

**Columbia**  
**Economic Development Testimony**  
**9-28-10**

# Frank Cordie Economic Development Testimony

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1 right. I'm learning here, thank you.

2 CHAIRPERSON GROSS: Any questions or  
3 comments? Thank you.

4 MR. CRAVER: Thank you.

5 CHAIRPERSON GROSS: We have two other  
6 commissioners who have arrived, Senator Robin Wright-  
7 Jones and Commissioner Craig Van Matre.

8 COMMISSIONER VAN MATRE: Van Matre, close  
9 enough.

10 CHAIRPERSON GROSS: Van Matre. Also I  
11 don't know if they're still here, but two local  
12 legislators were here, Chris Kelly and --  
13 Representative Chris Kelly and Representative Mary  
14 Still. Are they still here?

15 Sorry, I missed them, but we appreciate  
16 them assisting putting this together as well.

17 Next on the list is Frank Cordie.

18 Welcome. State your name, spell it for  
19 the record and proceed.

20 MR. CORDIE: My name Frank Cordie,  
21 C-o-r-d-i-e. I'm the president and chief executive  
22 officer of Mid-America Brick in Mexico, Missouri.

23 And I'm not here to talk eloquently about  
24 the legislative side of things, but I can talk to you  
25 from a person that has benefited from New Market tax

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1 credits. without New Market tax credits, none of  
2 what we have achieved would be possible today.

3 Let me just give you a little idea of  
4 what has happened over the last -- I started on the  
5 project in December of 2006 and the project is to  
6 take the former A.P. Green refractory plant in  
7 Mexico, Missouri, and to convert it to a plant that  
8 makes brick for home construction, institutions, the  
9 brick you see on the walls here -- which I really  
10 like by the way, the fact that we got brick inside  
11 the buildings, this is good. Good consumer.

12 So started on the project. The hurdle  
13 in -- I don't know if it's a function of today's  
14 economy, I've never done it, I've never been a  
15 startup entrepreneur before, but to raise funds to  
16 pull this kind of a magnitude of a project is  
17 extremely, extremely difficult. It's a \$22 million  
18 project, and to raise the kind of capital we  
19 needed -- well, we started it on -- in December of  
20 2006 and we closed the deal this past June 1st, so  
21 that gives you a scope of the magnitude of the  
22 project to pull this together.

23 The New Market tax credits enabled us to  
24 communicate and get on board with Advantage Capital  
25 who you just heard, and without them, we would not

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1 have been successful in this venture at all. I don't  
2 want to say it was exclusively them, but it was  
3 primarily Advantage Capital. Without them, nothing  
4 else made sense. They brought together a lot of  
5 equity funding. Through them I found other partners  
6 to equity -- to invest in the business with, as well  
7 as a lot of private investors that I attained myself  
8 to come up with the necessary funds.

9 We will have a \$12 million capital  
10 investment into the facility. We are employing  
11 people. To give you an idea, we are now into the --  
12 I think today is day 120 of our existence here since  
13 June 1st when we took ownership of it, and I have 25  
14 employees right now on site working. Not only --  
15 those are my employees, but in addition to that we  
16 have a lot of contractors in there. We've got  
17 everything from -- everything you can imagine, from  
18 electrical to plumbing to mechanical contractors,  
19 demolition people. At any given time we have  
20 probably 50 to 75 people that are being employed  
21 working on the facility as we speak. We were  
22 definitely shovel ready.

23 But the -- in terms of if this program  
24 did not exist, then none of what we have achieved  
25 would have happened, there's no doubt about that.

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1 we have also utilized other benefits. we  
2 utilized the Brownfield tax credits. The Brownfield  
3 tax credits help us remediate the site, and we're  
4 still in the process of going through that right now.  
5 we've had the economic -- the Enhanced Enterprise  
6 Zone, excuse me, Enhanced Enterprise Zone, we're just  
7 beginning on utilizing some of that. we're utilizing  
8 a lot of that from the aspects of training because  
9 everybody's a new employee, so we've got a lot of  
10 training needs at our facility. we have training  
11 meetings, numerous of those; today, as a matter of  
12 fact. we have the investors, the investor group, but  
13 we have leveraged by having all of this available.  
14 Oh, we also have the USDA, U.S. Department of  
15 Agriculture, the government guaranteed loan because  
16 we are rural, so we were able to guarantee the loan  
17 and help from some aspects.

18 It's very difficult to find a bank that  
19 wants to deal with something of this magnitude,  
20 startup in a blighted area, if you want to say such.  
21 we did find one in Tennessee. And that was brought  
22 on board through connections through again with  
23 Advantage Capital. The whole spectrum works. The  
24 Advantage Capital group, while they are providing a  
25 lot of our capital needs, they also provided a lot of

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1 the support necessary for me to get the marketing  
2 plan and all the other functions that are necessary  
3 in the process of formulating this organization, this  
4 company and going forward.

5 I see it for -- you know, I'm here for --  
6 not for myself now, I'm here for the next guy. And,  
7 you know, as Sallie Hemenway, you're familiar with  
8 me, and the Department of Economic Development has  
9 been outstanding in the state of Missouri. Without  
10 the Department of Economic Development, none of this  
11 would have been able to happen either. Commend them  
12 highly for everything that's happened.

13 Local government as well. We've got  
14 local government impacted here, we've got community  
15 involvement, we've got local investors. It takes --  
16 it takes an entire community together to pull all  
17 this together. The next guy who's got an idea, the  
18 next guy that's got a dream, the next guy that wants  
19 to make something happen, he's got to have resources  
20 to do that.

21 I read your -- on your website, got on  
22 there and read around a little bit. You have a Power  
23 Point on there and on the Power Point you talk about  
24 the gross domestic product and you have a 13.5 I  
25 believe the number was, something in that

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1 neighborhood, of manufacturing in the state of  
2 Missouri. And we need to pump that up.  
3 Manufacturing, it creates so many other jobs. I know  
4 years ago it used to be a seven to one factor, for  
5 every one you did in manufacturing, it created seven  
6 other jobs in service sectors as well. Well, you  
7 know, like I said, I've got 25 people working right  
8 now. We're going to have substantially more than  
9 that when we get to making brick, but we're right now  
10 leveraging the job of well over a hundred people  
11 being employed, simply because of what we were able  
12 to do.

13 And as a definite benefactor of the New  
14 Market tax credits, of the Brownfield tax credits, of  
15 the economic -- Enhanced Enterprise Zone, and  
16 Department of Economic Development and the USDA, I  
17 appreciate it and thank everybody for your help and  
18 assistance.

19 CHAIRPERSON STOGEL: Do you have both  
20 state and federal New Markets?

21 MR. CORDIE: The -- I don't give the tax  
22 credits. The tax credits go to the CDE.

23 CHAIRPERSON STOGEL: No, I know that.

24 MR. CORDIE: But yes, yes.

25 CHAIRPERSON STOGEL: We're -- Jeff, were

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1 both federal and state twinned?

2 MR. CRAVER: A blend, yes.

3 CHAIRPERSON STOGEL: We wish you great  
4 success with your business and it's a very exciting  
5 story and maybe two years from now you'll have 125  
6 direct employees. We would wish that for you and for  
7 your community.

8 MR. CORDIE: Thank you.

9 COMMISSIONER VAN MATRE: Could I? In  
10 your particular situation, how many dollars in tax  
11 credits were awarded versus how many dollars actually  
12 translated into investment in your business?

13 MR. CORDIE: In terms of the tax credits  
14 for the New Market tax credits, I don't get them,  
15 they go --

16 COMMISSIONER VAN MATRE: No, I --

17 MR. CORDIE: -- to the CDE.

18 COMMISSIONER VAN MATRE: -- understand.

19 MR. CORDIE: But the CDE made a \$10  
20 million loan.

21 COMMISSIONER VAN MATRE: But the  
22 efficiency is what I'm looking for in terms of how  
23 many dollars --

24 MR. CORDIE: Of equity money is put into  
25 the project total?

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1 COMMISSIONER VAN MATRE: As a result of  
2 these specific credits that were granted by the  
3 State. I'm looking at is there were X dollars  
4 awarded and that translated into Y dollars you could  
5 use.

6 MR. CORDIE: Yeah. The --

7 COMMISSIONER STOGEL: Let Jeff handle  
8 this. He can nail that number right away.

9 MR. CRAVER: I can speak to that. We  
10 used the maximum cap on the program which is \$10  
11 million into any allocation -- of allocation.

12 CHAIRPERSON STOGEL: which is 3.9

13 MR. CRAVER: 3.9 million of credits.

14 CHAIRPERSON STOGEL: Of state credits.  
15 And what was the sum of the Brownfield credits?

16 MR. CRAVER: I don't --

17 CHAIRPERSON STOGEL: Ball park.

18 MR. CORDIE: It's 1.6.

19 COMMISSIONER VAN MATRE: No. when these  
20 credits are presented to the State of Missouri for  
21 redemption --

22 MR. CRAVER: Correct.

23 COMMISSIONER VAN MATRE: -- how many  
24 dollars worth of credits will be presented?

25 MR. CRAVER: There will -- they will

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1 present 3.9 million spread over five years.

2 COMMISSIONER VAN MATRE: All right.

3 CHAIRPERSON STOGEL: And then the  
4 Brownfield's another 1.6. And within --

5 COMMISSIONER VAN MATRE: I don't care  
6 about Brownfield. Just the state credit.

7 MR. CRAVER: Just the state New Markets  
8 credit would be 3.9 million presented over five  
9 years.

10 COMMISSIONER VAN MATRE: And of that 3.9  
11 million, how much did Frank get --

12 MR. CRAVER: That would be for that  
13 particular project.

14 COMMISSIONER VAN MATRE: No, I --

15 MR. CRAVER: Because the total --

16 COMMISSIONER VAN MATRE: -- understand  
17 that.

18 MR. CRAVER: -- project cost was 21  
19 million and change.

20 COMMISSIONER VAN MATRE: How many dollars  
21 did that translate into in terms of investment into  
22 the business?

23 CHAIRPERSON STOGEL: Based on your  
24 earlier testimony --

25 MR. CRAVER: That's a response I'd have

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1 to get back to you later on just because the sources  
2 and uses of the capital as they came out of funds  
3 were -- already had equity sources within the cap--  
4 within those funds. So to break it down into an  
5 individual deal, to unwind our entire transaction  
6 is -- into an individual deal is not something I  
7 could do by memory.

8 COMMISSIONER VAN MATRE: I may be the  
9 only one that has this view of what the commission's  
10 supposed to do, but we're looking at budget deficits  
11 and everybody wants their credit protected. And so  
12 among the factors we're looking at in terms of  
13 recommending at the end of the road is how efficient  
14 is this particular credit in terms of translating  
15 money spent by the State in effect versus money  
16 invested. Can you just ball park it?

17 MR. CRAVER: The ball park would be \$3.9  
18 million spent over five years.

19 COMMISSIONER VAN MATRE: No. That as I  
20 understand it is the dollar amount the State is going  
21 to pay --

22 MR. CRAVER: Correct.

23 COMMISSIONER VAN MATRE: -- by allowing  
24 people not to pay that much in taxes.

25 MR. CRAVER: Yes.

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1 COMMISSIONER VAN MATRE: What I want to  
2 know is how much of 3.9 found its way into Frank's  
3 operation?

4 CHAIRPERSON STOGEL: Didn't you --

5 MR. CRAVER: Oh. So --

6 CHAIRPERSON STOGEL: -- say two and a  
7 half million?

8 MR. CRAVER: -- roughly two and a half  
9 million on that, yes.

10 CHAIRPERSON STOGEL: The earlier  
11 testimony, Craig, before you got here --

12 MR. CRAVER: And these are ball park  
13 figures obviously.

14 CHAIRPERSON STOGEL: Plus or minus 25 --  
15 two and a half million today is received and three  
16 and a half million over seven years is put out by the  
17 State. So the -- on a present value basis it's two  
18 and a half in and 3.9 out based on what Jeff said.

19 MR. CRAVER: On a present value basis,  
20 yes.

21 CHAIRPERSON STOGEL: So that two and a  
22 half million will be deployed that the State pays  
23 for, nothing for the first two years, and then over  
24 five years.

25 MR. CRAVER: Correct.

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1 CHAIRPERSON STOGEL: Correct?

2 MR. CORDIE: I -- can I comment just on  
3 that? The --

4 MR. CRAVER: But it leverages so much  
5 more.

6 CHAIRPERSON STOGEL: Yeah, we  
7 understand. For everybody in the audience that is  
8 paired up with Brownfield, the loan from the SLDA,  
9 the equity from the federal historic -- I mean, the  
10 federal New Markets is to give you a chemistry so  
11 that --

12 MR. CORDIE: And the equity investors.

13 CHAIRPERSON STOGEL: And the other --

14 MR. CORDIE: You know, I got -- I got  
15 five point something million of equity investors that  
16 none of that would have come into our community had  
17 we not had that.

18 CHAIRPERSON STOGEL: So all the pieces --

19 COMMISSIONER VAN MATRE: The trouble --  
20 what I'm saying here, it sounds like I'm criticizing  
21 the program, but I'm not. But the problem is there  
22 has to be some way of allocating resources in the  
23 state that we can justify. And so if what I'm  
24 hearing is accurate, you're saying 60 percent of  
25 every dollar the State spends finds its way directly

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1 into an investment in Frank's business.

2 MR. CRAVER: More like 65, but yes.

3 COMMISSIONER VAN MATRE: Okay. And so I  
4 mean the corollary I suppose is if the State just  
5 gave you that 65 cents, it wouldn't have been a  
6 matter of difference to you; either way you would  
7 have gotten 65 cents out of every dollar.

8 MR. CORDIE: As long as I would have  
9 gotten the rest of the money that they put in behind  
10 it with their equity.

11 COMMISSIONER VAN MATRE: And that's all a  
12 function --

13 MR. CORDIE: Yeah.

14 COMMISSIONER VAN MATRE: -- of a number  
15 of things.

16 MR. CRAVER: And -- and to reiterate a  
17 point made earlier which is that when Frank pays us  
18 back in advance, you know, because the business will  
19 be that successful, the 65 cents when he pays us back  
20 the 65 cents, under law, under state statute and  
21 federal statute, we're required to then reinvest it  
22 until the full seven-year term has run. So 65 could  
23 become a 1.30.

24 CHAIRPERSON STOGEL: That's all correct,  
25 that's a very good point, but to Craig's point a part

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1 out of \$22 million, 3.9 was -- excluding the  
2 Brownfield -- was the State's participation some,  
3 under 20 percent.

4 MR. CRAVER: Yes. And it's much easier  
5 to give me a -- give you a sort of portfolio-wide  
6 analysis of total tax credits on the whole portfolio  
7 and then say the six or seven businesses that were  
8 receiving the funding.

9 CHAIRPERSON STOGEL: Since efficiency is  
10 one of the charges, if you think you would like to  
11 submit more information for other companies besides  
12 Mid-America Brick, that would be welcome.

13 COMMISSIONER LEVI: But if you take that  
14 one step further and you say, those tax credits help  
15 create jobs, can you translate those jobs into  
16 dollars and then what the ultimate revenue is to the  
17 State as a result of the saving or creating jobs?

18 MR. CRAVER: Yes. In the study that was  
19 provided on the first \$9 million of credits that the  
20 State authorized on the -- on the cap, on the first  
21 \$9 million of cap space which -- which Mid-America  
22 Brick was not a part of, those jobs, when taking a  
23 run through an M-plan analysis, kicked out 65 million  
24 of general revenue from that 9 million. Now, that's  
25 9 million over five years; it's roughly 49 million

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1 dollars, return is 65 million in the first two years  
2 of the program with then still another five years of  
3 positive benefits.

4 COMMISSIONER LEVI: Do we have those  
5 numbers in --

6 MR. CRAVER: You do.

7 COMMISSIONER LEVI: -- these materials?

8 MR. CRAVER: You do have.

9 CHAIRPERSON STOGEL: Have you tested  
10 under the REMI model?

11 MR. CRAVER: We have not. My experience  
12 is just that the M-plan model tends to be more  
13 conservative, but I'm not an economist.

14 CHAIRPERSON STOGEL: Neither am I, we've  
15 established that already today. But Brian -- maybe  
16 it would be -- we have somebody who's here from the  
17 Senate --

18 MR. CRAVER: We've never had access to a  
19 REMI model.

20 CHAIRPERSON STOGEL: Sallie and Brian may  
21 be --

22 CHAIRPERSON GROSS: I thought REMI was  
23 run on all of them.

24 MS. HEMENWAY: It is.

25 CHAIRPERSON STOGEL: we'll double back

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1 and share that with you.

2 COMMISSIONER STILL: What was meant by  
3 the CDE? What's the CDE?

4 MR. CRAVER: It's the Community  
5 Development Entity. It's the federal name for the --  
6 for essentially Advantage Capital for the entity that  
7 we establish to then apply for the program.

8 CHAIRPERSON STOGEL: It's how the federal  
9 program and the state program process the paperwork  
10 so that you can leverage the private capital.

11 CHAIRPERSON GROSS: Craig, were you  
12 finished?

13 COMMISSIONER VAN MATRE: well, the -- I  
14 mean, this particular credit, am I right though, is  
15 not necessarily limited to -- I mean, with a  
16 manufacturing firm you'd have a good case of  
17 leveraging and that classic multiplier factor, but  
18 there -- what other types of benefits to the State  
19 from these credits are you familiar with?

20 MR. CRAVER: Manufacturing has been the  
21 largest sector that's benefited from it. It has gone  
22 into a number of other sectors. It's gone into  
23 venture capital for early stage company -- company  
24 that's profiled in your portfolio called Baron  
25 Technologies; they do cancer research. It's a much

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1 smaller employment number, seven jobs, but they're  
2 all six-figure jobs and relocated from Tennessee into  
3 the central west, so.

4 COMMISSIONER VAN MATRE: If you were  
5 going to -- if you were tasked with the job of more  
6 specifically targeting the application of this credit  
7 to where it would do the most good, how would you  
8 consider refining the definition of eligibility to  
9 just do that?

10 MR. CRAVER: The definition of  
11 eligibility currently has a number of businesses that  
12 are considered off the list. So you can't invest in  
13 golf courses, you can't invest in packaged liquor,  
14 you can't invest in massage services and things of  
15 that nature, sin business as --

16 COMMISSIONER VAN MATRE: But the way --

17 MR. CRAVER: -- the Congress has  
18 determined.

19 COMMISSIONER VAN MATRE: -- it is now --

20 MR. CRAVER: Best way -- the best way I  
21 think to go about it if you were to restrict further,  
22 which I would not encourage, would be to stick to  
23 that method of saying, Don't invest in these types of  
24 businesses.

25 COMMISSIONER VAN MATRE: Instead of --

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1 MR. CRAVER: When you --

2 COURT REPORTER: I'm sorry, I can only  
3 take one person talking at a time.

4 MR. CRAVER: Sorry. When you highly  
5 target any type of venture capital, you make the  
6 fundraising practically impossible. So to go out to  
7 an institutional investor and say, I want to raise a  
8 fund; by the way, it's got to be Missouri only, it's  
9 got to be low income community only, oh, and it has  
10 to only be in this sector --

11 COMMISSIONER VAN MATRE: In manufacturing  
12 for example?

13 MR. CRAVER: Or whatever it might be.  
14 You're never going to raise a portfolio because  
15 that's -- that's a hyperexposure to too many sector  
16 narrowing. You know, you can't get any diversity in  
17 your portfolio. When you raise a -- I'm going off  
18 subject here, but to compare that to traditional  
19 venture capital where you say they may raise just for  
20 medical devices, they're investing in 50 states and  
21 perhaps internationally as well. We're investing in  
22 Missouri only, in low income communities only. So  
23 the ability to have a broad portfolio is very  
24 important.

25 COMMISSIONER VAN MATRE: So there is no

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1 particular magic bullet that's going to fire at this  
2 particular credit that would reduce and affect its  
3 cost to the state because you think it's already as  
4 efficient as it should be?

5 MR. CRAVER: In my opinion, yes.

6 CHAIRPERSON STOGEL: What if the credits  
7 were started in year one and didn't have the two-year  
8 hiatus?

9 MR. CRAVER: I -- actually I don't  
10 think -- while you would get an earlier, better net  
11 present value on the equity produced from the  
12 credits, you would have an immediate budgetary impact  
13 when the funds are raised without the jobs being in  
14 place to offset that budgetary impact.

15 CHAIRPERSON STOGEL: Fair comment, thank  
16 you.

17 CHAIRPERSON GROSS: Thank you for being  
18 here.

19 CHAIRPERSON STOGEL: For the record this  
20 is the first time I think we've had such commentary  
21 at all on the New Markets credits, so thank you for  
22 sharing all that.

23 CHAIRPERSON GROSS: Thank you, Mr. Cordie  
24 as well. Next on the list is Deb Sheals.

25 MS. SHEALS: Hello, my name's Debbie