

St. Louis
Distressed Communities Testimony
9-21-10

Bob Puskas Addressed Communities Testimony

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1 perspective?

2 MR. ROBISON: Well, this program has
3 been in place for about 20 years, and it's -- it's funded
4 actually through withholding tax created by the new jobs.
5 The money last year was a training program, our program
6 that the Governor authorized which was accelerated training
7 programs in March. That program is kind of tied to
8 employers with this skilled upgraded dislocated workers.

9 So it's two separate programs. But this is
10 again an economic development tool that -- that we need in
11 Missouri and in St. Louis. Appreciate your support.

12 CO-CHAIR GROSS: Thank you very much.

13 MR. ROBISON: Appreciate it.

14 CO-CHAIR GROSS: Thank you. Next is B.
15 Puskas. Welcome. Go ahead and spell your name for the
16 record and proceed.

17 MR. PUSKAS: Okay. I'm Bob Puskas.
18 It's spelled P-U-S-K-A-S.

19 If you go to an emergency room today with
20 chest pain, you've got about a 1 in 20 chance that they'll
21 send you home, but you still had a heart attack. They call
22 them silent heart attacks. They're not detectible by any
23 means that are within existence until we developed a test
24 that could detect them at a company called Singulex.

25 How did we do this? Well, we took advantage

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1 of the tax credits. I came here with Bill Simon, who is
2 the vice president and chief operating officer of the
3 Center for Emergent Technologies, which made use of
4 Incubator Tax Credits, and we are a resident company at the
5 Business Incubator.

6 SENATOR WRIGHT-JONES: What's your name
7 again?

8 MR. PUSKAS: Bob.

9 SENATOR WRIGHT-JONES: The name of your
10 company?

11 MR. PUSKAS: Singulex.

12 SENATOR WRIGHT-JONES: Spell it,
13 please.

14 MR. PUSKAS: S-I-N-G-U-L-E-X. And more
15 importantly, the company itself made use of the Rebuilding
16 Communities Tax Credits to purchase specialized equipment
17 for the laboratory and computer equipment to enable us to
18 be able to do these tasks.

19 Now, I'm CEO now of another start-up
20 company. Again, sited at the Incubator, making use of
21 those Incubator Tax Credits. And we are now developing
22 cancer diagnostic tests and blood tests to be able to
23 identify psychiatric diseases for which there are no tests
24 at all that exist, and hope to be able to make use of
25 Building Communities Tax Credits for just -- for those

1 kinds of tests as well.

2 CO-CHAIR GROSS: Any questions for Mr.
3 Puskas?

4 CO-CHAIR STOGEL: Which credits are you
5 using?

6 MR. PUSKAS: The Rebuilding Communities
7 Tax Credits and the Incubator Tax Credits.

8 CO-CHAIR STOGEL: Thank you.

9 CO-CHAIR GROSS: Thanks for being here.
10 Next is -- Mr. Puskas, how many employees do you have?

11 MR. PUSKAS: Singulex has 24 here in
12 St. Louis. At the new company, we have three.

13 CO-CHAIR GROSS: Thank you. C. B. E.
14 Rogers-Edwards. Sorry.

15 MS. ROGERS-EDMOND: I have a very long
16 name. It's Catherine Rogers-Edmond.

17 CO-CHAIR GROSS: Okay.

18 CO-CHAIR STOGEL: Thank you.

19 CO-CHAIR GROSS: Proceed.

20 MS. ROGERS-EDMOND: Hello. I'm
21 Catherine Rogers-Edmond, and I am the community coordinator
22 for Betty Living Communities, which is a small
23 not-for-profit housing corporation in Hyde Park. And I sat
24 here and I've been listening to all the developers and the
25 big, big numbers about the billions and billions of dollars

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1 CO-CHAIR GROSS: Very good. Any
2 questions for Ms. Rogers? Okay. Thank you very much. We
3 appreciate your perspective on that issue.

4 Next is William Simon. Okay. Next will be
5 Jerry Schlichter. Welcome. Proceed.

6 MR. SCHLICHTER: Thank you. I want to
7 thank -- I think everybody in this room would echo this.
8 We want to thank all of you for your service and your
9 dedication for this. It's not a high paying job or a
10 paying job at all, and it takes a lot of time. We
11 certainly appreciate your investment in the state's future
12 very, very much.

13 I'm a resident of the city of St. Louis as
14 some of you, and I'm also a lawyer, but I don't do
15 development work, I don't do real estate law, and I want to
16 give you a little bit of a description. Three things about
17 -- that talk about the Historic Tax Credits and the
18 Rebuilding Communities Tax Credits, which the speaker --
19 two speakers before spoke about and as well as Bill Simon
20 was going to speak about, but he had to leave. And I want
21 to talk about the history, talk about what other states are
22 doing, and raise a word that I know is not a part of your
23 mandate, but since this is all about the loss of revenue
24 the state has had, the word revenue and some options there.

25 Even though it's not a part of your charge,

1 you may want to consider making a suggestion about looking
2 at that side of the equation.

3 The history of Historic Tax Credits goes
4 back to 1997. I and others initiated that effort, and I
5 think what often is lost sight of by people who have
6 learned about our program more recently is that this was
7 not something that big developers started or participated
8 in. In fact, Missouri had a 96 percent decline in historic
9 rehab after the demise of or the reduction of government
10 back in the late '80s.

11 So basically there was no historic rehab.
12 It was dead, and both small towns like Hannibal and larger
13 cities just didn't have any going on because the economics
14 did not work.

15 That's the reason I got involved. I wanted
16 to see something different than what we have here. What we
17 had here which -- in and around the state, which is the
18 older areas are areas of disinvestment, decay and lots of
19 battles about demolition and buildings falling down and so
20 on. It was depressing very frankly.

21 And so a number who cared about their
22 communities decided to try and do something about it. And
23 we walked all the way to Jefferson City. We had no big
24 lobbyist. We were told you cannot do this, but we did it
25 successfully. And that history is reported to you to keep

1 in mind as you hear the stories about big developers and
2 people making a lot of money on this. I know the bankers
3 who are familiar with this will tell you that developers
4 aren't making a lot of money. But there are large, large
5 numbers of people who support this credit, who simply care
6 about their communities and want to see them thrive.

7 It was the rural sponsors who sponsored the
8 credit from Hannibal to Barnhart in the Legislature
9 originally. And as an example, Hannibal had 11 historic
10 projects before the federal budget was curtailed and had
11 zero. So it really was extent, and what's happened is that
12 we have become the national model for historic
13 revitalization of our older areas of disinvestment.

14 And I have had calls over the years, and
15 others have had calls over the years from many states
16 seeking to implement what we do. The foremost economist in
17 American is name Donovan Rypkema, and I know that some
18 people have his study. He did a report to the St. Charles
19 Historical Society recently, and I know you also have his
20 study from the Missouri Growth Association, and I'm not
21 going to get into those. Except Mr. Rypkema said he was
22 astounded at the success of the Missouri program, in his
23 words, and in the long run, it generated far more than it
24 costs, very simply put.

25 I'm not going to discuss the jobs. There

1 may be someone here to discuss the study and how he
2 measured jobs, but suffice it to say there is no program in
3 Missouri that has approached the level of job creation and
4 economic development that the Missouri Historic Tax Credits
5 have generated. And that's an unquestionable fact.

6 Part of that history also goes up to last
7 year. Last year there was a cap put in which reduced by 25
8 percent the level of redemptions for the historic credit
9 that had been the case year before. That is the only cap
10 that was imposed in any tax credit program, a 25 percent
11 cut going forward.

12 So that program has already been hit
13 substantially. That's some history. What I want to talk
14 about other states I mentioned. We are the model, as I
15 said, and other states are now copying what we've done.
16 And I have some materials about that as well.

17 Iowa, a much smaller state, just increased
18 it's cap by \$30 million last year as an economic
19 development strategy. Minnesota just passed a credit
20 modeled after Missouri, and Governor Polenty there signed
21 that into law in a ceremony celebrating it as the flagship
22 jobs and economic development program for that state.

23 Kansas as is pointed out in here had its
24 capped last year by an overwhelming margin, and it's gone.
25 So what we see around us is a movement just in the other

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1 direction, a recognition that the success in Missouri is
2 something that other states want to copy. And we now have
3 stories of developers and consultants and others, and
4 bankers, leaving the state, setting up shop in other states
5 to use their program that's copied after ours. That's
6 where we have gotten to.

7 The third thing that I think is important to
8 talk about is revenue numbers. I'll do that very briefly,
9 but before that I want to mention the Rebuilding
10 Communities Tax Credits as well that were spoken about.
11 These are economic development tools in distressed
12 communities. They are basically for manufacturing, fast
13 grow businesses, not retail, and they apply to 180 rural
14 communities as well as the City of St. Louis and parts of
15 many other cities. And they've been a phenomenal success
16 story that's little known and for relatively little cost.

17 Forty percent of the credits for specialized
18 manufacturing and other equipment. In the City of St.
19 Louis, 92 businesses have used -- small businesses have
20 used these to expand or start up. That's only small
21 businesses.

22 The Center for Emerging Technology where the
23 speaker who was from has 28 companies there, start-up
24 companies, with natural technology, Washington University
25 researchers in positions and 25 of 28 have specializing

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1 equipment needs, and many of these have used Rebuilding
2 Communities Tax Credits. That's one cluster.

3 The second cluster downtown IT companies.
4 The "Post" recently had an article that downtown is
5 becoming an information technology hub. And many of those
6 companies have used Rebuilding Communities Tax Credits to
7 get started. XIOLINK is a very prominent one. there may
8 be somebody here later to testify for them. They just
9 expanded and used Rebuilding Communities credits, and they
10 are now doing an historic rehab in a building within
11 walking distances, two blocks away, at Olive, 1200 Olive,
12 to add to their population of IT workers.

13 It's the kind of jobs that are new jobs and
14 the kind of jobs that we want to create and maintain and
15 obtain for Missouri, as the Governor's mandate indicates.

16 So finally, revenue fees -- oh, by the way,
17 going back to Rebuilding Communities law, while these have
18 been used in rural areas as well. And my favorite rural
19 use -- I love this name -- is the Ozark Mountain Work
20 Co-op, which is in Montgomery City, used Rebuilding
21 Communities Tax Credits, and have now become the third
22 largest natural pork producer in the US starting out on
23 those credits. So this is not just urban we're talking
24 about here.

25 The final point is revenue. I want to leave

1 you with three revenue plans that you can do with what you
2 want. Internet, national internet sales tax. National
3 retailers doing business in Missouri owe taxes. It's not a
4 new tax. It's a matter of collection of existing tax.
5 Twenty-three other states have done this. We can do this
6 and raise over \$60 million, and not penalize mom and pop
7 book stores like say Left Bank Books that end up paying a
8 10 percent penalty because they pay sales tax in addition
9 to brick and mortar.

10 Second, cigarette tax. We have the lowest
11 in the United States. Number 50, 17 cents a pack, second
12 lowest, number 49 is 30 cents, almost twice ours, and
13 that's a tobacco state that just raised theirs. Every
14 other of the 48 other states has more than double our tax.
15 We could easily raise \$100 million on activity that isn't
16 exactly desirable activity if we look at that revenue
17 source.

18 And finally, alcohol who are a sore subject
19 maybe in the state or St. Louis, but we are the second
20 lowest in tax on alcohol sales. So there are revenue
21 sources available, and this is about a loss of revenue to
22 the state. I urge the Commission -- I know it's beyond the
23 mandate -- to at least be aware of those things. But have
24 to give that anyway.

25 CO-CHAIR GROSS: That's all right. Got

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1 a question for you. You have to spend money to make money
2 some say, but the State is saying we're broke. Is it -- is
3 your position that there's nothing we can do, everything is
4 fine, leave the Historic exactly the way it is?

5 No suggestions on any way to save money,
6 make the program more efficient and cost the State less
7 money, any suggestions there at all?

8 MR. SCHLICHTER: There are some things
9 that could be done to tweak the Historic Tax Credit,
10 Senator Gross. There are -- there have been a couple of
11 ideas that have been thrown around to discuss. One of
12 which is to align the state program with the federal
13 program when it comes to deferred development fees, and
14 Steve Stogel is an expert in this more than I. But I
15 believe it's a 12 year period.

16 Second one that has been discussed is
17 perhaps the Club Act -- not the Club Act but the
18 retroactive use, which is currently three years, could be
19 aligned with the federal program, which is one year, for
20 example.

21 But the fact of the matter is that jobs are
22 being created, and I would ask the Commission to ask the
23 question if these jobs, whatever the number, are going to
24 be eliminated, what's the alternative program the State is
25 proposing?

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1 CO-CHAIR GROSS: Along with alignment
2 with the federal program, federal credits, 20 percent,
3 right?

4 MR. SCHLICHTER: Yes. Well, for some.

5 CO-CHAIR GROSS: And the State is 25?

6 MR. SCHLICHTER: Yes.

7 CO-CHAIR GROSS: What about aligning
8 those two? They'd both be 20.

9 MR. SCHLICHTER: The problem becomes at
10 some point these buildings are economically obsolete
11 without incentives, and we have proved that 96 percent, and
12 that was for a decade -- 96 percent of decline in historic
13 rehab showed that these are not even close at all. In my
14 neighborhood somebody mentioned -- I think somebody
15 mentioned the Chase Hotel.

16 I drove by that every day to work for nine
17 years. It was a vacant hole of a building, and all kinds
18 of people tried to make it work. Four days after the law
19 was signed by Governor Carnahan, the financing for that was
20 signed, and I think the developers of that will tell you
21 that without the 20 percent credits it would not have
22 worked.

23 CO-CHAIR GROSS: The other point that
24 we have to address as a commission is one that's been
25 brought by the Legislature over the years, at least the

1 last three or four, and this year very strongly, and that
2 is the notion that there should be competition through the
3 budget process of all these tax credit programs, not just
4 historic. I'm not singling that one out, but virtually all
5 of them, compared to mental health services, education
6 programs, et cetera, et cetera.

7 Right now that doesn't happen, as you know.
8 Don't -- I mean, just from a person on the street's
9 standpoint who says where should the state tax dollar go,
10 should it go to educate the child, should it go to provide
11 mental health services, should it go to incent these
12 development projects, which I've never argued are not a
13 good idea, but should there be a fair and -- I think
14 rational was the word was used last night -- rational
15 ability of the Legislature to be able to say here's where
16 we want to put our money, and -- and I'm going to try to
17 stay away from this subject to appropriation. Although it
18 will come down to some way and some mechanism if this goes
19 forward of bringing that through probably an appropriation
20 bill or whatever.

21 But I'm just saying the notion that tax
22 credits should compete with everything else that the
23 taxpayers take their money and give it to the government
24 and say now spend it wisely. What do you think of that
25 proposal?

1 MR. SCHLICHTER: Several things. First
2 of all, the market-based program, which the historic credit
3 is and the Rebuilding Communities. By that I mean you have
4 some certainty. If you jump through all the hoops that are
5 required, which are substantial, makes things happen.

6 We had that opportunity for ten years in
7 Missouri to make any kind of appropriations we wanted, and
8 nothing happened. Nobody made any such appropriations, and
9 so then we had these declined areas such as around the
10 state as we've talked about.

11 Second, over 60 percent of the buildings
12 that are eligible for the historic credit are in distressed
13 areas, which when you think about it isn't that surprising
14 because those are the areas that needs investment.

15 So I'm just saying that when Mr. Pruitt
16 talked about the need for jobs in his community, this is
17 putting those jobs right where they should be put as a
18 policy matter.

19 And third, the fact is that this is subject
20 to -- at least with the kind of investment that is required
21 in historic projects, both small and large. We wouldn't be
22 in this building or in this room if that were the law
23 because Steve would have never undertaken the arduous
24 process of making this happen. It's tough enough to make
25 it happen with the certainty that he knew that he had all

1 those hoops to jump through to go and get any credits.

2 If you add on the year-to-year uncertainty,
3 it's intolerable. It's promises, determinous, and what we
4 did -- when we initiated a law, the DED general counsel
5 indicated that they wanted to maintain control rather than
6 having it be a market-based program. And we've seen
7 changes of the administration, as we all know, such that
8 the unpredictability of that would shut things down. It
9 wouldn't be happening.

10 CO-CHAIR STOGEL: First of all, Jerry,
11 I think it's a quick segue to recognize that. There's Jack
12 is the chair of the committee on Historic Tax Credits. So
13 for folks in the room, our Commission colleague is, of
14 course, in charge of that committee. For the record, Jerry
15 is working with that committee, and we appreciate that.

16 And recognizing that that committee since
17 1997 was a lonely walk down those corridors. On a personal
18 note, Jerry is right, and if there was uncertainty in the
19 historic process, neither Mark or I would have started this
20 particular process.

21 And Senator Gross is right that last night
22 we heard the commission testimony that the subject to
23 appropriation is the discussion on the full Commission. So
24 as part of the chemistry of this Commission, we're all
25 going to address these issues.

1 On the bottom line for the necessity for
2 business predictability for the Historic Credit for
3 developers and for communities does that come out on the
4 business side of predictability. And I echo what Jerry has
5 said. I'm going to put that in the record.

6 And, Zach, are you or any of our other
7 commissions, would you like to --

8 MR. BOYERS: No.

9 CO-CHAIR STOGEL: We thank everybody,
10 and I think it's appropriate, after 90 minutes of very
11 robust testimony and ongoing, thank the crowd. We'll
12 continue in 15 minutes. We can recess. Thank you.

13 (Thereupon, a break was taken at 4:44
14 p.m. until 5:05 p.m.; after which, the
15 proceedings continued as follows:)

16 CO-CHAIR GROSS: We'll come back to
17 order. Next on the list is Tim Barry. Welcome, Mr. Barry.
18 Go ahead and spell your name for the record.

19 MR. BARRY: Tim Barry. B-A-R-R-Y. And
20 I'm here representing the Missouri Work Force Housing
21 Association. We have about 90 members, who are involved in
22 one way or another with either the Low-Income Housing Tax
23 Credit or the Historic Tax Credits.

24 Over the years, and too many years I think,
25 but I spent a lot of time with many affordable housing

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1 CO-CHAIR STOGEL: Even to get started.

2 MR. GEORGE: Yes.

3 CO-CHAIR STOGEL: Thank you.

4 CO-CHAIR GROSS: Thank you very much,
5 Peter. Next is Jim Brasunas. Jim. Oh, Jim.

6 CO-CHAIR STOGEL: Just skip to the next
7 one.

8 CO-CHAIR GROSS: Okay. How about
9 Denise Hasty? Oh, you Jim? No, okay. Denise Hasty.
10 Welcome. Go ahead and spell your name for the record.

11 MS. HASTY: My name is Denise Hasty.
12 H-A-S-T-Y. I'm the vice president of governmental affairs
13 for Associated General Contractors of St. Louis.

14 The crux of the tax credit issue for our
15 membership is really employment, jobs, and economic growth
16 for the state.

17 In December of 1999, the "Wall Street
18 Journal" called Missouri's tax credit program a national
19 model for economic development, and in today's highly
20 competitive business world, Missouri has to be ready and
21 have ready access to a variety of incentives to compete
22 with other states in attracting business and industry.

23 Development tax credits such as Brownfields
24 and Historic Tax Credits, provide incentives for private
25 investment within our communities. Their success -- their

1 successful use has created a significant rebirth in parts
2 of our state, spurring an increase in the construction
3 employment sector in the short term and providing long-term
4 employment.

5 To the employment issue, at the end of 2009,
6 the construction industry in the St. Louis region was at a
7 level 31 percent below 2008. As we near the end of 2010,
8 construction employment is down yet another 30 percent from
9 the dismal 2009 numbers.

10 The construction industry has the highest
11 unemployment rate of any sector in the economy, over 20
12 percent nationally. Contractors are closing their doors,
13 craft workers are losing their good-paying jobs, and
14 they're losing their health benefits at the same time.

15 Right now in downtown St. Louis alone,
16 excluding projects in mid town or the north side, there are
17 eight projects totaling \$500 million that are currently
18 under construction. All of these projects are using tax
19 credits.

20 These eight projects will create and/or
21 sustain thousands of direct or indirect jobs during their
22 construction alone. AGC of St. Louis recognizes that the
23 state has a critical budget situation. We also know that
24 tax credit reform may be warranted due to these
25 unprecedented times. But reforms have to take into account

1 that development tax credits are an essential tool in the
2 toolbox for Missouri's efforts to attract business and
3 industry.

4 The construction business community is ready
5 to work with the Tax Credit Review Commission and to
6 develop a tax credit structure that can continue to grow
7 our state and once again be that national model.

8 As was stated earlier, I don't envy you your
9 jobs, and would just -- we appreciate your time and your
10 effort in this matter.

11 CO-CHAIR GROSS: I appreciate your
12 attitude and statement that you're willing to work with us,
13 rather than shutting the door saying, you know, as some
14 have, don't touch me. Let's work together so we --

15 MS. HASTY: We're trying to be
16 realistic.

17 CO-CHAIR GROSS: Thank you.

18 CO-CHAIR STOGEL: Two comments. One is
19 you direct your attention to Mr. Boyer over there on the
20 historic and Pete Levy who has the Brownfield credits as
21 part of Economic Development.

22 MS. HASTY: Okay.

23 CO-CHAIR STOGEL: Then the RCGA are
24 both covered as part of that section. And we appreciate
25 your testimony.

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1 MS. HASTY: We are also members of the
2 RCGA, so we are all part of that too.

3 CO-CHAIR STOGEL: The six of the
4 projects that you mentioned recently financed are One City
5 Center and World St. Louis Center. All of which were done
6 by a variety of developers in that quadrant. With US Bank
7 financing this, but only one was Historic Tax Credits.
8 Only one used the Brownfield Tax Credit.

9 The other two projects use the chemistry
10 that came in with the Obama Stimulus Act. The library
11 project used some Obama Stimulus Act, no historic credits,
12 no Brownfield credits.

13 The Hill used historic credits and some
14 Obama Stimulus Act funds, and the Park Pacific used
15 historic credits and the market credits.

16 The point being that historic credits are a
17 part of the toolbox.

18 MS. HASTY: Exactly.

19 CO-CHAIR STOGEL: That Barbara Geisman
20 testified earlier that about 10 or 15 percent of the
21 puzzle. Those jobs are \$500 million, so the record is
22 clear, generate about \$300 million in construction
23 contracts, half of which is labor, so it's \$115 million of
24 wages, which is 2,000 job person.

25 Everybody was glad to be able to do that,

1 but it's more than historic credits. It's usual federal
2 programs that come up too, so that's all part of the
3 dialogue.

4 MS. HASTY: True enough.

5 CO-CHAIR STOGEL: Thank you very much,
6 Denise.

7 CO-CHAIR GROSS: Thank you very much
8 for being here today, Denise.

9 Next is Brad Pittenger. Welcome, Brad.

10 MR. PITTENGER: Thank you.

11 CO-CHAIR GROSS: Go ahead and spell
12 your name for the record if you would, and proceed.

13 MR. PITTENGER: Sure. It's Brad
14 Pittenger. That's 'P' as in Paul -I-T-T-E-N-G-E-R. And
15 I'm with a company called XIOLINK here in St. Louis.
16 First, if I could thank the Commissioners and the Chair for
17 putting your time into this. It's -- in my opinion, it's a
18 very important aspect and thing to look into for the -- our
19 community.

20 XIOLINK moved in to the city in the
21 early part of the decade, and when we did that, we used the
22 Rebuilding Communities Tax Credits. And then took that
23 money and reinvested it back into the business, creating a
24 larger company with more jobs.

25 Recently we've just undertaken a new project

1 which used Historic and Brownfield Tax Credits, which
2 created hundreds of construction jobs, and now many
3 permanent jobs.

4 Without these tax credits, it would not have
5 made sense for us to redevelop this vacant building in the
6 city of St. Louis, and likely would have moved out of the
7 state.

8 The jobs we have created downtown are
9 keeping our -- our workers are supporting local
10 restaurants, local retailers, and they're spending their
11 money generating tax income and sales taxes for the city
12 and the communities.

13 In addition to the jobs we've created, we
14 have also incubated another company which has created an
15 additional 30 plus jobs over the jobs that we have at
16 XIOLINK.

17 One thing that we've learned in my business
18 career that as I've traveled around the country and visited
19 other cities, I think it's very important to a city and to
20 a state and to a community to have a central business
21 district and a city that is the hub of the business. And
22 without those -- without that hub, I think it just becomes
23 a very large community without anything drawing other
24 people to the community.

25 So I think that the tax credit programs have

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20 a state and to a community to have a central business
21 district and a city that is the hub of the business. And
22 without those -- without that hub, I think it just becomes
23 a very large community without anything drawing other
24 people to the community.

25 So I think that the tax credit programs have

1 definitely benefited us. We've contributed much more back
2 to the state and communities than we have received in
3 credits, and they have definitely helped create jobs and
4 grow the companies that we're working with.

5 CO-CHAIR GROSS: Thank you.

6 CO-CHAIR STOGEL: Just in terms of the
7 growth pattern, that's great, but what was your initial
8 credit?

9 MR. PITTENGER: We didn't utilize the
10 first of -- the full amount the first couple of years. The
11 last year we used the full amount, which I think the tax
12 credit was about \$75,000.

13 CO-CHAIR STOGEL: Altogether, 200,000?

14 MR. PITTENGER: Altogether, it was
15 under \$200,000.

16 CO-CHAIR STOGEL: How many employees do
17 you now have?

18 MR. PITTENGER: Right now we have 27
19 employees. I've got eight open positions that I'm trying
20 to fill in the next couple of months.

21 CO-CHAIR STOGEL: And how was the --
22 how much in state historical and Brownfield were you
23 building on?

24 MR. PITTENGER: The Brownfield credit
25 was 850,000 I believe, and the state historic isn't

1 completed yet, but it will be somewhere around \$2 million.

2 CO-CHAIR STOGEL: And you have one

3 company with about 27 and one company with 30, and you are

4 incubating a third?

5 MR. PITTENGER: Yes.

6 CO-CHAIR STOGEL: Thank you for your

7 success.

8 MR. PITTENGER: Thank you.

9 CO-CHAIR GROSS: Next on the list is

10 Christine Harbin. She already testified. Greg Faith.

11 Greg Faith? No. How about Matt Cordman? Okay. How about

12 Tim McComb? Tim? Tim McComb? All right.

13 CO-CHAIR STOGEL: Somebody who went to

14 medical school.

15 CO-CHAIR GROSS: And somebody who went

16 to medical school. Collin S. Stewart? I'm sorry. I can't

17 read it. Oh, it's Builder 9999@att.net.

18 MR. WHEELER: All right.

19 CO-CHAIR GROSS: I'll start reading

20 e-mail addresses instead.

21 MR. WHEELER: Right, thank you.

22 CO-CHAIR GROSS: Go ahead and spell

23 your name please for the record.

24 MR. WHEELER: My name is Caleb Wheeler.

25 C-A-L-E-B Wheeler, W-H-E-E-L-E-R.

Downtown is becoming information tech hub

Cheap electricity, vital infrastructure is attracting firms.

BY TIM BRYANT • tbryant@post-dispatch.com • 314-340-8206

ST. LOUIS • Once the heavy-duty electrical connections are completed, XIOLINK's new headquarters will open as the latest example of information technology businesses that are expanding downtown.

Relatively cheap electricity and the infrastructure needed to deliver it are main reasons why IT firms are locating downtown, company executives say. Also key is the ability to connect to the vast network of fiber lines AT&T installed for its communication center on Pine Street.

XIOLINK plans to open its \$13 million headquarters, at 1111 Olive Street, on Sept. 1.

Around the corner, at 210 North Tucker Boulevard, is Digital Realty Trust. The San Francisco-based IT company has amped the building's juice by 16 megawatts, effectively quadrupling the power available to the 18-story structure and is adding as much as 60,000 square feet of data center space at the 200,000-square-foot building.

Glenn Benoist, Digital Realty's vice president of portfolio management, said increased demand for IT services prompted the improvements.

"Data center facilities like 210 North Tucker are a critical asset for St. Louis' economy because they provide the infrastructure for companies' computing systems, which allow them to grow, create jobs and build the tax base," he said.

"St. Louis is a very important market for us because it is such a desirable location for data centers."

The city began promoting development of IT companies about five years ago with \$250,000 to fund a "tech incubator" at 210 North Tucker. Barbara Geisman, the city's deputy mayor for development, said the goal was to lure companies that would want to use the existing fiber network.

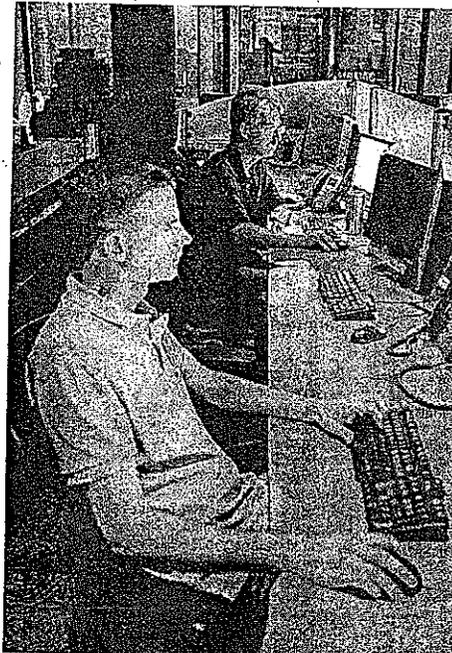
"We've got this AT&T data center that has all these fiber options," she said. "We have great communication infrastructure downtown."

Digital Realty said it has nearly two dozen tenants at its North Tucker building and its fully leased data center at 900 Walnut Street, where 11-year-old XIOLINK has operated since 2003. AmerenUE's underground power grid serves 210 North Tucker, which also has its own generators. Connecting the Tucker and Walnut buildings are 400 strands of high-capacity fiber, company officials said.

Brad Pittenger, XIOLINK's chief executive, said the company outgrew its space on Walnut and wanted to expand downtown.

In February, the state awarded XIOLINK nearly \$850,000 in brownfields tax credits to pay for removal of asbestos and other hazardous material from 1111 Olive. In March, the city approved \$2.4 million in tax-increment financing.

The project also receives state and federal historic tax credits, as it is on the National Register of Historic Places.



LAURIE SKRIVAN • lskrivan@post-dispatch.com

Two system engineers work last month in the Network Operations Center at XIOLINK, a data center company at Ninth and Walnut streets. XIOLINK will soon open a headquarters on Olive Street.

Downtown's emergence as a data hub "is definitely really happening," Pittenger said.

Over time, XIOLINK will employ more than 50 at its location on Olive while keeping its current 25 or so workers on Walnut. The company bought the five-story 1111 Olive building in part because its floors are able to bear the weight of racks and racks of computers.

Built strong enough in 1917 for Post-Dispatch presses, the structure also housed KSD radio, beginning in 1922. After an Art Deco remodeling in the early 1940s, the building was the first home of KSD-TV, which began broadcasting in 1947.

After the station, now KSDK, moved to Market Street, a printing business and the United Way occupied the Olive location. It was vacant when XIOLINK took over this year.

Pittenger said downtown's ample supply of electricity and large fiber network make it a good fit for his company.

"All that fiber is out there under the street," he said. "We just have to bring it into our building."

Workers dismantled the unused 500-foot broadcast tower this spring. Pittenger noted that the building erected as a place for printing presses now houses the latest in electronic data storage and Web hosting. He said XIOLINK plans two more expansions over the next four years at a combined cost of as much as \$19 million.

In terms of employment, the largest IT project under way

is a project by Unisys Corp. It plans to open this fall a center employing as many as 300 people by 2012.

"We like the city concept," Steve Moritz, the company's general manager of tech services, said when Unisys announced the project in June.

"We think it's an attractive location, particularly for the younger IT workers."

A Unisys spokesman said Thursday that the project remains on schedule although the company had yet to choose the site for its downtown center. The company will initially use about 10,000 square feet of space for 75 workers. Space requirements include the ability to grow to about 45,000 square feet to accommodate 300 employees.

To help lure Unisys, based in suburban Philadelphia, the state awarded the company \$4.5 million in Missouri Quality Jobs Program tax credits, \$900,000 in New Jobs Training funding and \$212,500 in recruitment help.

The Regional Chamber and Growth Association said its study showed that 300 Unisys jobs, with an average annual salary of \$55,000, would produce 355 additional indirect jobs and a \$82.4 million direct and indirect impact on the region's economy.

Geisman said the city is happy to have the growing number of "knowledge workers," many of them downtown residents. She said IT demand at the Walnut building is so great that a former ground-floor restaurant "is now filled with techie guys."

Pittenger (cont.)

Jim Farrell Distressed Communities Testimony

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1 we'll get right into the public testimony. Once again,
2 everyone has ten minutes to address the Commission on the
3 issue of tax credits. Please try to keep your comments to
4 tax credits, and all of those comments are being recorded,
5 and will be transcribed, and available on our website at
6 tcrc.mo.gov within a week or so.

7 So next, by popular demand, Jim Farrell.
8 Mr. Farrell, go ahead and spell your name for the record
9 and proceed.

10 MR. FARRELL: Thank you. My name is
11 Jim Farrell. F-A-R-R-E-L-L. And it's been a pleasure the
12 last couple of weeks following you in every part of the
13 state, and you've done an excellent -- an excellent job in
14 meeting and taking the input from all segments of the
15 community.

16 Surprisingly I'm not here to talk about
17 Historic Tax Credits as we've covered in the past. There
18 are plenty of people here that have covered that quite
19 effectively. But what I wanted to talk about this evening
20 is the Incubator and the Rebuilding Community Tax Credits
21 on behalf of the Center for Emerging Technology and the
22 Missouri Innovation Center Network.

23 And that Innovation Center Network is a
24 number of innovation centers from around the state. There
25 are actually ten innovation centers from around the state,

1 and you've heard from a couple of those, one in St. Joe and
2 one in Joplin. But there is also one in Kansas City,
3 Warrensburg, Columbia, Kirksville, Rolla, Cape Girardeau,
4 Springfield, and Center for Emerging Technologies in St.
5 Louis.

6 The emphasis that we have here today is
7 really putting in place a program of one, the Incubator Tax
8 Credit has been in place for quite a number of years at
9 \$500,000, but that serves, used to be four centers, and now
10 it's eligible for the ten centers and other incubators
11 around the state.

12 But what's most important now is that
13 Missouri needs a strategy for jobs and new company
14 creation, not only to recover from the current economic
15 crisis, but more importantly creating an atmosphere for
16 future job growth and company creation.

17 The Missouri Innovation Center Network is a
18 major statewide resource for implementing the strategy of
19 innovation lead companies and job creation that capitalizes
20 on the diverse regional assets, universities, relationship
21 and local partnerships of its members.

22 Each one of these innovation centers has its
23 unique resources available to them. They focus in -- in
24 their individual types of technologies that are involved
25 with the universities and that are inner related with some

1 of their private partnerships there. So whereas, St. Louis
2 and the Center for Emerging Technology has over --
3 graduated almost 35 companies over 350 jobs. Right now
4 they're at capacity with 28 companies in the Center for
5 Emerging Technologies at the present time.

6 And beyond just creation of the jobs, what
7 we're creating is an industry, a cluster of industries of
8 high tech companies that have the opportunity to build on
9 some of the assets that are provided at Washington
10 University, St. Louis University, University of
11 Missouri-St. Louis, but also the -- the health and medical
12 fields that we have here. And many of these companies that
13 are currently in the Innovation Center have capitalized on
14 some of the new technologies that are coming out of the
15 universities. And the Senator, it's in her district, and
16 she's been there numerous times and seen many of the great
17 companies that have come out of there.

18 But what we're trying to do is foster that
19 entrepreneurial activity, and in 2009 the Kauffman
20 Foundation came out with a study that really identified the
21 U. S. Entrepreneurial history that demonstrates
22 entrepreneurship as the engine for job creation and
23 economic growth, particularly in economic difficult times.

24 Naturally half of the 2009 Fortune 500
25 companies started during recessions and difficult financial

1 times, but the entrepreneurship is a key driver in regional
2 economic growth. It's been something that RCJ has been
3 involved with for a number of years in trying to foster
4 entrepreneurial growth with the different types of venture
5 capital funds and those types of programs that they have
6 set forward.

7 But we have high growth entrepreneurial
8 firms, those that are creating more than 20 jobs. While
9 less than 15 percent of the total start-ups created, 80
10 percent of the total net new jobs in the last two decades
11 came from there.

12 The last two points, Missouri's, you know,
13 current new company and job status per Kauffman. Missouri
14 is the second lowest in new company creation in 2008, and
15 the "Daily Beast", which I'm sure you all read on a daily
16 basis, ranked Missouri 49th, just ahead of Ohio and
17 Michigan, as one of the most difficult places in the nation
18 to find a job. So what we're focused on is building the
19 industry clusters so that companies can come here, can get
20 started in the incubator, can grow just like the one that
21 the gentleman mentioned earlier that was started in the
22 incubator, XIOLINK, and then grew and started their own
23 facility just a couple of blocks from there.

24 Sterio Texas is another prime example that
25 started with five people when they came to St. Louis, grew

Farrell (cont.)

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1 in the incubator to 120, then moved down to Cortex, and has
2 been a phenomenal success and has its facilities in -- has
3 its product all over the world.

4 So what we just want to keep focus on is
5 that in our economic development strategies for Missouri,
6 we provide the types of programs that will foster the
7 entrepreneurial growth and creation of companies so that we
8 have the type of clusters in Silicone Valley and on the
9 east coast and try to rejuvenate that opportunity here in
10 Missouri, in the St. Louis area.

11 I can answer any questions?

12 CO-CHAIR STOGEL: Do you have any
13 Rebuilding Communities?

14 MR. FARRELL: Yes. Rebuilding
15 Communities is one of the tools that several of the
16 companies have utilized at the Center for Emerging
17 Technologies. And as was indicated before, they are able
18 to use that for some of their products and some of their
19 equipment, primarily their equipment that's used in
20 developing their products.

21 So it has been a very valuable tool that has
22 been utilized, not only in the Center for Emerging
23 Technologies, but other incubators around the state.

24 CO-CHAIR STOGEL: I gave my -- what is
25 the cap under Rebuilding Communities?

1 MR. FARRELL: I believe it's 9 million.
2 CO-CHAIR STOGEL: Nine million?
3 MR. FARRELL: I believe so.
4 CO-CHAIR STOGEL: And the incubator's
5 500,000?
6 MR. FARRELL: Correct.
7 CO-CHAIR STOGEL: Which one is more
8 valuable to you?
9 MR. FARRELL: They're both very
10 valuable.
11 CO-CHAIR STOGEL: I knew that would be
12 the answer. That was --
13 MR. FARRELL: Incubator --
14 CO-CHAIR STOGEL: -- my next question.
15 MR. FARRELL: Incubator Tax Credit is
16 -- has more diversity in terms of its flexibility for
17 capital as well as operating.
18 CO-CHAIR STOGEL: Did you talk to Pete
19 Levy and there's a consensus if you stay within the cap
20 that the incubator could stand more on the rebuilding plus
21 or whatever, but talk about all that with Pete because
22 there's -- I don't come out of that background.
23 MR. FARRELL: Right.
24 CO-CHAIR STOGEL: So it's --
25 MR. FARRELL: No, that's a very, very

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1 good point, and we'd be happy to sit down with him.

2 CO-CHAIR STOGEL: That's all over with
3 Pete again --

4 MR. FARRELL: Right.

5 CO-CHAIR STOGEL: -- just, you know,
6 bounce whatever ideas you have off of there because it's
7 hard for me to assess the testimony of those.

8 MR. FARRELL: And Gary Clap has been in
9 contact with Pete Levy. He was the gentleman that
10 testified in St. Joe, and we have information that I've put
11 together for all ten innovation centers, and we'll provide
12 that to the Commission.

13 CO-CHAIR STOGEL: That would be
14 appreciated by the Commissioners.

15 CO-CHAIR GROSS: And any for Jim,
16 anybody?

17 CO-CHAIR STOGEL: No.

18 CO-CHAIR GROSS: Thank you, Jim. Next
19 on the list is David Dwars. David Dwars? No. How about
20 Celeste Rueter. Welcome. Go ahead and spell your name
21 please and proceed.

22 MS. RUETER: Sure. My name is Celeste,
23 C-E-L-E-S-T-E, Rueter, R-U-E-T-E-R.

24 Good evening. I want to thank you all for
25 taking some much of your time and serving on this