

Robin Cole Historic Testimony

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1 will be reported, and the transcripts will be available,
2 let's say, a week or so after this Commission meeting. And
3 they will be available to the public on the Commissions
4 website, tcrc.mo.gov. So if you're interested in what was
5 said earlier today, that will be part of the record and
6 available to the public at that website after it's
7 transcribed.

8 This is a public hearing on the tax credits.
9 Everyone is welcome to come to the podium, stating their
10 names, spelling it for the recorder, and giving your
11 comments. With that, I have two people who have signed up
12 so far who would like to testify. You'll have ten minutes
13 each, and there could be some questions afterwards. We'll
14 see how that goes.

15 The first in line, unless there are comments
16 or questions from anyone up here. First is Robin Cole.

17 Mr. Cole, welcome.

18 MR. COLE: Thank you.

19 CO-CHAIR GROSS: I'd like to mention
20 that any written materials will be distributed to all the
21 Commission members, so -- thank.

22 MR. COLE: I'll speak to some of those
23 documents.

24 My name is Robin Cole. T. Robin, R-O-B-I-N,
25 Cole, C-O-L-E, the Third. You want my address also?

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1 CO-CHAIR GROSS: Not necessary. We
2 have it here.

3 MR. COLE: Good. I have two hats on.
4 I'll speak briefly on the first hat, and then at some
5 length on the second.

6 With my first hat on, I'm a businessman. I
7 operate here in Southeast Missouri. I'm have an office
8 technology business, and projects like the Schultz project
9 here that has been completed converting what was a
10 community albatross, a defunct building into a brilliant
11 new residential dwelling.

12 My company was the winner of a competitive
13 bid to supply the surveillance and access control to the
14 doors. That's important business for my company,
15 especially for my employees, who would not have had as much
16 work in the past year had it not been for that project.

17 Upcoming is the Riverview Apartments. I
18 think it's Riverview Apartments No. 2. Again, we have been
19 selected to do the same work, and it's important in this
20 upcoming period of employment stagnation to acknowledge
21 that my employees need the work, and it's important that
22 that be in the consideration.

23 Now, if I switch my hats right quick --

24 CO-CHAIR STOGEL: Excuse me, sir. How
25 much is that contract for the -- the electronics and

1 surveillance equipment?

2 MR. COLE: It's approximately \$30,000.

3 CO-CHAIR STOGEL: Okay.

4 MR. COLE: Don't -- don't hold a gun to
5 my head, because I can't remember.

6 CO-CHAIR STOGEL: No, but you -- I'm
7 trying to get the bandwidth.

8 MR. COLE: Yes, sir. Yes, sir. It's a
9 -- it's a small potato in a large picture.

10 CO-CHAIR STOGEL: The point of a lot of
11 the testimony earlier is the ripple effect of these --

12 MR. COLE: Yes, sir. Yes, sir, it
13 does.

14 CO-CHAIR STOGEL: -- these projects,
15 and so I'm just trying to get a sense of the bandwidth.

16 MR. COLE: Now, before I go any
17 further, I want to thank each of you. You've been drafted
18 to a thankless job. I'm sure it's trying to come to
19 decisions in this kind of a situation, and as a citizen, I
20 appreciate your devotion to the work of the government of
21 the State.

22 Now, to my prepared remarks, I am the
23 immediate past president and development committee chair
24 for Habitat for Humanity Cape Area, Inc. serving Southeast
25 Missouri.

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1 My understanding of this Committee's
2 purpose, and correct me if I am mistaken, that you're
3 evaluating current uses of Missouri's tax credits to help
4 create recommendations to the Governor and the Legislature
5 on how to prioritize the uses of tax credits. Those with
6 the greatest return on investment may rise to the top, and
7 those with lesser performance might reach their sunset or
8 -- or be eliminated.

9 That's approximately right, and my remarks
10 will be consistent with that.

11 CO-CHAIR GROSS: That's close.

12 MR. COLE: Good. I will explain how
13 Habitat for Humanity employs Missouri tax credits issued by
14 the Missouri Housing Development Commission's AHAB program,
15 Affordable Housing Assistance Program.

16 Cape Area Habitat began operations in 1986,
17 and over its first 21 calendar years, built 25 houses.
18 Those were sold to home owners. In early 19- -- in early
19 2007, we took a strategic decision to increase production,
20 and to produce the next 25 houses in only five years. It
21 took 21 calendar years to build the first 25, and we've
22 ramped up our production to meet the needs of our community
23 to now the next 25 in 5 years.

24 By the end of 2010, four years into that
25 plan, we will complete houses that we are currently

1 breaking ground on, numbers 45 and 46. So we're right on
2 schedule.

3 We build houses in Cape Girardeau, Jackson,
4 Sikeston, Advance, Marble Hill and Perryville. So this is
5 a regional effort. Volunteers in each of these communities
6 help locate the local families to buy the houses, and then
7 the volunteers help construct them.

8 First Habitat partners, homeowners, must
9 hold a permanent job. They must be living in substandard
10 housing. They must be willing to partner with Habitat and
11 invest their sweat equity in the construction of their new
12 home.

13 We do not work with families whose intent is
14 to obtain something for nothing. Our efforts focus on
15 working people in need who are seeking a hand up in their
16 determined efforts to break the bonds of poverty, not one
17 seeking a handout.

18 We work to break cycles of dependence, and
19 we establish new cycles of independence by helping working
20 people establish new permanent lives in neighborhoods where
21 they will become part of the solution as voters, taxpayers,
22 neighbors, parents, striving to do the right thing, and
23 especially striving to adequately educate their children
24 and prepare them for their future as employable members of
25 this society.

1 Second, Habitat partner families may earn as
2 much as the median income in the county where the house is
3 built. In this county, that's no more than \$55,200. In
4 fact, we concentrate our efforts on those who earn no more
5 than half, and I do emphasize half, that median income
6 amount.

7 In those cases where families who apply earn
8 more than half the median income, we first determine
9 whether they could with their own personal credit capacity
10 independently obtain traditional financing from a
11 commercial real estate lender, and if they can, we do not
12 accept their application. They do not need Habitat's help
13 to buy a house.

14 Please note a household with two working
15 adults who are in the minimum wage, \$7.25 an hour, earn
16 more than 50 percent of the median income in Cape Girardeau
17 County. So we will work with families who earn more than
18 50 percent so long as they cannot obtain financing
19 elsewhere to purchase their home on the open market.

20 Third, our homeowner selection processes
21 take great care to select partner families who are truly
22 committed to homeownership in the setting of the right
23 personal financial priorities to ensure they make their
24 mortgage payments.

25 During the years since 1986, we have

1 involuntarily foreclosed on only two houses. One of those
2 foreclosures was the result of the tragic death of a
3 homeowner. We take every precaution to ensure we do not
4 discriminate in the selection of our homeowner partner
5 families, and we support new buyers with training in
6 budgeting and with Habitat Family Support Advocates who
7 stand with the new homeowners for as long as it takes to
8 help them reorganize their lives so they make their
9 mortgage payments without fail.

10 No one thing can explain why our foreclosure
11 rate is so low. It's the virtuous combination of all the
12 steps we take. One that stands out is widely recognized
13 for its significance, the requirement that each homeowner
14 must invest their own time and sweat in the construction of
15 their new home. Doing so breeds solid commitment and love
16 for their home.

17 What does it cost to build a typical Habitat
18 home?

19 CO-CHAIR STOGEL: Are these prepared
20 remarks?

21 MR. COLE: Sorry?

22 CO-CHAIR STOGEL: Are these prepared
23 remarks?

24 MR. COLE: Yes, sir.

25 CO-CHAIR STOGEL: We -- it's not a

1 really good use of time to read them --

2 MR. COLE: All right, sir.

3 CO-CHAIR STOGEL: -- these into the
4 record. We all know know Habitat for Humanity and just
5 more curious about some of the -- how you use the credits.

6 MR. COLE: I'll go right to that.

7 CO-CHAIR STOGEL: Okay. Good, but
8 let's see if we can go away from the prepared remarks.
9 They'll be entered into the record, and we'll read them.

10 MR. COLE: In building these 46 houses,
11 they cost in this area 60,000 apiece.

12 CO-CHAIR STOGEL: Okay.

13 MR. COLE: We accept donations from
14 eligible parties like businesses that we can exchange tax
15 credits for. Those typically comprise just less than half
16 of the outlay for the purchase of land, materials and
17 professional services to buy these houses.

18 CO-CHAIR STOGEL: So \$60,000. You need
19 33,000 in AHAB?

20 MR. COLE: We -- we don't get that
21 much. We can't find that kind of donations.

22 CO-CHAIR STOGEL: I --

23 MR. COLE: We're getting donations for
24 approximately 60,000 all -- half of the 60,000 or just
25 short of it, and that then requires 55 percent of

1 approximately 30,000 of --

2 CO-CHAIR STOGEL: So --

3 MR. COLE: -- of AF credits.

4 CO-CHAIR STOGEL: -- these bring in 17

5 -- \$16,500 of tax credits, and then roughly 44,000 that

6 comes from --

7 MR. COLE: Other sources.

8 CO-CHAIR STOGEL: -- other sources.

9 MR. COLE: That are not eligible for
10 tax credits, yes, sir.

11 CO-CHAIR STOGEL: I understand. That's
12 a very efficient factor.

13 MR. COLE: Now, if -- if you go to
14 point number 9, we supply two tables that show precisely
15 what we've done. Donations of 350,000 in 2008 for tax
16 credits of 192,869.

17 CO-CHAIR STOGEL: Okay.

18 MR. COLE: We had \$97,000 worth of
19 stuff, land, et cetera, that we've not yet employed left
20 over. And we built houses that appraised for 716,000.

21 So our conversion of \$192,800 of tax credits
22 became houses of 716,000.

23 CO-CHAIR STOGEL: How do you get them
24 -- do you take a mortgage on the property? How do you, if
25 there's --

1 MR. COLE: Key point.

2 CO-CHAIR STOGEL: Tell me about that.

3 Let's talk about that, and let's talk about sale. Then
4 your ten minutes will be well spent.

5 MR. COLE: We sell the houses to the
6 preselected family.

7 CO-CHAIR STOGEL: Okay.

8 MR. COLE: Habitat writes the mortgage.
9 Under the policies of Habitat --

10 CO-CHAIR STOGEL: How much is the house
11 sold for?

12 MR. COLE: It'll be sold for its
13 appraised value.

14 CO-CHAIR STOGEL: Use a number.

15 MR. COLE: Eight -- 90,000.

16 CO-CHAIR STOGEL: So you sell it to
17 somebody for 90,000. They have \$27,000 of income, \$25,000
18 of income. There's the 90,000. What's the interest rate
19 on the mortgage?

20 MR. COLE: Zero.

21 CO-CHAIR STOGEL: That's a discernable
22 interest rate. What's the amortization?

23 MR. COLE: Two hundred and forty
24 payments over twenty years.

25 CO-CHAIR STOGEL: So 0 percent interest

1 to afford on a 20-year schedule?

2 MR. COLE: Yes, sir. Now --

3 CO-CHAIR STOGEL: And if they don't
4 make the payment, what happens to them?

5 MR. COLE: We foreclose the loan.
6 There's some mitigating processes that we use to get people
7 dusted off and back up on the tracks.

8 CO-CHAIR STOGEL: That's clear.

9 MR. COLE: It's a complex problem.

10 CO-CHAIR STOGEL: I'm glad there's an
11 understanding lender, because most people aren't 44 percent
12 of the foreclosures.

13 MR. COLE: I'm reluctant in a
14 government setting, but this is a Christian mission. It's
15 ecumenical. We work with God's people in need, and they
16 are living paycheck to paycheck. So when they come up
17 short, there's no savings account to turn to. There's no
18 other assets. So we may on extreme occasions reschedule
19 reluctantly, but the process is to immediately get in there
20 with the budget and get it straightened out and get the
21 priorities back where they belong.

22 CO-CHAIR STOGEL: Well over half of
23 America lives paycheck to paycheck.

24 MR. COLE: Yes, sir.

25 CO-CHAIR STOGEL: We have a mortgage

1 foreclosure crisis in this country.

2 MR. COLE: We do.

3 CO-CHAIR STOGEL: We don't have
4 understanding lenders. So different issue for a different
5 day.

6 So now they build the equity in the house.
7 They -- the mortgage equals the original appraised value.
8 So by paying off the mortgage and staying there, they get
9 the equity?

10 MR. COLE: There's a couple of more key
11 points to point out to you.

12 CO-CHAIR STOGEL: I understand the
13 process now.

14 MR. COLE: We write two mortgages, a
15 first and a second.

16 CO-CHAIR STOGEL: Yeah.

17 MR. COLE: The first is for
18 approximately \$59 a square foot. It turns out about
19 three-quarters of the appraised value.

20 CO-CHAIR STOGEL: Uh-huh.

21 MR. COLE: They make the payment on the
22 first. We forgive that payment on the second. We call it
23 a silent second. So their equity builds up far more
24 rapidly than in any other circumstances.

25 CO-CHAIR STOGEL: But after 20 years,

1 they would have a house free and clear, but they would have
2 earned it by homesteading?

3 MR. COLE: They bought it and paid for
4 it, yes, sir.

5 Now, the -- the -- if you don't charge a
6 builder's profit, which would be typically 15 percent; if
7 you don't charge for the volunteers' labor, which is a very
8 large part of the construction process; if you don't charge
9 any interest, interest even at today's low rates will
10 approximately approximate over the life of a loan the
11 principal value of the loan; --

12 CO-CHAIR STOGEL: At least.

13 MR. COLE: -- if you net that all out
14 over 20 years, they acquire the house for approximately 45
15 percent of what that same appraised value house purchased
16 from a traditional lender over 20 years would cost. So
17 it's a very, very good deal for a Habitat partner family.

18 CO-CHAIR STOGEL: Right, but it was
19 raised earlier today if the State were to be paid back,
20 though, in this example, the \$16,000 out of the mortgage,
21 even though it was a slow repay, would that disrupt your
22 process?

23 MR. COLE: To be honest, I've never --
24 never thought of that, but I don't think that it's beyond
25 reason that that might be done. Now --

1 CO-CHAIR STOGEL: Because everybody
2 likes Habitat, and --

3 MR. COLE: I understand.

4 CO-CHAIR STOGEL: -- we'll leave that
5 as a thought for the Commission. We understand the good
6 work Habitat does.

7 MR. COLE: Let me -- let me make one
8 more point in your perspective. When you try to calculate
9 and rank all the uses \$600 million worth of tax credits,
10 you come up with a scorecard. I don't know what the
11 scorecard really is, but I'll call it, you know --

12 CO-CHAIR STOGEL: We're working on it.

13 MR. COLE: Tax credits go in. What
14 comes out?

15 CO-CHAIR STOGEL: Right.

16 MR. COLE: The key with Habitat is that
17 you build the first house, and then the mortgage payments
18 are paid back into the 501C3 the Habitat organization.
19 That money is then taken by Habitat. It can't be
20 dividended out. It's stuck in there. That money is joined
21 by more donations and more volunteer labor.

22 Typically three-quarters of the donations
23 are not subject to tax credits. So now you go build a
24 house and a half. Those payments come back. There is an
25 enormous return.

1 CO-CHAIR STOGEL: That's an interesting
2 model. So is that all in here?

3 MR. COLE: Yes, sir.

4 CO-CHAIR STOGEL: Great. We'll make it
5 -- that's good reading. So we understand that. Just think
6 about how you might sharpen the program for Habitat where
7 the State could get repaid, because there are some folks
8 who have suggested tax credits ought to get a dollar back
9 to the State if a dollar goes out.

10 So we're struggling on how you measure
11 different programs, particularly the low-income, the
12 historic and the social programs. There are economic
13 models for things like quality jobs. So it's all -- that's
14 all very helpful.

15 CO-CHAIR GROSS: Okay. Anything?

16 MR. WAGNER: I have a question, sir,
17 related to the first part of your remarks, and you may not
18 be able to help me with it.

19 The Schultz House --

20 MR. COLE: Yeah, the Schultz School
21 Building.

22 MR. WAGNER: The Schultz School
23 Building.

24 MR. COLE: It was converted into, I
25 believe, 95 senior homes. They tried to sell that building

1 after it was, you know, taken out of the school system. It
2 was heated for three or four years. It was an -- a big
3 community albatross. A 50-year-old, 75-year-old school
4 building, and -- and then with tax credits --

5 MR. WAGNER: Historic Tax Credits?

6 MR. COLE: I'm not sure what variety.

7 MR. WAGNER: Historic --

8 CO-CHAIR STOGEL: We've heard about the
9 Schultz building several times. It's a \$14 million
10 renovation made into senior housing. It may be historic
11 also. The developer who new that capital stack wasn't here
12 today. But it's a big deal down here of recent origin.

13 MR. WAGNER: I just wondered how many
14 dollars worth of credits went into that project, but as I
15 said, I didn't suspect you knew. I'll find that out later
16 on.

17 CO-CHAIR STOGEL: Okay. Thank you,
18 sir.

19 MR. WAGNER: Thank you.

20 MR. COLE: I'm grateful for your time.
21 Thank you very much.

22 CO-CHAIR GROSS: And for the second
23 person on the list that indicated that they didn't wish to
24 testify, did anybody else come in that didn't get to sign up
25 on this list would like to testify? Please step forward.