

No Standing News

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

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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

***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

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.

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).

In "Hy Point -The Black Hole of Tax Assessment" Part 2: *The Industrial Park Giveaway and RCDC's Mystery Methods* "If Rolla was so great, why was everyone else more successful?"

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