

St. Louis
Historic Testimony
9-21-10

Barbara Geisman Historic Testimony

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1 Barbara was up first. That's right. Thanks, Steve. I
2 apologize, Mr. Cobb.

3 MS. GEISMAN: Thank you, sir, Mr.
4 Stogel, Senator Gross, and members of the Committee. I
5 really appreciate the opportunity to be here today on
6 behalf of the City of St. Louis, and I'm going to focus my
7 brief remarks on the value of the Historic Tax Credits to
8 both the City of St. Louis and the State of Missouri.

9 First from the State perspective, Historic
10 Tax Credits have become an industry over the past 12 years,
11 and I think it's fair to say that over 41,000 person years
12 of construction-related employment over the past 10 years
13 throughout Missouri have been produced by projects that
14 would not happen were it not for Historic Tax Credits.

15 Those jobs include construction jobs,
16 architecture jobs, legal jobs, accounting jobs, and pretty
17 much everybody who is ever touched a development project.
18 We now have a variety of experts in the field, and in tax
19 credits in general, that have built industries right here
20 in the city of St. Louis.

21 If you add multiplier effects to those
22 41,000 jobs, this translates into 124,000, which is roughly
23 12,000 per year that would not be available to people were
24 it not for Historic Tax Credits.

25 Historic Tax Credits also produce permanent

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1 jobs. Many of the projects like this Old Post Office that
2 we're sitting here in today would not have been possible
3 without Historic Tax Credits, and we now have a new branch
4 of Webster University in this building, and that branch of
5 Webster University would not be here. It would not have
6 been expanded and located downtown were it not for these
7 Historic Tax Credits.

8 They also provide customers to retail.
9 Right across the street from here is the new grocery store
10 in downtown St. Louis. That grocery store would not have
11 located here were it not for the 7,500 people who have
12 moved downtown thanks to the rehabilitation of historic
13 lofts using Historic Tax Credits.

14 And there are other retail stores around for
15 which you can say the same thing.

16 Equally important, historic rehabilitation
17 enhances the likelihood that more young Missourians are
18 going choose to make their homes in the state of Missouri
19 when they become part of the work force. Lester and
20 Company found in December of 2008 that 77 percent of
21 Americans born after 1981 wanted to live in an urban core.

22 The City of St. Louis is the historic core
23 of the St. Louis region, and the St. Louis region is
24 responsible for somewhere in the neighborhood of 46 percent
25 of Missouri's economic wealth.

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1 So, you know, if we're going to appeal to
2 the young people of tomorrow and keep our talent here in
3 Missouri, we are going to have to create urban cores and
4 preserve urban cores that these new young people coming
5 into the work force find attractive.

6 These young people are all concerned about
7 the State's ability in historic rehabilitation is
8 emblematic of a place's attitude towards the State ability
9 because we are reusing existing resources rather than
10 creating new ones.

11 Finally, the use of Historic Tax Credits
12 enhances our region's and our state's convention and
13 tourism industry. This industry employees more than 10,000
14 workers in the St. Louis region, and in January of this
15 year, the City -- or the St. Louis region was named by the
16 Escrow Trust one of American's distinctive destinations.

17 And things like that brings people to the
18 St. Louis region to see what we've done with historic
19 rehabilitation, and it also helps grow that industry.

20 We made projects with Historic Tax Credits.
21 When Mayor Clay took office in 2001, the city's population
22 had dropped by 60 percent that's half a million people,
23 over the previous 5 decades. We are now regrowing that
24 population and regrowing our job base, and that would not
25 have been possible without Historic Tax Credits.

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1 We've made a lot of progress, but we've
2 still got a long way to go, both downtown and in our
3 neighborhoods. Again, when Mayor Clay, there were 70
4 vacant and deteriorating buildings in downtown that were
5 causing businesses to leave in droves. Only ten of those
6 buildings remain unrehabilitated or under construction.

7 And addressing these vacant and let me add
8 eyesores also enhances the city's and the regions' as a
9 place for new development. Nearly 90 percent of our
10 historic rehabilitation projects were vacant eyesores for
11 many years before they could be rehabilitated, and they
12 would not have been rehabilitated without these Historic
13 Tax Credits because of the abandonment of the half-million
14 people's worth of property left the City so devastated that
15 we had to completely rebuild the market for our real
16 estate.

17 In closing, let me just say that I hope you
18 all think very carefully about pulling the plug on Historic
19 Tax Credits at this time when we are still just beginning
20 to recover from a recession. A recession is not the time
21 to pull the plug on something that creates economic
22 activities. And I think it's also important that you all
23 be very careful about anything that makes these credits
24 less useful because we need to keep demonstrating to people
25 that we are making progress, even in the face of a

1 recession.

2 We have half a billion dollars worth of
3 construction going on right around here right now that was
4 initiated in the last six months, kind of in the heart of
5 the recession, and that half a billion dollars worth of
6 construction would not have been possible without Historic
7 Tax Credits. So you know, I think that's something that we
8 can all be proud of, that even in the face of a recession,
9 we have found creative ways through our wealth of creative
10 minds working with industry to keep moving forward.

11 So with that, I would just thank you for
12 this opportunity to speak with you, and I'd be happy to
13 answer any questions.

14 CO-CHAIR STOGEL: Barbara, your
15 reference to \$500 million is new construction. Do you have
16 an estimate, because we all know the projects, the World
17 St. Louis Center, One City Center, Park Pacific Library,
18 and Kiel.

19 MS. GEISMAN: The Kiel Operation House
20 and the Library, yeah.

21 CO-CHAIR STOGEL: So how few dollars
22 relative to --

23 MS. GEISMAN: Relative to what?

24 CO-CHAIR STOGEL: Relative to the State
25 in where the State has awarded tax credits.

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1 MS. GEISMAN: I think the state
2 Historic Tax Credits were probably from 10 to 2 percent of
3 those project costs.

4 CO-CHAIR STOGEL: Right. I would agree
5 that that's the deal, but for the record, I think we should
6 find out what it is today --

7 MS. GEISMAN: I can do that.

8 CO-CHAIR STOGEL: -- because it shows
9 the leverage power of the credit.

10 MS. GEISMAN: Thank you --

11 CO-CHAIR STOGEL: Okay.

12 MS. GEISMAN: -- for letting me do
13 this.

14 CO-CHAIR GROSS: Is that working at all
15 back there? So you got to get real close.

16 Next -- any questions from any of the
17 Commissioners?

18 Barbara, thank you very much.

19 MS. GEISMAN: Thank you.

20 CO-CHAIR STOGEL: Barbara, thank you.

21 Next is Gary Cobb. State your name for the record, please,
22 and proceed.

23 MR. COBB: Gary Cobb. I appreciate the
24 opportunity to talk with the Commission today.

25 Again, my name is Gary Cobb. I'm the

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1 the smaller projects, not these, but these would probably
2 fall in the same lines. But on the small scale, on the end
3 build which I think is vitally important to the city.

4 I'm a resident of the city. I've lived here
5 for eight years or so. My street when I moved on to it,
6 just to kind of bring it down to scale for a second, there
7 were nine vacant homes. I rehabed four of them. They all
8 used the Historic Tax Credit programs. Today there's none.
9 I can't speak factually for the others, but I'm pretty sure
10 all the rest of the homes have been developed under this
11 program.

12 We know this. Vacant boarded-up houses just
13 bring all kinds of unwanted behavior, illegal behavior.
14 When you live next to them, an incredible nuisance. We
15 have four children. They're a mess. So any program that
16 helps that come along I think is a great thing.

17 To your point how could it be better, I'll
18 tell you what has been really good about it up to, you
19 know, this point. It is a fairly objective process whereby
20 if you follow certain guidelines and you do things that
21 you've agreed to in advance, then the tax credits are
22 issued. And that has been great. There's not a whole lot
23 more to it. There's nothing more you have to do other than
24 just follow the guidelines and the tax credits are issued.

25 I think has made it accessible to small and

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1 big alike. Yeah, it takes out any objectiveness out of the
2 program. So I think that's been a good thing.

3 You know, I think it's a key to continued
4 growth. Barb Geisman referred to it. I'll echo it again
5 as a resident, as a developer. There's a project right now
6 that we're trying to put together. Again, vacant, boarded
7 up. It's been that way for a long time. I want to stress
8 that in fact this program has really led to the development
9 of several of those projects occurring, and the folks that
10 are moving in, you know, they're taxpayers, they're -- you
11 know, a lot of them are out of town.

12 Again this is, obviously, you know, sort of
13 not real factual but you know, people who are moving in
14 this city are looking for the property, the old beautiful
15 brick home that has been redone completely. And in order
16 to do it correctly and to really bring it back and to
17 really just do it the way it needs to be done to the
18 standards of the Historic Tax Credit requirements, you
19 really need it to make it happen. Without it it makes it
20 really hard to function.

21 CO-CHAIR GROSS: Very good.

22 MR. KEOSHKERIAN: That's it.

23 CO-CHAIR GROSS: Okay. Mark, thanks
24 for coming.

25 CO-CHAIR STOGEL: In St. Joe the other

1 night, several residents got up and made a single-family
2 pitch about how important it is to the neighborhood in
3 reasonable amounts how much energy it brings back to those
4 neighborhoods.

5 MR. KEOSHKERIAN: Sure.

6 CO-CHAIR STOGEL: You're probably on
7 the same message in those corners of the state. We've
8 heard those too.

9 MR. KEOSHKERIAN: Yeah.

10 SENATOR WRIGHT-JONES: What
11 neighborhoods have you done your homes in?

12 MR. KEOSHKERIAN: Forest Park
13 Southeast. That's also where I live. But in the northern
14 end, and some in the west end. Not -- again, on Olive. We
15 were on Olive where five years ago at Olive and Taylor,
16 there was a southwest corner, there was a four or five
17 story building about to be torn down. I know that used
18 Historic Tax Credits. That was not my project.

19 The Fields School, that used Historic Tax
20 Credits again. That was vacant for a while. I did the
21 buildings next to Fields School in the old Shriners Hall
22 across the street. That was so barren at that time, that
23 whole strip between Taylor and Newstead, and today there
24 are -- again not to paint this picture, but those people
25 are out there walking. They're walking their dogs, they're

1 going somewhere. And all those things are vital again.

2 That street is vital again.

3 And then the newest project would be I think
4 it's called Lafayette Garden Apartments. I didn't do that,
5 but it's the Grand and 44 area. So that's the latest.

6 SENATOR WRIGHT-JONES: Thank you.

7 CO-CHAIR GROSS: Any other questions?

8 MR. KEOSHKERIAN: Thank you.

9 CO-CHAIR GROSS: Thank you for being
10 here. Next on the list is Don Robison. Welcome, Mr.
11 Robison.

12 MR. ROBISON: Thank you.

13 CO-CHAIR GROSS: Spell your name for
14 the record and go ahead and proceed.

15 MR. ROBISON: Thanks. Hi, I'm Don
16 Robison. R-O-B-I-S-O-N. Thank you for the opportunity to
17 speak here at this Commission here today.

18 I am senior manager of customized training
19 in economic development at St. Louis Community College.
20 I'm here to testify in favor of the Missouri Community
21 College New Jobs Training Program and the Job Retention
22 Training Program.

23 These programs assist Missouri employers by
24 providing skilled upgrades in high skilled work force. The
25 program is a tool that allows Missouri and the Department

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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,

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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

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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

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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

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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

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

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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

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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 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

1 programs and many redevelopment programs. And I'm here to
2 tell you that the tax credit programs are run more
3 efficiently and have better results than any of the other
4 programs over the last 40 years or so that I've been
5 involved.

6 And I would ask the Commission to keep the
7 old adage in mind that if it's -- if it's not broke, don't
8 try to -- don't try to fix it.

9 The social benefits of these programs,
10 certainly the Low-Income Housing Tax Credit programs are.
11 Obviously every one and I think we've heard plenty about
12 that and I'm not going to even deal with that. I know that
13 the discussions over the last year or maybe more than that
14 has really been about the State, the budget crisis, and
15 that's really what we're all about this afternoon.

16 Over the past, oh, I guess seven to eight
17 months I've been to Jeff City talking about -- talking to
18 Senate committees and House committees about these two
19 credits, as well as reading many articles in the paper
20 about what these credits are costing the State. And it's
21 always a little bothersome that the number that I read and
22 the number that I hear, they just add up how much the
23 credits are and say that's what is costing the State. And
24 they don't do what all of us do when we look at something
25 and say what does something cost, is the revenue side.

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1 Are they really generating any revenue, but
2 I'm not an economist, but I know for sure they're
3 generating revenue. And the question would be how much
4 revenue, and that's really my point with the Commission, is
5 when you are looking at all of these credits and in terms
6 of the fiscal crisis and in terms of the fiscal impact to
7 the State, that we look at both sides of the ledger.

8 There's obviously income tax -- income tax
9 factor of people who are working on these projects in the
10 first few years of the project. Right now, for example,
11 I'll just pick one out that right now there are 37 houses
12 being built in Hillsdale, Missouri. There are carpenters
13 out there that would not be working if they weren't working
14 on that project. We all know what the construction
15 industry is like.

16 Those carpenters are earning a pretty decent
17 salary. They're paying income tax, and again, I know we
18 talk about multipliers and I said I'm not an economist, but
19 I know that they're spending money that they wouldn't be
20 spending if they weren't working on that particular
21 project.

22 We not only have the income tax, we have the
23 sales tax, which impacts not only the state government but
24 local government as well. We have property tax which is
25 going to continue on for these projects because the great

1 majority of these projects had the state credit has helped
2 finance are in areas that are either have been abandoned or
3 are being abandoned. So there wouldn't be any property tax
4 without the projects that have been -- that have been put
5 forth through these state credits.

6 There are also full-time jobs connected with
7 these, not only the construction jobs and all the other
8 jobs that we talked about. And I know later on there's
9 someone will present how many different kinds of jobs there
10 are. But there are full-time jobs, property managers,
11 maintenance men, janitors and so forth, that are associated
12 with these projects.

13 So again, when we -- when we measure the
14 cost to the State, the question is is it really costing us
15 anything, or is it really a revenue generator?

16 And the last financial benefit I would like
17 to mention I -- I hardly ever hear mentioned at all, as I
18 mentioned, most of these projects are in areas that have
19 either been abandoned -- for example Hillsdale, Missouri
20 would be one -- or are being abandoned. And the kinds of
21 services that great money and great funds have been put
22 forth to these areas, like the streets, light, water,
23 sewer, electric, gas, all of them now are being utilized,
24 where they wouldn't have been abandoned in the past.

25 Now, what the financial benefit of that is

Barry (cont.)

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1 again, I have no idea, but it has to be substantial. So
2 the -- the thing that I would ask the Commission to do is
3 in looking at all the credits, and again I --I commend you
4 for the time that you're putting in. This can't be no fun
5 thing you have already done. And thank you for that, and
6 thank you for the Commission.

7 But I would ask you to -- to measure for the
8 Low-Income Housing Credit and for the Historic Credit,
9 measure both sides of the ledger, because certainly they
10 are generating revenue, and there are studies that show
11 that they are actually generating more revenue than it's
12 costing the State.

13 And that's my comments for today. Thank you
14 very much.

15 CO-CHAIR GROSS: Thank you, Mr. Barry.
16 Any questions for Mr. Barry.

17 MR. BARRY: Thank you.

18 CO-CHAIR GROSS: Thank you very much.
19 Next I'm not sure. Michelle Shilling -- Schuller? Do you
20 want to testify?

21 MS. SCHULLER: No, I'm not testifying.

22 CO-CHAIR GROSS: Then the next is
23 Melissa Dann. Welcome.

24 MS. DANN: Thank you.

25 CO-CHAIR GROSS: Please spell your name

Rachel Witt Historic Testimony

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1 difficult task, but one that's critical to get right, and
2 one that's going to have an impact for many years in the
3 future.

4 So thank you again for your commitment of
5 time.

6 CO-CHAIR GROSS: Appreciate you being
7 here. Anyone else? Wait.

8 CO-CHAIR STOGEL: Steve, one of our
9 colleagues, Pete Levy and Jim Anderson, who will be
10 expecting your call. Several Commission members met the
11 Kansas site sometime in the last two weeks.

12 MR. JOHNSON: Yeah, Pete Levy, the
13 economic conference.

14 CO-CHAIR STOGEL: And Pete's in the
15 SOE, so we encouraged to -- try to get a consensus on all
16 the economic development comments through the Commission.
17 That would be real helpful.

18 MR. JOHNSON: Good. Good.

19 CO-CHAIR STOGEL: Okay. Thanks very
20 much.

21 CO-CHAIR GROSS: Next is Rachel Witt.
22 Welcome, Rachel. Please spell your name for the recorder.

23 MS. WITT: My name is Rachel Witt.
24 W-I-T-T. I am executive director of the South Branch
25 Community Improvement District located on South Grand next

WHA (cont)

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1 to Tower Grove Park. We're a six-block district. We've
2 been formed since 2002. In 2007, we went from a non-profit
3 to a political subdivision in the state of Missouri, and
4 one of our properties and board members is a business owner
5 in the district, has been a recipient of Historic Tax
6 Credits.

7 And if it wasn't for Historic Tax Credits
8 for his project, I don't feel that South Grand would be
9 where we are today. We are advancing the city of St. Louis
10 with the recipient of the Great Streets Initiative, getting
11 a whole new street scape, green infrastructure, bump belts,
12 rain guards, and permeable concrete. It's exciting to be a
13 part of this, and we also just purchased some land adding
14 95, three parking spaces for the district.

15 It's exciting to be a part of the city of
16 St. Louis with the progress that South Grand is making.
17 There's a building on -- just outside of our district that
18 got Historic Tax Credits and is a governmental mapping
19 company that's housed in there creating 50 jobs.

20 And the president of that company loves
21 coming to South Grand and eat a restaurant that we have.
22 He goes, "I want to be part of this area." And the
23 property owner took a building that used to be an abandoned
24 gas station like -- what's the word I'm looking for? --
25 auto body place, and with a fire it burned down. The

W.A. (cont.)

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1 people have renovated it back to historic integrity, and
2 the neighborhood loves it, and the neighborhood is
3 prospering because of these Historic Tax Credits.

4 And I'm not just here today as the executive
5 director of the South Grand Community Improvement District.
6 I'm a resident of St. Louis, and I went to college out
7 here. Moved away, and came back, and I'm not even from the
8 state of Missouri. I'm from the state of New Jersey, and I
9 saw the historic nature of these buildings in this city.
10 I'm honored and privileged to be among all you in this area
11 with just an amazing city and region that we have with
12 historic integrity.

13 And with these Historic Tax Credits, we're
14 able to achieve greatness in not just the city but in our
15 region and in our state to maintain the historic integrity
16 of these buildings.

17 I know I lived in -- grew up in suburbia.
18 Everything looks the same gray building, and it's just
19 amazing walking down South Grand and seeing the historic
20 nature of these buildings. That's why people come to South
21 Grand and move to the Tower Grove neighborhood is because
22 of the historic integrity we have.

23 I'm also involved with many other
24 organizations. I just got nominated to be and accepted to
25 be on the Board for Low-Income Housing, which is in Tower

Witt (cont.)

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1 Grove East and Fox Park, and it's expanding out towards the
2 city with buying and rehabing historic homes for low-income
3 housing, and I'm proud to be a part of that.

4 I'm just here to say that I'm in support of
5 Historic Tax Credit, what it's done for South Grand and the
6 city of St. Louis and what it can do for our state. Thank
7 you.

8 CO-CHAIR GROSS: Thank you very much,
9 Rachel. Appreciate you being here.

10 MS. WITT: Thank you.

11 CO-CHAIR GROSS: Next is Christine
12 Harbin. Welcome, Christine. Go ahead and spell your name
13 for the record.

14 MS. HARBIN: Christine,
15 C-H-R-I-S-T-I-N-E. Harbin, H-A-R-B-I-N.

16 My name is Christine Harbin, and I work with
17 the Show-Me Institute. We're a free market think tank in
18 St. Louis. We're dedicated to a free market solution for
19 Missouri's public policy. And I'm one of the -- probably
20 one of the only people here speaking against tax credit
21 programs.

22 SENATOR WRIGHT-JONES: Can't hear you.

23 CO-CHAIR GROSS: A little louder.
24 Speak up a little bit.

25 SENATOR WRIGHT-JONES: Thank you.

Peter George Historic Testimony

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1 programs. That would be legitimate testimony, but reacting
2 to something as broad-based -- this is just helpful to us.
3 It's nothing specific, so I'll give you --

4 MS. HARBIN: Why don't I --

5 CO-CHAIR STOGEL: I'll give you -- I'll
6 actually give you a disk with all the programs on it, and
7 you can get back to us where you think this applies and
8 give us some more jobs. That would be helpful.

9 CO-CHAIR GROSS: Anyone else? Did you
10 have anything else, Christine? Is that all?

11 MS. HARBIN: Yeah, that's fine at this
12 time.

13 CO-CHAIR GROSS: Okay. Thanks for
14 being here. Next on the list is Peter George. Welcome,
15 Mr. George. Go ahead and spell your name and proceed.

16 MR. GEORGE: My name is Peter George.
17 And it's G-E-O-R-G-E.

18 Commission members, thank you for your time
19 today. I am here to speak to you as a fourth generation
20 St. Louisian and as a developer.

21 During previous conversations with the
22 Commission, there were four goals that were outlined by
23 Governor Nixon for the Commission to consider when
24 reviewing the benefits of the State's tax credit programs
25 for Missouri. And they were preserve Missouri's triple A

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George (cont.)

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1 rating, create jobs, protect people who have already made
2 investment, and get a handle on the out-of-control tax
3 credit programs.

4 I'd like to explain how I think the current
5 Historic Tax Credit Program already applies to these goals.
6 I'm also here today to reply to questions that I have heard
7 the Commission members ask the people who have already
8 testified about the state Historic Tax Credit Program
9 during the last three public Commission meetings.

10 I feel I'm able to answer these questions
11 since I've developed both large and small properties using
12 the Historic Tax Credits Program. My answers will provide
13 testimony for the record that the Historic Tax Credits
14 Programs follow the goals that I just mentioned.

15 To recap some of the common elements
16 regarding Historic Tax Credits, we have heard from
17 Missourians in Kansas City, St. Joseph, Joplin, and Cape
18 Girardeau have been the Historic Tax Credit Projects foster
19 private investment in areas once considered to be unworthy.

20 Both the Historic Tax Credit and the
21 Low-Income Housing Tax Credit creates jobs for lawyers,
22 accountants, carpenters, plumbers, electricians, title
23 companies, property management companies, real estate
24 brokers, et cetera, and create a place for people to work
25 and live once the project is complete. And I have here for

1 you a graph that shows -- this is a graph that combines
2 LITECH and Historic Tax Credit project and shows the job it
3 creates and kind of a breakdown of a tax credit project.

4 Historic Tax Credits require the person or
5 group to invest money up front to complete a project before
6 a tax credits certificate is awarded, and when an Historic
7 Tax Credits project is started in a main street area or in
8 a large metropolitan area, current owners and other people
9 begin to look at that area as a place that improved
10 typically follows suit. Washington Avenue is an example,
11 as well as Main Street in Joplin, Missouri.

12 A question that's been asked by the
13 Commission is the Historic Tax Credit Program too big? If
14 you compare it to a factor such as state revenue that is
15 not rising as fast as the Historic Tax Credits Program's
16 popularity, then the answer to the question might be yes.

17 However, there's currently \$140 million cap
18 to the program, which is already in placed which was
19 designed to get the Historic Tax Credit Program under
20 control. It limits the program, and the program can't grow
21 right now.

22 I'd also like to point out that current
23 macro-economic forces within the market place and changed
24 administration processes have already reduced the amount of
25 Historic Tax Credits impacting the State's budget for the

1 upcoming years. To drastically alter the Historic Tax
2 Credits Program now would further reduce the State's
3 revenues, reduce development projects and reduce jobs by
4 limiting the number of new projects.

5 The question was asked is the Historic Tax
6 Credit Program too big. In my opinion, the answer is no.
7 If you compare it to the fact that every dollar in tax
8 credit awarded, \$4 has to be spent first, the answer is now
9 since it creates a need for many jobs, not just seasonal
10 construction jobs but ongoing professional services jobs.

11 The answer is no since the program has been
12 proven to work, and it is now being utilized in the more
13 conservative outlying areas in Missouri. The answer is now
14 because Missouri is just -- Missouri has become a model for
15 the rest of the nation to foster economic development,
16 creating jobs, and is renewing crumbling towns.

17 The State makes numerous returns on its
18 Historic Tax Credit investment by the expenses being made
19 before the credits are awarded, creating jobs for its
20 citizens, and reducing crime and generating stability in
21 once unstable areas.

22 Senator Gross, yesterday you asked is the
23 program too rich. In other words, are developers making
24 too much money using the program. In my experience, I have
25 not gotten rich, or at least not yet. Developers' profits

1 are tied to the successes of each project. If the project
2 is wildly successful, then I'm a smart person, I'm a hero,
3 and I make a return on my time and investment.

4 However, if the project fails, then I have a
5 considerable penalty to pay in both -- which is both
6 financially and personally for taking that risk.

7 Historic Tax Credits open development
8 projects, reach more people rather than select few with
9 financial ability by creating additional equity for a
10 project. Utilizing conservative banking parameters, a
11 project typically requires a 20 percent equity in order to
12 get it off the ground.

13 On a \$5 million project, that's a million
14 dollars up front. For someone to risk a million dollars,
15 it has been my experience the project should be considered
16 significantly secure for bankers or investors to even want
17 to be involved.

18 For smaller projects, say \$200,000, that's a
19 \$40,000 cost which is required to come out of pocket just
20 to begin.

21 In both of these scenarios, it can be argued
22 that the Historic Tax Credit reduces up-front equity
23 requirements and opens the door for more people like the
24 hammer-in-the-pocket person to invest in a little bit of
25 Missouri's history and make a modest return.

1 Then there are the profit risks. The
2 developer's profit is the last item that gets paid these
3 days. It is the bank, the contractors, the accountants,
4 the architects and Realtors who get paid before the
5 developer. If there is something left over for the project
6 cash flow, the developer makes his money. Without the
7 developer's willingness to take a calculated risk, all
8 these other professions don't get paid.

9 Developers bear all the risk of the Historic
10 Tax Credit venture. Why shouldn't they receive
11 compensation commiserate to the risks taken? Historic Tax
12 Credit guidelines dictate that the developer's profit is 20
13 percent of a specific cost formula. After taxes, expenses,
14 et cetera, this percentage generally is reduced.

15 One could argue that because of all the
16 lengthy process and all the requirements needed just to
17 remain eligible to a follow the Historic Tax Credit
18 Program, the risk return is equitable, and the program is
19 not too risk.

20 Developers have acquisition loans,
21 construction loans and Historic Tax Credit bridge loans for
22 the larger projects, and acquisition and construction loans
23 with the smaller historic credit projects.

24 Large projects require developers applying
25 and willing investors to participate. The smaller projects

1 require the developers to put the monies up themselves. In
2 most cases, the Historic Tax Credit allows the smaller guy
3 to move on to the next project.

4 The question has been asked but for the
5 Historic Tax Credit, would the projects have happened. In
6 my situation, the answer is no. Without the Historic Tax
7 Credit, there wouldn't be a project because the total costs
8 were too high. There would have been no reason to take the
9 risk in the areas I have developed, as they are typically
10 downtrodden.

11 In these areas, it seemed that the only
12 option would be for a very wealthy individual or
13 organization to come in and scrape the land and just start
14 over. Crime was high, property values were depressed, and
15 building costs were already outside normal thresholds.

16 Conversely, my completed projects have
17 pushed out the bad element, reducing crime, increased
18 property values, generated jobs, and made a more secure
19 place for people to reside.

20 To conclude, a robust Historic Tax Credit
21 Program has been good for Missouri and its residents.
22 Having the Historic Tax Credit Program that makes people
23 want to invest in Missouri's cities and towns, helps
24 preserve Missouri's triple A rating. Having developers
25 find new eligible projects, fosters job creation and keeps

George (cont.)

1 the job wheel spinning.

2 Those who have already made an investment in
3 the state's historic buildings will continue to do so with
4 a clearly outlined program. And finally the Historic Tax
5 Credit Program is not out of control. It is capped, and
6 already has guidelines in place and detailed instructions
7 on what is eligible and what it specifically has to meet in
8 order to qualify for a Historic Tax Credit certificate.

9 Thank you.

10 CO-CHAIR STOGEL: Peter, just as a
11 clarifying comment. HDC is helping with permanent capital,
12 but not with who the developer is.

13 MR. GEORGE: Say that again.

14 CO-CHAIR STOGEL: When you go buy one
15 of your projects or when I started this one, all
16 predevelopment costs the developer takes on are at his sole
17 risk, and so there's what lawyers call closing, which
18 developers define as a loan opening.

19 At that point forward, the historic credits
20 are part of the chemistry. So your (defensive) developers,
21 which I appreciate those parentheses, that it's the
22 predevelopment risks are solely on the developer, which is
23 why he needs the certainty that credits and the other
24 sources of financing will be there.

25 MR. GEORGE: That's correct.

George (cont.)

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

Brad Pittenger Historic Testimony

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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

Pittenger (cont.)

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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.

REAL ESTATE AND CONSTRUCTION

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.

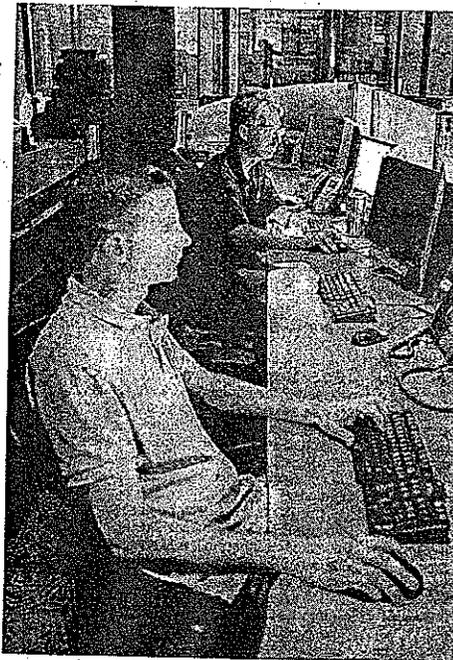
"We've got this AT&T data center that has all these fiber options," she said. "We have great communication infrastructure downtown."

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

downtown 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 tech guys."

R. Henger (cont.)

Caleb Wheeler Historic Testimony

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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.

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1 I'm a small general contractor from
2 Robertsville, Missouri. I came to St. Louis in the late
3 1970s and worked in Soulard for a company named McClelland
4 who made a significant dent in turning Soulard into a --
5 into an up-and-coming neighborhood.

6 I'm here to talk about my employment. I'm
7 substantially underemployed right now. Over the years,
8 I've benefited from both federal and state Historic Tax
9 Credits in Soulard, the Shaw neighborhood, Benton Park,
10 Lafayette Square and Central West End.

11 I have a high school education. I came --
12 I've been continually employed since the age of 18. As a
13 small general contractor, I'm capable of managing four to
14 five hundred thousand dollars a year in construction. And
15 so not only am I employ myself and subcontractors and
16 paying vendors -- at any rate, you know, presently as I
17 said, I'm finding myself underemployed substantially.

18 Last year I became a licensed South Carolina
19 contractor, licensed to work in Georgetown County, South
20 Carolina. I took on a project in South Carolina. I prefer
21 to be working Missouri where my family is. I'm 54 years
22 old. I've been employed since I was 18. I've never drawn
23 unemployment. I'm self-employed, so at such time as I find
24 that there isn't employment for me, I won't be signing up
25 for unemployment, because as a self-employed person, I'm

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1 not eligible for that. I guess I don't pay into the fund
2 for it, but I'm also not eligible for it.

3 So I don't only work on historic tax credit
4 projects, but when I look back over the 30 years that I've
5 been working in St. Louis for 40, 50 hours a week, it turns
6 out that in fact many of my clients have utilized both
7 federal and state Historic Tax Credits on projects that
8 I've worked on.

9 Let me relate a little story to you. I was
10 working on an addition project out in Augusta, Missouri,
11 and I discovered that they were going to be building a new
12 library in Augusta, Missouri, and so I decided to bid on
13 this project.

14 It took me a dedicated three weeks to
15 analyze the job, put together a schedule of values and to
16 produce a bid for this project. I think my bid was in the,
17 you know, range of let's say \$300,000.

18 At the bid opening, there were 25 envelopes
19 on the table. So you know, I can't -- I can't -- you know
20 if you take three weeks that it took -- three man weeks
21 that it took me to bid that project, you know, and you took
22 the 25 other bidders and you multiplied that, that would be
23 75 man weeks. We probably could have built that library
24 with the effort that went in to bidding that project.

25 So I think that to be talking about

1 decreasing funding or ending funding for these historic tax
2 credits at this time when unemployment is high, but
3 particularly for general contractors, carpenters and so
4 forth, you know, I think that it's not good timing. I
5 think that if -- if I'm earning money, I'm paying income
6 tax, my subcontractors are paying income tax, my vendors
7 are paying income tax. But you know, here's a guy with a
8 high school education and he's fully capable of managing,
9 if it's out there, let's say \$400,000 a year in activity,
10 economic activity.

11 So you know, I don't know what the
12 alternative is to -- you know, as I've said, I've been
13 employed since I was 18 years old, and I've been
14 self-employed for 20 years, and so you know, what's -- I'd
15 like to know what the alternative is for those of us who
16 find that we're substantially underemployed. What is the
17 alternative for us. Where do we find -- where do we find
18 economic activity to be involved in, and it's just terribly
19 competitive in the market presently.

20 So I guess that's the conclusion of mine.

21 CO-CHAIR GROSS: Thank you very much.

22 MR. WHEELER: Thank you.

23 CO-CHAIR GROSS: Thank you.

24 CO-CHAIR STOGEL: How many people are
25 going to come back at 7:00? We were going to take a little