

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

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*December 9, 2014 at Gideon Putnam Resort, Saratoga Springs, NY*

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

- Framework for sustainable and holistic economic development
- Economic development financing in New York State
- Community-based economic development strategies:

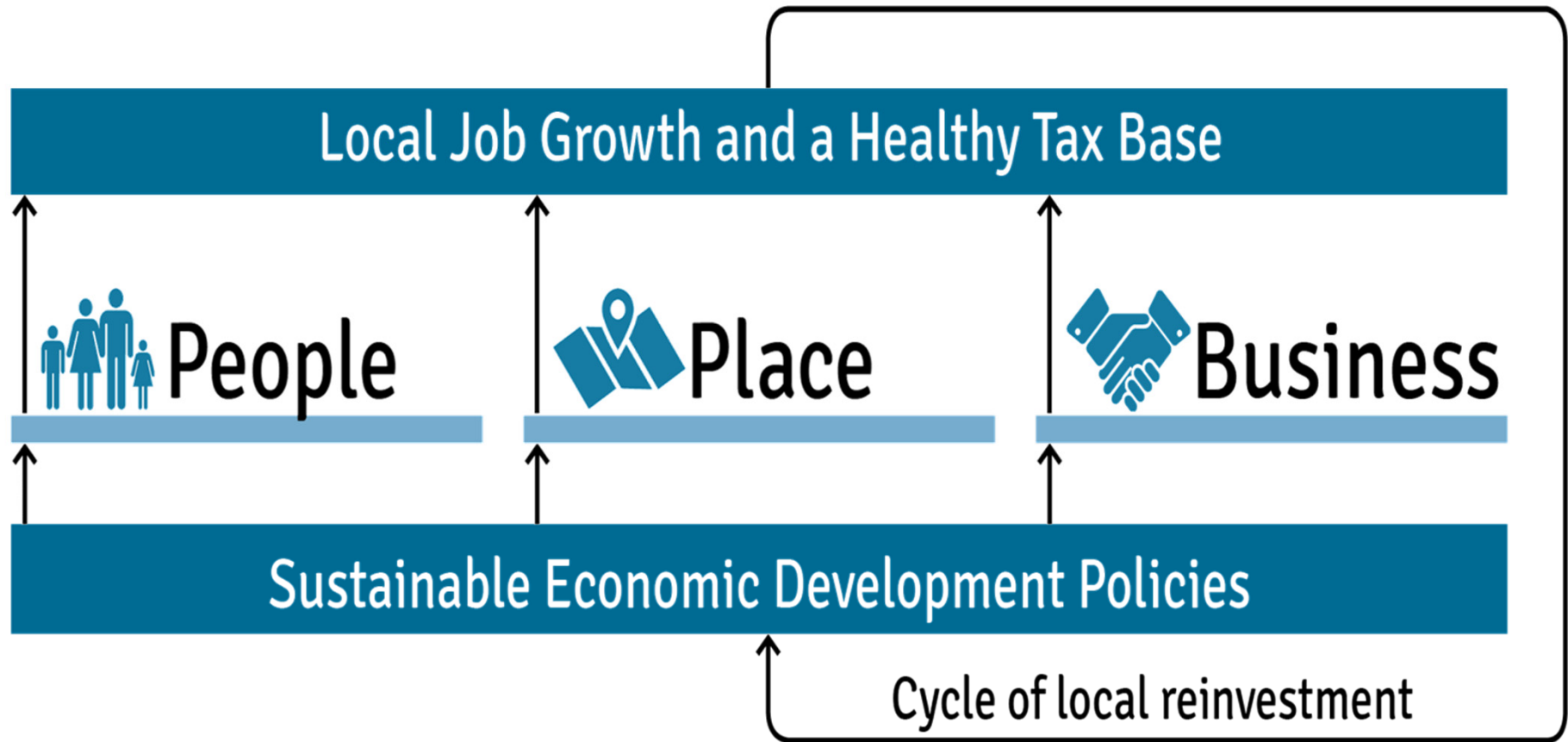
*Anchor institutions*

*Land banks*

*Neighborhood and Business associations*

*Social entrepreneurship*

# A SUSTAINABLE FRAMEWORK



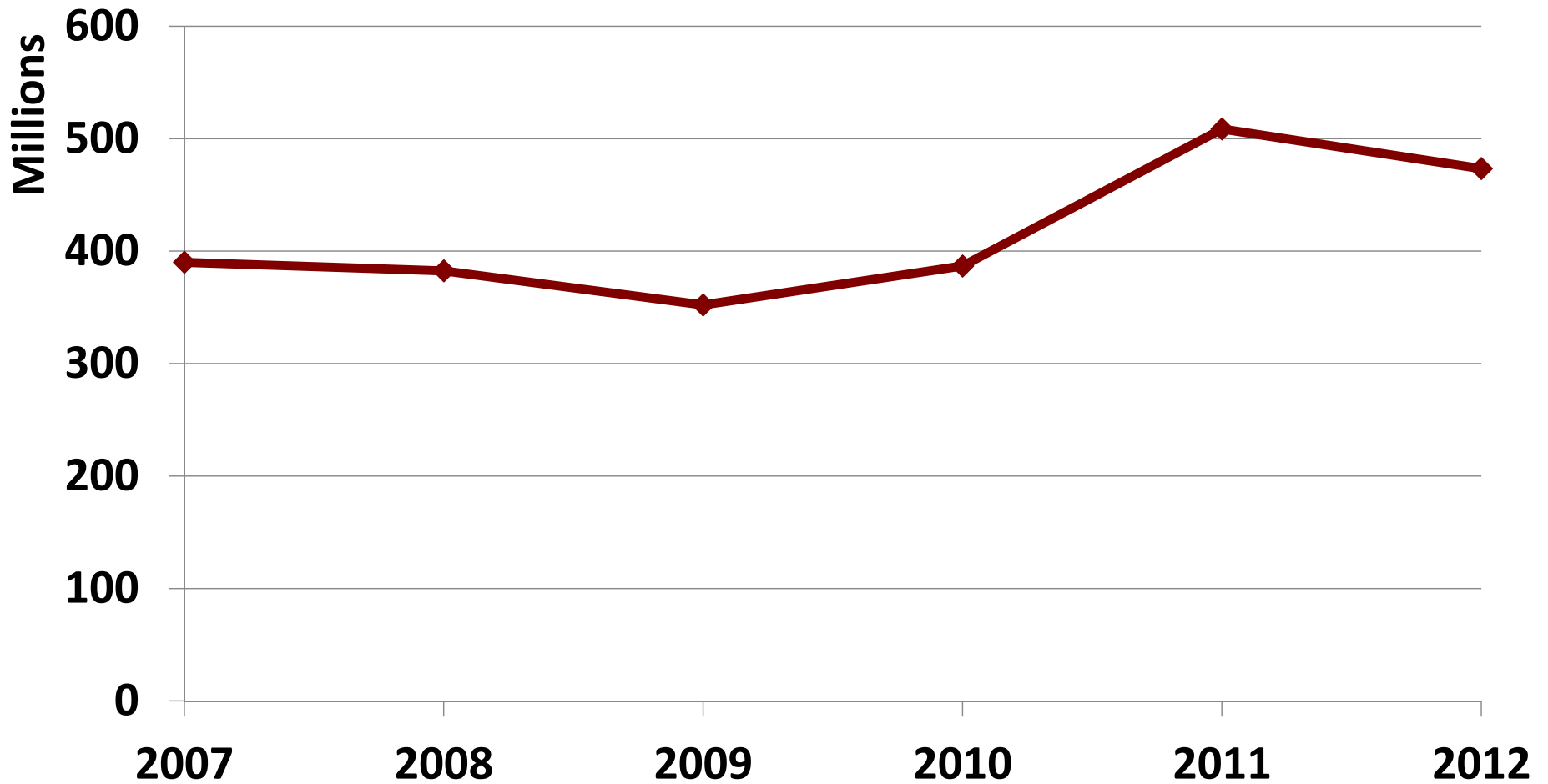
# CURRENT ECONOMIC DEVELOPMENT FINANCING IN NYS

- 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



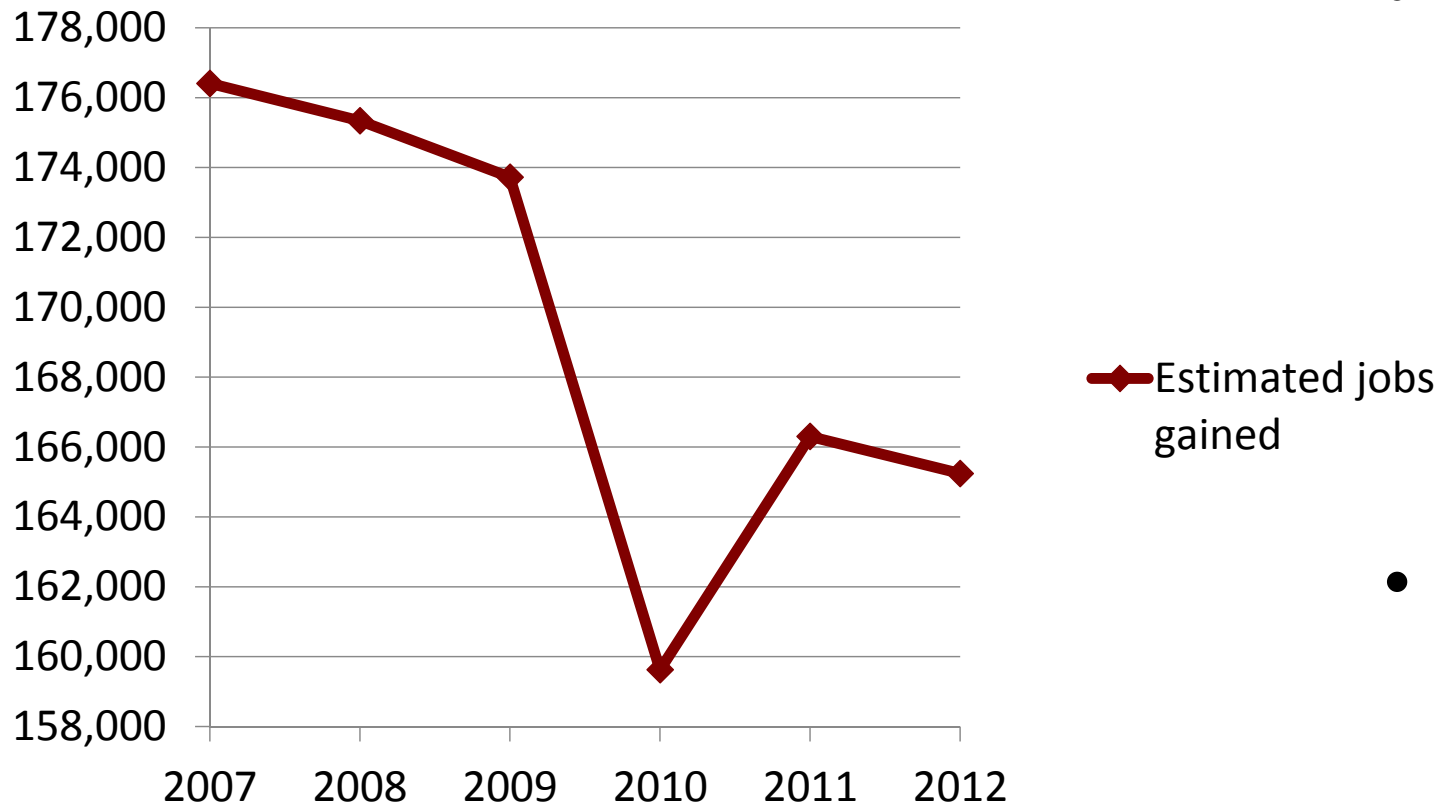
## Net Exemptions



Based on data from the New York State Comptroller, 2014. In current dollars.

# JOBS FROM TAX ABATEMENTS

Estimated jobs gained



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!



## **Tax Increment Financing:**

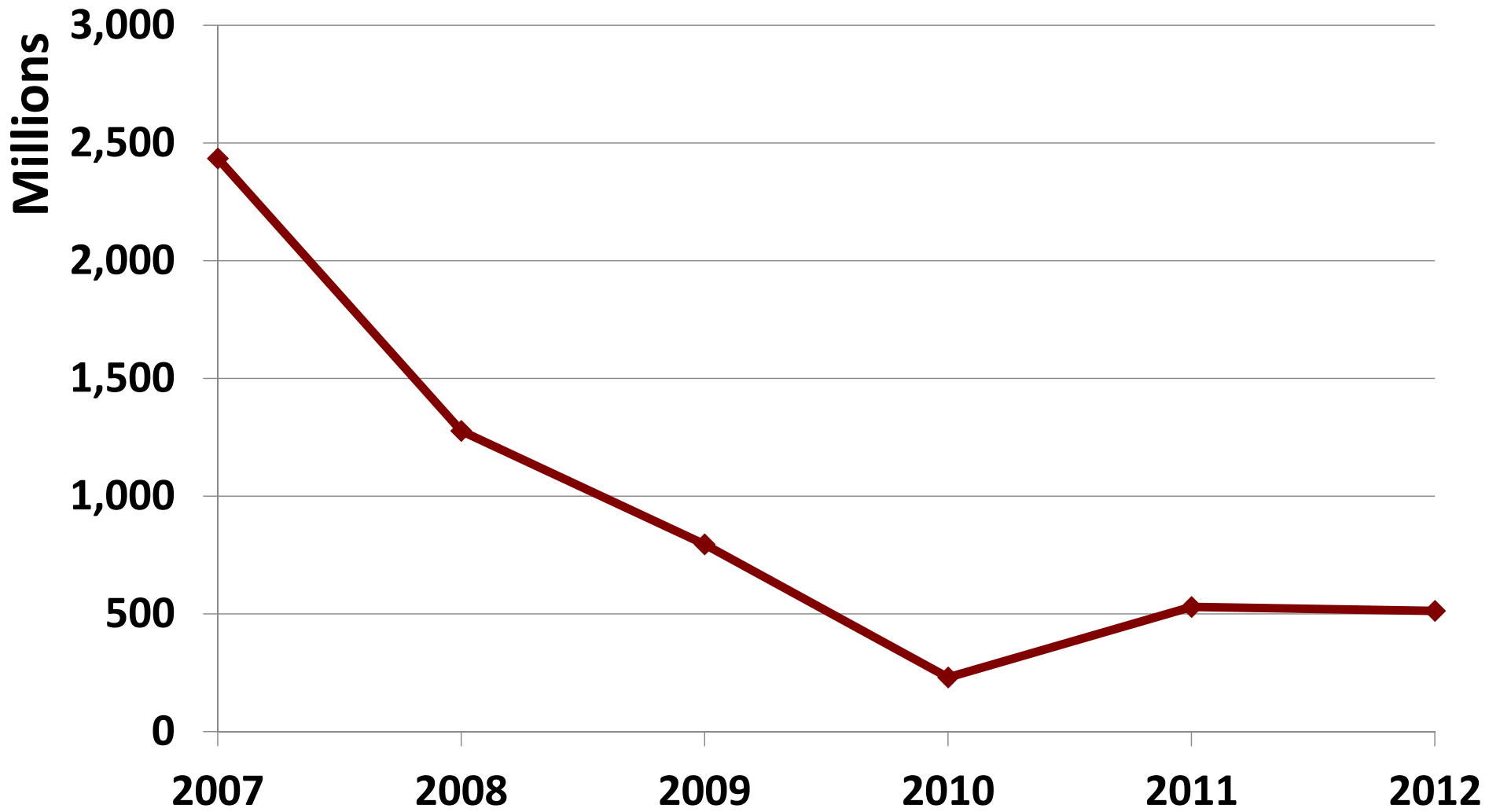
- Property base value is frozen
- Bonds often issued to fund public development uses, paid with future revenues
- Taxes from excess property value goes to paying back bonds

**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

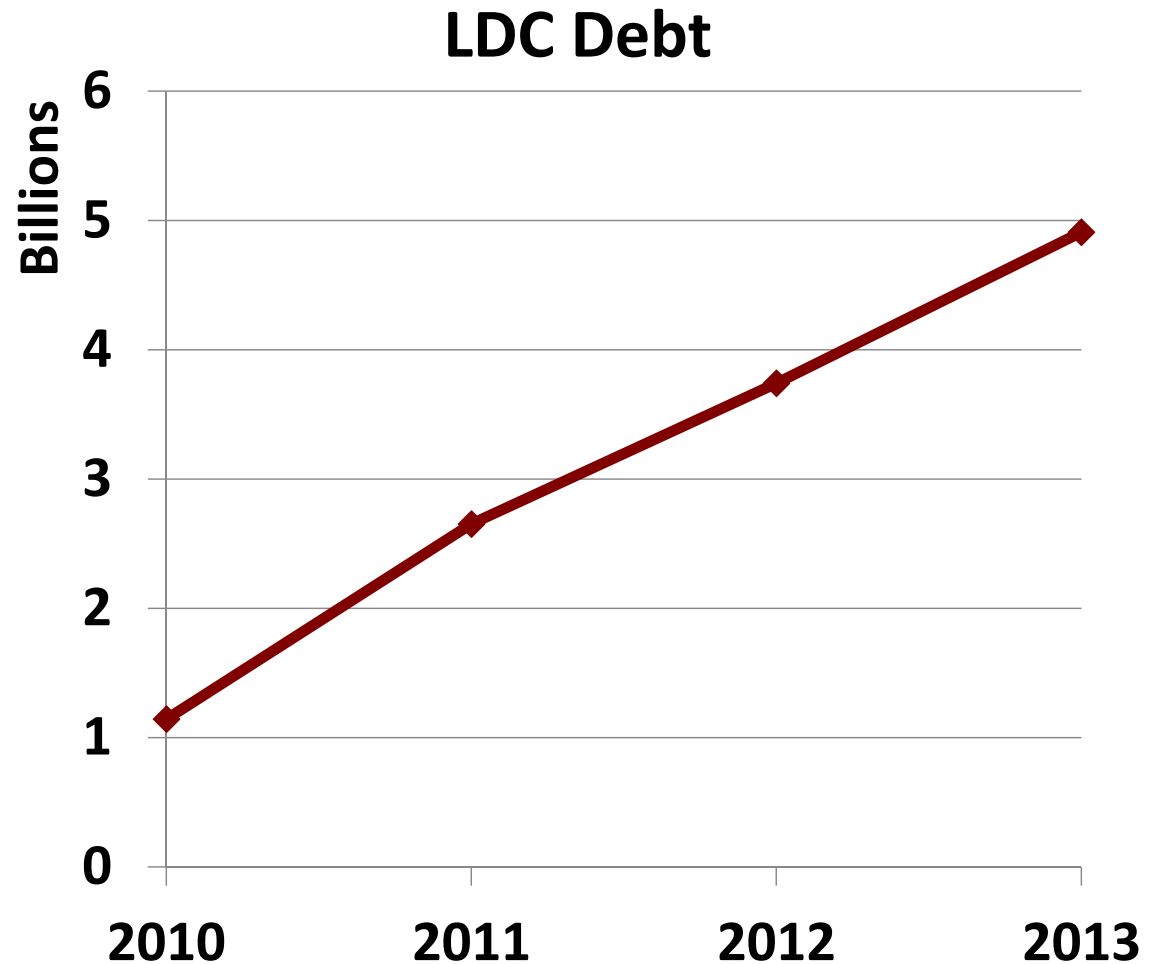
## IDA Newly Issued Debt



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.

- 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

- 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:

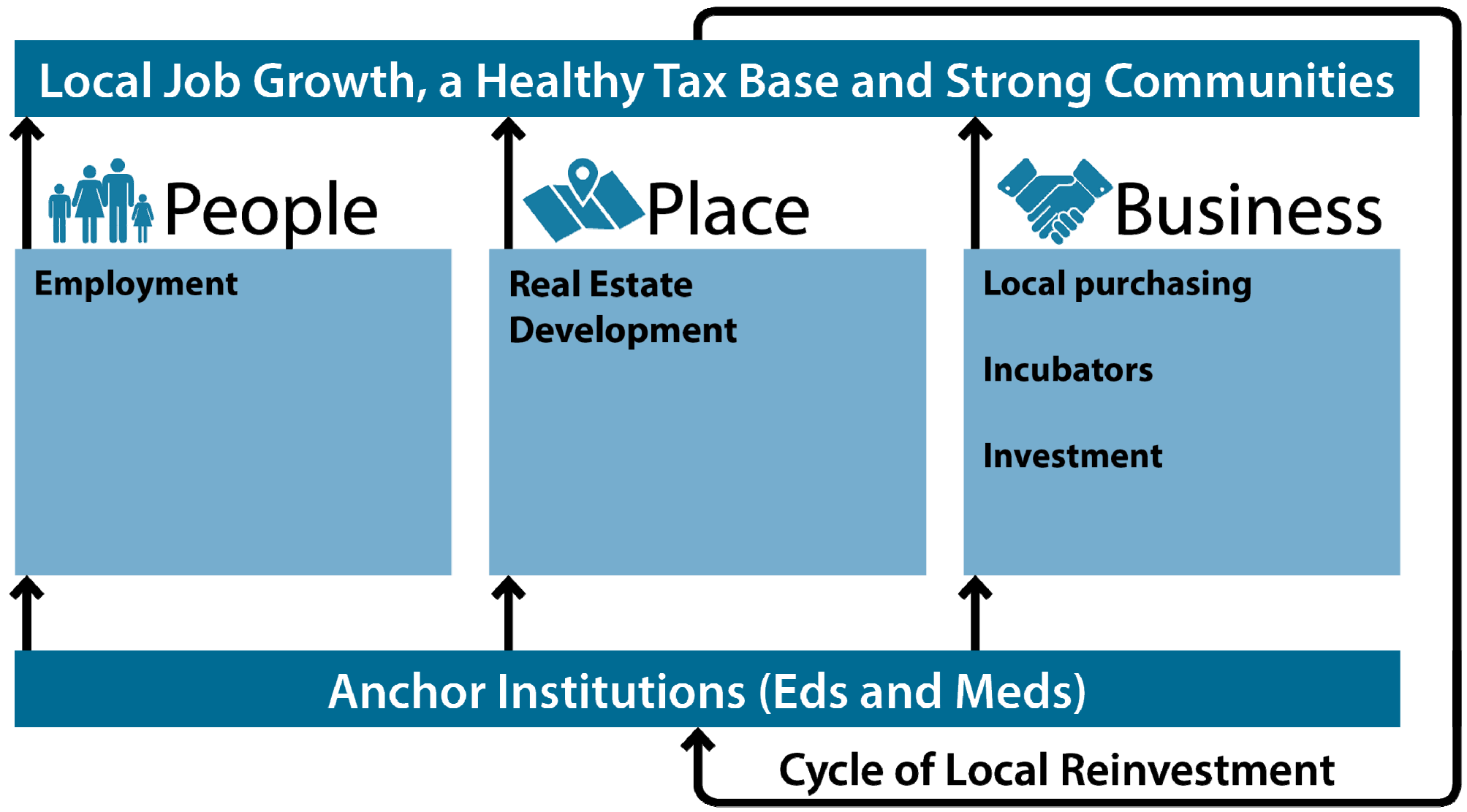
Jobs

- 1.674 million in metropolitan areas

Share of the economy

- 18.9% economy share

# ANCHOR INSTITUTIONS: OPPORTUNITIES



## Case study: Cleveland, Ohio

University Hospitals

+

Government

+

Unions

= **Strategic 5 year  
growth plan  
(1.2 billion budget)**

## Achievements

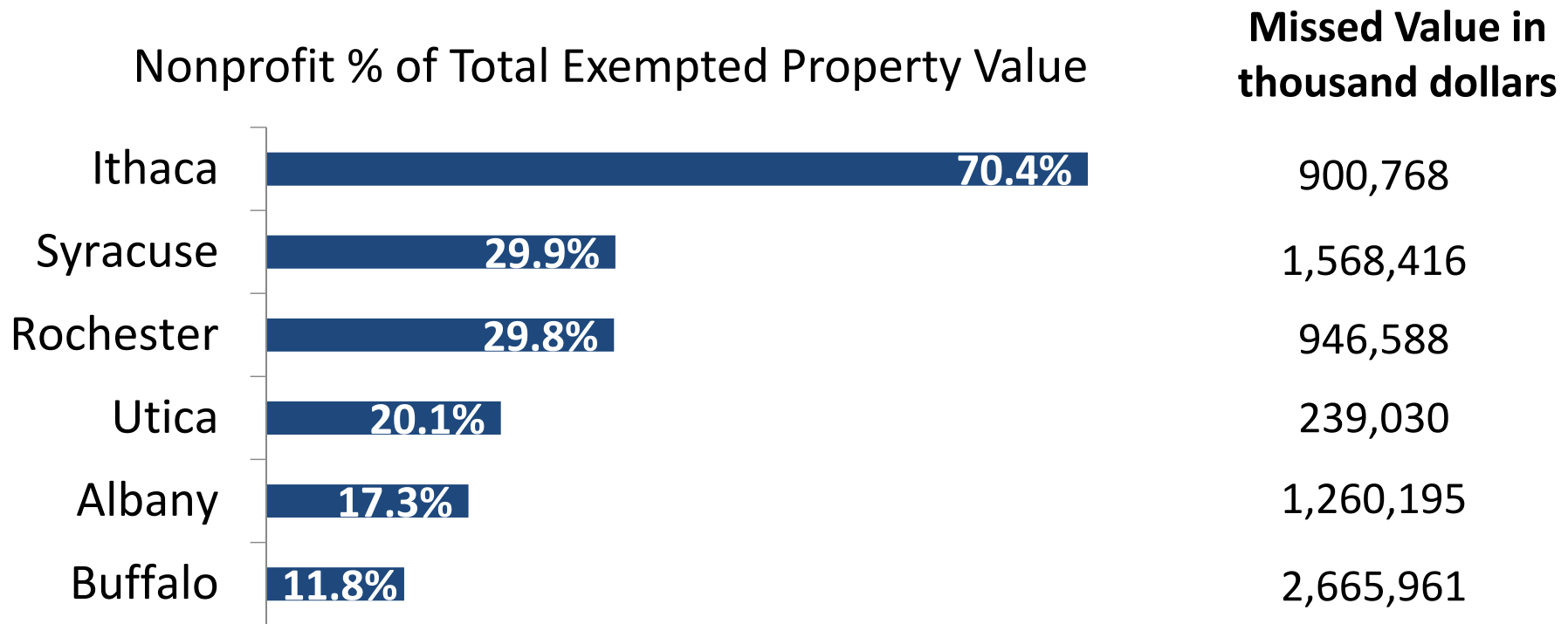
- 5,000 jobs
- \$500 m in salaries
- 110 contracts with minority groups
- 92% local and regional procurement

**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:



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



## 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.

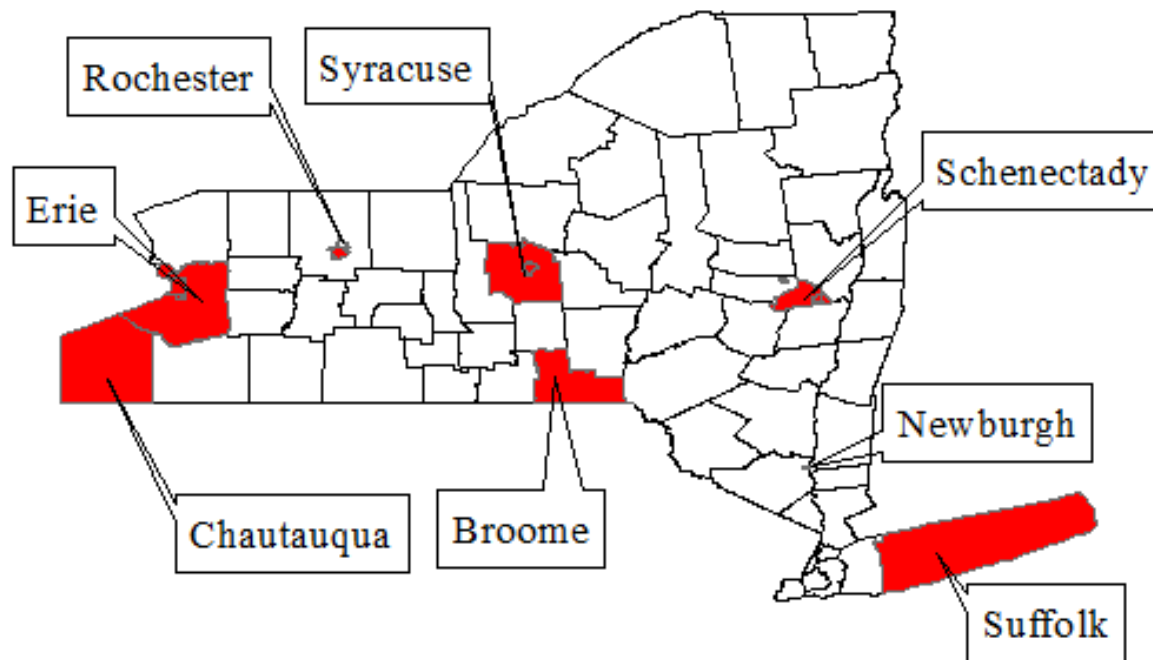
**Municipal services:** mandatory, do not exclude nonprofits

- ✓ *Minneapolis* imposed a fee for street maintenance and light operations based on square footage that raises \$1 m (2009)

# LAND BANKS

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**

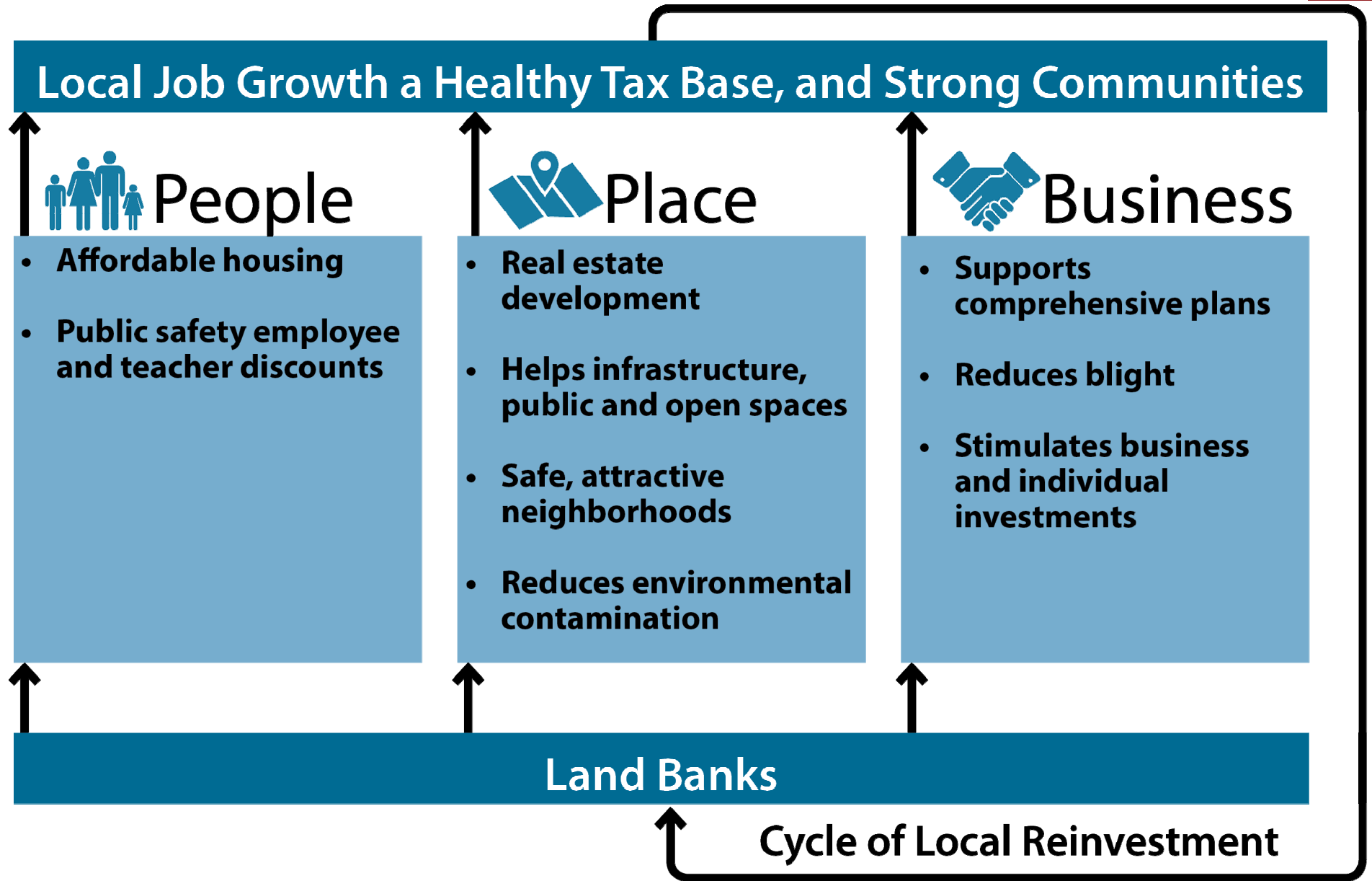


**Acquisition of Property**



**Disposition of Property**

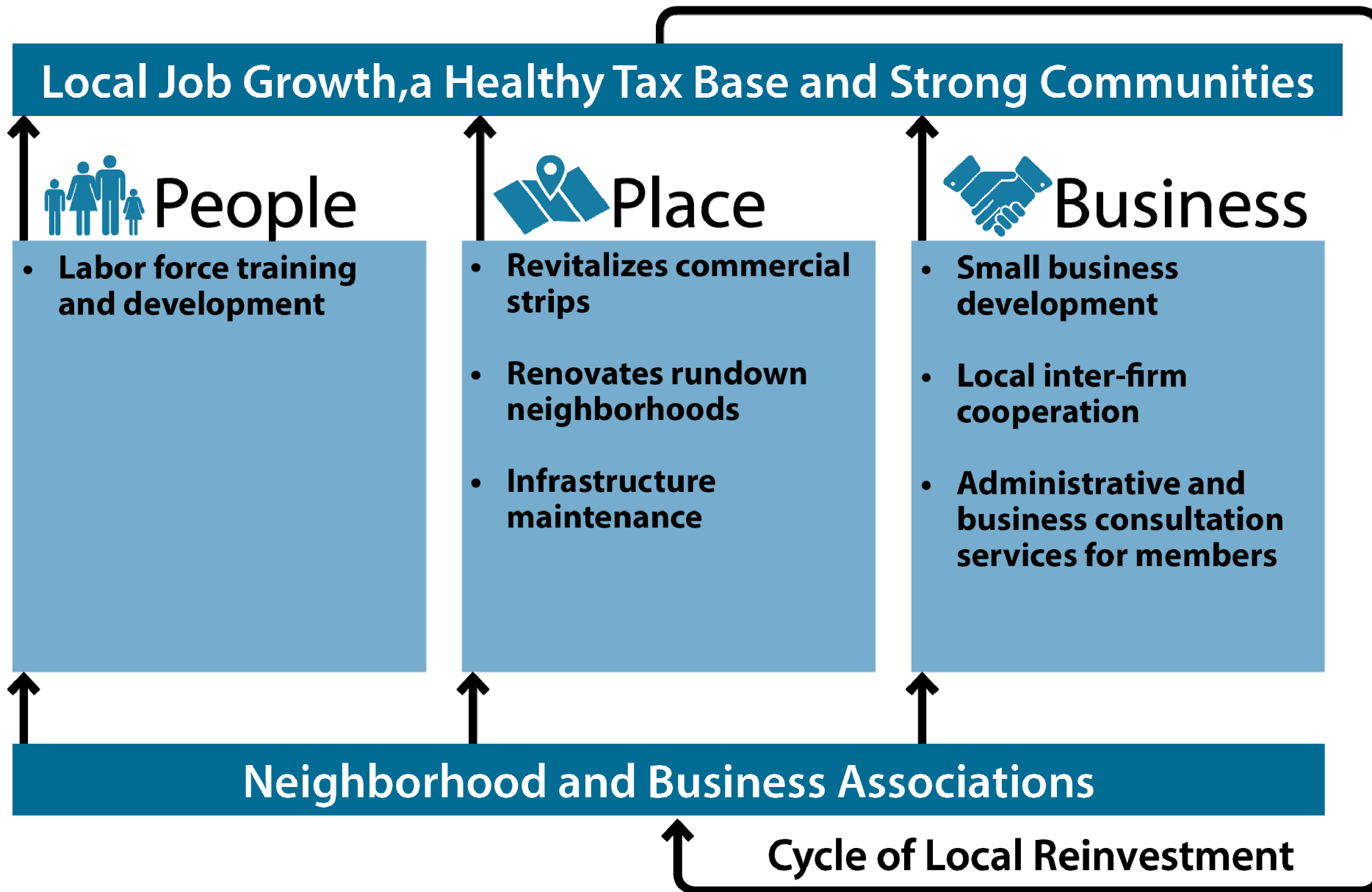
# LAND BANKS



## 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]



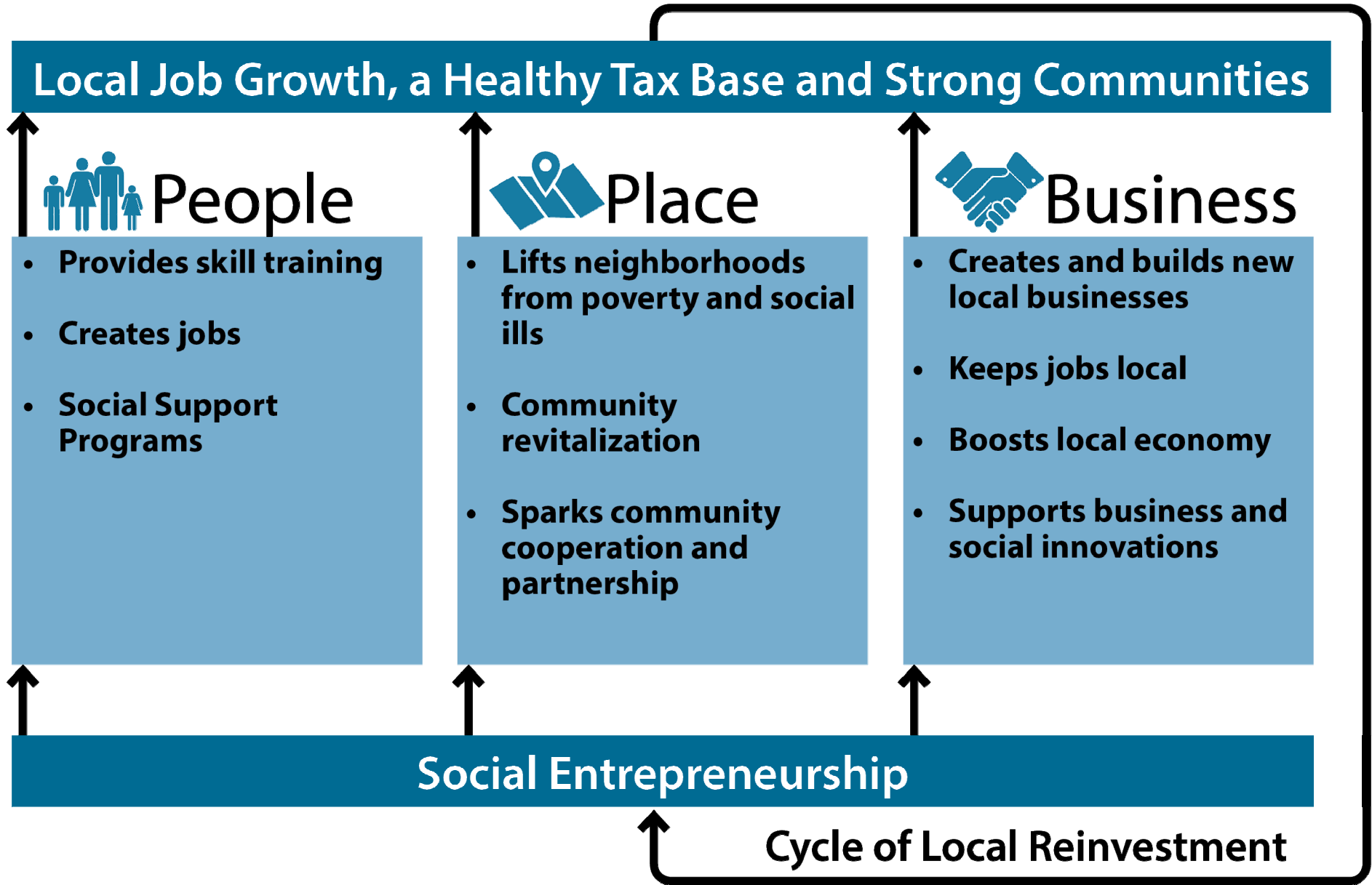
# CASE STUDY: JOB TRAINING

## 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







Syracuse, NY

## Collaborative Initiatives

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



Produced by:



**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

	Policies				Who benefits?		
	Anchor Institutions	Land Banks	Neighborhood and Business Associations	Social Entrepreneurship	People	Place	Business
Provides workforce training	X	X	X	X	●		▲
Offers gainful employment	X	X	X	X	●		▲
Creates affordable housing	X	X		X	●	■	
Facilitates real estate development	X	X	X	X	●	■	▲
Reduces reliance on social services				X	●		
Encourages financial self-sufficiency				X	●		
Fights social problems (e.g. substance abuse)	X			X	●	■	
Increases access to health care	X			X	●	■	▲
Supports public safety		X	X	X	●	■	▲
Promotes local purchasing	X		X	X		■	▲
Enhances competition			X	X			▲
Sparks stakeholder cooperation	X	X	X	X	●	■	▲
Activates community participation			X	X	●	■	▲
Promotes environmental responsibility		X	X	X		■	
Maintains infrastructure	X	X	X		●	■	▲
Reinvests in neighborhoods	X	X	X	X	●	■	▲

- **Full Report at**  
**[www.mildredwarner.org/restructuring/fiscal-stress](http://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?