

1 historic district and have made those applications, and so
2 when the state Historic Tax Credits came to be, we were
3 poised to go.

4 And we no longer had to subsidize the
5 properties, the development, anymore. You can't imagine
6 the celebration that we had when our first house in the
7 neighborhood sold for \$100,000. I mean, that was a like a
8 banner event.

9 And as we have -- have more and more
10 development done and developers started being interested in
11 coming to our neighborhood and working in our neighborhood
12 and people started being interested in moving to our
13 neighborhood and living there and wanting houses to find
14 good houses to buy there.

15 All of a sudden, the neighborhood just took
16 off, and it's not that we don't have any more work left to
17 do. But it just made a tremendous difference, and instead
18 of doing a few houses a year, we were doing -- seeing
19 dozens of houses a year. And it's made a huge difference
20 to our neighborhood.

21 Unfortunately, the financial crisis has
22 slowed a lot of that down, and there are a couple of ways I
23 think that we're kind of frustrated. Obviously a lot of
24 people -- or not as many people are buying houses now, but
25 our Realtors tell us that still for a first-time property

1 owner buying that first house, it's a great market, and
2 it's still very active because the loans are still low, the
3 -- they have very good value their money, and they don't
4 have to sell their other house.

5 But unfortunately we cannot attract
6 developers to do -- we can't seem to get projects done even
7 for that market right now because of a couple of issues.
8 And one is it's so difficult to get loans, bank loans, now,
9 and another thing that's happening that we've been seeing
10 over the last, I would say, six months or maybe even longer
11 is that it's taking a lot longer to get a commitment and
12 answer form the State on a commitment for the Historic Tax
13 Credits.

14 My understanding was the policy originally
15 was that they were supposed to act on that within 30 days,
16 and we're now seeing things, you know, going -- time
17 passing by and it's more like 90 days before people get
18 their project application reviewed and responded to.

19 But I just wanted to share with you the
20 story of my neighborhood because I think it's not -- I
21 mean, it's fairly typical, and I think there are a lot of
22 neighborhoods that are just -- are like much further behind
23 us because they're just getting to be listed as on the
24 Register so that they can take advantage of these.

25 And I think that we have a lot more to do,

1 and I'm hoping that the Historic Tax Credits will still be
2 a viable economic tool for us to support our communities.

3 Thank you so much for your work on this
4 commission.

5 CO-CHAIR GROSS: Thank you for your
6 testimony. We appreciate it very much.

7 CO-CHAIR STOGEL: It's nice to hear
8 that you got projects, and thank you for telling us about
9 it.

10 CO-CHAIR GROSS: Next is John Schmidt.
11 Schmidt something. I can't read it all. Is there a John?
12 No. How about David Eisengram? Essengram? Essen -- okay.
13 More doctors.

14 How about --

15 CO-CHAIR STOGEL: We could just ask
16 who's here.

17 CO-CHAIR GROSS: Sean Sandinbaugh?
18 William Lobin? Glenn Koenen?

19 MR. KOENEN: Koenen.

20 CO-CHAIR GROSS: Koenen. We'd get to
21 you eventually.

22 MR. KOENEN: My name is Glenn Koenen.
23 K-O-E-N-E-N. I'm executive director of Circle of Concern
24 in Valley Park. I'm also a former president of the St.
25 Louis Metropolitan Food Pantry Association.

Jeff Mansell Historic Testimony

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1 back to 1982.

2 CO-CHAIR STOGEL: So your business is
3 down?

4 MR. KOENEN: We are too.

5 CO-CHAIR STOGEL: Thank you.

6 CO-CHAIR GROSS: Thank you very much.

7 Next is M. Ramsing. How about Joseph
8 Litzing?

9 MR. BURLISON: Joe left. He's going to
10 mail it in --

11 CO-CHAIR GROSS: Okay.

12 MR. BURLISON: -- or send it in.

13 CO-CHAIR GROSS: Yeah, I should mention
14 also someone asked just before the break if they could mail
15 in testimony. Absolutely, and the address is on the
16 website, tcrc.mo.gov, and we'll get that to all our -- the
17 committee members.

18 Brian Erpy. Paul Hohlman. Anyone else that
19 would like to testify raise your hand or come forward.
20 Please, sir. Maybe it didn't have a 'Y' next to it. Come
21 on. Come on. Please. I'll find your name on the list if
22 you signed up.

23 MR. MANSELL: I signed on --

24 CO-CHAIR GROSS: Oh, fair enough.

25 MR. MANSELL: I'm Jeff Mansell.

1 J-E-F-F M-A-N-S-E-L-L. I'm the executive director of
2 Landmarks Association of St. Louis.

3 I had drafted some remarks to make tonight,
4 and I reread them through the break, and realized that they
5 were the dullest, most boring, dry text that I had ever
6 written. So it was filled with facts and figures that I'm
7 sure you have heard over and over and over again. I'm sure
8 you've heard quotes from Donovan Rypkema's economic study
9 from 2008. I'm sure you've heard the Rutger's study. I
10 know they talked -- thrown facts and figures out to you.

11 So I thought I would just disregard this and
12 speak off of the cuff and perhaps give you a different
13 perspective on the whole Historic Tax Credit Program coming
14 from my perspective as the director of Landmarks
15 Association.

16 Landmarks has been around for 50 years.
17 During that time, we have compiled scores of district,
18 individual, multi-property nominations of the National
19 Registry. Since 1998, of course, that -- the Historic Tax
20 Credit Program has added a whole new dimension to our work.
21 We know that now when we compile these nominations, we're
22 doing it primarily so that people can participate in the
23 tax credit program.

24 We've done, as I've said, scores. We're now
25 doing for the first time a lot of our work is taking place

1 in North St. Louis, and area that for a variety of reasons
2 seems to have been overlooked, forgotten. We are -- just
3 completed a National Registry District nomination for
4 Wellston. We're doing a second expansion of that sometime
5 soon. We're working with Freeman-Bosley in Hyde Park, and
6 Audubon Flowers in College Hill.

7 We're doing probably one of the largest
8 historic districts ever undertaken in the city of St. Louis
9 in Penrose park, for Aldermen Troops and French. These
10 public officials, these alder women and men, have seen what
11 the Historic Tax Credit Program has done in other portions
12 of this city, and they are eager to revitalize, reenergize
13 their neighborhood using this Historic Tax Credit Program.

14 The other day we were riding around Penrose
15 Park, and my assistant director turned to me, and he said,
16 "It's kind of ironic, isn't it?"

17 And I said, "What's that?"

18 He said:

19 "That we're finally up here
20 doing the work that we wanted to
21 do in these neighborhoods for so
22 long, and now they're going to
23 change the rules of the game, or
24 they're going to eliminate the
25 game altogether."

1 And once again, these public officials,
2 these alder women and men, who have put together these
3 programs trying desperately to reenergize their communities
4 may once again fall short.

5 I am an idealist, which as you can imagine
6 gets me in a lot of trouble a lot of the time. I am a firm
7 believer that historic preservation is a tool that when
8 used properly can change people's -- the quality of
9 people's lives for the better.

10 If you haven't been up to the 14th Street
11 Mall, the Crown Square Development in Old North St. Louis,
12 I encourage you to do so. Imagining the impact that \$35
13 million project, which bundled a whole lot of tax credit
14 programs together, is going to have on Old North St. Louis
15 is exciting.

16 If you've seen that, then I would suggest
17 you call Steven Haycry at RHCDA and get him to take you
18 down to Dick Gregory Place where they have purchased two
19 dozen houses, buildings in that -- in that neighborhood. I
20 walk around that neighborhood with Steven, and I felt like
21 I was on a stage set of a really bad western, where the
22 store fronts were propped up with wooden posts. The backs
23 of these buildings were blown out.

24 There again, as they did in Old North,
25 they're packaging a lot of tax credit programs, Low-Imcone,

1 Historic Tax Credits. The impact that that development is
2 going to have on the residents of Dick Gregory Place is
3 almost immeasurable.

4 So I would say that yes, the Historic Tax
5 Credit Program should survive on its merits. The facts and
6 figures are there, you've seen them, you've heard them, you
7 know that the program pays for itself, it generates jobs,
8 it generates economic development. There it should stand
9 on its own and continue.

10 I would just like to say that when you're
11 also making decisions of recommendations about tax credits
12 that you remember the Historic Tax Credit Program not only
13 is economically -- an economic development tool. It also
14 has a tremendous impact in changing and improving the
15 quality of life for residents, not just in St. Louis, but
16 in communities across Missouri. Thank you.

17 CO-CHAIR GROSS: Thank you, Mr.
18 Mansell. Any questions? Thank you for being here.

19 I think I saw another hand here. Please
20 come forward. Welcome. Go ahead and spell your name for
21 the record and proceed.

22 MS. CAMPBELL: Sure. I'm Maggie
23 Campbell. M-A-G-G-I-E, C-A-M-P-B-E-L-L.

24 I'm the president and CEO for Partnership
25 Downtown St. Louis. Welcome and good evening.

Maggie Campbell Historic Testimony

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25 Downtown St. Louis. Welcome and good evening.

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1 Our organization mission is to serve as the
2 catalyst for a vibrant and healthy downtown, and there's no
3 doubt that the Missouri Historic Tax Credit Program has
4 been a huge factor in helping us achieve our missions.

5 Over the last ten years in downtown St.
6 Louis, the tax credits were directly responsible for
7 spurring development of more than 100 historic buildings,
8 resulting in more than \$2 billion in investment.

9 Currently today there are projects underway
10 for blocks around us that represent over \$500 million in
11 construction activity and 2,000 construction jobs. And
12 it's not just a local jobs stimulus program. We understand
13 from any of our developers and our big construction
14 companies that many of these construction job employees are
15 driving in from across the state from medium and small
16 towns to come to work every day because of these
17 construction jobs that is fueling our local economy.

18 And that's just the immediate benefit that
19 we're seeing. We have several new creative firms that have
20 announced that they are moving downtown to be part of this
21 activity. Firms like Akwarn and Farb, Group 360,
22 Paradisely Creative, and Elasticity have all moved or grown
23 their businesses downtown in historic buildings.

24 These firms represent the future work force
25 that's demanding an authentic, vibrant, walkable

1 environment, and all of that is made possible in our
2 downtown through this Historic Preservation Tax Credit
3 Program.

4 I would argue that this program is probably
5 one of the most effective jobs programs we have in the
6 state of Missouri today. The benefits of the Historic Tax
7 Credits far exceed the direct costs, which we've heard
8 about, and in taking a page from Jeff Mansell's comments,
9 this is truly economic development in the context of
10 historic preservation.

11 We're making preservation work for us,
12 bringing our old buildings back to life directly through
13 this program.

14 The Historic Tax Credit Program in Missouri
15 also serves as a model throughout the country. Other
16 states are taking a page from our program and are copying
17 similar programs. The "Wall Street Journal" cites the
18 Missouri Historic Tax Credit Program as "the best in the
19 nation."

20 So we understand financial constrains, the
21 very big challenge the state is having. Applaud your
22 efforts to rein in unproductive programs, but during a time
23 when jobs a scarce, we urge you to continue a program that
24 has a proven track record for generating jobs, tax revenue,
25 and additional economic activities.

1 It's not all just about the economics,
2 though. When Missouri has to compete in a global world, we
3 know that our young people, our young emerging companies,
4 or big companies make decisions every day about where to
5 invest, and people are making decisions about where to
6 live, many times choosing where to live first, and figuring
7 out where to work second.

8 That's certainly true of our young
9 generation. And they are drawn to urban areas that are
10 vibrant and vital and exciting and interesting, and the tax
11 credit program contributes definitely to that kind of
12 vitality in our downtown.

13 I think that it's really important to make
14 the connection between our state competitiveness and -- and
15 this program, because if the largest city or some of the
16 largest cities in the state or in region continue to have
17 vacant buildings and boarded-up store fronts, the image or
18 what you're projecting is that -- that we don't care and
19 that we're not healthy.

20 And so when we're trying to attract a major
21 employer from out of state or we're trying to convince that
22 great creative young person to move here and move their
23 family or their investment here, that imagine is really
24 important, because other cities around the country and
25 other states are finding ways to be competitive and

1 creating that kind of vital environment. And the Historic
2 Tax Credit Program is probably the single most beneficial
3 program that has contributed to our revitalization in
4 downtown St. Louis over the last ten years.

5 So I'm happy to answer any questions.

6 CO-CHAIR GROSS: Thank you, Maggie.

7 CO-CHAIR STOGEL: Thank you, Maggie.

8 MS. CAMPBELL: Thank you.

9 CO-CHAIR GROSS: Next is that, okay.

10 Timm. Yes, ma'am, right here in front. Go ahead and spell
11 your name if your would please and proceed.

12 MS. TIMM: I'm Wendy Timm. That is
13 spelled T-I-M-M. And I'm here as president of Missouri
14 Growth Association. I'm also a developer at risk who has
15 done tax credit projects.

16 The Missouri Growth Association is a
17 25-year-old organization with 200 corporate members. We
18 are statewide. We have a Kansas City Board, and we have
19 the St. Louis board, and we employ 25,000 plus people in
20 the state of Missouri among our membership.

21 We have ten affiliated industry groups in
22 our membership, such as building owners, managers, the
23 Institute of Real Estate Management, commercial Realtors,
24 just to name a few.

25 Our membership is predominantly property

Wendy Timm Historic Testimony

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2 Tax Credit Program is probably the single most beneficial
3 program that has contributed to our revitalization in
4 downtown St. Louis over the last ten years.

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6 CO-CHAIR GROSS: Thank you, Maggie.

7 CO-CHAIR STOGEL: Thank you, Maggie.

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24 just to name a few.

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1 owners, developers, contractors, and others that provide
2 essential services, such as architects, engineers, and
3 title companies, law firms, et cetera.

4 We also have all the major lenders in the
5 state of Missouri are members and response to our
6 organization.

7 We are not only advocates for our industry,
8 but for the greater economic good of our state, because the
9 heart of every economic development deal is a real estate
10 transaction. And we all know that this economy is not
11 producing many transactions or procurements because of the
12 capital crisis and the depressed environment that we face
13 in general without analyzing the tax credit programs
14 specifically.

15 Lending criteria at these financial
16 institutions is so tight that the equity the tax credits
17 can bring to projects often make the difference between
18 whether or not the project will move forward.

19 These projects, of course, mean jobs and
20 economic growth. Our organization commissioned a study
21 with St. Louis University -- I believe this Commission has
22 a copy of that study. I have extras here -- that quantify
23 the benefits of specifically the Historic Tax Credits
24 inception and they create 43,000 jobs and the leverage
25 effect of about \$3 billion in private investment in our

1 state.

2 Industry leaders are making personal
3 investments and taking calculated risks in order to ride
4 this up or down turn in our industry in our economy. In
5 fact, at the time of application for credits, you know,
6 it's a very long timeline application to actual issuance
7 and reduction. The investors, the developers, the
8 principal sponsor at risk has already spent thousands of
9 dollars, on large projects millions of dollars to make
10 acquisitions, get architectural drawings done, finish
11 procurements and permits, and with that capital at risk,
12 there cannot be an environmental uncertainty.

13 Uncertainty of these programs' future will
14 only continue to hope the job creation and the economic
15 growth. In this new economy that's trying to emerge, both
16 nationally and in our state, I very much applaud the
17 efforts of the Governor to compact this process with these
18 hearings so that we can incorporate a new plan and
19 competitiveness and monetize our incentives to bring those
20 jobs in our economic development for our state.

21 And we all are living in the scaled-back
22 mode right now, individual households, corporations, and
23 certainly of course our state government. So our
24 organization is here to provide whatever input and access
25 this Commission would like to -- to our membership, and

Timm (cont)

1 certainly look forward to being part of the creative
2 solution.

3 Appreciate it.

4 CO-CHAIR GROSS: Thank you very much.
5 Father?

6 MR. GREGG: Gregg.

7 CO-CHAIR GROSS: I'm sorry, Gregg.

8 MR. GREGG: Thank you very much for
9 being here tonight. She obviously are somewhat of an
10 expert in your position that represents an association and
11 being a developer as well. And as she suggested, in your
12 words, Governor has charged us with -- to come up with a
13 new plan.

14 The comments that I have listened to over
15 the last several weeks in connection with this Commission
16 pretty much the Historic Tax Credit Programs as well as
17 most of the others is working wonderfully. So though you
18 are commissioned to come up with a new plan or way to find
19 that balance between containing perhaps to some degree, but
20 that's my word -- that's not the Governor's word
21 necessarily -- the amount of revenues that are attributed
22 to the credits versus some of the other expenditures in the
23 state.

24 You know, what should this Commission be
25 looking at? You know, would a 20 percent credit accomplish

Timm (cont.)

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1 all the same wonderful things that I'm hearing about, or is
2 25 tax credits the perfect optimal amount. What in your
3 experience -- this is a serious question.

4 MS. TIMM: All arithmetic, obviously.
5 You can't just take a snapshot. I mean, I understand we've
6 got a lot of redemption this year, and that goes back to
7 the projects that were first thought of four or five years
8 ago.

9 I have a project in Kansas City that
10 required building four years ago, and you know, we're
11 stalled out just because we, of course, can't get the
12 construction financing right now.

13 I think there's all kinds of ways to work
14 out the mathematics. Maybe a 25 down to a 20 as the
15 federal program is is one way to do that. We all talked
16 cap. We have a cap. That's something that needs a lot of
17 scrutiny because it really has been a widely ranging dollar
18 amount every year, other than the trajectory from the
19 inception of the project.

20 So I think it's a matter of, you know, how
21 much can we fit into a budget objective. In other words,
22 how much tax credit redemptions specific to historic can
23 we put in the content, and what needs to be done with the
24 program underwriting to do that.

25 MR. WAGNER: Well, your association can

1 probably be very helpful, at least to me, for all that
2 low-income or the historic credits. So I'll forward to
3 getting that. Just one last question, if you don't mind.

4 Are you familiar with -- what about -- are
5 you familiar with what's going on in the surrounding states
6 or -- I mean, are there still a lot lessons for us to learn
7 and what happens there?

8 MS. TIMM: I under- -- within Illinois,
9 I think they have just started a state historic program.

10 MR. WAGNER: That's right.

11 MS. TIMM: Yeah. We have clearly been
12 a leader, as mentioned earlier, but we're focused, of
13 course, in the state of Missouri to serve our constituents.

14 Any other questions? Thank you.

15 CO-CHAIR GROSS: Thank you.

16 Father, please.

17 FR. CREASON: My name is Richard
18 Creason. C-R-E-A-S-O-N. I live and pastor at Holy Trinity
19 Catholic Church, 3519 North 14th Street, in the Hyde Park
20 neighborhood. Senator Wright-Jones represents our
21 district.

22 When I think about our neighborhood in the
23 last 50 years or so, I can only think about disinvestment.
24 Too much unemployment, too limited education potential,
25 little or no health care for folks that live there and have

Richard Creason Historic Testimony

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1 lived there for years.

2 And so I think that the hope that things
3 like Historic Tax Credits bring to us, is just really
4 significant because I think as the gentleman from Landmarks
5 pointed out to us, when you can bundle those with other
6 distressed community tax credits for low-income housing,
7 affordable housing, Rebuilding Communities Act,
8 neighborhood assistance, all of them, I think make a
9 significant impact in battling poverty.

10 And that's my point I think that I would
11 make this evening, is that this is a great resource to us
12 that we should not let go of. I understand that big tax
13 credits sometimes have been misused and misdirected, but I
14 think in the case of distressed communities, they ought to
15 take a higher priority on your estimation about how we
16 redevelop our communities and our neighborhoods.

17 The efforts that Crown Square has made in
18 bring \$35 million into our community, the efforts that
19 Peter George and Lew Shoulders have made in bringing
20 reinvestment into some of the homes in our community has
21 been extremely effective and significant for raising that
22 level of life and quality that the gentleman from Landmarks
23 again talked about.

24 So I would just add my amen to his comments,
25 and thank you for your work this evening.

Vincent DeForest Historic Testimony

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1 CO-CHAIR GROSS: Thank you very much
2 for being here. Questions? Yes, please come forward.
3 Welcome, sir. Please spell your name for the record and
4 proceed.

5 MR. DeFOREST: The name is Vincent
6 DeForest. Can you hear? That's Vincent DeForest. Spelled
7 D-E-capital-F-O-R-E-S-T.

8 I initially came here this evening to try to
9 get some clarity on the housing tax credit program. On
10 June the 8th of last year, a sheer wind came through our
11 area in University City, and put three trees on top of our
12 roof. So we have 30 penetrations through the rough, and
13 then we had to completely gut it.

14 The house that I live in is the home of
15 Joseph Murphy, the architect, Dean of School of
16 Architecture at Wash U. And we were in the process of
17 getting the building put on the National Register, and we
18 were able to do that.

19 We've been out of the house for over a year
20 now, and the initial reason for me coming down here is
21 because after doing all of the paperwork, getting all of
22 the certifications for the Secretary of Interior for the
23 Register and the application for the housing tax credit, we
24 find out all of a sudden the rules have changed.

25 CO-CHAIR STOGEL: Historic credits,

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1 sir?

2 MR. DeFOREST: Pardon?

3 CO-CHAIR STOGEL: That was historic,
4 not the housing?

5 MR. DeFOREST: Historic Tax Credits,
6 right. So that left us in a situation kind of hostage to
7 what is going to happen with that housing tax credit
8 program

9 CO-CHAIR STOGEL: Historic Tax Credit
10 Program.

11 MR. DeFOREST: Right, historic.

12 CO-CHAIR STOGEL: Your house is going
13 to be on the Register?

14 MR. DeFOREST: It's already on the
15 Register now. It has been.

16 CO-CHAIR STOGEL: In what sense do you
17 think the rules have changed?

18 MR. DeFOREST: Well, I understand that
19 the -- there is a -- now an additional review period that
20 we were not able to get any clarity from the office
21 downtown about it.

22 And if I --

23 CO-CHAIR STOGEL: You're talking about
24 the review period -- a DNR qualification --

25 MR. DeFOREST: Right.

1 CO-CHAIR STOGEL: -- to get the local
2 support?

3 MR. DeFOREST: The local --

4 CO-CHAIR STOGEL: The state support?

5 MR. DeFOREST: The state program.

6 That's right.

7 CO-CHAIR STOGEL: With the state --
8 this DNR process precedes get -- you're in the federal
9 process.

10 MR. DeFOREST: We have the federal
11 process already completed.

12 CO-CHAIR STOGEL: So by definition --
13 Peter, Peter George.

14 MR. GEORGE: The current process is
15 that DNRs are -- DNR is approved that it goes to Washington
16 to the National Park Service.

17 CO-CHAIR STOGEL: And Mr. DeForest has
18 been -- do you have the Part I designation from the federal
19 government?

20 MR. DeFOREST: We have all of that.

21 CO-CHAIR STOGEL: Okay.

22 MR. DeFOREST: I come out of the --

23 CO-CHAIR STOGEL: You have a Part II
24 designation for the plans and specs?

25 MR. DeFOREST: Pardon?

DeForest (cont)

1 CO-CHAIR STOGEL: You have a Part II
2 approval for the plans and specs? No?

3 MR. DeFOREST: No, this is for the
4 state. What I'm talking about is the state.

5 CO-CHAIR STOGEL: Right.

6 MR. DeFOREST: Okay. We have the
7 federal certification from the Secretary of Interior for
8 the National Register. So we are -- we are presently on
9 the list as the national registered site for the state of
10 Missouri.

11 CO-CHAIR STOGEL: Okay.

12 MR. DeFOREST: So we have that
13 certification already. This is the Murphy House on 7901
14 Standford Avenue. So my -- my issue then is that we would
15 -- we were told that the housing tax credit application
16 that we have to submitted it along with the -- a National
17 Register application, that that application was being
18 reviewed, and there was no timetable given to that review
19 process.

20 In the meantime --

21 MR. GEORGE: You've got your
22 certification from the National Park Service --

23 MR. DeFOREST: Yes.

24 MR. GEORGE: -- as a historic
25 structure?

DeForest (cont.)

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1 MR. DeFOREST: As a what?

2 MR. GEORGE: As an historic building?

3 MR. DeFOREST: Right, right.

4 MR. GEORGE: Did you also submit your
5 application to DED for the state Historic Tax Credit?

6 MR. DeFOREST: Yes, sir.

7 MR. GEORGE: So now you have finished
8 the project?

9 MR. DeFOREST: No, we haven't finished
10 yet.

11 MR. GEORGE: So you're getting your
12 preliminary approval to do --

13 MR. DeFOREST: We're trying to -- we're
14 waiting for that preliminary approval.

15 MR. GEORGE: Okay.

16 MR. DeFOREST: And we understand that
17 that preliminary approval is being -- there is a hold on
18 it, as I understand.

19 CO-CHAIR STOGEL: Mr. DeForest, this is
20 -- we'll find out about the policy or process or the whole
21 for the information.

22 MR. DeFOREST: Okay.

23 CO-CHAIR STOGEL: That would be at
24 least news to me. Let's -- let's do this because you have
25 a case that's near and dear to your heart, and we

1 understand that. I'd like to introduce you to Chris Pieper
2 from the general counsel for DED.

3 MR. DeFOREST: Okay.

4 CO-CHAIR STOGEL: We'll do a sidebar as
5 soon as the Commission ends. Chris just volunteered to
6 look in your file tomorrow morning and get back.

7 MR. DeFOREST: Great.

8 CO-CHAIR STOGEL: So you'll get
9 attention by the end of the week.

10 MR. DeFOREST: Well, before I leave the
11 podium here, --

12 CO-CHAIR STOGEL: Sure.

13 MR. DeFOREST: -- I'm listening to some
14 of the other speakers talking about historic preservation.
15 The value of historic preservation goes far beyond the
16 economics. And one of the things that I did while in
17 Washington with the National Park Service, is to deal with
18 the issue of the fact that historic preservation is -- has
19 not reached out into all of the communities.

20 And historic preservation had been seen as a
21 very elitist program, and it only centered around those
22 "buildings and sites that were deemed by others to be
23 important, but that the minority communities were not being
24 impacted favorably with historic preservation."

25 Now, this is when I started in 1970. During

DeForest (cont.)

PUBLIC MEETING 9/21/2010

1 that long process, there has been built up around the
2 country a movement of minorities involved historic
3 preservation sites.

4 That movement becomes real with this
5 particular tax program, because it is -- now it is becoming
6 a part of those communities that were underserved by
7 historic preservation. So historic preservation, if you
8 look at it in terms of it's much more holistic than just
9 dealing with the economics.

10 The vision of a beautiful building, a house
11 within a community has a lasting impact on those who live
12 in that community. And it cannot be translated into simply
13 dollars and cents. And I think that if there's anything
14 that I want to leave you with today is that the importance
15 of historic preservation has to be broadened. That concept
16 of historic preservation is much more holistic and much
17 more meaning to those in the community that -- who live
18 there.

19 Thank you.

20 CO-CHAIR GROSS: Thank you very much.

21 SENATOR WRIGHT-JONES: I have a
22 question.

23 CO-CHAIR GROSS: Senator.

24 SENATOR WRIGHT-JONES: Thank you. Are
25 you associated with DeForest Products?

1 MR. DeFOREST: No, ma'am.

2 SENATOR WRIGHT-JONES: No, you're not
3 part of that?

4 MR. DeFOREST: No.

5 SENATOR WRIGHT-JONES: Okay. Thank
6 you.

7 CO-CHAIR GROSS: Thanks again. Anyone
8 else like to testify? Anyone else? Going once. Going
9 twice, and before we adjourn, I thank the Commissioners for
10 being here, those who are still here and those who had to
11 leave already.

12 Do we have a motion to adjourn?

13 MR. BURLISON: Motion to adjourn.

14 CO-CHAIR GROSS: We have motion. Do I
15 have a second?

16 SENATOR WRIGHT-JONES: Second.

17 CO-CHAIR GROSS: I have a second. All
18 in favor say aye.

19 ALL: Aye.

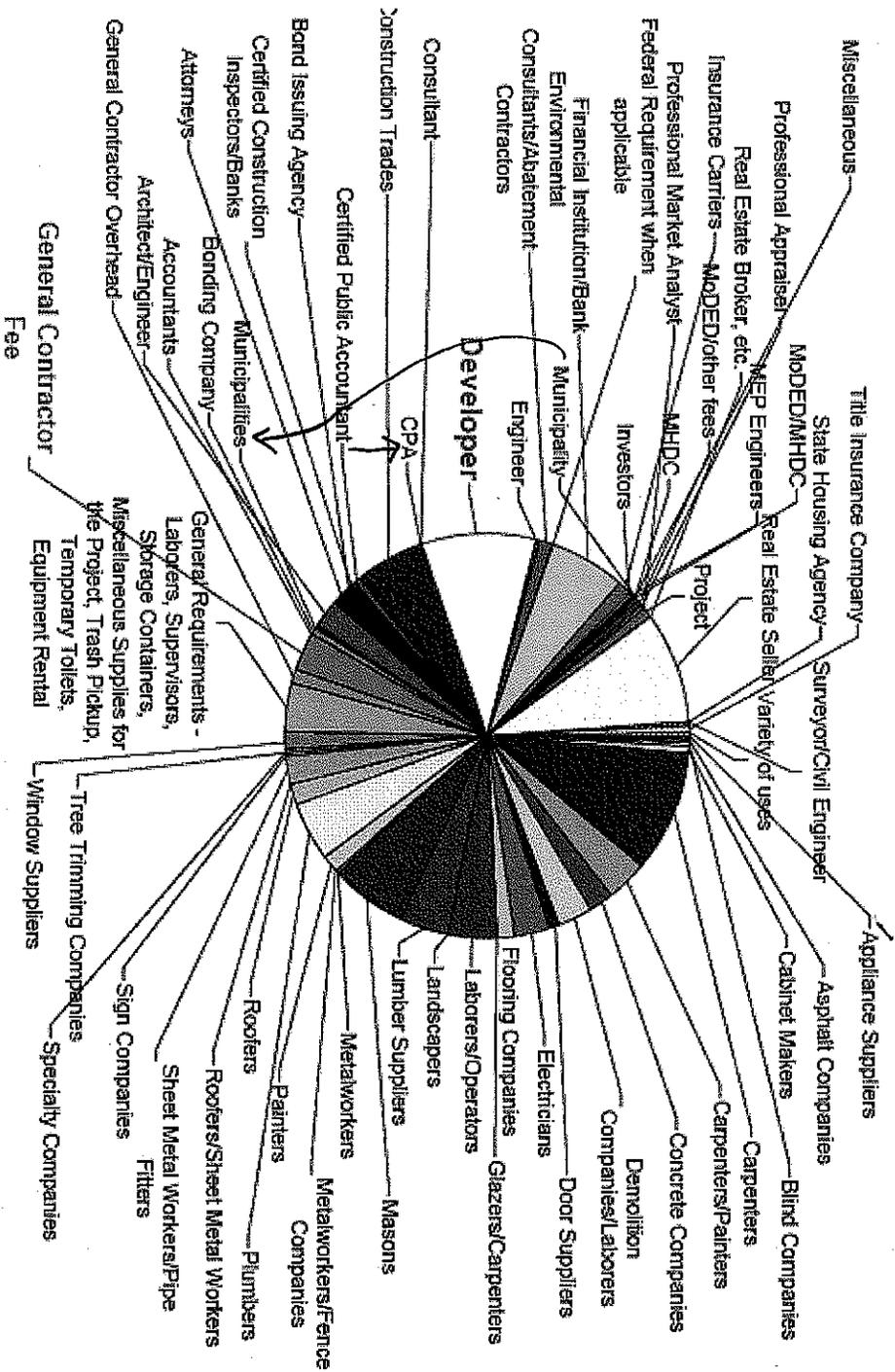
20 CO-CHAIR GROSS: Opposed say no. We
21 are adjourned.

22 (Thereupon, the proceedings were
23 concluded at 8:05 p.m.)

24 o8o

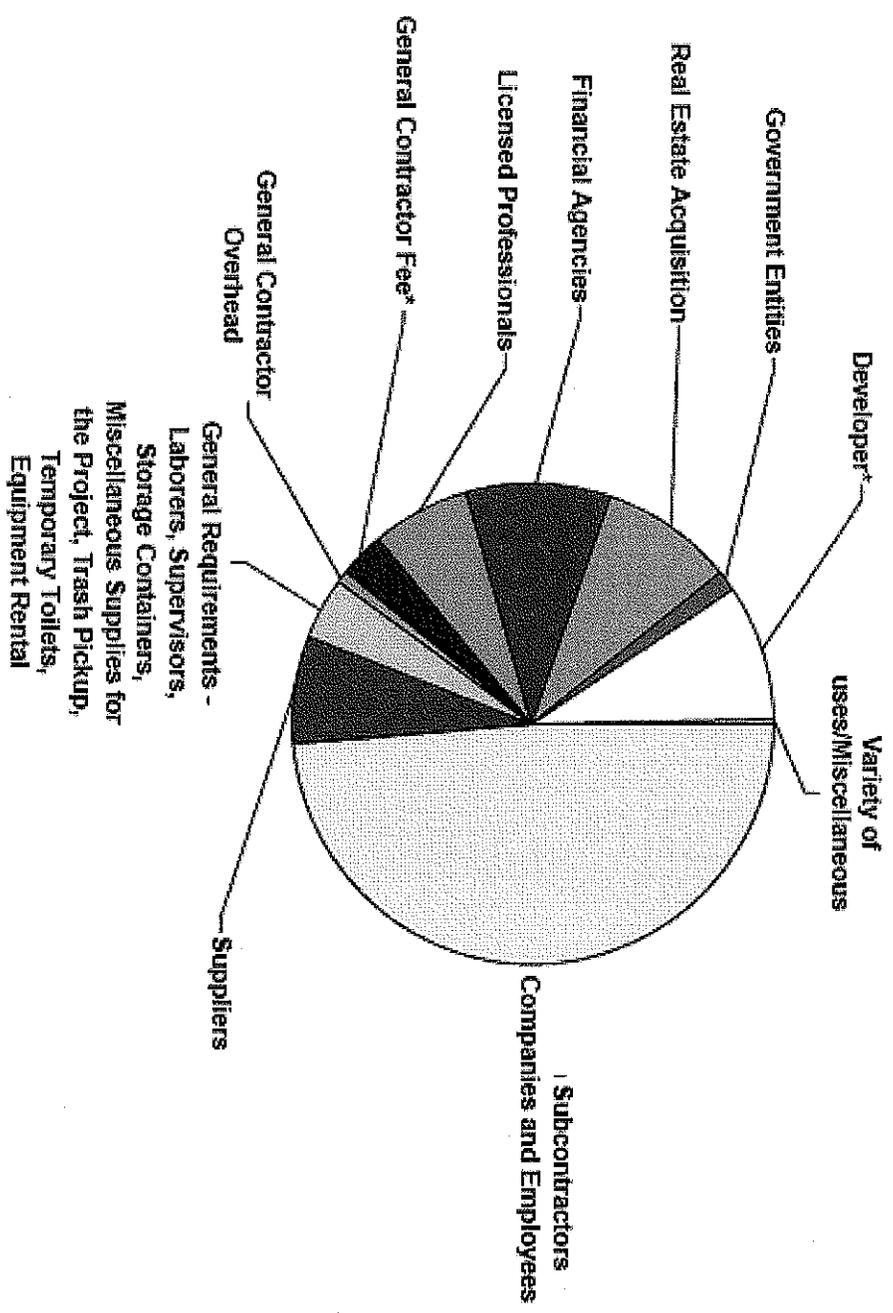
25 UNLESS OTHERWISE NOTIFIED IN WRITING BY THE PARTIES

Chart of Participants in a Typical Historic Redevelopment Project



Data provided by Kathy Sorkin of EM Harris

Chart of Participants in a Typical Historic Redevelopment Project



48.49% of Construction Dollars are spent towards Subcontractors and their employees

*Developer and General Contractor Fees are Maximum Allowed on State Tax Credit Projects

Data provided by Kathy Sorkin of EM Harris

SUMMARY OF RECENT DEVELOPMENTS OF THE TAX CREDIT
PROGRAM IN SURROUNDING STATES

Oklahoma: Effective 1/1/09, Oklahoma improved its 20% uncapped historic program to become fully transferable like Missouri.

Iowa: In 2009, Iowa increased the cap on its program by 150%, from \$20 million to \$50 million per year.

Kansas: In June of 2009, Kansas capped its historic credit program for two years due to budget issues. This past week, The Kansas Senate and House voted 40-0 and 119-5, respectively, to end the cap on July 1, 2010, a year early. There were some key projects lined up that were not able to start, and the legislators decided overwhelmingly to end the cap. the program is returning to having no project cap and no program cap.

Illinois: In March of 2010 The Illinois Senate approved a 25% state historic tax credit by a vote of 48-6. The bill has now moved to the Illinois House, and is viewed as a stimulus to position the State for coming out of the recession more quickly than it's neighbors.

Minnesota: After a 13 year effort, this past week Minnesota passed a 20% new uncapped historic tax credit program. Here are a few excerpts from the press release:

Saint Paul – (April 1, 2010) Governor Tim Pawlenty signed into law the Minnesota Jobs Stimulus Bill, a diverse array of tax incentives to stimulate job growth in Minnesota. The bill is estimated to create between 12,000 and 20,000 jobs across the state.

A significant feature of the bill is the State Historic Rehabilitation Tax Credit, an incentive to stimulate green job growth, increase local tax base, and revitalize urban and main street communities through reinvestment in historic properties. This provision is estimated to create between 1,500 and 3,000 construction jobs annually if Minnesota is consistent with other state programs. The state historic tax credit program encourages private investment in underutilized historic properties in both urban and rural Minnesota, generating jobs and stimulating local and state economic development. Thirty other states—including Wisconsin, Iowa, North

Dakota, Missouri, and Kansas—have similar programs that were incentivizing Minnesota investors to develop in those states. By signing the uncapped state historic rehabilitation tax credit into law today, Governor Pawlenty ensured a competitive advantage for Minnesota in our region.

Historic rehabilitation creates more jobs because it is inherently labor-intensive instead of material intensive. At a time when unemployment among members of the construction trades is at a high level, this measure provides good-paying jobs in areas where employment is desperately needed. Approximately 60-70% of rehabilitation construction costs are labor resulting in thousands of good-paying construction jobs created around the nation through historic rehab projects. In Rhode Island, direct construction employment generated by rehab credit projects was 5,334 over two years. A total of 6,871 jobs and \$60 million in tax revenue were created in the first four years of Missouri's tax credit. In Missouri, the cost of the tax credit was recouped in payroll taxes alone. A March, 2010, study by Rutgers University report found that the federal tax credit program stimulated \$85 billion in rehabilitation activity nationally and 1.8 million new jobs over the program's 36-year lifetime.

State historic tax credits create more jobs per dollar output than either manufacturing or new construction. Realtor and economist Donovan Rypkema recently estimated the potential for job creation in Minnesota based on his study of the highly-successful Missouri state historic preservation tax credit. Rypkema, presenting to the Minnesota Chapter of the Construction Specifications Institute, reported that historic rehab projects in our state would create 5.7 more jobs per \$1 million in output than manufacturing, 4 more jobs than road construction, and 2 more jobs than new construction.

Research demonstrating the economic impact of state historic preservation tax credit programs shows compelling evidence that such programs more than pay their own way. A 2009 report by the Abell Foundation found that Maryland's state historic tax credit has returned \$8.53 in revenue for each dollar of the state's tax credit investment and has generated \$1.74 billion in total economic activity. Between one-third and one-half of that revenue was returned to the state in payroll and sales taxes prior to the state's issuance of tax credits. Missouri's data shows \$1.373 billion in total economic activity in the 11 years of their state rehab tax credit, or a four-to-one return on investment to the citizens of Missouri. Research suggesting that similar

results could be expected in Minnesota has been compiled by the University of Minnesota's Humphrey Institute of Public Affairs.

"Today is a banner day for the construction, design, and preservation industries in Minnesota," said Bonnie McDonald, executive director of the Preservation Alliance of Minnesota. "With the tax credit in place, we will put skilled people back to work, promote green jobs through the sustainable practice of historic preservation, and reinvest in assets that are truly unique to our communities."

REPORT BY DONOVAN D. RYPKEMA

THE FOREMOST PRESERVATION ECONOMIST IN THE UNITED STATES

Speaking to the Saint Charles Historical Society regarding the enormous benefit of the Missouri Historic Tax Credit

- *The Missouri Historic Tax Credit has resulted in "17,900 direct jobs and another 22,500 indirect for a total of over 40,000 jobs."*
- *"...since most building components have a life of between 25 and 40 years, a community could rehabilitate 2 to 3 percent of its building stock per year and have perpetual employment in the building trades. And these jobs can't be shipped overseas."*
- *One million dollars spent rehabilitating an historic building results in "38 jobs, a million three in household income, \$110,000 in state taxes and \$92,000 in local taxes."*
- *"Particularly important today is recent analysis that indicates that historic districts are also less vulnerable to the volatility that real estate values are often subject to during interest rate fluctuations and economic downturns."*
- *"A frequently underappreciated component of historic buildings is their role as natural incubators of small businesses...Ninety percent of all businesses in the United States employ fewer than 20 people; sixty percent fewer than five people...In both downtowns but especially in neighborhood commercial districts a major contribution to the local economy is the relative affordability of older buildings."*

The Economics of Historic Preservation
St. Charles, Missouri
September 11, 2008
Donovan D. Rypkema

Thank you.

Karen Baxter contacted me some time ago to speak at this conference. And, of course, she asked me to talk about the only thing I know anything about – the economics of historic preservation. But she asked that I particular spend some time looking at what’s happened here in Missouri over the last ten years since you’ve had a state tax credit in place.

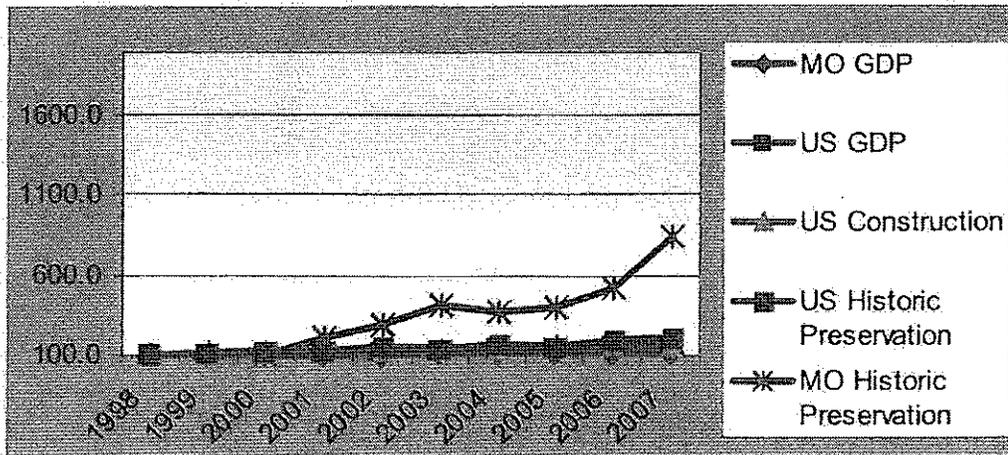
Well, I knew that things were happening in Missouri. And two years ago when Laura Bush and the Advisory Council held the Preservation Summit in New Orleans, the task force I was on held a prefatory meeting in St. Louis so I had a bit of a look there. But I have to tell you when I put the numbers together I was absolutely astounded. And I’ll get to that in just a moment...

...Five great steps have been taken by the people of Missouri in this regard. First was the passing of the credit itself. Second was from the beginning focusing the outreach to those who had capital to invest or access to investors. Third was staving off the legislature’s interest in repealing the credit and doing so by demonstrating with David Listokin’s great study that in the long run the credit generated far more than it cost. And fourth, the way that the credit was structured – that it could be stacked with the Federal credit, that personal residences were eligible, and that the credits themselves could actually be sold, not just euphemistically sold as in the Federal credit. . By making the credits transferable the ever creative and imaginative non-profit sector could get in on the action. On the Federal level, frankly, if a project isn’t a couple of million dollars, trying to “sell” the credits just doesn’t work – the fees for lawyers, accountants and syndicators eats up the benefit of the tax credit.

But the big fifth in my list is the incredible amount of investment in historic buildings that has taken place. In the last decade in excess of \$2 Billion has been invested in the rehabilitation of Missouri’s historic buildings. But numbers that large tend to lose their significance. So at the risk of being an economics numbers geek here I want to put that in context...

Here is Missouri’s tax credit curve...

ECONOMIC ACTIVITY 1998-2007



Here's what's happened in the last decade – the show me State as shown the rest of the country how to attract private capital into our historic buildings. On behalf of the other 49 states, thank you very much...

...Many people think about economic development in terms of manufacturing, so let's take a look at that. The average manufacturing concern in Missouri for every million dollars of production 13.9 jobs are created. But that same million dollars in the rehabilitation of an historic building here in Missouri? 20.2 jobs.

A million dollars of manufacturing output in Missouri will add, on average about \$470,000 to local household incomes. But a million dollars of rehabilitation? Nearly \$704,000. Now of course the argument can be made, "Yeah, but once you've built the building the job creation is done." Yes, but there are two responses to that. First, real estate is a capital asset – like a drill press or a box car. It has an economic impact during construction, but a subsequent economic impact when it is in productive use. And we'll talk about some of those uses to which historic buildings have been placed. Additionally, however, since most building components have a life of between 25 and 40 years, a community could rehabilitate 2 to 3 percent of its building stock per year and have perpetual employment in the building trades. And these jobs can't be shipped overseas.

There are a range of estimates of what the Missouri tax credit has meant to this state, but let me give you mine. Under economic modeling systems, a "job" means a full time equivalent job for one year. Well my number for jobs? 17,900 direct jobs and another 22,500 indirect for a total of over 40,000 jobs. As for household income, these projects have added \$673 million to the pockets of Missouri citizens directly and another \$700 million indirectly. Find me another economic development program that's done that.

Now there are some economists and politicians who would argue that in economic down turns like we're having now public expenditures should be made to create employment. And I'm certainly not going to argue with that. And as you all know, among politicians' favorite forms of public works is building highways.

David Listokin at the Center for Urban Policy Research at Rutgers has calculated the relative impact of public works. Let's say a level of government spends \$1 million building a highway. (And these days that means a highway not quite the length of this room) but anyway a million dollar highway – what does that mean? 34 jobs, \$1.2 million in ultimate household income, \$100,000 in state taxes and \$85,000 in local taxes.

Anyway, we could build highways or we build a new building for \$1 million. 36 jobs, \$1,223,000 in household income, \$103,000 in state taxes and \$86,000 in local taxes. Or we could spend that million rehabilitating an historic building. 38 jobs, a million three in household income, \$110,000 in state taxes and \$92,000 in local taxes. Now you tell me which is the most economically impacting in public works projects...

... Perhaps the area of preservation's economic impact that's been looked at most frequently is the effect of local historic districts on property values. It has been looked at by a number of people and institutions using a variety of methodologies in historic districts all over the country. And the most interesting thing is the consistency of the findings. Far and away the most common result is that properties within local historic districts appreciate at rates greater than the local market overall and faster than similar non-designated neighborhoods. Of the several dozen of these analyses the worst case scenario is that housing in historic districts appreciates at a rate equivalent to the local market as a whole.

Particularly important today is recent analysis that indicates that historic districts are also less vulnerable to the volatility that real estate values are often subject to during interest rate fluctuations and economic downturns...

... A frequently underappreciated component of historic buildings is their role as natural incubators of small businesses. It is not the *Fortune 500* who are creating the net new jobs in America. It is small business. Ninety percent of all businesses in the United States employ fewer than 20 people; sixty percent fewer than five people. One of the few costs firms of that size can control is occupancy costs – rents. In both downtowns but especially in neighborhood commercial districts a major contribution to the local economy is the relative affordability of older buildings. It is no accident that the creative, imaginative, small start up firm isn't located in the corporate office "campus" the industrial park or the shopping center – they simply cannot afford the rents there. Older and historic commercial buildings play that role, nearly always with no subsidy or assistance of any kind...

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For full text, please visit:
<http://www.preservemo.org/downloadables/2008ConfMats/RypkemaDKeynoteMissouri2008withgraphs%5B1%5D.pdf>