

No Standing News

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

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Serving the Outlaw City of Missouri

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.

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.

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 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?

In "Hy Point - The Black Hole of Tax Assessment" part 4: ***“RCDC gets rich on the \$906,000 Incubator and the \$2.25 Million Schwitzer Deal”***

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