



[Comments](#) 23 | [Recommend](#) 3

City Hall corruption case could change way Dallas does, attracts business

01:01 PM CDT on Sunday, October 11, 2009

By MICHAEL E. YOUNG and ERIC TORBENSON / The Dallas Morning News

myoung@dallasnews.com

etorbenson@dallasnews.com

The Dallas City Hall corruption case that ended last week won't keep conventioners and tourists away, marketing experts and consultants say, but continuing ethical problems could change the way the city does – and attracts – business.

Former Mayor Pro Tem Don Hill, his wife and several associates were convicted in federal court of taking hundreds of thousands of dollars in bribes from developer Brian Potashnik and extorting many thousands more from developer James R. "Bill" Fisher.

The convictions only reinforced a reputation of South Dallas, which Hill served, as a place where developers had to "pay to play" by bribing officials for zoning approvals.

Some wonder now whether the whole city will be tainted.

In the short term, perhaps not.

Phillip Jones, president of the Dallas Convention & Visitors Bureau, said the convictions haven't been a part of his conversations with groups planning meetings here.

"It's such a local issue that people I'm talking with aren't even aware of what happened," he said. "These people want to know if they can walk from downtown hotels to attractions and restaurants, they want to know what's going on with the convention center hotel, and they want to know if there's going to be stuff for their people to do."

But Greg Bustin, head of Bustin & Co., a political consulting and public relations firm in Dallas, said the city's situation is serious. It reminded him of a quote from self-made billionaire [Warren Buffett](#).

"He said of his businesses, 'They can lose money, even a lot of it, but they cannot lose their reputation, not even a shred of it,' " Bustin said. "I think that's what Dallas is facing."

Whether Dallas joins Chicago, Detroit and other spots where official corruption is seen as part of the fabric of the place isn't really the issue, he said.

More important is how a business-seeking Dallas stacks up against competing cities and how the City Council responds to this latest ethical breach.

Some cities easily shake off problems. Atlanta's former mayor went to prison, and Portland's openly gay mayor confessed to having an affair with an 18-year-old intern and kept his job. Yet both cities retain their allure, and companies are eager to move there, consultants say.

"If your City Hall convictions are a one-off, it's not going to be that detrimental," said Dennis Donovan, head of WDCG Corporate Relocation Services in Bridgewater, N.J. "Companies looking to relocate are very sensitive about their images – they want to be perceived as good corporate citizens, and they want to be in areas thought of as good corporate environments.

"If you get a string of these kinds of things happening, then it's more deleterious."

But isolated local cases generally don't impact national perceptions, said King R. White, president of Site Selection Group LLC in Dallas.

"Corporate leaders around the U.S. don't bring these localized, single-incident issues into consideration when evaluating locations for expansion or relocation," he said.

More pressing factors

Dr. Dan Howard, professor of marketing at the Cox School of Business at Southern Methodist University, agreed that corruption cases fall well behind land costs and availability, location, a skilled and educated workforce and tax rates when companies consider a move.

"But what happens if Dallas ties with another major area on those attributes?" he said. "People go to less-salient issues. And if people get the impression that Dallas is significantly more corrupt than another area, then yes, this could have an impact.

"If you have a pattern of corruption over years from the city's leaders, business people think, 'I don't want to get in a situation of paying off politicians. If I do that, what are the implications for the business if it's exposed? And if I don't, will I be able to operate?' "

Is Dallas at that point?

"My personal opinion is yes, it has reached that stage," Howard said. "As a business professor, I talk with a lot of consumers and a lot of businesspeople. To them, this is not an isolated event.

"And when it happens repeatedly, people come to the conclusion that something is broken in city government that needs to be fixed.

"Until it is, do I want to put my business here?" he asked.

Perhaps the only upside for the city was the timing of the convictions. With the recession and continuing problems in the credit markets, real estate and construction companies have more pressing worries than the state of City Hall.

"In normal times, this would draw quite a bit of attention among developers who might be thinking about building in Dallas," said Dallas industry analyst Ron Witten. "In today's capital-starved environment, development is grinding to a halt, and I would suspect that this issue is way down the list of what developers are thinking about."

Awaiting response

Business leaders are watching for City Hall's response, Bustin said, and worrying that the changes will simply bring more rules.

Dallas sees itself as a pro-business city, but Bustin calls that "a delusion," especially over the last several years. Adding the whiff of corruption will make things worse, he says.

"These convictions tarnish the city's reputation," he said. "There was a Wharton study, done post-Enron, which concluded that a 10 percent change in a city's reputation resulted in a 25 percent drop in capitalization.

"Distrust translates into dollars lost."

Staff writer [Steve Brown](#) contributed to this report.

SCANDALS ELSEWHERE

Recent headlines in major city hall corruption:

- Tuesday:** A Jersey City, N.J., council member becomes the sixth city official out of 45 arrested to plead guilty in a sweeping corruption investigation, the state's most ambitious fraud prosecution that targeted rabbis, elected officials and developers.
- Aug. 11:** Philadelphia City Council aide Christopher Wright is sentenced to four years in prison for accepting bribes from developers. He blames alcoholism and personal problems for his acts.
- July 29:** Baltimore Mayor Sheila Dixon is re-indicted on perjury charges for allegedly failing to disclose gifts from a developer with whom she was romantically involved.
- March 23:** Former Chicago Streets and Sanitation Commissioner Al Sanchez is convicted in a hiring fraud scheme. Sanchez used forged documents to get jobs for campaign workers.
- Oct. 28, 2008:** Former Atlanta Mayor [Bill Campbell](#) is released from prison after serving part of his 30-month sentence for tax evasion. He was previously acquitted on corruption and bribery charges stemming from his time as mayor.
- Sept. 4, 2008:** Detroit Mayor Kwame Kilpatrick pleads guilty to lying under oath about his affair with his chief of staff and is sentenced to 120 days in jail. He later moves to Southlake and takes a job at Covisint.

Eric Torbenson