

## NEWS ADVISORY

**SUBJECT:** Mayor's backroom dealings with consultant and high net worth corporation seeking tax subsidy

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## CALL TO END OF CORPORATE WELFARE ERA

Mayoral candidate Elizabeth Campbell is a well-known opponent of corporate welfare, including the tax subsidies and mixes of City-based incentives, zoning, capital improvements, and costs associated with bribing certain well-known businesses so that they will locate or stay within the boundaries of the City of Seattle; her comments follow about the Russell Investments deal reported today in the Seattle Times, "Seattle Offers Break to Lure Tacoma Firm" (June 18, 2009):

This is the kind of activity that needs to end at City Hall. The incestuous relationships, the backroom deals with the good-old-boys network, the exclusive quid pro quos using the public's resources and revenues should, and under my administration will stop.

Furthermore, this deal is tantamount to insider trading. Craig Kinzer is a well-known operative within the City of Seattle administration and in other local governments, the Port of Seattle included. At City Hall he maintains his close ties, constantly trolling for "deals" whereby he and his City buddies, the Mayor and "the Shark" aka Tim Ceis, can come up with pay-to-play sort of schemes that involve some means whereby the City's dollars make it into Kinzer's pocket and those of the wealthy clients he fronts for.

His history of City of Seattle deal-making and schmoozing within the executive suite and in the departments of the City goes back many years. With the backing of the mayor's office he is given wide access to the City's departments and resources, which has netted him and the other associated private parties, consultants and the like sweetheart deals that have made them very wealthy - all courtesy of the Seattle taxpayers.

Kinzer hails from the whole industry of consultants that make their millions off of currying favor with and making connections among power hungry officials and greedy politicians that are all too willing to help well-heeled companies find those tax incentives and other government benefits, in exchange for recognition, monetary support, and even lucrative, post-government employment opportunities for themselves.

Kinzer's part in this and the matter of the Mayor engaging in insider trading aside, this proposed deal with Russell Investments is not just ill-timed and ill-advised, but it is representative of the sort of dealings at City Hall that I intend to bring to an end.

Government was not established to serve the dictates and expediencies of private enterprise, nor is it convened to serve the pecuniary interests of private individuals. The plundering of government's coffers by both insiders and outsiders must end, and officials, elected and otherwise, those that treat the public purse as their private piggybank, using it to dispense favors and shower money on the least deserving must be turned out of office.

The conventional institutional wisdom is that headliner company's like Russell Investments will add cachet to Seattle's civic reputation and by extension lead to ever greater agglomerations of star power corporations locating in the city, bringing more jobs and revenues with them that can be taxed, and the city and City government will benefit from this. However, there are two drawbacks to this sort of thinking and the arrangement that is being contemplated here.

One, and this is a value I hold, this idea of governments giving tax breaks and cushy economic incentives to multi-million even multi-billion dollar valued companies and individuals is wrong. It is nothing less than welfare for elite and high net worth companies and individuals, paid at the taxpayers' expense. It is this very sort of backroom dealing in government that has led to the country's, not to mention our region even our city's economic downturn.

Secondly, it has been widely documented that the net value that a city or region gains from tax incentive laced deals is nominal to nil. A good local example of the kind of thing at stake in these incestuous City Hall/private insider deals is the South Lake Union/Paul Allen/Vulcan developments. The Mayor (as well as the City Council) have extolled the virtues that all the City's largesse bestowed on this private interest will bring to the city, including some 20,000 high paying jobs. The reality though is that many of those jobs have not and will not materialize.

Despite the City "investing" some \$50,000 plus per job, or \$1 Billion and still counting, in the form of utility and infrastructure improvements, City amenities, and City services specifically spent to further Vulcan's developments at South Lake Union (<http://www.zipcon.net/~jvf4119/SLU%20Costs.htm>), those 20,000 jobs have failed to materialize or even appear to be close to materializing in the near future.

This scenario is played out across the country, cities claiming that the millions and billions in incentives they provide in the form of corporate welfare is money well spent. However, oftentimes corporations fail to live up to the representations they make in return for the money and/or subsidies, fail to add employees, fail to invest in promised fixed assets or capital improvements, and fail to attract more of their sort.

It is the existing businesses in Seattle which employ tens of thousands of Seattleites, that pay their taxes, and don't regularly threaten to move or spend their resources elsewhere if they do not receive special treatment from the City Hall, why haven't they garnered better treatment by the City? The money that the Mayor is planning on bestowing upon Russell Investments and Kinzer and company would be better spent on tax relief for small and mid-sized businesses in Seattle, or it could go towards improving public safety, transportation, or schools.

More importantly, businesses which receive tax incentives use City services just as much as the rest of the businesses and individuals that receive no such subsidy, and when coupled with the fact that Russell for example is a very wealthy business and can afford to pay its fair share, there is no reason why it should be granted relief from paying its fair share of the costs of Seattle's government.

As mayor I will stand up and say to would-be blackmailers and insider deal seekers, "my government is not for sale, nor will it be held hostage to big business's interests". I do not believe in corporate welfare, I do not believe in relieving high net worth companies from their obligation to pay their full and equitable share of the costs of government. I question why it is that if this Russell Investments is so intent on leaving Tacoma because that city is not willing to accede to Russell's attempts to shake it down, why are Nickels and his cohorts rolling out the carpet for this corporate blackmailer? Seattle does not need to make such deals with the devil, and the people and businesses already here deserve better, both in a mayor and in the type of treatment they receive from City Hall.