
Columbia
Historic Testimony
9-28-10

Deb Sheals Historic Testimony

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

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

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

1 Sheals, it's D-e-b-b-i-e S-h-e-a-l-s.

2 well, that was very good discussion. I'm
3 going to switch to historic preservation tax credits.
4 I don't envy you your task, you have a lot of
5 programs to look at. I only know one of them, but I
6 know it pretty well, so that's what I'm hear to talk
7 about today. And essentially I'm here in support of
8 the historic preservation tax credits.

9 I really think this is a program that's
10 well run and I don't think it's broken. I think
11 trying to fix it could do more harm than good. Make
12 the point that this is a rebate on investment, that
13 private capital is spent for years sometimes before
14 any tax credits are given out. So the private
15 investment happens long before the state outlay goes.

16 It also leverages a high dollar, at least
17 four to one of private investment. They're 25
18 percent of the total tax -- of the -- of the
19 qualified cost. For example in FY '07, that ended up
20 being 19 percent of total project costs, so we got
21 almost five dollars of investment going for the
22 dollar of state credits. Because this investment
23 happens before the tax credits are awarded, the State
24 actually gets income before paying it out.

25 I found that a nice study in Maryland,

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

1 and it's always -- Mr. Van Matre, the question is
2 always, we pay out a dollar, what are we getting
3 back. The Maryland study was very good, and I have a
4 hard time -- I've read a lot of studies and it's hard
5 to find that. They often speak in generalities
6 instead of dollar for dollar. They found, and I've
7 done similar math, that the State got 34 cents for
8 every dollar before they ever paid out a penny
9 because you pay -- you either pay employment taxes or
10 you pay sales taxes on materials for the construction
11 projects. So we're getting money as a state before
12 we ever pay anything out.

13 Maryland found that within a year, 1.02
14 came back and by the end of the fifth year, they had
15 reached \$3.31 for that dollar of investment. So
16 they're getting it back.

17 This project also hits the but-for
18 factor. Many, many projects simply would not happen
19 but for this incentive. Historic preservation is a
20 particular type of development. It has a lot of
21 rules and a lot of requirements that can increase the
22 budget. It's also a high quality, so as a community
23 we get a quality product. It also encourages
24 investment in the oldest part of the communities
25 where our old buildings are, so we target good

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

1 investment there, and for that we do the tax
2 credits. But they target good development exactly
3 where we need it.

4 You want to see -- you want to know what
5 to do to fix it. Obviously I like the program; I
6 don't want to see a lot done to it. I would hope
7 that you would stick as close to this program was
8 developed to pair with federal programs. Let's not
9 reinvent the wheel; let's stay close to that.

10 You know, the description or the
11 definition of historic is set by the National Parks
12 Service. Let's keep that; let's not tinker with
13 that. Let's not tinker with allowable costs that
14 vary too much from the federal, so that we're not
15 setting two sets of rules.

16 And I'm a historic preservation
17 consultant, I've worked in Columbia and across the
18 state. My clients often use federal and state
19 credits, and they have the same set of rules now and
20 it works on both -- both playing fields.

21 I would really urge you not to put
22 legislative or administrative discretion into the
23 mix. You know, we had a speaker earlier that said it
24 should all go through appropriations. It's -- it's
25 an administrative nightmare and hardly fair to get a

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

1 Tot of these programs battling against each other.
2 If you have folks doing historic programs, they're
3 going to battle over the guys that are trying to get
4 GED's done. They're going to battle over somebody
5 else every year; nobody's going to be certain of
6 what's going on. It takes all the certainty out of
7 it and it's not going to pull the investment in.

8 You know, as I said, I just finished a
9 project now that started in 2006. They're just now
10 pulling their credits this year, once they get
11 through their review process.

12 COMMISSIONER WOOD: You realize -- you
13 realize though every department or everybody that has
14 something in the state budget has that uncertainty?
15 And for those of us that fight that, and I'm not
16 saying I'm supportive or not, come on in, the water's
17 fine or not.

18 THE WITNESS: Yeah.

19 COMMISSIONER WOOD: But you're looking
20 for certainty. Everybody's looking for certainty in
21 the state budget. So I mean, I understand better not
22 going in the appropriations process because deals
23 won't get done, than I do the uncertainty as you
24 explained it.

25 THE WITNESS: Okay. And that's what I

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

1 was trying to say.

2 COMMISSIONER WOOD: I understand -- I --

3 MS. SHEALS: The deals won't get done.

4 Thank you for the clarification then because that,
5 you know --

6 COMMISSIONER WOOD: But you understand my
7 point is that those of us that work with the state
8 budget, we're fighting against --

9 MS. SHEALS: Right.

10 COMMISSIONER WOOD: -- social services
11 and everybody, and you don't want to do that because
12 you understand their needs as well. But that's what
13 the people that are supporting that say, Come on in
14 and fight with higher education and K-12 and social
15 services and corrections and everybody else, come on
16 in to that battle with us.

17 MS. SHEALS: I see your point. But I --
18 it simply would not be an economic incentive if --
19 if --

20 COMMISSIONER WOOD: That's your better
21 answer.

22 MS. SHEALS: If you -- okay. And I
23 wasn't saying it well. Thank you.

24 COMMISSIONER WOOD: I understand both
25 sides of the issue.

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

1 MS. SHEALS: Okay. As to the certainty
2 or, you know, as far as appropriations, we did cap
3 this program two years ago. So we know what's coming
4 down the pipeline. It is -- it is predictable for
5 budget writers. We know we're not going to spend
6 more than \$140 million on historic credits. My
7 clients know that if for some reason they hit the
8 cap, they're going to have a fair process to get in
9 line for the next year's allocations. It's -- it was
10 a change that was painful for all concerned to make,
11 but it was put together well and it will work if we
12 give it time. And so we can get that incentive and
13 it is still predictable.

14 Also like to make to that point that the
15 Department of Economic Development does a good job
16 with this. Transparency and accountability came up
17 earlier. This is a transparent program, and it's
18 very accountable. DED in early '09 put rules into
19 place that looked at a lot of things that were
20 potentials for abuse including things they'd already
21 done, but they review all costs very closely.

22 And I know you've heard from many
23 developers that go through that, you're -- they're
24 not -- a lot of people think they just hand you a
25 check at the beginning of the program, and it's not

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

1 that at all. It's very closely watched. They review
2 legal documents, they review partnership agreements,
3 they look closely at related parties to make sure
4 developer's not paying the contractor and are all the
5 same person. Cost cannot -- very few costs can be
6 accrued, you need to spend that money before you get
7 tax credits awarded on. You have to report the jobs
8 you create afterwards. This is a very transparent
9 program and very closely monitored. They -- you
10 know, the State does a good job of watching over our
11 dollars. Those of us in preservation sometimes whine
12 about it, but they're watching out for all of us.

13 CHAIRPERSON GROSS: I think to the
14 gentleman's point on transparency, you're both coming
15 from two different perspectives. From a, kind of a
16 citizen's standpoint of looking to see where the
17 dollar's going to in taxes, it's not -- it's not
18 transparent. It takes a lot of digging to try to
19 find the kind of detail you're talking about on
20 projects that are funded and what the money goes to.
21 And I'm not arguing how well DED requires
22 documentation and that type of thing. But in terms
23 of, back to the appropriations issue, where are they
24 going to put their dollars. It's not there; it's not
25 in the budget. There's not a line item in the budget

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

1 that says, historic tax credit program, \$100 million
2 or \$140 million and 2 million to the project on Main
3 Street and 5 million to the project on -- you know,
4 that -- that's the kind of transparency.

5 And I'm not -- I don't know how to get
6 there. I'm just --

7 MS. SHEALS: And that --

8 COMMISSIONER GROSS: -- saying from a
9 different perspective.

10 MS. SHEALS: That's public record. Once
11 a project's finished, it's public record.

12 COMMISSIONER GROSS: I'm not saying it's
13 not a public record. It's just --

14 MS. SHEALS: It's hard to find.

15 COMMISSIONER GROSS: -- more difficult --
16 it is, a lot, different perspective. From your
17 standpoint it's a piece of cake, you all know exactly
18 where to go, where to look, what the dollars are,
19 what's required from DED, you know exactly where it
20 is.

21 MS. SHEALS: Well, but that's why people
22 have to hire me because --

23 COMMISSIONER GROSS: I understand.

24 MS. SHEALS: -- it's not easy. You're
25 right, you're right.

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

1 COMMISSIONER WOOD: My understanding, the
2 project specific is transparent.

3 MS. SHEALS: Yes, I think so.

4 COMMISSIONER WOOD: The overall
5 program --

6 MS. SHEALS: The program --

7 COMMISSIONER WOOD: -- though, that's
8 where -- that's where we're having trouble.

9 MS. SHEALS: Maybe that's where it is. I
10 feel it's very transparent, and that's back to the
11 federal. I mean, the guidelines are laid out, it's
12 all very clear. And, you know, that's what I hope we
13 can continue is that we have these clear rules and
14 you have to follow these rules no matter who you are
15 or who you're connected to, these are the rules, this
16 is what's done. And my argument is that these are
17 rules that have been well thought of, well tested,
18 they're working well, they give a quality product for
19 the State. They give a quality product for the
20 communities. You know, it's working.

21 CHAIRPERSON STOGEL: I'd very much like
22 to read the Maryland study.

23 MS. SHEALS: I can get that for you. It
24 was interesting. And those are figures actually, and
25 I'll get all of you, it's called the Abell report,

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

1 it's the best economic study I've seen because it's
2 in plain English. I'm a historian; I've waded
3 through some pretty murky financial records trying to
4 get this done, but this was nice, clear language.

5 COMMISSIONER WOOD: And you've been on
6 the conference call with the subcommittee.

7 MS. SHEALS: I have.

8 COMMISSIONER WOOD: Is that correct?

9 MS. SHEALS: Yes.

10 COMMISSIONER WOOD: I sit on that. You
11 might recognize my voice, I wasn't there, but I
12 would -- I'm the same way, if you get it to the
13 co-chairs --

14 MS. SHEALS: Yeah, it's --

15 COMMISSIONER WOOD: -- we can at least
16 get it to that subcommittee.

17 MS. SHEALS: It's the best one I've
18 seen. And in fact they did a follow-up study that
19 said, it's too bad -- you know, they made some
20 changes to their program and the follow-up study
21 said, if you hadn't made these changes, you would
22 have done even better.

23 COMMISSIONER WOOD: That's why I'm trying
24 to get through this one before Friday, so.

25 MS. SHEALS: That one is -- it's a few

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

1 pages and you can read it over lunch.

2 CHAIRPERSON STOGEL: Debbie, if you get
3 it to me, we'll get it distributed to the
4 commissioners.

5 MS. SHEALS: I'll be happy to.

6 CHAIRPERSON GROSS: Russ?

7 COMMISSIONER STILL: Do you have a -- was
8 there a project here in Columbia or is that --

9 MS. SHEALS: There's a lot of projects in
10 Columbia. We've had I think \$30 million of
11 investment in downtown Columbia. We have the
12 Missouri Theater; we have the building that Kaldi's
13 is in, which is my office now; we have the Berry
14 building on Walnut Street, you're going to hear about
15 that from another speaker; the Missouri Theater; the
16 Atkins City Center was one of the first ones.

17 COMMISSIONER STILL: Okay.

18 MS. SHEALS: It's almost ten years ago
19 now. That kind of started -- that was a building
20 that had been remodeled in the '60s. When they
21 started, I think they had a 30 percent occupancy rate
22 at just rock bottom rentals; it's been fully leased
23 ever since and it's spun off a lot of associated
24 development. So that's been back in service for ten
25 years and still full employment and full occupancy

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

1 downtown.

2 COMMISSIONER STILL: Do you know about
3 how many owner-occupied residential projects there
4 are?

5 MS. SHEALS: In Columbia?

6 COMMISSIONER STILL: No, I mean
7 anyplace.

8 MS. SHEALS: No, I don't. And I don't
9 know if Sallie or Ann have the figures on
10 residential. We don't have a lot in Mid-Missouri --
11 or a lot in Columbia.

12 You know, where I really see that work
13 quite well is for neighborhoods, and that was another
14 reason I'd hate to see you change the -- the
15 definition of historic to say just individuals.
16 Because a district sometimes will get a collection
17 and you almost get critical mass after you get
18 several people that spend the money or that are
19 incented by the tax credits through the money. Then
20 the guy across the street says, well, you know, I'm
21 not going to do a major rehab, but I'll fix this up,
22 and property values creep up and so it can create its
23 own critical mass. I will say that that was also
24 capped by House Bill 191 which I think was a good --
25 a good move. It's a good way to watch over what

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

1 we're doing and still allow that --

2 COMMISSIONER STILL: And this is, the cap
3 is 70 million?

4 MS. SHEALS: The cap is 140 a year, but
5 they put a per project cap on residential of I think
6 250,000 in credits.

7 CHAIRPERSON STOGEL: That's for a single-
8 family house?

9 MS. SHEALS: That's for a single-family
10 house.

11 CHAIRPERSON STOGEL: So somebody would
12 have to spend a million dollars on that house?

13 MS. SHEALS: Yeah. Before that, you
14 could spend 10 million on your house so, you know,
15 that was government in action, it worked quite, I
16 think, well.

17 CHAIRPERSON STOGEL: For single family
18 homes the testimony in at least St. Joe and Cape was
19 a floor of 10 to 12 thousand dollars would work fine,
20 at least in that section.

21 MS. SHEALS: I think that's low. I think
22 it's okay to have a cap, but don't go so low that
23 you're not getting -- sometimes you'll get those, oh,
24 that white elephant in the neighborhood that there's
25 just nothing else you can do with it, that that will

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

1 give somebody the incentive to do that. So if you go
2 too low, then you miss those. So 10,000 I don't
3 think is enough. It's -- you know, it's -- it's a
4 well-administered program, but just the cost of
5 running it would make it so high that for \$10,000 in
6 credit, you couldn't get it done.

7 CHAIRPERSON STOGEL: Just want to share
8 testimony. Those were single families, not the watt
9 condo --

10 MS. SHEALS: Right.

11 CHAIRPERSON STOGEL: -- project in
12 Springfield or in downtown Kansas City.

13 MS. SHEALS: Yeah.

14 CHAIRPERSON STOGEL: Or St. Louis.

15 MS. SHEALS: I've done a little work in
16 St. Joe; they need the investment.

17 CHAIRPERSON STOGEL: what?

18 MS. SHEALS: I've done a little work in
19 St. Joe, but I think that's too local.

20 CHAIRPERSON GROSS: Russ?

21 COMMISSIONER STILL: I'm finished.

22 CHAIRPERSON GROSS: Craig?

23 COMMISSIONER VAN MATRE: Yes. So you
24 think that it's important to preserve the right of
25 somebody who is going to put a million dollars in

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

1 their home to get \$250,000 of that money from the
2 state?

3 MS. SHEALS: I think it's important to
4 keep that incentive there. I don't know if the cap
5 needs to be that high. But I think you don't -- you
6 know, this -- as we spend the dollars, the figures
7 are showing that this is paying for itself.

8 COMMISSIONER VAN MATRE: well, let's test
9 that just a second. The dollars that are spent are
10 tracked in the form of I suppose construction
11 services and -- and those kinds of benefits. Would
12 you get exactly the same kind of economic benefit if
13 you just built -- if you invested in any building,
14 let alone historic?

15 MS. SHEALS: Yes, if --

16 COMMISSIONER VAN MATRE: so the only
17 benefit -- the only marginal benefit to the state
18 from the program is the preservation of historic
19 properties?

20 MS. SHEALS: No, no. Let me finish
21 there. If I'm going to spend a million dollars in
22 Columbia right now, I'm not going to do it in East
23 Campus neighborhood, I'm going to go out south at the
24 edge of the existing infrastructure, maybe beyond it
25 and I'm going to spend my money there. And we're

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

1 going to end up with a doughnut. It's a good thing
2 about this program is it incents investment where we
3 need it the most as a community. You could spend \$6
4 million on a commercial property downtown or you, if
5 you're going to spend that new, you may well go out
6 and you're to pull the --

7 COMMISSIONER VAN MATRE: Is there --

8 MS. SHEALS: -- development out.

9 COMMISSIONER VAN MATRE: -- anything in
10 the program that limits you to only being able to be
11 eligible to spend the money in the interior of town?

12 MS. SHEALS: Well, historic buildings are
13 in the oldest parts of town, so that's the interior
14 of town.

15 COMMISSIONER VAN MATRE: They can also be
16 on the outside, can't they?

17 MS. SHEALS: Sure. They tend to be.

18 COMMISSIONER VAN MATRE: would you agree
19 then that the credit should be limited then in that
20 regard to only spending in the historic districts of
21 town, downtown?

22 MS. SHEALS: No. I can see your point of
23 looking at centers, but I think the small amount that
24 would be on an outskirt are going to have other
25 things. We -- you know, we have heritage tourism,

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

1 there are other elements of historic preservation
2 that add to economic viability. And -- because
3 historic preservation is more like --

4 COMMISSIONER VAN MATRE: This is -- this
5 is not adding to economic viability as far as the
6 state's concerned. This is preserving specific
7 property of a specific type. And it isn't that it's
8 a bad program, but if -- we have a \$500 million
9 budget deficit, so what we're looking for here from
10 anybody that can tell us is how should we refine
11 these programs so that we get a benefit without quite
12 the economic burden. So if you were going to refine
13 this program, what do you think would be a good way
14 to do that where we get more bang for the buck?

15 MS. SHEALS: I think we're getting a
16 pretty good bang for the buck.

17 COMMISSIONER VAN MATRE: Well, there's
18 going to be \$180 million of redemptions of historic
19 credits this year.

20 CHAIRPERSON STOGEL: It was 186 in
21 FY '10. It's going to be capped at 140.

22 MS. SHEALS: It'll never be more than 140
23 from now on. Well, it will -- it's going to take a
24 while.

25 MS. HEMENWAY: That's -- that's not

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

1 exactly accurate because there's a carry forward on
2 the credit, so it depends on taxpayer use of the
3 credit in terms of the amount of the redemption.
4 There will never be more than 140 authorized; there
5 may however be more than 140 issued and 140 redeemed
6 in any year.

7 MS. SHEALS: That's correct, I'm sorry.

8 COMMISSIONER VAN MATRE: Can they carry
9 those back?

10 MS. HEMENWAY: Yes.

11 COMMISSIONER VAN MATRE: How far?

12 MS. HEMENWAY: Three years.

13 COMMISSIONER VAN MATRE: So how does --

14 MS. SHEALS: So that's, you know --

15 COMMISSIONER VAN MATRE: How does --

16 MS. SHEALS: -- just me speaking here,
17 but that's something you can look at is carry back.
18 I know it's been discussed, and I don't think that's
19 going to hurt the development community. You know,
20 we have to be really careful that by doing what seems
21 like an easy fix, just -- just wrecks it and you
22 don't want it set up so that only those people that
23 don't really need it are the ones using it and it
24 just becomes gravy because I don't want to see that.

25 COMMISSIONER VAN MATRE: I'm looking for

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

1 any fix.

2 MS. SHEALS: Right.

3 COMMISSIONER VAN MATRE: The one fix you
4 think we could do that would work would be block the
5 carry back?

6 MS. SHEALS: I think so.

7 COMMISSIONER VAN MATRE: All right. What
8 about blocking carry forward?

9 MS. SHEALS: You've got to be careful
10 with that because then folks that can't spread out
11 that use, sell them. And then, you know, you're --
12 then it's 85 cents on a dollar, you know, instead of,
13 you know, the average Joe being able to spread it
14 over ten years and use it themselves, they sell it to
15 somebody who needs it right away and then -- then the
16 sale lessens the impact of the dollars.

17 COMMISSIONER VAN MATRE: Well, how much
18 of those credits are sold and how much are kept by
19 the end user as it were?

20 MS. SHEALS: I don't know. I think quite
21 a few of them are sold now in transferability. And
22 that's the same thing, being careful about making
23 those fixes so that we're not making it so that when
24 they do sell them, they're getting less on the
25 dollar.

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

1 COMMISSIONER VAN MATRE: Well, we don't
2 have anything to do -- the State doesn't have
3 anything to do with what they're bringing as far --

4 MS. SHEALS: Yeah, you do. If you make
5 it so hard to use that the administration is hard,
6 then people -- or the risk is hard and I think we're
7 even seeing that now with, you know, even the
8 uncertainty with you guys meeting, I've got clients
9 going, well, I don't know if I want to buy this.
10 It's anything you do that makes it less certain and
11 less user friendly gets you a lesser return on that
12 dollar. Because the banks that want to use it are
13 not sure. If it's more of a risk, they're going to
14 pay less for it, they're going to commit to less now
15 for when you're done.

16 COMMISSIONER VAN MATRE: Do you think the
17 main purpose of this program is to preserve inner
18 city real estate?

19 MS. SHEALS: No. I think this is an
20 economic incentive. It has --

21 COMMISSIONER VAN MATRE: Well, I thought
22 you already agreed with me that we get the same
23 economic effect if we just built any building --

24 MS. SHEALS: No, I didn't.

25 COMMISSIONER VAN MATRE: -- instead of

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

1 historic.

2 MS. SHEALS: I said you can get some of
3 that return. I mean, you'll get the construction
4 jobs on six million, but it's going to be the wrong
5 in-- it has the potential to be less favorable
6 development.

7 COMMISSIONER VAN MATRE: well, when we're
8 talking about this study from another state, you said
9 Maryland?

10 MS. SHEALS: Uh-huh.

11 COMMISSIONER VAN MATRE: They were
12 tracking investment dollars.

13 MS. SHEALS: Uh-huh.

14 COMMISSIONER VAN MATRE: And they were
15 getting it back in the form of employment taxes and
16 those things, but we -- I thought you agreed with me
17 that it seems intuitive that any money spent for
18 construction would produce exactly the same economic
19 effect, it wouldn't have to be just historic.

20 MS. SHEALS: If you create the right
21 market for it. We have this great raw material in
22 historic resources because of what they are and
23 because of where they are.

24 You know, we got the -- talking about the
25 city center downtown Columbia. Once one person could

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

1 see that that worked, that started to create a market
2 for somebody down the road. And once they do it,
3 then a couple of people are seeing it and we create
4 that marketplace and we're creating it where we want
5 it.

6 There's also -- I think the same Abell
7 report did a study on how much greener it is to do
8 historic preservation. So you're creating a market,
9 and we've created a good market for historic
10 preservation. We have experts here, Quaker windows
11 down south of Jeff City is now developing things just
12 for this. We've created an industry; we've created
13 this need for this. And we're incenting it in on
14 pennies on the dollar for private investment. It's
15 the type of investment we want to see happen.

16 COMMISSIONER STILL: If you -- what if
17 you added a requirement that it -- that the project
18 promote density somehow, would that --

19 MS. SHEALS: I feel that by its nature
20 it's doing that now. Again, I -- that's one of those
21 things that I think by its nature it's doing it. And
22 if you get too much tinkering in there, it's so hard
23 to meet all the rules, then it's, you know, it's not
24 going to work.

25 COMMISSIONER LEVI: Would it be a fair

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

1 assumption that over a period of time historic
2 preservation on commercial property is going to be
3 more productive and create a greater return for the
4 state than residential property?

5 MS. SHEALS: Maybe slightly. I think
6 doing one house isn't going to, you know, turn the
7 neighborhood around, but we've seen especially in
8 St. Louis, whole neighborhoods that have turned
9 around. And again they're down where we need them in
10 the center of our towns, so.

11 COMMISSIONER LEVI: But Kansas City has
12 spent way more historic tax dollars on commercial
13 buildings than residential buildings.

14 MS. SHEALS: And that's my experience
15 too.

16 COMMISSIONER LEVI: Isn't -- wouldn't you
17 agree there's some kind of assumption that over a
18 period of time the jobs that are created there are
19 going to be sustained after the construction is over
20 and people are employed there?

21 MS. SHEALS: Yeah.

22 COMMISSIONER LEVI: But there's no -- as
23 far as I know there's no requirement that X percent
24 of the dollars be spent on residential and Y on --

25 MS. SHEALS: No.

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

1 COMMISSIONER LEVI: -- commercial. Would
2 you -- would that make any sense to you?

3 MS. SHEALS: Possibly.

4 COMMISSIONER LEVI: Do you have any idea
5 how you would divide that, if it would make sense?
6 Maybe even if it was geographically divided because
7 the rural areas might be a completely --

8 MS. SHEALS: Yeah.

9 COMMISSIONER LEVI: -- different story.

10 MS. SHEALS: It could -- that's it, it's
11 very -- it's something to look at. It's -- how you
12 divide it up. Because, and we found this with
13 small -- what we call the small deal exemption when
14 they put the cap on it was that we found that the
15 small projects, even small commercial or residential
16 tend to be smaller projects, under 250 in credits.
17 Those don't have a big hit on the budget, as big a
18 hit as a \$10 million rehab, but numberwise they're
19 pretty high. So you have a lot of projects working
20 for a lower outlay of state funds.

21 COMMISSIONER LEVI: But then suppose you
22 separated out those small projects and then said for
23 the nonsmall, the larger projects there would a
24 priority from the State to spend more historic
25 preservation tax credit dollars on commercial versus

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

1 residential development with the notion that over a
2 period of time it's going to --

3 MS. SHEALS: You're going to get more
4 jobs, more --

5 COMMISSIONER LEVI: -- create some more
6 jobs, more revenue --

7 MS. SHEALS: -- retail jobs --

8 COMMISSIONER LEVI: -- for the State, it's
9 a greater return.

10 MS. SHEALS: I can understand that
11 logic. I certainly don't want to let my homeowners
12 out in the cold, but.

13 COMMISSIONER LEVI: We're not suggesting
14 that.

15 MS. SHEALS: But it does make sense.

16 CHAIRPERSON STOGEL: Do you consider a
17 loft project that is going to be rental down by Union
18 Station commercial or residential?

19 COMMISSIONER LEVI: I would consider that
20 residential.

21 MS. SHEALS: That's bringing a lot of
22 people into your -- see, you know, it's a very
23 slippery slope.

24 COMMISSIONER LEVI: It's hard to find a
25 clear line, but just philosophically to say that

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

1 there's going to be a longer term return to the State
2 for commercial properties than historic properties --
3 than residential properties, maybe there needs to be
4 some thought given to philosophically how you
5 implement that. I'm not prepared to do that.

6 CHAIRPERSON STOGEL: Nor am I, but
7 there's the single family home, there's the large
8 loft projects, and then there's buildings that are
9 just commercial, so I mean, it's not a simple
10 chemistry.

11 COMMISSIONER LEVI: No, it's not.

12 MS. SHEALS: And those big loft projects
13 breathe lots of life into areas that need it and they
14 create a need for jobs.

15 COMMISSIONER VAN MATRE: Why not if
16 they're so advantageous then, give the credit to
17 anybody who's building in that location as opposed to
18 the type of construction?

19 MS. SHEALS: That's a way to do it. It's
20 a whole different creature. I think preservation's
21 proven to be a good tool and a good framework.

22 COMMISSIONER VAN MATRE: It's a lot more
23 expensive though in terms of just starting from
24 scratch.

25 MS. SHEALS: It's more labor intensive.

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

1 It is more expensive, but --

2 COMMISSIONER VAN MATRE: I mean, if the
3 goal is housing and a location that's going to bring
4 in jobs, wouldn't we be better off with more housing
5 for the dollars spent?

6 MS. SHEALS: I don't think so. I think
7 historic resources have a place. And I think you're
8 going to get a more exciting downtown, you're going
9 to get a more, you know -- that raw material is an
10 important part of that mix and I think --

11 COMMISSIONER STILL: Cool people like it
12 better.

13 MS. SHEALS: Yeah. There you go.

14 COMMISSIONER VAN MATRE: So --

15 MS. SHEALS: I like that. Can I use
16 that?

17 COMMISSIONER VAN MATRE: And that's
18 fine --

19 MS. SHEALS: It is more fun. I mean,
20 I've had kids from the university say, you know, I
21 love the downtown, that was the one of the reasons I
22 came here. There's lots of intangibles there and
23 that's -- this is a proven program that has shown
24 itself to work and to work -- you know, it's not
25 easy. People that do it don't -- I mean, we do it

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

1 because we love it, we're not getting rich.

2 COMMISSIONER VAN MATRE: Well, nobody's
3 getting rich on this panel doing this either, but --
4 but the issue is how do you spend state -- scarce
5 state resources? And so to the people who say to me,
6 That \$180 million is going to be spent on historic
7 tax credits that accrue to the benefit of already
8 relatively wealthy people --

9 MS. SHEALS: No, no. I -- that's --

10 COMMISSIONER VAN MATRE: -- instead of --

11 MS. SHEALS: You know --

12 COMMISSIONER VAN MATRE: Let me finish my
13 question.

14 MS. SHEALS: Okay.

15 COMMISSIONER VAN MATRE: Instead of
16 allocating it to the Department of Elementary and
17 Secondary Education so we can hire teachers --

18 MS. SHEALS: Okay.

19 COMMISSIONER VAN MATRE: -- it's more
20 important to spend it on these buildings?

21 MS. SHEALS: No, no. Honestly if I
22 thought historic tax credits were killing education,
23 I would be out of here. I cannot more strongly
24 support public education. We are incenting
25 investment in the right kind of places.

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

1 The -- you know, okay, one developer got
2 the credits on that \$10 million project. The workers
3 for that project worked all over. And Susan Hart,
4 who's here today, can tell you, she's a contractor,
5 about where those workers are. I got a very small
6 piece of it; the accountant got a small piece of it.
7 And I'm telling you, I'm not a wealthy person and I
8 never will be when I do this, but I love what I do.

9 A lot of people -- we've developed a
10 whole industry of this. This doesn't help just one
11 guy that got those credits. It brought that private
12 investment in. You guys got -- you, I mean as the
13 State, as the Department of Economic Development, got
14 somebody to spend several million dollars on Dunklin
15 Street in downtown Jefferson City in the height of
16 the recession, when nothing else was going on. These
17 guys were able to go in there and make a huge
18 difference on that block and bring in jobs, bring in
19 housing, bring in spin-off development that they
20 simply would not have --

21 COMMISSIONER STILL: What project was
22 that?

23 MS. SHEALS: It's right around the corner
24 from Central Dairy on that block of Dunklin Street.
25 They've done two and they're working on another one

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

1 now.

2 COMMISSIONER STILL: It's residential or?

3 MS. SHEALS: It's retail on the ground
4 floor and residential above. They've been empty or
5 even worse than empty some of them. We've really
6 increased the level of use.

7 COMMISSIONER VAN MATRE: well, if it is
8 that choice -- that's the thing, the legislature's
9 got to make that choice. You've got 180 million you
10 can spend on historic or X. Where does historic fit
11 in that priority?

12 MS. SHEALS: The historic I'm hoping is
13 paying for itself. The studies seem to indicate that
14 it's paying its way. You know, you guys see that
15 figure of 180 million out here, I see my guy in
16 Springfield who in 2006 started spending money and
17 he's spent \$10 million before he gets here to get two
18 million out of that. So if he's been spending that
19 money and he's been paying his taxes, his employees
20 have been paying his taxes, he's been buying
21 materials, there's been money pumped into this
22 economy for the four years that program -- that
23 project's been going on. It's -- and those people
24 have kids.

25 And the -- I'd love to see, and I wanted

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

1 to have the time to see how much our property taxes
2 have gone up in downtown Columbia alone and gone
3 therefore to the school system because of the
4 increase in property values in downtown Columbia and
5 other places.

6 I've done a lot of work in Springfield.
7 Just about a renaissance in downtown Springfield has
8 come about because of that. So that increase in
9 property taxes is helping with education. It's not
10 an either/or. I really don't believe it is.

11 CHAIRPERSON GROSS: Okay. We appreciate
12 your testifying.

13 MS. SHEALS: Thank you very much.

14 CHAIRPERSON GROSS: Hopefully we'll get
15 two more in before six o'clock. Susan Hart.

16 CHAIRPERSON STOGEL: We'll try to get two
17 in by 6:00.

18 MS. HART: Okay.

19 CHAIRPERSON STOGEL: So just -- we'll
20 try to keep to the schedule and then we'll reconvene
21 at 7:00.

22 MS. HART: My name is Susan Hart,
23 H-a-r-t. I am vice president of Huebert Builders,
24 we're a commercial general contractor located in
25 Columbia, Missouri.

Susan Hart Historic Testimony

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

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11 CHAIRPERSON GROSS: Okay. We appreciate
12 your testifying.

13 MS. SHEALS: Thank you very much.

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18 MS. HART: Okay.

19 CHAIRPERSON STOGEL: So just -- we'll
20 try to keep to the schedule and then we'll reconvene
21 at 7:00.

22 MS. HART: My name is Susan Hart,
23 H-a-r-t. I am vice president of Huebert Builders,
24 we're a commercial general contractor located in
25 Columbia, Missouri.

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

1 I'm here to address the commission with
2 my experience as a small business owner who does
3 historic tax credit construction work. I don't
4 receive tax credits, I'm not the owner, I'm not a
5 developer. I'm a business that benefits and -- and
6 exists in Missouri because of the historic tax credit
7 project.

8 I want to discuss an actual project today
9 because I think that helps sometimes for commissions
10 to understand sometimes where we talk about these
11 other aspects that are created from a tax credit.
12 The project that I'm going to talk about was a full
13 rehab of a 35,000 square foot building, three story,
14 1920's warehouse that was located at the corner of
15 Orr and Walnut. It was underutilized, mostly
16 vacant. There was some retail on the lower level.
17 It's now a vibrant, three-story building. It has a
18 new business that occupies the lower level, a 10,000
19 square foot new fitness facility. The ground level
20 is -- the main level is for commercial and retail
21 which is about 50 percent leased and it is for an
22 office that's moving in. And then there's 12
23 apartments on the upper floor. That project, total
24 project cost was five million for that project, and
25 of that five million, three million is eligible

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

1 expenses which are considered for the tax credits.

2 Today I went through so I could speak
3 intelligently about it and accurately. I went
4 through my accounting records, and of that 3 million
5 in eligible construction cost, right at \$1 million
6 was spent on construction labor. Now, what's
7 important to remember about that is that occurred
8 during the time period of October 2007 to December
9 2009. And the majority of that work occurred when it
10 was the severest portion of the economic downturn,
11 during November and December of 2008. There were
12 very few other private funded equity projects going
13 on in central Missouri, much less in Columbia. And
14 fortunately we bid on the project and were awarded
15 that project and worked on it.

16 while our competitors were laying off
17 employees that they had hired for 15 or 20 years, had
18 been on their rolls, we were keeping ours and
19 maintaining our employee census as well as we, in
20 fact, in December 2008 we increased our payrolls that
21 month. It was really unheard of if you can even
22 remember how it was during that time. And it wasn't
23 only for our carpenters and laborers and our actual
24 employees, but the electricians and the plumbers and
25 all the other people that it kept their workers

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

1 working and off the employment rolls. I think that's
2 an important thing to remember. When I write that
3 unemployment tax expense every quarter, it's
4 important to remember keeping people off the
5 unemployment is important.

6 There were other things that you don't
7 think about that's hard to put in a REMI model or all
8 these other models. But what about -- I talked to
9 the owner of the lumberyard and he was -- he did not
10 lay off a shopman that he had had working for him for
11 like 18 years because of all the materials we bought.
12 And there were doors, 90 doors that he prepped and
13 worked on, it kept him busy for three or four weeks,
14 so that provided labor and another person during that
15 time.

16 Many times discussion of tax credit
17 reform and tax credits centers around about, how is
18 this creating new jobs. Big fancy projects come into
19 town, they're new, there are going to be new jobs.
20 But what about the people that have been working and
21 keeping them on the employment rolls? I think that's
22 very important to me as a taxpayer and to a small
23 business owner.

24 I also want to talk about the oversight.
25 A lot of times people talk about, oh, there's not

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

1 oversight on this project. And I -- before I was
2 part of this construction company, I was an auditor
3 with Deloitte and Touche in the St. Louis office and
4 I worked on SEC financial audits even. I can tell
5 you the Department of Economic Development does a
6 wonderful job -- as a Missouri taxpayer I'm talking
7 now -- they do a very good job of scrutinizing the
8 expenses. I am an unrelated commercial general
9 contractor on these projects. I am subject to
10 scrutiny also on those. On that \$3 million project I
11 have had to rationalize and prove and show as little
12 as \$137 expense to show that it's not a duplication,
13 that the taxpayers are not paying for it twice on
14 those. And I commend the Department of Economic
15 Development because they do a good job. As a
16 Missouri taxpayer I'm talking, they do a great job of
17 watching those dollars.

18 In closing I'd just ask the Commission to
19 carefully review this historic tax credit and just
20 learn the facts about it. There's a lot of political
21 rhetoric out there about the project -- about the
22 program, and I just ask that you look. I would even
23 suggest that you would work with DED and take one of
24 the projects and look at the process that it goes
25 through and the timing of the process and when the

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

1 process starts. Even before I come on site to do
2 construction, how many years ahead of that has the
3 developer been working with the banks and the
4 financing to put their equity package together and
5 then we start construction and then do all the work.
6 It's a long process, even on smaller commercial
7 projects.

8 So I thank you for the chance to speak
9 today.

10 CHAIRPERSON GROSS: Thank you. Any
11 questions?

12 COMMISSIONER WOOD: Is that process --
13 sorry, real quick. Is that the process you talked
14 about, that it becomes under the appropriations
15 process, you know, the years they put their financing
16 together, that's where uncertainty comes in --

17 MS. HART: I think that's --

18 COMMISSIONER WOOD: -- right? I mean,
19 that's what I --

20 MS. HART: Right.

21 COMMISSIONER WOOD: -- thought you
22 explained earlier.

23 MS. HART: Right, that is. And I have to
24 tell you, it makes -- it saddens me greatly and when
25 the governor's office came out and pitted -- I mean,

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

1 pitted the historic tax credit and the education
2 thing, it was a very, very upsetting thing. I have
3 dear, dear friends, people in my life that are part
4 of education. And this is a heated discussion I have
5 and I've lost good friends over it and it is an ugly,
6 ugly argument to have.

7 And it is -- it is so important when you
8 talk -- like when I like to my educating friends --
9 to educators, my teacher friends that are working
10 wages at, you know, the \$40,000 a year teacher that's
11 like, why you got all that money. I talk about,
12 well, you realize three years ago that developer had
13 to figure out if he was going to buy that building,
14 he had to get the plans together, he can't wait. The
15 banks aren't even going to look at that job if they
16 don't -- if part of the 20 percent of that project is
17 uncertain. How do we do that? And you know, I've
18 tried to think through that as an accountant, how
19 could you do that, how could you do appropriations or
20 some form of appropriation and still make it work,
21 and I don't have the answer for that unfortunately.
22 I'm not sure who does.

23 CHAIRPERSON GROSS: We're working on it.

24 COMMISSIONER STILL: Are there any wage
25 requirements? Do you have to pay a certain wage or

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

1 anything?

2 THE WITNESS: No. These are not subject
3 to prevailing wage. They're not. But I have to tell
4 you via the nature of the work a lot of times, that
5 the projects have a higher scale of pay rate because
6 it's a more qualified, more technical type of work
7 that occurs.

8 And like when we were talking, when
9 Mr. Van Matre was talking earlier about new
10 construction, it's a lot different type of
11 construction worker in the state of Missouri that
12 does a stick frame building, you know, throws it up
13 in the middle of the day than it is a -- a plasterer
14 that's trained to do plaster patch and repair. Some
15 of those old world trades that we're maintaining.
16 And that's just -- there is -- if you analyze it,
17 there's a higher wage paid.

18 Like on the Missouri Theater, I did
19 analyze. There were over six or seven union trades
20 represented on that job, and that usually shows you
21 that that job was bid, you know, open -- open to all
22 trades, open to nonunion, union. And a lot of union
23 contractors were successful because it was completed
24 and took a more type of labor intensive work. In
25 fact I estimate labor to be 30 percent, sometimes

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

1 even as much as 50 percent on a historic tax credit
2 project as opposed to just a new stick frame building
3 which could go as low as 25 percent on labor.

4 Yes, Mr. Van Matre.

5 COMMISSIONER VAN MATRE: But you don't
6 have any suggestions as to how the program should be
7 changed?

8 MS. HART: I think two years ago under
9 House Bill 191, we kind of went through the pre--
10 like, because it was such a big number, the historic
11 tax credit, it was -- it was something has to be
12 done. I was not present at those meetings, but I
13 know Deb Sheals and the then director of Economic
14 Development and everyone were working together to
15 craft new legislation, and that's the House Bill 191
16 that's talked about. And there were things enacted
17 in that legislation that we see working now, that we
18 see changes that have been occurring since that
19 legislative period.

20 We kind of were on the prereform that was
21 occurring because, you know, we had a group of
22 senators legislators that were saying, let's look at
23 these historic tax credits. So everyone came to the
24 table and started talking about it. It would be good
25 for the commission I think to have that information

TRANSCRIPT OF PUBLIC MEETING 09-28-2010

1 on what that looked like before House Bill 191 and
2 what occurred since then. I think that -- I'm not
3 able to provide that information, I can't speak to it
4 specifically, but I think that would be important if
5 I was on the commission to analyze and look at that.

6 CHAIRPERSON GROSS: We're going to --
7 thank you very much.

8 MS. HART: Thank you.

9 CHAIRPERSON GROSS: Take a recess and
10 come back at seven o'clock.

11 (Off the record.)

12 CHAIRPERSON GROSS. Okay. Let's come back to
13 order and continue with our public testimony. Again,
14 remember that all comments are being recorded and
15 will be transcribed and available later on our
16 website, tcr.mo.gov. We'll go until nine o'clock or
17 we run out of speakers, whichever comes first. And
18 with that, we'll move on to Christine Bradley.

19 MS. BRADLEY: It's actually Christina.

20 CHAIRPERSON GROSS: Christina, sorry.

21 MS. BRADLEY: Christina Bradley,
22 B-r-a-d-l-e-y. I'm here from Bethel Ridge Estates on
23 behalf of Fairway Management. Some of my residents
24 have already gone home, they did not survive the
25 break, but I did have -- I have three of them to come