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MISSOURI TAX CREDIT REVIEW COMMISSION

PUBLIC MEETING/HEARING

TRANSCRIPT

3:00 p.m.

September 13, 2010

Stoney Creek Inn

1201 Woodbine Road

St. Joseph, MO 64506

COMMISSION:

Mr. Chuck Gross, Senator, Co-Chair

Mr. Steven J. Stogel, Co-Chair (President of DFC Group in
St. Louis

Mr. Sam Komo, State Representative (D-House Springs)

Ms. Penney Rector (Missouri Association of School
Administrators - Jefferson City)

STAFF:

Ms. Sallie Hemenway

Mr. Chris Pieper

Mr. Rex Burlison

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MEETING/HEARING

(Starting time of the Meeting/Hearing: 3:00 p.m.)

SENATOR GROSS: The Tax Credit Review Commission will come to order. Let's go ahead and take roll call, or maybe just everybody introduce themselves. We should start with Commissioner Rector.

MS. RECTOR: I'm Penney Rector with the Missouri Council of School Administrators.

MR. KOMO: Sam Komo, State Representative, 90th District.

MS. HEMENWAY: Sally Hemenway, with the Missouri Department of Economic Development.

MR. PIEPER: Chris Pieper with the Missouri Department of Economic Development.

SENATOR GROSS: Chuck Gross, Co-Chair.

MR. STOGEL: Steven Stogel, Co-Chair.

MR. BURLISON: Rex Burlison, Governor Nixon's Office.

SENATOR GROSS: And we have some Commissioners, some elected officials, otherwise interested parties that are here today and the sign up sheet is back there for those who would like to testify.

The purpose of the meeting today primarily

1 is to take all the testimony from people in this area,
2 so anyone who wants to come before the Commission,
3 you'll have ten minutes to present your testimony.

4 We are absolutely happy to get written
5 testimony. I don't think we'll have a whole lot of
6 duplication. I may be wrong. I don't know everybody
7 out there, but some. Obviously, if you want to take a
8 full ten minutes, that's fine, but not duplicating is
9 appreciated. But you're obviously welcome to submit
10 anything you have in writing, as well. We'll make
11 sure that all the Commissioners receive that.

12 Everything is - all the comments,
13 testimony, as well as Commissioner comments are being
14 recorded today and transcripts will be available after
15 they're ready, probably a week to two weeks or
16 something like that, I'm not sure, but you can go to
17 www.tcrc.mo.gov - no www, oops, just tcrc.mo.gov to
18 find those transcripts once they're ready. I'm not
19 sure, does the sign up sheet also ask for their email
20 address if they - so if you want to be contacted, make
21 sure you put your email address on there if you want
22 to find out what's going on in the future with the
23 Commission.

24 So we are here today, obviously; we'll be
25 in Joplin tomorrow from 3 to 9, and we'll be in Cape

1 Girardeau on Monday from 3 to 9, and St. Louis from 3
2 to 9, and one other meeting will be set up in Columbia
3 sometime shortly after that. Again, you can go to
4 that website to find out when those meetings are going
5 to be held.

6 MR. STOGEL: I would like to sort of know
7 who's out in the audience. Please have a seat if you
8 wish, representative, and sort of go around the room
9 and introduce yourselves. It would be kind of nice to
10 do that.

11 MS. MOODY: I'm Judy Moody from the
12 (inaudible).

13 MR. RUCKER: I'm State Representative Martin
14 Rucker.

15 (Inaudible)

16 MR. STOGEL: Okay. Next? Carmen?

17 MS. SCHULTZ: Yeah, Carmen Schultz with the
18 Missouri Coalition of Children's Agencies.

19 MR. LAU: Brad Lau, St. Joseph Area Chamber
20 of Commerce Economic Development.

21 MR. CONWAY: Pat Conway, State
22 Representative, 27th District

23 MR. SCHAAF: I'm Rob Schaaf, the State
24 Representative for the 28th District, which is - this
25 is my district and on behalf of Representative Conway

1 and Representative Rucker, I'd like to welcome you all
2 to St. Joseph. Thank you for coming here. We
3 appreciate it.

4 MR. STOGEL: Thanks for being such good
5 hosts.

6 MR. SWANSON: Gary Swanson, and I'm just an
7 interested party.

8 MR. STOGEL: Good.

9 MR. EVANS: Don Evans, Evans Realty. We're
10 restoring the Green Acres building, just on the north
11 side of town, so I'm very interested in-

12 MR. STOGEL: Thank you. In the front row
13 here?

14 MR. GEORGE: Peter George, Missouri
15 Coalition for Historic Preservation and Economic
16 Development.

17 MS. CRAWFORD: Lisa Crawford, from the St.
18 Joseph News-Press.

19 MR. STOGEL: What's your name again?

20 MS. CRAWFORD: Lisa Crawford.

21 MR. STOGEL: Thank you, Ms. Crawford.

22 MR. FISHER: James Fisher with Pregnancy
23 Resource Clinic-

24 MR. STOGEL: Thank you.

25 MR. GREGG: Leon Gregg with (inaudible)

1 Partners.

2 MR. HOOK: Brian Hook with Missouri
3 Watchdog.

4 DR. SPRINGATE: Bob Springate with Missouri
5 Baptist Children's Home.

6 MS. LEDGERWOOD: Betsy Ledgerwood, Gamble &
7 Schlemeier.

8 MR. GAMBLE: Bill Gamble, Gamble &
9 Schlemeier.

10 MS TOPP: Sarah Topp, Gamble & Schlemeier.

11 MR. KAHLER: Brent Kahler, Missouri Chamber
12 of Commerce.

13 SENATOR GROSS: Okay. That covers
14 everybody. Any comments from Commission members or
15 staff before we start with public testimony? Okay,
16 who is first on the list? Okay, the first name on the
17 list is Peter George.

18 MR. GEORGE: Actually, I'm not speaking.

19 SENATOR GROSS: Oh, not speaking. Okay,
20 then first is Don Evans. Proceed.

21 MR. EVANS: Thank you for coming up here
22 today. I'm glad you guys are looking into this.
23 We're restoring a grand old building, the Green Acres
24 building that was the original - originally it was the
25 County Poor Farm built in 1919. It's on the north

1 edge of St. Joe.

2 There's a lot of new development going
3 around the building and it's just a great opportunity
4 for us to save a building and save some local history,
5 and the fact of the matter is, without historic tax
6 credits, we would never have undertaken this,
7 undertaken this project. And it's just one of the
8 many, many historic buildings in this area that will
9 be saved with historic tax credits and, what a shame,
10 you know, to even think about pulling the rug out from
11 under that program.

12 And I'm especially concerned with projects
13 like ours, that we went into this anticipating getting
14 historic tax credits and without those, it's going to
15 be very, very difficult, and so I hope you all don't
16 pull the rug out from under us.

17 MR. STOGEL: I am also - developed a
18 historic building in St. Louis, the old Post Office,
19 so I know that the need to have business
20 predictability-

21 MR. EVANS: Yes.

22 MR. STOGEL: -and the value of credit. The
23 last legislative session put a cap on the credit,
24 transition rules so businesses could be protected
25 which is one of the broad base charges that the

1 Commission received, which is people who have made
2 investments be able to continue them. And there's a
3 great deal of support among folks.

4 Peter George represents some folks from St.
5 Louis who have been part of that and one of the
6 committees that's been formed by the Commission is
7 dealing just with the historic credit. The Commission
8 has asked for that committee to come back with ideas
9 on how the program might be improved or sharpened or
10 made more predictable, and we urge you to join folks
11 on that if you're interested. And we can get you the
12 name of the committee chair for that and other folks
13 and be glad to include you in to the whole process.

14 MR. EVANS: I am very interested. I could
15 leave a card - can I leave a card here for you?

16 MR. STOGEL: Absolutely. And we'll get a
17 hold of you and put you in touch with that folks -
18 Peter George would be a really good contact, because
19 he's on that - the original meetings and you're more
20 than invited to get involved, have your voice heard
21 that way, and then that committee will report back to
22 the Commission and hopefully we'll all learn better
23 ways to make that program better. I couldn't have
24 done the old Post Office without the State historic
25 tax credit.

1 MR. EVANS: Right, and when we all - when we
2 go into this development, we do - in fact, I did - I'm
3 sure most people do. We do a "what if" scenario. You
4 know, what would happen without historic tax credits,
5 and the answer to that was, it wouldn't happen. The
6 building would have been torn down.

7 MR. STOGEL: Or be vacant.

8 MR. EVANS: Absolutely.

9 SENATOR GROSS: Have you used them before on
10 other projects?

11 MR. EVANS: No. This is our first time.

12 MR. STOGEL: They can be a valuable
13 resource. They're fairly efficient credit, but then
14 on the flip side, the magnitude of the redemptions and
15 FY-10 were 186 million dollars, which made it the
16 single largest program. In all the competing
17 interests of the Commission, the Commission has asked
18 this committee to, in fact, come back with ideas to
19 make the program better.

20 MR. EVANS: Okay.

21 MR. STOGEL: Peter, you'll make sure you
22 meet with Mr. Evans?

23 MR. GEORGE: Okay.

24 MR. STOGEL: Another one of the Governor's
25 charges is that people who've made investments can

1 rely on it and the changes would be prospective. So
2 if you're out there working on building number two,
3 Mr. Evans, you'll be okay.

4 MR. EVANS: Okay. Well, that's good news.

5 SENATOR GROSS: Anything in the process of
6 applying for the tax credits or - anything at all that
7 you'd recommend being changed?

8 MR. EVANS: It needs to be simplified. You
9 know it is a nightmare of red tape and a lot of it
10 seems pretty redundant and unnecessary. You almost -
11 well, if you have to have an attorney and an
12 accountant on staff for a specific project, don't you
13 think it's a little over the top?

14 MR. STOGEL: Well, actually, we're going to
15 defend the legal and accounting professions on this.
16 The State historic credit is parallel - runs a
17 parallel track to the federal credit. Most of the
18 State rules and the application track with federal,
19 but when the State is handing 25 percent of qualified
20 rehab expenses, it's more than legitimate to have -
21 there be a cost certification so that the State gets
22 benefit of this, with the traffic. And you want to be
23 able to do it right from a tax perspective and there's
24 very complicated tax issues. By the time you do it
25 the third time, it's fairly easy.

1 MR. EVANS: It gets simpler. I guess the
2 biggest problem is on the federal side. It's way more
3 difficult than the State.

4 MR. STOGEL: It's beyond the capacity of
5 this Commission to deal with the Federal tax law. I
6 am actually on the National Trust for Historic
7 Preservations National Tax Committee. I'm Co-Chair of
8 that, and that's been a very successful popular
9 program in Washington, but there are not going to be
10 major changes. It's the hope in that program.

11 MR. EVANS: That's good.

12 MR. STOGEL: By the third time, it will seem
13 easier.

14 MR. EVANS: I appreciate your assurance that
15 I'm not going to get the rug pulled out from under me,
16 although I am concerned with just talk of eliminating
17 tax credits. I don't see a whole lot of investors now
18 that's going to be looking into doing these projects,
19 brand new projects, and that's just a shame.

20 MR. STOGEL: But there's - it's not used
21 that way, a lot of the companies that were routinely
22 buying low income historic credits were banks for
23 their CRA and other reasons, but that investor market
24 has really shrunk because the banks are not making
25 money, so maintaining pricing of the federal credits

1 has been very hard. The State credits remain really
2 efficient in terms of its pricing.

3 Because the State historic credit is, in
4 fact, a certificate transferrable but non
5 recapturable, there's a - I think it's a Department of
6 Revenue policy that once a certificate is issued and
7 sold to an investor, there's a holder in due course
8 exemption from a look back so it is a perfectly
9 marketable piece of paper. So the chill in the
10 investment market really won't affect the State
11 historic credit.

12 MR. EVANS: Okay.

13 SENATOR GROSS: Any questions of Mr. Evans?

14 MR. BURLISON: I've got one.

15 SENATOR GROSS: Okay.

16 MR. BURLISON: Mr. Evans, were there any
17 other State or federal programs that were used in your
18 project besides the historic-

19 MR. EVANS: No, just historic. That's the
20 one we used.

21 MR. BURLISON: When you put your project
22 together were you aware of the possibility of other
23 State and federal programs that may assist in that?

24 MR. EVANS: No, I was not aware and am still
25 not aware of any.

1 MR. STOGEL: What kind of project is it?

2 MR. EVANS: It will be an office building
3 and so I know low-income housing, of course, wouldn't
4 apply. I - if something does apply, please let me
5 know.

6 MR. STOGEL: Maybe in a side bar.

7 MR. EVANS: Okay.

8 MR. STOGEL: But to know where the property
9 is located or whether some-

10 SENATOR GROSS: Thank you very much for
11 being here.

12 MR. EVANS: Thank you, thank you.

13 SENATOR GROSS: Next, I'm not sure whether
14 you want to testify or not, James Fisher.

15 MR. FISHER: Yes, sir.

16 SENATOR GROSS: Welcome, Mr. Fisher.

17 MR. FISHER: Thank you.

18 SENATOR GROSS: When you're ready. To those
19 new folks that have come in, have you signed in?

20 SENATOR GROSS: Would you like to introduce
21 yourself?

22 MS. KELLEY: My name is Nancy Kelley. I'm
23 an employee of the-

24 SENATOR GROSS: Thank you. I'm glad you're
25 here. That will not take away from your time.

1 MR. FISHER: No, that's fine.

2 SENATOR GROSS: Proceed.

3 MR. FISHER: I don't anticipate taking the
4 entire ten minutes anyway. I am here as the Executive
5 Director for the Pregnancy Resource Clinic located
6 here in St. Joseph. The Pregnancy Resource Clinic
7 serves centers across the State, as well as maternity
8 homes. There is a tax credit specifically for those,
9 as you all are aware. It is a 50 percent tax credit.
10 And our clinic specifically has been a great
11 beneficiary of that tax credit.

12 We have a total annual budget of about
13 \$250,000. Of that total budget, we - and we employ
14 two full time staff, three part time nurses with that
15 and pay all of our overhead with that 250,000. In
16 addition, we have about 40 volunteers that volunteer
17 on a regular basis, so what happens in our situation
18 and in most of the pregnancy clinics and a lot of the
19 maternity homes across the State is that that money is
20 turned over from the tax credit benefit multiple,
21 multiple times in the community because of the
22 volunteer hours that are donated.

23 I mean individually, we have over 200 hours
24 of volunteer hours donated each week from men and
25 women who volunteer in our clinic specifically. We as

1 an individual organization had about \$97,000 that was
2 donated to our clinic which was then applied for tax
3 credits, so the individuals from - that donated that
4 to us specifically received \$47,000 approximately, in
5 tax credits back. Those donations ranged from the
6 individual who could donate \$100 all the way up to our
7 top donation that applied for a tax credit, which was
8 a \$12,000 donation.

9 So it is a broad spectrum of the economics
10 of the people who are able to contribute it and be a
11 part of it, but it is also a broad spectrum of the
12 people who benefitted from that tax credit. And as I
13 said, then, individually, those people who make those
14 tax credits also then come back and, like I said, it's
15 multiple many times over with us being able to just
16 simply do the work that we do.

17 What we do specifically is provide
18 emotional, physical, and mental support, as well as
19 spiritual support, to women who face unplanned and
20 unintended pregnancies. The goal of most pregnancy
21 centers is to help them make a choice for life.

22 There's multiples amount of information out
23 there about the influence and what happens when women
24 have an abortion and how that affects their lives on
25 down the road. Maybe not in that first year, but in

1 three to five and seven years down, historically they
2 - 50 percent of every woman that's had an abortion,
3 they become addicted to drugs or become alcoholics and
4 that becomes a burden on the community. So if we can
5 help eliminate that from the beginning, it really
6 helps eliminate that process and the expenditures of
7 the State.

8 And the programs that we do also, we try to
9 work to keep our clients off of the welfare systems
10 and help move them through that process through
11 educational classes, through parental training,
12 through budgeting and finance work that we do with
13 them on a one on one basis to help move them through
14 that process so that they don't become a part of the
15 social service network.

16 That's really one of the things that we
17 really work to do and I believe most of pregnancy
18 clinics across the State do, as well. That's my
19 comments and I'll entertain any questions you may
20 have.

21 SENATOR GROSS: Any questions of Mr. Fisher?

22 MR. STOGEL: Just so I understand the math
23 on the illustration of the \$47,000, it supports the
24 \$250,000 operating budget?

25 MR. FISHER: Yes.

1 MR. STOGEL: Plus there's additional
2 volunteer services, so it's not additional costs that
3 a government would bear?

4 MR. FISHER: Correct.

5 MR. STOGEL: So it's relatively low
6 leverage?

7 MR. FISHER: It's incredibly low leverage
8 compared to what we would see with the tax credits.

9 MR. STOGEL: And how many women go through
10 your program?

11 MR. FISHER: In 2009, we saw 174 clients; in
12 2010, by the 1st of May, we had already seen over -
13 that many clients. As of last week, it was around 250
14 clients this year, so our numbers are increasing. The
15 numbers, they're actually dramatically increasing.

16 By the end of the year, we would anticipate
17 that we would more than double the number of clients
18 that we were serving in the previous year.

19 MR. STOGEL: One of the complicated
20 questions for the Commission, and I'd appreciate your
21 thoughts, is how do you measure fiscal impact to
22 social programs, whether it be this one or the
23 opportunity for affordable housing or neighborhood
24 assistance and maybe, by example, other - I'm just
25 asking, I'm suggesting for the other Commission

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

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

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

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

15 MR. LAU: Yes.

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

17 MR. LAU: Thank you.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 have to create-

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

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

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

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

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

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

25 MR. KOMO: Well, just thinking outside the

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

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

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

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

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

1 MR. LAU: It's 40.

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

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

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

14 MR. LAU: I think so, yes.

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

17 MR. LAU: Thank you.

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

20 UNKNOWN: He's gone.

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

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

1 opportunity. I just want to begin by saying the tax
2 credits have helped Missouri Baptist Children's Home
3 partner with the State of Missouri in ways that we
4 never were able to do before because we're able to, in
5 effect, pool the resources both from the public sector
6 and the private sector to take care of literally twice
7 as many kids in crisis as we were able before that was
8 a possibility, so this has been a real benefit to
9 helping us serve that portion of the Missouri
10 population.

11 Also, it comes to play in the -
12 particularly within our residential program. We've
13 got a lot of different programs, but in our
14 residential program and most of our programs, most of
15 our kids are already in the custody of the State and
16 since the State doesn't pay the full cost of care,
17 what the tax credits do is allow us to raise money
18 from private sources that now we're able to pay for
19 all of it and that's been very, very helpful.

20 We understand and realize that tax credits
21 do fall in different categories. You know, those that
22 are either unfunded or unlimited, difficult to control
23 or anticipate, we certainly understand, and I
24 appreciate that.

25 Of course, there are others that are capped

1 or subject to appropriations and virtually all the
2 ones that we use fall into that category and, again,
3 those are the ones that have been very helpful in
4 multiplying the resources available to minister to
5 these kids and families that we service in - well, all
6 across the State. Our home office is in St. Louis,
7 but we have campuses and regional offices all across
8 the State.

9 Of course, there's a third category that is
10 really special to us since we helped you all - the
11 legislature put that legislation together and those
12 are what we call purchased tax credits, which have no
13 impact on the State budget whatsoever, because if
14 somebody makes a \$1,000 tax credit gift that qualifies
15 for 50 percent tax credit, the agency sends that \$500
16 back to the State, so when the application comes
17 through, the \$500 is being given back to the State so
18 that it doesn't come out of the budget.

19 Now, that is currently tied to what the
20 State pays us for taking care of kids. There's a 40
21 percent cap on that. In other words, if the State
22 pays us \$100,000 to take care of kids, only 40 percent
23 of that can be used for a tax credit. Well, that rate
24 lets us raise that other 40 percent, so that's still a
25 good thing.

1 I'd like for you to consider taking that
2 cap off since it doesn't really affect the State
3 budget. With or without a cap, that money is coming
4 back to the State from the agency in order to cover
5 that credit.

6 MR. STOGEL: We'll roll the clock back just
7 a little bit-

8 DR. SPRINGATE: I'm sorry?

9 MR. STOGEL: Can you roll the clock back a
10 little bit?

11 DR. SPRINGATE: Yes.

12 MR. STOGEL: Can you briefly tell us what
13 Missouri Baptist Homes do and which tax credit
14 programs you're using presently?

15 DR. SPRINGATE: Yes. I'm sorry. I was
16 trying to get my thoughts within ten minutes. The tax
17 credit program-

18 MR. STOGEL: -and which programs you're
19 using.

20 DR. SPRINGATE: The ones that we use with
21 the Department of Economic Development are the
22 Neighborhood Assistance Program, NAP, Youth
23 Opportunities Program, but then we also use the
24 Maternity Home, MHC, the pregnancy resource center tax
25 credit that's already been spoken to this morning, and

1 the Children in Crisis Tax Credit which is tied to the
2 Adoption Subsidy Tax Credit. And then the other one
3 that we use which falls into that purchase category
4 and as far as I know it's the only one that lives
5 there is the RTA, Residential Treatment Agency Tax
6 Credit for agencies that provide residential treatment
7 for children in crisis.

8 MR. STOGEL: Let's break them into two
9 areas. You have contribution credits in the NAP, YOP,
10 maternity, pregnancy, and adoption and children in
11 crisis and then you have this residential treatment
12 credit.

13 DR. SPRINGATE: Yes.

14 MR. STOGEL: Let's put that one aside for a
15 moment. So how much of these five programs do you
16 raise - what's your total for credit that are
17 statewide?

18 DR. SPRINGATE: Well, it varies from year to
19 year because they're tied to projects and you have to
20 be approved before you - but generally speaking, in
21 those, we will have tax credits that approach a half a
22 million dollars, 500,000.

23 MR. STOGEL: So all in the \$500,000, plus or
24 minus, so that you raise a million?

25 DR. SPRINGATE: Yes.

1 MR. STOGEL: And what's your total budget
2 for your operation?

3 DR. SPRINGATE: Approximately 14 million.
4 So it's a small part-

5 MR. STOGEL: Seven percent.

6 DR. SPRINGATE: -but a very important part.

7 MR. STOGEL: Seven percent is a big
8 percentage. By way of curiosity, where do you get the
9 other 13 million from?

10 DR. SPRINGATE: A big portion of it now
11 comes from contracts with the State.

12 MR. STOGEL: Okay, so the State is paying
13 part of that 13 million?

14 DR. SPRINGATE: Yes, for contract for
15 services, and then the rest of it is raised through
16 contributions, estate planning gifts, a little bit
17 from our endowment.

18 MR. STOGEL: So of the 13 million, how much
19 approximately for the State contracts?

20 DR. SPRINGATE: All of the contracts
21 together, I would have to - I could get that figure
22 for you exact, but it would probably be about 40
23 percent of that.

24 MR. STOGEL: 40, so 4 and a half million
25 dollars, 5 million dollars?

1 DR. SPRINGATE: Yeah.

2 MR. STOGEL: And then you put in 8 million
3 dollars from other sources?

4 DR. SPRINGATE: Yes.

5 MR. STOGEL: So the total contribution from
6 the State is 40 percent of 13 million, or about a
7 third-

8 DR. SPRINGATE: Yeah.

9 MR. STOGEL: -that State assisted. How many
10 kids do you serve?

11 DR. SPRINGATE: At any given time, in all of
12 our programs, I think what's on the website right now
13 is almost 500. Now, that turns over. Like our
14 emergency placement, it's only a 30-day program, the
15 children in residential care will average probably six
16 months, so - crisis pregnancy, that will vary
17 depending on how far into the term they are when they
18 come to us, but at any given time we'll be working
19 with about 500, if you include residential,
20 foster/adoptive, case management and the various
21 things that we do.

22 MR. STOGEL: So in the course of a year -
23 whatever the right would be - cases, people, whatever
24 word-

25 DR. SPRINGATE: You know, I've never broken-

1 MR. STOGEL: 700, 800?

2 DR. SPRINGATE: Oh, no, no, no. It would be
3 in the thousands.

4 MR. STOGEL: Thousands. I'm going to try to
5 - and I'm going to the issue of-

6 DR. SPRINGATE: Sure. And that information
7 is available, I've just not broken it out that way on
8 our annual report, and I'd be happy to make those
9 available to you.

10 MR. STOGEL: As I noted when the other
11 gentleman spoke about the pregnancy credit, on all
12 these social and contribution programs, we'll kind of
13 look for a matrix, maybe number of people served or
14 number of - the leverage you get, the State gets from
15 them.

16 DR. SPRINGATE: Right.

17 MR. STOGEL: Two-thirds of the money for
18 your organization comes from non-state sources. What
19 is the right chemistry to measure social programs. We
20 have no idea.

21 DR. SPRINGATE: Of course, there's some of
22 that now built into the YOP and NAP. There's - they
23 ask "What are you going to do and how are you going to
24 improve?" So some of that is already there and in the
25 application process.

1 MR. STOGEL: Correct. But the model and
2 some of the other economic models that measure the
3 State's return of a dollar out of how much they get
4 back, these social programs don't score very well - at
5 least all the folk that we've talked to understand
6 that social programs are treated differently than
7 let's say a "Built in Missouri" or something that
8 scores in a model.

9 In part of the Commission Hearing the other
10 day, we're trying to figure out - we were asked by a
11 fellow Commissioner to think about and ask about what
12 models there could be to measure the social programs.

13 DR. SPRINGATE: Okay, and I'm not aware of
14 that model.

15 MR. STOGEL: So far, neither are we.

16 DR. SPRINGATE: The one model that I'm aware
17 of is that, you know, we're raising money to take care
18 of State kids and that's almost a dollar for dollar
19 return. In other words, it would cost you a dollar to
20 take care of the kids, you pay us 50, we raise 50.

21 MR. STOGEL: And in your first case was 20
22 cents on the operating budget and this sounds like
23 500,000 is three and a half percent.

24 DR. SPRINGATE: Say that again?

25 MR. STOGEL: Three and a half percent with

1 4.2 million - a third of your operating budget comes
2 from State resources, but the other two-thirds come
3 from private resources-

4 DR. SPRINGATE: But 90 percent of our kids
5 come from the State.

6 MR. STOGEL: And 90 percent of the kids come
7 from the State, so there is maybe some math there that
8 we can learn from.

9 DR. SPRINGATE: I'm sure. Oh, I agree. But
10 when you talk about models, you're moving into an area
11 that's not my responsibility or expertise.

12 MR. STOGEL: And I notice that you've
13 accessed lots of programs to help the services for all
14 the families and kids you serve-

15 DR. SPRINGATE: Yes.

16 MR. STOGEL: -in different ways and in
17 relatively small amounts. That's a very illuminating
18 example.

19 DR. SPRINGATE: And we're hoping you'll also
20 continue to consider the legislature; that is, a
21 purchase tax credit for those that work with
22 developmentally disabled. That's been on the floor
23 before.

24 SENATOR GROSS: Do you have an opinion on
25 the idea of combining a lot of the social credits into

1 one credit pool?

2 DR. SPRINGATE: I don't know about into one
3 credit pool, but a unified application process and
4 simplified application process would certainly be
5 nice, you know, because we deal with so many. You
6 know, with every program, we've got a different
7 challenge to explain it to our donors how it works and
8 what they need to do in order to get credit, so that
9 certainly would be helpful.

10 SENATOR GROSS: Questions? Representative
11 Komo?

12 MR. KOMO: I guess this is kind of - which
13 I'm having is - I mean, what is your reimbursement
14 right now per child, or do you know?

15 DR. SPRINGATE: Are you going to speaking to
16 that, reimbursement rate?

17 MS. HEMENWAY: I can get that information.

18 MR. KOMO: Okay.

19 DR. SPRINGATE: And it varies program to
20 program.

21 MR. KOMO: I mean, because that's the thing
22 that's on the budget too, and I mean, that's one of
23 the issues that we can reduce reimbursements-

24 DR. SPRINGATE: Right, and Carmen has those
25 figures.

1 MR. KOMO: -tax credits are a way for you to
2 fill those holes-

3 DR. SPRINGATE: Yes.

4 MR. KOMO: And these are kids that need a
5 place to go-

6 DR. SPRINGATE: Absolutely.

7 MR. KOMO: -from the State, so I guess
8 that's the balance, I guess, as we look-

9 DR. SPRINGATE: It's always balance.

10 MR. KOMO: -you know, it's reducing - the
11 tax credit is reducing the State's liability, I guess,
12 so then to kind of balance it out, and I guess if we
13 were fully funding the reimbursements, we wouldn't
14 need the tax credit program, but since we're not-

15 DR. SPRINGATE: Right.

16 MR. KOMO: -we need to figure out how to -
17 that's kind of balance of it.

18 DR. SPRINGATE: Thank you.

19 SENATOR GROSS: Questions from the
20 Commission? Thank you very much for being here.

21 DR. SPRINGATE: You bet. Thank you.

22 SENATOR GROSS: Next on the list is Andy
23 Moody.

24 MS. MOODY: Judy.

25 SENATOR GROSS: I'm sorry. Sorry, Judy.

1 MS. MOODY: Thank you. I'm Judy Moody from
2 the Uptown St. Joseph Redevelopment Corporation here
3 in St. Joe. We're a group that is primarily involved
4 in neighborhood revitalization and I would like to
5 tout the Missouri Historic Tax Credit for not only
6 creating jobs but leveraging private investment and
7 returns for worn out properties, but also revitalizing
8 entire neighborhoods.

9 I represent our group which is just north
10 of downtown St. Joe. The median household income in
11 our area is approximately \$24,000, so it's not a rich
12 area, it's a poor area. Our revitalization area has
13 almost 500 structures in it; 360 of them are
14 contributing and eligible for historic tax credits.

15 Many of those structures date from the
16 1800's and like many similar neighborhoods in St. Joe,
17 ours has been neglected for a really long time. More
18 than half of them are deficient. In 2003, Heartland
19 Health initiated a program to bring this neighborhood
20 back. Later the Uptown St. Joseph Redevelopment
21 Corporation was formed to accomplish the task. Its
22 operations are funded by Heartland Health.

23 Today, more than 100 homeowners out of our
24 deficient area - we have over - half of our homes are
25 deficient, so that's approximately 250. More than 100

1 of them are now involved in revitalizing their homes.
2 At least 30 percent we know of, are relying on the
3 Missouri Historic Tax Credit.

4 Uptown offers an incentive of its own, its
5 tax abatement. However, assessments of these older
6 properties are generally very low in Buchanan County
7 and so tax abatement is kind of piddley compared to
8 the large Missouri Historic Tax Credit that these
9 people can achieve.

10 Owners who desire to rehab their homes,
11 using a long term horizon, certainly deserve the
12 historic tax credits because these aren't owners who
13 accomplish rehab with synthetic facelifts. These are
14 people who built homes that are going to be around for
15 another 100 years. They apply for the tax credits to
16 help them realize this goal.

17 The requirements for the receipt of tax
18 credits return these properties to really sound
19 condition so that they will be productive properties
20 for the next 100 years. This is no small effort on
21 the part of those doing the work. The owners rehab
22 with care and keep the home in top shape throughout
23 their tenure.

24 The total expenditures on rehabs using
25 Missouri Historic Tax Credits in our area are from

1 \$25,000 to \$6,000,000. So we have a lot going on.

2 They do more than create the jobs and save
3 the historic properties and provide these impressive
4 public/private leverages. The tax credits can help
5 save entire neighborhoods. Based on my personal
6 experience in St. Joe, which extends from early 2000,
7 and my experience in Independence, Missouri, and I
8 know we're not discussing that today, the tax credits
9 and revitalizations stimulate at least two more
10 revitalizations nearby, i.e., for every house that
11 upgrades, you know, using a Missouri Tax Credit or
12 upgrades in a major rehab, at least two more rehab.

13 It's been proven in Independence and it's
14 now bearing out here. So for every rehabbed property
15 that comes on board, we have two to three more that
16 are being brought up, some without tax credits, so you
17 ought to be really happy about that. In fact, a whole
18 lot of them without tax credits. It must be called,
19 "keeping up with the Joneses." But anyhow, this can't
20 be anything but good news for counties and cities and
21 school districts.

22 I will just insert here that in
23 Independence, our goal when we started the
24 revitalization project, which is now pretty much
25 finished, was to invest 86 million over a 23 year

1 period, and in fifteen years, the project had already
2 invested 88 million and now it's over 100 million.
3 Obviously, tax credits play a big role in
4 Independence, but that's not out - I'm sure you'll
5 hear plenty from those folks about keeping the
6 historic tax credit. But we doubled the value of our
7 area and we intend to do that here in St. Joe.

8 If the greenest house is one that's already
9 built, I would like to add, and will stay built for a
10 100 years or more. Virtually all urban planning
11 taking place in our nation's cities today focuses on
12 green building, first neighborhoods and higher
13 density, characteristic of the smaller plats of those
14 early neighborhoods and proximity to amenities. There
15 is a much bigger picture to this whole movement of
16 returning to the heart of the city and the historic
17 tax credit has an important role to play in that. I'm
18 a planner, so I get this every day on how important it
19 is to bring people back to the city, the smaller
20 plots, the higher density, to keep the buildings
21 green, affordable housing.

22 So the Missouri Tax Credit weaves into all
23 of this and you all have doubtless heard the specifics
24 many times. Uptown also has benefitted from the
25 Neighborhood Preservation Tax Credits. Our campus

1 here that we work with used to be occupied by
2 Heartland Health. They built a new hospital here in
3 St. Joe and this land is now vacant.

4 We have engaged a developer who has
5 suffered like everybody else from the housing downturn
6 and we all just wondered if he's ever going to put
7 anything out there, but he finally is. But he's used
8 as an incentive, the Neighborhood Preservation Tax
9 Credit. I know it's a lottery. We keep drawing.
10 It's a depressed area, a depressed neighborhood, and
11 to date, we have secured about \$800,000 in the
12 Neighborhood Preservation Tax Credits, which he will
13 receive when he completes the work, not until then.
14 So he's getting ready to get started on that and it
15 will turn this vacant hospital campus to its original
16 purpose, which was many years ago, well over 100 years
17 ago, it was an area of single family homes. So that's
18 what we're going back to and that tax credit is
19 helping us a lot.

20 I also have experience with this tax credit
21 in Sugar Creek. We did some Neighborhood Preservation
22 Tax Credits for them and helped them out. As you
23 know, Sugar Creek was devastated by the BP/Amoco
24 pollution and it just ruined half of their town. They
25 were able - it's a depressed area. They were able to

1 secure the Neighborhood Preservation Tax Credit to
2 help them start back on a new slate.

3 So it's an important incentive and I think
4 in this economy, families need more, not less,
5 incentive to return their historic homes to sound
6 condition. If historic tax credits operated like tax
7 increment financing and must meet the but for clause,
8 these properties could not be reasonably expected to
9 revitalize without injection of tax incentive, as most
10 homes needing the historic tax credit would pass with
11 flying colors when they're finished.

12 So I would encourage keeping the historic
13 tax credit and it plays a much larger role than what
14 we've read on the leveraging of the jobs and all of
15 that sort of thing. It is really bigger than all
16 that. It really stabilizes and revitalizes much
17 larger areas than the house itself, or the building
18 itself. Thank you.

19 MR. STOGEL: May I ask - I have just a
20 couple of questions. In the last couple of years, the
21 number of certificates that have been issued for
22 buildings in districts have run about three to one
23 over individual nominations, so there's a growing
24 interest in that.

25 The federal credit doesn't allow - federal

1 historic credit isn't allowed on single family
2 residences, so it's unique to Missouri. There have
3 been some suggestions to the Commission that as to
4 homes in a district, since they're limited to the
5 contributing buildings, there ought to be some sort of
6 a cap on that credit so that people aren't getting
7 hundreds of thousands of dollars.

8 There's been some examples around the state
9 where people who would fix up their homes and receive
10 literally 3 to \$400,000 in state credits, and if
11 you're going to spend four times 400,000 and put
12 1,600,000 in your home, should the state really be
13 doing that kind of support. I understand if you're
14 putting 40,000 into your home, that \$10,000 is a
15 critical component. In your experience, would some
16 sort of a no gold coast clause or a relatively
17 reasonable cap be - hamper you in any way?

18 MS. MOODY: It wouldn't hamper us either in
19 the City of Independence or in St. Joe. The homes,
20 particularly in Independence, are modestly priced,
21 primarily bungalows, averaged priced, median houses
22 probably an average sale price of maybe \$85,000.

23 Here in St. Joe, they're mostly, you know,
24 older two story homes and in much worse shape, quite
25 frankly, and cost a lot more to rehab, and people have

1 a lot less money.

2 So I think those are the people I'm
3 standing up for today, because those are the people
4 I've worked with for ten or fifteen years, the smaller
5 restoration of 1920's bungalow, an 1850's Queen Anne
6 or whatever. These are the people who need the most
7 help, and originally our office, which is primarily a
8 homeowner's support, we help them get their tax
9 abatement. And incidentally our tax abatement
10 requires the secretary standards on all of our
11 contributing structures so whether they go for tax
12 credits or not, we nail them on bringing that house
13 back, using it.

14 MR. STOGEL: Some sort of cap would not
15 interfere with that - it wouldn't interfere with your
16 activities or in Independence-

17 MS. MOODY: No.

18 MR. STOGEL: -in your judgement, but it
19 would prevent the \$400,000 example from occurring on
20 Portland Place in St. Louis.

21 MS. MOODY: I know where Portland Place is.
22 Yes, it would not bother us too much.

23 MR. STOGEL: One other question, there's a
24 comment that's been made about the credit program
25 where you can take a credit twice after five years?

1 MS. MOODY: You can finish your job?

2 MR. STOGEL: Yeah, finish your job, project
3 runs and it's ten years since the last go round, you
4 take federal and state credits again. Would it have
5 any limitation of some sort for taking a credit but
6 once on a home?

7 MS. MOODY: Well-

8 MR. STOGEL: I know you can't do all the
9 work at once, so there would be an argument that,
10 sure, the second phase of the work should get a second
11 credit, and maybe even be phased so that it's up to
12 the cap, but any ideas you have on that, love you to
13 talk to Peter, whose working with the Coalition. If
14 you would be kind enough, Peter, to work on that,
15 because this is the first time we're really hearing
16 testimony about non - individually nominated
17 buildings, so some thought ought to be given to the
18 35,043 buildings which are now in 304 or 306 districts
19 that encompass the tax credit base.

20 MS. MOODY: Well, it helps the person, the
21 lower income person, who really, sincerely wants to
22 save the house and bring it back and bring it back
23 right.

24 MR. STOGEL: But we don't want to - I'm not
25 sure that the historic would want to have this income

1 test, but would rather have it as a capped expenditure
2 test.

3 MS. MOODY: I think that might be
4 reasonable.

5 MR. STOGEL: Like rather than trying to get
6 certifications of people's income of 24,000, 34,000,
7 40,000, and that's not the purpose of trying to save a
8 historic building, but putting some sort of reasonable
9 cap on it can go a long way to prevent gold coast
10 usage as has been suggested.

11 MS. MOODY: Yeah, we just have a lot of
12 people who could use this.

13 MR. STOGEL: I'd like you to talk with Peter
14 and exchange cards and be part of the process.

15 MS. MOODY: Okay, thank you very much.

16 SENATOR GROSS: Questions from anybody else
17 on the Commission? None? Thank you very much for
18 being here. Next is Robin Winner. Welcome, Ms.
19 Winner.

20 MS. WINNER: Thank you so much.

21 SENATOR GROSS: Go ahead and state your name
22 again for the record and proceed.

23 MS. WINNER: My name is Robin Winner and I'm
24 the Executive Director of Synergy Services in Kansas
25 City. And I appreciate the opportunity to be here

1 with you all. Synergy is a large agency where we have
2 a multifaceted mission. We serve both victims of
3 domestic violence, child abuse, and adolescent
4 homelessness and abuse. We call ourselves a violence
5 prevention intervention agency.

6 We have about a 7.2 million dollar budget
7 and we provide shelter each year with more than 20,000
8 nights of care for people escaping various kinds of
9 violence and abuse. We also-

10 SENATOR GROSS: Could you go ahead and tell
11 us up front, just to keep us on track, which credits
12 you're the most interested in?

13 MS. WINNER: We receive Domestic Violence
14 Credits, we receive YOP credits and we recently did a
15 capital campaign where we used AHAB credits to help us
16 build our new homeless youth campus.

17 SENATOR GROSS: Thank you.

18 MS. WINNER: To start with that, we have
19 been in the business of sheltering homeless kids for a
20 long time and found the need to both increase our
21 ability to shelter kids as well as the services
22 surrounding that. And we were able to purchase a
23 vacant building in urban - in Clay County that had
24 been sitting vacant for five years on five acres. We
25 used AHAB credits to translate that into a homeless

1 youth campus where we have all kinds of services.

2 We're a lead silver certified building.

3 We are providing mental health and physical
4 health care in a distressed zip code area that's been
5 shown to be under served in terms of those services.
6 And without the AHAB credits, I'm certain that we
7 would have had a much more difficult time
8 accomplishing that goal.

9 We used approximately a million dollars
10 worth of credits to leverage about 2.5 million of our
11 8.9 million dollar campaign, so it was very
12 significant in helping us generate, you know,
13 resources from the community. The other thing about
14 the AHAB credits were that they are transferrable, so
15 we were able to - some of the foundations were able to
16 utilize those as well.

17 The Domestic Violence Credits are
18 essential. We have our safe haven domestic violence
19 shelter. We have been running at 110 percent
20 capacity. This kind of economy is the perfect storm
21 for great increase in services and decrease in all the
22 revenue that's needed for that.

23 And I also am President of the Coalition -
24 the Kansas City Coalition of Domestic Violence
25 Agencies and all of the shelters in the metro area

1 utilize the Domestic Violence Tax Credits
2 significantly. I think certainly if the State covered
3 the full cost, as Representative, you mentioned
4 before, there wouldn't be a need for the tax credits
5 and that would probably be preferable, but we know
6 that we lose approximately \$100 a night on - when we
7 provide care for people that are in State custody or
8 subsidized by the State, because the costs are that
9 much greater than what's being paid.

10 So what the tax credits allow us to do is
11 to leverage - invite the community to help meet that
12 shortfall and it's just crucial for our ability to
13 make up that deficit across many programs for people.

14 MR. STOGEL: I understand AHAB - that
15 leverages almost 9 million dollars-

16 MS. WINNER: Right.

17 MR. STOGEL: -in costs.

18 MS. WINNER: Right.

19 MR. STOGEL: That's a pretty good leverage.

20 MS. WINNER: It was good, yeah.

21 MR. STOGEL: And from domestic violence and
22 YOP, you're getting how much?

23 MS. WINNER: The domestic violence, we get
24 about 100,000 in credits a year which leverages-

25 MR. STOGEL: And YOP?

1 MS. WINNER: -200,000 in gifts.

2 MR. STOGEL: And YOP?

3 MS. WINNER: And we had a \$300,000
4 commitment.

5 MR. STOGEL: So \$400,000 of State credits
6 raises \$800,000 and your total budget is 7 million
7 two?

8 MS. WINNER: Right.

9 MR. STOGEL: So it's about one-ninth.

10 MS. WINNER: But I think you can't look at
11 every dollar as the same, so about 50 percent of our
12 budget comes from government funding, federal, state,
13 local, county funding. That means we have about 50
14 percent of our budget we have to raise from the
15 community, and the most challenging, especially in an
16 economic situation like we're in now, those dollars
17 become much more difficult to leverage than ever
18 before.

19 So in addition to providing the direct
20 dollar for dollar leverage, it also helps us engage
21 people and companies and supporters in the community
22 in a way that I don't think we'd be as successful
23 without that support.

24 MR. STOGEL: Just so I can grasp the
25 numbers.

1 MS. WINNER: It's hard to grasp.

2 MR. STOGEL: \$800,000 of contributions is
3 supported by \$400,000 of combined tax credits. That
4 800,000 is a little more than 20 percent, 22 percent
5 of the 3.6 that's non-governmental. So you get about
6 eleven percent of your money from these credits-

7 MS. WINNER: Right.

8 MR. STOGEL: -that have cost the State five
9 and a half percent. So it's a significant piece of a
10 larger budget.

11 MS. WINNER: I don't know if you're saying
12 that it sounds like little, or I'm not sure I'm
13 understanding.

14 MR. STOGEL: I'm not sure of where - I have
15 no agenda in this one at all.

16 MS. WINNER: Yeah, I'm just trying to get
17 clarity.

18 MR. STOGEL: I'm trying to learn what model
19 - we've now heard three examples today on our first
20 public hearing of total State credits times two is
21 less than fifteen percent of the total budget which
22 comes from other sources.

23 MS. WINNER: And I think-

24 MR. STOGEL: That would be different than
25 where the State credits paid for a 100 percent.

1 MS. WINNER: You know, it would be wonderful
2 if it could be more, but I think if you look at non-
3 profit budgeting, you're going to find that that's a
4 significant percentage of a non-profit budget.

5 So for example, we're a United Way agency
6 and we abide by all the United Way requirements.
7 We're very engaged in United Way, and it's crucial to
8 our success, but less than five percent of our budget
9 comes from United Way, so in each component - and what
10 this allows us to do is to go out to people who maybe
11 would not consider personally contributing to, you
12 know, to say not only are you going to be helping our
13 mission, but you will be able to have a return,
14 personally, as well.

15 You know, it reduces the foot print that
16 you have to actually out of pocket convey.

17 MR. STOGEL: And we understand how
18 contribution credits work. It's - I'm just still
19 thinking about what kind of economic models work when
20 credits are seven or ten percent for contributions to
21 be fourteen or 20 percent of the total budget. How is
22 all of that put into a matrix. And he answered, "I
23 don't know," but maybe with some help, we can figure
24 that out because this is the third example we have
25 heard where credits are a critical part, but the total

1 doubled up value of the credits is still less than 20
2 percent of the operating budget. That means a lot of
3 money is coming from other places. So we're trying to
4 find measurement test, and this has been interesting
5 information, so.

6 MS. WINNER: But I will stress that it may
7 seem nominal in the big picture, but it - in our sense
8 of the challenge of trying to raise those funds to
9 help our community's most vulnerable citizens, it's
10 really crucial.

11 MR. STOGEL: Plus you get in from all sorts
12 of other people that help in direct ways, as well.

13 MS. WINNER: Exactly. So we really -

14 MR. KOMO: So I mean, on the domestic
15 violence, I mean, do you get reimbursement for some of
16 that, regardless how small or the dollar amount
17 doesn't matter. I mean do you get an federal or from
18 the State-

19 MS. WINNER: We get State bed nights for a
20 small percentage of the cost.

21 MR. KOMO: So a lot of the people that you
22 are seeing, you are getting a some form of
23 reimbursement?

24 MS. WINNER: Yeah. I mean - it's not based
25 - there's a maximum amount that we can bill out, so we

1 can spread it as far as - I mean, we could use it up
2 in a short time or we can spread it out over a period
3 of time.

4 MR. KOMO: Kind of what we brought up
5 earlier about you still having the same ability to
6 type which you are now, but shrinking them down to
7 making it easier to process, and that would be
8 beneficial.

9 MS. WINNER: I'm sorry?

10 MR. KOMO: Shrinking, I guess, streamlining
11 the process to where there may be one or two credits,
12 but yet you're utilizing them the same as you are now
13 would be - less paperwork, stuff like that, that would
14 be more beneficial?

15 MS. WINNER: I mean, I think the challenge
16 of that - I'm a - Synergy is a merged agency, so in
17 the process of our history, we've merged like four or
18 five different agencies together. And in that
19 process, we've merged funding streams into, you know,
20 the total. And inevitably, those commitments that
21 those are going to stay the same, have been reduced.

22 So if the credits, the pool, the pot stays
23 the same, certainly it would be great. You know, it
24 could be combined into a non-profit credit. My
25 concern would be, you know, how do you sustain that

1 same level of commitment, you know, that you have now
2 in the various-

3 MR. KOMO: I think when you shrink programs,
4 there's always administrative costs. So if we have
5 ten programs, you have administrative costs for that
6 is one way to make it more efficient, would maybe to
7 reduce the amount, but then you may not see any
8 difference, but the administrative costs would be
9 different.

10 MS. WINNER: You know, and as long as the
11 availability would be - and, you know, access would be
12 the same, I think that, you know, but, you know,
13 truly, I can't - the challenge of managing a non-
14 profit in this climate is - and I mean, I can't
15 overstate how challenging it is. And the tax credits
16 are just an extremely important, even though small,
17 piece of how we're able to accomplish. So we wouldn't
18 want to do anything that would reduce that impact.

19 MS. RECTOR: I think you indicated that you
20 served 20,000 bed nights-

21 MS. WINNER: Right.

22 MS. RECTOR: -per year, and then under
23 State clients or those receive some sort of State aid,
24 you're losing about \$100 per night?

25 MS. WINNER: Right.

1 MS. RECTOR: Can you tell us what your
2 average cost is per night?

3 MS. WINNER: It averages about \$190 a night.

4 MS. RECTOR: And then what percentage of
5 your clients are on the State-

6 MS. WINNER: A large percentage, although
7 the domestic violence clients are not - it's not a
8 licensed program so that's just a pool of funds that
9 are where we get bed night subsidy.

10 Our homeless and runaway youth shelter, we
11 also have some federal funding, so we have had some
12 State kids and some, you know, kids who are in family
13 custody and I'm not sure of the exact percentage.

14 MS. RECTOR: And I'm assuming that annually,
15 your costs are increasing, yet your State assistance
16 is likely decreasing?

17 MS. WINNER: Right.

18 MS. RECTOR: So you're relying on the tax
19 credits to provide credits for funding from private
20 sources?

21 MS. WINNER: I mean more and more, we have
22 to supplement and figure out ways to make up that
23 shortfall, so that is a key tool to use to do that.

24 MS. RECTOR: Thank you.

25 MS. WINNER: Thank you.

1 SENATOR GROSS: Any other questions? Thank
2 you very much.

3 MS. WINNER: Well, thank you all. We
4 appreciate you working at this.

5 SENATOR GROSS: Next is Nancy Kelley. Ms.
6 Kelley? Please state your name for the record and
7 proceed.

8 MS. KELLEY: My name is Nancy Kelley. I'm
9 here representative of two entities. First as a
10 member of the St. Joseph Advisory Commission on Aging
11 appointed by the City Council of St. Joseph. As well,
12 I am a Property Manager, Senior Housing - Senior
13 Affordable Housing for Fairway Management.

14 Earlier this year, our panel on the
15 Advisory Commission, we network and are the eyes and
16 ears for the Council in the senior community. A
17 social worker approached us at a meeting that day,
18 with "What can I do?" and the "What can I do?" is a 94
19 year old lady was living in the Drury Inn because they
20 could not find her an apartment. She looks to me and
21 I'm the only representative of property on this panel
22 and I said, "I'm full and I have a waiting list." All
23 of Fairway properties are full, and from what I know
24 of other senior, including family - it's not isolated
25 just to senior - it's family property in the income

1 guideline levels for affordable housing in the St.

2 Joseph, northwest Missouri area is critical.

3 We have high waiting lists and tax credits
4 going forward need to provide housing, quality of life
5 housing for this type of audience, a very large
6 audience. And the audience is coming because of the
7 term, "baby boomer." They are hitting our market in
8 the senior quadrant excessively every day. Ten to
9 twelve years ago, we would have a 78 year old
10 clientele and, pretty much, you could figure within
11 the next three years, they rotated out. Health,
12 death, sometimes, for many reasons, that 78 year old,
13 over an average of three years, rotated out of the
14 market, opening availability.

15 Well, today's market, our average resident
16 in the senior market right now is 78 years old, and
17 that resident is not going anywhere. They are living
18 longer because of good health and independent living
19 and a neighborhood that understands them, a
20 neighborhood of designated senior housing, and they're
21 able to stay in their home with the home services
22 that's coming available through good medicine.

23 Well, on the other hand, we've got the 62
24 year old banging on the door now. Typical, white
25 female, 62, divorced, raised her children, was

1 secondary in the home, secondary to retirement
2 benefits, divorced, and the baby boomer era, from our
3 studies that we did to put together this information
4 for the City of St. Joseph, the baby boomer era is
5 still to date the largest divorce rate era of history.
6 And those women, predominately those women from that
7 era are coming to the market in droves.

8 My last renter was a 63 year old making
9 \$8,800 a year. Affordable housing for quality of life
10 type living is all that is available to her. There
11 didn't look to be inheritance coming, or job
12 opportunity where she could make money to afford
13 anything in market value.

14 We presently went through a study in July
15 where 23 apartments became available in the St. Joseph
16 designated senior region. We had 282 pending approved
17 applications to pick 23 applicants out of, and that is
18 just those that took the time to fill out an
19 application. They come to the door of a property
20 manager and the minute you say wait list, they just
21 shrug, "What do I do?" I hear it every day. And they
22 go away. The majority are living with families.

23 Recently, we had a fire in St. Joseph of a
24 senior property, a senior tax credit property, and it
25 displaced 40 people, and Red Cross was calling, "Where

1 are these people going to go?" Well, 98 percent went
2 to live with family until quarters could be found that
3 they could afford. One couple died in the fire.

4 It is a critical issue going forward for
5 affordable tax credit housing. We have - yesterday's
6 youth is now the baby boomer senior. They're not
7 ready to give in to low quality tenement dwelling.
8 They want what they see, tax credit affordable housing
9 that's available today, and those that are now
10 existing, stay longer. I rarely ever have an opening.
11 My transition is typically death or assisted living.

12 MR. STOGEL: We are well aware of the
13 importance of low income credit, which I guess is your
14 predominant tool, both federal and State. Fairways is
15 part of - where's your home office?

16 MS. KELLEY: Home office is Columbia,
17 Missouri.

18 MR. STOGEL: Part of-

19 MS. KELLEY: It is. We are one of the
20 umbrella companies.

21 MR. STOGEL: That you're testifying about-

22 MS. KELLEY: Seven beautiful properties here
23 in St. Joseph.

24 MR. STOGEL: Jefferson(ph) have a very, very
25 long and successful run and it's a very good

1 development. So we appreciate, you know, the
2 continued interest.

3 Housing production is very important to
4 lots of communities. We've heard from St. Louis to
5 rural Missouri the need for affordable housing, so
6 there's a committee led by another Commission member,
7 Mark Gardner, who is trying to get thoughts on that
8 improvement to report back to the larger Commission.
9 So I would clearly welcome your active involvement
10 with your home company and other folks in your company
11 with the Commission to find a way to make the State
12 credit program better.

13 People in the audience who are unfamiliar
14 with the math, the State low income program is the
15 largest single dollar volume credit in the aggregate.
16 This streams in over ten years. And it's the second
17 highest redemption amount in the last fiscal year.

18 The overwhelming input to the Commission -
19 and for the record, that was the low - once upon a
20 time, too, so it's a very good program, but the cost
21 of it has risen to the point where it is the largest
22 and the total State tax credits that are issued, some
23 come from some 1.7 billion dollars.

24 The expected redemptions this years are 641
25 million, that leaves about a billion, 50 million that

1 will come in FY-12 to 18 and of that, about 8,700 and
2 46 million to be precise, that are low income. And so
3 it's a very large percentage, and if you look at the
4 total credits that are authorized, it's - that number
5 jumps from 1.7 to 2.4 billion and the total general
6 obligation debt to the State is only 6 billion
7 dollars.

8 So on a comparative basis, I mean it's a
9 very valuable program and produces a lot of good
10 results, creates a lot of jobs - hard to measure in
11 terms of a dollar for the credits and a dollar
12 payback, but we appreciate your stories. I know them
13 to be true because I've been business.

14 There is an active committee working on the
15 low income credit to come up with new ideas so that
16 housing production for the very reasons you clearly
17 stated can be advanced, and we welcome your firm's
18 participation with that sub-committee. We'll get you
19 to Mark Gardner's information - I'm sure that's Mark
20 Gardner, while he's a developer, very active in low
21 income.

22 MS. KELLEY: And from my position with the
23 City Council of St. Joseph, the Commission on Aging,
24 I speak for them, that we encourage you to continue
25 looking at this. Rather I was in the program as a

1 part of it as an employee, as well, it is such a need.
2 When we see them every day and turn them away. Thank
3 you.

4 SENATOR GROSS: Thank you for being here.
5 Okay, a couple of other folks signed in. Did you want
6 to testify? Mark - sorry I can't read your last name.
7 Mark? Okay. And the other one is Frank?

8 UNKNOWN: I think he just left.

9 SENATOR GROSS: Anyone else that would like
10 to testify before the Commission? In that case, we'll
11 take a break until 4:45, at least, and see who shows
12 up. Thank you.

13 (WHEREIN, a recess was taken, 4:30 p.m. to
14 7:10 p.m.)

15 SENATOR GROSS: Okay, the Commission will
16 come back to order and session, taking public
17 testimony. Steve Stogel and myself are Co-Chairmen of
18 the Committee. We have staff here from the
19 Commission's office and we're happy to hear what the
20 good folks from the greater northwest, great northwest
21 have to tell us about tax credits. Who was it that
22 used to say that, "Great Northwest"? Somebody used to
23 say that, great Northwest.

24 Next on the list, thank you for signing in,
25 is Dave Leyland. Dave, your testimony will be

1 recorded for all the Commission members and the public
2 to see, but you're going to give us whatever is on
3 your mind.

4 MR. LEYLAND: I appreciate that.

5 SENATOR GROSS: You have ten minutes to say
6 what you're going to say, and state your name for the
7 record, please, and proceed.

8 MR. LEYLAND: Yes. My name is Dave Leyland
9 and I'm an Executive Director for Community Action
10 Partnership, Greater St. Joe. First of all, I'd like
11 to say thank you for allowing me to speak on behalf of
12 thousands of Missourians who depend on projects
13 created by tax credit programs.

14 I'd like to specifically inform the
15 Commission about the hundreds of people who have
16 benefitted from projects funded through the low income
17 housing tax credit program.

18 Community Action Partnership is a private
19 non-profit agency that serves that counties of Andrew,
20 Buchanan, Clinton, and DeKalb. Every year, over 6,000
21 people walk through our doors. Each family and
22 individual needs specialized help and Community Action
23 Partnership provides help through a variety of long-
24 term, short-term strategies, including Head Start,
25 youth programs, utilities assistance, affordable

1 housing and community development.

2 In partnership with the Missouri Housing
3 Development Commission, the City of St. Joseph, and
4 area developers, Community Action Partnership in St.
5 Joe is removing housing as a barrier to ending the
6 cycle of poverty. We have partnered with developers
7 to create more than 400 housing units, including
8 apartments and single family homes for people living
9 at or near the poverty line. To date, 386 units have
10 been developed in St. Joseph using the low income
11 housing tax credit program. We have partnered with a
12 variety of developers who have demonstrated a sincere
13 commitment to creating quality housing in our
14 community.

15 Community Action Partnership is extremely
16 proud of the projects created by these partnerships.
17 We're especially proud of the dramatic change that has
18 occurred in the downtown area of St. Joseph.

19 Where once stood dilapidated buildings,
20 there are now renovated structures that have been
21 built respecting the heritage of St. Joseph, while
22 providing safe and decent housing. Many people who
23 reside in those units created by the low income
24 housing tax credit programs are working families who
25 now have an option to live in safe and decent housing.

1 Considering rents that exceed well beyond 60 percent
2 of a person's income, working families and senior
3 citizens must make harsh choices when deciding what
4 bills will be paid or whether or not to keep making
5 payments on their health insurance policy.

6 I urge the Commission today to please
7 consider the impact on the people who depend daily on
8 programs that have been funded with tax credits such
9 as the low income housing tax credit program. And I
10 thank you.

11 SENATOR GROSS: Thank you. We appreciate
12 it.

13 MR. STOGEL: 386 units?

14 MR. LEYLAND: Yes.

15 MR. STOGEL: What's the time frame for that
16 production?

17 MR. LEYLAND: Oh, it's been over the past -
18 it's happened there for eight, so about, I'd say at
19 least nine years.

20 MR. STOGEL: About 40 a year?

21 MR. LEYLAND: Around there, yeah.

22 MR. STOGEL: I'm not sure of the spread, but
23 there's about - what's the right number, 2,200, 2,400
24 units a year? It would be interesting to see a map of
25 how it's spread across the State.

1 MR. LEYLAND: Yes.

2 MR. STOGEL: The low income credit is the
3 completely largest-

4 MR. LEYLAND: Yes.

5 MR. STOGEL: -of the credits that reflect
6 credits that are already issued, and it's the second
7 largest expected redemption for this year, and so it's
8 a matter of intense debate. We've formed a sub-
9 committee with a - a committee with Commission member,
10 Mark Gardner-

11 MR. LEYLAND: Yes.

12 MR. STOGEL: -who is a developer and-

13 MR. LEYLAND: Yes, I know Mark well.

14 MR. STOGEL: You know Mark?

15 MR. LEYLAND: Yes, sure do.

16 MR. STOGEL: Well, I suggest that you call
17 Mark and try to share your ideas because it's one of
18 the very active committees. They're looking at that,
19 the low income and the affordable housing-

20 MR. LEYLAND: Yes.

21 MR. STOGEL: -program, and these comments
22 are being invited and the Commission would like to
23 hear from that ever growing committee what to do to be
24 helpful, to make the credit more efficient, preserve
25 it, and continue the work that is very popular in all

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

3 MR. LEYLAND: Yes.

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

6 MR. LEYLAND: Big.

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

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

16 MR. STOGEL: Any questions of us sir?

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

19 SENATOR GROSS: Thanks for coming.

20 MR. LEYLAND: Thank you.

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

23 MR. CLAPP: Hi.

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

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

8 MR. STOGEL: I did.

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

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

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

23 MS. HEMENWAY: Right.

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

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

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

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

11 MR. STOGEL: Okay, 50?

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

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

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

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

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

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

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

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

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

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

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

8 MR. STOGEL: Okay.

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

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

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

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

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

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

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

13 MR. CLAPP: Stereotaxis?

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

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

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

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

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

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

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

23 MR. STOGEL: How many employees?

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

1 two years.

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

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

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

15 MR. CLAPP: Okay.

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

18 MR. CLAPP: Okay.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

18 MR. CLAPP: Okay.

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

21 MR. CLAPP: Thank you.

22 MR. STOGEL: Thank you.

23 MR. CLAPP: Anything else?

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

1 MR. CLAPP: My pleasure.

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

4 (WHEREIN, a recess was taken.)

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

7 MR. STOGEL: Second.

8 SENATOR GROSS: We are adjourned.

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

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CERTIFICATE OF REPORTER

STATE OF MISSOURI) ss:
COUNTY OF CLAY)

I, JANET H. WIMER, Certified Court Reporter, the officer before whom the foregoing hearing was taken, do hereby certify that the testimony in said hearing was taken by me to the best of my ability and thereafter reduced to typewriting under my direction; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this hearing was taken, and further, that I am not a relative or employee of any attorney or counsel employed by the parties thereto, nor financially or otherwise interested in the outcome of the action.

Notary Public in and for
the State of Missouri

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