And you know, the  
6 building probably was destined for demolition.

7           So it's just -- it's real encouraging to me.  
8 I like historic places too, and -- and you know, I love  
9 Southeast Missouri, and I love the Cape Girardeau area, and  
10 I just really want to see more and more of this go on. And  
11 there's some great projects going on somewhat, I guess,  
12 selfishly as a -- as a banker, you know, whenever we keep  
13 people working. And doggone it we're in some downturn,  
14 economic times, everybody can acknowledge this. Hey, the  
15 banking industry. I don't have to get into a lot of  
16 involvement in numbers there. Heck, we're excited about a  
17 project like this. I've got doors to keep open. I've got  
18 employees to pay. The ancillary effects of that is, you  
19 know, we get new account relationship possibilities, and  
20 hopefully can keep a few dollars rolling.

21           I wish I had some good firm numbers on, you  
22 know, how many times the dollar turns over in a community,  
23 and you guys have heard all that, so -- but there's just so  
24 many -- so many positives here.

25           I wasn't really prepared to speak

1 extensively on where I'm going to go, but, Senator Gross,  
2 you're asking some very pointed questions that hopefully  
3 that I can maybe shed some light on.

4 I know we have a previous developer in our  
5 midst, and I am in a risk business. I'm in a risk/reward  
6 business. The banking industry, as you know, has been beat  
7 up. Foreclosures are at an all-time high. You know, la di  
8 da di da. We won't keep going into that. I think to a  
9 certain extent, this portion of the country has been  
10 somewhat isolated or insulated from a lot of the economic  
11 problems because of the diversities that we do have in the  
12 economy.

13 But I'm here to tell you there's a lot of  
14 risks that these developers take. Not only is there a lot  
15 of risk. The time involved in getting these projects put  
16 together, like I said, I personally have been involved in a  
17 number of these projects. Schultz by far was the largest  
18 project that I had ever been involved in. Great project,  
19 but I know in working very, very closely with the developer  
20 what kind of time that it takes.

21 I mean, you can start these things, and it  
22 may be a period of two years or -- or even longer in some  
23 cases before these things actually come together. And it's  
24 really hard to put a price on how much somebody's time is  
25 worth in a lot of cases.

1                   We can't just finance these types of  
2 projects to anybody out there. There's certainly the end  
3 result which is of greatest importance that these projects  
4 are going to get completed, they're going to get completed  
5 in a timely manner, they're going to get completed with --  
6 you know the thing about construction that I do know is  
7 once you close, you're going to have problems. And then at  
8 some point in time, you hope everything gets done okay and  
9 everybody walks out of the room happy. That's just  
10 construction.

11                   But no -- you know, you just can't be  
12 anybody out there and take on that kind of risk for a  
13 project like that. So you have to sort of look at what is  
14 my anticipated return on investment. What can I  
15 anticipate? Why do I want to take the risk? Why do I want  
16 to assume the responsibilities?

17                   It's got to be worth it in the end, and I  
18 know that's why you're here. You're trying to figure that  
19 out. I wish that I had -- I wish I had some really good  
20 facts and figures for you, and I do apologize that I don't.  
21 But the thing that I do know is there's an enormous amount  
22 of risk that these developers statewide, nationwide, that  
23 do these projects have to assume. And they've got to have  
24 deep pockets. I'm not the easiest guy in the world to get  
25 money out of, particularly now with what we've seen.

1 CO-CHAIR STOGEL: What kind of lending  
2 does your bank do?

3 MR. THOMPSON: We typically do  
4 construction. We do the interim constructions.

5 CO-CHAIR STOGEL: And the permanent is  
6 when the equity comes in, so you --

7 MR. THOMPSON: Yes, sir. Well, and I  
8 think as Mr. Hartle stated earlier, in most instances,  
9 there is no residual balance on a -- on a loan.

10 CO-CHAIR STOGEL: Right.

11 MR. THOMPSON: You know, once the  
12 equity funding comes in, then it's pretty well washed out,  
13 you know. Then I just hope that I an opportunity to do  
14 another one down the road with another qualified borrower.

15 CO-CHAIR STOGEL: So your bank is in  
16 the construction lending equity financing. So you have to  
17 analyze the -- who the developers, who the contractor is,  
18 who the equity providers are?

19 MR. THOMPSON: Exactly.

20 CO-CHAIR STOGEL: The discipline for  
21 getting the credits, and you're involved for a year before  
22 construction starts, sometimes two?

23 MR. THOMPSON: Well, generally  
24 speaking, probably a year or less. Now, my point is as the  
25 developer, and I'm sure that you're full aware of this. I

1 mean, you'll -- you'll start doing your market analysis,  
2 your market studies and things like that, trying to go into  
3 various communities. And you know, I don't really get into  
4 that aspect, but that's -- that's a very lengthy progress.

5 CO-CHAIR STOGEL: For the record, it  
6 was four years, two months, and nine days before I could  
7 start the St. Louis Old Post Office.

8 MR. THOMPSON: Right.

9 CO-CHAIR STOGEL: Not that I cared. So  
10 it is a long time for that, and you're the first witness  
11 who has come up and given a speech for developers. So --

12 MR. THOMPSON: That's how I make my  
13 livelihood, sir.

14 CO-CHAIR STOGEL: That's okay. I'm  
15 retired, but --

16 MR. THOMPSON: Yeah.

17 CO-CHAIR STOGEL: -- in addition to all  
18 the time developers put in, I want to talk for the record  
19 what capital they have to put in. Okay. To keep their  
20 organizations going, they have to advance money for all the  
21 studies, they have to advance money for the plans, they  
22 have to --

23 MR. THOMPSON: Yes, sir.

24 CO-CHAIR STOGEL: -- advance money for  
25 the filing fees. They may or may not get the credits.

1 Once -- once a developer closes a deal and your bank lends  
2 the money, you make him sign with his full balance  
3 sheet, --

4 MR. THOMPSON: Absolutely.

5 CO-CHAIR STOGEL: -- the full payment  
6 guarantee?

7 MR. THOMPSON: Yes, sir, we do.

8 CO-CHAIR STOGEL: So no matter what  
9 happens, if he hasn't kept up his insurance, he still owes  
10 you the money regardless of what happens on that property?

11 MR. THOMPSON: That is correct.

12 CO-CHAIR STOGEL: And he --

13 MR. THOMPSON: Why would they do this?

14 CO-CHAIR STOGEL: What?

15 MR. THOMPSON: Why would they do this?

16 CO-CHAIR STOGEL: Well, and --

17 MR. THOMPSON: There's got to be a  
18 return down the road.

19 CO-CHAIR STOGEL: Now that the project  
20 is built and you're paid off, for the record, he put the  
21 equity money in and also requires substantial guarantees?

22 MR. THOMPSON: That's correct.

23 CO-CHAIR STOGEL: Do you know what they  
24 are?

25 MR. THOMPSON: In most instances --

1 CO-CHAIR STOGEL: Generally.

2 MR. THOMPSON: Well, I think it's going  
3 to vary to a certain extent for a project, but generally  
4 speaking, it's -- it's going to be a sizeable amount, you  
5 know. From a percentage standpoint, I don't know exactly.

6 CO-CHAIR STOGEL: Well, the kind of  
7 guarantees are the project will get leased, people will --

8 MR. THOMPSON: Oh, those kinds of  
9 guarantees. I'm thinking more financial. Exactly.

10 CO-CHAIR STOGEL: It's open-ended.

11 MR. THOMPSON: Occupancy has to be a  
12 certain -- at a certain point at a certain period of time.

13 CO-CHAIR STOGEL: We'll get the people  
14 who are in the low-income project who are low-income  
15 compliant. If they are not, the developer owes that  
16 guarantee because the investor didn't get his tax credit.  
17 The guarantees can range from three to five years to  
18 fifteen years, depending on the pricing of the credits.

19 MR. THOMPSON: Correct.

20 CO-CHAIR STOGEL: And do the  
21 developers, to your knowledge, all sign personally?

22 MR. THOMPSON: They do at our bank.

23 CO-CHAIR STOGEL: And do they do for  
24 the syndication industry? The answer would be yes.

25 MR. THOMPSON: I think most of the

1 time. I can't speak a hundred percent, but I'd say yes.

2 CO-CHAIR STOGEL: As a general rule,  
3 developers sign. What price is your commitment to the  
4 project? How do you price that?

5 MR. THOMPSON: And I think  
6 additionally, I mean, after the -- after the ten-year  
7 stream, I guess you can almost look at it as an investment  
8 now to -- to pay for jobs on an installment plan. Maybe,  
9 maybe not. Maybe that's a poor analogy, but yeah, you've  
10 been there. I mean, you fully understand. There's got to  
11 be a return on investment.

12 CO-CHAIR STOGEL: It was 12 years ago  
13 at the St. Louis Post Office.

14 MR. THOMPSON: That's why people are in  
15 business, and I mean, whether you're an HVAC plumbing  
16 contractor like Mr. Bonney or -- or Mr. Gilmore with Bolder  
17 or whatever the case may be, you know, that's just what  
18 keeps the world ticking. Everybody has to make money.

19 CO-CHAIR STOGEL: Mr. Thompson, I'm  
20 glad somebody got up and defender developers other than  
21 developers.

22 MR. THOMPSON: Well, you're very  
23 welcome, and I guess quite honestly I had a whole lot more  
24 to -- to reiterate what other people have said. So I'm not  
25 going to -- not going to bore you with that, unless you've

1 got any other questions.

2 CO-CHAIR GROSS: We'll find somebody  
3 who won't defend them.

4 CO-CHAIR STOGEL: Oh, there'll be  
5 others.

6 MR. WAGNER: I have a question, Mr.  
7 Chairman.

8 CO-CHAIR GROSS: Yes, sir.

9 MR. WAGNER: Thank you, Mr. Thompson,  
10 for being here. I really appreciated your comments and  
11 insight and perspective. And you clarified some of the  
12 risks assumed as well, Steve, so I appreciate that.

13 Thank you for being involved in the  
14 different programs, Affordable Housing, Low-Income, and  
15 Historic Tax Credits.

16 I was studying the Historic Tax Credit  
17 Program, and I understand that when it passed in 1997, the  
18 fiscal note was \$14 million, growing to some \$20.5 million  
19 some years thereafter. And now that was low, you know, the  
20 last year was it a hundred and fifty million?

21 CO-CHAIR STOGEL: Hundred and  
22 eight-six.

23 MR. WAGNER: Hundred and eight-six  
24 million. So that risk assumed by all the developers has  
25 certainly had a high upside as compared to the initial

1 fiscal note when the program was created. So and I -- and  
2 I don't have the specific numbers in front of me, and you  
3 indicated that you didn't have the numbers in front of you,  
4 but just qualitatively speaking, what do you think would be  
5 the case with all of the projects that your bank has  
6 participated in if this program was not \$186 million  
7 program today or a \$50 million program ten years ago?

8           You know, do you have to have this program  
9 as rich as it is, to use Senator Gross' term in his  
10 question a little while ago? You know, just speak to that.  
11 If the --

12           MR. THOMPSON: And that's a very, very  
13 good question. I really wish that I was better prepared  
14 maybe to -- to answer that. I mean, I'm a small community  
15 banker, quite honestly. We -- we don't venture out  
16 statewide to speak of to do a lot of these projects. Most  
17 of them that we do are well within about a hundred mile  
18 radius or less.

19           Now, I do know and I can tell you that --  
20 that over the past -- well, quite honestly, I guess I've  
21 been involved in similar projects for a period of about 20  
22 years. But you know, here in the past five to six years,  
23 we've had, you know, five to six of these things that we've  
24 done, and you know, they're -- I'm trying to quantify.

25           You know, the Schultz project, I guess, all

1 in all was probably around a \$14 million project. And  
2 again like I said earlier, by far, that was the largest  
3 project that I was involved in. Most of them seem to be in  
4 the -- the three to five, seven million dollar range.

5 And quite honestly, for a little bank like  
6 mine, that's -- that's a pretty big -- pretty big jump,  
7 pretty big risk. We've got --

8 MR. WAGNER: But for the tax credit  
9 program, would the project not have gone forward?

10 MR. THOMPSON: Yes, sir.

11 MR. WAGNER: I mean --

12 MR. THOMPSON: I guess to directly  
13 answer your question, we would not have been involved had  
14 it not been for the tax credit program.

15 MR. WAGNER: As it exists today?

16 MR. THOMPSON: Exactly.

17 MR. WAGNER: It would have been scaled  
18 back to half of its potential credit?

19 MR. THOMPSON: Well, and again, you  
20 know, I don't -- I don't do the analysis that the  
21 developers do, the subcontractors, everybody that's bidding  
22 this. I mean, I do know in working very closely --

23 MR. WAGNER: Right.

24 MR. THOMPSON: -- with my developer  
25 that -- developers that I deal with. You know, these guys

1 are scrutinizing every penny, and you know, yeah, heck,  
2 everybody needs to make a buck to keep the doors open. But  
3 I'm not seeing a lot of give-away here. In fact, I'm  
4 seeing none.

5           You know, I think the bottom line is it's a  
6 balancing between what are the -- what are the real costs  
7 compared to what real benefit do you end up with in the  
8 end. And that's a -- boy, that's a tough call. That's a  
9 real tough call. I don't have that answer, but again to --  
10 I think to directly answer your question, no, I don't think  
11 that our bank would be willing to finance a lot of these  
12 projects.

13           You know, unless we could kind of quantify,  
14 you know, what -- what scaling back are we truly speaking  
15 about?

16           MR. WAGNER: Right.

17           CO-CHAIR STOGEL: I'll add one thing  
18 for our commissioners and for the record here. On the  
19 low-income side, there are calculated fee caps in the MHDC  
20 formula for Low-Income Tax Credits, maybe in the historic  
21 credits, in terms of how the State will do it. So the caps  
22 started to come in at different levels, and to -- it's not  
23 an unlimited upside,

24           So the competition for particularly  
25 low-income credits is so severe where multiple dollars are

1 requested with limited dollars of federal government money.  
2 Then there is a price competition now for developers to get  
3 an award with caps on their fees.

4 MR. THOMPSON: There is only one thing  
5 you always have to keep in mind too, there's got to always  
6 be somebody on the other end that needs the tax credit.  
7 There's got to be somebody making money that needs the tax  
8 credit.

9 CO-CHAIR GROSS: I guess I'm the Yang  
10 to the Ying on my right. I didn't know that, but when these  
11 programs were put in place, I -- I don't know who magically  
12 decided that this one would be a 25 percent credit.

13 CO-CHAIR STOGEL: It mirrored the  
14 federal law. It was 25 percent by that time, Senator, it  
15 was a 20 percent federal credit.

16 CO-CHAIR GROSS: It was 20 when it  
17 first started?

18 CO-CHAIR STOGEL: When federal credit  
19 was -- prior to 1986, it was 25 percent, but that was  
20 scaled down in 1999. I may be off. It might have been '86.  
21 And then the state credit came in at 25 percent, and has  
22 been maintained at that level.

23 CO-CHAIR GROSS: But I mean, that's the  
24 question. Is 25 -- I think that's partially where Ray was  
25 also.

1 MR. THOMPSON: Sure.

2 CO-CHAIR GROSS: But you don't really  
3 deal with that?

4 MR. THOMPSON: I -- I really don't,  
5 sir.

6 CO-CHAIR GROSS: And that's fine. And  
7 then, you know, other -- other features which I think we're  
8 going to look at, not discuss right now probably, but --  
9 because you don't deal with that either, but you know, the  
10 carry forward and carry back provisions of credits. Some  
11 of these are global issues.

12 MR. THOMPSON: Uh-huh.

13 CO-CHAIR GROSS: Those are provisions  
14 that for the Legislature, for the Governor, for those who  
15 are trying to determine how much money we're going to have,  
16 not, you know, a month from now necessarily, but two years,  
17 three years, five years down the road to give them  
18 predictability. I think those are questions that need to  
19 be answered. Those features on not just historic but a lot  
20 of credits, are those features that need to be there for a  
21 reasonable number of these projects to be viable and go  
22 forward.

23 And if you have any idea to put on that,  
24 that will be fine. If that's just outside your area,  
25 that's fine as well.

1 MR. THOMPSON: Unfortunately I -- I  
2 just -- I really don't.

3 MR. WAGNER: Thank you very much.

4 CO-CHAIR GROSS: Thank you very much.  
5 Appreciate it.

6 MR. THOMPSON: Thank you very much for  
7 your time.

8 CO-CHAIR GROSS: Anybody else? Please  
9 state your name and spell it for the record.

10 MR. MUELLER: Doug Mueller.  
11 M-U-E-L-L-E-R. I'm a minority partner at W. E. Walker  
12 Lakeman Insurance. That's W-A-L-K-E-R L-A-K-E-M-A-N.

13 Gentlemen, I'm -- you've heard from  
14 everybody. I mean, you've heard all facets. I was going  
15 to come in and speak about, you know, some of the same  
16 things these guys have all spoken about. I can tell you in  
17 these economic times, it's tough. I don't envy your jobs  
18 right now, trying to figure out what to do with these tax  
19 dollars and everything else.

20 I can tell you that from a taxpayer, a  
21 businessman, my perspective on this program is it's far  
22 reaching in its benefits. Okay. Very, very far reaching.  
23 it affects everyone. It's a tax dollar that's working for  
24 the people in Missouri. The benefit's huge.

25 I look at your tax dollars. Okay. We have