

**St. Joseph
Economic Development Testimony
9-13-10**

1 members, numbers of clients served, number of
2 volunteers, so we're really struggling for how do you
3 assess social programs.

4 We have a committee formed for contribution
5 programs, social programs, and your particular credit
6 program is assigned to that one and it's Senator Jolie
7 Justus from this side of the State and Bill Hall from
8 the Hall Family Foundation. So if you give me your
9 card, we'll get your information on to them, your
10 comments to them would be appreciated.

11 MR. FISHER: Okay, sir, we'll do that.

12 SENATOR GROSS: Any other questions or
13 comments? Thanks for being here, Mr. Fisher. Next on
14 the list is - is it Brad Lau?

15 MR. LAU: Yes.

16 SENATOR GROSS: Alright. Welcome, Mr. Lau.

17 MR. LAU: Thank you.

18 SENATOR GROSS: Please go ahead and state
19 your name so that she can get you on the record and
20 proceed.

21 MR. LAU: It's Brad Lau with the St. Joseph
22 Area Chamber of Commerce. And the St. Joseph Area
23 Chamber of Commerce serves as the lead economic
24 development agency for the community of St. Joseph.
25 We contract with the City and the County for economic

1 development services, and I'm here to testify on
2 behalf of the enhanced enterprise zone. I'm not sure
3 if the Missouri Quality Jobs Program is a part of this
4 review, but also the various different historic tax
5 credits, as well.

6 As an economic development professional, I
7 can say that any incentive program is critical to our
8 competitiveness in being able to compete with other
9 communities and especially other states, because,
10 basically, in the State of Missouri, if we're
11 competing with Kansas City or another state in
12 Missouri, the playing field is level.

13 But when we're competing with states like
14 Texas and other areas, those state programs are
15 critical to us being able to put together an incentive
16 package that may attract that company to St. Joseph.
17 And it's not only a main factor of attracting that
18 company to St. Joseph, but it may also be an expansion
19 of a local business where we're competing.

20 For instance, Nestle Purina, they may be
21 looking at other communities where they have factories
22 and we're competing with those particular communities
23 for expansion opportunities, and so those State
24 dollars are critical to us being able to bring that
25 expansion to St. Joseph and to Missouri.

1 SENATOR GROSS: Is it more that we need to
2 increase caps or eligibility for existing programs or
3 do you think the State is totally missing - are we
4 missing an incentive, a tool that somebody talked
5 about at our last meeting, completely, that puts us at
6 a disadvantage to either Kansas or-

7 MR. LAU: Well, I certainly wouldn't want to
8 take any tools away from the Missouri tool box, but
9 where we are missing a tool is on the cash front. You
10 know tax credits are great. You have tax liability
11 and if you're able to sell those tax credits if you
12 don't have a tax liability, but when you're working
13 with - competing against other states, for instance,
14 the State of Kansas, and it could be the Kansas
15 Biotech Authority that they have - they have a cash
16 fund where they can put cash dollars up front. You
17 know, that often makes a difference in our ability to
18 compete.

19 We're currently, the State of Missouri is
20 currently trying to compete with the State of Texas on
21 a rather large attraction project. And you know, the
22 State of Texas is known for having a rather large cash
23 war chest for economic development incentives and
24 about the only thing that the State of Missouri was
25 able to put on the table besides the Missouri Quality

1 Jobs Program was the Recovery Zone bonds that were
 2 issued to the State of Missouri. But there again,
 3 that's not, you know, cash up front. It's financing
 4 over a period of time with interest savings.

5 So I think if there was the ability to have
 6 a program where you could put cash up front, a lot of
 7 times, that would make a difference.

8 SENATOR GROSS: Thank you. Anybody else,
 9 questions?

10 MR. STOGEL: In terms of the tool box phrase
 11 we heard this morning, for economic development, if
 12 you could write a perfect script, what would you -
 13 besides cash up front, what would you do with the
 14 existing programs?

15 MR. LAU: You know, I think the Missouri
 16 Quality Jobs Program is a great program.
 17 Unfortunately, a lot of times, it's difficult to find
 18 a project, especially in a community our size, that is
 19 able to meet those criteria. In other words, the
 20 numbers of jobs creation, the average annual salaries
 21 that have to be met, so sometimes for us, we miss out
 22 on being able to compete for those larger projects.
 23 And the nice thing about that particular project is
 24 that you do have a greater sense of incentives are
 25 available there.

HEARING 9/13/2010

1 On the Missouri Enhanced Enterprise Zone,
 2 you know, I think the levels are relatively - are
 3 good. We're able to, you know, new jobs are an
 4 investment of \$100,000, so that does allow us to offer
 5 that to a lot of small expanding companies. But
 6 sometimes it's not a large dollar figure, so if you
 7 could maybe increase those percentages.

8 You know, a lot of times on a small
 9 project, especially when you're looking at a local
 10 business that's looking at expanding, you know, those
 11 dollars - it seems a little - you know, maybe if you
 12 could weight those a little bit more for smaller
 13 projects, that that might be something to look at.

14 MR. KOMO: You said - I mean the closing -
 15 which Missouri - we don't have the ability to do that
 16 even if we wanted to. You know, we just don't have
 17 that ability in Missouri, but you brought up the
 18 quality jobs part. Are you saying that you'd want it
 19 - I mean expand it to where it can take - is the
 20 problem we're having with the smaller businesses -
 21 bigger ones are taking all the funding? I mean, I
 22 guess explain-

23 MR. LAU: Well, no, it's - I believe and,
 24 Sally, you probably know these details better than I
 25 do, but I think it's a minimum of 40 jobs that you

1 have to create-

2 MS. HEMENWAY: Forty jobs in urban areas,
3 twenty jobs in rural areas in order to qualify.

4 MR. LAU: Yeah, and a lot of times we just
5 don't have that large of a project.

6 MS. HEMENWAY: And then those jobs have to
7 pay at least a county average wage.

8 MR. LAU: We usually aren't able to qualify
9 for that program enough; if we do, I have get the regs
10 out or I have to call on someone. So, you know, if
11 you could reduce the numbers, that might - that would-

12 MR. KOMO: So it's really not the county
13 average wage issue or nothing like that? It's more
14 the number of being qualified?

15 MR. LAU: Right. And for instance, like the
16 - I think there was a special program for what data
17 centers and so forth a lot of times will fall into.
18 You know, we just done have, being a small rural, or a
19 smaller community, we don't have the existing
20 buildings, we don't have the infrastructure, sometimes
21 for those type projects that are going to create that
22 number of jobs. And so looking at reducing those
23 numbers for the smaller communities would be
24 beneficial.

25 MR. KOMO: Well, just thinking outside the

HEARING 9/13/2010

Page 25

1 box a little bit, I mean bundling projects, I mean if
2 you had 20 here and 30 there equaling 50, I mean
3 something like that, would that help?

4 MR. LAU: Probably not really, because a lot
5 of times, your projects come in at a sporadic basis
6 and I don't know how we would be able to do that.

7 MR. KOMO: I'm just trying to think of, you
8 know, a program that - I think you agree. I mean this
9 is a good program. How do we utilize that to look at
10 can it be expanded, what can we do-

11 MR. LAU: Right. And I think where we fall
12 out of the category a lot of times is that our
13 projects just aren't large enough to be able to meet
14 the criteria, and when you look at what that program
15 is trying to do, in essence, the new jobs that are
16 being created, the employer has to maintain those
17 State revenues from the earnings tax or the - not
18 earnings tax, but the income tax, and so if those jobs
19 weren't being created, very possible that they're new
20 jobs, that the State wouldn't be collecting that
21 revenue anyhow, so if you could have smaller projects,
22 it would probably help us.

23 MR. STOGEL: Are you saying the - I assume
24 you're in the twenty new jobs category. Is the
25 number, is the right number ten, twelve, fifteen?

HEARING 9/13/2010

1 MR. LAU: It's 40.

2 MR. STOGEL: I mean, if you could write a
3 perfect script for St. Joe, what would you do? What
4 would the number be and which category would you like
5 to be in? Kansas City has both a first class city and
6 rural designation. That probably dates back to Mr.
7 Pendergast, but what would St. Joe like, because most
8 of the businesses in America are under 25 employees.

9 MR. LAU: Yeah, I think under twenty would
10 be great and then it would help us with a lot of our
11 local expansion projects anyhow.

12 MR. STOGEL: Is that more important than the
13 county wage average issue?

14 MR. LAU: I think so, yes.

15 SENATOR GROSS: Any other questions? Thank
16 you for being here.

17 MR. LAU: Thank you.

18 SENATOR GROSS: Next. I'm not sure if you
19 wanted to testify - Pat Conway?

20 UNKNOWN: He's gone.

21 SENATOR GROSS: Oh, he left. Okay, then
22 next is nobody on that list. On this list, Bob
23 Springate?

24 DR. SPRINGATE: Bob Springate with Missouri
25 Baptist Children's Home. Thank you. I appreciate the

1 the parts of the State. But it's got about 900
2 million dollars expected redemptions or more-

3 MR. LEYLAND: Yes.

4 MR. STOGEL: -between now and FY-18.
5 That's a very big number when you-

6 MR. LEYLAND: Big.

7 MR. STOGEL: -6 billion dollars in general
8 obligation debt. We really hope that the committee
9 headed by Mark will come back with some exciting new
10 ideas to make it more effective so it can continue in
11 a stronger fashion. Anybody else? Mark and I would
12 like you to include any constructive comments that you
13 have to Mark.

14 MR. LEYLAND: Thank you. They've done
15 remarkable work here in our communities. Thank you.

16 MR. STOGEL: Any questions of us sir?

17 MR. LEYLAND: No, I don't have any. Thank
18 you.

19 SENATOR GROSS: Thanks for coming.

20 MR. LEYLAND: Thank you.

21 SENATOR GROSS: Next, Gary Clapp. Mr.
22 Clapp, we're glad you're here.

23 MR. CLAPP: Hi.

24 SENATOR GROSS: State your name for the
25 record and proceed.

HEARING 9/13/2010

Page 70

1 MR. CLAPP: My name is Gary Clapp and I'm
2 the President and CEO of the Institute for Industrial
3 and Applied Life Sciences. We are a Missouri
4 Innovation Center and we run the Kit Bond Science and
5 Technology Incubator on the campus of Missouri Western
6 State University. So you probably saw the building as
7 you came up I-29.

8 MR. STOGEL: I did.

9 MR. CLAPP: That is an EDA funded facility
10 that Missouri Western matched with some dollars and
11 some land and some other assets and then the Institute
12 for Industrial and Applied Life Sciences came in and
13 helped finish the facility with its own money.

14 I'm here today - I don't have any prepared
15 remarks, so I'm just here to sort of talk for a few
16 minutes and I see I've got ten minutes, so I won't do
17 it in ten, I'll do it in less.

18 As an incubator and what we're trying to be
19 is an economic engine for our community, in that we
20 would incubate small businesses as they grow. There
21 is a small business incubator tax credit that is
22 available through the program; right, Sally?

23 MS. HEMENWAY: Right.

24 MR. CLAPP: About a half a million dollars
25 is available each year through the program. We are a

Clapp (cont.)

HEARING 9/13/2010

1 certified State incubator, State of Missouri
2 incubator. I believe there are fourteen other ones -
3 thirteen other ones in the State and we all vie for
4 that half a million dollars of tax credits that can be
5 used to gain donations from our partners in order to
6 improve the services we offer.

7 MR. STOGEL: Is this a contribution type
8 credit?

9 MS. HEMENWAY: Yeah, it's a 50 percent
10 contribution credit.

11 MR. STOGEL: Okay, 50?

12 MR. CLAPP: Okay, and so we apply for those
13 each year as we think they're fairly important. We
14 don't think they're as well funded as they should be,
15 but we understand the economic pressures that the
16 State and everybody has put on - under right now. In
17 order to support small business and economic
18 development, we think that these are important tax
19 credits and we'd like to make sure that our voice is
20 heard when it comes to those. So that's my first
21 statement.

22 I believe that I've heard over the last ten
23 years that no true real growth in jobs has been
24 yielded at the big - at the larger company levels, and
25 that small business has been the engine in which we

1 have generated new job growth and I would strongly
2 support any sort of program that would help Missouri
3 with its infrastructure to support that job growth
4 through small business and innovation activities. I
5 think that's very important and that's certainly near
6 and dear to my heart.

7 The two things that have to make that
8 happen, the structure from regard - the structure in
9 regard to resources such as capital, both human as
10 well as dollar capital. Human resources are equally
11 important and many of our programs also support the
12 education of applied life science activities like we
13 have in our particular laboratory. And I also wanted
14 to sure that you're aware of those activities.

15 MR. STOGEL: Is your incubator like the
16 Center for Emerging Technologies in St. Louis?

17 MR. CLAPP: We are one of that crew, yes, we
18 are.

19 MR. STOGEL: And there are fourteen of them
20 in the State?

21 MR. CLAPP: I think there are fourteen at
22 the time.

23 MR. STOGEL: The number of certificates
24 having been issued in the last three years are 29, 34,
25 and 28 for projects - five projects in 2007, five

1 projects in 2008, three projects in 2009, and an
2 estimated five projects. So are the credits just
3 divided by five out of the fourteen?

4 MR. CLAPP: I'm not familiar with the
5 mechanism by which their - I mean we made application
6 this year to the ED through MTC, so it seems to be
7 that we're a brand new one.

8 MR. STOGEL: Okay.

9 MR. CLAPP: We didn't yield any tax credits
10 this year, so I can't tell you how that works.

11 MR. STOGEL: Give us some examples of the
12 incubators you have, companies that are in your
13 incubator.

14 MR. CLAPP: I've got a company called Imulan
15 Biotherapeutics that's been in our incubator. DT
16 Search and Design is in our incubator. I've got a
17 company call New Functional Polymers in our incubator
18 and then I have three companies that haven't named
19 themselves yet because they are working out of their
20 garage yet and they come up to work in our facility at
21 odd times so that we can get them sort of out of their
22 house and get them started in locations.

23 MR. STOGEL: And how many square feet are
24 there?

25 MR. CLAPP: We have 25,000 square feet. We

1 have two anchor tenants, one of which is Boehringer
2 Ingelheim has some space there and we also have the
3 United States Animal Health Association who rents
4 about 1,000 square feet from us and then my facility
5 which also does training. I have a training
6 laboratory. I think there's a second program I'd like
7 to just - unless you want further questions about
8 those tax credits.

9 MR. STOGEL: Is anybody in the State,
10 whether it's fourteen or some other number of
11 incubators, the Center for Emerging Technology keeps
12 talking about one company that it started that is now-

13 MR. CLAPP: Stereotaxis?

14 MR. STOGEL: Stereotaxis. I keep reading
15 about them in the Business Journal. Are there other
16 examples of incubators that have actually incubated?

17 MR. CLAPP: Incubators started - I was
18 telling my - in 1960, incubators got started basically
19 out of New York and there are now about 1,800 of them
20 across the United States. There are various degrees
21 of success. Some of the models that are most
22 successful probably come out of University of Texas,
23 Austin, where Joel, from Johnson County - I can't
24 remember the name of it now, from down in Johnson
25 County, where Joel runs his little show down there.

1 Mid America Angels also a part of that - Enterprise
2 Center of Johnson County - probably have some of the
3 most successful activities that come out of those
4 incubation activities.

5 There's actually a National Business
6 Incubator Association that's now supportive of all
7 these incubators. They're now an organized group.

8 MR. STOGEL: My question was more - you said
9 Stereotaxis is one of other examples of companies that
10 have started in garages and moved to incubators here
11 to other stuff, or is it too early in the cycle?

12 MR. CLAPP: Well, it's fairly early in our
13 cycle, but we do have one that actually made money
14 last year and it was about three and a half million
15 dollars worth of sales and that's that DT Search and
16 Designs. Been in business for about seven years.

17 They're a classic model of how it takes you
18 from basically five years to get known and then how
19 you come out of that "valley of death" they call it
20 and you start forward and you actually start having
21 sales and eventually, profit. They became profitable,
22 in 09 on 3.3 million dollars in sales.

23 MR. STOGEL: How many employees?

24 MR. CLAPP: There's five employees right
25 now; probably looking at doubling that over the next

1 two years.

2 MR. STOGEL: It would be helpful if you and
3 your colleagues in incubator work could, you know, get
4 us some information about how we can create jobs,
5 because one of the Commission's charges from the
6 Governor is to figure out how to get new jobs created.

7 MR. CLAPP: That's a great question, Mr.
8 Chairman. I'd be happy to get that information from
9 our other incubator partners. Annually, we're
10 required to submit that information to MTC and through
11 that, to DED and I'm sure we can get you those hard
12 fact numbers.

13 MR. STOGEL: -who's a Commission member is
14 in charge of the economic development committee.

15 MR. CLAPP: Okay.

16 MR. STOGEL: This tax credit is assigned to
17 Pete's committee.

18 MR. CLAPP: Okay.

19 MR. STOGEL: So like we had with the prior
20 gentleman-

21 MR. CLAPP: I'd be happy to get-

22 MR. STOGEL: -in getting the information.
23 We met with Pete again this morning and some other
24 folks at Kansas City and it's all about job creation
25 for them.

1 MR. CLAPP: Excellent. Thank you for that
2 information. I'll make sure I get that information to
3 Pete.

4 If I could make one other comment. There's
5 a fairly large pharmaceutical, animal health
6 pharmaceutical company, in this community, called
7 Boehringer Ingelheim Vet Medica.

8 SENATOR GROSS: What's it called, sir?

9 MR. CLAPP: Boehringer Ingelheim Vet Medica.
10 They're just down the street and I have some of their
11 R&D people in my facility. A basic research activity
12 that they perform is fairly valuable to their forward
13 looking motion for efficacious studies for animals and
14 one of the tax credits they take advantage of is the
15 research and development tax credit, where they would
16 actually use that for that credit for doing research
17 and activities to develop a personal product.

18 MR. STOGEL: It's not the research and
19 development tax credit-

20 MS. HEMENWAY: But they think they're
21 getting research dollars from the feds. I'd have to
22 look and see if they actually got the State's research
23 tax credit. Gary?

24 MR. CLAPP: I'm not sure if they do. They
25 represent about 800 employees in this community, a

1 fairly good sized company. I have their research
2 people in my building. If that tax credit were made
3 available or to go away, that would be to their
4 advantage and it's certainly easier to keep a company
5 that's already here than to attract one from another
6 location or to grow one, even, has been very
7 difficult.

8 MR. STOGEL: Well, when you talk to Pete,
9 the conversations that seem to be percolating are
10 focused on the quality jobs and I don't come from that
11 background. I have a sense - I report there's a sense
12 of enthusiasm that if quality jobs tweak, push, pull
13 in a little different directions, it could actually
14 help compel that growth and stay here, because a lot
15 of the research and development activities might end
16 up being in the gutter for qualification.

17 Because the economic development of quality
18 jobs pencils on the models we're now learning with the
19 Remy(ph) model to be quite a significant payback for
20 the State. So Pete's in charge of jobs-

21 MR. CLAPP: Pete's another - Pete's my man.

22 MR. STOGEL: Pete's your guy. But all those
23 things are economic development. One of the charges
24 of the Commission is to try to use credits to create
25 new jobs so we would appreciate for you to call Pete.

Clapp(cont.)

HEARING 9/13/2010

1 MR. CLAPP: I will take your recommendation
2 under consideration.

3 MR. STOGEL: If my Co-Chair and I agree,
4 that's where you should be going.

5 MR. CLAPP: Excellent. Quality jobs - I
6 will say quality jobs is one of the economic tools
7 that St. Joseph has exercised when it does have the
8 opportunity to try to attract a new organization or
9 attract an organization to retain or attain pieces of
10 property in Missouri. And we use that tool very
11 effectively, as best we can, and we do partner with
12 the State in order to make that a success. And the
13 competition is getting stronger every year from our
14 neighboring states.

15 MR. STOGEL: We heard that in Kansas City
16 which has to compete against the - and that's Kansas
17 City, but Pete's your guy.

18 MR. CLAPP: Okay.

19 MR. STOGEL: And we would appreciate you
20 working with him.

21 MR. CLAPP: Thank you.

22 MR. STOGEL: Thank you.

23 MR. CLAPP: Anything else?

24 SENATOR GROSS: Thank you very much for
25 being here.

HEARING 9/13/2010

1 MR. CLAPP: My pleasure.

2 SENATOR GROSS: Anyone else? Jennifer, do
3 you want to come? We stand in recess.

4 (WHEREIN, a recess was taken.)

5 SENATOR GROSS: I'm going to move that we
6 stand adjourned.

7 MR. STOGEL: Second.

8 SENATOR GROSS: We are adjourned.

9 (WHEREIN, the Meeting/Hearing is concluded
10 at 7:30 p.m.)

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25