

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 – 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" mindset. 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.

In "Hy Point - The Black Hole of Tax Assessment" Part 3: *How RCDC Created Industrial Stagnation during an Industrial Boom*

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