

## **Hy Point -The Black Hole of Tax Assessment**

### *How 38 years of Secrecy and Abuse of Power Stunted Rolla's Growth and Enriched the RCDC*

It started with John Petersen's flip answer to the question asked by School Board member Ralph Wilkerson. Before the school district decided whether to give away more school taxes for the city's Expanded Enterprise Zone, Wilkerson wanted to know how much the school had already given up in property taxes for all of Rolla's past and the proposed tax abatement schemes over the years. Petersen said he didn't know how much was being abated in property taxes "But," he said, "It couldn't be very much." How much was "not very much" we wondered? A few thousand, a few hundred thousand, a few million...whose rubber yardstick was being used? Two weeks later, in answer to more specific questions from the board about ownership of Hy Point property and taxes the businesses in it were or weren't paying, Petersen informed the board that, "*the Briggs & Stratton building is owned by the Rolla Community Development Corporation and is therefore exempt from real estate tax.*" In fact, Petersen informed the board, nothing RCDC owned in the industrial park was taxed because RCDC was a non profit corporation and therefore tax exempt. Petersen delivered this information as if it was an unchallengeable fact. If RCDC is tax exempt merely because they are a non profit corporation, then Karl Marx was part of a comedy act.

Legal exemptions from property taxes are rare - as they should be - because when any property owner doesn't pay their share of the taxes that are used to provide common public services, the rest of us must pay a little more to make up for their exemption. The first tax exemption RCDC received was in 1967 when the city gave them the 120 acre Hy Point property, some of the largest and most expensive real estate in the county. Even if other taxpayers had agreed to pay RCDC's taxes for them - which we did not - it doesn't explain what we have discovered; that for the last 38 years city politicians let RCDC help themselves to millions in land and buildings that taxpayers had purchased while RCDC, in return for this generosity, acquired millions in land and buildings and did the poorest job of industrial recruitment of any city in southern Missouri.

Someone owes the public an explanation for such a massive misappropriation of money and property without their knowledge or consent. Taxes given away are taxes that weren't used to pave roads, improve sewers, upgrade electric services, improve education and provide other public services. Which of the rate increases, fee increases, bond issues and sales tax increases in the last 38 years might have been unnecessary if the city, county and school district had been collecting all the property taxes they should have been getting from the millions in money, land and property taxes that were being secretly given away and exempted from all taxation? Still, people might have decided that was a good trade off - giving up community capital improvements for jobs - but they weren't given a chance to express their opinion were they? The fact that it was done behind their backs is an admission that RCDC and their City Hall collaborators knew what they were doing was wrong but didn't want to risk being stopped from doing it.

Looking back at where Rolla has been and what was done and not done is a long story so we will tell it in several parts. For those who care about what happens to Rolla and have had the feeling for a long time that we're spinning our wheels at ever greater expense, it's a story worth reading and thinking about. The history of economic development in Rolla isn't a pretty one. It's a tale of lies, deception, secrecy, ego gratification, and lazy elected officials who "went along to get along." Those were the operating methods of the elite few who have controlled the town's destiny for the last four decades and the results are as poor as their methods. Much smaller communities around us have prospered but they used very different methods. Their citizens knew what their government was doing, they agreed to temporary - not generations long - tax abatement in return for new jobs. They participated in the decisions and adjustments in community life that resulted from their new growth. Sometimes that meant openly airing disagreements and compromises were necessary but today you don't see those communities desperately scraping the bottom of the retail development barrel, selling off their public parks for a few jobs for waitresses or seizing private property to hand over to St. Louis developers with millions in tax subsidies. If there is any hope for productive, sustainable growth for Rolla in the future there has to be a new way of doing things and it has to be done by people who won't exploit others for small and petty goals; it can only be done by people who are open minded and can learn from history; people who will not repeat the mistakes of the last 38 years.

For several years we've known that the City of Rolla and Rolla Municipal Utilities each paid \$768,000 (\$1,536,000) to buy the B&S building in 1995 so they could provide Briggs & Stratton, a for-profit business, with a rent-free building. We didn't know that was only the beginning of the total cost to Rolla taxpayers. We naturally assumed that because city taxpayers had unwittingly paid millions to buy the building they would retain some ownership interest in the property and in time would recoup some if not all of their investment either through a final sale of the property or a huge gain in taxes. Surely no one in City Hall could be so stupid as to spend millions to buy property and then just give it away...could they?

Yes they were and they did. **The city and the city utilities and UE paid a total of \$2,250,000** for the building – **RCDC paid absolutely nothing** toward the purchase yet the city gave RCDC the property lock, stock and barrel with no conditions, no accountability required and no reversion of the property to the city no matter what unanticipated event or mishap might take place over the next 20 years. Briggs & Stratton might have moved out within a few years or the company might have failed or RCDC might have been dissolved or a tornado might have ripped the roof off (insurance was only required for fire). Any number of things that commonly happen to buildings and businesses and organizations like RCDC could have happened that would have resulted in a waste of the \$2.25 million that taxpayers had unknowingly invested in this building. Some of those things can still happen but Rolla's elected officials never take any precautions in case something goes wrong, they always assume their plans will proceed without a hitch. As for eventually recouping the taxpayer's investment through increased property taxes, that too doesn't seem to be part of any plan. Each time a business in the industrial park comes close to the end of their tax exempt years and taxing districts get close to getting the taxes they are owed, Rolla comes up with a new scheme, such as the Enterprise Zone and now the proposed Expanded Enterprise Zone, and they move the tax goalposts out a few more decades.

**What were they thinking?** In sorting through minutes, deeds, contracts and other records we found the \$2.25 million giveaway was only part of a pattern that began in 1967. The pattern was for the city to repeatedly rob their capital improvement funds to purchase land and buildings which they gave away to RCDC to 'develop.' If RCDC didn't deliver on their development promises the city didn't turn their backs on this organization, they rewarded their failure by spending more public money to give them more property. In 1996, two years after the 1994 giveaway, Rolla's entire street budget was only \$1.48 million and the 1994 reserve funds had been stripped to give the city's \$768,000 to RCDC to purchase the old Switzer building. What would explain this bizarre practice of buying land with public funds and giving it away to a private corporation? We came to the conclusion that there were two underlying principles that dominated every economic development transaction by the city since 1967. Without these two doctrines none of the giveaways to RCDC would have been possible.

**1. Inventing RCDC's myth of expertise.** In 1967 city officials eagerly swallowed RCDC's self-promoted fiction that they were the only 'experts' capable of managing the city's economic development despite the fact that no member of RCDC had any experience whatsoever in this area. In 1967, there were no 'experts' in economic development, no one had a clue as to what to do they just knew that there was an opportunity for cities to get in on the post-WWII prosperity. RCDC did however, have the words "community" and "development" in their corporate title; this was apparently taken as proof of competency. Once that false premise had been accepted it only took a constant stream of puffery and bombast by RCDC, slavishly repeated by their friends in the local media (also hungry for new revenues) and a little arm-twisting of city officials to get them to surrender any city land and money RCDC wanted. It was propaganda not performance that elevated RCDC to the status of development 'experts.' It also didn't hurt that RCDC's officers and board members were placed in strategic positions in the Chamber of Commerce, banks and the utility board, where they could apply pressure to influence people and votes which facilitated RCDC's objectives. No one ever did an objective evaluation of RCDC's results over time – no one dared - the only evaluation was the one RCDC claimed in their own self-promotion. RCDC did their own evaluation and concluded that they were wonderful.

**2. The City's Utopian Theory.** City officials never included provisions in any of their contracts with RCDC for the city to recover any part of their investment (donations) in the event everything did not go as planned. Gifts of this type commonly revert to the giver if conditions of the gift aren't met or there is a significant change in circumstances. The operating assumption in 1967, which continues to be the city's operating assumption today, is that nothing the city council rushes blindly and hastily into can possibly go wrong. The shambles they created with TIF I and will repeat in TIF II are only one example of this fatally flawed approach. No matter how little they know about what they're plunging into or how biased the

information they get from their staff or hired consultants; they live in a world where the sky is always blue. In their utopian world it never rains – nothing will ever go wrong. Only an idiot assumes that he’s going to be a winner *every* time he pulls the lever on a slot machine.

One reason the council lives in this dream state is because city staff keep them there so they won’t get in the way. From zoning changes to regional landfills to TIF, the council is never given the *pro and con* of any issue. No issue is ever allowed to stand or fall on its own merit after being subjected to critical analysis. When staff members make presentation they are already advocates of whatever they or someone else has decided they want the council to approve. Once the staff ‘advocate’ presents all the reasons why they should approve the one-sided staff recommendation, the council is asked if they have any questions. Knowing nothing about the issue except the staff report they have received *for* the proposal, they vote to do whatever their employees tell them they should do. Demanding their staff brief them on both sides of an issue so they can debate both the merits and the drawbacks might scuttle someone’s well laid plans. It certainly would lengthen meetings if they actually had something to debate and the council has no desire to have longer meetings.

**How Hy Point became the “Black Hole” of Tax Assessment.** Petersen’s answers to the school board made it pretty clear that it isn’t possible for the school board or the city or county to figure out how much they have already “contributed” in property taxes to the cause of Rolla’s economic development because the Phelps County Assessor’s office hasn’t kept any records of the increasing value of property at Hy Point Industrial Park since the city council gave it away to RCDC in 1967. The Phelps County Assessor has no idea what the property is worth today or what RCDC’s unpaid taxes have been for any year in the past 38 years and they aren’t interested in finding out. Hy Point is an assessment black hole right in the middle of the county and the city intends to make it even bigger with their proposed Enhanced Enterprise Zone. As we have learned the best way to cover something up is just not keep records...or set fire to the building. We will never get an answer to the question of how much we have already given away, so it’s only rational to Just-Say-No to any further City requests for ‘donations’ of property tax revenues to further the plans of people who, behind our backs, have already taken too much without our knowledge or consent.

**But aren’t jobs worth it?** Yes, sometimes they are but it depends on how sustainable the jobs are, what they pay and what benefits they provide. Sometimes they are worth certain concessions, but it depends on whether the benefits and sacrificed taxes are well balanced. The only justification for allocating public assets –that includes tax revenues - to economic development instead of spending it on city services is if it will provide more and better paid employment *with benefits* for a larger number of citizens. Theoretically, this will improve the general level of prosperity in the community or the “raises all boats” theory. As the effect of new employment ripples through the community, private property values hopefully will increase, they in turn generate more taxes and the injection of new payrolls will benefit local commerce.\*

If, all this goes as planned and increased property values and increased sales taxes quickly produce more government revenue, local government can easily meet the increased demand for services created by the new employment. But, (there’s always a “but”) this only works if a careful balance is maintained between the incentive “giveaways” that some feel are necessary to attract business, and the resulting strain on the tax structure to meet increased demand for new sewer, water, streets, classrooms, healthcare and other community infrastructure used by the new businesses and their expanded workforce. One of the balancing mechanisms is simply a prudent policy of restraint – less is best. Tax abatement should be minimal and most importantly it should always be short term. Rolla’s ‘leaders,’ city and county, never discussed a tax abatement policy with the public, they just gave away the maximum property taxes for decades and they continue to do so to this day even though other communities have learned the pitfall of this policy and have ceased to do so.

Deciding what the balance will be; how much the community can afford to give away and for how long, is a public policy decision to be made only after careful financial calculations are presented in public meetings with citizens and taxing districts because all those other tax payers are the ones who will have to take up the slack for any long-term tax concessions. Such critical decisions should not be made in secret between RCDC - a private corporation - and their willing allies in City Hall and then defended without question by the local media and the Chamber of Commerce, but that is how it happened and is still happening in Rolla. As a result even the school district has been totally ignorant of the full extent of their revenue losses until this February. This is ignorance they could have cured at any time if they had been

paying less attention to plotting their next tax increases and more attention to the taxes they weren't getting from Hy Point, the Black Hole of Tax Assessment.

**\*Ed. Note:** One of Rolla's many impossible-to-kill legends is that every dollar spent in Rolla turns over 7 times. This was a propaganda favorite of Ed Owsley, RCDC, City Hall and the Chamber for decades. It was then and still is a gross exaggeration. This lie has been parroted by local media for over two decades as if it were the truth. It proves that none of them care to check their facts as long as they have a 'fact' that serves their purpose. The lie is still not dead. Shortly after taking office a couple of years ago, **Sean Hogan**, President of the Rolla Chamber of Commerce, urged everyone to "Shop Rolla First" because every dollar spent in town he said, turns over 7 times! The U.S. Department of Labor used to estimate that under ideal test tube conditions the local Multiplier Effect might be about 1.3 but with the advent of electronic banking, credit/debit cards and urban corporate ownership of nearly everything, the Department of Labor has ceased to make such pointless estimates. Today every dollar spent at your corporate Wal-Mart or used to buy gasoline at your corporate gas station leaves Rolla at the speed of nearly instantaneous electronic transmission. The "Every Dollar Turns Over 7 Times" excuse is a lie. The next time someone repeats it, demand they produce the source for this marvelous computation. Let's quit letting them feed it to us without challenge as if we were as stupid and gullible as they obviously think we are.

**"For the betterment of Rolla."** Now the local economic development flag-wavers, especially the officers and directors of RCDC (see list below\*), are going to squall like scalded cats and protest that they've never *personally* profited from their ownership of any of this city property or city money; they only did this for the betterment of Rolla, etc., etc., etc. That may be true but then again, how can anyone know for sure and how can they prove it? There is a price for hiding behind their private corporation status and privileges. RCDC wasn't *required* to be accountable to the public but they could have been if they'd chosen to be and if their mission truly was only "for the betterment of Rolla." Legally they didn't have to disclose their records; didn't have to have audits, didn't have to have public meetings, didn't have to explain why they wound up owning an industrial park and a \$2.25 million tax-free building and a \$906,000 building that was rightfully the property of the city and its citizens. They could have done all those things voluntarily if they had really had any respect for the people and the community they claimed they were doing this for – but they didn't. Our politicians don't know or didn't care why the constitution draws a line between public and private business and they still don't care that the constitution forbids giving public money or "any thing of value" to a private corporation like RCDC. With people who don't know and don't care running things in secret it's no wonder we keep spinning our wheels spending money to do the same things over and over but getting nowhere. It may be true that the RCDC members didn't *personally* profit but as a corporation they made out like Jessie James.

Records do not lie and regardless of any belated protestations of innocence and altruistic community benevolence RCDC members may make, the inescapable facts are that RCDC, as a non-profit private corporation, was able to 'acquire' ownership of a large amounts of city property, negotiate secret deals, make secret promises for massive utility rebates, secretly receive deeds to property owned by taxpayers and arrange for all 'their' property to be removed from the public tax rolls. For a non profit corporation that claims they have never profited from "bettering" Rolla, RCDC has strangely wound up owning some very choice and valuable real estate without spending a dime.

And as far as we know the city is still mowing RCDC's grass.

---

**\*2004 RCDC** officers/ board members: ***Dain Ward***, Pres. (RMU board); **John Z. Williams**, V. Pres., **Ed Owsley**, Secy. Board Members: **Ray Rucker**, **Robert Stoltz**, **Steve Bowles**, ***Bill Jenks*** (RMU board), **Ed Schmidt**, **Marshall Hagler**, **Jim Sowers**, **Ron Calhoun** (bank), **Ryan Morris** (bank), **Wayne Parry** (bank). (Ed. Note: through this series watch the ***names underlined in bold-italics*** to follow the interlocking conflict of interest network.)

**\*2005 RCDC** officers/ board members: **Tom Sowers**, Pres.; **John Z. Williams**, V. Pres., **Ryan Morris** (bank), Secy., ***Bill Jenks***, Treas. (RMU board), Board Members: ***Maurice Alfermann***, (RMU board),

**Ray Rucker, Robert Stoltz, Steve Bowles, Larry Sherrell, Bill Jenks (RMU board), Ed Schmidt, Marshall Hagler, Ron Calhoun (bank), Wayne Parry (bank).**

## Hy Point -The Black Hole of Tax Assessment – Part 2

### *The Industrial Park Giveaway - RCDC's Mystery Methods*

**If Rolla was so great, why was everyone else more successful?** Despite the gaps in city records we found the answer to more than just our original tax abatement questions; we found the answer to a question that has puzzled a lot of people for a long, long time. Why did Rolla, with all its assets: UMR, plenty of land, low cost of living, located on the Interstate, large labor supply etc., always lag far behind much smaller towns in the region in economic and industrial development during the years when there were industries to recruit? Yes, we do have Briggs and Brewer now and we have a few other small employers that have moved into RCDC's industrial park from other locations in town, but a business that moves across town isn't an economic development triumph, that's just a change of address. Using the Incubator building (the one that we were told would "grow our own jobs") for a warehouse isn't creating jobs it's just another RCDC hyped 'big deal' that didn't work.

The fact is that Rolla has been spectacularly unsuccessful in attracting industry when smaller towns around us with populations of only a few thousand, towns with none of Rolla's unique assets were attracting industries and jobs in the booming 80's and 90's to the point where at times they had to bus in workers from other towns. In fact, people from Rolla were commuting daily to Cuba, Steelville, Hermann, Lebanon and Owensville because that's where the jobs were. Compared to the gains made in those small towns during the 80's and 90's and compared to the money spent and tax revenues lost for nearly four decades here, Rolla has had a very low return per dollar invested with RCDC. The drag anchor on Rolla's growth was RCDC's attitude and secrecy combined with their domination of our weak city government.

Another reason Rolla's growth stagnated was the anti-union attitude among those who controlled wealth and property in town and therefore controlled its development. Certain politically prominent business people didn't want to have to compete for employees with new businesses that might pay higher union wages and benefits. It was an unspoken but widely understood rule that this was a non-union town and it would stay that way – or else. The short-sighted attitude that they could keep wages depressed and deny benefits to workers in order to prosper off the backs of the people who created their wealth, carried over into other areas. The "raises all boats" theory that worked for other communities was, in Rolla, a "keep my yacht afloat" mind-set. As a consequence competent employees took their skills and energy to other towns. Because of this talent drain Rolla is now easy pickings for out of town developers.

In May, after the council had approved several new housing developments for firms from other cities, Councilman Barkledge commented that it was wonderful that so many people from outside were finding so many business opportunities in Rolla! In his ignorance, Barkledge didn't realize he was applauding a sign of resource sickness – not a sign of success. Now we provide business opportunities for people who take their profits out of town to reinvest somewhere else.

**Critical assessment not allowed.** It is true that those who don't learn from history are doomed to repeat it; Rolla's city government has been repeating the same mistake for 38 years simply because no one has ever done a critical assessment of what has been invested and what it actually produced. They couldn't do something like that and still keep all the RCDC deals a secret and RCDC didn't want their secrets revealed. As Councilman Lou Magdits recently said when criticizing the Rolla Municipal Court, "Where's the outcome measurement?" Well, where was the outcome measurement for RCDC all these decades? The council has had many planning retreats, workshops and meetings on economic development which were nothing more than hollow exercises that created wish lists for things that they couldn't afford. They had nothing to build their development efforts on – no industrial park and no new property taxes from industrial development to use as seed money – RCDC had it all and it was all tax exempt.

Critical and factual self-examination is a practice roundly condemned in Rolla as being "way too negative." Critical self-examination is also way too painful. The motto was then and still is "Be Positive or Be Silent" and that theme was always reinforced by RCDC's boosters, the local newspaper and radio station. Anyone who questioned the status quo and those who maintained it (and were hiding it), was attacked repeatedly and in the most sneering terms. Those powerful tools of intimidation silenced critics and helped conceal RCDC's flaws. For the last few years the city has been preparing to continue this pattern of failure and it is likely that no one will dare point out that they are just following a new Pied Piper, another non profit corporation for economic development, the Rolla Regional Economic Commission; **RREC - Son of RCDC.**

## *RCDC's Mystery Methods- the Myth is Created*

**September 11, 1967 – City sells 120 acres for \$1.** It began when the Rolla City Council passed Resolution #438 which conveyed the property known as the Old Rolla Airport property to the Rolla Community Development Corporation. The “*Contract for Sale of Real Estate with Option to Repurchase*” attached to the resolution says the property (as best we can figure out it was approximately 120 acres) was sold for “the sum of One Dollar (\$1.00). The contract explains that “**WHEREAS, the City acting by and through its proper officers and interested citizens determined that it would be to the best interest of the City of Rolla, Missouri to convey the above described land to [the RCDC] Corporation for the purposes of said corporation and the entire area in view of the fact that said Corporation may pursue methods available to it which are not available to the city in the development of said tract of land as an industrial park.**” (emphasis added) RCDC had mysterious “methods” which were “not available to the city”? What ‘methods’ were those, or did no one dare ask?

Another ‘Whereas’, added that this was done with “*the understanding that any profits occurring to said Corporation to be used by said Corporation in the furtherance of its purposes in accordance with its Articles of Incorporation and By-Laws.*” RCDC made it clear from the beginning that they would be the ones to control any profits from this free land; the city would have nothing to say about what they did. That should have been a red flag but no one in City Hall was inclined to look for red flags because of their utopian outlook - it never rains on Rolla’s Parade. RCDC wasn’t willing to let the city taxpayers recoup even a little something as their reward for the council swallowing the flimsy excuse that RCDC had secret ‘methods’ which were “not available to the city.”

But if the corporation died someday would Rolla taxpayers then recoup any part of their magnanimous gifts to RCDC? What were the provisions of RCDC’s Articles of Incorporation and Bylaws in case the corporation was dissolved? In answer to that question on March 22, 2005, John Butz, Rolla City Administrator, provided this information about RCDC stock ownership. “*According to the original certificate of incorporation the board was authorized to issue up to 5,000 memberships with a par value of \$10. Thus RCDC, a general not-for-profit corporation, began its mission of promoting economic development with somewhere between \$25,000 and \$50,000 raised from local businesses and individuals. According to the by-laws **upon dissolution any RCDC assets would be divided among RCDC “memberships” based on a return of 5% per year. Initially shares cost \$10/ membership. Individuals generally purchased 1 – 10 shares while corporations/institutions generally purchased 50 – 250 shares. Any surplus dollars beyond owed liabilities and the stockholders’ distribution would go to the City.***” So, even in the event RCDC dissolved, the ‘something’ that might be returned to the city will no doubt be fully consumed by the 5% per year return on their investment for the last 37 years in which the stockholders have owned their stock. City taxpayers, the ones who donated ALL of RCDC’s wealth, are way, way down at the end of the payout line.

**Indian giving.** The contract with RCDC for the 120 acre industrial park gave the city one little thing. They allowed the city a 15-day right of repurchase option before any parcel was sold by RCDC but they could only exercise this option by, “*repaying to said Corporation all sums which said Corporation has invested in said property or the improvements thereon*” To get back any part of the land they had sold to RCDC for eight-tenths of a penny an acre, the city had to pay the current ‘improved’ price even though it was the city that would provide all the improvements in RCDC’s private industrial park even down to mowing their grass for them! It’s not unfair to describe the council members who agreed to this arrangement as criminally dim-witted especially considering that this wasn’t the last time they would use tax revenues to buy property and then gave it to RCDC for nothing. Even today you can see this farce played out. Whenever RCDC sells a piece of Hy Point property the city goes through a meaningless exercise of passing a resolution “refusing their option to repurchase” land they sold for pennies which they cannot now afford to buy back. Criminally dim-witted isn’t adequate to describe such stupidity. This first of a series of giveaways was signed by **Mayor Eugene Northern**. The 1967, Council members voting unanimously in favor of this transaction were: **Hubbard, Lorts, Whitten, Hoertel, Atchley, Wristen, Dautherty, Whites, Jones, Noakes, Ray and Mason.**

In return for selling 120 acres of public land to RCDC for \$1, the Corporation agreed “to keep the City fully advised concerning all matters affecting the development of said tract of land and any proposed development, uses, or occupancy of said land or the mortgaging or otherwise encumbering said land.” Uh huh, sure they would. The city has been trying for over a year to get a financial statement from RCDC just to find out if they will finally get anything from their own incubator project but RCDC refuses to disclose any records on the project.

This was just the first act in a long series of Good Ole Boy back scratching. We may be short of a lot of things around here but we never run out of Good Ole Boys with itchy backs.

**How RCDC got their first tax exemption.** That explains how RCDC, for the price of one dollar – that’s .008¢ an acre – wound up owning 120 acres that belonged to city taxpayers. How RCDC became exempt from paying property taxes on all that land is another tale of back-scratching but this time the dirty deed was done by the Good Ole Boys at the county. When the 120 acres belonged to the City of Rolla it was automatically tax free because government property can’t be taxed. When the title passed to RCDC the entire 120 acres became taxable; RCDC was not the city government although they convinced most people they are.

According to the Phelps County Assessor, RCDC has never been billed for nor have they ever paid a dime of tax “because they’re a non profit corporation” and as far as our past and present Assessor’s are concerned that’s the end of the story. To question RCDC’s tax exempt status would be dangerous for one’s political career. Did RCDC demand their tax exemption or did the 1967 County Commissioners and the Assessor rush to give it to them like the city? We couldn’t find out, it just seems to be accepted local ‘fact’ that RCDC can’t be taxed because they are, after all, RCDC. We half expected to find that the Rolla City Council declared RCDC’s property to be tax exempt. They do have a habit of making up their own laws, but there’s no record that they did it - in fact, there’s just no record, period. The City of Rolla does not, in fact, have the power to exempt anyone from paying any tax - particularly property taxes. **RSMo 94.050** “The city council shall have no power to relieve any person from the payment of any tax, or exempt any person from any burden imposed by law.”

If you ask, the Assessor’s office will tell you, “But RCDC is exempt because they’re a non profit corporation.” They can’t prove their position is legal but that’s been their story for 38 years and they’re sticking to it. If it were true that non profit corporations are exempt from paying property taxes merely by virtue of being non profit corporations, every taxpayer would pay a few hundred dollars to get themselves a non profit corporation, claim to have some charitable or civic purpose, they would all be exempt from paying property taxes and we would have no money for local government, schools, or any other public services.

**Let the Good Times Roll.** Having become large landowners and established their power by illegally getting their property exempted from property taxes, the RCDC were now the acknowledged ‘leaders’ of Rolla’s economic development so with typical arrogance they prepared for prosperity to fall into their laps. They cut out a gravel road in their new industrial park, (or probably had the city do it for them) put up a sign and waited for the phone to ring. Years went by and nothing happened but there was a lot of coffee shop talk and strategically dropped hints about RCDC’s many hot prospects – the ones that always got away. RCDC did not explain why so many businesses were passing up such a golden opportunity but then RCDC didn’t owe anyone explanations, they were a private corporation, it was their industrial park. They owed no accountability and they weren’t going to provide it voluntarily.

**November 7, 1978, Constitutional change for IDA’s** – They say you can get a mule’s attention if you club him over the head with a board but that’s not true. City Hall still didn’t catch on to what they were doing wrong when, on November 7, 1978, Missouri voters approved a referendum that amended the state constitution to allow the cities to form their own city-controlled development corporations called **Industrial Development Authorities**. IDA’s were created and controlled by the municipality and could legally do on behalf of their cities the things that Constitutional Article VI Sec. 23 wouldn’t let a city do such as, “lend its credit or grant public money or thing of value to or in aid of any corporation, association or individual,” for instance, sell 120 acres to RCDC for \$1.

Amending the state constitution isn't a minor thing and it gets plenty of advertising. This was, after all a statewide vote on changing our constitution, surely a few members of the council voted that day and they did understand the purpose of the new IDA law they were voting on...didn't they?

**February 12, 1979 – City forms IDA.** Somebody was paying attention. A year after the constitutional amendment was adopted the city council passed the ordinance to create its own five-member **Industrial Development Authority**. They had done it but whether they really understood what it was for is doubtful. The IDA only met at the “call” of whoever was president which meant they rarely met. We didn't go back to find the list of all the Rolla IDA members the city appointed over the last 26 years but it's easy to remember most of them because, like the RMU board, the names rarely changed. Members were only replaced when they died and sometimes not even then.

**Neutering the IDA.** Even after going through the process of forming their own IDA the reason for having a constitutional exception for IDA's still didn't seem to get across to the council the error of their first transaction with RCDC but someone did understand what a threat to RCDC an activist city IDA could be. The operating principle for the city IDA from the beginning was to make sure the council appointed to Rolla's IDA board, all or nearly all the *same men who were on the private RCDC board*. As a result, Rolla's legitimate IDA never performed a single official act – everything was done with the RCDC...illegitimately. The interlocking board members were a guarantee that the IDA wouldn't compete with RCDC. Neutering the Rolla IDA board meant there would be no new development ideas promoted to compete with RCDC but most importantly there would be no opposition from the IDA to block anything RCDC wanted from the city.

From the time the IDA was formed in 1979 the roster of the IDA, RCDC and RMU always contained the 'right' names and those rarely changed. To give you an example of why the IDA was dead on arrival, in 1999 the members of the three key organizations were:

**IDA:** Don Castleman, Bill Jenks, III, Ed Loughridge, Steve Bowles and John Z. Williams.

**RCDC:** Don Castleman, Bill Jenks, III, Ed Loughridge, Steve Bowles, John Z. Williams, Dain Ward, (Councilman) Ed Owsley, Ray Rucker, Bob Stoltz, Bob Tucker, and Bob Thompson.

**RMU:** Dain Ward, Bill Jenks, III, Jim Stoffer and Maurice Alfermann. You can see by the underline names why the RCDC network worked so well.

From the formation of the Rolla IDA in 1979, every subsequent development transaction could have taken place between the city's IDA and whatever corporation they wanted do business with - the RCDC wasn't needed for anything. If the city had used their own Industrial Development Authority – even if they just used it as a passive 'shell' to hold and manage property - the city could have done with perfect legality, everything they did with perfect illegality with the RCDC, but with one critical difference: *if they had used their own IDA, the land the city has purchased and given to RCDC over the years, the Briggs & Stratton building and the \$906,000 Incubator building would all still belong to the city and the city taxpayers who paid for them.* Because of the secrecy, the intimidation, the interlocking boards and the council's fear of RCDC, the total folly of the RCDC's corporate theft wouldn't show up for another 26 years.

## Hy Point - The Black Hole of Tax Assessment – Part 3

### *How RCDC Created Industrial Stagnation during an Industrial Boom*

**What everyone else did – everyone but Rolla.** In the 80's and 90's every ambitious rural town wanted their own industrial park. Cities quickly appointed their five-member Industrial Development Authority boards in the early 1980's. The IDA board members were usually community 'movers;' business and banking people who were willing to spearhead the community economic development efforts and who volunteered their own time to do it. In the beginning, no one thought about hiring an economic development 'professional' so they could have board meetings and give orders; they just did the work themselves. In those days no one had figured out there was a living to be made as an economic development 'expert.'

Large cities and small towns at that time bought property to use for an industrial park and most put it in the hands of their new IDA board. The IDA boards then managed their industrial parks and recruited businesses to fill them but, *unlike the RCDC*, city IDA boards were accountable to the city councils that created them. (*RSMo Chapter 100 and Ch. 349*) They were required to report annually on their progress, were audited as are other city department and they had to seek the approval and authority of the city council if they applied for loans, grants, transferred land to private persons or if they needed to take any action involving the use and disposal of city assets. An IDA could borrow money or issue revenue bonds to build custom buildings for businesses, buy, sell or give away land to develop an industrial base and create jobs as long as their actions were approved by the city council so the taxpaying public could have confidence that what they were doing with public money and assets was legal and producing results. Their negotiations with companies were conducted discretely but because there was adequate oversight and accountability the public was usually satisfied.

The bottom line with those IDA's was that there was accountability and for the most part the *taxpayers maintained ownership of the assets until they were repaid by the business*. In return, the IDA and the community expected and received an increase in the community tax base. But we didn't do that; we had the RCDC. If anyone questioned who they were, they were quick to answer that RCDC was a "non profit" or "not-for-profit" implying that they had no interest in getting rich or couldn't make a profit. People didn't understand that there is a significant difference between "making profits," as in manufacturing or selling goods and services, and the 'profit' to be made by acquiring valuable assets that can be liquidated and distributed among the corporate stockholders of RCDC. The Lions Club is a non profit; they make money but they use it to provide public recreation or give it away. RCDC is also a non profit; they were given valuable property and they kept it.

## The Reasons for Failure

**When it's raining money - get more buckets.** Other towns in our region were attracting factories and businesses to their industrial parks. Just down the road from us the little village of Cuba was making national headlines (the New York Times was one of many) with "The Cuba Miracle" due to their unique, non secretive, total community involvement approach to welcoming business scouts and recruiting businesses. Did RCDC see Cuba's successful methods and adopt them? Oh no, RCDC never follows, RCDC only leads even though they were leading us in circles. Our local media didn't like covering our competitor's success stories and did so as little as possible as everyone else's good news kept rolling in. Some people here were beginning to notice the "New Factory locates in..." announcements were always about some other town.

One of the bad things about Rolla's insistence on using the rogue RCDC as the "development arm" of the city is that during an approximately 20-year period both federal and state governments started (CDBG) or Community Development Block Grant programs and many other grant and business loan programs to give communities help in attracting and financing the businesses they recruited. Through these Block Grants and other incentive programs they poured millions into small towns in Missouri to develop their industrial parks, build infrastructure, to erect readymade factory buildings and other programs to attract industry. They also offered a menu of low-interest government loans to expand existing industries. Millions in grant money flowed from federal and state programs into nearly every enterprising town in this region; Cuba, Steelville, Owensville, Lebanon, Hermann, Sullivan - every small town *except* Rolla. All that

government assistance paved the way for a rural development boom and provided thousands of jobs all around us - but not in Rolla. Both Owensville and Hermann had so many takers for land in their industrial parks they had to expand and at times even had to bus workers in from other counties to supply their factories with workers! In the mid 90's, low-cost housing for workers was in such short supply in those communities that HUD and FMHA expanded their housing loan programs. Employers in Hermann's industrial park offered financial assistance for employee down payments. Owensville and Hermann were under 3,000 in population at the time but Rolla, with a population five times their size, was sitting with an empty industrial park bragging about what a superior place Rolla was so Rolla's city government happily left everything in the hands of their 'expert' developers - the RCDC.

There were two reasons why Rolla benefited from none of this government windfall; 1. Because the money came with 'strings' attached called "public accountability." RCDC members were vehemently opposed to 'the damn government telling us what to do' so Rolla didn't apply for any grants; anything that couldn't be owned and controlled by RCDC was forbidden. 2. The city had nothing to use the grant money for anyway because they had given all their industrial land away to RCDC and, as a private corporation RCDC *wasn't eligible for any government grants or loans to develop what was now their private property.*

Other small towns around us had been getting this kind of assistance as frequently as they could afford to put up their percentage share of government grants. Their attitude was; when it's raining money, get more buckets. They had no problem applying for state or federal grants or loans they needed to take advantage of the action because they were all using their city IDA's to develop their city-owned industrial parks. A portion of the property taxes their new industries paid was set aside to apply for more grants so for most of them, industrial development was going just great. The public accountability "strings" attached to the grants weren't a problem because they didn't mind being accountable to the public.

**RCDC's attitude.** While other towns were giving away land to new or relocating businesses based upon the number of jobs created, RCDC demanded cash for the lots in their industrial park. They could have charged 50¢ an acre and still made a hell of a markup but RCDC wanted current market price for every square foot. Our competitors gave away lots in their industrial parks but with a condition. If the jobs weren't created, the company had to pay cash for the land. Some of our competitors gave away a limited amount of tax abatement but rarely more than five or seven years. After four or five years of limited property tax abatement (not 10 or 25 years of 100% tax abatement) all those new businesses in other industrial parks started paying their fair share of local property taxes. The increased taxes allowed more investment by the city to expand and improve their industrial parks. The new businesses became good neighbors, their taxes became part of the community support network, everyone benefited.

Unfortunately, many businesses that were initially interested in locating in Hy Point near UMR's engineering resources went away offended by RCDC's arrogant demands. Some just went away but some wanted to stay in the area so they built their new plants in neighboring towns. No one could figure out why Rolla, with all of its superior virtues just couldn't get it together but no one had the nerve to point the finger at RCDC. We were always assured by RCDC's local media spin machines that whatever it was, it wasn't RCDC's fault. RCDC were economic development experts; how could they be wrong?

The proof that their methods were all wrong is that Hy Point Industrial Park today still has, according to several local web sites that inventory area industrial parks, "75-80 acres available at the Hy Point Industrial Park," another says it is "40% occupied," another says it has 40 acres available. Regardless of which figure is accurate, the easy get-a-factory era is over; RCDC still has many empty acres of industrial land but our area competitors don't.

**Schwitzer comes. Schwitzer goes.** Much to the relief of RCDC and the city, Schwitzer came to town fleeing unionization somewhere else. Success at last! A dozen years passed, some things happened but not the right things. Brewer Science had moved into the park from down the road but they were a new business with few employees – not exactly a Saturn plant or a Rawlings factory, not the "big score" that RCDC had led people to expect they would bag to put Rolla on the map.

Despite Cuba's successful recruiting model, RCDC was still ultra secretive about what they were doing – and failing to do. They were very picky about who they would allow to locate in "their" industrial park. They rejected some prospects because they only wanted "clean" industries. No dirty smokestack factories for Rolla, declared Ed Owsley, the official voice of RCDC. Ed ignored the fact that factories no longer have smokestacks and that every manufacturing process produces some kind of pollution - the smokeless kind often being the more deadly. When Brewer Science moved into Hy Point, RCDC

announced success again and said it was the beginning of a new era of development in Rolla. With UMR and only one tech business, Hy Point was going to become the “Silicon Valley of the Midwest” we were told.

The poor results of RCDC’s methods have not gone unnoticed, they just haven’t been openly admitted until lately. In Bill Morrison’s July 29, 2004 puff piece on the new **RREC** (Rolla Regional Economic Commission) he interviewed **Bill Marshall**, President of Phelps County Bank and RREC president. Morrison reported that the new RREC approach would center on the Ft. Wood expansion but it would “go beyond attracting industry to the Hy Point Industrial Park.” He said that the new RREC attitude “shirks the veil-of-secrecy mentality that has characterized past efforts.” If Marshall and RREC intend to “shirk the veil-of-secrecy mentality” that characterized RCDC, they’re off to a very bad start. Other than launching TIF and EEZ (the Expanded Enterprise Zone), both projects that have met with stiff resistance from the public, the RREC have been carefully vague about their plans – just like RCDC.

The High Tec Park with UMR we heard so much bragging about over a decade ago has finally materialized but at Ft. Leonard Wood, not in Rolla. They have just completed their second building on the 62-acre University of Missouri Technology Park; the first building, which was finished in 2002, has nearly two dozen government contracting tenants. So much for Rolla becoming the Silicon Valley of the Midwest.

**October 1990 – City gives RCDC more land; RCDC runs Talema out.** The City of Rolla purchased some additional land next to RCDC’s industrial park for a \$10,000 down payment with a \$90,000 note payable at an interest rate equal to the highest rate of interest paid on a CD. The city council also gave that land to RCDC. RCDC had ripped off city taxpayers for another \$100,000. This was either the 10 acres that for some reason they call the Rolla Industrial Park which is next to but not exactly a part of Hy Point Industrial Park or it may have been the 40 acres the city purchased from Toots Schumann or it may be the 100 acres they bought and gave to RCDC before that – who knows. The details of exactly how much land the City of Rolla has paid for and given away to RCDC over nearly four decades are difficult to sort out since the deals are done in closed session and never announced to the public. The city’s auditors have conveniently failed to mention these acquisitions in their annual audits just as they have failed to mention to the city council that giving away taxpayer’s land and money to a private corporation was breaking the law.

RCDC’s picky standards for who would be allowed to locate in their industrial park continued to lose prospects - even the ones right under their noses. In 1990, **Talema**, a rapidly growing business in cramped quarters at the Kingshighway Intersection, needed more space. Talema paid good wages; Talema was a “clean” industry, Talema was a ‘tech’ business, Talema fit RCDC’s desirable industry profile perfectly. RCDC offered to sell Talema land they had paid .008 cents per acre for but as usual RCDC wanted the current market price – in cash. The St. James IDA offered Talema free land in their industrial park. Talema moved to St. James. Why couldn’t the price of RCDC’s .008¢ an acre land have been reduced even a little to keep Talema? Was it what Talema wanted or who wanted it? Talema was owned by **UMR Chancellor John Park** and his brother. It’s one thing to use UMR as development bait but after all, ‘those’ people aren’t Town, they’re Gown and a Chancellor is the biggest Gown of all. Rolla doesn’t appoint ‘those people’ to city boards but why couldn’t they at least give them a price break on the land to keep their jobs in town? It may not have been because of UMR, it may have been just the same old RCDC money factor. “For the betterment of Rolla” was just RCDC’s slogan for public consumption, in reality there always had to be cash in the deal for RCDC.

**April 5, 1991** – The State of Missouri granted the City of Rolla a 15-year designation of **Enterprise Zone**. This allowed the city to excuse **50%** or more of the property taxes for all industries inside the zone for 10 years if certain investment and job creation numbers were met. But Rolla excused **100%** of all property taxes instead of only 50%. The state would also give tax credits to the industry to be used to offset their state income taxes. Surely this would be just the bait they needed to fill up Hy Point – or so the city and RCDC thought. They overlooked two things. In the beginning, Enterprise Zones were supposed to be designated sparingly to attract industry to locate in bombed-out urban areas that needed to be rebuilt with private investment. But our state politicians just couldn’t resist handing out enterprise zones to everyone so by the late 90’s there were 50 of them. Crawford County, Washington County, Dent County; all had Enterprise Zones so ours was nothing special. Industries unfortunately didn’t have much use for state tax credits because the state had already lowered manufacturing income taxes to a laughable percentage. However useless it was Rolla now had its very own Enterprise Zone until it expired in 2006. As you read

this the EZ is about to expire and the city has applied for a 7-year extension so they can give away more property taxes to businesses that are already here. At the same time they want an Expanded Enterprise Zone (EEZ) to include an additional 1,440 acres, most of which is in the county.

**1992 – City improves RCDC’s property.** Someone pointed out that Hy Point looked like a cow pasture compared to other local industrial parks that by this time had paved roads, street lights and ready-to-go infrastructure. Perhaps it would help if RCDC’s industrial park looked more...well...like successful industrial parks. So the City applied for their first grant to make RCDC’s industrial park look like a going concern, but first RCDC had to give easements to the city for the roads, water, sewer and electric. This was the first time there had been any state or federal assistance with the industrial park and it only happened because the roadways and utility easements had to be turned over to the city anyway so there was no doubt that there was public ownership of the land and that the government was giving the grant money to a public entity.

After RCDC transferred the necessary deeds and easements to the City, the U.S. Economic Development Administration gave the city a **\$376,950** grant for roads and infrastructure in Hy Point. The state put in **\$314,375** and the City of Rolla paid **\$65,294** of the **\$756,619** project. This is the only time we have been able to find that the city didn’t give the improved land *back* to RCDC. The only reason they didn’t was because RCDC had no intention of paying for perpetual repair and maintenance of the roads and utilities in *their* private industrial park – the city could do that for them, and of course they have. The city might be quibbling about making homeowners pay for sewer/water repairs but you can bet they don’t send any mowing or line repair bills to RCDC.

Despite all evidence to the contrary, RCDC’s 1967 myth that they “could do things the city couldn’t do” hadn’t been debunked, so they continued to milk the city for numerous concessions to improve their private property such as maintenance and miscellaneous expenditures for economic development. Periodically, they nagged the city council into putting up money to hire an Economic Development ‘Expert.’ Economic development ‘Experts’ were what RCDC claimed they were but no one seemed to notice the redundancy. If the city hired an ‘expert’ but nothing was accomplished and the money was wasted, failure could be blamed on the city’s ‘expert’ rather than on the RCDC ‘experts.’

The excuses were getting stale, people were getting fed up, public criticism was mounting and RCDC’s elitist attitude was widely known. Their attitude was so well known in fact, that it was being used by competing industrial recruiters in our neighboring communities to divert Rolla’s prospects to *their* industrial parks. RCDC’s phone had quit ringing. RCDC’s loudly touted development plans and the city’s funding of several ‘economic development experts’ for them through the years clearly hadn’t produced results. Schwitzer was now old news and rumors were not good about their working conditions or stability. A union was moving in on them and so they packed up and moved to Mexico. RCDC’s secret hot prospect claims had become a local joke. By the early 90’s everyone, even states, were playing steal-a-factory from each other but the low hanging fruit had been picked over. The only thing that had settled in Hy Point was stagnation. RCDC was under the gun to produce results so in 1992 they came up with the first of what would be called economic development “initiatives.”

## **“Growing our Own Jobs”**

**1992 - The Business Incubator Project.** The City of Rolla applied for an Economic Development Administration (EDA) grant to build a business incubator in RCDC’s industrial park. The city had to be the applicant because neither the state nor the federal government would give grants or loans to RCDC – a private corporation. The project would be a 31,200 square foot building on 2.79 acres in the industrial park, it would cost **\$906,000** and EDA, because they were providing most of the funding, would have first lien on the property for 20 years.

The idea of a business incubator was to let business start-ups (preferably high-tech) have free or cheap space to get a business started. The sponsor/owner of the business incubator would provide financial, accounting and secretarial support for a period of time until the owner could get the business on its feet at which time that business would move out of the ‘incubator,’ and a new small business would be ‘hatched’ and create more employment as it expanded. Incubators were the idea of some long-forgotten politician who needed a catchy campaign idea. Other, equally forgettable politicians, also needing something to campaign on provided funding through the EDA and the incubator development fad was born. Rolla’s

business incubator was originally designed so several start-ups could occupy ‘bays’ around a hub of shared support personnel. We were informed that it would be the high tech-est of the high-tech.

Incubators sounded a lot better than they worked because the cost of subsidizing business services and overhead for start-ups that might fail before they made it to the ‘hatching’ stage was expensive and someone had to pay for those losses with the prospect they might never be paid back if the new business failed – and most do. RCDC said they didn’t have that kind of money. The city didn’t have it either. The publicity sounded great though, because we were told we would now “grow our own” jobs. Now how clever was that?

## **Hy Point - The Black Hole of Tax Assessment – Part 4**

### ***RCDC Cleans Up on the \$906,000 s Incubator and the \$2.25 Million Schwitzer Deal***

**December 21, 1992** - The City of Rolla approved City Ordinance # 2890 agreeing to the Incubator Project with the federal Economic Development Administration and RCDC. The EDA gave the City of Rolla a grant for **\$543,600** but they had to match it with **\$362,400**. This was only the second time in the 25 years since the city had officially been “doing” economic development (or had been giving things away to RCDC to “do” it) that the City of Rolla had received federal and state assistance for industrial development. Both times the point was clearly made that governments will only do business with other governments – not with private non profit corporations like RCDC. The 1992 ordinance said nothing about giving the building to RCDC -that happened later.

One government requirement was that city’s cash contribution of \$362,400 had to be spent on the project first. They didn’t have the money so the city applied for and received a Float Loan or short-term “gap financing” from the Missouri Department of Economic Development (DED), a community development block grant loan to the city of up to \$372,400 “for the purpose of loaning the same to RCDC for temporary funding of the Project with the condition that said sum be repaid by RCDC to DED on behalf of Rolla with interest thereon at the rate of 2% per annum not longer than thirty (30) months from the date of the first draw on the block grant funds.” The city and RCDC agreed to each contribute \$190,000 to repay the DED loan of \$372,400. RCDC still wasn’t needed in this deal but this was the new era of “public/private partnerships.” Our state officials like to be on top of the latest political fads.

So three local banks, **Phelps County Bank, Boatman’s and Mercantile Bank** loaned RCDC up to \$380,000 for RCDC and the city’s share of the balance of the project. The ordinance didn’t say how much the three banks wanted in interest on the loan. Those details were in the bank’s contract with RCDC and RCDC didn’t have to tell. (If you’re adding, they now have **\$1,278,400** to tap for a **\$906,000** project.)

Because EDA already had a first lien on the incubator land and building, as collateral for their loan to RCDC, the three banks took as their collateral a deed of trust to “all of the remaining land owned by RCDC in Hy-Point Industrial Park as security for payment of the loan and conditioned upon Rolla contributing up to \$190,000 to the cost of the Project and/or repayment of the loan.” Here was real irony. The RCDC gave the remaining land in the industrial park as collateral to three Rolla banks, each of whom had a seat on the RCDC board. If *they* (the three banks on the RCDC board) had to foreclose on the RCDC (*themselves*), *they* (the three banks on the RCDC board) would take possession of Hy Point but *they* (the three banks on the RCDC board) could just turn it back over to RCDC (*themselves*) to run as before. The best that can be said about this cozy conflict of interest arrangement was that from a banking point of view it was all very ecumenical.

The Incubator ordinance said: “At such time as title to the project is acquired by Rolla, Rolla would contract with RCDC to manage and maintain the Project during such time as title is held by Rolla and for that purpose will cause all rents to be paid to RCDC to be applied to the cost of management and maintenance and the reduction of the indebtedness incurred by RCDC for construction of the Project.” After RCDC’s debt to their bank board members was paid back if the 20 years hadn’t expired Rolla would continue to let RCDC have the rents to cover management and maintenance but the city was “entitled” to any excess rents as reimbursement for Rolla’s \$190,000 contribution. Still nothing was said about giving the land and building to RCDC. They say there’s a sucker born every minute but Rolla’s city government can beat that record. By July 2005, the city had not gotten a dime of the “excess” they were entitled to.

Ordinance #2890 also authorized **Mayor Floyd Ferrell** to take \$190,000 out of 1992-1993 city revenues “to be used for the repayment of loans made to RCDC by DED and/or Banks for the construction costs of the Project. The funds so set aside shall be disbursed upon the request of RCDC.” The financing sounds complicated but it all boils down to this. The city and RCDC borrowed money to repay the state for a short-term loan for their share of the project. But the city quickly took their half of the debt out of pocket and gave it to RCDC to pay off their half of the bank note. The city could have paid both amounts but RCDC wanted to be in the deal so they paid half. Now, no one owes the banks that loaned RCDC money except RCDC. The corporation would get to keep the rents to pay off their half of the loan and whatever it cost them to “manage” the building. In this deal the city was just a shill for RCDC.

So far everything was going the way it always had – RCDC’s way. But in the 1992 Ordinance there was no mention of giving the \$906,000 property to RCDC at the end of 20 years. There was one very interesting condition in the ordinance. In section 3., it said, “**No part of the \$190,000 set aside in the**

*special fund shall be disbursed to RCDC unless RCDC conveys to Rolla the 2.79 acres upon which the Project is located for the remainder of the useful life of the Project the duration of which is defined as being a period of twenty (20) years from June 3, 1992.*" (emphasis added) Someone in City Hall knew that they wouldn't get the federal and state money unless RCDC deeded the land back to the city so they could pretend to EDA that the city owned it for the next 20 years.

With typical lack of foresight, no one looked past the grand ribbon cutting on the incubator project to figure out who would finance the incubation of these high-risk businesses eggs. Perhaps it was assumed the three local banks would loan all these unhatched businesses their start-up money but no one had gotten a commitment from the banks to do this. Our local banks don't lend their money to high-risk business experiments. Oh well, they must have thought (if they thought at all) we'll spend the money, build the building and figure out how the other stuff works later. Surely lots of businesses will line up to be incubated by us (here in utopia where nothing ever goes wrong) and then we'll figure out how to get the money to support them for years and years. Or maybe they never intended to incubate anything. Maybe the whole idea was just to build Terry Brewer a very expensive warehouse. The Incubator building wouldn't be completed until 1996 but when it was done it was hardly noticed, there were more exciting things happening on the Progress front.

**April 5, 1993 - City signs contract to give away 90% of Tourist Tax proceeds to Rolla Chamber of Commerce.** It was fortunate that on April 6<sup>th</sup>, Rolla voters went to the polls and approved the tourist tax that the City Council had secretly signed away to the Chamber the day *before* they voted. The Rolla Chamber of Commerce was not uninvolved in all RCDC's economic development. The Chamber and RCDC were fingers on the same hand but RCDC wasn't sharing the city land or money with them. The Chamber had originally been RCDC's 'incubator' and had remained their biggest boosters while Pine Street emptied and weeds grew in the industrial park. RCDC was the successor to the old "Pine Street Syndicate;" a small group of powerbrokers who had coffee on Pine Street to decide which strings would be pulled in town. Such 'string-pullers' are always with us but not always visible.

Now it was the Chamber's turn for some pay-back. Energized by what they thought was a revival of Rolla's flagging development (the Silicone Valley thing), the Chamber wanted to make a bold move to show they were part of Rolla's new Era of Progress. In 1989, St. James had eaten their fruit loops by getting a Visitor Information Center and billing themselves as the "*Gateway to the Ozarks*," a great slogan. "*In the Middle of Everywhere*" sounds like you're just confused. As the get-a-factory era dried up the state was beginning shift development emphasis and grant funding to tourism. Tourism taxes were a popular tax gimmick in the 90's to provide income for rural towns with natural resources but no industry. Local C of C's saw it as a source of easy cash but most cities that passed this tax kept a firm grip on the income - Rolla didn't of course, it wasn't their style to keep anything if they could give it away to appease the 'string pullers.'

The City Council signed a 25-year contract to give 90% of the tax proceeds away to the Rolla Chamber. The Chamber now had a steady source of income and could finally have their very own clubhouse. They would lead the way with this new type of economic development in Rolla - tourism was the right stuff.

That was 12 years ago. During those 12 years they have been given and have spent every dime of over \$1.8 million in motel taxes. At a June 2005 council meeting, Chamber Director Linda Kuenzie reported that the Chamber board had been having very productive meetings to define "tourism." How Zen is that? For 12 years they've told us they *had* developed tourism but now they admit they're trying to figure out what the word means?

**The Rape of Buehler Park.** The Chamber wanted Buehler Park or at least enough of it to build their Visitor Center/Clubhouse building on but the council refused because, they said, the park was dedicated for "park purposes only" as the deed said and a Chamber office wasn't a 'park purpose.' Their reason for refusal was ironic given the resulting city efforts to sell the park. Then the greed factor kicked in and the city changed their minds about the sanctity of "dedicated park purposes." They offered (or someone offered) to swap land with Jack Dietzmann so Cracker Barrel could be built in Buehler Park instead of out at Blue's Lake. Now the whole park was for sale. The Chamber was outraged that the city was going to make \$600,000 cash for the land they had been denied. If the city council had given them the park as they had demanded, *they* could have profited from the \$600,000 sale.

Out of spite, the Chamber at first opposed the city's destruction of the park for the Cracker Barrel sale. To appease the Chamber, the city secretly promised the proceeds of the park sale would be used to purchase the Forest Service property across the street for them. Overnight the Chamber became advocates of the sale of Buehler Park and provided a quit-claim deed in an attempt to take the dedication curse off the deed. We won't rehash the next 12 years of plots and counterplots over selling Buehler Park but that was when "Save our Park, Sell our Mayor," became the most popular bumper sticker in town. As we write, Buehler Park is in its 12<sup>th</sup> year of being the focus of plots and public acrimony with no end in sight. That's Progress - Rolla style.

The tourism tax initially gave the Chamber about \$148,000 a year to spend but motel prices have gone up so now they get approximately \$220,000 a year from it. Since 1993 they've spent \$1.8 million and Rolla still doesn't have anything to 'tour.' The money they've spent is more than enough to pay for the land and the building; their building in fact, will be fully paid off in 2006. It's also more than enough to finance the new RREC's economic development ambitions. Instead, the Chamber has used the money for other things including executive salaries and Oak Meadow Country Club memberships for their Executive Director. That's what happens when people are given money they did nothing to earn. Once again, with no controls and no council oversight or discipline, public tax money just melted away.

To get the tourist tax the Chamber promised they would create a big convention industry and draw in tourists to fatten the purses of local retailers. Some retailers actually believed it. Well, if we could hatch jobs out of businesses eggs in our Incubator why couldn't we become a convention center and lure tourists eager to tour our...uh...things. The conventions didn't convene, the tourists didn't show up but by August 1995 the Chamber had started building their new headquarters on the hill thanks to the city's contract with the Forest Service to eventually buy the land for the Chamber and a construction loan for \$290,000 from – you guessed it – the same three banks that were on RCDC's board. The annual Progress Edition just bulged with good news about Rolla's New Era of Progress.

Considering the level of community indoctrination that existed by this time it's surprising the Chamber land grab for the park wasn't a slam dunk. Over the previous 20 years the city council, in fact the whole community, had been carefully programmed to believe the myth created by the Chamber/RCDC that they were "part of the city." The Rolla Chamber of Commerce had traded on the "we're part of the city" illusion for years to get free office space in city hall. The "part of the city" fairy tale has over 20 years become so ingrained in local thinking that if you ask most people today they will tell you that the RCDC or the Chamber is...well, "part of the city." They can't explain what part they are or how they got to be "part of the city" but everyone was convinced they were and most people still believe it. The fact is they are both private non profit corporations, which doesn't mean they can't 'get well' off the taxpayers and they have.

Until about seven or eight years ago the Chamber of Commerce was listed in the city directory *as a city department*. Eventually the City, the Chamber of Commerce and the Rolla Daily News, suffering from either a need to perpetuate the illusion, or a collective lack of imagination, all adopted the same logo, a phenomena we have found in no other Missouri community.

## NAFTA Strikes

**January 1994** - The North American Free Trade Agreement (NAFTA) was the death of the industrial expansion boom in the U.S. but at the time no one in Rolla recognized what it would do to their development ambitions, so their focus on recruiting a manufacturing base continued. Rolla's so-called leaders aren't to blame for not recognizing it for the first few years – the Democratic idiot occupying the White House at that time and his new Republican best friends were to blame for NAFTA and to this day they *still* won't admit they gutted America's manufacturing base with their globalism nonsense. However, Rolla's economic leaders *are* to blame for not waking up to NAFTA's disastrous impact during the last few years when factory flight has been national news headlines. Rolla's "Progressives" continue to spend money for industrial development as if any day big factories are going to come trundling down the Interstate headed right for Hy Point. Those days are over. Nevertheless, the city is planning an EEZ (Expanded Enterprise Zone) and acquisition of more land to add to the industrial park at an estimated cost of **\$1.5 million**. "To add to the industrial park," does that mean another city giveaway to add to RCDC's private property?

Fortunately, in 1994, not everyone wanted to move their factories to Mexico so Rolla was about to get lucky. Something big finally was happening but only the select few were in on the secret deal to get the Schwitzer building for Briggs & Stratton. RCDC was desperate to prove they could do something no matter what it cost...that is, no matter what it cost someone *other than RCDC*.

**August 22, 1994** – RCDC signed a contract with Schwitzer U.S. Inc., to buy the Schwitzer building for **\$2,250,000** payable in cash at closing. RCDC didn't have the money but they weren't worried. Fifteen days later the city would vote whatever cash RCDC needed for the deal because they now had the inside track, RCDC now owned a vote on the Rolla City Council.

**September 6, 1994 – The Schwitzer deal.** In closed council session that night there were several secret industrial development matters to take care of. First, they approved RCDC's sale of five acres for a trucking operation. Second, City Administrator Merle Strouse *"advised that this issue is in regard [to] the 40 acres which the City owns (a part of the Schuman (sic) tract purchased for the Landfill). "The City has never developed the land. Rather **RCDC has been the Economic Development arm of the City as far as development.** Although there is much work to be accomplished, Mr. Strouse asked Council whether they desire to begin the transaction to **transfer the land into RCDC's hand to be used as a development tool.**"* (emphasis added) Councilman Ray Hoefelmann made the motion, seconded by Jim Waterman to *"begin the process of entering into negotiations with RCDC for the 40 acre tract for development."*

They had just voted to "transfer" the land (code for another giveaway) "into RCDC's **hand** to be used as a development **tool**" because, Strouse said, RCDC was the "development **arm**" of the city. What on earth was left to *negotiate*? Please take this land the taxpayers paid for off our hands? Pretty please take this free land? The city had purchased the 40 acres for **\$(?) in 19??**. The reason we can't fill in the blanks here is because when we asked what the city had paid for this 40 acres and two other land purchases and if they had given those away to RCDC we were told to find out it would take an extensive records search which would cost us \$25 an hour plus benefits. Municipalities are required to keep tax rolls of all taxed and non-tax properties within their jurisdiction, and keep a record of their own deeds and transactions– but apparently Rolla doesn't keep such records handy. We can only assume that the city bought the 40 acres with more taxpayer's money and gave it away to RCDC as they had been doing since 1967.

By this time RCDC's *arm* and *hand* were firmly planted in the city treasury because [Ed Owsley, RCDC Secretary/Treasurer](#), was also [City Councilman Ed Owsley](#). Owsley could now skip the formalities because he was right there in the back room during all the closed city council meetings making sure they put land and cash right into RCDC Secretary Owsley's **hand** which was attached to the Councilman Owsley's **arm** which was raised for every conflict of interest vote that would enrich RCDC. This 40-acre giveaway to RCDC was just the appetizer.

Third on the council's closed meeting agenda that evening, (the main course) was the vote to "participate" in the purchase of the Schwitzer Building *"at a cost of \$600,000 to \$800,000, depending on what transpired. The price of the building is \$2,250,000. Mr. Strouse referred to his memorandum stating the amounts to be contributed by other entities. The City's portion will be \$800,000 which will be taken from the City's \$2,000,000 reserve. A formal commitment to the \$800,000 is necessary for the City to be ready when the transaction is initiated."* That vote was also unanimous. Did the council know RCDC had already signed the contract to buy the building 15 days before they voted? Would it have mattered?

Then Strouse administered the coup de grace, *"Since the city cannot legally use its funds for another operation, City Administrator Merle Strouse explained that the funds must go through RCDC. Following some discussion, a motion was made by Louis and seconded by Light to authorize the RCDC as the contracting agency for the Schwitzer Building purchase."*

"The city cannot legally use its funds for another operation?" Since 1967, the city had never legally used city funds for any "operation," everything they did was an illegal RCDC "operation." The council had been brainwashed since 1967 to believe that, *"said Corporation [RCDC] may pursue methods available to it which are not available to the city in the development of said tract of land as an industrial park."* In the 27 years since they had gotten the first gullible council to swallow that bald-faced lie it had been twisted until it now they were told it was *illegal* for the city to use its own funds to purchase property, "the funds *must* go through RCDC...as the "contracting agency." It is a tribute to RCDC's political control and the helpful brainwashing by their media comrades that in the nearly three decades since they first put that lie in writing to get the 120 acres, not one person elected to the city council had stepped outside their Cone of Ignorance to learn what other city council members in the region knew - that if they had used their own city IDA, they could have done all these things themselves and done them legally. They had never needed RCDC for anything and it was illegal to give them anything.

In 1994, **Elwyn E. Wax** was mayor. Council members were: **Irvin I Adams, Kenneth Smith, [Ed Owsley](#), Gladys Light, Wilton Painter, Jim Waterman, Mark Rolufs, Jimmy Dale Williams, Mary**

**Daily, Ray Hoevermann, William Louis and Fred Krueger.** Also present at that closed meeting was one of Rolla's series of city economic developers, **Robert Simonds** and a lawyer, Rolla City Counselor **Pat King**. Wouldn't you think at least the economic development 'expert' Simonds or the lawyer Pat King would know about the 1978 constitutional amendment and that the city IDA, a city board which had been gathering dust since it was formed in 1979, was actually the only legal "contracting agent" for the city even if it was packed with RCDC members? Surely a lawyer could see through this RCDC "arm" and "hand" fiction. Surely the city's own lawyer would advise them that it was illegal to hand more money and land over to an uncontrolled and uncontrollable private corporation? Well, Pat King was not the brightest bulb in the county bar association chandelier but he *was* the most ambitious and he had his eye on being county prosecutor - a much more lucrative job. If King knew, he took care not to spoil RCDC's scheme and offend the RCDC Big Dogs.

## **Hy Point -The Black Hole of Tax Assessment – Part 5** *RCDC Masquerades as a Charity but Flunks the Three-Prong Test*

**RCDC's Masquerade.** While reading through deeds, contracts and old newspaper accounts, and as this systematic corporate fraud unraveled we wondered how this could just keep happening year after year. Out of the dozens of elected council members that have come and gone didn't anyone ever catch on? There are only two explanations, either they were totally dense and therefore unfit to hold public office, or they were all in on it. One thing is certain. The identity of the real beneficiary of all city expenditures for economic development has been well concealed from the public. Beginning with the original 1967 pretense, that RCDC could "pursue methods available to it which are not available to the city," RCDC was rarely, if ever, identified to the public as "*the owner*" of the industrial park. They were referred to as the "*agent for the city*" or the "*contracting agent*," or the "*operator*" of Hy Point or the "*developer*" for the city. Passing themselves off as merely a benevolent assistant to the city was the key to their control of city government and their secret accumulation of city property.

We checked back through 2001 - 2005 articles and found that newspaper references to RCDC were elaborately veiled. The RDN has described RCDC as: "A not-for-profit group that *manages* the industrial park real estate matters for the city," or "In the past, industrial park land has been *brokered by RCDC*, a not-for-profit group that has *worked closely with the city* to develop Hy Point Industrial Park," or "For years in Rolla, economic development work was *commanded by the RCDC*, a successful private organization *that worked hand-in-hand* with the City of Rolla to recruit industry to the industrial park," or "RCDC is a group of private citizens who came together years ago for the purpose of developing industry in Rolla. It's been *the overseer* of Hy Point Industrial Park." Why the elaborate concealment of RCDC's real role? Why not just tell the truth: "RCDC owns it all because the City gave it to them."

This lack of journalistic curiosity as to who really owns Hy Point is either a phenomenal oversight or the newspaper has been willing lapdogs in a plan to transform RCDC's image and hide their rapacious practices by concealing the truth from their readers – that taxpayers were paying to enrich RCDC. The image they have painted, that RCDC is a benevolent group that merely "works with" or "brokers for" the City is just a lie. Is it credible that in 38 years not one of the many RDN reporters have stumbled across the truth? The tortured euphemisms they've used to hide RCDC's real identity; "managers, overseers, brokers," effectively concealed the fact that RCDC's wealth came from bleeding Rolla taxpayers; the homeowners and small businesses that were unwittingly paying for RCDC's property but weren't getting RCDC's 100% tax exemptions for their own property. The newspaper connection continues: **Jim Sowers** has been listed on the RCDC board since 2003; **Tom Sowers** was elected President of RCDC this year.

### **The Charity Exemption that Wasn't**

**September 30, 1994 – RCDC gets another Tax Exemption.** On September 30, 1994, **Jack Harris**, the Phelps County Assessor, and the Commissioners of Phelps County: **Randy Verkamp**, **Ken Lenox** and **Glendon Klossner** each signed letters to **Dain Ward**, President of RCDC, granting that "*The real property owned by Schwitzer U.S. Inc will be classified as exempt property under Section 137.100(5), RSMo [the charity exemption] upon conveyance of title to RCDC....and will be exempt from taxation for state, county, and local purposes.*"

City officials were again violating the Missouri Constitution, (Article VI, Sec. 23) by giving public land away to RCDC. Then RCDC, the corporation benefiting from the city's constitutional violation, carefully obtained official documentation that they were getting an illegal tax exemption. The Phelps County Tax Assessor and Phelps County Commissioners, sitting as the Board of Equalization/Appeals, obligingly went on record to explain that they were exempting RCDC from paying more property taxes by citing a law that didn't apply to RCDC! If these people robbed banks they'd sign withdrawal slips.

This one wasn't a tax loss on 120 acres of undeveloped land in the industrial park; this was a loss on a multimillion dollar property. Taxes were now bleeding from a major artery. In exempting the RCDC from paying taxes on the land and building (which by the following year would be worth a minimum of **\$12.25 million**) the County Commissioners and Assessor Jack Harris agreed that the contract between RCDC and Briggs & Stratton, when executed (and it was the same day), would provide for annual "in-lieu-of-real property tax payments of **\$29,411.19** to the county and **\$8,844.93** to the city. The school district,

handicapped, city library and parks got nothing. The in-lieu-of tax amount was loosely based on the assessed valuation of the building in its 1994 condition; abandoned, contaminated and with a leaking roof.

The tax exemption letters cited RSMo 137.100(5) as their justification for making this tax exemption 'gift' to RCDC. That law exempts from taxation: "All property, real and personal, actually and regularly used exclusively for religious worship, for schools and colleges, or for purposes purely charitable and not held for private or corporate profit, except that the exemption herein granted does not include real property not actually used or occupied for the purpose of the organization but held or used as investment even though the income or rentals received therefrom is used wholly for religious, educational or charitable purposes." (emphasis added) With the stroke of a pen **County Assessor Jack Harris** and **County Commissioners Randy Verkamp, Glendon Klossner** and **Ken Lenox** had transformed RCDC from an "agent for the city" to a psalm-singing religious charity.

**Flunking the "Three-Prong Test."** There are specific legal guidelines that must be used to determine who is entitled to property tax exemptions because they claim to be a charity. They have been established by the Missouri Supreme Court over the last century and are the standard used by all county tax assessors (except ours) and the Missouri Tax Commission. The criterion is called the "Three-Prong Test." Many church-owned properties, fraternal orders and even the South Side Day Nursery in St. Louis, a charitable day care center organized in 1888, have had their claims to tax exempt status *rejected* by the Missouri Tax Commission because they did not meet *all three prongs* of the Three-Prong Test. The Missouri Tax Commission web site details all their rulings going back many years and most of the tax appeals they hear are a result of the local tax assessor NOT granting tax exemptions or NOT lowering someone's taxes. Other county assessors in Missouri understand their duty is to put as much taxable property *on* the tax rolls as possible – not take taxable property *off* the tax rolls.

All of RCDC's bombast about "the betterment of Rolla" to the contrary, they are not a "purpose purely charitable." RCDC didn't qualify to have their 120-acre industrial park or any building they own in their industrial park exempted from property taxes because they aren't a charity and they could not possibly pass the Three-Prong Test. One fact alone disqualifies them, that the building would house a *for-profit commercial business*, Briggs & Stratton. The property was also not "*dedicated unconditionally to a charitable activity*" in such a way that there was no profit, now or in the future for either RCDC or Briggs & Stratton. RCDC also fails the test because when they organized they sold their stock to investors and promised them a 5% return on their investment. RCDC flunked every one of the three-prongs. The only people who got pronged here were county taxpayers and again, it was their own elected officials that did it to them.

The Phelps County Commission and the Phelps County Assessor, sitting once a year as the Phelps County Board of Appeals, can hear appeals from anyone who thinks they are unfairly taxed or who think they *can prove* they are entitled to be exempt from property taxes. If the Assessor and/or the County Commissioners agree, they can adjust a tax assessment or grant an exemption but *only if it meets legal standards*. It is their sworn duty to know and apply those standards. The only legitimate way RCDC could get this exemption from the Phelps County Assessor and the County Commission was by proving they were a public charity, that they did not hold the property for corporate profit and that they would not rent or give the building to anyone who would make a profit from renting it. Failing all that - and they did fail to prove all that because they were not asked to prove anything - to legitimately get the charity tax exemption they would have to prove that they only bought the building to hold church services on Sundays.

**September 1994 – the Briggs & Stratton announcement.** On September 30, 1994, the same day the tax exemption was granted, Schwitzer, U.S. Inc., RCDC and Briggs & Stratton signed a *Memorandum of Understanding* which detailed the responsibilities of each party regarding the investigation and clean-up of environmental contamination at the Schwitzer building. The building had been empty and deteriorating for years. It also had a bad roof so the price was low. A company was hired to prepare a Remedial Investigation and Work Plan and provide the Missouri Department of Natural Resources (MDNR) with a clean-up plan they would accept. The cleanup was to be completed on May 1, 1995. During that period Briggs & Stratton were allowed to start their work on plant renovations. Schwitzer, still owner of the building, agreed to be responsible for all risks and costs of the cleanup which was not really all that generous of them because legally they *were* responsible and had to do it sooner or later. Any building under a DNR cleanup order was virtually unsalable until the contamination was cleaned up. The city could have

forced Schwitzer to clean it up and repair the building with or without a sale, but the city never enforces any kind of clean-up or abandoned property ordinance; you can tell that just by driving around town.

Sometime, probably after the *Contract for Sale of Real Estate* was signed, Ed Owsley, Dain Ward and Mayor Wax made the announcement from the new band shell behind City Hall that **Briggs & Stratton** would be locating in Rolla. No one was more relieved than City Hall and RCDC; both had been taking considerable heat from the public about their ineptitude in economic development since Schwitzer fled. In the excitement at the prospect of gaining 300 new jobs, no one noticed that no financial details were given about how this occurred. No one asked and neither the city nor RCDC were going to confess to what they had done. For most people, especially those families that had lost jobs when Schwitzer left, just knowing Briggs & Stratton would be replacing the lost jobs was great news and besides didn't we have city officials whose job it was to see to whatever minor details Briggs & Stratton needed? Everyone assumed these were the normal things such as making sure the sewers worked and the lights came on. No one guessed how much they, as taxpayers, were really paying. RCDC, the private corporation, didn't have to tell, city officials had done it all in closed session so they weren't going to tell and it was not the Royal Utility's practice to explain anything to anyone.

**June 27, 1995** – Schwitzer U.S. Inc. executed the Warranty Deed but with *RCDC*, not with the city. The *first* City/RMU check for **\$1,536,000** to buy the building from Schwitzer had been made out *to RCDC*. It had gone right into RCDC's *hand* attached to RCDC's *arm*. We couldn't find any publicity about this illegal transaction. How could they do the usual handshaking picture, there was no way to justify putting **\$1,536,000** of city money in RCDC's bank account. Didn't anyone on the council question why RCDC had their fat fingers stuck in this deal? Didn't anyone question the sanity of just giving away \$1.5 million of the taxpayer's money to RCDC so *they* could buy property? The deal would have worked if the city had made the purchase themselves – it also would have been legal. But if done legally RCDC wouldn't have been able to take the credit for finally pulling off the big development deal they had been promising for 28 years and what was most important, they wouldn't have wound up owning a building that didn't cost them a dime. Not a bad day's work for a *non profit* corporation.

**June 29, 1995** - Briggs & Stratton signed their 'lease' with *RCDC*. The term of the lease was from June 29, 1995 to June 28, 2015. By virtue of the phony 'lease' Briggs & Stratton could duck out of paying the property taxes they owed everybody. Briggs was not required to pay any rent to RCDC but within one year from the beginning of the lease they had to spend **\$10,000,000** on improvements to the building and parking lot. This would boost the value of RCDC's new property to **\$12,250,000** in just twelve months. Briggs & Stratton was required to keep the premises in good repair and annually pay RCDC's in-lieu-of-real property tax payments of **\$29,411** to the county and **\$8,844** to the city as per the arrangement made to get RCDC's 100% property tax exemption from the county. Why a phony lease for 20 years? Because it got B&S 20 years of property tax exemptions and property taxes have gone up a lot in the last 10 years.

Briggs was required to pay their personal property taxes (on their machinery and equipment) and *"any special assessments levied or assessed against the leased premises by the State of Missouri, Phelps County or the City of Rolla during the term of the lease."* Tax issues have passed since 1995, but Briggs & Stratton isn't helping pay any of them. They're still paying mock in-lieu-of taxes based on a small percentage of the low value of a trashed abandoned and contaminated building. The Rolla School District should be taking action to get their 91% of the property taxes from that property including the 80¢ increase in the school levy which they told us would be used only to pay teachers - not administrators. But the Rolla School Board doesn't keep an eye on the taxes they are owed. To this day they are stupidly unaware that they could be collecting their \$4.11 pound of flesh from what is now in 2005, a **\$32.25 million** property. They have made no effort to recover any of the industrial property taxes the district is entitled to and given the phony "charity" exemption it would be as simple as filing an appeal with the Missouri Tax Commission. They have even (unlike all other school boards) collaborated with the city to give away more school taxes to the city's TIF project. Whenever they want more money they just get more from the same taxpayers who are also paying to make up for all the industrial property tax exemptions. RCDC isn't the only organization that continually milks taxpayers.

The lessee was also required to keep the property insured for *"ordinary fire plus extended coverage during the term of this lease and any extensions thereof for the sum of at least \$2,250,000 plus the cost of any improvements"* but they were not required to name RCDC or the City of Rolla as additional

insured on the now grossly underinsured building. Briggs is also required to provide proof that they have liability insurance on the premises with minimum liability limit of \$5 million per occurrence.

On or before midnight on **June 28, 2015**, Briggs & Stratton has to tell RCDC if they are going to take possession of the building. The purchase price will only be **\$2,250,000** less 1.4% of their plant payroll for each lease year up to a maximum of \$112,500.00 per year. That works out to a purchase price of **\$0**. If there happens to be any cash payment due in 2015, it will go into RCDC's pockets not to the taxpayers of the City of Rolla who really paid for the building.

There is one catch to the tax-free RCDC building. **The property tax exemption was not given to Briggs & Stratton - it was only given to RCDC**, the owner of the building. Briggs & Stratton is expanding right now; a 300,000 sq. ft. addition estimated to cost another \$10 million. We find it hard to believe that such an expensive capital investment would be undertaken as a leasehold improvement for their RCDC landlord. Anything could happen between now and 2015; why risk losing what is now their own \$20 million investment in the building? Has B&S accelerated their \$112,500 per year credit and taken possession of the building ten years early? Only Briggs & Stratton and RCDC know and because they're both private corporations they don't have to tell anyone. The **Phelps County Assessor Jack Harris** (the new Assessor, **Kevin Rasmussen** doesn't take office until this fall) could find out if the deed has already been transferred to Briggs & Stratton. If it has he can post what is now, at minimum, a **\$32,250,000** taxable property on the property tax rolls. Has he bothered to check?

But wait. There is a catch to the catch. Just as we're only one more decade away from recouping some long-awaited property tax rewards from our secretive "investment," the city has extended the Enterprise Zone for another 7 years! Briggs and Stratton will have finished a \$10,000,000 expansion which qualifies for at least another ten years of 100% property tax exemptions *if* they had paid property taxes - which they haven't. They only make a **\$29,411** payment in *lieu of taxes*. If the city expands the old Enterprise Zone with the new Expanded Enterprise Zone, B&S will qualify for more decades of property tax exemptions. Every time we get within sight of the tax rewards that we have been promised for 38 years from economic development 'investments,' we weren't told we were making, RCDC and the City of Rolla move the goalposts again and non-industrial taxpayers continue to pay the growing community services tax burden by themselves.

**June 30, 1995** – Rolla City Administrator **Merle Strouse** sent a memo to **Dan Watkins**, RMU manager, telling Watkins that RMU had to put in another \$7,000 toward their joint agreement to each contribute \$768,000 toward *the purchase* of the Switzer building. Exactly how much did city taxpayers *and* RMU utility rate payers end up investing in this building that, like everything else, was given to RCDC?

In response to our inquiry about the Briggs & Stratton deal, current City Administrator John Butz gave this explanation: "*The total purchase price from Switzer was \$2.25 million. UE paid \$700,000 and the City and RMU split the other \$1,536,000 (\$768,000). On 9/6/04 the City Council authorized to spend up to \$800,000 for the purchase and indicated "since the City cannot legally use its funds for another operation the funds must go through RCDC". The vote passed unanimously. RCDC was then approved as the "contracting agency". Under a lease dated 6/29/95 from RCDC to Briggs & Stratton, where B&S was required to invest an additional \$10 million on improvements, the building would slowly revert to B&S over 20 years provided they meet or exceed the employment requirements. The property tax rate was fixed at the 1994 amount of \$8,844.93 (County taxes of \$29,422) for a 20 year period.*" (emphasis ed.)

(**Note: Jim Stoffer, President of the RMU board** told the council at their July 16, 2005 meeting that the board feels they were justified in secretly using huge amounts of their customer's utility payments for 'donations' like this because the new industries buy power and RMU will eventually recoup the money from new power sales. In addition to the **\$768,000** purchase money RMU only recently ceased giving Briggs huge cash rebates on their bills. Who does Stoffer think he's kidding? Stoffer was at that council meeting to announce a 22.5% utility rate increase and he said they expect to be "raising rates by 6-10% every year for the foreseeable future because (he claims) their profits are shrinking.")

**July 3, 1995** – **City uses reserves; cancels capital improvements.** On July 3, 1995, City Finance Director Murphy advised council that the hit on the city budget would drop reserves below \$2 million, cancel some planned '95 budget expenditures and cause unfinished projects to be put over in the '96 budget. No matter what city residents would have to do without or how low reserves would drop, a deal was on. If people complained their streets weren't getting fixed or sewage was backing up in their homes they could be

fobbed off with excuses – just as long as the co-conspirators didn't tell their constituents what they had really done with their capital improvement taxes - and none of them did.

**How the deal should have been done.** If the City, RCDC, Briggs & Stratton 'deal' had happened anywhere else there would have been arrests or grand jury indictments. If the city had used their own IDA instead of RCDC to buy the building for \$2.25 million, the Rolla IDA (actually the City of Rolla) would be Briggs & Stratton's 'landlord.' They could also have done the PILOT on an accelerating scale. The whole deal would have worked exactly the same way except it would have been legal. It seems to be the minority view these days but we still see some virtue in government actions being legal.

In **"Hy Point - the Black Hole of Tax Assessment"** part 6: *"Avoiding the constitutional question"*

**Note:** Some documents referred to in this series are posted on the NSN home page. Providing them all would take up too much space. All are public record and available at City Hall or the County Courthouse.

## Hi Point -The Black Hole of Tax Assessment – part 6

### *Avoiding the constitutional question*

**July 3, 1995 – Public Hearing for the 1992 “Float” Loan for the Incubator Project** – The Rolla City Council held a public hearing required by the terms of the federal Economic Development Administration (EDA) Business Incubator grant to: “*Discuss past performance on the City’s 1992 Float Loan for the Incubator Building. City Administrator Merle Strouse noted that the City has reached the 30 month point on the City’s 1992 DED Float Loan to pay the remaining costs of the incubator building. The incubator contract consisted of a \$540,000 loan from EDA and a float loan of \$380,000+ thousand to complete the building. The contract requires that the loan be paid either at the end of 30 months or when the incubator building has obtained at least 60% occupancy, whichever comes first.*” No one had anything to say. It would be 2005 before anyone on the council asked what RCDC was doing with their rent money.

**July 3, 1995** – The same night as the Incubator hearing the Rolla City Council voted a budget adjustment to spend \$775,000 for their share of the Briggs & Stratton project. “*City Administrator Merle Strouse explained that the additional \$775,000 shown as a revenue [item] is a result of Rolla Municipal Utilities’ (RMU) portion of the closing costs for the Briggs and Stratton project.*” RCDC wouldn’t even pay the closing costs! City Counselor John Beger then read the ordinance once by title only. Ayes: **Light, Painter, Daily, Rothwell, Smith, Owsley, Kordes, J.D. Williams, Magdits, Krueger and Hoewelmann. Councilman Rolufs** was absent. Owsley had never abstained from a council vote to enrich RCDC and he wasn’t going to start now. The Briggs & Stratton price tag was up to \$1,550,000 out of the city and RMU’s pocket plus the \$700,000 from UE but that wasn’t the end of the fleecing of city taxpayers.

**August 2, 1995 –The Incubator that Didn’t.** The Incubator was finished, the ribbons were cut, all the right people had their pictures taken for posterity and Rolla’s Incubator was open for business. We could now “grow our own jobs.” If any new businesses were ever incubated in the building, it’s been a well-kept secret. For years it’s been used for a warehouse for Brewer Science. In fact, the sign on the building says it’s their shipping dock. Brewer Science was not a new business start-up and a warehouse is not what the \$906,000 incubator was supposed to be. MoSci, also not a new business, may have spent a short time in the incubator before they built their own building, but no one - least of all the city council - know how much was paid to RCDC in rent by either company.

(**Note:** As are working on this series, the City Council, on July 5, 2005, agreed to give the building to RCDC seven years early. Why? Because RCDC didn’t want to tell the city what they had been doing with the rent money for the last ten years and what they had been doing with the excess that was supposed to go to the city. To avoid the financial disclosure some council members were insisting upon, RCDC offered the city **\$81,250** in cash and **14.5 acres** of land they owned out by Can Tex they said was worth **\$7,500** an acre (total of \$190,000) in exchange for the **\$906,000** building. RCDC will still not be paying property taxes on the building thanks to the apparently unlimited, 100% property tax exemption they were granted in 1967 for *everything they own in Hy Point* which now includes this \$906,000 building. The land RCDC sold back to the city is land the city bought and gave to RCDC in 1987. RCDC merely marked-up their free property and sold it back to the city claiming it now had a value of \$7,500 an acre!) Our examination of the deeds, however, **indicates that 10 acres may be missing from the deal.** We have asked what happened to the other 10 acres but there has been no reply.

**January 8, 1996** – Four years after the EDA grant for \$543,000, was awarded to the city on the 1992 Incubator Project the City finally signed the *Management and Maintenance Agreement and Assignment of Rents* with RCDC. The original 1992 ordinance *didn’t* give away the building to RCDC but the 1996 management agreement did. Why? Apparently the only way the city council could get RCDC to turn over the deed to the 2.79 acres so they wouldn’t default and have to pay back EDA the \$540,000 grant was to bribe RCDC with a gift of the whole damn thing! There was no reason for the city to agree to give the building to RCDC at the end of 20 years just because RCDC owned the *free* unimproved property they built the \$906,000 building on, but the city did. Why did the city agree to give RCDC the whole building when they could have just given RCDC 3¢ back for the 2.79 acres? Because that’s what the city council was trained to do – give RCDC whatever they wanted. For 29 years, instead of building up a solid

inventory of city economic development assets, they had been building a portfolio of valuable property for RCDC.

The management resolution laid out essentially the same financial agreements for the project as City Ordinance #2890 had described in 1992 but oddly it left out the part in Section 3., of the 1992 ordinance which said, *“No part of the \$190,000 set aside in the special fund shall be disbursed to RCDC unless RCDC conveys to Rolla the 2.79 acres upon which the Project is located for the remainder of the useful life of the Project...”*

Instead of that 1992 ultimatum, there were these two interesting statements in RCDC’s 1996 Maintenance Agreement: **“WHEREAS**, a question arose as to whether Rolla has the authority under the Constitution of the State of Missouri to lend its credit or to grant public money to the Project in that the Project was located on land owned by RCDC; **WHEREAS**, to avoid the constitutional question\* RCDC agreed to convey the Project to Rolla for the useful life of the Project at such time as the city’s \$190,000 was handed over to RCDC, DED, or Banks.” \***The Constitutional question RCDC was avoiding:** “Art. VI Section 23. No county, city or other political corporation or subdivision of the state shall own or subscribe for stock in any corporation or association, or lend its credit or grant public money or thing of value to or in aid of any corporation, association or individual, except as provided in this constitution.”

**The Constitutional Cover-up.** With teeth clenched and backs against the wall, the RCDC was only willing to admit that “a question arose” as to the constitutionality of the long practice of giving public money and property to RCDC. So they pretended they were only giving the land to the city temporarily “to avoid the constitutional question,” they were not conceding that it was exactly what it was, an unconstitutional giveaway of public money. This was the RCDC version of “guilty but not responsible.”

In 1992 the city had required conveyance of the land back from RCDC because the federal and state government required it, otherwise they wouldn’t get federal funding for the project. It had taken four years to get the project finished and for RCDC to comply with this simple provision. It appears that the city was going to deny the rents to RCDC unless they finally turned over the land. Is it possible that the curious statement that they were “avoiding the constitutional question” means there were some members of the council making trouble in closed session because they finally realized that that RCDC had been bleeding the city dry for the last 29 years and they didn’t want to break the law again? We can think of a few (very few) council members who might have had the guts to do this – even with Councilman Ed Owsley sitting in the room growling and taking names.

If there are a few ex-council members who deserve credit for trying to get the city off the RCDC train to the Middle of Nowhere it’s too bad we can’t give them credit for speaking up. That’s the trouble with doing city business in illegal closed meetings; no one knows who might have tried to do the right thing. When public business is done in the dark, you can’t tell the merely culpable from the very guilty.

The city now held title to the Incubator land and building and were responsible for the success of the project that would “grow our own jobs” for the next 20 years, but they turned the project over to RCDC to manage, no doubt because of RCDC’s outstanding record of success. The contract said that all rents would be paid to RCDC *“to be applied to the cost of management and maintenance and the reduction of the indebtedness incurred by RCDC for construction of the project.”* But it also says even if the \$190,000 debt of RCDC was paid within the next 20 years the city would *still* let RCDC have *“such portions of the rents received from the Project as are necessary for management and maintenance”* but the city could “retain the excess” (if RCDC admitted there was any) to reimburse the \$190,000 the mayor and council had filched out of the city budget in closed session for the city’s share of the project. Normally a city getting a \$906,000 building by spending only \$190,000 wouldn’t quibble about being reimbursed because they would end up with a very valuable property but in this case they weren’t really getting a \$906,000 building, as RCDC’s skills they were only getting to *pretend* it was theirs for 20 years. RCDC probably didn’t even give them a door key. That’s how the City of Rolla turned their eggs over to RCDC to incubate for the next two decades. Those RCDC board members who represented the interests of the three banks were now in this up to their white-collar banking necks. You know you’re committing conflict of interest if you have to consult a chart to figure out which hat you’re wearing when you’re doing something “for the betterment of Rolla.”

Now *they*, the three RCDC banker/board members, not only had a lien on all the remaining property in the industrial park but they were responsible for managing what we were promised would be a successful incubator to ‘grow our own factories’ which would generate the revenue to pay back the RCDC bank debt to *their* bank board members. But if the project was poorly managed, *by them*, there would be no

revenue to repay the loan *to their banks* so *they*, as the lenders, could foreclose on RCDC, (*i.e. themselves*) and take possession of the remaining land in the industrial park. Thus the three banks would benefit from either the success or failure of the incubator by their own member/managers on the RCDC board. Only Rolla could have come up with a scenario so grotesque, one where failure had greater rewards than success.

RCDC has never ceased to beat its own drum but the drumbeat to promote the “grow our own jobs” business incubator has been strangely silent. Do you remember, since 1996, any advertising or promoting by the City or RCDC extolling the opportunities available in the Rolla Business Incubator in Hy Point? Do you recall any recruiting of those who might have an idea for a small business that needed incubating?

**March 23, 1998 – City Petition Audit by State.** Missouri State Auditor **Margaret Kelly**, presented the report of the petition audit of the City of Rolla. Kelly exposed RMU’s practice of overcharging Rolla utility rate payers in order to siphon the money out to give it away for RCDC’s economic development and other spending by the city. She called it a “hidden economic development tax” or double taxation and explained that sucking cash out of the utility for non-utility purposes could cause “utility rates and charges to be set higher than required to recover actual costs.” (You think?) Her examination exposed the payment of **\$1,304,000** by RMU to the city in 1995, the year of the Briggs & Stratton deal. Kelly also revealed that “During the three years ended September 30, 1997, RMU reimbursed the city *more than \$250,000 related to utility rebates which the city then passed back to industries that qualified within the city’s enterprise zone.*” Utility rebates were not mentioned in any of the contracts we have obtained so there must be other secret contracts containing this utility kick-back agreement between RMU, Briggs & Stratton, Brewer Science and who knows how many others. It’s something to think about each month when you’re writing out your check to RMU with the city’s 5% or 6% kickback.

In addition to Kelly’s report of \$250,000 in utility rebates from 1994-1998, City budgets for the Economic Development Department from 1997-2000 show a total of **\$472,760** spent on “**Contractual Expenditures**” to “**Briggs Rebates/EDA/Ad.**” That’s about **\$722,760** in utility rebates in only six years. **Brewer Science** is also noted for utility rebates in some city budgets. It seems there are other secret agreements yet to be revealed containing the details of more giveaways off the backs of RMU’s utility rate payers. No wonder RMU has been slapping on 10% rate increases and \$192 annual charges for meter fees and have just announced another 22.5% rate increase to begin October 1, 2005. That’s more than a 32.5% rate hike in for electric and water in less than 3 years.

All those years when people thought they were just paying their own utility bills, they were really paying extra with every bill so Briggs & Stratton and Brewer Science could get cash rebates on *their* utility bills and the city could have a 5% cut of gross revenues to spend on things discussed in closed meetings. What State Auditor Kelly missed was that two of the members of RMU’s board, **Dain Ward** and **Bill Jenks, III**, were both on the RCDC board and **Councilman Ed Owsley** was also on the RCDC board. If she had known about that triad she would have understood why there was an open cash pipeline flowing from City Hall and RMU to, what former RDN Editor Bill Morrison calls, “Rolla’s Crown Jewels.” We agree they’re wearing the “Crown Jewels.” Unfortunately, we’re still paying for the crowns and the jewels.

Other bailouts by City Hall such as buying the police station from former Mayor Ferrell’s bank and other giveaways, she said totaled \$1.3 million. Nonsense, RMU’s arrogant board members said in their official reply to the state auditor, we’ve given away much more than that. We’ve given away over **\$4,494,112** and we’re going to keep on overcharging for electricity and we’ll give the excess money away for anything we please! And they have.

**October 6, 1998** – “As a dog returns to his vomit, so a fool repeats his folly.” The council returned to their folly by giving RCDC another 60 acres of city land bought by city taxpayers and we were about to have four (that’s 4) different economic development groups. In December, the newly elected establishment candidate, **Mayor Joe Morgan** had appointed (1) **Dain Ward**, to be Rolla’s Economic Developer with a budget of \$20,000 and promises of a \$200,000 budget to come. Ward was also an officer of RCDC and President of the RMU board. Around that same time the city had created another development group called the (2) Rolla Economic Development Committee (REDC) and they appointed **Dain Ward, Dr. Dean Keith** and **Terry Brewer** to it. Now the city had two new economic development boards to do nothing *and* they still had the totally impotent (3) Rolla IDA whose members were: **Don Castleman, Bill Jenks, III, Ed Loughridge, Steve Bowles** and **John Z. Williams**, all of whom were also RCDC board members.

Since 1979 the city's IDA had been RCDC's 'neighborhood watch' group. The RCDC members appointed to it 'watched' to make sure no one messed with RCDC.

The real development group was still (4) RCDC: [Dain Ward](#), [Ed Owsley](#), [John Z. Williams](#), [Ed Loughridge](#), [Ray Rucker](#), [Bob Stoltz](#), [Bill Jenks III](#), [Bob Tucker](#), [Steve Bowles](#), [Don Castleman](#) and [Bob Thompson](#), the corporate special interest group that had picked Rolla clean and created economic development stagnation during the 90's industrial development boom.

The more developers the city had the more nothing they got done. The Briggs & Stratton plant hadn't been the catalyst for more factories to rush in to fill up Hy Point as predicted in the 1996 Rolla Comprehensive Plan. So, applying the same tortured reasoning they had used for the last 31 years, the city's solution was to create more industrial development organizations to have more meetings, buy more land, give away more property taxes and spend more money on development.

This brings to mind our favorite economic development story. Two guys from City Hall were selling watermelon out of their truck out by the Sears store. Three times they had gone to Arkansas and bought a truckload of melons for \$1 apiece. Ed, (the smart one) had made the sign, "Melons 50¢ each," but they had sold only half of each load. After their third trip Joe was counting their dwindling cash but he couldn't figure out what they were doing wrong. Ed said, "I've been thinking on it Joe, and I know what we need to do. We need to get a bigger truck." Rolla had four trucks and was about to buy truck number five – the RREC.

**June 23, 2000** – St. James announced Wal-Mart would build a distribution center in St. James. Rolla, represented by [Dain Ward](#) (RMU board member, also the president of the RECD, board member of RCDC, and Mayor Morgan's economic developer) had tried to get the project in Rolla but St. James beat them out. By 2000, the RCDC image of infallibility had finally begun to crumble. The new generation of city officials had not been indoctrinated to kowtow to RCDC as had their predecessors. They wanted to be players in the development game but they had nothing left to play with - RCDC had all the marbles and had stolen the game board.

**Summer 2000** – Mayor Morgan announced a Task Force on ED to bring order to Rolla's "fragmented economic development efforts" (a comment on RCDC and the city's other three development groups). Several by-invitation-only breakfasts were held and the council had a workshop to create a "Vision" and a "Mission" and the usual strategic planning blah, blah, blah. They assigned tasks to all Rolla's many development players including the Chamber and put together an estimated budget of \$250,000. This was all window dressing for a very different purpose – sidelining the RCDC. The "tasks" RCDC was assigned required accountability to the city and coordinating with others – things they had never done and had no intention of doing. RCDC's failure created the justification for a takeover by a new 'super' development group.

September 2001 – The RREC emerges. **Mayor Morgan appointed another new ED organization, the Rolla Area Economic Commission (later changed to RREC – the Rolla Regional Economic Commission). This was economic development organization number 5 but this one was a real threat to RCDC's long and undisputed reign.**

**Members at the time were:** Neil Smith, UMR; [Ed Owsley](#), RCDC; Lou Magdits, Rolla City Council; Bill Marshall (At-Large Representative), PCB; [Robert Thompson](#) (At-Large Representative and RCDC board member), MO Enterprise; Robert Larivee (School District At-Large Representative); John Petersen, Rolla Community Development Director, Mayor Joe Morgan, Presiding and City Administrator John Butz.

**RCDC and the Chamber of Commerce hadn't been included at first but were added later. RCDC might not be the popular kid anymore but they couldn't be shut out entirely because they now owned all the city's development assets! The new group agreed that "RAEC (RREC) would keep the City Council informed rather than the council directing RAEC (RREC)." Well of course. City taxpayers were expected to fork over most of the money RREC would spend but why spoil them with accountability when they weren't used to having any.**

**March 6, 2002** – The City refused another token option to repurchase one acre of park ground that RCDC planned to sell to Meramec Regional Planning Commission for \$10,000 to construct a day care center for use by the businesses at the industrial park. **NSN Editor, Robert Nash**, asked who would get the cash from

the sale of the land; the City or RCDC? Councilman [Ed Owsley](#) admitted that the cash would go to RCDC “to pay their indebtedness.” When the acre was later found to be an old contaminated lagoon and too costly to remediate or fill, RCDC offered, for the first time, to donate the contaminated land for the project. The project eventually fizzled for reasons other than the fact that no one minded having children play on toxic dirt.

**May 7, 2002** – The council refused another token option to repurchase 10.45 acres in Hy Point so RCDC could sell the land to Terla, Inc., (a Brewer Science holding company) for \$52,250 for their expansion. That sale alone should have paid off almost a third of RCDC’s \$182,400 debt to the three Rolla banks for their share of the incubator project if it hadn’t already been paid off. Did it? Only RCDC knows.

**June 27, 2002** – The RCDC sold another 2.25 acres to Pepsi-Cola Bottling Company for an undisclosed amount. In February 2004, Pepsi Co moved into Hy Point from their former location on Old St. James Road. The City recently gave them 100% tax abatement on all property taxes for 10 years under the Enterprise Zone program for just moving across the highway.

In ‘**Ht Point –The Black Hole of Tax Assessment**’ Part 7: [The RREC’s “Creative Development Opportunities”](#)

**Note:** Some documents referred to in this series are posted on the NSN home page. Providing them all would take up too much space. All are public record and available at City Hall or the County Courthouse.

## Hy Point -The Black Hole of Tax Assessment –Conclusion

### *Special Interests have been Bleeding Rolla for 38 Years*

Now that we're a nation that consumes products manufactured by our former Communist enemies, big factories no longer flock to rural industrial parks but that doesn't mean there aren't some smaller industries still looking for reliable workers and low cost of living. In fact, we're better off with many small growing industries than one or two large ones. But to get good quality industries that will grow over time we have to get smarter - not just give away all our property taxes - taxes we need to provide services to those businesses. Depleting the long-term property taxes needed for public services, schools, libraries and fire protection in exchange for minimum-wage, no benefit jobs is like tying your feet together to run in a marathon.

We have to be smart enough to NOT repeat the mistakes of the last 40 years by again giving up control to RREC, another private corporation of shadowy elitists that want to step into RCDC's shoes and decide our future *without first getting our consent*. If RREC does happen to get one business lead out of all the money they've spent chasing the coattails of the Waynesville group, they have no agreed-upon public policy among the eight local taxing districts as to what they can offer that company. What portion of our public wealth and assets have *WE, the taxpayers*, decided is acceptable for them to offer? RREC's assumption is that everyone will meekly agree to whatever *they* decide to give away...and so far, everyone has.

Rolla hasn't built up development capital, they've squandered it. RCDC now owns all the assets that should have been Rolla's foundation and engine for future industrial expansion. Our seven local taxing districts have no written policies for tax giveaways. Given this uniform policy default, the city decides for them on what they are fond of calling a "case-by-case" basis without agreement from the other taxing entities. At the September 6, '05 council meeting, Butz explained that council action on a provision of the Ameren gas franchise contract should be postponed *until RREC had reviewed it!* He explained: "They're the ones who decide on our industrial incentives now." No one on the council objected to having their authority hijacked by Butz and the RREC. The Rolla City Council has been the RCDC's subcommittee for 38 years, now they are RREC's subcommittee. We elect a council to make these decisions after appropriate public debate; we do not elect them to evade their responsibilities by taking orders from private corporations.

**The City's Magic Dog premise.** The focus of development can't be minimum-wage, no benefit jobs in "restaurant districts." Family values must not be sold out for a few tax dollars and people shouldn't fear their own elected officials will deprive them of their homes for retail businesses that typically have short commercial shelf lives. Policies based on exploitation and fear does not produce lasting value. Retail expansion is the natural by-product of industrial expansion; it responds to new jobs and new payrolls when market conditions are ripe. Retail *reflects* the economic condition of a community - it doesn't *create* it. No one has to subsidize it or condemn private property or parks to get it. In fact, the only way retail can survive is as the end product of complex economic growth factors. Anyone who claims otherwise reveals their ignorance of market economics. The Retail First crowd is trying to reverse a universal economic reality – they think if they invent the tail, the whole dog will magically appear.

Likewise, destroying a city park to buy land for the tax-subsidized Chamber of Commerce *is not* development. It is appeasement of another special interest group of 'takers' that already eat a huge public tax subsidy but produce no *measurable public benefits* with it regardless of their puffed-up tourism claims. The Chamber is the group that's supposed to be opposed to government interference in business and waste of public money. Instead they have become the Smiley Face for City Hall's anti-small business, anti-democratic, tax and spend policies. They no longer have to earn their keep, instead they "do lunch," plant petunias in a dead downtown and search for the meaning of "tourism." What benefit is there to working people and the long-ignored small business owners of Rolla if the city gives the Chamber of Commerce a \$500,000 estate up on the hill? Will a Chamber 'Estate' create high-quality jobs with benefits? Will it revive the Chamber's interest in what used to be their mission – advocacy for local small businesses and opposition to encroaching local government policies? No, it will only placate the ego of this social interest group and give Interstate travelers a fancier potty – or as the Mayor called it - a nice "restpit." Condemning private property and commandeering taxes to subsidize commercial developers, private clubs and non

profit corporations is not economic development, it's heavy-handed, we-know-best government nannyism – or worse.

**Sales taxes – Rolla's crack cocaine.** During the last twenty years Rolla's so-called leaders took the easy way out and added more sales taxes to pay for basic services instead of increasing the property tax levy. After all, they beguiled voters each time, it was only a few pennies and out-of-town shoppers and tourists would also pay the tax. The trap that voters stupidly didn't see is that *most of Rolla's families pay more each year in sales taxes than they pay in property taxes*. Sales taxes are very regressive and they hit the poor and elderly hardest. Those are the people who need more community resources so then we need more sales taxes....and the cycle repeats. A sales tax-dependent rollercoaster income is a poor way to finance the rising demand for public services. Add to that the city's credit-card mentality over the last 8 years and you have a recipe for fiscal disaster.

Despite chronic budget deficits and shrinking reserves the city continues to abate valuable property tax revenues they should be receiving from most expensive taxable property in town. Selective tax relief – the only development policy Rolla has, takes property taxes out of the revenue stream for decades. It shifts more of the tax burden to sales taxes paid by the **56%** of Phelps County families who make less than **\$35,000** a year. No one disagrees that at times some limited tax abatement may be necessary bait but bait must be used prudently - not thrown away for 10 to 25 years. You put one worm on a hook, not the whole bait bucket.

As even Bill E. Morrison, former editor of the newspaper admitted, being too willing to give away too much can erode the very community qualities that might have attracted the people and businesses willing to be responsible taxpaying members of the community. Bill E. said it must be true because he read it in a newspaper. Then it surely must be true.

Now that Rolla's city government is trapped in uncertain sales tax cycles for the majority of their annual revenue, the only economic development goal small leaders with limited vision can see is increasing retail outlets to increase their sales tax revenues. Like any cocaine addict, they will steal from children and mug the elderly to get another sales tax fix. That's exactly what schemes like TIF and EZ do – they steal education from children and steal better public services from all of us. A measure of their sales tax addiction is they let Peterson and the Midwest Porn King debase the zoning code to let any pornographer locate within two blocks of a church or school. Thirty pieces of silver evaporated the pretense that this is a family-friendly town - our civic virtue was marked down.

**The RREC – Repeating 38 years of mistakes.** RREC is the new self-appointed think tank that has been incubating 'Creative Development Opportunities' like TIF and EEZ to abate more community resources with decades-long tax giveaways. The development 'expert' RREC will hire will be put on the city payroll to obtain city employee health benefits will be paid mostly with city money but will be *controlled by and accountable only to RREC* – not to the people who are paying her salary, benefits and office expenses.

At first, RREC was supposed to be only an advisory group of representatives from local government and business. Then they became another one of those elusive "public/private partnerships." A "Public/Private Partnership" is where a self-selected group of "Stakeholders" have private meetings to make public policy and spend public taxes without telling the people who earned and paid the taxes what they're doing. In September 2003, the RREC incorporated as a private non profit corporation - now they were just like RCDC. They avoid open meetings, avoid public debate about their development decisions and avoid public accountability – just like RCDC. This was how the RREC promotional hype began: *"Another exciting development is the renewed commitment to a regional economic development initiative. The City Council has budgeted \$115,000 (for the first year) to be leveraged by private investment of \$75,000 for the next five years to fund a full-time, proactive economic development strategy for the City of Rolla and Phelps County. With key partners such as the County Commission, RMU, City of St. James, UMR, Chamber, local banks and utility companies the Community is ready to embrace the opportunities uniquely available to this area - transportation access, research technology, labor force, natural beauty and Ft. Wood. More information will be shared on this initiative in the next few months."* Now there's a collection of management-speak clichés a tax-payer can really get his teeth into.

Our "renewed commitment" to economic development and the new 'Creative Development Opportunities' that "the community is ready to embrace" were TIF and EEZ - two rapacious land-grabs that confirmed the general suspicion that the city is run by uncaring, insensitive bureaucrats who will trample anyone for a buck. By "the community" they mean the special people on their short list of 'partners,' the

only people they believe have a right to a voice in community decisions. Public money is again being spent on another in a long line of economic development ‘experts,’ this one answerable only to RREC but paid for by Rolla taxpayers. We’ve paid for this development ‘expert’ routine four or five times in the last 30 years and it didn’t work. Other towns *did not* hire so-called ‘development experts’ and they were more successful. Is that a clue that our methods are wrong? We are told RREC is going to “leverage private investment,” implement a “proactive strategy” with “key partners.” But what is this “proactive strategy?” RREC Pres. Bill Marshall said, “We hunt in a pack.” The only thing this hunting pack has bagged so far is \$578,000 of Rolla’s tax money to spend over the next five years. When did we tell them we wanted to “hunt with the pack” from the Waynesville/St. Robert area? Ft. Wood growth is the result of decisions made in the Pentagon fueled by a war-time economy – something that could change in a few short years. RREC is spending public money so by law they owe the public open meetings and full disclosure. We get none of that – just like RCDC. What is that sound? It’s the echo of stale RCDC propaganda and the old diversionary tactics to keep us from feeling the corporate hands groping in our pockets.

### Lessons from Rolla’s 38 years of development failures

- **The Council must make development policies – not private corporations.** *Designing rational incentives and tax policies for development is the council’s job and they must present their plan and their policies to the public to gain community support.* The City of Rolla has never had a coherent policy for development and they still don’t have one. They handed over their responsibilities to RCDC 38 years ago along with all the city’s land and money but they demanded no accountability and didn’t dare to critically evaluate RCDC’s failures. RCDC, a secretive private corporation, took them for everything; land, taxes and buildings and left the city with no assets to continue to build upon. They’re still doing it as the shameful July 2005 Incubator ‘trade’ with RCDC proves. Other communities didn’t default in their responsibilities and they didn’t break faith with their constituents. To rebuild what they’ve lost the city must address their lack of policies and the impact their knee-jerk giveaways have had on community growth and infrastructure.

- **Economic development is only legitimate when done legally through the city IDA.** City Hall can’t continue to illegally hand their legislative powers and our money out the back door to private corporations. Either the city’s **legal Industrial Development Authority** must be used or the city must stop their illegal development expenditures. The old “Pine Street Syndicate” and their descendents – RCDC and RREC – do not want to be a legitimate part of city government because there are rules IDA’s must follow and they don’t intend to follow any rules - they believe they are above accountability to the public. RREC, like RCDC prefers to “work behind the scenes” which means *they’re afraid to face the public and defend their decisions*. If they want the power to direct Rolla’s development and spend the taxpayer’s money, they should either run for public offices or accept IDA board appointments where they can legitimately propose their ideas and take their chances with public opinion. When a few elitists decide the *public is best served by not having a voice* in municipal affairs, everything they do from that point on is fundamentally flawed and will ultimately fail. Elimination of voter accountability from throttling public comment in council meetings to hiding the giveaway of Rolla’s assets in closed meetings is an inherent defect in the political culture of Rolla and until that attitude changes all so-called ‘Progress’ in Rolla will be nothing but scandals and public corruption waiting to be exposed.

- **Tax abatement must be based upon creation of high-quality jobs.** Other communities give modest tax breaks for a few years but they all use *agreed-upon tax abatement criteria* and *give limited tax breaks but only if high-quality jobs* are created. City Hall must stop squandering taxes for businesses that are only moving across town, that only create minimum wage jobs or merely promise to maintain existing jobs and then break that promise. The policy and expectation in successful communities is that *new businesses and industries must quickly become full contributors to the community; they are expected to be willing to add their full tax support to schools and city and county services, not get a tax-free ride on our backs for decades*. Good businesses want to pay their share because it gives them acceptance in the community and a legitimate voice in community affairs.

- **All City tax abatement has been illegal.** Each statutory taxing district is a *sovereign entity*. Because the state granted each governmental entity the power to collect its own property taxes and because the voters granted those taxes individually, *each taxing entity must grant written permission* to the city if they

choose to abate those taxes. Without *specific written orders from each taxing authority* the Phelps County Tax Assessor *cannot legally* remove taxes owed to any taxing authority from the official tax rolls. The City of Rolla has no right to unilaterally give away taxes belonging to any other taxing district except where state law specifically gives them that power. **Phelps County**, the **Developmentally Disabled Board**, the **Rolla School District**, the **Rolla Free Public Library**, the **Rolla Parks** and now the **Rolla Rural Fire District** have all had 100% of their taxes illegally abated by city ordinance for the EZ and under Chapter 100 development for Brewer Science. It was done unilaterally and illegally by the city *without consent of those governmental entities*. It's time for all elected officials to muster the backbone to tell the City of Rolla to back off! If the City wants property taxes belonging to others abated for development, the law requires they ask first. It's time the City of Rolla learned some manners.

- **The County Board of Equalization must correct all phony “charity” tax exemptions.** RCDC's tax exemption in 1967 for all the Hy Point property and their 'charity' exemption in 1994 are both illegal and *if challenged by just one taxpayer* to the County Board of Equalization, all unpaid taxes could become due and payable to each of the ripped-off taxing entities. (The CBE meets the second Monday every July.) The consequence of these devious actions by county and city officials has created long-term financial damage. No more “charity” pork for maverick corporations.

- **The City must learn fiscal restraint.** Because the council won't exercise spending discipline, people are being squeezed with tax and fee increases. Other cities planned from the beginning to set aside a portion of the *new property taxes from new economic development to fund future economic development* but the city continues to give away their few tax gains while whining for more money for economic development. ***They can get more money by putting a TAX LIEN on RCDC's property for the back taxes that were illegally excused.*** With callous disregard for the impact of new national economic strains on its citizens and with RMU inflicting a 22.5% rate hike on our utilities, City Hall wanted more cash from RMU even though they openly admit it's a “back door tax” that will be passed on to their own constituents. How long can people in Rolla continue to pay for their extravagance under the guise of economic development?

**People who stand for nothing will fall for anything.** That pretty much sums up Rolla's development and civic history. If the people we elect have no principles, they will always be manipulated by those who have no scruples. All they have given us for four decades is a tragic waste of time and valuable resources that could be paying development dividends today. Rolla is run by people who are amateurs at government but unlike most amateurs they seem to have no learning curve, they continue to make the same mistakes over and over. Their symbiotic relationship with their staff bureaucrats result in decisions based upon the lazy belief that “they must know what's best.” They have no self-discipline themselves so they impose none on others, least of all their own staff. They hold dog trials because they don't understand that's a judicial, not a legislative function, they pass laws but don't enforce them except on a “complaint-driven” basis, they make rules then waive them on a “case-by-case” basis so they can placate the ‘right’ people or punish those they don't like. They agree to bad contracts but never enforce penalties for non compliance.

The false philosophy that “government can be run like a business” has become a fetish used to justify charging everyone higher fees for every government service so they will have more money to spend. They give away public money to private corporations as if it were legal when it clearly is not and they call all this “Progress and Development” Governing is not just showing up 24 times a year to rubberstamp a list someone else makes up.

On the other hand, we citizens are not without blame. The greedy, selfish and arrogant were only taking advantage of the vacuum left by lazy citizens who justify their apathy by saying, “I don't get involved in politics,” or “I'm sure they must know what's best,” or who hope someone else will speak against an injustice because they're afraid to stick their own necks out. Every person has an obligation to do something and take some active part in their own government. Until we hold our officials *and ourselves* to higher standards we will continue to be poorly governed by a succession of permanent amateurs. Just showing up to vote is not enough and few bother to do that much.

**The Editor's last word:** This series has been a hell of a chore to put together. For years bits and pieces of the sellout of Rolla's taxpayers would surface but we had no idea the records would confirm and even exceed our suspicion of what had been going on behind their backs. No matter how they dressed up their actions with “community betterment” rhetoric, the names on the deeds, contracts and checks tell the story.

There is a clear record of manipulation and graft that was not to the public benefit. As we said, if this had been disclosed in some other city where prosecutors do their duty without fear or favor you'd be reading about indictments for fraud and corrupt practices.

We felt it was important that the whole story of this 38-year public fraud be laid out for those who might run for office in the future. Even if their collars are blue and not white, people who work hard, raise their families, obey the laws and pay Rolla's growing burden of taxes deserve respect from those who are *temporarily given the privilege of holding their elected offices*. What city, county and school elected officials have let a small clique get away with for the last 40 years does not show respect for these people or for the laws officials swore their personal oath to uphold.

We anticipate that this chronicle of the RCDC's plundering of Rolla taxpayers and our conclusion that RREC is just a clone of RCDC, the old group of power brokers, will again be attacked as the "nay saying" of an insignificant minority who are against all progress. For years that's been the standard response of the elitists and the apologists who supported them. Now we know why they howled and screamed at every bite from NSN – they had stolen all our industrial property and were afraid all the secret deals would come out. They feared exposure of their grasping deals would end what had been a very lucrative exploitation. The contracts and recorded deeds cannot be denied – they have taken our property and bled us of our taxes and the growth we might have enjoyed. It is no accident that many people who are appointed to key city boards having to do with land use issues are also involved in real estate and banking. It is not ignorance of the law that causes them to discuss public business illegally in secret meetings – it is an absolute necessity.

It may be too late for Rolla to make a clean start even if there were someone who could credibly lead such a painful effort. Public interest in community affairs isn't a tap you can turn on and off when it's convenient. Public trust is virtually non-existent and fear of reprisal for going against the power brokers is deeply embedded in local culture. Better candidates, if they exist, don't want to run for Rolla's public offices; they don't even want to serve on city boards.

We are not against progress. We are against empty slogans that cover up systematic plundering of our resources and the creeping corrosion of the quality of community life. We're against the Propaganda of Progress used to mask serious problems because self-appointed leaders don't have the guts to admit things aren't as perfect as their marketing hype claims. We're against destroying things people value just because others don't define value the same way. We're against shutting people out of participating in community decisions because they aren't the 'right' kind of people and we're against low standards of ethics and performance from government at every level.

If Rolla has a chance for a better future it starts December '05 when filing opens for six council seats and the mayor's position to be filled in the April 2006 city election. Can we learn from our own history or are we doomed to repeat it? At this point it looks like we're doomed because the city is already repeating it. Whether they continue to get away with it depends on those of you who now know the whole sordid story of *Hy Point – The Black Hole of Tax Assessment*.