SUSTAINABLE ECONOMIC DEVELOPMENT: INVESTMENT IN PEOPLE, PLACE, AND BUSINESS

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“Growth for the sake of growth is the ideology of a cancer cell” –Edward Abbey, Environmental Activist and Novelist
Presentation Overview

- Framework for sustainable and holistic economic development
- Economic development financing in New York State
- Community-based economic development strategies:
  - Anchor institutions
  - Land banks
  - Neighborhood and Business associations
  - Social entrepreneurship
A Sustainable Framework

Local Job Growth and a Healthy Tax Base

Sustainable Economic Development Policies

Cycle of local reinvestment

People

Place

Business
CURRENT ECONOMIC DEVELOPMENT FINANCING IN NYS
FINANCING DEVELOPMENT

• New York utilizes tax abatements, tax increment financing (TIFS), and PILOT increment financing (PIFS)
  • These techniques are spearheaded using local Industrial Development Agencies (IDAs) and other local authorities (infrastructure authorities, LDCs, etc.)
  • Effectiveness of abatements uncertain or doubtful
  • Bonds are an incredible liability
  • Money becoming more secretive
TAX ABATEMENTS

Net Exemptions

Based on data from the New York State Comptroller, 2014. In current dollars.
Every dollar in abatements is less effective than the year prior.

Also, conflicting numbers among authorities!

Based on data from the New York State Comptroller, 2014. In current dollars.
TIF AND PIF USAGE

**Tax Increment Financing:**
- Property base value is frozen
- Bonds often issued to fund public development uses, paid with future revenues
- Taxes from excess property value goes to paying back bonds

**Assumption:** Land value increases!

**PILOT Increment Financing:**
- IDA takes land, grants it tax exempt status
- Issues bonds to pay for improvements (like TIFS)
- Payments in Lieu of Taxes (PILOTS) help cover bonds
- Makes up less than 1 percent in both IDAs and other local authority debt
Based on data from the New York State Comptroller, 2014. In current dollars.
Local Development Corporations

- Increasing investment in more private entities and take debt “off the books”

- Circumvents statutory limitations on local governments and IDAs

Data from the New York State Authorities Budget Office, 2014. In current dollars.
4 STRATEGIES FOR SUSTAINABLE GROWTH

• With public debt increasingly problematic, and with tax abatements under fire, municipalities need alternative strategies.

• Cities and community stakeholders can collaborate for growth through:
  • Anchor Institutions
  • Land Banks
  • Business Associations
  • Social Entrepreneurship
**Anchor Institutions**

- They are nonprofit or corporate entities intrinsically tied to a certain location and, thus, have an incentive to invest in their community.

- The most relevant ones are “Eds and Meds” due to the number of jobs they generate and their share of the economy.

**In NYS:**

- **Jobs:** 1.674 million in metropolitan areas

- **Share of the economy:** 18.9% economy share
Anchor Institutions: Opportunities

Local Job Growth, a Healthy Tax Base and Strong Communities

People
- Employment

Place
- Real Estate Development

Business
- Local purchasing
- Incubators
- Investment

Anchor Institutions (Eds and Meds)

Cycle of Local Reinvestment

Research and findings under the direction of Dr. Mildred Warner, Department of City and Regional Planning
Anchor Institutions collaboration

Case study: Cleveland, Ohio

University Hospitals
Government
Unions

= Strategic 5 year growth plan (1.2 billion budget)

Achievements

- 5,000 jobs
- $500 m in salaries
- 110 contracts with minority groups
- 92% local and regional procurement

General Recommendation: Local government can coordinate, generate and monitor partnerships with anchor institutions.
**Anchor Institutions: Challenges**

- In NYS real property taxes account for 44% of local government revenues.
- Non-profit exceptions account for $112 billion or 14% of NYS total exempted property value, with more cities affected than others:

<table>
<thead>
<tr>
<th>City</th>
<th>Nonprofit % of Total Exempted Property Value</th>
<th>Missed Value in thousand dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ithaca</td>
<td>70.4%</td>
<td>900,768</td>
</tr>
<tr>
<td>Syracuse</td>
<td>29.9%</td>
<td>1,568,416</td>
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<tr>
<td>Rochester</td>
<td>29.8%</td>
<td>946,588</td>
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<td>Utica</td>
<td>20.1%</td>
<td>239,030</td>
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<tr>
<td>Albany</td>
<td>17.3%</td>
<td>1,260,195</td>
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<tr>
<td>Buffalo</td>
<td>11.8%</td>
<td>2,665,961</td>
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</tbody>
</table>

Source: New York State Office of Real Property Tax Services (2013)
Alternatives to Exemptions

Agreements for Payments in Lieu of Taxes (PILOTS)

*Boston case study:*
Partnership task force set standard for PILOT contributions at 25%
✓ Boston is the city with highest PILOT revenue: 19.4m (2012)

Services in Lieu of Taxes (SILOTs)

✓ *Vanderbilt University* in Nashville Tennessee does not make a PILOT but provides police protection for areas surrounding the campus.

Municipal services: mandatory, do not exclude nonprofits
✓ *Minneapolis* imposed a fee for street maintenance and light operations based on square footage that raises $1 m (2009)
Land banks are not-for-profit corporations which acquire, manage and sell vacant, abandoned, and tax-delinquent properties.

Land Banks were passed in 2011 as state law.
Land Bank Financing

→

Acquisition of Property

→

Disposition of Property
Land Banks

Local Job Growth a Healthy Tax Base, and Strong Communities

**People**
- Affordable housing
- Public safety employee and teacher discounts

**Place**
- Real estate development
- Helps infrastructure, public and open spaces
- Safe, attractive neighborhoods
- Reduces environmental contamination

**Business**
- Supports comprehensive plans
- Reduces blight
- Stimulates business and individual investments

Land Banks

Cycle of Local Reinvestment

Research and findings under the direction of Dr. Mildred Warner, Department of City and Regional Planning
NEIGHBORHOOD AND BUSINESS ASSOCIATIONS

WHAT THEY ARE:

Formal and informal intermediary organizations which promote economic development through collective action to achieve what neither the public nor private sectors can achieve alone.

• **Traditional Form:** [Business Associations, Business Improvement Districts (BIDs)]

• **Non-Traditional:** [Neighborhood/Community/Grassroot Associations, Other Non-Profits]
Opportunities they present

Local Job Growth, a Healthy Tax Base and Strong Communities

People
- Labor force training and development

Place
- Revitalizes commercial strips
- Renovates rundown neighborhoods
- Infrastructure maintenance

Business
- Small business development
- Local inter-firm cooperation
- Administrative and business consultation services for members

Neighborhood and Business Associations
Cycle of Local Reinvestment
Case Study: Job Training

NORTHSIDE URBAN PARTNERSHIP- CITY OF SYRACUSE

- 2 main workforce training programs (Health & Construction industries)
- Has successfully trained 250 people in the last 6 years
- 85% of graduated trainees are successfully employed within The Northside Community
Social Entrepreneurship

Local Job Growth, a Healthy Tax Base and Strong Communities

People
- Provides skill training
- Creates jobs
- Social Support Programs

Place
- Lifts neighborhoods from poverty and social ills
- Community revitalization
- Sparks community cooperation and partnership

Business
- Creates and builds new local businesses
- Keeps jobs local
- Boosts local economy
- Supports business and social innovations

Social Entrepreneurship

Cycle of Local Reinvestment

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SOCIAL ENTREPRENEURSHIP

Syracuse, NY
- Leverages resources from SU + State + City + Private Foundations + Businesses + Not-for-profit corporations + neighborhood residents

Impact:
- Several initiatives
- $74,310,000 in capital investments
- 308 jobs

See Appendix for more examples
Social and financial costs of unemployment and exclusion from the workforce

• The value of a single job in the American economy is placed $52,000 per year as of 1981, and at a minimum of $80,000 per year today.

• Being able to create jobs for many of those who are otherwise locked out due to various disadvantages makes a meaningful contribution to the local economy.

Estimates from the Control Data Corporation
## Policy Goals & Outcomes

<table>
<thead>
<tr>
<th>Policy Goals &amp; Outcomes</th>
<th>Policies</th>
<th>Who benefits?</th>
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<tbody>
<tr>
<td>Provides workforce training</td>
<td>Anchor Institutions: X</td>
<td>People: ●</td>
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<td></td>
<td>Land Banks: X</td>
<td>Business: △</td>
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<td></td>
<td>Neighborhood and Business Associations: X</td>
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<td></td>
<td>Social Entrepreneurship: X</td>
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<td>Offers gainful employment</td>
<td>Anchor Institutions: X</td>
<td>People: ●</td>
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<td>Land Banks: X</td>
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<td>Social Entrepreneurship: X</td>
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<td>Creates affordable housing</td>
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<td>Social Entrepreneurship: X</td>
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<td>Facilitates real estate development</td>
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<td>Reduces reliance on social services</td>
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<td>Encourages financial self-sufficiency</td>
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<td>Social Entrepreneurship: X</td>
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<td>Fights social problems (e.g. substance abuse)</td>
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<td>Increases access to health care</td>
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<td>Supports public safety</td>
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<td>Promotes local purchasing</td>
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<td>Enhances competition</td>
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<td>Sparks stakeholder cooperation</td>
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<td>Activates community participation</td>
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<td>Promotes environmental responsibility</td>
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<td>Maintains infrastructure</td>
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<td>Reinvests in neighborhoods</td>
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* ●: People   △: Business   ■: Place
THEMES FOR DISCUSSION

• Full Report at www.mildredwarner.org/restructuring/fiscal-stress

Questions for Discussion:
• Tax Abatements: Poorly designed – Can we improve them?
• Anchor Institutions: Key asset for NY – Can we do something better than StartUP NY?
• Foreclosures and Land Banks: Can we promote revitalization of communities?
• Small Business and Social Entrepreneurship: How to make them full partners in economic development?