

No Standing News

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

Volume II

August 4, 2005

Number 31

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 6th, 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 12th 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 Hoewelmann 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 Hoevelmann, 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.

In "Hy Point - the Black Hole of Tax Assessment" part 5: "RCDC Masquerades as a Charity but Flunks the Three-Prong Test

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 and at the General Machine Shop at 801 E. 18 St. Rolla MO. 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.