

**MONITORING OUR NATION'S PULSE: A LOOK AT
EXISTING FEDERAL, STATE AND LOCAL ECO-
NOMIC DEVELOPMENT TOOLS AND WHETHER
THEY ARE ADEQUATE IN ATTRACTING AND
KEEPING BUSINESSES IN AMERICA'S HEART-
LAND CITIES**

HEARING

BEFORE THE
SUBCOMMITTEE ON FEDERALISM
AND THE CENSUS
OF THE
COMMITTEE ON
GOVERNMENT REFORM
HOUSE OF REPRESENTATIVES
ONE HUNDRED NINTH CONGRESS

SECOND SESSION

MARCH 21, 2006

Serial No. 109-195

Printed for the use of the Committee on Government Reform



Available via the World Wide Web: <http://www.gpoaccess.gov/congress/index.html>
<http://www.house.gov/reform>

U.S. GOVERNMENT PRINTING OFFICE

30-693 PDF

WASHINGTON : 2006

For sale by the Superintendent of Documents, U.S. Government Printing Office
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**MONITORING OUR NATION'S PULSE: A LOOK
AT EXISTING FEDERAL, STATE AND LOCAL
ECONOMIC DEVELOPMENT TOOLS AND
WHETHER THEY ARE ADEQUATE IN AT-
TRACTING AND KEEPING BUSINESSES IN
AMERICA'S HEARTLAND CITIES**

TUESDAY, MARCH 21, 2006

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON FEDERALISM AND THE CENSUS,
COMMITTEE ON GOVERNMENT REFORM,
Springfield, MO.

The subcommittee met, pursuant to notice, at 1 p.m., in the Springfield City Council Chambers, Springfield City Hall, 830 Boonville Avenue, Springfield, MO, Hon. Michael R. Turner (chairman of the subcommittee) presiding.

Present: Representatives Turner and Blunt.

Staff present: John Cuaderes, staff director; Jon Heroux, counsel; and Juliana French, clerk.

Mr. TURNER. A quorum being present, the Subcommittee on Federalism and the Census will come to order.

I want to welcome everyone to the subcommittee's field hearing entitled, "Monitoring Our Nation's Pulse: A Look at Existing Federal, State and Local Economic Development Tools and Whether They are Adequate in Attracting and Keeping Businesses in America's Heartland Cities."

I want to thank Congressman Roy Blunt for asking the subcommittee to come here today and hear the wonderful examples of what has been accomplished in the city of Springfield. As you know, Congressman Blunt has been a leader in ensuring the vitality of the Federal programs that we heard about today in Springfield that have been utilized in accomplishing the economic development and revitalization. And it is certainly important that on the national level, we have his love for urban cores and for economic development and job creation. So many of the projects that we heard about today included Congressman Blunt's leadership and participation and it is excellent that your community has pulled together in such a great way, it is a phenomenal team.

And, Mayor Carlson, I want to thank you for having us and I want to thank you for conceding this chair for us to be able to have the hearing.

Mayor CARLSON. It is a great honor to have you sitting there.

Mr. TURNER. I will not get too comfortable here, but I must tell you that as a former mayor, I do appreciate everything that you do and the fact that you have allowed us to come here today to hear about ways that you have used Federal programs to benefit your community.

The role of the Nation's economic development initiatives and programs is to create jobs, help retain existing jobs and stimulate industrial and commercial growth in economically distressed areas of the United States.

They are also important in helping local communities create more affordable housing. Over the years, Congress has created a wide variety of Federal economic and community development programs and incentives to help rural and urban communities overcome periods of severe economic distress.

Before becoming a Member of Congress, I served as mayor for the city of Dayton for two terms, 8 years, and I can tell you that we could not have had the kind of success our community saw in its revitalization and redevelopment without the many different programs available to us on the Federal level at that time.

Some of these programs on the Federal level are at risk and others need to be improved. That is why our subcommittee is here today. We want to hear how these programs have impacted other heartland communities like Springfield, St. Louis, St. Joseph or Memphis. We want to learn how these programs have helped and where they have fallen short. We hope that our witnesses today will provide us with a fresh perspective on how they are using the Nation's economic and community development portfolio and whether Congress can improve these programs to better meet the needs of heartland communities. I am sure our witnesses will provide us with better insight into these programs.

Before we begin with our witness testimony, I do want to thank the city of Springfield and Mayor Carlson for hosting us today and for facilitating a very interesting bus tour today. We saw some of the great examples of the community pulling together in private-public partnerships to achieve revitalization.

And I want to again thank Representative Roy Blunt for having us here and also for his leadership on the national level that has assisted both your community and mine as we have made certain that there have been economic development tools available for our communities.

With that, I want to recognize Mr. Blunt for any opening comments he might have.

Mr. BLUNT. Thank you, Chairman Turner. I am pleased that you would come here and have this hearing. I know you are going to make all of the questions, the answers, the testimony available to your committee. I am particularly pleased that you have had a chance to see what is going on here in Springfield, in the center city of Springfield, and you and I are going to be able to hear more about that from Mayor Carlson and from Diane May and hear about what is going on in other cities that are well represented here today.

I think the purpose of this hearing is clear and the chairman's vision for it. Clearly, as a former mayor, he brings incredible insight to his job as chairman of this subcommittee. We have a hand-

ful of mayors in the Congress and they make real differences in the discussions we have about issues like eminent domain and Federal programs that we are going to be discussing today.

You know, any insight we can get on how these programs are working, which of the programs could be better, what programs are not doing what they need to do and what programs are doing everything they need to do and need to be encouraged to be expanded even further. As you all know, one of the big debates in the last Congress—at least it appeared it was going to be a big debate—was whether or not we would adopt the administration's proposals to significantly change, many said eliminate, the community development block grant program. But individuals like the five of you all came forward from all over the country and explained how that program was used. Now I am sure the program was not used in the best way in every community and we hope that we can find ways to ensure that it is, but, you know, giving communities the flexibility to try things that work, to share things with other communities—uniquely in our system, the States and the communities within the States all can serve as laboratories for change. And any time we develop strait jackets that do not allow those laboratories to function that way, we have really failed to take advantage of one of the great, unique aspects of the way our structure is set up.

And so I am certainly glad you are here. I am glad to be in the Springfield City Council Chambers. I do not think I have ever sat here before. In fact, most of the time I have ever spent in this room was years ago when I was the chief elections authority for Greene County, and we would frequently have election worker training sessions in this room. And the closest I ever got to sitting here was standing right down there and going through the process of what would happen on election day in the 101 precincts we had in Greene County at that time and I think there are more now.

But I am delighted to be here and again, I am particularly grateful that Congressman Turner, also clearly in his heart and his experience, Mayor Turner, is here wanting to make these programs work in the best way possible. He has already talked to me in the last few hours we have been together here about a couple of ideas he has legislatively in the brownfield area and other areas that I know I am going to take a closer look at, as I do almost everything that Mike Turner brings to my attention that impacts what we can do to make our cities better. And chairman, thank you for letting me join you here at the table today.

Mr. TURNER. Thank you, Roy, and I appreciate the tour that you organized of the successes that you have had in economic development. We have had a great conversation all day about the Federal programs and the successes that have occurred here in Springfield.

And I wanted to raise that issue to tell you that even though it has been a very exciting and fruitful discussion, the importance of this discussion is that we will now be able to get your comments, your enthusiasm, your successes on the record, as part of the Federalism and Census Subcommittee. So your testimony and your comments today, both in answers to our questions and in what you are about to say will enter the Federal record as we look to preserving these programs and hopefully reforming them in ways that are useful to you.

We will now start with our witnesses. Today, we will hear from Mayor Tom Carlson of Springfield; Diane May, executive director of the Southwest Missouri Council of Governments; Clint Thompson, director of planning and community development for the city of St. Joseph, MO; Jeff Sanford, president of the Memphis Center City Commission; and Jim Cloar, president and CEO of Downtown St. Louis Partnership.

I want to thank all of you for being here today. I want to thank you for the time that you have taken in preparing for this testimony and for the time that you are giving us today. Each witness has kindly prepared written testimony, which will be included in the record of this hearing. Witnesses will notice that there is a timer light at the witness table. The green light indicates that you should begin your prepared remarks and the red light indicates that your time has expired. The yellow light will indicate when you have 1 minute left in which to conclude your remarks. And we will be lenient with the time, because we do want to make certain that we get your testimony today.

It is the policy of this committee that all witnesses be sworn in before they testify. So if you would please rise and raise your right hands.

[The prepared statement of Hon. Michael R. Turner follows:]

TOM DAVIS, VIRGINIA
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HENRY A. WAXMAN, CALIFORNIA
RANKING MINORITY MEMBER

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SUBCOMMITTEE ON FEDERALISM AND THE CENSUS
Congressman Michael R. Turner, Chairman



OVERSIGHT HEARING
STATEMENT BY MICHAEL R. TURNER, CHAIRMAN

Hearing topic: "Monitoring Our Nation's Pulse: A Look at Existing Federal, State, and Local Economic Development Tools and Whether They are Adequate in Attracting and Keeping Businesses in America's Heartland Cities."

Tuesday, March 21, 2006
1:00 PM
City Council Chambers, Springfield, Missouri

OPENING STATEMENT

Subcommittee on Federalism and the Census Hearing
House Committee on Government Reform

Welcome to the Subcommittee's field hearing entitled, "*Monitoring Our Nation's Pulse: A Look at Existing Federal, State, and Local Economic Development Tools and Whether They are Adequate in Attracting and Keeping Businesses in America's Heartland Cities.*"

The role of the nation's economic development initiatives and programs is to generate jobs, help retain existing jobs, and stimulate industrial and commercial growth in economically distressed areas of the United States. They are also important in helping local communities create more affordable housing opportunities for their residents. Over the years, Congress has created a wide variety of federal economic and community development programs and incentives to help rural and urban communities overcome periods of severe economic distress.

That is why the Subcommittee is here in Springfield, Missouri today. We want to hear how these programs have helped heartland communities like Springfield, St. Louis, St. Joseph or Memphis. Moreover, we want to learn how those programs have helped and where they fallen short. We hope that our witnesses today will provide us with a fresh perspective on how they are using the nation's economic and community development portfolio and whether Congress can improve those programs to better meet the needs of heartland communities. I am sure our witnesses will provide us with better insight into these programs.

Before we begin with witness testimony, however, I want to thank City of Springfield and Mayor Carlson for hosting us here today and for facilitating a very interesting bus tour of Springfield this morning.

Finally, I want to thank Representative Blunt for inviting the Subcommittee out to his district. We appreciate his time and his dedication to these important issues. As many of you may know, he serves with me on the Speaker's Saving America's Cities Working Group and has proved to a valuable resource. Much of what we do could not be accomplished without his leadership in both the House and the Working Group.

Today, the Subcommittee will hear from Mayor Tom Carlson, of Springfield, Diana May, Executive Director of the Southwest Missouri Counsel of Governments, Clint Thompson, Director of Planning and Community Development for the City of St. Joseph, Missouri, Jeff Sanford, President of the Memphis Center City Commission, and Jim Cloar, President and CEO of Downtown St. Louis Partnership, Inc. Thank you for being here today and welcome; I look forward to your testimony.

###

[Witnesses sworn.]

Mr. TURNER. Please let the record show that all the witnesses have responded in the affirmative. And with that, we will begin. Mayor Carlson.

STATEMENTS OF TOM CARLSON, MAYOR, CITY OF SPRINGFIELD, MO; DIANE MAY, EXECUTIVE DIRECTOR, SOUTHWEST MISSOURI COUNCIL OF GOVERNMENTS; CLINT THOMPSON, DIRECTOR OF PLANNING AND COMMUNITY DEVELOPMENT, CITY OF ST. JOSEPH, MO; JEFF SANFORD, PRESIDENT, MEMPHIS CENTER CITY COMMISSION; AND JIM CLOAR, PRESIDENT AND CEO, DOWNTOWN ST. LOUIS PARTNERSHIP, INC.

STATEMENT OF TOM CARLSON

Mayor CARLSON. I hope that does not prevent me from a little puffing—[laughter]—about our community.

Welcome. We want to thank you for being here today. This is a historic day in our community. I do not think we have ever had a congressional field hearing here, that I know of in the 20-some years I have been here. And to have it in City Chambers, it will definitely go in our local history books. So we want to thank you for that.

What I would like you to think of in terms of our community is thinking of it as a home. And in a home, there are a lot of people that go into building a home and you have to have tools to do it. We here in Springfield created a city where 3 percent of the population lives, but 25 percent of the new jobs in the State were created in this area last year. It is not an accident, it is a result of that team working together. And here, that consists of public-private partnerships and public-public partnerships. It runs the gamut. We work well with the county, we work well with the school system, we work well with the local university, and we work particularly well with the private sector. And as a consequence of that, we have built a community that is known throughout the State as the economic engine for the State.

But as I say, we need tools to do that. And I like the definition of collaboration that I have used from time to time, and it is essentially this: Collaboration is what can be done together that could not be done separately. Those tools that we need and the people on the team that we need to make it happen is the Federal Government. And I want to just detail briefly some of the tools that we have used here in this community to create that economic engine and to create a downtown that in the last 10 years has seen over \$200 million in investment.

Let me start with the community development block grant program. We have been the recipient of that for a long time. Approximately 20 years ago, we decided rather than using the money for administration or building a sidewalk, to put it into revolving loan programs. That fund has now grown into over \$25 million and has been a big part of what we have been able to do in the downtown area, by using it for gap financing with banks, with soft seconds, that sort of thing, facade loans. We created, I think we can attribute over 375 new jobs, \$25 million in investment in the downtown area, just because of that.

Second, the Section 108 program and the brownfield economic development initiative, we used that at the Universal Paint building that you have seen today and that is the anchor for what is going to be our West Meadows development. It would not have been possible to have done that without those funds, and with the flexibility that we have as a consequence of that.

We have also taken advantage of the economic development initiative [EDI] grants. Those have made possible the 900-space car park that we have here. I think it is one of the nicest looking car parks you could find anywhere. It is great to see at night and it overlooks the best minor league baseball stadium, according to the minor league baseball teams, in the country, that we have been able to do, again with using Federal dollars and the ability to use judiciously eminent domain.

Let us talk about the Federal historic tax credits. I am a developer, I do use those myself, and because of the complexities and the expense in rehabbing old buildings, what you have seen this morning and last night in going downtown would not have been possible without the historic tax credit. I can tell you that is absolutely the case. It would be a disaster for cities throughout the country to see that program cut back.

Any community has more dollars in its infrastructure in the downtown area than anywhere else. You have the roads, you have the storm sewers, you have the electric plants. It makes no sense to let the area degenerate and then have to be building new on the periphery, because the issue in the downtown area is not going away. That has been a program that has worked with the private sector, that has done a tremendous job.

Brownfield grants—through Congressman Blunt's help, we acquired what was an eyesore and something we did not know what to do with, which was a white elephant downtown, an old feed mill, what was called MFA Feed Mill. We used a brownfield grant to clean up the environmental issues, and then we conveyed it to the University for a dollar. And then with that, the University, through a very entrepreneurial approach with its Center of Applied Science and Engineering, is building a nano-technology center that is bringing \$80,000 a year jobs into our community. These are jobs for the future. These are jobs for the 21st century. Those things would not have been possible if we had not been able to leverage these Federal dollars and to work in partnership.

The thing that I would like to tell you and to tell the community is that we have been good stewards with the taxpayers' dollars. But we at the local level, just by definition, have a better idea of what can work and what is needed than people that are removed from it in Washington, DC. So there has to be a degree of flexibility. We always leverage these funds and if they came with so many strings attached that they were not available to us, the things that we have been able to accomplish here in our community would not be possible.

So this is a message—I am also on the board for the National League of Cities. The CDBG is the No. 1 issue for the National League of Cities this year, and preservation of that and what it can mean to our local community. Most of our money is earmarked, it is dedicated and if the community development block grant funds

were curtailed, it would leave a much bigger gap than what you might think in our economic tool set.

So in closing, I would just like to say, thank you, Chairman Turner; thank you, Roy Blunt, for bringing your field hearing here and allowing us to present this issue to you at our local level. You do great honor to our community.

Mr. TURNER. Thank you, Mayor; thank you for hosting us.

Ms. May.

[The prepared statement of Mayor Carlson follows:]

Testimony of

**Mayor Thomas J. Carlson
City of Springfield, Missouri**

U.S. House Government Reform Subcommittee on Federalism and the Census

March 21, 2006

My name is Tom Carlson. It is my honor to represent the citizens of Springfield, Missouri as their Mayor. I want to thank you for coming to Springfield and allowing us to host this Congressional Field Hearing. We appreciate the opportunity to showcase our community and the good things happening here and to talk with you about our experiences with federal programs.

You've asked for our ideas about collaborative efforts to attract and retain jobs and how we use federal programs to achieve that goal. In Springfield more than 97% of all business establishments have 100 or fewer employees. Many of our largest employers are homegrown but nationally known – Bass Pro Shops, O'Reilly Automotive, Loren Cook, Paul Mueller. We place a big emphasis on nurturing small business and providing opportunities for them to expand locally. To that end, we've established an economic development partnership with Greene County, the local Chamber of Commerce and the local Utility. This partnership has built two industrial parks, which have seen almost \$200 million of investment and the creation of more than 2,500 jobs. The majority of the tenants in those two parks are local business, which have grown into major employers.

We were able to establish those industrial parks and grow those businesses through the collaborative efforts of our local economic development partners. But in order to have a truly successful community, we need more than the typical job creation aspect of economic development. Community development is also economic development. It's important for us to have affordable housing, a vital downtown, and safe neighborhoods. We find that as we talk to companies interested in expanding their operations in Springfield, they are interested in more than wage rates and the cost of utilities –their employees want to live where there's a good quality of life and a vibrant community.

As an entitlement community, Springfield has made extensive use of the Community Development Block Grant program. We have used CDBG to revitalize some of our most troubled Center City neighborhoods and to facilitate the rebirth of downtown. The cornerstone for CDBG success in Springfield has been the local flexibility to design sustainable programs of lasting value to the community.

We have used this program to create loan programs for housing rehabilitation and small business development. Since 1984, more than \$15 million has been invested in Center City business development. The CDBG loan funds are always used for gap financing – there are always bank or other loans in front of us. We have leveraged more than \$25 million with our investment and more than 375 jobs have been created, principally employing low- and moderate-income people. These jobs are primarily local start-up businesses - many with fewer than 25 employees. We believe that these small businesses are the backbone of our community and our nation.

On the residential side, we have rehabilitated housing for the poorest of Springfield's poor. Depending on their income, we make the loans at low to no interest and defer all payments until the property is sold – in essence giving them a grant so that they may live in safe, affordable housing while recapturing our investment when the house is transferred.

One of the keys to our success has been the fact that the federal government trusted the local community to determine the best use of funds while still requiring that the broad federal goals be met. CDBG is one of the most significant ways that the federal government can assist local communities. It is very important to continue CDBG funding along with its provisions for local flexibility.

Part of the CDBG program is the HUD Section 108 program, which allows communities to borrow federal funds secured by future CDBG allocations. We have used this funding on key downtown projects including College Station. This project will take a vacant city parking lot and redevelop it with a 14-screen theater, a parking deck, and 50,000 square feet of retail and office space. In addition to bringing new jobs to Springfield, this project will provide another reason for families to visit and live downtown. The 108 funding is essential to this project. We are concerned that the FY07 budget zeroes out funding for this important economic development tool. We encourage you to reinstate funding for HUD Section 108 programs.

Another key component to the revitalization of our downtown and historic neighborhoods has been the Federal Historic Preservation Tax Credit program. Three-fourths of the redevelopment projects in the center city were dependent upon the federal tax credits. As a private developer who uses the historic tax credits, I can attest that these projects would not have occurred without the credits. They must be continued in order for revitalization and job creation to continue in center city Springfield.

The City of Springfield also has used the federal Brownfield programs to clean up our old industrial areas and make them ready for business development. We have been the recipient of several Brownfield Assessment grants and a Brownfield Economic Development Initiative grant. We understand that BEDI grants have been targeted for zero funding in the FY07 federal budget. I encourage you to reinstate funding for this important tool. I also encourage Congress to consider streamlining programs so that communities, states, and the federal government can provide a coordinated and collaborative approach. One idea would be to create a Brownfield block grant program similar to the Community Development Block Grant program. This could allow communities to create programs to solve their unique problems in a coordinated approach. The Brownfield issue particularly lends itself to this approach because contamination issues in Springfield Missouri differ dramatically from those found in the Rust Belt or East Coast. We encourage you to set broad federal goals – as is done with CDBG – and then give communities flexibility to create local programs that meet national goals.

In closing, the national economy is based on the collective impact of local economies. Local economies are driven by small businesses and entrepreneurs that are growing their businesses. The Springfield model is a strong cooperation between the City, County, Utility and business community - from joint committees that review all proposed regulations and fees to the Chamber economic leadership leading tax referendum, to implementing the recommendations of our community-driven Vision 20/20 Master Plan to formal partnerships that own and manage Industrial Parks. More than three-fourths of our CDBG, 108, and HOME funds go directly to small business loans that leverage additional bank investments. The remaining 25% goes directly to housing loans that create the Quality of Life in neighborhoods that makes business investment attractive.

The important message is that Federal dollars are not being spent on local priorities – they are being spent on local efforts that collectively create and drive the national economy. Our goal is to make you successful.

Thank you for the opportunity to address these issues and thank you for the opportunity to host you in Springfield.

Mayor Thomas J. Carlson
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STATEMENT OF DIANE MAY

Ms. MAY. Congressman Turner, Congressman Blunt, I appreciate the opportunity to testify before you today. My name is Diane May and I am the executive director of the Southwest Missouri Council of Governments.

SMCOG is one of Missouri's 19 regional planning commissions and we serve the counties of Barry, Christian, Dade, Dallas, Greene, Lawrence, Polk, Stone, Taney and Webster Counties and the municipal governments within those counties. Our region's 2004 population was estimated at over 542,000.

Today, I would like to talk to you from the perspective of the smaller communities within our region. Mayor Carlson has already, I think quite appropriately, addressed issues from the metro perspective, but our smaller communities in our region are also part of our local and regional economy and very important to the success of Springfield as is Springfield's success important to them.

From the perspective of our smaller communities, many of the programs we work with in promoting economic development, which is basically an improving quality of life issue, are related in many cases to the very basic programs that are available in that economic development toolbox.

For example, infrastructure programs that provide for basic water, sewer, road improvement as well as technological improvements are still absolutely essential in our smaller communities, for them to be able to thrive and create an environment for private investment and business development and job creation.

Just to give you an example, we have worked with some very small communities over in Polk County and also in Webster County that just now are getting their very first centralized sewer system. These communities could not survive, they have no hope for the future without having that basic essential infrastructure and they are getting that through combinations of CDBG funds and other State programs.

Also, other things that are really important I think throughout our region is continued investment in work force development. This is essential both at the State and Federal level. It is just critical to our success both as a region and as a State. To give you an example I think of a successful initiative directed toward work force development, this comes from the Economic Development Administration, we worked with the Monett School District to achieve a grant from EDA, an approximately \$1.25 million infrastructure development grant from EDA for the construction of a new Southwest Missouri Area Career Center. This career center serves 14 public school districts and over 15 communities within that area. The \$1.25 million EDA investment is matched with a local bond issue and other resources for the construction of an approximately \$7.3 million state-of-the-art facility that will enhance both secondary and post-secondary educational and vocational training, and also will be providing customized training programs that have already been requested by businesses and industries in that area that those programs cannot be provided at the present time. So this was a very important investment in work force development within our region in our smaller communities.

Another item I would address that maybe you do not think of, but disaster recovery, and I think CDBG is a good example of this. We had very severe tornadoes that hit our area in May 2003 and in fact caused catastrophic damages in a couple of our small communities, including Pierce City. The flexibility of the CDBG program enabled the Missouri Department of Economic Development to work with our Federal partners and come in and use existing CDBG funding to fund essential projects for recovery that are most definitely tied to the economic recovery of those communities. And in fact, Pierce City's local sales tax revenues are, within 2 years after the disaster, higher than they were before. So their recovery efforts have been very successful and it continues to be important to the area.

I would also have some suggestions regarding how we might improve upon some programs, things that maybe we do not have right now. One might be cost reimbursement, and I would use Springfield as an example. The city of Springfield has successfully partnered with the Missouri Department of Transportation to put up the front money for certain transportation improvements that were scheduled at longer term. And so they have been able to put those improvements in and then be reimbursed by MODOT at a later date. Perhaps we may find a way to enable cost reimbursement in some of our economic development programs that would allow our communities to move forward more quickly, because time is of the essence when you are dealing with private investment and business development.

Also another area that perhaps we could consider is more programs for land acquisition. Many of our smaller communities may have the resources or infrastructure resources, but they do not have the land to put in such things as business parks. We need to find a way to make this happen. Land costs are continuing to go higher in our communities and that might be one option that we could be taking a look at.

In terms of general comments, I would say overall, regardless of the program, we need to find a way to deal with the timing, the regulations, the numbers, the variations in the different programs. It is very, very confusing and many people do not know. I, even dealing with programs, could not begin to tell you the myriad of rules and requirements of all the various programs. When you are dealing in the smaller communities, they do not have a clue. So we have to find a way to make things more timely, more flexible, more easily understood.

Also, I would recommend that we need to find ways that we can make the application processes for our programs more consistent. We should be able to use consistent data sets for putting together applications. That information should be readily available and not be as confusing as it is for many of our programs.

And I would conclude with saying that I very strongly go along with Tom Carlson's recommendations on the issues of regional cooperation and coordination. I think it is really essential that we leverage all the resources that we have and that we be able to work together. So any efforts that can be made to encourage approaching this from regional planning issues, working together so that all the partners can come together and best use the resources to leverage

to assist all of our communities in improving quality of life is very essential.

Thank you.

Mr. TURNER. Mr. Thompson.

[The prepared statement of Ms. May follows:]



March 14, 2006

Michael R. Turner
Chairman
House Government Reform Subcommittee on Federalism and the Census

Re: Field hearing on “*Monitoring Our Nation’s Pulse: A Look at the Existing Federal, State and Local Economic Development Tools and Whether They are Adequate in Attracting and Keeping Businesses in America’s Heartland Cities,*” Springfield, Missouri, March 21, 2006

Dear Congressman Turner,

As the Executive Director of the Southwest Missouri Council of Governments (SMCOG), I offer the following testimony to the House Government Reform Subcommittee on Federalism and the Census for the field hearing in Springfield, Missouri on “*Monitoring Our Nation’s Pulse.*”

SMCOG is one of Missouri’s 19 regional planning commissions, serving the counties of Barry, Christian, Dade, Dallas, Greene, Lawrence, Polk, Stone, Taney and Webster counties and municipal governments within these counties. SMCOG’s municipal government membership ranges from the City of Springfield with a 2004 population of nearly 151,000 to very small communities such as the City of Washburn, located in southern Barry County, with a 2004 population of 463. Our region’s 2004 population is estimated at approximately 542,500.

It is SMCOG’s mission to enhance the quality of communities through regional cooperation. We achieve this by:

- Providing staff expertise in planning and community development
- Creating networking opportunities to address issues of common concern
- Assisting governments in accessing resources
- Advocating for Southwest Missouri

SMCOG has worked with numerous communities to address quality of life and economic development issues and needs. My following comments, which focus on economic development tools of concern and general recommendations, are based on SMCOG’s mission and experiences in working with our communities, and regional, state and federal partners to enhance quality of life.

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Michael R. Turner
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1. Economic Development Tools of Concern

Infrastructure Improvements - Most of the communities we work with need to address adequate infrastructure/quality of life needs; i.e., sanitary sewer system, a safe and sufficient water supply, roads, etc. The focus of economic development is enhancing and sustaining quality of life. A community will not be able to attract private investment and business development if the quality of life is questionable; basic physical and support infrastructure go a long way in improving a community's quality of life while also making it possible for existing businesses to expand and to attract new businesses. Programs which provide infrastructure assistance, including traditional water, sewer, and transportation system improvements, as well as technological infrastructure, continue to be essential economic development tools for our communities.

Federal programs providing infrastructure assistance which have been successfully used by SMCOG member communities include Community Development Block Grants, Economic Development Administration Grants, and USDA-Rural Development Grant and Loan programs. In many cases, these funds are leveraged by state and local government funds and private sector investment. An example of successful infrastructure development assistance is the City of Fair Play, located in Polk County. In 2004, this small community (population of 418) received a USDA Rural Enterprise Business Grant of approximately \$94,000 to construct water, sewer and street infrastructure in their new industrial park. Two businesses committed to locate in the park, resulting in a combined total of 18 full time jobs generating estimated annual wages of over \$500,000 which will circulate through the local and regional economies.

The CDBG program provides one of the most flexible and timely programs for infrastructure development. CDBG funds, combined with grant funds from the Missouri Department of Natural Resources, have enabled the construction of the Village of Diggins' (Webster County) first centralized sanitary sewer collection and wastewater treatment system, an infrastructure vital to this community's ability attract private investment.

EDA grant investment has also successfully contributed to the City of Springfield's center city development program. The \$1.2 million EDA grant used by Springfield to assist in constructing a \$10 million parking deck in the Jordan Valley Park area provides needed transportation infrastructure for the Exposition Center, planned hotel expansion, a future arena, and a minor league baseball stadium.

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Small Business Assistance – Another economic development area of interest to the smaller communities is seed money to provide small business assistance, primarily with respect to establishing a small business development loan program for “gap” financing. These programs have been successful in communities that have been able to establish local community development corporations, leveraging locally generated funds with CDBG dollars. A good example of such a program is in the City of Stockton (Cedar County and within the geographic service area of the Kaysinger Basin Regional Planning Commission) which suffered devastating damages to its downtown business district from a tornado on May 4, 2003. The local CDC raised almost \$200,000 and also obtained a \$500,000 CDBG grant to establish a revolving loan program. Most of the \$500,000 CDBG investment was loaned within 6 months. Once repaid, these monies will continue to provide economic development assistance for small business expansion and development in the Stockton community.

Workforce Development – Investment in education and workforce development is also critical to meeting the current needs of business and industry in this region and creating a climate attractive to new business investment that will create higher wage jobs. One of the smartest things our federal and state government can do is to continue to invest in workforce training and education, whatever format that may take. Technical skills and trades need to be emphasized as part of that training.

An example of a federal investment in workforce development in our Southwest Missouri region is the construction of a new facility for the Southwest Area Career Center in Monett (Lawrence County). Funded with an EDA investment of \$1.25 million and a voter approved bond issue, this \$7.295 million facility will serve 14 public school districts and 15 communities within its service area. This state-of-the-art facility will be equipped with the latest technologies to provide quality workforce development programs for secondary and postsecondary educational/vocational training and customized training programs requested by local businesses and industries.

Cost Reimbursement – Given the amount of dollars available to support the various economic development programs, it is important to use these dollars as efficiently as possible and in a timely manner. Time is money in the economic development field, and funds that can be accessed relatively quickly will have the most success. One potential way to facilitate both the efficient use of funds and the need for timeliness is through the concept of project cost reimbursement. The City of Springfield has done this on several highway improvements with the Missouri Department of Transportation. The city “fronted” the money for several transportation projects and is being reimbursed in annual installments from the Missouri Department of Transportation. There may be opportunities to utilize this process for economic development projects, enabling a local government to

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quickly invest in a project to make it happen, knowing that cost reimbursement will occur.

Land Acquisition – Another consideration is to allow more programs to assist communities with land acquisition for planned industrial or business parks. Many communities want to build a focused-approach industrial or business park and are able to get assistance with some infrastructure costs, but a major obstacle is the lack of resources to purchase the land to make this happen. As property costs continue to rise, this will continue to be an obstacle for local governments.

Disaster Recovery – One area of assistance that may be overlooked from an economic development perspective is disaster recovery. The State of Missouri worked with federal agencies to make funds available for long-term community recovery after the May 2003 tornadoes that caused significant damage to a number of counties and communities in the state. The state was able to use existing CDBG funds to address key community recovery projects that were focused on the economic recovery of these communities. This is an excellent example of the flexibility of the CDBG program.

2. Summary Comments and Recommendations

In summary, I offer the following general observations and recommendations on issues regarding the economic development tools available to our communities:

- For all programs, the timing, regulations, and the numbers, variation and language of incentives for business attraction and expansion create limiting factors. Few persons understand all options available. The processes and timing required are directly opposite of today's quick decision-making requirements for private investment and business development.
- Program guidelines should not be so rigid so as to rule out unique approaches to economic development or projects aimed at addressing problems unique to a particular community. Programs should be flexible and focus more on the end result rather than the approach or technique employed to achieve the result. Economic development programs should be developed with a common sense approach and an understanding that “one size fits all” will not work in the future.
- Consideration should be given to coordination among all federal agencies (and state) to develop consistent criteria, data needs, etc., for applications and consistent assessment criteria in awarding grants, loans, etc. In other words, information needed for an EDA application should be consistent with the information needed for a USDA-Rural Development program.

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House Government Reform Subcommittee on Federalism and the Census
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- The State of Missouri has worked to improve the environment for business expansion and attraction (workers comp, tort reform, small business fairness). The next emphasis is setting the stage for the opportunity to occur where the expectation is defined and all parties understand when it is met. To assist in this effort, it is essential that programs which offer flexibility and timeliness in addressing the quality of life issues essential to economic development be continued. For example, the reduced funding levels of CDBG will further erode opportunities to provide working capital and infrastructure improvements necessary to attract and expand existing business.
- I would also further encourage the need to effectively leverage all our resources--local, state and federal, at both the local and regional level. Economic development tools and programs are desirable that would enable SMOG to further partner with state and federal agencies as well as other regional associations of local government and business, such as the Ozarks Regional Economic Partnership. We must work together to strategically plan, leverage the access to resources to enhance local and regional quality of life and future economic prosperity.

Respectfully Submitted,

Diane May, AICP
Executive Director

STATEMENT OF CLINT THOMPSON

Mr. THOMPSON. Chairman Turner, Congressman Blunt, members of the subcommittee, thank you for the opportunity to appear before you today to discuss St. Joseph's efforts toward brownfield redevelopment and how proposed changes being considered regarding the use of eminent domain could affect brownfield projects. My name is Clint Thompson, I am the director of planning and economic development for the city of St. Joseph, MO.

Development of our brownfield areas is key to the success of revitalizing our downtown in St. Joseph. In 2000, we were awarded an EPA brownfield assessment grant to help redevelop 244 acres south of our downtown on the Missouri River. The city's ultimate goal for this area is to create new jobs and remove blight.

EPA's brownfield grants have significantly helped cities clean up brownfield properties. Through the assistance of EPA, we were able to use these grant funds to perform environmental assessments on properties owned by Burlington Northern-Santa Fe Railroad, to help identify environmental constraints that were holding this property back from redevelopment.

Since environmental contamination on a property is the responsibility of the property owner, this fear created a major disincentive for BNSF to proceed with the city's desire to redevelop this land. BNSF's fear of having an environmental assessment performed on property they had no intention to sell resulted in a stalemate. To move discussions forward, one tool the city used to help spur negotiations of the land sale was the city's consideration of eminent domain for economic development purposes.

Prior to this project, eminent domain actions undertaken by the city had only been for the purpose of constructing public infrastructure. The city of St. Joseph has never before engaged in the use of eminent domain to acquire private property for economic development purposes. However, without this tool, the city would not have been able to proceed with the redevelopment of this brownfields area.

As a local government, we are concerned with the proposed changes regarding the use of eminent domain and hope that proposed restrictions on the use of eminent domain as an economic development tool, because of abuses real or perceived, will not prohibit brownfield redevelopment efforts across the country.

One concern that we have with the use of eminent domain is the definition of blight. The city of St. Joseph believes that communities should be allowed to make that determination of blight in accordance with existing State laws that best serve the community. Allowing local governments to make determination of the definition of blight would provide an additional safeguard to those concerned with abuse of this definition.

In working to redevelop this brownfield site, we found that rail companies are motivated by the market. Creating a situation that rewards these companies to work with local governments for redevelopment efforts is critical in enticing rail companies to participate in the process of brownfields redevelopment.

Since rail companies are not interested in working with local, State and Federal agencies on redeveloping former rail properties, ultimately a property transaction must be beneficial to the rail

company. Local governments should use available incentives to ensure that property transactions and redevelopment plans succeed. Tax incentives are a good tool to entice development of brownfield sites. The government also needs to develop a tax credit program that allows rail companies to donate their vacant land to benefit economic development efforts throughout the country. Providing incentives to rail companies to dispose of property they no longer utilize for rail service would significantly help redevelopment of brownfield properties throughout the Nation. Increasing the options for communities to negotiate with rail companies when developing brownfield sites will help to redevelop brownfield areas quicker.

The city of St. Joseph is excited to hear about your recent proposal to create tax credit incentives for brownfields cleanup and redevelopment efforts. This type of program will help stimulate private investment in brownfield areas.

St. Joseph has used a variety of economic tools to help jumpstart development in our brownfields area. Through the use of economic development tools, the city recently secured a company to locate a biodiesel plant on this former brownfield site. This biodiesel plant will not only create new jobs for the city, but more importantly, will redevelop 30 acres of formerly vacant, under-utilized contaminated property.

Without the support of the Federal Government to provide incentives to encourage the development of brownfields, communities across the country will be faced with the challenge of redeveloping vacant, under-utilized, contaminated property with no tools in their toolbox.

Thank you for the opportunity to speak today on efforts regarding brownfields redevelopment.

Mr. TURNER. Mr. Sanford.

[The prepared statement of Mr. Thompson follows:]

City of St. Joseph

1100 Frederick Avenue, St. Joseph, Missouri 64501
Planning & C.D. Dept. Telephone (816) 271-4827
Planning & Zoning Division Telefax (816) 271-4752

March 14, 2006

Dear Chairman Turner:

On behalf of the City St. Joseph, I want to advise you of the efforts and accomplishments made in the St. Joseph community with respect to Brownfields redevelopment utilizing EPA grant funds and how proposed changes to Tax Increment Financing and Eminent Domain could affect the future of Brownfields redevelopment efforts across the country. St. Joseph's Riverfront Industrial Redevelopment Area is viewed as an important revitalization project towards successful inner city revitalization.

Riverfront Industrial Redevelopment Area

The City began to experience declining industry south of its Downtown during the 1970's as industries began to move away from the area. Abandoned buildings and vacant lots began to blight this area, known as the Riverfront Industrial Redevelopment Area and investment was inhibited in this area by perceived environmental contamination and the refusal of the railroad to sell property they control. In 2000, the United States Environmental Protection Agency awarded the City of St. Joseph, Missouri a Brownfields Assessment Demonstration Pilot Grant to help redevelop a 244-acre Riverfront Industrial Redevelopment Area located south of Downtown along the Missouri River. With the assistance of EPA through this Assessment Grant, the City of St. Joseph was able to identify environmental constraints holding this property back from redevelopment.

Many areas across the country once used for industrial purposes sit abandoned or underused. Some are contaminated, many are only assumed to have environmental problems. Those with contamination are frequently manageable within normal reconstruction budgets. Because lenders, investors, and developers fear they may be pulled into cleaning up environmental problems they did not create, they are more attracted to developing sites in pristine areas, called "greenfields". The result can be that otherwise viable properties become blighted areas of abandoned industrial or commercial facilities. Other times, these areas are simply passed over and do not reach their best redevelopment potential. These types of areas are identified as "Brownfields".

Through the help of EPA's Brownfield Economic Redevelopment Initiative, cities have been able to prevent, assess, and safely clean up and reuse Brownfields properties. EPA's Brownfields Initiative identifies and addresses barriers to cleanup and redevelopment. It recommends swift, aggressive measures for change within and external to the context of the existing Superfund law. Through the assistance of EPA, the City of St. Joseph was able to use grant funds to assess property owned by Burlington Northern Santa Fe (BNSF) railroad within the proposed redevelopment area. The City's

ultimate goal for this area is to attract new investment and thereby, create new jobs, remove blight, raise property values, and foster economic vitality.

Most rail companies are private companies that are responsible for making profits for their shareholders. As private entities, rail companies are not likely to transfer a property unless there is a tangible benefit. According to rail companies, a common hurdle in disposing of Brownfields's is the misconception that all rail properties are large, polluted areas. In our case, we found that BNSF was not interested initially in confronting the stigma associated with their property by working with the City using grant funds from EPA to perform an assessment on their property. Since environmental contamination on a property is the responsibility of the property owner, often if contamination is found during an assessment of the Brownfields's site, all of the liability rests on with the property owner. This fear creates a major disincentive for rail companies to proceed with local governments in redevelopment of their land.

BNSF's fear of having the environmental assessment performed on property they had no intention to sell resulted in a stalemate to move discussion forward to allow the City to acquire this property for the purpose of economic development. One tool the City was able to use in this situation was the ability to seek condemnation efforts through the eminent domain process. In this particular case, the City of St. Joseph was in a position to use its power to acquire property owned by BNSF for the benefit of the public to create new jobs in an area that was currently vacant under utilized railroad property.

Prior to this project, the majority of eminent domain and condemnation actions undertaken by the City of St. Joseph has been for the purposes of constructing public infrastructure such as sewers and streets, revitalizing long-abandoned residential properties in long-forgotten neighborhoods and providing financial incentives to build housing for low-to-moderate income persons on properties already owned by the developer. The City of St. Joseph has never engaged in a condemnation proceeding that would take private property from one owner only to give that same property to a different property owner for economic development purposes. In this case without this tool, the City would have not been able to proceed with the redevelopment of this Brownfields site and the property would never have been considered for redevelopment.

The City is concerned with proposed changes that would limit how communities throughout the Country could use this tool for economic development purposes for not only redevelopment of Brownfields but also other economic development projects nationwide. The City of St. Joseph hopes that restrictions on the use of the eminent domain as an economic development tool because of abuses, real or perceived, will not prohibit Brownfields redevelopment efforts.

Absent sufficient condemnation authority in St. Joseph would have prohibited this project from moving forward. Most proposed eminent domain changes assume that all private ownership is responsible ownership, which, of course, we know is not true. All one has to do is drive around St. Joseph and other communities to learn that many private property owners have long ago relinquished their maintenance and property owner responsibilities, if not their legal ownership. Having governments or other private property owners assume those responsibilities for the benefit of neighborhoods would seem to be a preferred alternative than the dire consequences that would

result from the imposition of more restrictive, time consuming and costly eminent domain legislation.

The City of St. Joseph was successful in pursuing negotiations with BNSF on property they own by introducing them to the State of Missouri's voluntary cleanup program (VCP). Enrollment in the VCP allows a property owner, local government, and state environmental regulatory agency to work together throughout the cleanup process.

After solving the issue of acquisition, the success of this project began with a strong relationship with BNSF and the City of St. Joseph to identify what the end use would be for the property. This communication process allows the opportunity for the rail company to work with the local government to define what type of business will locate on this site that will benefit the rail company as well as the community.

Rail companies are motivated by the market. Creating a situation that rewards these companies for working with local governments for redevelopment efforts is critical in enticing rail companies to participate in the process of Brownfield redevelopment. While the rail companies are interested in working with local governments and state and federal agencies on redeveloping former rail properties, now called Brownfields, ultimately the property transaction must be financially beneficial to the rail company. Local governments should use available incentives to ensure that the property transactions and redevelopment plans succeed. Tax incentives are a good tool to entice companies to locate on these Brownfields sites but government also needs to develop a tax credit program or a program that allows rail companies to donate their vacant land to benefit economic development efforts throughout the country. Providing incentives to rail companies to dispose of property they no longer utilize for rail service would help significantly in the redevelopment of Brownfields properties throughout the nation. Increasing the options for communities to negotiate with railroad companies when developing Brownfields sites will help to redevelop Brownfields areas quicker. The City of St. Joseph is excited about your recent proposal to create tax credit incentives for Brownfields cleanup and redevelopment efforts. This type of program will help to stimulate private investment in Brownfields areas.

In addition to providing incentives to assist cleanup and acquisition efforts during the initial phase of Brownfield redevelopment projects, to encourage private investment other incentives are needed on the backside of these projects. Tax Increment Financing District (TIF) is an economic development tool that is currently used widely to stimulate private investment in Brownfields areas. St. Joseph's use of TIF has been limited and has been recently utilized to achieve specific community priorities with respect to the creation of jobs and retail shopping amenities that are important to future job creation. St. Joseph's TIF's are dispersed geographically (north, south, east and west) throughout the City to promote opportunities in a variety of industries (pork processing, hotel services, retail shopping, medical/ physician services, food service/restaurants and market rate housing). We doubt that there has been any better or more diverse use of TIF anywhere in Missouri than in the City of St. Joseph.

It is important to remember something that seems to have been lost in the current debate -- the "But For" test points to the fact that without TIF, the development simply would not occur. Dismantling or creating significant obstacles to the usage of TIF would not seem to make sense if that TIF were

a primary means of creating jobs and generating taxes for public infrastructure in places where that infrastructure is needed. All taxes captured in a TIF district represent new and additional taxes that provide the developer with a reasonable rate of return and the municipal government and residents with the means of paying for and enjoying additional public infrastructure.

While most of us would agree that the definition of "blight" is open to interpretation, local communities should be allowed to make this determination in accordance with existing State law in a way that best serves the community. Allowing local governments to make the determination on the definition of "blight" would provide an additional safeguard to those concerned with the abuse of this definition.

TIF was originally designed and legislated to promote economic development and should be retained for that purpose without imposing onerous new limitations and complexities that would not fully reimburse the municipality for its infrastructure or that might keep the developer from achieving an adequate return on investment which would discourage or eliminate the possibility of development. Increasing the impediments to TIF will prohibit Brownfields redevelopment nationwide.

As you can see, the City of St. Joseph has used a variety of economic tools to help jump-start development in our Brownfields area. Without the support of the Federal Government to provide incentives to encourage the development of Brownfields area, communities across the country would be faced with the challenge of redeveloping vacant underutilized contaminated property with no tools in their toolbox

Thank you for your time and opportunity regarding Brownfields redevelopment issues. If you have any questions with respect to our concerns about these issues, please can contact me at (816) 271-4827.

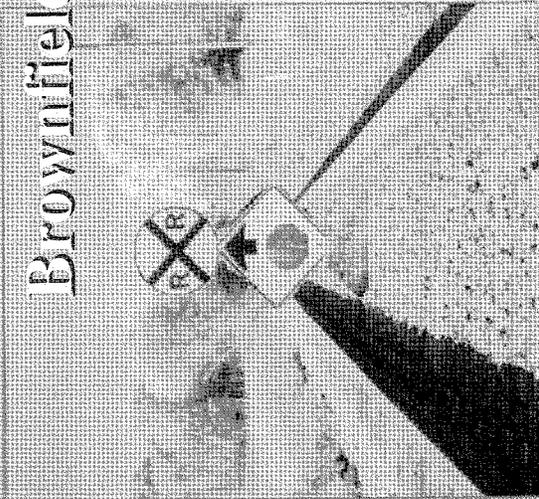
Sincerely,



Clint Thompson, Director
Planning and Economic Development

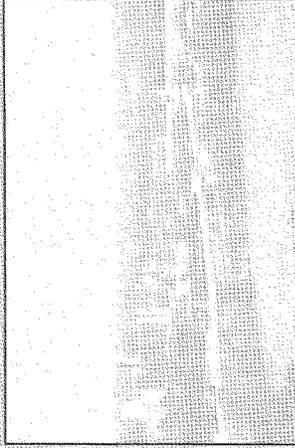
Brownfields Projects

**Not The End Of
The Line ...
Working
Cooperatively
With Railroads
Through Incentive
Programs.**



The Brownfields Pilot: Riverfront Industrial Redevelopment Area

- EPA Brownfields Assessment Demonstration Grant
 - Awarded May 2000
 - FY 2001 use



- 244 acres along the Missouri River south of downtown

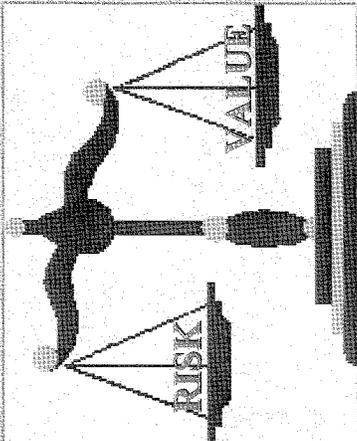
- Rail corridors run the entire length
- Former depot and roundhouse areas gone



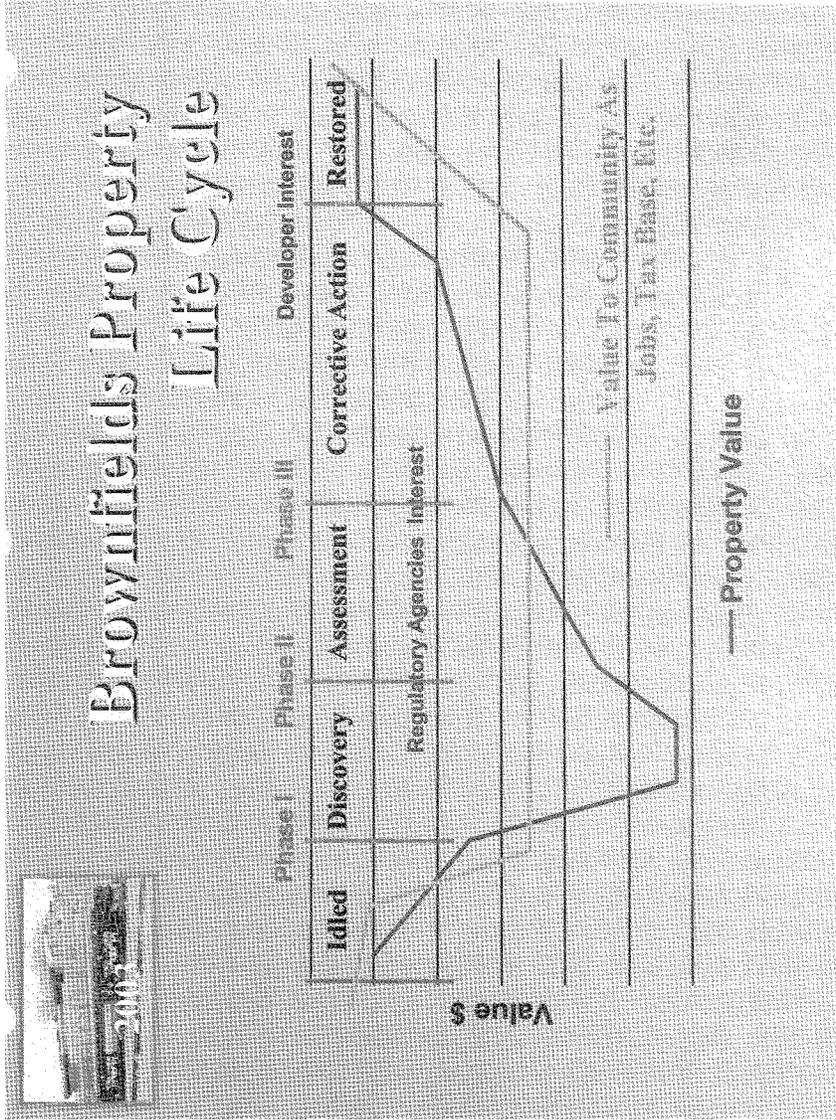


Traditional Issues: Environmental Acquisition Assessment

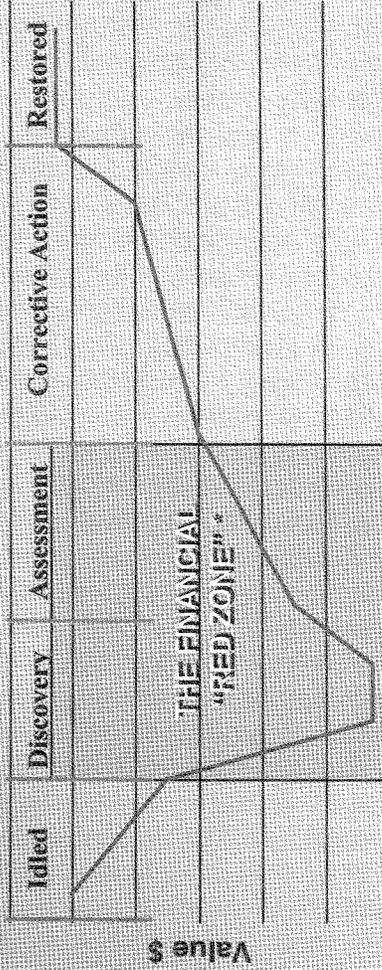
- City due diligence requires Phase I
- Phase II may be needed to clarify issues of Phase I
- Phase III may be needed to quantify risk



The image shows a pair of scales of justice. The left pan is labeled 'RISK' and is higher, indicating it is lighter. The right pan is labeled 'VALUE' and is lower, indicating it is heavier. This visual metaphor suggests that the value of an acquisition is weighed against the risk involved.



City Risk Period: Cost Of Assessments



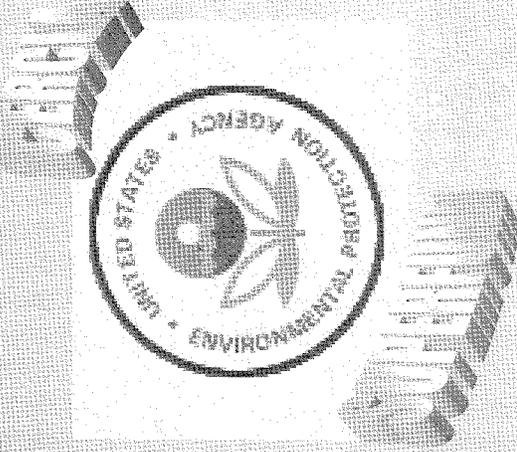
— Property Value

* Adapted by D. Koch with Charles Bartsch, Northeast Midwest Institute

City Risk Offset: External Funding



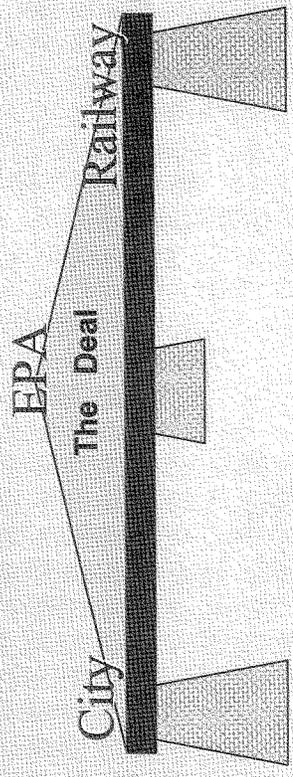
- The United States Environmental Protection Agency
 - EPA Economic Development Initiative
 - Brownfields Grants





City/EPA Perspective: Stability By Regulatory Partner

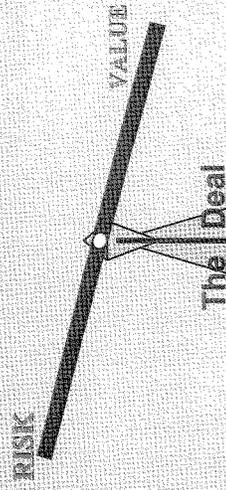
- Increased data quality
- Immediate involvement / oversight
- Support as comfort letters and guidance



City Risk-To-Value To Assess

+	Phase III	Manageable cost/buy, defer to developer or exit
	Phase II	Clean/buy, dirty or exit, risk at 20% grant match*
-	Phase I	Clean/buy or exit, risk at 20% grant match*

The Old Bottom Line



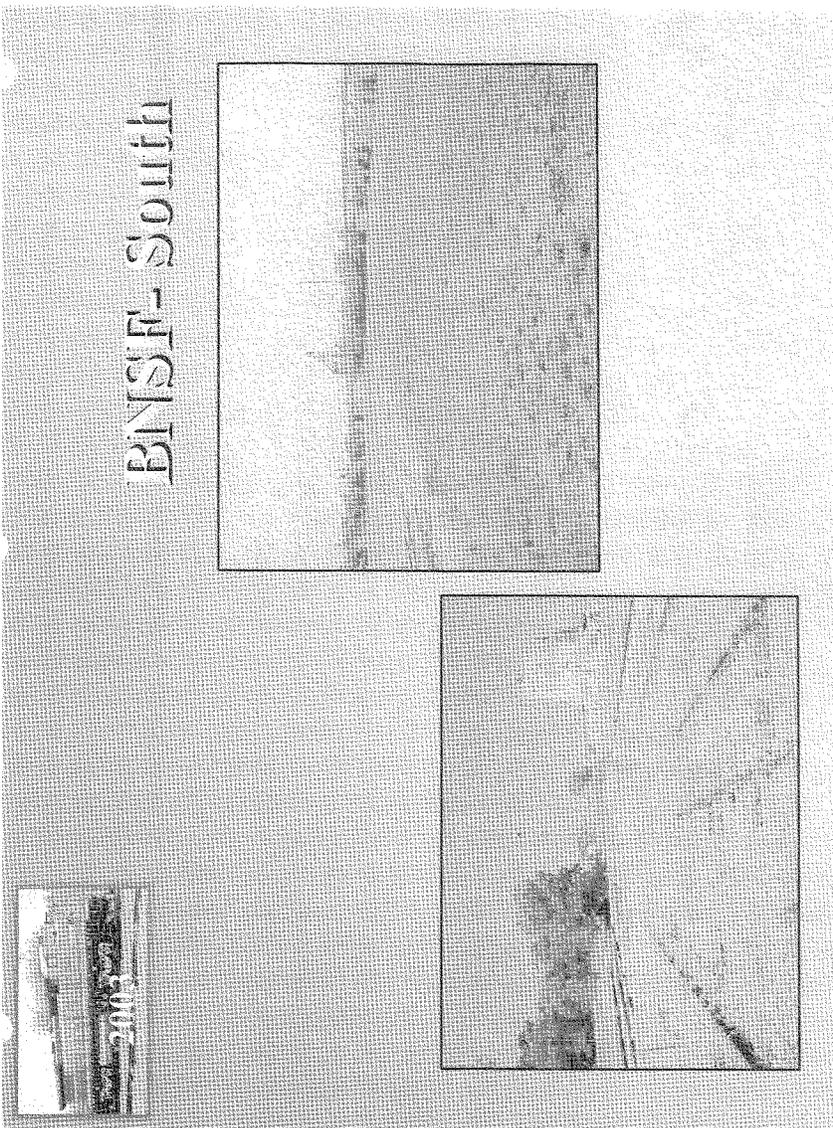
* St. Joseph Pilot, in-kind matches allowed. FY2003 EPA assessment grants have no 20% match.



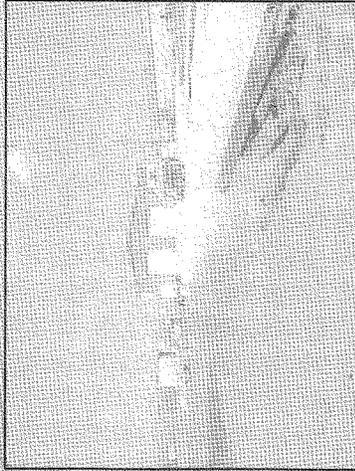
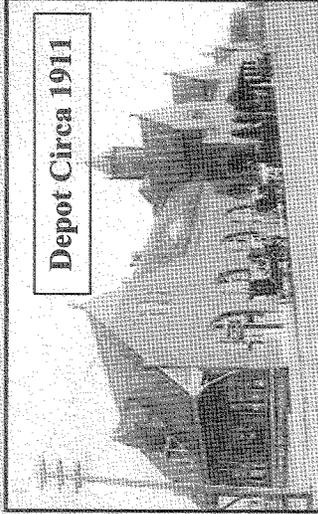
RR Properties: Brownfields Public Appeal

- Although < 20% of Pilot, offer the largest centralized acreage with least major demolition
- To the public they look simple to change, “just move a few rails”
- They look idle or underused unless storing cars or moving freight
 - More than 6,000 acres, or 22%, of Brownfields just in “small city” rail yards in 202 cities

Source: Recycling America's Land, National report on Brownfields redevelopment, U.S. Conference of Mayors



BNSF - North





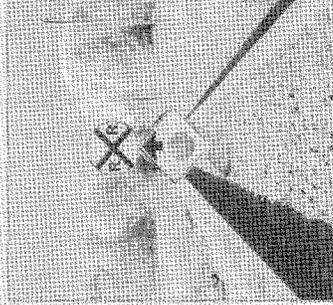
St. Joseph Pilot 2000: Ready To Roll

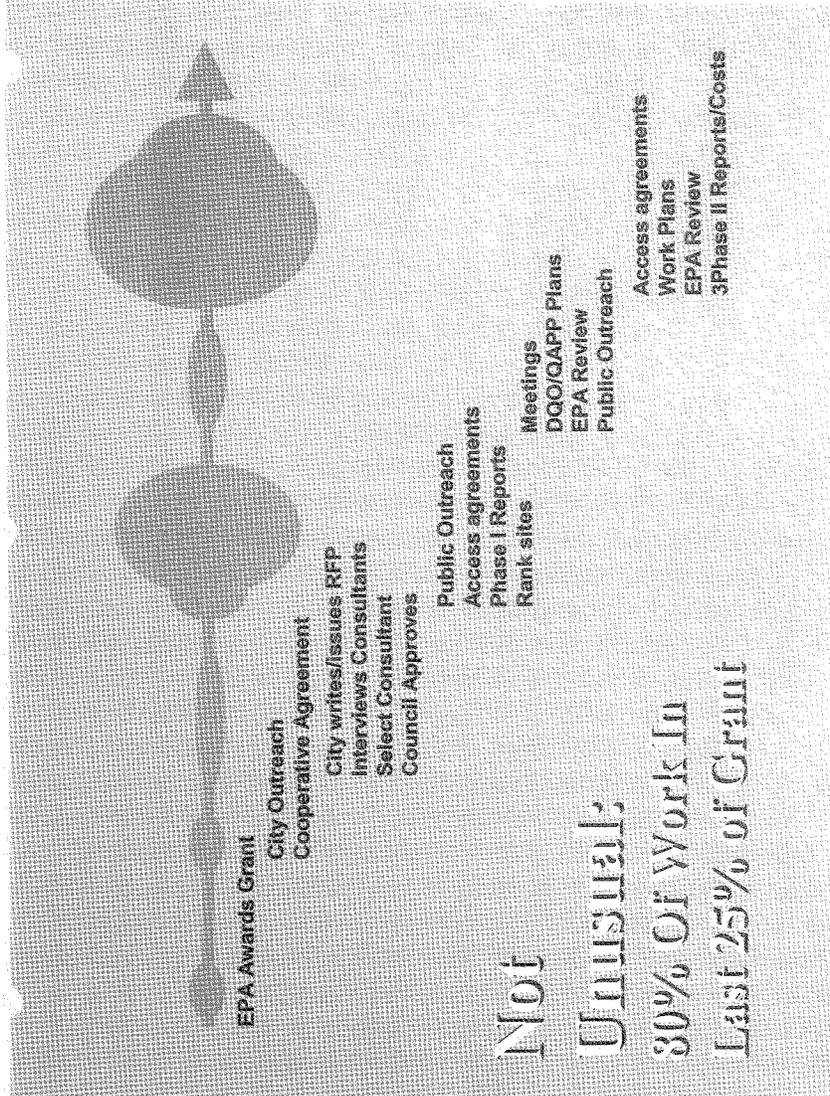
- FY2001 Pilot Grant \$200,000
- 2001 Consultant Selected
- 2001 Preliminary Planning & Phase I work
- 2002 Evaluated Old BNSF Phase II data
- 2002 approached BNSF on more testing ...



But "Nothing" Happens: For Almost 15 Months

- 2001 - 2002: Access agreements traded, negotiated, never completed
- 2002: EPA extends Pilot grant
- Community interest fades, City staff and Council turnovers
- 2003: City explores extraordinary task of condemnation against a RR







Brownsfields Perceptions: Cities Of Railroads

- Public Perceptions Were Common To Those Heard At National Conferences
 - “Uncooperative and stubborn”
 - RR yards are “contaminated by everything”
 - “In a world of their own”
 - “Think they are sitting on a gold mine”

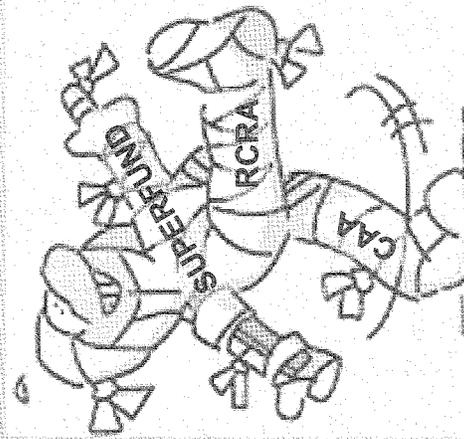


Brownfields Perceptions: Railroads of Cities

- “They want property for nothing”
- “They want us to take all the risk”
- “They expect a clean site ... after a hundred years of use”
- “They don’t understand our business”

Why Won't RR "Get On Board"?

- Some inherent skepticism of the "new" EPA
 - Not limited to RRs
- But mostly, it was about business
- City had not addressed RR's WIIFM

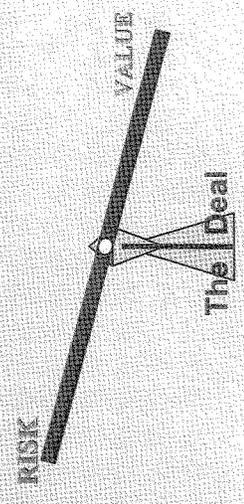


Traditional RR Risk-To-Value To Assess

- Phase III Discount property or stop the deal
- Phase II Clean/sell, quantify or stop the deal
- Phase I Clean/sell or stop the deal



The Old Bottom Line

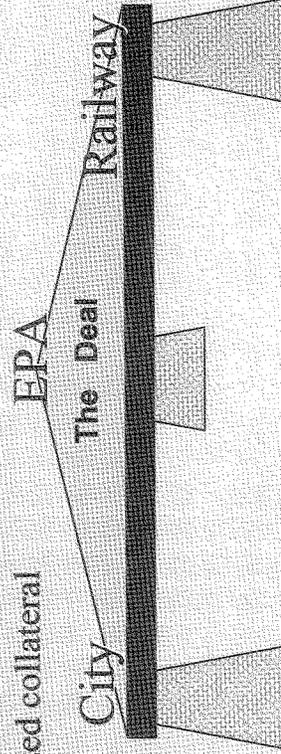




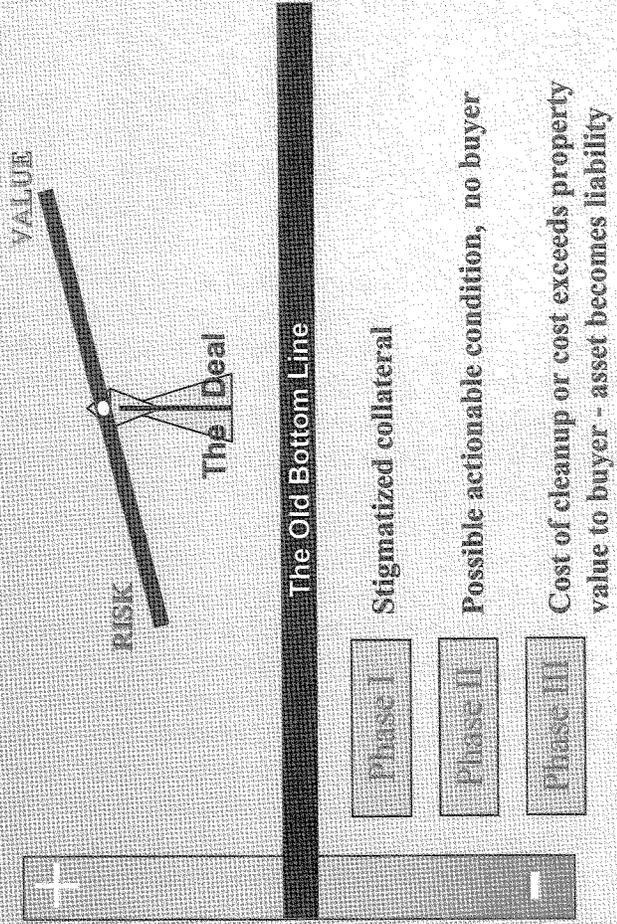
RR Perspective:

Doesn't See Stability By Regulatory Partner

- Increased programmatic levels of effort
- Public disclosure of information
- Loss of control to balance the deal
 - Enforcement
 - Stigmatized collateral



RR Risk-To-Value Changes





WFFME: What's In It For Me?

- With new City Team & approach met with multiple BNSF groups
 - Better understood RR drivers for a deal
 - Confirmed RR as part of the redevelopment solution
 - Clarified City need for only industrial/commercial property under risk-based evaluation
 - Opened discussions on what City has to offer RR to put more freight or improve operations
 - Found common goals & need for assessment
 - Identified City critical EPA & BEDI funding schedules





2003: A Year For Results

- A return to business, jointly balancing the needs of City and RR
- Completion of the preliminary Pilot cleanup planning study to provide a stronger vision
- Improved efforts to make environmental issues “just another part of the bigger deal”



2003-2004 Poised For Final Action

- Milestone joint assessment planned
 - Using existing BNSF agreements for access
 - BNSF share for petroleum issues
 - Complete final EPA grant measures of success
- Developer interest with City on South Parcel keying from Phase II / III information
- TIF District to support redevelopment

Brownfields Lesson: Understand RR Relationships

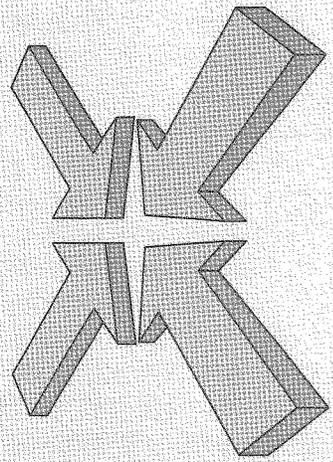
- Contacting the right people at RR is critical to successful negotiations
- Know who and when to contact, for what
 - Land Sales / Realty
 - Customer Service
 - Operations
 - Environmental
 - Legal





Brownfields Lesson: Make RR Part Of The Solution

- Philosophy of success for one is success for the other
 - Redevelopment business can be rail business
- RR may often hold keys to City obstacles or problems
 - Joint assessment



Brownfields Lesson: #1 External Resource FY00-FY02

- USEPA

- Embracing economics of contaminated property and recognizing “fear of Superfund” on business

- Grant to offset City risk in the Red Zone

- Continued Support

- City staff education
- Continued assistance through staff turnovers by all parties
- Allowing grant extensions
- Technical oversight

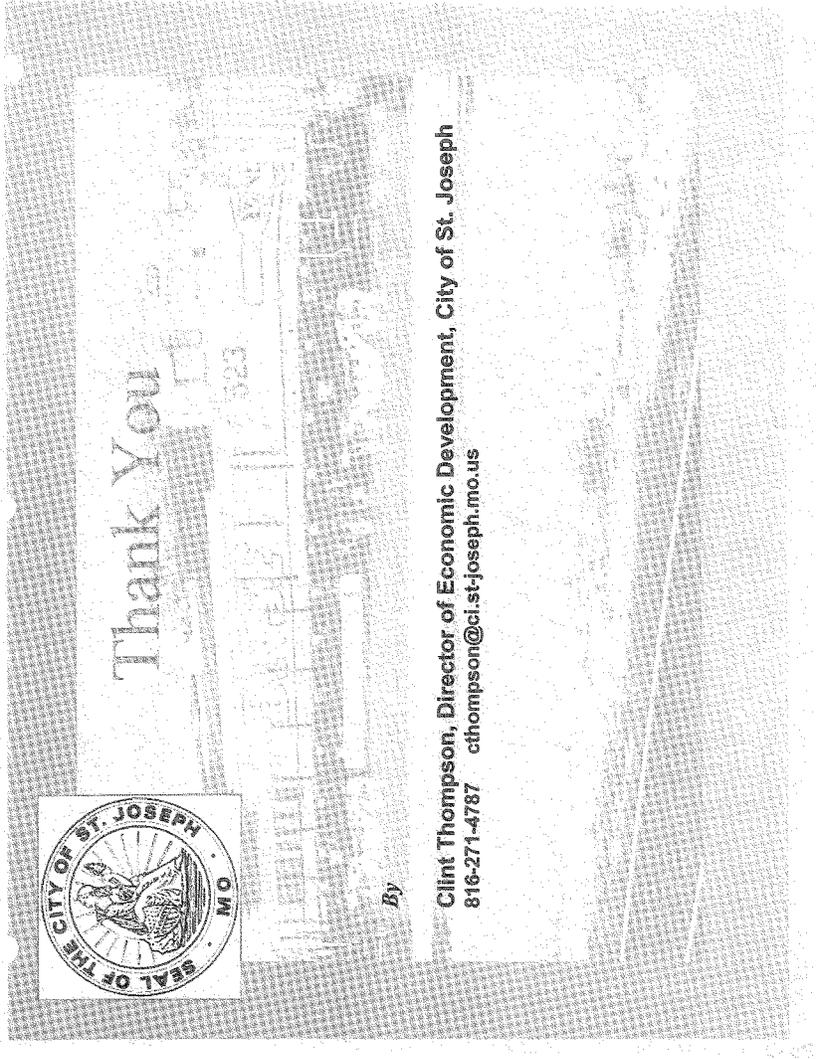




Brownfields Lesson: #1 Internal Challenge FY03-FY04

- **Maintaining Momentum In Economic Downturn**
 - Complete RR assessments to maintain current developer interest adjacent to BNSF-South parcel
 - Secure new developer interest
 - Meet schedules to keep existing funding from cancellation
 - EPA Pilot grant
 - Creating TIF District





STATEMENT OF JEFF SANFORD

Mr. SANFORD. Chairman Turner, Congressman Blunt, I am honored by your interest in my opinions on a subject that I believe is key to the future of our country: re-establishing the economic and social viability of central cities, and the adequacy of Federal, State and local economic incentives in support of that effort. I have devoted the last 8 years of my career to the task of revitalizing downtown Memphis because I am convinced my community, like communities across the Nation, cannot afford the cost of unbridled urban sprawl.

I am president of the Memphis Center City Commission, a public-private partnership charged with responsibility of coordinating the redevelopment of downtown Memphis. As we define it, downtown is a 6.5 square-mile area hard up against the banks and bluffs of the mighty Mississippi. It includes a traditional business district core and a mixed-use neighborhood adjacent to it. Within downtown's boundaries, we have more than \$3 billion in projects underway. I think it is significant to note that of that total, privately developed projects account for the lion's share, about \$2.5 billion.

Numbers tell our story. There are approximately 27,000 residents in downtown Memphis. We have close to 70,000 people working downtown. Downtown has become the sports and entertainment and cultural center of its region visited now annually by millions of people.

Add to this the nearly perfect new 2,100-seat Performing Arts Center, home of the Memphis Symphony, the moving Civil Rights Museum, the Orpheum Theater, which we call the Broadway touring capital of the South, a vibrant arts district—all of this, not to mention the crown jewel of downtown, our magnificent riverfront, which itself is in the midst of an exciting long-range enhancement plan. A plan that we hope will include the project recently announced by Springfield's own Bass Pro, to create a destination mega store and outdoor experience in what was formerly a 22,000-seat public sports and concert arena.

But there is an even bigger story and the one I came to tell you today. While Bass Pro and ballparks and new condos by the basketful surely signal the reversal of our downtown's fortunes, I believe the real legacy will be in our city's decision to tackle the poverty-stricken, rundown neighborhoods that lie adjacent to downtown's core. And by replacing stereotypical public housing with low-rise, mixed-income housing, we are not just changing the face of another downtown neighborhood, we are changing people's lives.

A case in point, and a poster child for Federal economic development funding is the Uptown Project in the neighborhoods just north of downtown's core. Fueled by a \$37 million Hope VI grant, the city and private developers have replaced two old dead-end public housing projects with low-rise, mixed-income apartments and new single-family homes built on hundreds of vacant lots in the area. The beauty of it is, it is working. We literally have doctors and lawyers living next door to residents who were formerly in public housing.

And based on the success of this uptown project, and after having recently won additional Hope VI funding, the city, through its

Memphis Housing Authority, has started two similar projects in other neighborhoods within downtown's ring. We now believe, subject to the availability of Federal funding that makes these projects possible, that Memphis—not just downtown Memphis, but Memphis—can be free of public housing projects within the next 5 years.

So far, I am proud of downtown Memphis and its redevelopment story, but I must give credit where credit is due. Virtually none of it would have happened without the financial assistance of local, State and Federal programs. Inner city development is costly, and time and again, public initiatives have spelled the difference between projects happening and not happening.

The footprints of Federal economic development assistance programs are all over the downtown Memphis renaissance. Strategic use of Federal historic tax credits, CDBG, the Section 108 loan program, BEDI grants, Renewable Community Tax Credits, New Market Tax Credits, all of these, including outright congressional appropriations, have been essential to the redevelopment of downtown.

Yes, every government program is attached to reams of red tape and true, the Federal bureaucracy can be painfully slow and confusing. But, as downtown Memphis, downtown Springfield, downtown Dayton and downtowns across America are coming back, my concern is not so much with the complexities of the programs, as it is with the continued availability and predictability of Federal economic development support in the future.

I am understanding and sympathetic to the budgetary implications of wars and hurricanes, but I am also keenly aware of the consequences of failing to rebuild our inner cities. We have made a good start in Memphis, but we have only done in Memphis about 40 percent of what needs to be done.

Thank you as Members of Congress for all that you have contributed in support of central city revitalization, but keep in mind, we still have a long way to go to reverse decades of neglect. Please continue to make the remaking of our town centers a Federal economic development priority.

Thank you very much.

Mr. TURNER. Thank you. Mr. Cloor.

[The prepared statement of Mr. Sanford follows:]

**THE U.S. CONGRESSIONAL REFORM SUBCOMMITTEE ON
FEDERALISM and the CENSUS**

FIELD HEARING ON “MONITORING OUR NATION’S PULSE”

**SPRINGFIELD, MISSOURI
MARCH 21, 2006**

TESTIMONY BY:

**JEFF SANFORD, PRESIDENT
MEMPHIS CENTER CITY COMMISSION
114 N. MAIN STREET
MEMPHIS, TN 38103**

Chairman Turner, Congressman Blunt,

I am honored by your interest in my opinions on a subject that I believe is key to the future of our country: re-establishing the economic and social viability of central cities, and the adequacy of federal, state, and local economic incentives in support of that effort. I have devoted the last eight years of my career to the task of revitalizing downtown Memphis because I am convinced my community – like communities across the nation – cannot afford the cost of unbridled urban sprawl.

I am president of the Memphis Center City Commission, a public/private partnership charged with the responsibility of coordinating the redevelopment of downtown Memphis. As we define it, downtown is a 6.5 square-mile area hard up

against the banks and bluffs of the mighty Mississippi River. It is an area that includes a traditional business district core and mixed-use neighborhoods adjacent to it. Within downtown's boundaries we have more than \$3 billion in projects underway. Of that total, privately developed projects account for the lion's share -- about \$2.5 billion.

Numbers tell the story. There are approximately 27,000 residents in downtown Memphis, and downtown is far and away the fastest growing residential neighborhood within the city.

We have close to 70,000 people working downtown -- a workforce anchored by the presence of several major institutional and corporate employers that are currently expanding their employee base.

Downtown has become the sports, entertainment and cultural center of its region with millions of people visiting AutoZone Park, a \$75 million, 14,000-seat Triple-A baseball park, Peabody Place, an 8 square-block mixed-use development with flashy retail, entertainment and hospitality components, Beale Street, by sales tax receipts the state's #1 tourist attraction, and FedEx Forum, the \$250 million,

18,000-seat home to the Memphis Grizzlies NBA team and the nationally ranked University of Memphis men's basketball team.

Add to this the nearly perfect new 2,100-seat Cannon Center for the Performing Arts, home to the Memphis Symphony, the moving National Civil Rights Museum, the Orpheum Theater, the Broadway touring capital of the South, and a fun, vibrant South Main Arts District.

All of this not to mention the crown jewel of downtown— our magnificent riverfront which itself is the midst of an exciting long-range enhancement plan. A plan that we hope will include the project recently announced by Springfield's own, Bass Pro, to create a destination mega store and outdoor experience in the Pyramid, formerly a 22,000-seat public sports and concert arena on the banks of the river.

But, there is an even bigger story in the revitalization of downtown Memphis. While Bass Pro and ballparks and new condos by the basketful surely signal the reversal of downtown's fortunes, I believe the real legacy will be in our city's decision to tackle the poverty-stricken, rundown neighborhoods that lay adjacent to downtown's core. And by replacing stereotypical public housing with low-rise,

mixed-income housing, we are not just changing the face of another downtown neighborhood; we are changing people's lives!

A case in point-- and a poster child for federal economic development funding -- is the Uptown Project in the neighborhoods just north of downtown's core. Fueled by a \$37 million federal Hope VI grant, the City and private developers have replaced two old dead-end public housing projects with low-rise, mixed-income apartments, and new single-family homes built on hundreds of vacant lots in the area. The beauty of it is, it is working. We literally have doctors and lawyers living next door to residents who were formerly in public housing.

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So far, I am proud of the downtown Memphis redevelopment story, but I must give credit where credit is due: virtually none of it would have happened without the financial assistance of local, state, and federal programs. Inner city development is

costly, and time and again public incentives have spelled the difference between projects happening and not happening.

The footprints of federal economic development assistance programs are all over the downtown Memphis renaissance. Strategic use of federal historic tax credits, CDBG's Section 108 loan program, BEDI grants, Renewal Community Tax Credits, New Market Tax Credits, Federal Transportation grants and matching funds, outright Congressional appropriations, etc. have been essential to the redevelopment of downtown Memphis. Block-by-block, revitalization has been dependent on good planning, visionary, risk-taking private developers – and a full tool box of public incentives.

Yes, every government program is attached to reams of red tape, and true, the federal bureaucracy can be painfully slow and confusing. But, as downtown Memphis, downtown Springfield, downtown Dayton and downtowns across America are coming back, my concern is not so much with the complexities of the programs, as it is with the continued availability (and predictability) of federal economic development support in the future.

I understand and am sympathetic to the budgetary implications of wars and hurricanes, but I am also keenly aware of the consequences of failing to rebuild our inner cities. We've made a good start in Memphis, but we've only completed about 40% of the job.

Thank you as members of Congress for all that you've contributed in support of central city revitalization. But keep in mind; we still have a long way to go to reverse decades of neglect. Please continue to make the remaking of our town centers a federal economic development priority.

Thank you very much.

STATEMENT OF JIM CLOAR

Mr. CLOAR. Mr. Chairman, Congressman Blunt, thank you very much for the opportunity to be with you. I am gratified to learn that a former local official is heading this very important effort. I am also grateful that I could have the slide on downtown St. Louis up here and appreciate that since I have Turbo Tax on my laptop, my 1040 isn't showing up here for the entire room. [Laughter.]

That has been known to happen.

The Downtown St. Louis Partnership is a privately funded, not-for-profit organization supported by member dues and sponsorships. On behalf of that private sector, we act as an advocate, a catalyst and a facilitator for downtown and center city revitalization. In that role, we also act as managers for a \$2.6 million assessment district that is funded by property owners within a 160-block portion of St. Louis's downtown area.

Through that district, we provide enhanced management services over and above those offered by local government with programs including security, maintenance and economic development. And it is particularly economic development that I wanted to address today.

We heard a great story this morning about the efforts of the community here in Springfield, people coming together to create a downtown plan. In 1999, the citizens of St. Louis came together and developed a plan that was funded by the private sector; namely, the Danforth Foundation and Bank of America. The other unusual thing about that plan was that it emphasized action. And it has paid off.

In the years since that was adopted, we have had \$3.3 billion of new public and private investment in our downtown area and we have another \$1 billion that is underway. The turnaround has been remarkable. National columnist Neal Pierce has referred to it as one of the most remarkable turnarounds he has seen anywhere in the country. And just 2 weeks ago, a number of us from the community were in Washington, DC, to receive a national award from Partners for Livable Communities.

Many of those projects have been big ones, like restoration and expansion of a convention center hotel, one of the original Statler's that had been empty for many, many years. Just a week ago, we rededicated the old post office right in the center of downtown. If it looks familiar, it is similar to the old Executive Office Building in Washington, DC. So it has more than just local significance, it has national significance. By the way, this used a whole myriad of tax credit programs, including one of the first to use the New Markets Tax Credit program.

Being here in Springfield and with my colleague from Memphis on the right, I have to talk about the St. Louis Cardinals. In a couple of weeks, we will have a ribbon-cutting for our new baseball stadium and, just as importantly, the six-block area just to the north that was a former site of old Busch stadium will become Ballpark Village, a mixed-use project with office, residential and entertainment uses.

Here's the way that this has broken out in downtown, and I think what is particularly telling is in the upper right hand corner, almost 25 percent of the investment in our downtown area has

been for residential projects. Today in downtown St. Louis, we have about 9,700 residents. Now that is less than you heard in Memphis, but again, we have a smaller geographic area that we consider to be downtown. But we are really pleased with what has happened there, particularly since the year 2000. Since the year 2000, about a quarter of our residents are new to the downtown area—2500 of them in 1,700 units. The occupancy rate is very good, 91 percent of those units have been open over 1 year. And we track it on that basis, so that there is time for lease up and for sales. Projected, it will be even stronger. Projects that we conservatively expect to start within this next year and be completed by the year 2008 will give us another 8,000 residents in our downtown area.

In turn, that has led to our developing a targeted retail strategy where we have a merchandising plan. We have developed meaningful incentives, not just incentives that are easy to give, but meaningful incentives, and hired a retail coordinator. And since the year 2004 when we started pursuing this strategy, we have opened 26 new restaurants, 23 new retail establishments and about an equal number of both of those we expect to open within this next year and a half. Just a shot of some of those, which is kind of interesting.

Now the reason that is so important and what it has to do with economic development is people who are responsible for bringing jobs back to downtown say you are starting in the right place. Instead of working so hard on office tenants, if you will start with housing, that leads to retail and restaurants, that puts life on the street and it suddenly makes downtown more attractive as a place to do business.

Here are the keys to our success. I mentioned before that the plan was action oriented, it did not just quit when we adopted the recommendations. We said that is the starting point, not the quitting point. We have been blessed with a very supportive city administration and we are very pleased that we have had innovative local developers.

Tax credits have played an important role in it. And I want to emphasize the historic preservation tax credits, for a very significant reason. St. Louis is an old city. Many people say it is the western most eastern city. Seventy-two percent of the buildings in downtown St. Louis are over 50 years old and 31 percent of them are over 100 years old. That can be a problem, as the Mayor pointed out, but it can also be an asset, because it makes us unique, we have beautiful architecture.

The State's historic tax credit program here is a model throughout the country, with 25 percent of the eligible costs being available to the developer. Look at the last line, it can also be used for ownership as well as for rental. The impact is that 80 percent of our historic buildings are now back in productive use. We need to keep that going.

Now here is the contrast and the only thing I want to emphasize in terms of programs today is with the Federal historic tax credits. You see that 20 percent of the eligible credits are available to the developer, and quite often those are leveraged so the developer can get 45 percent of the eligible costs. But if you look at the second line, the Federal program is limited only to income-producing or

rental projects. That means that it skews the market. Many of the developers who are doing housing in downtown St. Louis are going for apartments when there is a market demand for ownership, which we want to encourage. As a result, they have designed many of them so that the idea is within 5 years, they will be converted to condominiums. The only thing I would really stress is if we could do something at the Federal level to get rid of this aspect that skews the local market.

And I thank you very much for your time today.

[The prepared statement of Mr. Cloar follows:]



Statement of Jim Cloar

President

Downtown St. Louis Partnership

before

The U.S. House of Representatives

Committee on Government Reform

Subcommittee on Federalism and the Census

Springfield, Missouri

March 21, 2006

Mr. Chairman:

I am Jim Cloar, President and CEO of the Downtown St. Louis Partnership and the Downtown St. Louis Community Improvement District (CID). The Partnership is a privately-funded not-for profit organization supported by member dues and sponsorships, acting as an advocate, catalyst and facilitator for downtown and center city revitalization.

The CID is a \$2.6 million assessment district initiated and funded by commercial and residential property owners within a 160-block portion of St. Louis' downtown area. It provides enhanced management services over and above those offered by local government. Programs include supplemental security, maintenance and litter control, beautification, special events, marketing and economic development.

The latter of those programs, economic development, is of particular relevance to this hearing today. In fact, we consider it to be at the heart of all of our programs.

In 1999, the City of St. Louis adopted a Downtown Development Action Plan. One of a series of downtown plans that had been prepared over the years, but one that differed from earlier versions from two standpoints. For one, it was funded by the private sector, namely the Danforth Foundation and Bank of America. The second difference was its emphasis on implementation.

The plan identified four priority districts, with strategies for undertaking catalytic projects within each district. In addition, a new not-for-profit called Downtown Now! was created, with responsibility for implementation.

The results since plan adoption have been extraordinary. More than \$3.3 billion in new public and private investment has occurred in downtown St. Louis since the year 2000. Another \$1 billion is planned to start this year.

Noted Washington Post columnist, Neal Peirce, referred to the rebirth of Downtown St. Louis as one of the most remarkable he has ever seen. Just recently, Partners for Livable Communities, a national not-for-profit that helps communities focused on community and economic development, honored the downtown program with its Entrepreneurial American Leadership Award.

Some of the projects have been large ones, such as the \$240 million renovation and expansion of a former (but long vacant) Statler Hotel into a 970 room convention center hotel, the Renaissance Grand.

Just last week, the Old Post Office was rededicated 122 years to the date from its first opening in 1884. The \$ 75 million project now houses the downtown campus of Webster University and the Missouri Court of Appeals, (Eastern District) along with other tenants in a building considered one of the most remarkable historic structures in the country.

In a few weeks, our beloved St. Louis Cardinals will begin play in a brand new Busch Stadium. Just as exciting is their plan for turning the site of the previous stadium into Ballpark Village, a mixed use project with office, residential and entertainment uses.

Underway on the waterfront, just north of Laclede's Landing, Pinnacle Entertainment is a \$400 million project that will include a casino, 200 room luxury hotel and a \$50 million residential investment. Projected opening is September, 2007.

Not all of the projects are the big ones however. A \$17 million dollar streetscape program has placed Washington Avenue as the setting for a boom in residential and restaurant openings. Many of the beautiful buildings in this once thriving garment district had been vacant for decades.

The breakdown of development by type since 2000 shows the biggest category to be for residential use. Almost 25% of the investment has been in this category.

The downtown St. Louis population today numbers almost 10,000 people. Of these, about a quarter, or 2500, has moved into downtown over the last five years. The total inventory of units is 5,700, including 1,700 developed since 2000. Occupancy for projects open over one year is 91% for the newer developments and 83% overall.

While the perception is that loft dwellers (the predominant residential style to date) are primarily younger people, it is interesting to note that 37% of those who are new to

downtown living are over the age of 50. They are well educated, have a higher income level, and many are new to the City and even the region. Just this last week, a developer told our board that all of the units he sold on the first day of offering were to buyers who were not from St. Louis.

Even more housing is on the way. With projects already underway added to developments we confidently expect to start in 2006 and 2007, we conservatively project the downtown population to grow to 18,000 by 2009.

What does this have to do with economic development? Employers tell us that the growing status of downtown as a neighborhood enhances its attraction as a business location. Large businesses that just a few years ago would have been candidates for relocation to the suburbs have made a conscious decision to stay put. And, we are seeing the attraction of small but fast growing creative industries growth relocating to the downtown area.

An already visible result is the number of new retailers and restaurateurs have started up in the past two years. A targeted retail strategy emphasized that we should have a well thought-out merchandising plan, hire a dedicated retail recruiter/coordinator, and formulate meaningful incentives.

Since adoption of the retail strategy in early 2004, 26 new restaurants have opened, often listed in local magazines as the new "hot spots." In addition, 23 new retailers are in

downtown. Many of these are oriented toward home furnishings, as identified in the merchandising plan to take advantage of the link to the new residents.

There are many reasons for the success that Downtown St. Louis is enjoying today. One of those is, as mentioned previously, the emphasis on implementation. The recommendations are “action-oriented”. We also have energetic and creative leadership from our City agencies, starting with our Mayor, Francis Slay.

Innovative and visionary (some might add persistent) local developers have been at the forefront. While starting with housing, they have recognized the value of street level activity and provided for ground floor retail. Several are now venturing into creation of badly needed additional office space.

Finally, I must point to Missouri’s State Historic Preservation Tax Credits program, often a model by other states. Over 72% of the buildings in downtown St. Louis are over 50 years of age. And 31% of the total are more than 100 years old. They have architectural and historic significance and give our downtown uniqueness locally and nationally.

But they also present an incredible economic challenge. Preservation is costly in any case and undertaking it in a dense urban setting further complicates the pro forma.

Missouri’s program provides a developer with a tax credit equal to 25% of the eligible redevelopment costs (in addition to the Federal credits to which he or she may be

entitled). In addition, these credits may be sold or transferred to another party and may be carried back three years and/or carried forward ten years. A key provision is that there is no restriction as to their being used for rental or ownership properties. In other words, condominium uses are eligible.

The result? Of the historic buildings in downtown St. Louis, 80% of those over 5 years old are being actively used, are under construction or have a 2006 planned start. Similarly, 80% of those buildings more than 100 years old are active.

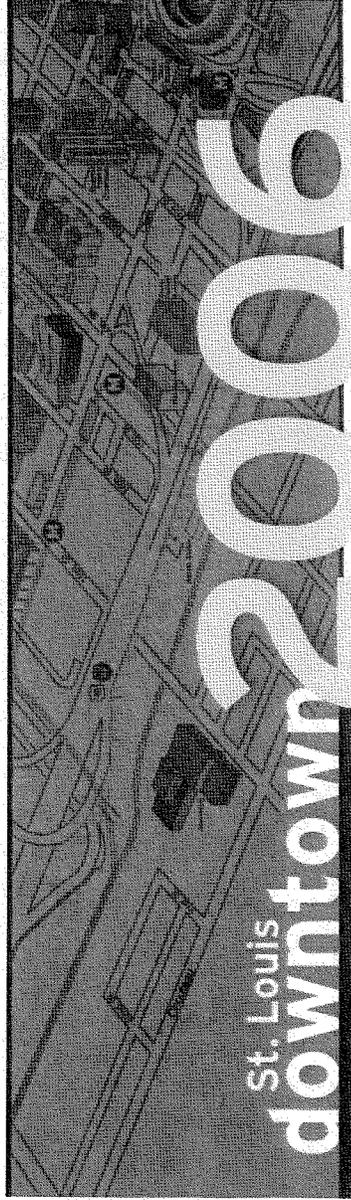
Earlier I referred to the Federal Historic Tax Credits program. While similar and complementary to Missouri's program, it differs in several aspects. Perhaps the most significant is its limitation to income-producing properties.

Developers are thereby precluded from using the Federal Credit for condominium residential or even office uses. This distorts the market. The occupancy rate for condominiums built since 200 in downtown St. Louis is 92%; by contrast, the occupancy rate for rental units is only 77%.

Yet, despite stronger demand for home ownership, the opportunity to capture the additional 20% credit often leads to projects that start off as rental with the intent to convert to condominiums after a five year period.

Several bills and/or amendments have been proposed over the years to make the Federal program even more effective, in particular to address the restriction on its application to ownership. Without addressing any of the specific legislation that has been considered, I would urge that this limitation be removed.

I thank you for your time and the opportunity to take part in this hearing.



www.downtownstl.org



Investments in Downtown

St. Louis

2000-2005

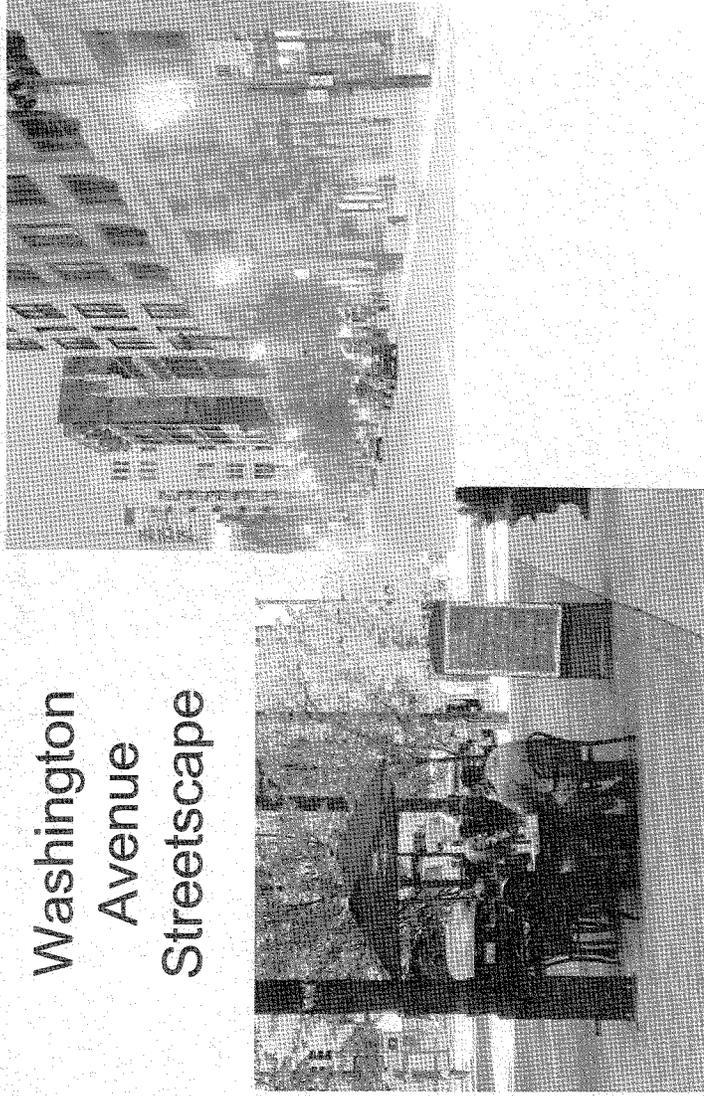
\$3.3 billion

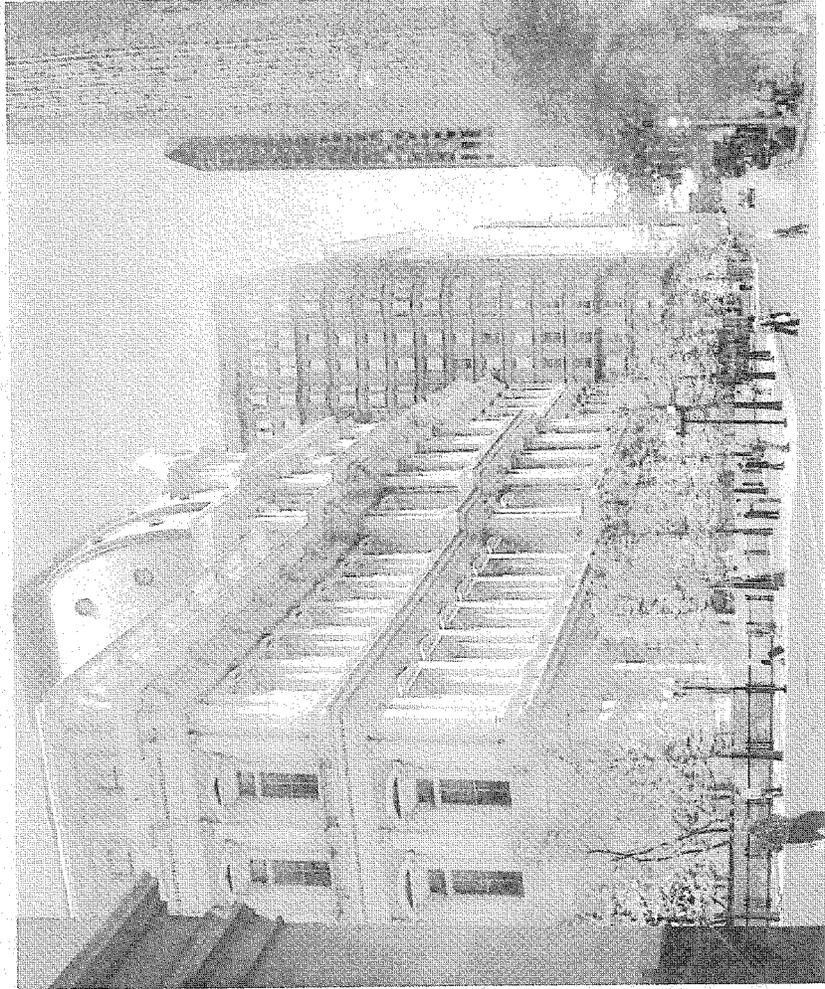
2006

\$1 billion more

St. Louis
downtown 2006

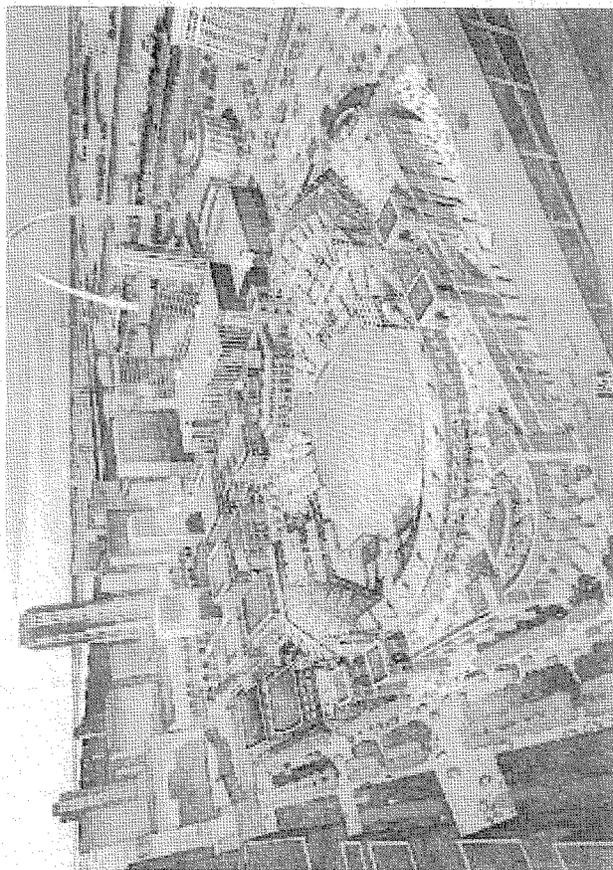
Washington
Avenue
Streetscape





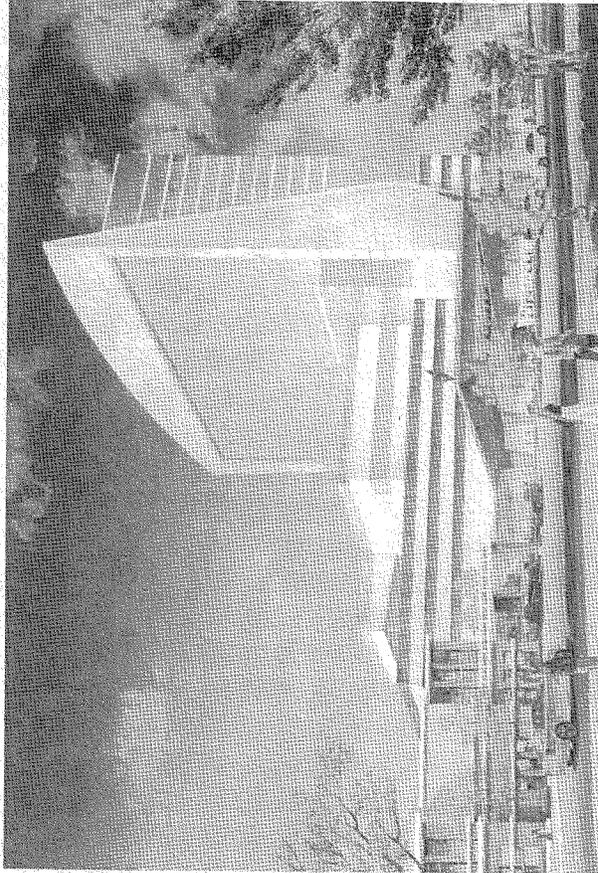
**Old Post
Office**

St. Louis
downtown
2006



**Ballpark
&
Ballpark
Village**

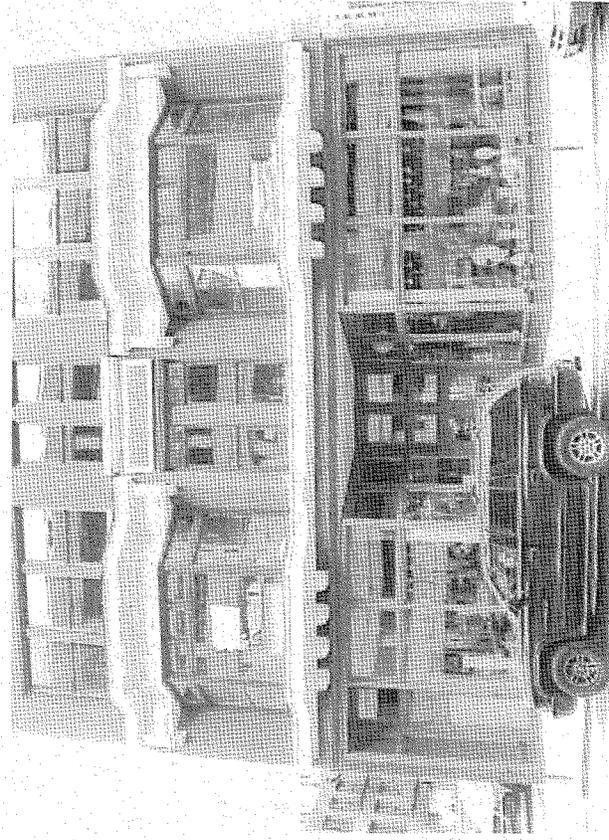
St. Louis
downtown
2006



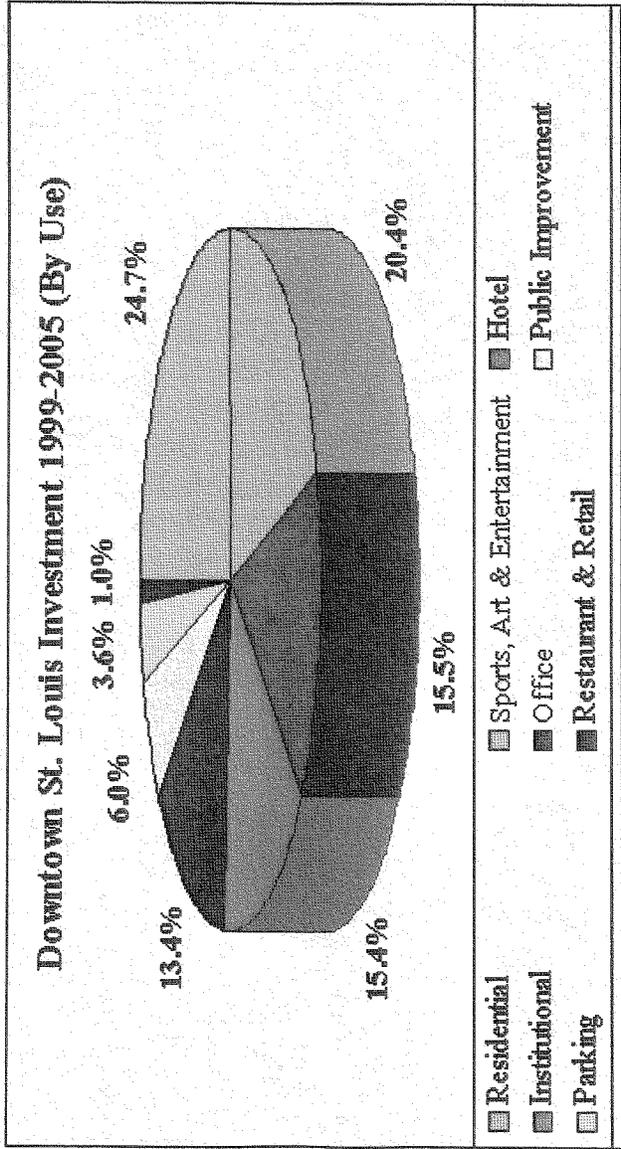
Pinnacle
Casino

St. Louis
downtown
2006

Alexander Lofts



St. Louis downtown 2006





Downtown Residential Today

85

- 5,700 units; 9,700 residents
- 4,900 apartments; 800 condos
- 83% occupancy (open over one year)



Residential since 2000

- 1,700 units; 2,500 residents
- 1,000 apartments; 700 condos
- 91% occupancy (open over one year)

New Residents Profile

- **Gender**
 - 56% male/44% female
- **Age**
 - 36% in 20s
 - 37% over 50
- **Education**
 - 82% college grads
- **Income**
 - 46% earn \$50K+/yr.
 - 14% earn \$100K+/yr
 - In newer properties -
 - 66% earn \$50K+/yr.
 - inc. 25% \$100K+/yr



Projected 2006-2008

- 2,100 apartments
- 2,800 condos
- 4,900 additional d.u.

- 8,000 additional residents
- Total DT population by 2009 = 18,000

Downtown Residential Properties

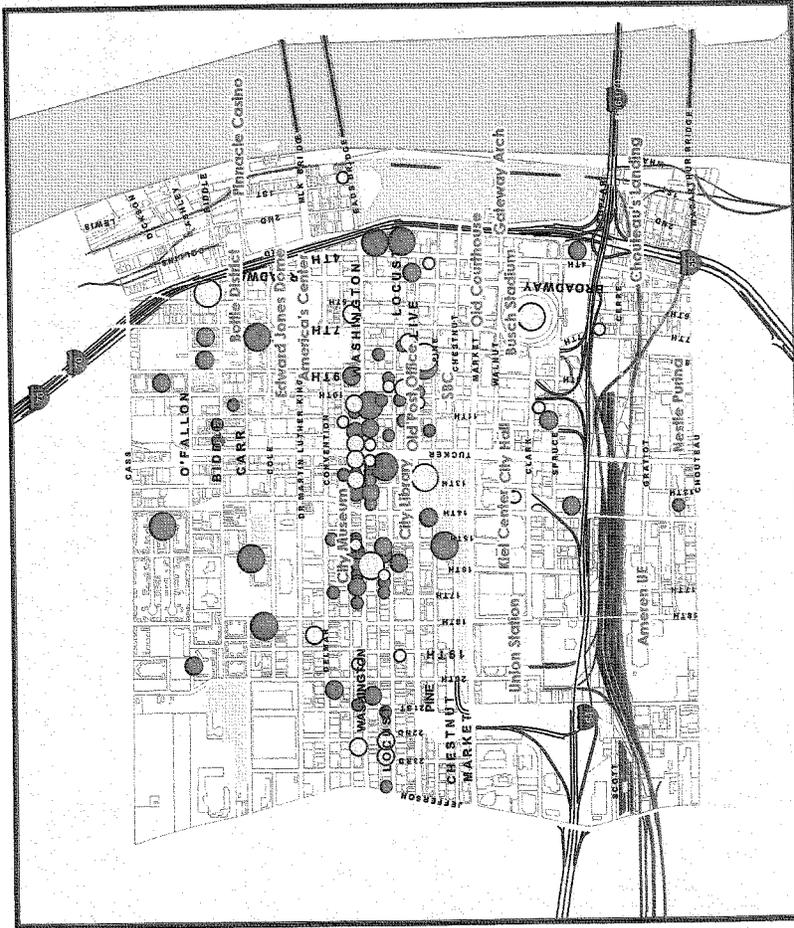
- Time Line**
- Pre 2000
 - Post 2000
 - Planned/in Const

- Symbol Size:**
- Small 1-50 Units
 - Medium 51-150 Units
 - Large 151-700 Units



- ▭ Parks
- ▭ Bridges
- ▭ Railroad Lines

Downtown St. Louis Partnership
September, 2005



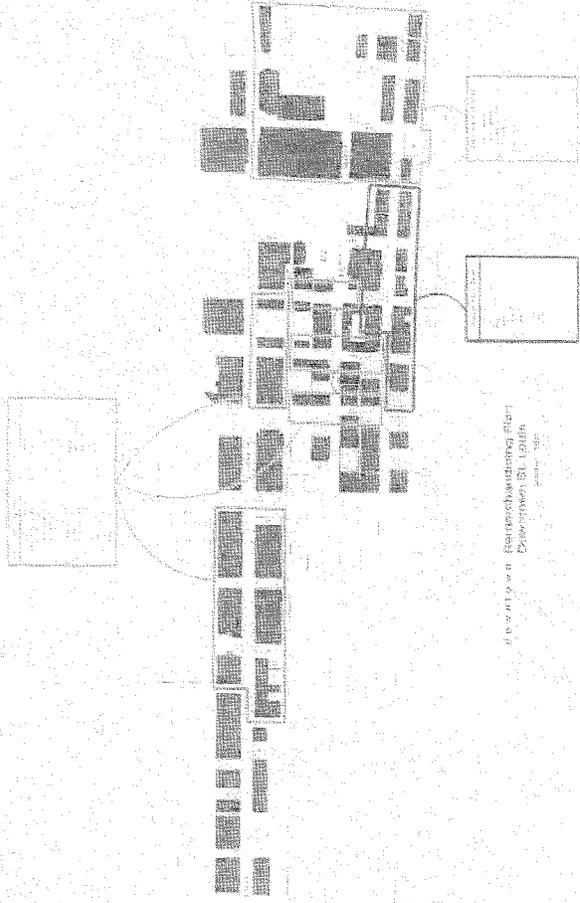


Retail Strategy

- Merchandising Plan
- Develop incentives
- Hire retail coordinator



Nodes of Opportunity



designed by
 Architecture Firm
 Downtown St. Louis
 2006



Since 2004

- 26 new restaurants
- 23 new retail establishments

New Retail/Restaurant Development

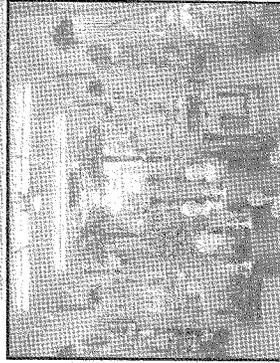
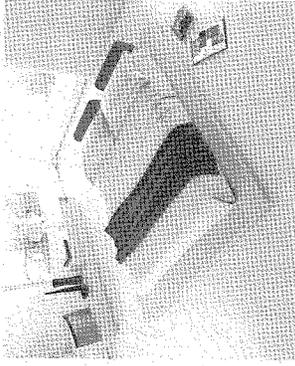


Retail/Services

- Ambiente Collection
- Baseline Workshop
- Blend
- Blue Boat Designs
- Casa Semplice
- Curves
- Ellen Curlee Gallery
- FedEx/Kinko's
- Kenary Park
- Lee J's

New Retail/Restaurant Development

Casa
Choice[™]
Simplify Your Home

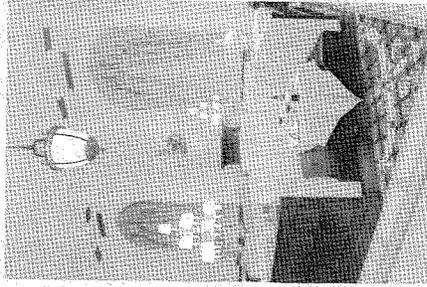


Retail/Services

- Macro Sun
- Niche
- Pace Framing
- Paper Doll
- Phillip Slein Gallery
- People's Bank
- Salt of the Earth
- UMA
- Urbis Orbis
- Washington Ave Post

St. Louis
downtown
2006

New Retail/Restaurant Development

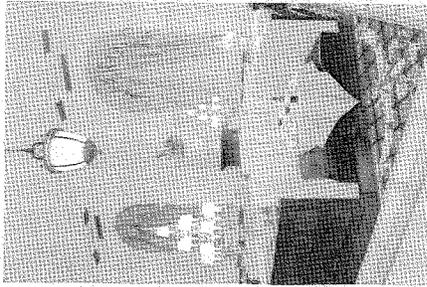


Restaurants/Cafes

- 9th & Pine Trattoria
- 10th St. Italian
- An American Place
- Capri
- Copia
- Espresso Mod
- Flannery's
- Kitchen K
- Koi
- Lucas Park Grille

St. Louis
downtown
2006

New Retail/Restaurant Development



Restaurants/Cafés

- Mosaic
- Mortimer's
- NY NY Deli
- Red Moon
- Sen Thai
- Smoky O's
- St. Louis Bread Co.
- Tanner B's
- Wasabi
- Zuzu's



Keys to Success

- Action oriented plan
- Supportive City Administration
- Innovative Developers
- Historic Preservation Tax Credits



Downtown's Historic Buildings

- **72% are over 50 years old**
- **31% are over 100 years old**



Missouri Historic Preservation Tax Credits

- 25% of eligible costs
- Transferable
- Carry back 3 years and forward 10 years
- May be used for ownership as well as rental



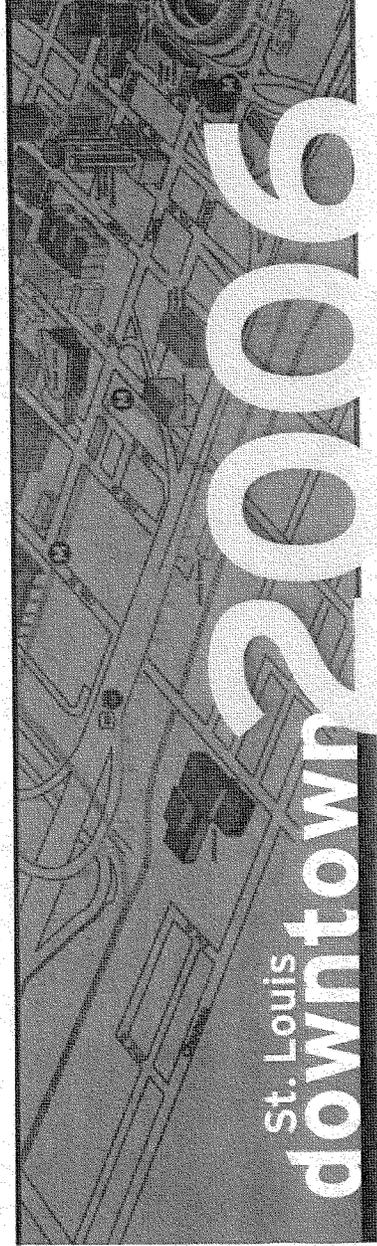
Downtown STL Impacts

- **80% of bldgs > 50 yrs: active**
- **80% of bldgs > 100 yrs: active**



Federal Historic Tax Credits

- 20% of eligible costs
- Limited to income-producing (rental)
- Carry back 1 yr and forward 20 yrs
- Must hold for 5 yrs



www.downtownstl.org

Methodology Research and Development Branch - (11-28-0088-20-22-00-00) - Directs, coordinates, and ensures methodological development, enhancement, integrity, and consistency throughout the entire estimates and projections area. Conducts fundamental research on the quality of the components of population change (e.g., births, deaths, and migration) and the characteristics of population estimates (age, sex, race, and Hispanic origin) at all geographic levels of estimation (nation, state, county, sub-county, island areas, etc.). Reviews and evaluates estimate products and population components. Develops improved population estimates for the nation, states, and counties by demographic characteristics, using innovative techniques and data from censuses, surveys, administrative records, and special sources. Coordinates methodological research projects with members of the Federal-State Cooperative Program for Population Estimates (FSCPE). Prepares analytical and interpretive reports and papers for professional societies and technical publications.

Population Estimates Branch - (11-28-0088-20-23-00-00) - Plans and develops annual estimates of the population of the nation, states and counties and their demographic characteristics of age, sex, race, and Hispanic Origin. Plans and develops monthly short-term projections of the population of the nation, states and selected counties. Collects data on births and deaths and group quarters and produces the vital statistics and group quarters components used in the production of the population estimates. Provides population estimates as controls for the American Community Survey, Current Population Survey, the National Crime Survey, and other Federal surveys. Develops and maintains computer programs for estimates production and dissemination. Prepares and provides data files, to customer specifications, of population estimates for analysis, research, and general data dissemination on electronic media and via internet. Coordinates the activities of the Federal-State Cooperative Program for Population Estimates (FSCPE) and keeps the state members of the FSCPE informed on Census Bureau plans and activities.

Local Government Estimates and Migration Processing Branch - (11-28-0088-20-24-00-00) - Plans and develops current estimates of the population of general-purpose local government and other small geographic areas, including school districts. Plans and develops current estimates of housing units for states, counties, and other geographic areas. Provides housing unit estimates as controls for the American Community Survey, Current Population Survey, the American Housing Survey, the National Crime Survey, and other Federal surveys. Evaluates, analyzes, and processes administrative records to develop estimates of domestic migration for input to the intercensal state and county population estimates program. Works with geographic staff to coordinate integration of geographic data for updated legal boundaries. Responsible for the population estimates challenge process for local governmental units; communicates with members of the Federal State Cooperative Program for Population Estimates (FSCPE) to integrate the challenge results into the population estimates process.

Population Projections Branch - (11-28-0088-20-25-00-00) – Directs, coordinates, and implements the technical and developmental work required to produce projections of the population of the United States and its geographic subdivisions by age, sex, race, and

Hispanic origin. Compiles, evaluates and analyzes demographic, social, economic, and public health data and conducts fundamental research on dynamics of fertility, mortality, domestic and international migration, and racial multiplicity, as required for forecasting population. Conducts research on the techniques of population forecasting including research on the probabilistic uncertainty of population forecasts, and the projection of additional attributes, such as nativity or household composition. Coordinates projection activities with related activities of other Federal agencies, and the Federal-State Cooperative Program for Population Projections. Provides technical documentation, analysis, and consultation as necessary. Prepares analytical and interpretive reports and papers for professional societies and technical publications.

Mr. TURNER. Thank you so much. Thank you for this great, compelling testimony of what is needed in the communities and what you are accomplishing in your communities.

I want to emphasize again, many of you have spent time with us today as we toured the community. It is very important that through this period as we are in this hearing, that we get the full opportunity of hearing your comments because these are the comments that will go into the Federal record. So many of the things I might be asking you, we have already discussed, but I would appreciate your embellishment of your thoughts and issues on that.

Mayor, you told us of the 20/20 process that your community went through, a visioning process where you enlisted not only the business community, your institutions, but also the people in the community. Could you tell us about the importance of that process and going through that?

Mayor CARLSON. Yes, thank you.

It was interesting, one of the rules we had, Congressman, Mr. Chairman, was that no elected people could serve on the visioning, because too many of us, me included, tend to be a control freak. And we were a little worried about what will happen when people really are let go to think about what they want to do.

But what we did, we had about 20,000 hours spent, over 300 people, as you noted, just talking about what they would like their community to be. There were no real restrictions about—it was sort of a charette in a way. But we worked it through and then we would have some staff people, you know, bring them down to reality a little bit. But what was really extraordinary about that was when that plan was finally completed, it formed a template for how we would develop our community. And it also, because there was so much of an endorsement on the community for the thing, it did not matter who was on council and who was the mayor, and what ideas those people would come up with, the general template for where we wanted to go as a community was set. So you did not have the start and stop sort of thing you might see with the changes in turnover in elected people at election.

So it became much more of a process of how do we implement the long-term vision for this community. And it kept the wheel out of the ditch and it kept the car on the road. The first referendum on it was this Jordan Valley Park that you saw, and whether we should increase the hotel-motel tax by 2 cents to start the ice rink. That proposal, because of the process that we had undergone, passed in every precinct in our community by close to 80 percent. And because of that, there was a buy-in with the community to proceed. And what I like to say and my city manager has indoctrinated into me until I really believe it, is process determines outcome. And if you have an inclusive process that was, it will dictate a good outcome.

Mr. TURNER. One of the things that you and I discussed about the importance of the CDBG program is the funding flexibility that is there, that you have invested so much time going through a visioning process so that you and this community know what your priorities are, you know what your needs are and that they certainly would be different than every other community in the country in ways that you would be able to garner your resources and

address them. The flexibility of that program is also one of its Achilles' heels because it is one of the ways in which it has been criticized as being a program where there is not consistency in how the funds have been used.

Could you speak for a moment as to how, once you completed the 20/20 process, how the CDBG flexibility might have been important?

Mayor CARLSON. Well, clearly Diane May talked about this. If the CDBG program came with too many strings attached, we would be constantly trying to shoehorn in the CDBG program to meet a need that we have here in the community that would then hamper its effectiveness. By having the program coming to us with more flexibility, it works so much better.

Now I would agree 100 percent with this whole notion of federalism and Congressman Blunt spoke eloquently about this in the sense that what you want to do is have 50 States with 50 laboratories that are doing things and seeing what works. And so my notion would be if you find that there are certain programs that do not work, then say OK, you cannot take 40 percent of your budget, as some cities might, and spend it on administration. So rather than trying to predict ahead of time what might not work, you know, maybe do it in a way that you say as long as—do not pre-judge something, let them see if it is working. You know, there are certain benchmarks you can do. There are outcomes, those kinds of things, but once you have restricted it so much, then it loses effectiveness.

And just quickly, one thing I would like to just say, from my perspective as Mayor of this community, I think that earmarks get a bum rap. The thing about earmarks is it allows a Congressman or a Senator who knows about a particular need in a community to set aside a small amount of money to meet that. And, you know, that is what we would much rather see here than trying to tailor our request so that we have an effective grant writing technique. What earmarks have done for our community—I wish they would bring another congressional hearing here and see what it has done, it has been a great boon for our community. We do not have anything to be embarrassed about here in southwest Missouri.

Mr. TURNER. That is excellent, that is great that you make that point because it does allow your congressional representative, as we saw today when we drove by many of these projects where Congressman Blunt has provided and directed Federal funding, where there may not be a specific grant program that would have been able to assist you, it is accomplished through the earmark process.

Mr. Thompson, you talked about brownfields and brownfield redevelopment. As you and I discussed, I have a bill, House Bill 4480, that would provide a tax credit for environmental remediation. It is 50 percent of the environmental remediation and demolition costs, including petroleum remediation for a site. It would be stackable with what you have here in Missouri with the tax credit that is there, and largely would respond to the issue that some of these sites, the cost of cleanup and building demolition exceed the value of the land.

Would you find a program like that to be helpful in your processes of brownfields?

Mr. THOMPSON. Yes, sir, I think any program or incentive tool that we can utilize for redevelopment of brownfields will help. The key to developing these sites is providing enough layering of incentives to bring down the cost of the overall redevelopment project.

When you are talking about brownfield sites, you have sites that can typically have high contamination levels and so the cleanup of that property can sometimes be expensive. So anything that can limit the cost of that cleanup that allows that property to become more marketable to a private user, is going to turn that property quicker. And these incentives and programs that you have been working on I think are a great tool to help spur economic development on these sites and encourage private investment to come back into these sites at an affordable price.

Mr. TURNER. Mr. Sanford, Mr. Cloar, you both talked about the importance of housing in downtown revitalization and we certainly saw on our tour today the loft housing and other types of housing that is here. You made a couple of points that I would like to revisit and would like you to talk about.

One, you talked about the importance of housing in the area that attracts then retail and restaurants and other vitality. If you would speak about that for a moment.

And also, the second aspect of the Missouri Historic Tax Credit, providing the opportunity for ownership and not just rental. There is a bill pending that would open up the historic tax credit that would permit it to be used for ownership projects. And if you would talk for a moment how that might assist the type of project that you see in your communities.

Mr. Sanford.

Mr. SANFORD. Chairman Turner, let me say, first of all, that the whole phenomenon of downtown housing, if we stop to think about it in the historical perspective and at least to the level that we are seeing it today, is really toward—my belief is the first job is to re-define our inner cities and then to redevelop the center cities. The downtowns will not be what they were in the past, life has changed. And housing, downtown as a residential neighborhood is really somewhat of a new phenomenon. It is finding new value and purpose in the inner city and in downtowns. Retail follows rooftops, it is said. And a certain service economy and jobs are created in support of residential neighborhoods. But I think it is a very, very important phenomenon that we are all in support of.

Mr. TURNER. Mr. Cloar.

Mr. CLOAR. Two aspects particularly the second one, as I mentioned earlier, we have seen developers that come into our office and they have talked about a project and we have encouraged them that the market out there is for ownership. Particularly, an economist with the Federal Reserve Bank in St. Louis was on a panel with me just last week and he talked about in the city of St. Louis the aspirations that 80 percent of the people want to own their homes. That is not, from the slides I showed before, the way the pattern is going in downtown St. Louis. The demand is there for ownership, but the developers quite often feel like we have to put—even after talking with us and us showing them what the market is, several times they go away and they say we are going to start off with rental. And in 5 years, then we will convert to ownership,

to condominiums. And we just think that skews the way the situation ought to be.

One of the particular reasons that housing is so important to downtown, as I mentioned before, leading to life on the street, but there is an even more direct impact, where the young technology companies and the knowledge companies that are moving into downtown. Younger people like a 24/7 environment, they like the vitality that comes from an urban lifestyle, and they like the fact that they can live in downtown also. We talked with one recently that I think Forbes magazine had listed as one of the 100 fastest growing in the country, they have 65 people right now, they expect to be at 100 by the end of this year, and they said that 40 percent of their people live within four blocks of where the workplace is.

So that is our real growth in downtown, from an employment standpoint, is getting these knowledge companies back in.

Mr. TURNER. I just want to make a note before I ask a question of Ms. May. Many of you had mentioned the issue of eminent domain and as we have the important national discussion and many times at the State and local level discussion of how we are going to approach eminent domain, I think it is always important for us to note that so many of the symbols of America, those things that we see that we think of as symbols of our cities or symbols of our country, were accomplished with the use of eminent domain. And Mr. Cloar, you are probably aware that the St. Louis Arch was built with eminent domain.

Mr. CLOAR. Right.

Mr. TURNER. Ms. May, I have a question for you. You had indicated that one of the reforms that you would like to see among Federal agencies is a unification of the application process. I thought you might be able to share just a little bit more of your frustration in that respect with us for the record, that would capture what that opportunity would be.

Ms. MAY. Well, you know, I would have to say because of privacy issues that you are not always able to share information and data. But working with Federal and State agencies, many times we need to use multiple funding sources to, you know, package a project to make it workable, that the requirements for data are different, the application periods are different. I am not just focusing on one specific particular agency, but I think anything that we can do to have more consistency in the process where possible. You know, it certainly would not hurt to have some of our Federal agencies actually have applications that can be filled out, I mean actually in Word version, and you do not have to use a typewriter. You know, we are still dealing with that.

So I think we need very simple things that can be done to make the process easier for our communities and for those organizations or agencies that are assisting them. Consistency of data as well as consistency of review, you know, and assessment on programs.

Mr. TURNER. Great. Thank you so much.

Mr. BLUNT.

Mr. BLUNT. Thank you. Ms. May, recently the chairman of the full committee, Tom Davis, talked about another issue and said we had an analog government in a digital world. And the government is way behind the private sector in so many ways, right down to

how you fill out the forms, which you just reminded me that you had to—some of these forms, you have to find a typewriter somewhere and get the form filled out that way. And way behind where the private sector is and has been for some time now.

One thing I think I am very much in agreement with. I believe I am summarizing your views right and generally the views of the Mayor also on this topic, but your point is that in the applications and the information, do much more to encourage consistency there and then do the maximum to encourage flexibility with how you propose to use the money that is available to you.

Ms. MAY. I would agree with that.

Mr. BLUNT. I think that is an important concept that we ought to think about. As we are also talking about the infrastructure that is available, the concentration of that infrastructure in center cities.

I do not know, Mr. Thompson, in St. Joseph—I am very familiar with your downtown, as you know, but I do not know whether you had a lot of residential population where you are working now or not. Just kind of my sense of this, turning to Mr. Cloar, what was the population of the area in St. Louis you are working in now, that is now 10,000, that you hope to be—what was the high population number there?

Mr. CLOAR. It was not much higher than that at any one point.

Mr. BLUNT. Because this was always more of a industrial, commercial sort of area?

Mr. CLOAR. Yes, sir.

Mr. BLUNT. The city population is dramatically different than it was 50 years ago, right?

Mr. CLOAR. The city population is about half what it was 50 years ago. It has now stabilized and coming back a little bit stronger. And I think downtown and strong inner city neighborhoods, just as Jeff Sanford referred to, are important to the city as a whole too. And they all kind of feed off each other, those older neighborhoods feeding off of downtown and vice versa.

Mr. BLUNT. Would that be the same case, Mr. Sanford, in Memphis? Where you are working to bring people now, did a lot of people ever live there or was this largely a commercial, manufacturing area that you are trying to bring back because those buildings survived?

Mr. SANFORD. It is, as I said, Representative Blunt, the redefinition of a neighborhood into a residential neighborhood. Downtown was business, downtown was commercial. On its outer edges, it was railroad repair yard. Yes, the answer is this is new.

Mr. BLUNT. Mr. Thompson, are you doing the same thing essentially?

Mr. THOMPSON. With the help of Mayor Carlson, yes. Tom has been a huge advocate for bringing back residential population to downtown St. Joseph, and what we found in St. Joseph is the fact that to bring back this urban core, you have to create a neighborhood and residential housing does that. You have to create a population base that wants to bring in the retail and the other components, just as was stated earlier that retail follows rooftops, so in the case of downtown, whatever business is looking to locate is going to look to see where the center of population is. And St. Jo-

seph has had success with using tax credits, State Historic Tax Credits, to rehab our wealth of historic structures in downtown. And Senator Bond recently was able to secure us \$1 million in Federal funding to demolish an old hospital in our downtown area. And from the success of the money we were able to secure to demolish that hospital, it is going to be market rate condos.

So one thing that we have seen in our community is the fact that you have to start at some point with residential housing, typically it is low to moderate use, and then market rate will follow. But generating that population base then drives the rest of the success for all of downtown.

Mr. BLUNT. And Mayor, since Mr. Thompson mentioned you were doing some work in St. Joseph, I know that the city here has benefited from some of your personal business development, I know Joplin has as well. I do sense some concern in southwest Missouri that you are doing too much work other places. [Laughter.]

And good work. I wonder if you would talk a little bit about the historic tax credits. Both the city and then if you want to expand beyond that in the other communities you have worked in, what do they do to make these projects possible and do the Missouri Tax Credits in the historic area make a stackable—do they make an important difference in whether you are able to do what you are able to do?

Mayor CARLSON. Certainly. As Mr. Cloar outlined, the Federal historic credit is a 20 percent credit and it can only be used for commercial purposes. However, the Missouri Historic Credit is a 25 percent credit against State taxes and it can be used for both commercial and residential purposes. Because in Missouri, we have both of them, it has the effect of coming close to cutting in half the cost of the reconstruction efforts.

Clearly, what has occurred in the St. Louis area, more so than anywhere in the State, to a lesser degree in Kansas City; you know, that renovation, that resurgence in those downtown communities would not be possible.

When you go into an older area and are going to redo a building, all the new building codes kick in and it is frankly a lot cheaper to build new than it would be to renovate old. And without these historic credits, you just would not see it happening. The downtown, Congressman, would look like it did 20 years ago, where we had transients camping out on upper floors and building little fires to stay warm. That would clearly be the case.

So what you have nowadays on these programs is that any program has a learning curve. Mr. Cloar and Mr. Sanford talked about the New Market Tax Credits, those rolled out I think 4 or 5 years ago and the tax lawyers cannot figure out just exactly how they have to work and they start working into them and they start using them, and what happens is if there is not predictability in the Tax Code and with the programs, people think it's too much brain damage to try to learn the program.

On the State level, what you have with the State credits too is the same sort of thing and the credits frequently are sold. I am going to build a building, I sell the credits to an investor, take the money and build the building. And what you have to have is some stability because a 100 percent credit may go for 60 or 70 cents on

the dollar the first year or two until the banks and financial institutions get used to them and comfortable with them, and then they start ramping up and the Treasury is getting more bang for its buck with it. We have seen that with the State Low Income Housing Tax Credit, for example, which has been really active for about 5 or 6 years, which was originally going for 20, 25 cents on the dollar. That is modeled after the Federal low income housing credit, by the way. That is now up to 40 cents, so it has come close to 70 or 80 percent increase in value, but people have to get used to them.

The same way with these other programs that we look at. When we go in and try to look at doing a project and we have to layer it with this program, is there some CDBG money that the city may have to put into it, and what any developer has is he has a limited quantum of expertise and he has to decide whether he is going to learn your new program and take advantage of it. And if you feel like well, it is not going to be there for awhile and the rules are getting changed, they are just going to take a buy with it. And what you want it to do is not going to happen. So what I am trying to say is it is great to tweak things but they need to be there and it needs to be predictable. Or, you know, Diane May, I am sure can tell you about a lot of programs out there. Cities, smaller communities in particular do not have the staff for them and if the program did not change very much and they could learn it, then Boliver, MO could learn how to use it and then the next thing you know, Monett is. But if it is changing all the time, they just hold up their hands and they are not going to go there.

I hope that is responsive to your question.

Mr. BLUNT. It is.

Diane May, talking about again back to the analog/digital, the slow time process in making decisions. I think you suggest in your testimony that the government is way behind the private sector in its ability to evaluate an application and decide and move forward. How big an obstacle do you see that in the whole area of using these government programs?

Ms. MAY. I think that on some programs, I am seeing an improvement, but I think it is still difficult, particularly if we are trying to marry different types—funding from different types of programs together. Missouri has made significant strides, particularly in dealing with infrastructure development through their joint committees with USDA Rural Development, Missouri Department of Natural Resources and DED on CDBG funding for infrastructure developments. They now have a pre-application process, which they have had for the past several years. That has increased—or reduced, shall we say, reduced timing significantly on packaging programs for communities. But I still think that there is always room for improvement.

I think it may be more, not so much just in the timing but also in the rules and regulations and all the requirements that go along, all the red tape, is where can we streamline that as much as possible, to improve upon, because developers, they need to move forward. Time is money for them and there are communities we have worked with where there has been development interest, but they just, as Mayor Carlson just said, they do not want to jump into it,

it is too difficult. And particularly working with very small communities, as Mr. Carlson said, many of them do not have the staff available to walk potential private investors through the process. They do not have it, so it does not happen.

Mr. BLUNT. Anybody else have any experience with that where the private investor is just—the decisionmaking process, the Federal Government costs you the project because the private investor just loses—any particular thing you want to say, Jeff?

Mr. SANFORD. Congressman, I would simply say that speaking to the complexities, speaking to the timeliness or lack thereof, the New Market Tax Credit program, which I wholeheartedly support and we are making considerable use of now in Memphis, is an example though. It is not for the faint of heart and in fact, I would say it takes money to make money. I am looking here, and you know, I want to be careful, I do not want to indict the program. But I am looking at the U.S. Department of the Treasury's overview of the program. And if I were to read to you the three paragraphs, I would conclude that you need to hire a Washington lawyer to make this work. It is just not for the faint hearted and we have seen evidence in our community that only those private sector developers with the bank accounts and the wherewithal really can come to understand this well enough through the attorneys and others they hire, to make it work. Here it is.

Mr. CLOAR. That is a program I point to most also. As the Mayor said, it has been out there for several years, but even until a year ago—I am involved with several national organizations, the Urban Land Institute, I am incoming chairman of their Public/Private Partnership Council, and we have tried to have briefings on it and they have said as soon as somebody understands it—and these are experts—they said as soon as somebody understands it, then we will convey it out there.

But it is complex and I think the other speakers today have talked about there are tradeoffs in all these things. I would mention the Urban Land Institute recently published a document called the “Ten Principles of Public/Private Partnerships,” although it is mostly focused on local government, how you work together, each understanding the other's sides, I think many of those same principles also apply to the Federal Government in the way that these programs are administered—with the best of intent, sometimes that gets in the way of what the ultimate goal is.

Mr. BLUNT. Mayor, did you have something to add?

Mayor CARLSON. Yes, one thing I can think of in particular that we have had difficulty with is the conflict between the ADA, Americans with Disabilities Act, and the Federal historic credit. What you will have is you will go in and redo a hotel or something and to get the Federal historic credits, they say you have to keep these windows just like they are or the doorways just like this. But then the ADA people say oh, no, it has to be changed. And you know, as a developer, you say you guys get on the same page, tell me which way to hop and we will do it. But this is really frustrating and it creates a big expense for us from time to time.

Mr. BLUNT. Let us talk about eminent domain just a little bit. I guess the question is, the Kelo decision got the Congress upset, got a lot of Governors and legislators upset. I think I am safe in

saying it was a new judicial view that eminent domain is served by a better taxpayer. In fact, Sandra Day O'Connor wrote a great dissenting opinion I thought about how anybody is subject to a better taxpayer of some kind, every retail establishment could be replaced by a mall, every home could be replaced by a factory, you know.

What kind of advice would you give the Congress as we look at that decision, the concerns about that better taxpayer point of view, but also the understanding that there is a greater public good served by the use of eminent domain and how do you balance the American belief in private property rights and the American belief in the greater good. And anybody can—we can start at either end or in the middle or wherever you want to start. Do you want to start, Jim?

Mr. CLOAR. Yes, sir. Yeah, I think there has understandably been a large over-reaction to the Supreme Court decision or essentially a non-decision, because they did not really change anything, but it did shine the spotlight on the fact that eminent domain has currently been abused in many, many cases. And I think it is not so much eminent domain itself, as the process and the way it has been applied.

Much of my history, I have lived in other States where there was a State prohibition against using eminent domain for private re-use. That just meant that quite often they were more clever about defining what was a public re-use.

Certainly your heart goes out to those people who have lost their homes, particularly those who are in poor financial situation and it is wrenching to their lives, if it is going for a mall or something like that. But there are numerous cases where eminent domain has been used for clearly the greater public good and quite often it may be an out-of-state, out-of-town landowner who is clearly blocking the way toward revitalization that would benefit the people in the local community. And they hold onto it, knowing that they have almost got local government over a barrel, that they will have to pay their price. And that is not quite fair either, that is not fair to the local taxpayers.

So I just hope we do not throw the baby out with the bathwater. Clearly, there needs to be some tweaking, some fine-tuning, and certainly some protection for the rights of folks if their property is taken for eminent domain. But I think the concept itself still is appropriate.

Mr. SANFORD. I would agree with Mr. Cloar. We could not have undertaken the projects I described earlier where we are replacing the stereotypical public housing with these new mixed income neighborhoods if we did not have in the toolbox the power of eminent domain. I do think it should be difficult, but it should not be impossible.

Maybe my perspective is a local one, but even in light of the new decision, so long as the ultimate decision rests with local legislative bodies, at least in my community, I am not too worried about people's property being taken unfairly or for illegitimate purposes.

Mr. BLUNT. Mr. Thompson.

Mr. THOMPSON. With I guess the recent discussion on eminent domain, I think one thing that St. Joseph has looked at or consid-

ered, as far as eminent domain and how it is used, is kind of on a conservative basis. When we are doing public infrastructure projects using eminent domain, there is a clear public benefit in how the city has utilized its power in that capacity, but in our example with our brownfields redevelopment, you have a railroad company that sometimes can be more difficult than working with the Federal Government. And that is not a knock on the Federal Government, but the railroad has been around longer I think than the Federal Government sometimes, for some reason. But with an entity such as that, whether it be a railroad company or any private ownership, when they have no intent to move on a piece of property for the benefit of the public and the overall community and the community clearly lays out a vision and intent for that property for the benefit of a public use, and in this instance it was to create jobs and to revitalize a whole area south of our downtown, I think on the local level, if city policymakers clearly demonstrate their use of eminent domain and each local entity has the ability to control how eminent domain can be used, eminent domain can be a good tool in our toolbox.

Mr. BLUNT. Did you feel like, dealing with the railroad, they had some liability concerns though?

Mr. THOMPSON. Yes. And actually just getting onto their property to perform an assessment to determine what that liability was, was difficult. Clearly when you are using Federal funds and EPA, you are really bound by the liability that is attached once you start using Federal funds on a piece of property, and so I understand their concern of not wanting to know what is on there, because once they know, they are responsible. And actually, through the State's voluntary cleanup process, there is a good program that is out there that limits the liability exposure by the property owner, and really it is an educational process that, in this case, the city had to educate the railroad that private ownership was willing to take over that liability if we could just exchange transfer of ownership. And that was really a common ground that we met. Their property, as it sat, was a liability, but it could be viewed as an asset by a private entity if the city had funding to help clean up that process.

Mr. BLUNT. You want to talk about eminent domain a little bit, Diane?

Ms. MAY. Well, that is a difficult one representing a myriad of communities throughout the region. So I would have to say in the discussions our board has had, we do not have—they do not express one opinion on this, but I think overall, there is concern that I have heard from the communities we represent that the process may need to be fixed, whether we are talking Federal or State. And the State of Missouri, of course, is looking at this, but to ensure that there is opportunity for the affected property owner to participate in that process, to be able to make their concerns known at the beginning of the process, and that there be adequate compensation in terms of relocation assistance, because many that may be involved in that process of eminent domain, they may not be able to move or relocate to a new location, even if they are paid fair market value. So those are the concerns that I have heard from our communities. I do not think that any of them are saying we want

to throw the whole process out. Obviously they recognize the public benefit and when we talk about using it for economic development benefits, nobody is really clearly saying no, but they feel improvements are needed in protecting property owners' participation in that process and in just compensation.

Mr. BLUNT. Mayor Carlson.

Mayor CARLSON. Thank you, Mr. Blunt.

One of the issues that I have not heard anybody talk about on this eminent domain issue is this—in Missouri right now, we are talking, in fact I talked to two or three legislators at lunch about where the eminent domain legislation is, and from a lawyer's standpoint, one of the concerns is that they are going to totally rewrite the definition of fair market value. And let me tell you what that does. And the same thing would happen to Congress. If they come through and rewrite the definition, that stops economic development in the State for the next 3 years, because nobody is going to buy anything through an eminent domain process, knowing that it can be challenged. So that means that you are going to have to go all the way to the Supreme Court and have these legal questions decided, and however many cases that takes. If that happens in Missouri, we have just driven economic development into Nebraska, into Illinois, into Tennessee, into Kansas, until 100 years of case law is redone. The same thing would happen at the Federal level. It is one thing to take fair market value and stick with whatever that is, and if you want to do an add-on like legacy value; if the guy has been on the farm for 100 years, he needs to get an extra 10 percent, whatever it is, that is one thing. But you have to be darn careful that you do not rewrite the laws so now the courts have to redo 100 years of case law and slow it down.

The second thing I would tell you is, as an elected official, I have a severe aversion to pain. We are not going to condemn somebody's property unless the community is really in favor of it. It just does not work that way. You all are getting a lot of pressure and phone calls from people because of the whole notion of property rights. Well, believe me, when I hear about it—I got it at the shoe repair shop today, you know. I hear it and feel it all the time. We are not going to abuse that process. What you do see sometimes is sort of a shell game, in the sense that we have in the State, for example—and there are more than one—but we have what they call Section 353 corporations, that you can delegate the ability to condemn property and then the elected official can back off and say it was not me.

So if you at the Congress level are saying well, we want some more accountability, well on those issues where Federal funds are involved, then say an elected person needs to call the shot. That will keep some accountability in the process, but you will not be throwing out the baby with the bathwater.

Mr. BLUNT. Mr. Thompson.

Mr. THOMPSON. If I could piggyback on the Mayor's comments. The city, as I mentioned before, we have a former hospital downtown, and part of that is involved in a Tift project and part of it is involved in a Chapter 353 redevelopment corporation, as the Mayor said. It allows that entity the power of eminent domain in certain situations.

But when you are talking about the use of eminent domain, we look at it from the perspective of property rights, but the fact that if an individual who has a house within this area that the 353 has established in this particular project, has put their time and money into their house to rehab it and make it to the historic stature that it once was, and then you have a dilapidated, vacant house next door that the individual is not maintaining, not paying taxes—in this particular case, what we call Uptown Redevelopment Project, we look at the benefit of eminent domain to go in and protect the property right of that person who has actually invested in their property, to protect their property rights from having an eyesore and a liability right next door. In this case, the 353 allows condemnation power by that redevelopment corporation to protect property rights of individuals who actually are reinvesting in the neighborhood and to encourage private investment. So I think it is important—property rights has two different angles. The city has to protect both sides of the fence, but I think the side that we look at more or less is on the property rights of those individuals who actually are paying their taxes and reinvesting in their neighborhoods, how can we help their neighborhood grow and in that case acquire land for the benefit of the public by allowing a private owner who wants to come in and do something on that particular property.

Mr. BLUNT. There is at least one State legislator here and he has been listening very closely to this part of this discussion.

Chairman, I have one other brief line of questions, but I think I will go to you for awhile and then if you do not cover it, come back to me.

Mr. TURNER. Thank you. I only have two real quick questions.

Mayor Carlson, we spoke about this before on the issue of eminent domain. That is the issue of the tool of eminent domain permitting a willing acquisition of property by a willing seller, and a willing buyer being the government. When we went—on the Federal level when the discussion began on the Kelo decision, my staff began to look at good examples of eminent domain and bad examples of eminent domain. And one of the things that was evident to us is that when we look at issues of good eminent domain, some of the developments that might have included eminent domain resolve themselves before the actual eminent domain litigation has to occur. Because eminent domain was available as a tool, the parties come to the table and you have a reasonable transaction.

Could you talk for a second about, have you had the experience that eminent domain as a tool has made it possible for you to undertake transactions that do not require the actual litigation?

Mayor CARLSON. Well, that is exactly the case, Mr. Chairman. I would imagine—I can think of all the development that we have done in downtown Springfield, I think there has been maybe one or two cases where it has actually been contested, but it was a mechanism, as you outline, to bring everybody to the table. And typically it is good news when the city comes knocking on your door and saying we would like to acquire your property—it is good news.

Without that tool, we would not be able to assemble the property to do a redevelopment. Most of what you saw in Jordan Valley

Park would not have occurred if we had not had that mechanism to bring everything together so that we can prepare the property.

A second point I would make is we will frequently have the owner of the property ask us to condemn it, and it is for tax reasons. If you said you cannot condemn the property, then when we acquire the property, it now becomes a taxable transaction, so you have a guy that has a printing company that wants to move from the Jordan Valley Park area out into an industrial park. If you say that we cannot go through the condemnation process, he has to send one-third of the proceeds, of his profit, to the Federal and State government, which means when he starts in again, he's got a bigger bank loan and we just unwittingly jeopardized the operation of his business. But if it's through a condemnation process, all that money, so long as it is reinvested in the next—I do not know what the years, I think it is 2 years, is non-taxable. So you have kept people at work, you have kept a business going.

Finally, without the eminent domain process, we would not be able to get clear title to property. Occasionally, particularly with distressed property, nobody cares about it, the title is all fouled up, and only through this process are we able to value the property, take it, put the proceeds in the court and let whoever is going to claim it, figure it out. But without that, we could not go forward and acquire a critical piece of the property, so the whole development process would fail.

The main thing that I hope that Congress and the State does is preserve eminent domain for purposes of slum and blight. If you do that, you have saved 80 percent of it. Everybody is worried about the Kelo decision where the people have their houses and they are kicked out to put in nicer houses or whatever. That is not what we are doing and we use it in terms of slum and blight. And if you preserve that, you have gone a long way toward ensuring the economic vitality of our downtowns.

Mr. TURNER. There was a GAO study of EPA brownfields grant programs and assistance programs, and through that GAO study, it indicated that the assessment funds, the grant funds that are provided for communities that are going to take environmental remediation assessment processes, that most of the conclusions that are drawn, once those are complete, is that the property is not as contaminated as people had expected it to be. And I would like to know from Mr. Thompson and the Mayor if that has been your experience in utilizing the assessment funds, if the studies have seemed to indicate that the properties are not as contaminated as you would have expected.

Mayor CARLSON. I think that is generally true. Probably the city manager could speak more intelligently about that, but yes, that is true. The problem is just what Clint was laying out a little earlier, is nobody will let you get on their property because they are afraid—you know, let sleeping dogs lie—if we let you guys come on there and the word gets out and then the EPA is on our backs, and so just stay away. Those are the issues that we run into frequently.

Mr. TURNER. Mr. Thompson.

Mr. THOMPSON. I think the fear of the unknown is what keeps some of these properties from being redeveloped. And in our particular case, when you had a piece of property that had always

been for railroad use for as long as history dates on the property, you know there is some sort of contamination on that site. And after we actually were able to get onto the property to perform an assessment, it turned out to be that the required remediation steps were much smaller, less significant than originally was anticipated. And when you have particular properties—this was approximately 30 acres—and the cleanup is less than \$300,000, we felt that was pretty minimal based on the infrastructure that is on that site, and the fact that there was rail access on that site made the property very valuable. That was one of the selling points, is if you do have the money and funds through EPA or different mechanisms to actually clean up the property, you can turn these properties to private ownership for below market value of what greenfield sites are going. And ultimately the idea behind brownfields is to calm the urban sprawl when you have a development in your inner city that already has the infrastructure in place and nearby housing to support the job creation.

But to answer your question, in our particular case, the unknown fear was what really held this property back, and then once we made the determination of what existed on the property as far as cleanup, it was probably less than what was originally thought.

Mr. TURNER. Thank you. Mr. Blunt.

Mr. BLUNT. On the topic of community development block grants, I know that the chairman believes and that I believe that the flexibility of those is a good thing. Members of Congress were generally very reactive to the idea that those would be abolished.

I wanted you for the record, Mayor Carlson, to talk about the program that the city has implemented here to use that block grant money.

And then the other question I have is if there are any negatives to even the short-term possibility that those block grants would not be extended. I know like the Section 108 program, you use future community development block grants to secure current loans. Talk about both of those topics, if you would like to, and then anybody else. And that will be my last question.

Mayor CARLSON. Well, what we have done with the community development block grant program over the last 20 years is take a large portion of it and put it into revolving loan programs. We have also done it with the HOME money that we get from the Federal Government. We have used it for sewer extensions to subsidize people that could not afford the \$3,000 that it took to hook up for a sewer and it was creating a health hazard. So we would give them financing for 15 years, that sort of thing.

We have used it with a lot of downtown facade loans. We would use it in inner city neighborhoods to fix up properties. Depending on a person's ability to repay, they might pay a market rate of interest, usually it is a little bit less than that. Or they may pay no interest at all until they sell or die and then the home is sold.

But we have a lot of program income by putting that money back in so that now that figure is over—I think it is in the neighborhood of about \$25 million. When you look at something that we have that has ranged from about a million and a half to \$2 million over that period of time, it is pretty remarkable.

And then what we were able to do on some things, and I believe we used it on the Universal Paint program, is we took that portfolio and then we securitized it and borrowed money against it to put into other things. And so that money has gone back over and over again into the community.

All the time, Congressman and Chairman Turner, what we have is a bank somebody will come in and he will work with the historic credits and he says I want to do a restaurant downtown Springfield or a new business and I need \$1 million. And through the historic credits and the bank loan, I qualify for \$900,000 of that. By using this CDBG money as the gap for that, we make a project possible that would not have been possible otherwise.

If that drops off, that whole program—and again, it gets right back to what I was saying earlier about the importance of predictability. We have the staff, we know how to work the program, we are getting better and better at it, and you cut it back, then we have to make strategic decisions about, well, is Congress going to change in the future on this, are they going to do something else? Do we redirect our staff? And then if it is changed 2 or 3 years from now, we have to ramp up all over again. There is always that lead time and that is the whole thing, once you get the ball rolling, you need to be able to depend on the predictability of all these issues to plan. It is a complex process. And the Federal Government with the CDBG is such an important part of that, to pull the rug out from under us really has very deleterious consequences. And I understand you all have a lot of important decisions to make. I could just talk about the effects it has on our community.

Mr. BLUNT. I would not expect the rug to be pulled out, but clearly when somebody reaches down and takes ahold of the rug, you have to wonder what is going to happen to the rug. I understand that as well.

Anybody else want to talk about that?

[No response.]

Mr. BLUNT. And then I did have one other question I remembered. That reminded me. The Hope VI, Mr. Sanford, talk a little bit to me about that program. Some of your testimony indicated really that it seemed to be a process that took more time than it should, that the requirements were onerous.

Mr. SANFORD. No, I was saying Federal assistance programs in general, that it could be argued that they are historically too complex, too difficult to access. However, I would put up with that in exchange for, as the Mayor said and I said earlier, more predictability. Development is a long-term process and it takes a long time to turn around decades of decline in our cities. And I would exchange all of the notions of inaccessibility or complexity for the predictability of some of these programs.

Hope VI is a centerpiece program in the redevelopment of our downtown, used quite honestly to do away with, get rid of, stereotypical public housing. We are changing people's lives with that program. The expense of doing that is far too great for our local community to take on without Hope VI type of assistance. Call the program what you will, but see in Memphis, see in other cities around the country how it is changing the paradigm in terms

of low income housing, moving people into a higher station in their communities.

Mr. BLUNT. Anybody have anything you want to add, a question we failed to ask or a thing that has come to your mind in this discussion you want to be sure and get on the record here today?

[No response.]

Mr. BLUNT. Well, Chairman Turner, I want to thank you particularly for taking time to come to Springfield today and to hold this hearing and make it available to your whole committee and to add it to your vast amount of knowledge on these topics. It means a lot to me that you would be here and I am grateful to you.

Mr. TURNER. Thank you, Congressman Blunt. I greatly appreciate you inviting us and having this subcommittee here. We all know of Congressman Blunt's effectiveness in his leadership position, being third in leadership in the House and being able to preserve an advocate for the important community and economic development programs.

And now I personally know, from being in the community and seeing the successes that you have had in your community, the reason why you are such an effective advocate for CDBG and these other programs, because your community is highly organized and highly successful in a partnership with you as the leadership has come together to revitalize the community here. A lot of great, exciting things going on here. And these stories will help us as we take them back to the committee to tell how these Federal programs are being successful and working.

And Mayor, I want to thank you again for all your time and the time of your staff and the tours that you have given us of what you have been accomplishing.

And I do want to comment on one thing I think is probably in part a symbol to the success that you have. And I note that at the seat of every council member and of yours, there is a copy of the mission statement of your community, which begins with the sentence, "The people of our community are the only reason we are here." And certainly from all of the leadership of the community that I have met and certainly from your Congressman, I have seen that your community lives up to that mission statement.

With that, I want to thank you and we will be adjourned.

[Whereupon, at 2:40 p.m., the subcommittee was adjourned.]

