

No Standing News

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

Volume II

April 9, 2007

Number 62

TDD – a Private Sales Tax for Big Landowners

TDD - At the March 21, 2007 Special Council Workshop on the “Rolla West Project” **Bax** and **Petersen** announced that the mechanism for raising the **\$35,000,000** or more their bypass and I-44 overpass will require, will be a Transportation Development District (TDD), not a Community Improvement District (CID) as they had announced earlier. Now that we think they’ve made up their minds here’s what a TDD is: it’s pretty much the same as a CID and it has the same anti-democratic mechanisms to lay more sales taxes on us without our vote, but a TDD has a whole *lot less accountability* than a CID. A TDD gives rich landowner/developer(s) what amounts to his own private sales tax to pay for road and transportation related projects in the TDD district that will enhance the value of his property and make him richer.

What we get out of the \$35,000,000 debt is we get to pay an additional 1¢ sales tax on everything we buy at Wal-Mart to pay off revenue bond issues to finance the transportation improvements (a new road) in the TDD district which will make private land values shoot up. However,

except for having a novel way to get to I-44 the rest of us get no other direct benefit from Rolla West, we don’t even get to charge the landowner(s) interest for paying off the debt on his new road. But it gets worse. If MoDOT won’t have anything to do with the project – they’ve already indicated their lack of interest - and if the city council agrees to take over perpetual maintenance of the road because MoDOT won’t, Rolla citizens will wind up making more sacrifices out of our thin tax resources to take care of the developer’s new road....forever. Two developers, **Mike Woessner** and **Jack Dietzmann** who, judging from council discussion, appear to be the landowner beneficiaries of having this TDD taxing district and their own sales tax - are not contributing a dime to the \$300,000 worth of preliminary studies. Butz defended their reluctance to chip in by saying that Woessner and Dietzmann thought it might look bad if they contributed money to the studies because they owned so much property in the proposed transportation district.

They MIGHT look bad? Could they look any worse?

TRUST US... but keep your mouths shut

That kind of pressure to conform and put on a happy face no matter what they really think keeps shaky projects like TIF and TDD from getting the critical examination they need in the early stages. More candor and honesty early on would keep the council from wasting time, money and credibility on things that obviously haven’t been well thought out, probably won’t “Trust us” was the theme of the semi-private workshop on the “Rolla West” project **Elizabeth Bax**, **John Petersen** and **Mayor Jenks** starred in. “Special Workshops” are not televised so a lot of things are said that wouldn’t have been said if the cameras were rolling and taxpayers were watching. After their proposed Development Agreement bombed on March 19, some heavy council wooing was in order before making a second attempt to get the council to give them the unlimited power of the Development Agreement. (The council did approve it on 4/2/07 with a not very enthusiastic vote of 6-5) They also needed to correct the misinformation they had given out in the previous special Rolla West meeting. Councilperson **Charlotte Wiggins**, who says she’s a trained facilitator, ran the meeting and told the council they had to “walk out of this room in agreement with what we’re doing.” Her order smacked of the old Bassomatic’s “Speaks with One Voice” regime at the Rolla school board. She explained she “didn’t mean they all had to support what they were doing but they

all had to agree to it.” (?) In other words, whether you like it or not, we must all pretend to be for it. When selling a tax-and-spend plan appearances are everything. work and which the public won’t accept. The problem with the “Trust us” theme is that trust has to be earned. The council has already given a vote of “no confidence” to Petersen and the book is still being written on Bax.

It’s not really censorship; it’s just not saying what you really think. Bax told the council: “In terms of discussing ...for any project...I would also ask that you really be mindful of what is said particularly in council meetings because any appearance that was killing development here...even if you don’t like the project in front of us...it resonates unfortunately for other projects and...I’m not saying censorship I’m just saying...I’m as guilty as anyone...really measure words and measure sentiments that are expressed publicly to the extent possible...um...and we will do our best to come to you with a good solid project...something that provides a return on investment, something that will help fund our school district which I know will be facing a crisis soon and really keeps the community afloat and at the same time creates new jobs and new investment...umm.”

Well Elizabeth, tell us more about the “crisis our school district will be facing soon.” If she means that old Fourth Elementary School story that **Supt. Jerry Geiger** (newly anointed to the RREC board) has been trying to sell, it shows how little she knows about Rolla. Geiger’s tale goes like this: Because there are 500 babies born every year at the hospital (he just discovered this) that means six years later we’ll have an overflow of 500 new students in Kindergarten and that’s why we need to have another bond issue to build a fourth elementary school. Jerry never was much good at math or statistics. Ex-Superintendent Adams tried this a few years ago and it didn’t work. At that time **Dr. Ralph Wilkerson** was on the school board. Ralph easily debunked the alleged correlation between the hospital birthrate and the district’s census which has been static for over 20 years. The “crisis our school district will be facing soon” is a fraud. Bax is naïve and she’s being used by Giger to spread “crisis” rumors because he wants to put a building project on his resume. Those who can’t do, teach, or superintend, build buildings. Everybody knows that except Bax.

The Rolla West Project - speed dial version: Before the RREC claims this is our “negative” opinion, we want to explain we got these details from a special audit of TDD’s done last year by the Missouri State Auditor. The State Auditor found a lot of things are very wrong with TDD’s.

First, the RREC will have some “qualified” voter in the proposed district petition* the circuit court to establish a TDD. This will probably be landowners **Mike Woessner**, the mayor’s chief political contributor, the council’s exclusive real estate agent and member of the RREC and **Jack Dietzmann**, also a landowner in the district. Section 238.202 RSMo defines “qualified” voters as any registered voter in the district or, if there aren’t any registered voters, “owners of real property” will constitute a “qualified” voter no matter where they live. The TDD petition doesn’t require a public hearing or any notice to the public although a judge may order it to cover his backside. After the judge determines the petition satisfies legal requirement, (the requirements are so low that there’s little reason to turn anything down) the court enters a declaratory judgment and they have a TDD taxing district. That’s it. (See proposed TDD district map)

A TDD is governed by a board of directors of five to fifteen members who are elected by “qualified” voters. The boards have the authority (after “qualified” voter approval) to impose sales taxes or tolls, or levy property taxes or special assessments within the boundaries of the TDD to pay the expenditures of the entity, including the liquidation of debt incurred to fund the transportation-related projects. With approval of “qualified” voters in the district, the TDD board can add up to 1¢ to our current sales tax on anything taxable sold in the district. The rest of us don’t get to vote on anything once the district is established but they do get to tax all of us. The TDD board can condemn property in the district and they can issue more revenue bonds to start more projects in the district. They can levy property taxes and impose

“special assessments” on property in the district and they can even make the bypass a toll road!

The district is an independent political subdivision just like the city and the city council loses all control of the district except they have to continue to provide the same level of services they provided before the district was formed. The projects are generally financed by these districts through the issuance of notes, revenue bonds, or other debt securities for a period not to exceed forty years.

* A TDD petition can be filed by: (1) not less than 50 registered voters residing within the proposed TDD; (2) if there are no eligible registered voters residing within the proposed district, by all the owners of real property located within its proposed boundaries; (3) a local transportation authority; or (4) two or more local transportation authorities. A *local transportation authority* includes a county, city, special road district, or any other local public authority having jurisdiction over transportation projects and services.

The essential cash-cow. The RREC already has a map of the proposed district and they have drawn the district line around Wal-Mart because Wal-Mart is the only retailer capable of generating the millions of dollars in TDD sales taxes they will need to pay off \$35,000,000+ in revenue bonds within 40 years. To help them the city will annex a huge area of about **800 acres** on both sides of the Interstate. That means within five years the council will have to supply everyone who lives in the new area with all city services or the unhappy residents can petition the court that the annexation be abandoned. Like the expensive fouled up Southview annexation (which Butz said wouldn’t cost anything) most of this land is taxed as agricultural so it won’t produce enough property taxes to pay for providing all city services to such a large area. Rolla taxpayers will be forced to subsidize the Rolla West services by sacrificing some of theirs.

Meanwhile the TDD board will be collecting “their” sales tax to pay for the road improvements which will boost the value of their land. However, if Wal-Mart moves, which they have done about every dozen years, there will be no cash cow in the district so the TDD voters and landowners in the district – not the City of Rolla - will be responsible for paying off the multi-million bond debt. The city council will have no control over what the TDD board does once it is formed but the city must continue to give the district the same level of services they always have, the TDD board doesn’t have to pay for anything out of its sales tax except its expenses for the project and the TDD board expenses. Do you get the feeling that someone hasn’t thought through all these details very carefully?

How the sales tax may be handled... or mis-handled. The State Auditor found out some pretty hair-raising things about TDD’s and has recommended to the General Assembly that the law be tightened up. (See the summary at the end of part II). The state auditor found that of the 69 TDD’s in the state 60 involved 4 or fewer property owners. “For most of these TDD’s, the developer is the only property owner or one of only a few property owners. In addition, the elected boards

are generally composed of employees or representatives of the property owner(s)/developer.” The owner/developer, (in the absence of registered voters he becomes a “qualified” voter no matter where he lives) and his employees can control the district, the money, the projects, and keep adding more projects to our tax burden. The law does not even require that board members live in the district or in the state! That wasn’t a mistake; that was the design. These TIF, CID and TDD development statutes were written by developers for developers. The State Audit also found: “Of the 16 selected TDDs reviewed, we noted the accounting of TDD sales tax revenues was evenly split between private contractors and the local municipalities. The DOR (Dept. of Revenue) is responsible for administering the vast majority of sales tax revenues in the state and has established controls and procedures to maximize and safeguard this process. For 6 of the 16 selected districts, the activities and operations were handled by the TDDs’ boards without any apparent independent oversight by the transportation authority or other public entity.

Not only were these private citizens collecting the district sales taxes there are no accounting or recordkeeping rules in the TDD law they have to follow to account for their collection and use of the money. For the developer to claim reimbursement for a project expense - even one in the millions - he has only to submit the bill to the TDD board (his employees?) and have them pay it. If a developer/board president chooses they can hold board meetings in Hawaii or some PGA golf resort with all expenses reimbursed out of the TDD tax. The board may vote to pay themselves salaries and other perks. If they write it into the board bylaws it’s all perfectly legal. No wonder some of these projects are set up to run for 40 years, why would they want a scam like this to end?

Like TIF, the developer decides when he’s been repaid for his expenses and the project revenue bond debts. There is no state requirement for an independent annual audit and even if there was, who would it be presented to – the land owner and his employees? The law does require the state auditor to audit TDD’s every three years but often they aren’t told who has established a district and in three years a lot of nasty things can happen. This kind of keptocratic development mechanism is what Bax and the RREC are telling us we must have or we will never be the “Center of Commerce in transportation, education and health in South Central Missouri.” Maybe we should pass.

Who is chipping in the \$300,000 for the studies? In the meantime, the RREC and Bax are beaver away raising money for the preliminary studies. They need \$300,000 to pay for a bunch of consultants who are going to lowball the expenses and tell us this project will cash-flow whether it will or not. Consultants always tell anxious people in little towns what the anxious people desperately want to hear. There’s no benefit to the consulting firms in telling their clients the truth. Long before they find out the ‘experts’ were talking through their hats just to get a fat consulting check, annual electoral turnover will have eliminated the officials who hired them

and who might remember what the consultants claimed all those years ago.

The Phelps County Commissioners are going to give **\$25,000** rather than use it to repair roads and bridges. The PCRMC hospital board is going to give **\$50,000** rather than use the money to provide health care. The state law does NOT permit county hospitals to use a dime of their money to build roads but you have to remember who is on the hospital board; **Jim Marcellus** who works for RREC president **Bill Marshall** and **John Beger** whose wife works for Mike Woessner member of the RREC and major landowner in Rolla West. **John Butz**, who has a jones for any unbudgeted project that requires a blind leap off the cliff, is going to get them **\$125,000** or more of city taxes over the next two years by not replacing employees who quit and by not restoring the city’s reserves. Every year Butz finds a new excuse not to restore the city’s reserve fund. He’s already not replacing two positions in the police department and one in engineering because of the continuing budget deficit. This is classic Butz-think – trading cops for bypass studies. UMR is going to give them **\$50,000** and RMU will also because they’re making so much off our utility bills they can well afford it. One of several flies in the TDD ointment is that MoDOT isn’t interested in paying for any part of their expanded bypass plan and for even the Ridgeview part they might be willing to consider they will only pay for 40 or 50%. Even then they wouldn’t start working on it for years and years – if ever. We’d like to see that MoDOT promise in writing.

Bax and the mayor admit that when they talked to MoDOT recently they were “shocked” at how disinterested they were in the Ridgeview bypass. Nevertheless, Bax says it is her contention that she can convince MoDOT of the “wisdom” of the whole project. MoDOT doesn’t do expensive bypass projects just because small towns want to get Big Boxes and collect sales taxes so Bax warned the council that Rolla West is *only a public safety issue* to solve traffic congestion. “And oh, by the way, (wink, wink, nudge, nudge) there is an economic development opportunity here” she added. If Woessner and Dietzmann make money by exploiting Rolla West land that would be opened up by a new highway and overpass...well that would just be a nice coincidence she says. The cover story having been established, they all went back to talking about the sales taxes it might generate.

The Bax Book Club or how Tom became our Guru. Bax is in love with a book and she wants the council to read it. The book is *The World is Flat* by **Thomas Freidman**. Freidman is a New York Times reporter who writes about history and economics and he, like Bax, has studied neither. Tom was seduced into the world of the Neo-con think-tankers a few years ago and saw a lucrative book deal in it. He wrote a rather pedestrian book which sensationally rehashed well-known globalism trends and he warned everyone to get on board with the CEO’s who gave him their views on the big global picture – or die. The title was catchy, the marketing timely and it got Tom on a lot of talk shows. His book is a treat for people who fall for simplistic answers to complex questions. Tom Peters, the business management guru, rode

the same wave in the 80's. However, since the Iraq war went sour and globalism is gutting the middle class it's no longer cool to be so cozy with Neo-con ideology so Tom was on talk shows last fall admitting his earlier globalism ideas have turned out not to be so savory. Now he can't even get on the talk show D lists.

However, we can see why Bax is impressed with Friedman's flashy but shallow treatment of globalism – Tom takes CEO opinions and asserts them as fact. His book has not one checkable footnote which is what you'd expect from a New York Times reporter who can't be held accountable for bad scholarship because he's not a scholar. His breathless crisis style is similar to hers and both make statements that have no factual basis – like her "fact" about our "school crisis." She's learned a lot of new words from him like "knowledge workers" and "growing human capital" and she's discovered "off-shoring" which she says will "hit us in the face very soon." Bax announced that Freidman's coffee-house global philosophy has "basically given us a road map for what our economic development strategy needs to be." Question? When did we appoint Freidman and Bax the Deciders of What We All Must Believe? Here's Bax verbatim on why they plan to raise our taxes and go into debt for RREC's bypass project to make us the "Center of the Universe":

"Rolla needs to solidify itself as the center of commerce in transportation, education, and health care in South Central Missouri. If Rolla does not regain its standing like this....it will never be more than a collection of little communities with Wal-Mart's and we will never have media outlets, we will never have political clout and we will never

get our share of anything until we choose one place to accumulate critical mass and let it grow and be able to state what our needs are for our citizens. That's another reasonit is not just to obtain sales taxes it's about any more with Rolla to make it the Center of the Universe in South Central Missouri. I know that sounds silly but there's really no place...and as more and more retail goes to all these different little areas around it just disburses the market share you can see it reflected in our sales tax numbers, it doesn't help anyone really it doesn't increase quality of life for anyone in the region."

Did you hear that? If we don't do as she says we "will never have media outlets?" Ohmygawd! How horrible. (What's a media outlet?) We got the part about how none of our neighbors have a right to any retail growth because we're destined to be the Lords of the Universe and as soon as we cough up \$35,000,000 or more for the road MoDOT doesn't want to pay for we will be the Center of the Universe again. She's right, it does sound silly.

Bax' idea that council members, who often don't even read their agendas, should read Freidman's book really put us in stitches. It wasn't so amusing when she said all our resources and even our thinking must be dictated by this elitist New York reporter. If the council is going to read a book we'd prefer it not be one that was described by one reviewer to be "600 pages of ill-informed, grandiloquent prose and bafflegab;" a shallow survey of a serious subject written to impress shallow minds. We have enough troubles in Rolla; we can't afford to have our own little neo-cons in city hall read a book – especially Tom's silly book.

Part II: MoDOT says they aren't playing! "...we have always told them we currently have no money for the Route 72 extension and we do not have this work in the current STIP." MoDOT 3/27/07

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.
