

No Standing News

Since we have no standing, we stand with those left standing

Volume II

November 29, 2003

Number 04

ROLLA S.O.S.

(Stuck On Stupid)

Question: What do you have when a local developer with very substantial financial resources, who could (if given the same red carpet Kaplan Co. has received) potentially lay more than one golden egg for Rolla makes this offer to the city: he will develop 10 acres at the corner of Highway 63 and 72 but the development won't cost the city a dime, it won't dispossess peaceful citizens of their homes by eminent domain and it won't cheat the schools, the county or the disabled of any tax revenues they are entitled to by law or create hostility in the community. BUT, instead of giving fair consideration to this offer the city council's appointed TIF Commission ignore it, vote to endorse the TIF Plan 7 to 4 and gratuitously insult this local developer in the process? **Answer:** What you have is SOS, Stuck On Stupid. Stupid is good, Stupid is what they're used to and they're not going to give up Stupid for any deal no matter how good it is.

No doubt the city council will, when they vote on December 1st, (this meeting and vote was supposed to be on the 5th but there has been a sudden change) accept the recommendation of seven of their TIF Commissioners because...well, just because that's what they do. The first job of the TIF Commission was to draw fire away from the Mayor and council. Now they can say, "Those other dudes did it."

As TIF moves on to what promises to become either the most expensive legal mess, or the biggest tax theft and giveaway of public land and money in Rolla's history, let's pause for a moment to pay tribute to those seven public-spirited citizens on the TIF commission who voted to steal taxes from the schools, the county and the disabled and donate land purchased with those stolen taxes to a St. Louis development company. They deserve to be remembered by their fellow citizens for the lame excuses they made for selling out all the local institutions they have previously and publicly claimed to support so the city can gamble on a retail venture that will be owned and controlled by guys from St. Louis. Here are quotes and editorial highlights from the seven pro-TIF Commissioners as they explained why they were voting to recommend the council adopt Rolla's newest public policy: "You May Own It Now But if We Want It, It's Ours."

The seven who voted for TIF.

• **TIF Commission Chairman Tom Thomas:** Despite his publicized statement that he would not vote for TIF as long as the extra, unnecessary four acres in the 14 acre TIF zone meant condemning the homes of the Williams Road residents, Thomas heroically overcame his scruples and voted for TIF claiming that it made "a huge difference to

him when he learned that "only one [resident] didn't want to sell." All but one didn't want to sell?" Was Tomas not listening when the Kaplan people admitted that *only two* homeowners have taken their offer? A chorus of "No-o-o-o" from the residents present clearly refuted this flimsy excuse.

• **TIF Commissioner Terry Adams (representing the school district):** While wailing that the state budget cuts will inflict "carnage" on the school budget and threatening to cut core classes and everything *except* administration and board expenses, Adams voted for TIF but in return for his vote begged for a few tax crumbs, say 25% rebate of the new TIF taxes, for the school district. He wanted some little concession "that would be fair to everyone" well, fair to everyone except all the property owners. When asked what the policy of the school board was Adams said they had "declined" to express an opinion. With nearly a year to think about it our policy-making school board, "declined" to have an opinion on TIF seizure of school taxes? It seems the school board values sucking up to their new city "partners" more than protecting education taxes. In 2004 or 2005, when these two TIF Commissioners and the rest of the school board ask for another school tax vote, voters should remember how casually they gave away these school taxes. Adams felt that taking away homes "was a concern" but the increased offer was a step in the right direction. He now has "a handle on it in my mind...it's a fairness issue." Adams took the opportunity to give condolences to Petersen, Butz et al for the harsh abuse they have received from people when they were "just doing their jobs." (More below about how Adams' brilliant rebate idea really works.)

• **TIF Commissioner Tom Arnold (representing the Developmentally Disabled and etc.):** Voted for TIF to deprive the disabled of funds they desperately need. Way to go Tom. His vote tarnished the new image he has been cultivating of a benevolent social worker. If there's anything worse than throwing people out of their homes it's voting to financially handicap the handicapped - especially when you are one of their own board members. He said the 10-13 year tax loss was a "no-brainer" and expressed how impressed he was with the Kaplan group. Whew! Between him and Adams... open a window please.

• **TIF Commissioner Keith Strassner (representing the school district):** Voted for TIF despite being gripped by high "anxiety" (something about his granddaddy) because he's confident that someday a "vibrant, growing community" is in the best interest of the schools. He was referring to children who, in the meantime will be cheated of money to pay for their education. Strassner may be anticipating that after they slash and gash the core curriculum (the three R's) many RHS graduates won't be fit for much more than

“vibrant, growing” careers clerking at TIF retail stores for minimum wage with no benefits. If he and Adams so desperately need more money to avert educational ‘carnage,’ why didn’t they vote *against* being robbed of any of the new TIF sales taxes and all of the property tax increments from the developed property for the next 10-15 years? If they had voted no, this TIF vote would have failed by 6-5.

- **TIF Commissioner Harry Kiefer (representing the city):** Councilman Kiefer voted for TIF but made noises like he might change his mind when he votes on it again as a council member. He said that if the council “gets to the point where there is minimal property standing in the way he’ll vote for TIF. He dismissed the Dean offer with: “That property has sat there foul for a number of years,” as if he and the rest of the council had nothing to do with letting it ‘sit there foul for a number of years’ along with many other properties in town in much worse shape than Warren Dean’s.

- **TIF Commissioner Lou Magdits (representing the city):** Magdits voted for TIF from a speakerphone. No surprise he voted for it but it was nearly impossible to hear why.

- **TIF Commissioner Jeff Shields (representing the city):** Voted yes. One would think a professional banker would have been able to apply his analytical financial skills to see through Kaplan Co.’s hopeful hype to the dubious financial assumptions this project is based upon but no, Shields dived for easy cover and pronounced that he was satisfied with the “generous” buyout offer to the residents. The 150% buyout offer will, in one case, raise Kaplan’s \$51,000 offer to \$76,500. Has Shields ever actually looked at the condition a three or four bedroom house in Rolla that sells for \$76K and calculated the \$12,000 to \$20,000 in repairs it would take to make it comparable to the homes they’re being evicted from?

The four who voted against TIF.

- **TIF Commissioner Bill Marshall (representing the RREC, the careless dudes who helped Morgan, Butz and Petersen incubate this little monster)** Nevertheless, Marshall, another local banker, voted no after reading a two-page statement expressing his distaste for using eminent domain for public shopping purposes. He was the only one to point out that this issue has roused public ire as nothing else has and it is creating a deep distrust of Rolla’s government. He said he was pro-business but if being pro-business meant using these methods he was opposed to it. Both his statement and his questions about the budget and the financial downside of this adventure show that he was one of the few who had crunched the numbers (unlike Banker Jeff Shields) and could see that the structure of this deal is not to Rolla’s advantage and Kaplan’s numbers are much too fluid. Marshall pointed out that Kaplan’s so-called commitment letter from his bank for the \$15 million isn’t a bank commitment letter at all. Kaplan admitted that it wasn’t. That Kaplan Co.’s bankers won’t commit to his deal should have been a poison pill but the rest didn’t seem to understand what that implied about the business credentials of the people they’re getting in bed with. We hope that Marshall at least, is able to see the pitfalls coming in the

multitude of tricky financial terms and conditions that will pop up in the final contract which our naïve city officials say they will attempt to negotiate with the very experienced Kaplan and his lawyers. That’s like sending toddlers to feed hyenas.

- **TIF Commissioner Bud Dean (representing Phelps County)** Dean pointed out that this country was built on property rights; he wanted development in Rolla but not this way. He had already contacted Representative May about getting the TIF statute changed. Both Dean and Pietsch have done exactly what each commissioner should have done, they independently researched TIF instead of swallowing the pap dished out by Petersen and Kaplan. Without support from Adams, Strassner and Arnold, however, they were fighting against a stacked deck. However, their persistence and challenges brought out facts that the city wasn’t eager for the public to know, facts even the other commissioners didn’t know. They did what their constituents expected of them and for this they should be thanked.

- **TIF Commissioner Gerald Pietsch (representing Phelps County)** Correctly pointed out that dissing Warren Dean with snide hints about possible environmental problems (Petersen/Kaplan gossip; never proven but repeated often) and appearance of his property did not excuse the city’s use of TIF. He reminded them they’ve always had the ordinances to clean up Warren Dean’s property if they didn’t like it but weren’t interested until Kaplan Co. showed up and couldn’t get the property he wanted that Mrs. Callen and Warren Dean owned. Pietsch pointed out that the General Assembly with this TIF legislation has taken away something valuable that we can no longer take for granted in America - the rights of private property owners. He also pointed out that other Rolla businesses have used their own capital for investment and it isn’t fair for the city to use TIF to subsidize another developer to put them out of business.

- **TIF Commissioner Julie Turley (representing the city)** Said the increased offer of 150% “softened the blow” but she still couldn’t swallow condemning homes at any price and agreed with Bill Marshall that just because the TIF law lets the city do it doesn’t make it right. She was also concerned about other property in Rolla, referring (we think) to the precedent this will set. From her comment we assume she is aware there are seven other TIF projects on the drawing board.

A successful diversion. The fate of the private homeowners in the TIF zone is an emotional issue and for many it is the biggest outrage. As Marshall, Dean and Pietsch pointed out this country was founded on the security and rights of private ownership. In America, there was no King who could arbitrarily take away your land or possessions, but now we have King TIF to seize anyone’s property and everyone’s tax money. Kaplan Co. seeing that public sympathy was in favor of the residents jumped in just before the commission vote with a new offer only to the homeowners of 150% of appraised value. This gave the wobbly commissioners cover for their votes and it worked. The gimmick is that the land grabbers, Kaplan and the city, get to pick two local appraiser’s (we only have three; the Mayor is one of them)

and they will make sure it is appraised as residential property even though it is clearly destined to become much more valuable commercial property. Why is it OK for Kaplan and the city to profit from this great jump in land values but not the homeowners?

However, for the TIF commissioners to focus on the groundswell of homeowner sympathy as the litmus test for whether they would cast their vote for TIF was just a handy diversion from broader economic and political issues. The city and the TIF commission are establishing the most significant public policy in Rolla's history, one that could have the opposite effect on growth that their short-term thinking anticipates. Since the commissioners accepted this assignment as their civic service and their decision would drastically change the role and scope of Rolla's political system, they had a duty to carefully explore the whole menu of consequences of the TIF plan, financial and political but they failed to do that. In pretending the only issue was the amount of payment to the homeowners they have served us poorly. These are the issues that weren't discussed; the unanswered questions that will create dissention and suspicion long after the private homes on Williams Road are history:

1. **Is this Economic Fascism?** ** Are they unwittingly (or wittingly) replacing our local capitalist system with a new Economic Fascism? Economic Fascism gives the illusion of private ownership but only as long as the city doesn't decide others must sacrifice to serve their business agenda. Will anyone want to invest in Rolla not knowing if the city may turn a covetous eye on their property next?
2. **Will there be voter backlash?** What effect will TIF have on voters when they are faced with future school, county or other districts funding proposals? Why vote to give our hard earned taxes to the school district, county or other taxing entities if the city can nullify the majority vote and appropriate those taxes to subsidize a developer?
3. **Does this set an eminent domain precedent?** Is the city setting a precedent of being willing to hand out to any and all developers free passes to use their eminent domain power? Can they refuse? Won't other developers be entitled to the same or similar deal – a handover that powerful weapon to get land some owner doesn't want to sell? The council can you know, do just that one part without declaring a TIF zone and including tax seizure from the other taxing districts. Once city's learned to play this game there has been an epidemic of non-TIF property seizures to cater to developers, some of whom merely resold the property at a profit, some just let it sit producing no sales taxes at all when their plans collapsed.

Why was the public locked out of the process? The TIF statute was carefully designed to severely limit public debate – the natural inclination of this administration.** Voters have no say in whether they want TIF or not because the developers who wrote it knew that *TIF would not survive public referendums*. This developer's law requires only one public hearing; the next required public hearing on this project is in 2008! The city and their commissioners could have chosen to have more hearings or let people speak at any of their meetings but they suppressed public speech to the bare minimum required by law. Quick and dirty was the key.

* **fascism:** "1. a governmental system with strong centralized power, permitting no opposition or criticism, controlling all affairs of the nation (industrial, commercial, etc.), emphasizing an aggressive nationalism." Bring it down to local scale and it fits this administration to a T doesn't it?

**That would explain why Mayor Morgan had two Rolla cops 'disguised' in street clothes 'surveiling' the audience and whispering in his ear. Does Morgan fear that his confiscation of private property might cause Mrs. Loving to throw a tomato at him or did he have them there to give a Gestapo flavor to the meeting? Has Morgan's usual contempt for the public become flaming paranoia? Who knows, maybe he's justified; it hasn't been that many years since someone took a couple of shots through Steve Sowers' window.

Next a TDD. These hard working citizen commissioners didn't even question the ominous statements on pages 13, 27, 30 in the TIF Plan that refer to use of "*special assessment districts to finance improvements,*" or "*The City may require the designated developer to enter into a Redevelopment Agreement to establish a special assessment district [for] the collection of additional taxes to finance Redevelopment Project costs,*" or that the Plan may be amended in the future "*to include additional Redevelopment Projects and costs that may be financed by subsequent TIF Notes or other obligations.*" What are these "Special assessment districts" to collect "additional taxes, additional projects, subsequent TIF notes"? Did they read the Plan they voted on? If they had read page 13 they would have learned that those are all references to a **Transportation Development District**, another sales tax funded project that will be automatically endorsed when the council rubberstamps the TIF Plan from the TIF Commission who rubberstamped the TIF Plan right from Kaplan's hand. TIF is the gateway to TDD, another sales tax based development scheme. Why was TDD not questioned or explained? The TIF Commissioners didn't just do a bad job; they hardly did any job at all.

But here's the joke. The seven TIF Commissioners, to ease their bad consciences, approved two bones to appease the public, two provisions that they will "force" Kaplan Co. to comply with. Neither are deal breakers for Kaplan Co. because one is unlikely to ever happen and the other will

increase the debt the city – not Kaplan - must pay off! They also lengthen the years of payoff, which increases interest costs and prolongs the time the other taxing districts must wait to get their rightful taxes back! The Kaplan people must have laughed all the way back to St. Louis. These are the new provisions they've 'forced' on Kaplan's TIF Plan: **1.** The city and Kaplan will give the taxing districts back a minimum of 25% of the sales taxes they confiscate. The council could make it more. This will add more years and more interests costs to the time it will take for the city to pay off their TIF debt on the project. It will that is, if the rebate ever happens.

Here's how the crumb Terry Adams and Strassner begged for actually works. The TIF law calls that a "surplus" and it can only be redistributed to the taxing districts after ALL "Redevelopment Project Costs" are paid. In other words, they won't get a dime of the rebate if there's nothing left out of the TIF tax collections *after* the annual principal and interest on the TIF loan and all other "Redevelopment Project Costs" are paid. Those cost are: *"the sum total of all reasonable or necessary costs incurred or estimated to be incurred and any such costs incidental to a redevelopment project plan or project, as applicable."* The list of what they can include in the 'costs' is a page and a half long and includes every conceivable bill that Kaplan and the city can pass off as a TIF 'cost' including the city's so-called administrative costs. In addition, the rebate has to be divided among all taxing districts. At best Terry Adams clever idea may not materialize for years and at worst it will prolong the tax agony for everyone – except Kaplan Co. who in a couple of years will be pocketing some very high-priced rents from what will then be *his* property. Every additional delay paying off the TIF debt costs the county, the school district, the developmentally disabled, and the library more years of lost tax revenues and will cost the city more in interest payments on their TIF bonds.

Thanks to Terry's Bright Idea the school district he works for will lose more than all the rest. *For every dollar in new property taxes the school district doesn't get from the TIF development they also lose about another 80-cents in state match from the school foundation formula!* If Adams and Strassner had actually read the TIF law instead of letting themselves be led around by the nose, they would have kept their mouths shut. Any more financial brainstorms from these two and we can close the schoolhouse doors.

2. The bone the commission threw to the residential property owners and the sympathetic public was to 'require' that Kaplan Co. offer them 150% of the appraised fair market

value of their property and pay their relocation expenses or 170% if they pay their own moving expenses. If that sounds like a better offer remember that the homeowners property is being priced as if it was only good for residential property instead of the much higher value it now obviously has as commercial property. Even if they accepted this false generosity it means *the project budget for property acquisition and land clearance etc has now gone up from Kaplan's original low-ball estimate of \$3,650,000* (deliberately low-balled to sucker the commissioners, council and the public into thinking they were only giving Kaplan a \$3.6 million gift) to what we estimate will be **a total buy-out minimum of \$15 million.** That's more than Kaplan's total project budget. It takes a lot more years of tax-starvation by the other taxing districts to pay off \$15 million for land acquisition and relocation, land clearance and demolition, studies, surveys, plans and specifications, professional costs and fees, site preparation, grading and public improvements in traffic, road, storm water, utility relocation costs. Real funny joke huh? See why they left laughing?

More unintended consequences? For those of you who have been feeling relieved that it's someone else's home they're taking and not yours; don't heave a sigh of relief yet. No matter where you live in Phelps County you're going to help pay for Rolla's TIF project. Remember in 1983 when we voted to allow the county to impose a half-cent sales tax for county general revenue? When 50% of the county's rightful sales taxes in the TIF zone are confiscated by the city, ***all county property taxes will be increased to compensate for the loss!*** We repeat; that's ALL property taxes in the county not just in Rolla. Even St. James people will be paying for Rolla's folly. Here's how it works. The legislation in the '80's that allowed counties to have a half-cent sales tax if they could get voters to pass it (we did) also provided for an automatic roll back of our property taxes by an amount equal to 50% of the new sales tax revenues. But when they *lose sales taxes* from TIF the reverse happens, a property tax "roll-up" takes effect. That's right folks, every property owner in the county will pay more property taxes because of Rolla's TIF. The more TIF zones the city designates – and they have a total of eight planned – the more everyone's property taxes increase. That's another TIF "effect" that the commission didn't discuss. You want to know much your property taxes will go up? Well, ask a TIF commissioner or any council member, aren't they supposed to carefully examine every impact of TIF? Don't they know all the answers or are they SOS?

To receive " No Standing News " by e-mail, free of charge, send a message to rwnash@rollanet.org with the word SUBSCRIBE in the Subject line.

To unsubscribe send a message to rwnash@rollanet.org with the word UNSUBSCRIBE in the Subject line.

 Editors note: Copies of No Standing News can be obtained free from the Rolla Public Library. Also visit our web site at: <http://www.nostandingnews.com>

 I encourage distribution of " No Standing News ." Please feel free to copy and distribute any issue.
