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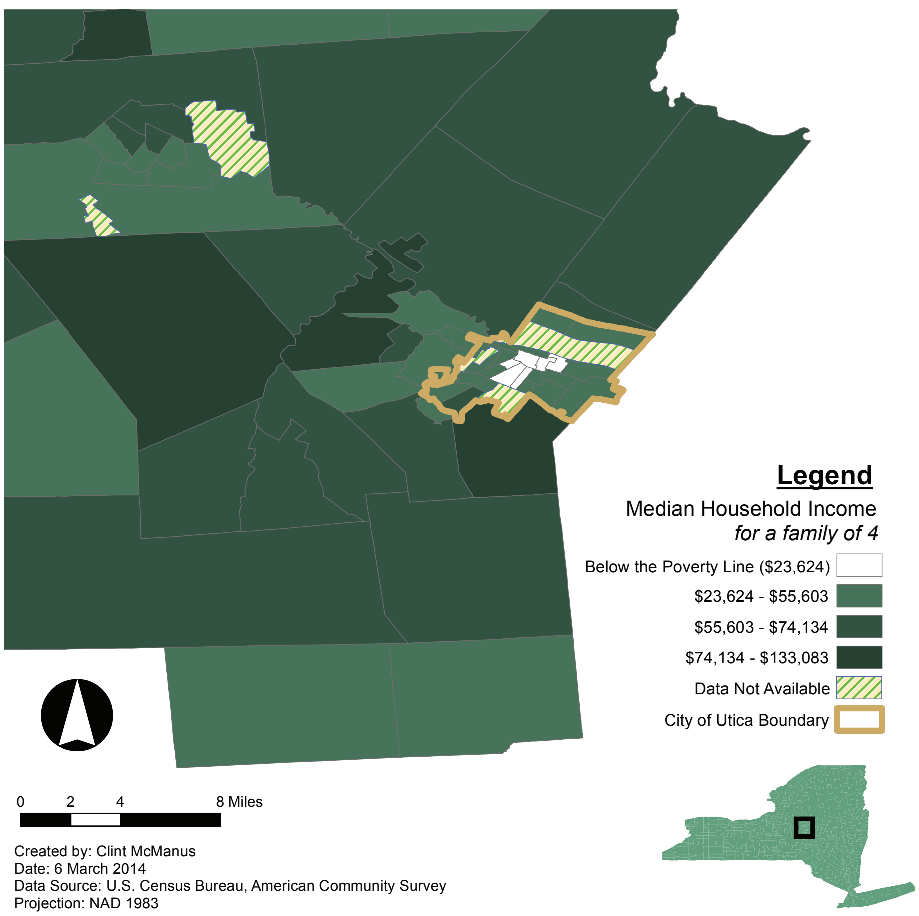
CASE STUDY 4 - MARCH 2014

UTICA: REFUGEES AND REVITALIZATION

Taking a closer look at Utica's fiscal stress and opportunities for local solutions



Oneida County Median Household Income
by Census Tract, 2012

Cornell University

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CaRDI Community & Regional Development Institute
Department of Development Sociology
Cornell University

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UTICA: REFUGEES AND REVITALIZATION

Taking a closer look at Utica's fiscal stress and opportunities for local solutions

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Executive Summary

Our paper investigates the current fiscal stress of the City of Utica within the context of its rocky industrial history and its recent financial woes. We pull from a rich narrative – told by City leaders and local media – as well as hard financial data to help us understand the causes of stress and potential opportunities for lasting revitalization. We conclude that Utica's strengths are much greater than its weaknesses. The local government must support the current activities of community organizations and residents who are paving the way for Utica's recovery. However, redevelopment is frustrated by State policies that limit local revenue-raising (tax cap), reduce State aid (AIM) in real terms, and give tax breaks to new businesses (START-UP NY). Recovery requires both innovation and revenue. While the community needs investment and commitment from local government leaders, the City of Utica could use a measure of fiscal support from the State.

Utica, once a key anchor along the Erie Canal, hosted large textile manufacturers. As in many Northeast cities, the industry abandoned Utica in search of cheap labor in the American South and overseas. Much of the City's middle-class population fled to the suburbs or followed former manufacturing jobs to other states. Utica was left with a declining property tax base, high vacancy rates in the City's center, and a large concentration of poverty.

After the decline, the City employed unsustainable fiscal practices to cope with rising expenditures and falling revenues. It sold large assets, like its water system, and used the sale money to plug holes in the budget. In response to recommendations from the NYS Comptroller in 2012, City leaders implemented more conservative fiscal practices. In fiscal year 2012, the City recorded a budget surplus due, in part, to staff cuts and renegotiated union health plans.

Utica's diverse population adds vibrancy to the region. In the 1970s, the first of many waves of refugees made the City their home. Refugee families – ultimately comprising nearly 12 percent of the Utica's population – breathed new life into the City. They continue to refurbish dilapidated housing stock and start productive small businesses in Utica.

The Utica-Rome region is also undergoing a range of economic development projects. Just north of the City, the State is investing in a new nano technology center to attract global tech firms. The SUNY IT campus in the Town of Marcy will host the new center as well as startup businesses through the START-UP NY initiative. Both projects entail tax abatements for companies, and leave local governments without a revenue boost from new property taxes.

On the other hand, renovations of the Utica Memorial Auditorium and commercial development in Harbor Point offer economic development opportunities within the City limits. Utica's leadership has an important role to play in connecting these two projects to existing efforts by local community organizations and businesses in the downtown area. Rust to Green – along with the Mohawk Valley Resource Center for Refugees, Mohawk Valley Community College and others – offer new strategies for development geared to serve Uticans without tax abatements or obligations from the State. Coordination between the City and these groups can strengthen the local economic development framework to stabilize Utica over the long term.

Introduction

Since the fiscal crisis of the late 2000s, municipal governments across the United States have confronted tough financial constraints as they bear the burdens of the housing crisis and suffer cuts to State and Federal government programs, all the while working to provide consistent public services for their constituents. The bankruptcy of Detroit in the summer of 2013 brought these issues to a head and inflamed media discussions of municipal fiscal management, public pension obligations, and local tax structures. In Upstate New York, the discussions have been particularly relevant as many of its cities suffer a long history of de-industrialization. In light of recent developments, we have taken a comprehensive look at municipal fiscal stress in Utica, New York to understand the true contextual causes and consequences of the City's fiscal burdens and its key strategies for recovery.

Utica makes an informative case. The Mayor's office and the Common Council narrowly avoided takeover by a New York State Control Board in 2012. Oversight from the State Comptroller, tough budget decisions, and Utica's resilient community keep it afloat for the time being. The real question is whether current approaches are Band-Aid fixes or sustainable, long-term strategies. In a 2007 report, the Brookings Institution recognized potential for economic revival based on Utica's physical and cultural assets (Vey, 2007). Brownfield sites throughout the City are ripe with infill development potential. The large refugee population has already reinvigorated neglected land parcels and injected Utica with new businesses as diverse as the cultures and backgrounds of their owners. The City is also fully immersed in multiple large economic development projects. It is unclear yet whether these projects will fulfill their promises to breathe life into Utica's struggling downtown neighborhoods, or perpetuate the City's history of sprawl.

Methods

In our preliminary research, we gathered information from a range of sources. The Utica Observer-Dispatch and WKTV's website lent media perspectives and narrative to the region's background. In addition, we collected a range of academic and institutional publications regarding municipal stress in the region and the impact of Utica's refugee population from sources such as Utica's 2010 Comprehensive Master Plan. For the majority of financial data, we looked to Utica's most recent financial reports with the Office of the New York State Comptroller.

After our initial research, we interviewed a variety of community leaders knowledgeable about Utica's circumstances. The interviewees gave a ground-level point of view and added to our understanding of the current circumstances. Our interviewees included:

Mayor Robert Palmieri, the Mayor of the City of Utica. He took office in 2012 and was previously a member of Utica's Common Council.

Peter Fiorillo, the Budget Director for the City of Utica. He accepted his current position in 2012, with Mayor Palmieri's administration.

Paula Horrigan, Director of the Rust to Green program, a participatory action research initiative at Cornell University that works to revive Rust Belt cities through community-driven innovative design.

Diane Shoemaker, the former Director of Community and Economic Development in Rome, New York. Since her retirement, she works as a planning consultant and has been recently hired on contract to assist Utica with grant-writing and community development.

Ron Deutsch, Executive Director of New Yorkers for Fiscal Fairness, a 501(c)(4) organization that helps local governments find smart solutions to raising revenue.

John Furman, a community leader in Utica working with Central New York Citizens in Action, a multi-issue community-based organization that advocates for low-income residents in Utica.

Caroline Williams, Community and Regional Development Coordinator of Cornell Cooperative Extension-Oneida County who has also been involved with Rust to Green.

This case study is organized as follows: we provide an overview of Utica's history and the conditions leading to its current state. We then discuss the impacts of the refugee community that make Utica so unique. Next, we analyze the current situation in City Hall: the budget, its history, and current fiscal tools. We expand upon tools for improvement by detailing the economic development strategies underway, followed by a discussion of other options for Utica. Finally, we end with questions and insights to take away from this story.

Utica's Industrial History – From Loom Boom to Rust Bust

Utica's current fiscal stress is rooted in its industrial history. The first segment of the Erie Canal was completed in 1820 and ran through the center of the City (City of Utica, 2010). The new canal brought businesses and immigrants. Polish, Italian and Irish laborers flooded Utica to work for one of the many massive textile manufacturers. By World War I the textile industry employed around 20,000 Uticans, nearly one-third of Utica's current population (Bailey, 1960). Due to decreasing government contracts and industrial migration to the South for cheap labor, the *Loom to Boom* era gradually fizzled out, coming to a halt in the 1950s.

The middle of the 20th century saw an industrial change of guard. A handful of manufacturers, including General Electric, moved to Utica and filled the void left by the textile industry. The new companies maintained Utica's industrial character, but planted roots just outside the downtown textile center. At the writing of the 1960 Master Plan, the new industry employed a healthy 40 percent of Utica's labor force. In the same document, the Planning Board expressed enthusiasm for the diversification of Utica's industry away from textiles and toward radios, tools, and metals.

The 1960 Master Plan boasted an urban renewal program for the construction of the North-South and East-West Arterial Highways near Utica's newest manufacturing tenants (1960). The Planning Board also identified the "blighted" housing stock ready for demolition around the downtown Central Business District. Like many other cities across the U.S., Utica welcomed the automobile, replacing "blighted" housing with parking spaces and transportation improvements.

As with other American cities, Utica's urban renewal plans had an overall negative impact on the community. The arterial highways split the city in two pieces and facilitated sprawl and outmigration to the adjacent towns of New Hartford and Marcy (Horrigan 2013; Furman, 2013; Shoemaker, 2013). That trend continued in the decades after the urban renewal era. The City of Utica lost 11.6 percent of its population from 1990 to 2000 while the Utica-Rome MSA only saw a 5.3 percent decline as a whole (City of Utica, 2010).

Despite urban renewal efforts, the new industries of the 1950s and 1960s followed in the footsteps of their textile predecessors and left the City for cheaper labor elsewhere. While manufacturing remained the driving force of the economy through the 1970s, it tapered off over the next two decades (Bailey, 1960). Though other manufacturers filled some of the largest vacant plants in the short term, the exodus of manufacturing in the 1980s and 1990s was irreversible. However, as manufacturing jobs disappeared, service sector jobs boomed in the region, accounting for overall low unemployment through the 1980s and 1990s (Hagstrom, 2000). In fact, between 1980 and 1998, Oneida County lost 10,400 jobs in manufacturing, but gained 19,200 service sector jobs. Despite this, the service sector could not sustain a high employment rate. The U.S. Census Bureau pegged the City's unemployment rate at 4.7 percent in 2000 and at 7.4 percent in 2012 (while the respective rates at the state level were 2.7 and 4.6 percent).

Today, simple demographics show de-industrialization's impact on Utica. In the fifty years from 1960 to 2010, the population of the City dropped by nearly 40 percent from just over 100,000 in 1960 to 62,235 in 2010 (Office of the New York State Comptroller, 2013a). While Utica's median household income sits just above $32,000 per year, the median family in Utica's largest suburb, the Town of New Hartford, earns $57,000 (United States Department of Commerce, 2013). The Town of Marcy – a ten minute drive from downtown Utica – enjoys a median household income of $70,000. The latest U.S. Census figures also reveal a stark urban/suburban contrast in poverty levels, with 29.1 percent of Uticans living below the poverty line compared to only 7.4 and 4.5 percent for the towns of New Hartford and Marcy respectively (2010 Decennial Census).

If we take a closer look at the neighborhoods in the center of the City – Downtown and Cornhill – the disparities are even greater. According to the 2010 Master Plan, the Downtown and Cornhill neighborhoods lost the largest percentages of population from 1990 to 2000 (City of Utica, 2010). The median household income for Downtown is $18,363 and for Cornhill is $25,426, reflecting a similar trend in many Rust Belt cities.

In cases of inner-city decline, the upper- and middle-income residents relocate to the suburbs while the poorest households are left behind to cope with the negative impacts of a thinning population. The people that stay are generally more dependent on social services than those that leave. According to the Census Bureau, 56.6 percent of children in the City of Utica live in a household that receives SNAP (food stamps), Supplemental Security Income (SSI), or cash public assistance. In Oneida County as a whole, that number is only 30.1 percent (2010 Decennial Census). Without a tax base of medium- and high-income households, Utica's government confronts both a population and a municipality in need of assistance.

The combination of interrelated factors like suburban flight, declining industry and the ascendance of the automobile left a large number of downtown parcels vacant. More than 1 in 5 homes in Downtown and Cornhill sit empty (City of Utica, 2010). Many former business fronts are also shuttered. Ron Deutsch notes that the "downtown area continues to have tons of vacant commercial property and boarded up stores" (2013). The 2010 master plan recognizes the large number of empty residential and commercial properties. While these brownfield sites pose a huge challenge to redevelopment, they also present fresh development opportunities, such as mixed-use zoning (Horrigan, 2013; Furman, 2013; Williams, 2013: Palmieri, 2013).

Refugee Revitalizers

Utica's immigrants and refugees have been widely portrayed as both a source of pride for the City and a boon to its economy. Over 13,000 refugees bring their diverse backgrounds, rich cultures, and entrepreneurial drive to Utica. The influx of refugees began in earnest with the Mohawk Valley Resource Center for Refugees (MVRCR)'s integration efforts in 1975. Since then, refugees from 31 countries – places such as China, Vietnam, Somalia, Sudan, and Iraq – have made Utica their home. In 2012, 17.6 percent (10,919) of Utica's population was foreign born (U.S. Census Bureau, 2014)[2]. At its peak intake level in 1997, MVRCR

[1] As a reference, the median household income of all New York State cities (excluding NYC) is $37, 607 (Office of the New York State Comptroller, 2013b).

[2] This percentage includes both refugee and non-refugee immigrants.

welcomed over 1000 Bosnians and an average of 500 per year between 2007 and 2011 (Reilly, 2014). According to a report commissioned by MVRCR, the Utica community is very welcoming of the refugee population, with 69 percent of Greater Uticans affirming that immigration has been a good thing for the region (Zogby, 2013).

The refugee population has, in turn, given back to Utica. For one, they counterbalanced much of the City's population loss to the Sunbelt and the suburbs. Utica recorded a net population growth between 2005 and 2010 (due primarily to immigration) after four straight decades of decline (Zogby, 2013). Refugees have taken up residence within the City itself, often buying and refurbishing houses that have fallen off the tax rolls (Hagstrom, 2000). In a 2008 study of services for refugees, Utica College's Scott Smith interviewed several of the City's community and social service employees. When he asked them what refugees had contributed to Utica, all of the 35 interviewees mentioned revitalization of Utica's blighted neighborhoods (Smith, 2008). Thus, not only are refugees raising the value of the housing stock by cleaning up dilapidated properties, but they are also increasing the City's property tax revenues. In addition, they support Utica's small business community by opening new restaurants and other start-up ventures. Though it is difficult to find the exact number of refugee owned businesses, Starting Over (a SUNY IT program that follows refugee participation in Utica) maintains an informal map of refugee places of worship, support centers, and businesses that shows the vast majority of refugee-owned businesses are in and around the Downtown and Cornhill neighborhoods (Reilly, 2014).

The refugee population is also relatively young and continues to fill job vacancies left by Utica's aging workforce (Chanatry, 2006). Contrary to popular belief, refugees do not typically compete with native residents for jobs. Because of their limited language ability, refugees and immigrants often seek manual labor jobs rather than professional-level positions (Hagstrom, 2000). The first wave of refugees fortuitously coincided with the flood of service sector jobs in the 1980s and 1990s. As manufacturing jobs and manufacturing skills left Utica, a new sector and new immigrants made the City their home.

Although Utica's immigrant population does put pressure on social services, the City of Utica is not fiscally responsible for most of those services. Oneida County helps to fund most social programs, with support from the federal government. In spite of the costs, Professor Hagstrom of Hamilton College found that refugee families bring long run net benefits to the area. The region's highest refugee-related expenditures involve educating refugee children in English and providing supplemental education to compensate for any years of schooling they missed in their home countries. Per pupil spending on immigrant children in the late 1990s was $179 per year more than the average per pupil spending in the Utica School District (2000). Even so, in an interview with NPR, Hagstrom claimed that, within 12 years, refugees make up for the cost of their early support[3] (Chanatry, 2006). More than three decades have passed since the Mohawk Valley Resource Center for Refugees first opened its doors. If Hagstrom's numbers are correct, most refugee families have been a net benefit to Utica's economy for quite some time.

Current Fiscal Situation – From Crisis to Stability?

The City's fiscal challenges go hand in hand with the physical and demographic shifts of the last few decades. Without a stable tax base, the City's leadership has been pressured into difficult and oftentimes shortsighted decisions regarding revenue and expenditures. Though it required deep spending cuts, the local government managed to adopt a balanced budget for both 2012-2013 and 2013-2014 (Fiorillo 2013).

In past decades, Utica's government used unsustainable policies to balance the sheets. Namely, the City plugged budget holes with its Water Trust Fund without a plan to replenish what was spent. In 2005-06, the Water Trust totaled $9 million. By 2012, it was down to $1.3 million. According to Utica's Budget Director, Peter Fiorillo (2013), previous administrations used this trust money to avoid raising tax rates. In response, the New York State

[3] Hagstrom used a fiscal analysis to calculate these numbers in 2000. A fiscal analysis only accounts for the cost to the public that is offset by tax revenue. Any additional benefit to the quality of life that is offered by new refugee businesses or renovations of existing buildings are not calculated in a fiscal analysis. Those numbers are left for cost-benefit analyses. If we extrapolate from our interviews that refugees have actually benefited the City via new businesses and rehabbed homes, then the refugees make up for their social service costs in fewer than 12 years.

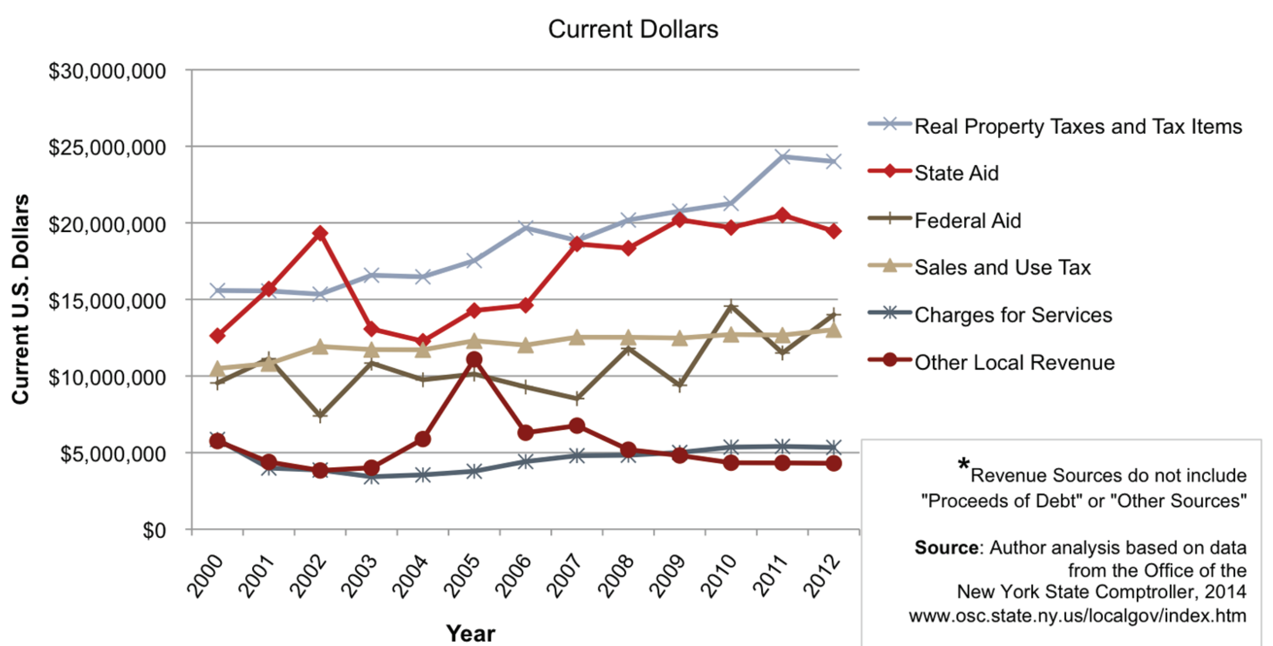
Comptroller threatened to impose a control board during the 2012-2013 fiscal year. Upon review of the City's budget, the NYS Comptroller's office decided against stepping in, but still offered strong recommendations (Office of the New York State Comptroller, 2013a). The Comptroller urged Utica to stop draining the Water Trust Fund and encouraged City leaders to expand contingency funds – for use in emergencies – from $300,000 to $3.3 million. Even with these recommendations, the NYS Comptroller worries that Utica faces a tricky budget situation in the foreseeable future (2013a). In addition, Moody's downgraded Utica's bond rating twice in 2012, making any short-term debt much more costly.

Revenues: Reliant on Property Taxes

In 2012, the City of Utica received $80,136,774 in revenue, which it gathers from property and sales taxes, service fees, and federal and state aid (Office of the New York State Comptroller, 2013c). According to the NYS Comptroller, Utica leans more heavily on real property taxes and state aid as a percentage of its budget than other cities in the state, a trend confirmed by Budget Director Fiorillo (2013a; 2013). In 2012, its real property tax receipts comprised 27 percent of revenues. That same year, total state aid accounted for 24 percent of revenues, down from a high of 28 percent in 2009. Fiorillo noted that sales tax is one part of revenue that has great potential to improve over the next ten years as the area's economic development projects reach maturity. Looking at the numbers, however, sales tax revenue *as a percentage* of total current dollar revenues has been steadily declining since 2002 (Chart 1). In constant dollars, sales tax revenues are actually decreasing in value *and* percentage of overall revenue *(Appendix Chart A-1).*

Utica's real property tax receipts increased dramatically from $13,605,429 in 2000 to $21,992,197 in 2012 (Office of the New York State Comptroller, 2013c). Rising property tax rates and the recovery of property values after the housing bubble burst in 2008 account for most of this growth (Office of the New York State Comptroller, 2013a). Despite this upward trend, nearly 37 percent of Utica's parcels remain tax exempt compared to 32 percent for the median city in New York (Office of the New York State Comptroller, 2013b).

CHART 1: City of Utica Revenue Sources* 2000-2012



Swimming Against the Stream of State Policy

Utica's reliance on real property tax revenue is especially important in light of three recent statewide policies. Governor Cuomo introduced the first of these policies – a tax cap for local governments outside New York City – in 2011. The tax cap prevents municipalities from raising their local property tax rate by more than 2 percent or the rate of inflation (whichever is lower) unless a majority of the voters override it (Office of the New York State Comptroller, 2012). When we asked Mayor Palmieri for his thoughts on the tax cap, he noted the difficulty in planning for the medium and long term without the ability to raise property tax revenue (2013). Leading up to the 2012-2013 budget, Utica's Common Council overrode the tax cap, permitting a 10 percent increase of the property tax levy (Office of the New York State Comptroller, 2013a). Budget Director Fiorillo (2013) considered the increase necessary to keep essential programs running and to prevent continued staff layoffs. However, for the 2013-2014 budget[4], the Common Council did not approve Mayor Palmieri's proposed 3.75 percent tax levy increase and instead decided to stay under the tax cap rate at 1.99 percent (Donovan, 2013). Seeing that raising taxes is one of Utica's few available tools for combating fiscal distress, the tax cap has pushed the City to other options.

The second statewide policy – a freeze on Aid and Incentives for Municipalities (AIM funds) – also leaves cities with a smaller revenue stream (Office of the New York State Comptroller, 2013b). The freeze on this state aid is intended to help New York State manage its finances. However, for local governments the impact is harsh: AIM funds comprised 83 percent of all state aid in Utica's 2012 budget (Office of the New York State Comptroller, 2013c). Ron Deutsch (2013) of New Yorkers for Fiscal Fairness says the tax cap and frozen state aid are squeezing municipalities from both ends. The tax cap prevents local governments from raising revenue, while static or decreasing AIM funds freeze municipalities' relief valve[5]. These two policies directly limit the two largest sources of income in Utica's budget.

Meanwhile, the State has also devolved responsibilities to local governments, meaning the local government must pay for more programming with less money. The crime abatement initiative known as Operation IMPACT provides a good example of this devolved responsibility. At the moment, New York State is channeling IMPACT dollars to local governments, including Utica, to fund a number of crime-fighting initiatives (LaDuca, 2013). The State has warned that the funding may end soon, yet the programs are built for the long term. Ultimately, Utica and Oneida County will have to assume the costs of maintaining the program.

In addition to the tax cap and AIM squeeze, some of the state's economic development initiatives have blocked typical revenue channels for local governments. Cuomo's administration encourages business growth via widespread tax abatements across the State. Through this third policy – START-UP NY (SUNY Tax-free Areas to Revitalize and Transform Upstate NY) – any qualifying business can establish itself on state-owned university property (Office of the Governor of the State of New York, 2013a). The "startup" companies that locate or relocate to these properties are exempt from paying business, corporate, state, local, sales, property, and franchise taxes for 10 years. Their employees will even be exempt from income taxes. State mandated tax abatement incentives for outside businesses can make it more difficult for existing small businesses – who do not receive similar special treatment – to compete. Deutsch (2013) from New Yorkers for Fiscal Fairness explains that "oftentimes you end up setting up an uneven playing field where local businesses who have been struggling now have to compete with a new business that's coming into town that doesn't have to pay any taxes."

As a result of this program, sales and property taxes paid by new employees will be the only added sources of revenue to any local government in the region. Originally, the two available START-UP NY sites within the area were located at the SUNYIT campus in Marcy, ten minutes from downtown Utica (START-UP NY, 2013). There is no guarantee that new employees in the Marcy START-UP NY

[4] As we mentioned previously, the 2012-2013 budget was balanced.

[5] The decline of state aid in constant dollars can be seen in Chart A-1.

sites will live or shop in Utica. However, the State has now slated Mohawk Valley Community College property in the West Bagg's Square area of downtown as ripe for a START-UP NY building (Horrigan 2014). This part of downtown, to be discussed in depth later, is one of the main areas where fast-paced, community-led redevelopment is turning tax-exempt parcels into productive, tax-raising local businesses.

Since this program is in an embryonic stage, we can predict neither which companies will locate in the Mohawk Valley Region, nor where new employees will choose to reside. The benefits of the program are unknown, but a decade's worth of forgone tax revenue from any "startups" does not help the Mohawk Valley Region meet the needs of a thinning population. From Budget Director Fiorillo's point of view, such large tax abatement programs like START-UP NY can be helpful for the City's bottom line *if* the programs actually do what they promise. Yes, job growth can spur sales tax growth and increase property values over the long run. However, long run property tax increases outside the city limits do little to help the City.

Other sources of revenue for the local government include federal funding for social programs like Section 8 housing vouchers and Community Development Block Grants (CDBG) (City of Utica, 2013). Although any city may apply for a number of state and federal grants, Utica currently has no grant writers staff (Fiorillo, 2013). To fill this gap, Utica is contracting Diane Shoemaker to replicate successful grant project funding in Rome (Utica's neighbor to the west). When we interviewed John Furman from Central New York Citizens in Action, he indicated that past fiscal crises in Utica motivated community leaders to apply for community development funds like the CDBGs (2013). Both Furman and Fiorillo lamented that community development money is increasingly difficult to obtain. Furman emphasized that neither large economic development projects nor small community development grants are silver bullet solutions to fiscal stress. A strategy for revenue should include a healthy mixture of both.

Expenditures: A Shrinking City with Growing Costs

The remaining residents within a shrinking city's boundaries are typically the ones most in need of services. Moreover, although Utica's population has declined, it must maintain municipal functions across the same physical area that it did in the 1960s. The police and fire departments must cover as much ground as they did when the population surpassed 100,000. The water lines must reach just as far, and the same mileage of road must be maintained. This means that Utica is limited in the ways that it can cut expenditures. Still, the Mayor and the Common Council were able to find enough wriggle room in the municipal budget to gut $3,000,000 between 2012 and 2013 (City of Utica, 2013).

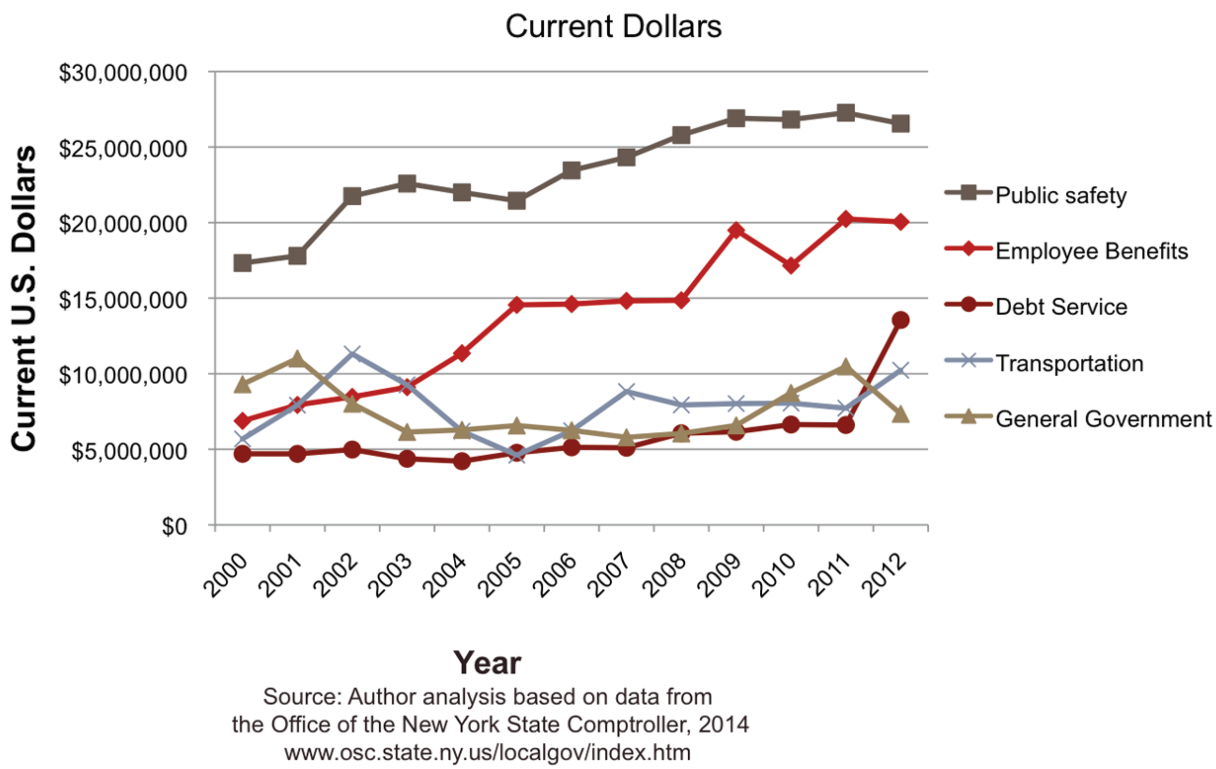
It is important to note that the City itself is not responsible for all services. Unlike the big Upstate cities – like Syracuse, Rochester and Buffalo – the local government does not make mandatory transfer of property tax revenues to the City's school district (City of Utica, 2013). Utica School District runs independently, and is facing budget challenges and tax cap pressures of its own (Cluckey, 2013). Meanwhile, Oneida County is responsible for many social services and Medicaid. Despite its large social service mandate, the County has managed to remain in the black for the last several years (Geruntino, 2013). Although the school district and county are both important actors in the region, this paper focuses on the financial challenges of the City of Utica itself.

We observed several key trends when we looked at the City's budget between 2000 and 2012. In 2012, expenditures from the NYS Comptroller's report totaled $92,086,753. The City's five largest expenditures occupy 84 percent of the budget and include public safety, employee benefits, debt service, transportation, and general government in that order[6] (*Chart 2, Chart A-2*) (Office of the New York State Comptroller, 2013c).

Both the police and fire departments are unionized in Utica and hold fast to the rights they have gained over the years. Budget Director Fiorillo noted that the City's hands are often tied in negotiation with unionized labor, making

[6] These categories are determined by the Office of the NYS Comptroller.

CHART 2: City of Utica Top 5 Expenditures 2000-2012



some of the largest cuts difficult. The Triborough Agreement in the New York State Taylor Law is partly to blame. It states that any labor dispute that reaches a stalemate will revert back to the previous agreement. Utica's unionized labor also enjoys other benefits. For example, the fire department has a minimum staffing requirement that mandates 24 firefighters be on duty at any given time (NEWSChannel 2 Staff, 2013a).

While the city has brought police and fire expenditures into balance, health and pension costs have steadily risen (*Chart A-3, Chart A-4*). The Mayor and budget director listed these two employee obligations as important fiscal pressure points on the City's budget (Palmieri, 2013; Fiorillo, 2013). The Mayor observed that, ten years ago "the health and pensions obligations were $7.9 million and in this year's budget it's close to $20 million."

When we asked him what tools the City has to address its budget woes, Mayor Palmieri (2013) said the only option is to cut expenditures to a level that will still allow for economic development. In 2011, the City was able to cut expenditures to the break-even point. The deepest cuts were related to personnel expenditures. By the Mayor's estimate, the last two budget rounds cut 110 staff positions.

Still, the City has been successful in finding some creative solutions outside of simple staff cuts. For one, the City arranged a committee on healthcare between local government and three of the public sector unions (Fiorillo, 2013). According to Fiorillo, the negotiations of this committee led to a slight decrease in health insurance premiums for the first time ever (a huge success in light of the typical 8 to 9 percent increase in past years). The City also offered early retirement incentives to firefighters and restructured the ranking system for the police department, both of which saved money. Though controversial, the Common Council did manage to secure cuts to overtime allotment for Police, Fire, Public Works and Parks Department employees (Donovan, 2013), helping cut growth in the payroll.

Though Utica has been innovative in its approach to its unions, it has not been proactive in sharing services or contracting services out. The Town of New Hartford allows Utica to store its snow salt in their silos, but the budget director admitted that service sharing is informal and negligible at best (Palmieri, 2013; Fiorillo, 2013). To be clear, it is impossible to know whether or not service sharing or contracting more services would generate huge savings. Many municipalities save money by sharing or contracting sanitation and water utilities, but the City of Utica released both of those services to public authorities that run entirely independent of the City. These are overseen by the State Authorities Budget Office and have appointed, not elected, boards. The largest of these authorities is the Upper Mohawk Valley Regional Water Board. The City sold its water system in 1996 and created the Water Trust Fund from the revenue (Ackerman, 2009). Utica also sold the Utica Memorial Auditorium (AUD) in 1996 to the Upper Mohawk Valley Memorial Auditorium.

Economic Development – Signature Projects and Homegrown Community

In tandem with budget cuts, the City of Utica is in the throes of a few major economic development projects including a nanotechnology campus and redevelopment of Harbor Point along the Mohawk River. The Utica Memorial Auditorium is also under renovation and welcomed back a hockey team – the Utica Comets – in fall 2013. Despite a loss of grant money, the City still intends to redevelop the downtown Genesee street corridor. The Mayor is proud that Utica has "had more economic development in the last 18-20 months than in the last 10 years," but other community leaders fear that large-scale efforts ignore the revitalization that is happening organically (Palmieri, 2013; Furman 2013; Horrigan 2014).

Nano Utica with Nano Benefits for Utica?

The President of Mohawk Valley Economic Development Growth Enterprises Corporation (EDGE) has compared Nano Utica to the inception of Silicon Valley in California (Office of the Governor of the State of New York, 2013b). Even before Governor Cuomo announced plans for Nano Utica, SUNY College of Nanoscale Science and Engineering (CSNE) and EDGE had already started collaborative planning for a Marcy Nanocenter (Mohawk Valley EDGE, 2013). According to a press release on EDGE's website, Marcy Nanocenter will manufacture 450mm computer chips and create 5,000 direct jobs. It will contain three fabrication plants with demand for the chips from CSNE in Albany and from the Computer Chip Commercialization Center (Quad-C) at SUNYIT in Marcy. SUNYIT will add a new facility to its campus along with 1,000 new high-tech jobs dedicated to the research and development of nanotechnology. Both the Marcy Nanocenter and the Quad-C plan to house global tech partners.

The decisions concerning Nano Utica, like those of START-UP NY, are largely in the hands of the Cuomo Administration, the involved SUNY campuses, and the global technology companies that have invested in the venture. Both programs are meant to spur economic growth for the region, including Utica; however, it is unclear exactly how much Utica could benefit from either. In the case of Nano Utica, the impact report from SEMICO (2008) forecasts a needed expansion of infrastructure, utilities, services, and education. The tax deals for startups as well as the tax cap coming down from the state will make it difficult for Utica and the region to expand its revenue – and services – in step with any potential population growth. In other words, these State policies, intended to help cities like Utica get out of a rut, are actually deepening it. As Deustch (2013) puts it, "what tech companies need is not tax abatement. They need an educated workforce and a solid infrastructure to get their goods to market." Without the skilled workforce to fill new nanotech positions or revenue from the startup ventures, the City may not be reaping the promised rewards.

Harbor Point – A Downtown Link in North Utica?

Another project underway is the commercial redevelopment of Harbor Point (*Image 1*) on the Mohawk River in the neighborhood of North Utica. The Harbor Point area consists of 140 acres of land on a peninsula formed by Utica's harbor. Mayor Palmieri believes that the site holds "the City's greatest economic potential" (2013). Harbor Point's two

IMAGE 1: Harbor Point Area, pre-development

Courtesy of National Grid, harborpointsite.com

centuries of industrial use and contamination have already been remediated thanks to a $100 million effort carried out by the National Grid (Goebel, 2011; Hughes, 2013b). Ten years after the launch of the Harbor Point Clean-Up Program, all key elements of the remediation project were expected to reach completion in 2013[7] (National Grid). The area has been further prepped for development by the 2011 Waterfront Access Plan, which prescribed several ways to develop cultural and recreational opportunities along the river.

Currently, planning is underway for the transformation of the site into a commercial center. In February 2013, the Harbor Point Local Development Corporation – in charge of redevelopment – hired Elan Planning and Design with the expectation of having a plan by September of 2013 ready for bidding[8] (NEWSChannel 2 Staff, 2013b; Hughes, 2013c). Funding for the design firm was provided by a $250,000 state grant (Hughes, 2013b). The City is hoping further state and federal grants will come through to fund the infrastructure of the development and the potential costs of moving the state's Erie Canal Corporation which now occupies a large tract of land on the site (Hughes, 2013d). Other than discussions with the Canal Corporation, there were very few developments at the writing of this report (Rondenelli, 2013).

[7] At the time of this writing, we could not find any indication that the decontamination process was completely finished. However, most of the cleanup projects had already been completed.

[8] Again, we have no indication as to whether or not that planning process is completed.

It remains to be seen how the development plans will follow the guidance given by the Waterfront Access Plan and how the plans will link Harbor Point to the downtown area. At least one proposal involved a potential extension of Seneca Street to connect downtown and Harbor Point. The budget director indicated that the City would likely use some sort of tax abatements in an attempt to attract businesses (Fiorillo 2013). Even so, Mayor Palmieri may be correct in his speculation that Harbor Point provides the greatest promise for Utica. Not only is it partly funded by grant money, but it also lies within City boundaries, unlike Nano Utica or the START-UP NY properties. However, North Utica also happens to be the most stable neighborhood within the city limits, boasting a nearly 80 percent homeownership rate with a 3.8 percent vacancy rate (City of Utica, 2010). Out of all neighborhoods within the City limits, it is possible that North Utica needs economic development the least. However, if the intention is to boost sales tax revenue for the City as a whole by attracting North Uticans, new nanotech employees, and STARTUP-NY entrepreneurs from Marcy, then the City could be on the right track. Without any concrete design plans, we cannot speculate whether plans to connect Harbor Point to downtown will materialize, nor how much the new developments will contribute to the City's revenue. Compared to Nano Utica and START-UP NY, however, Harbor Point is at least a Utica-led venture that will not encourage more sprawl outside the City.

Downtown Revitalization – Gathering Local Efforts

Harbor Point is not the only locally initiated economic development effort. In fact, many individuals and community organizations are pouring time and energy into downtown revitalization. As we mentioned before, Utica's refugee families are buying up properties that have fallen off the tax-roll and refurbishing them for homes and businesses. Local non-profits, community groups and schools have noticed the refugee commitment to the area and are stepping up in support. Mohawk Valley Community College, with a grant from the Community Foundation of Herkimer and Oneida Counties, recently opened the doors of a new small business incubator – the thINCubator –

in the Bagg's Square area of downtown (Horrigan, 2014). Mohawk Valley Community College and MVRCR – both located downtown – offer job training and job placement for refugees (Horrigan 2014).

Rust to Green (R2G), a participatory action research initiative from Cornell University, is bringing community members and university students together to pursue sustainable development in Utica. R2G began in 2010 with the goal of identifying Utica's physical, cultural and economic assets, and then putting them to work to revitalize the City (Rust 2 Green, 2014). Meetings between R2G and Utica's community leaders began in February 2010, resulting in the formation of an R2G Core Group (Rust, 2014). Since its inception, the initiative has started the *Mohawk Valley Food Action Project* to investigate the strengths and weaknesses in the local food system, the *R2G College Consortium* to couple community and university-level work on redevelopment projects, and the *Kemble Park Plan* to bring a community park into the Cornhill neighborhood.

Seeing new activity in the area, young native entrepreneurs are snatching up buildings and parcels in West Bagg's Square (near the AUD) and along the Genesee Street corridor in downtown (Horrigan 2014). The buildings are historic but inexpensive, and Uticans – especially 20- and 30-somethings – are attracted to Utica's existing downtown nightlife and culinary offerings. Before West Bagg's Square, the area around the Matt Brewery – the second oldest family-owned brewery in the United States and the producer of the popular *Saranac* brand of beer – became a popular location for gastropubs. Now, the surrounding neighborhood is a weekly destination for Utica's young bar-goers. The successful development of Varick Street around the Matt Brewery and the nascent small business scene in West Bagg's Square were sparked by the initiatives of local entrepreneurs without municipal or state-granted tax abatements.

The Role of Municipal Leaders

The City, too, has shown interest in redeveloping downtown. Even before plans to rebuild Harbor Point, the City planned to revitalize the downtown Genesee Street corridor by upgrading the storm drainage and sewer, reducing the lanes, installing a median, adding off-street parking, and increasing the safety and walkability of the street. Besides the benefits of a more active downtown, the plan, through its infrastructure upgrade, would produce cost savings by decreasing the load on the waste treatment plant (O'Connor, 2012). This is a step in the right direction toward revamping Utica's downtown space, but the City must still find the funding. An $8 million federal grant originally expected to help fund the project fell through in August 2013 (NEWSChannel 2 Staff, 2013b). Despite this disappointment, the Mayor's office is still striving to see the boulevard happen.

The City also recently renovated the Utica Memorial Auditorium (the AUD), located in West Bagg's Square near the new entrepreneurial development. Under the ownership of the Upper Mohawk Valley Memorial Auditorium Authority, the AUD has been refurbished in an $8.6 million, state-funded project (Observer-Dispatch, 2013). Again, interest in the AUD proves that the City wants a stake in downtown development. However, community leaders express concerns that the City's actions do not line up with the intentions of the new group of West Bagg's Square revitalizers – the refugees and local businesses who are already investing in those parcels[9]. The City can support their pre-existing efforts by investing in downtown infrastructure and the local workforce. While the Utica Comets may have sold out their first game, the auditorium has run on significant subsidies from the local government, and stadium redevelopments are notorious for running deficits. The Genesee Street Corridor Plan would have been a much more sustainable redevelopment strategy than AUD renovations. If the City can pick up where the plan fell apart, it should make a point to include the individuals and community organizations that are already knee deep in redevelopment programs.

The City can even play a role in controlling the flow of tax exempt properties and ensure that historic buildings are not destroyed. Horrigan (2013) from Rust to Green and Furman (2013) from Central New York Citizens in Action expressed concern that there is no screening process

[9] This group of revitalizers have started calling themselves the Bagg's Square Association (Horrigan 2014).

for those who purchase brownfield sites from the City. Private investors do not always share the same interests as the municipality, so the City's planners need to ensure that redeveloped properties respond to the existing urban fabric, complementing Utica's historic downtown and small business potential. Where it can preserve buildings and salvage materials, the city stands to save money and to build on its unique character.

Alternative Strategies – Across the Board Coordination

In nearby Rome, New York, a similar story of fiscal stress has been met with different tactics. Diane Shoemaker, the former Director of Community Development in Rome, championed an effort to secure grant funding for Rome's development projects. She and her staff successfully raised nearly $35 million in financial support for capital investment and seed funding as well as administrative costs and their own salaries (Jones, 2012). These grants were received mostly from the State and charitable foundations due to large competition at the national level. Budget Director Fiorillo (2013) fears that Utica can no longer depend on grants as income in the face of tighter national and state budgets, but Shoemaker is confident that Utica can implement the right strategies to gain an edge in grant competitions.

Shoemaker (2013) credits the success of her team's grant writing to good planning. The City of Rome's Community & Economic Development department invested three years in extensive planning and identified priorities and phases to achieve their objectives. Thanks to those phased stages of development, the department could point to proven results from each stage, contributing significantly to the success of further grant applications. Shoemaker also recognized strong interdepartmental collaboration as a key factor in their grant successes. She credits communication and cooperation for improvements in project effectiveness and impact. For example, because the Community & Economic Development department was in communication with the Department of Public Works during the reconstruction of Rome's main streets, they were able to combine efforts and use CBDG funding to simultaneously refurbish street lighting. The success of these methods in Rome sheds light on the possibilities for Utica.

Our interviewees frequently mentioned regional collaboration as an important and needed approach. All municipalities in the Mohawk Valley face similar challenges. Creating coalitions around regional efforts will make for stronger grant applications so that the cities compete together rather than against each other (Shoemaker, 2013). Utica can do more to reach out to organizations outside of City Hall to find partners for collaboration. Shoemaker explained that Rome built relationships with community organizations that helped the administration know what was going on outside their office walls. It also made them aware of potential donors or partners for development projects. Finally, the City can make an appeal to the Nano Utica and START-UP NY decision makers to ensure that jobs and training are available to local residents first.

Conclusion

Utica is in a state of flux. The City's dilapidated downtown sits in high contrast to shiny new economic development endeavors. A rich American manufacturing history and the architecture that once supported it are now both replaced and supported by a new wave of immigration and entrepreneurship. The City's leadership has imposed fiscal conservatism in an attempt to balance the budget. However, the solution is not as simple as an up-down vote by the Common Council or a new policy from the state.

On the local level, Utica can invest in its entrepreneurial population that has already begun to do what the City has not: restock the historic downtown with stable local business. City leaders can think critically about ways to leverage their existing programs – like Harbor Point and the AUD – to favor Utica. Harbor Point has the potential to attract sales tax from new employees of START-UP NY and Nano Utica firms while simultaneously bolstering employment of native Uticans. Likewise, the City can sit down with the entrepreneurs of West Bagg's Square to understand how Utica's government can support their vision for the area.

As the economic development projects in Utica move past their planning stages into implementation, there are certain questions we believe the community should be asking. The City has thus far been reliant on state AIM funds. How will Utica's projects add to the City budget, past the development phases, and how is the City prepared to handle potential costs? It is clear that the City supports economic development. But is it supporting *community* development? The Common Council has cut the budget farther than what Mayor Palmieri believes the City should to foster development. How long is the City planning to keep such extreme austerity measures in place, and how sustainable are they in terms of quality of municipal service provision? Many of the largest institutions in Utica are run by authorities or corporations – including the Upper Mohawk Valley Regional Water Board, the Upper Mohawk Valley Memorial Auditorium Authority, the Utica Urban Renewal Agency, and the Harbor Point Local Development Corporation – whose leadership is appointed, not elected. Are these authorities considering Utica's unique urban community and historic fabric?

Utica has all the right puzzle pieces. It boasts a strong community with a diverse population that displays cultural vibrancy and a healthy dose of entrepreneurial drive. It has extensive brownfield property assets ready to be developed into productive commercial and industrial spaces that maintain Utica's historical character. It has several bold economic development strategies initiated by both state and local government with huge promises for job creation and general economic revitalization. It enjoys some pre-existing community development programs like Rust to Green that are eager to be part of the solution. It has strong potential for an effective regional network that can pool resources and funds to make the Mohawk Valley a more livable place for residents at every income range. Going forward, it is just a matter of getting these pieces to fit together to ensure a stable and dynamic recovery.

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CHART A-1 City of Utica Revenue Sources in Constant Dollars

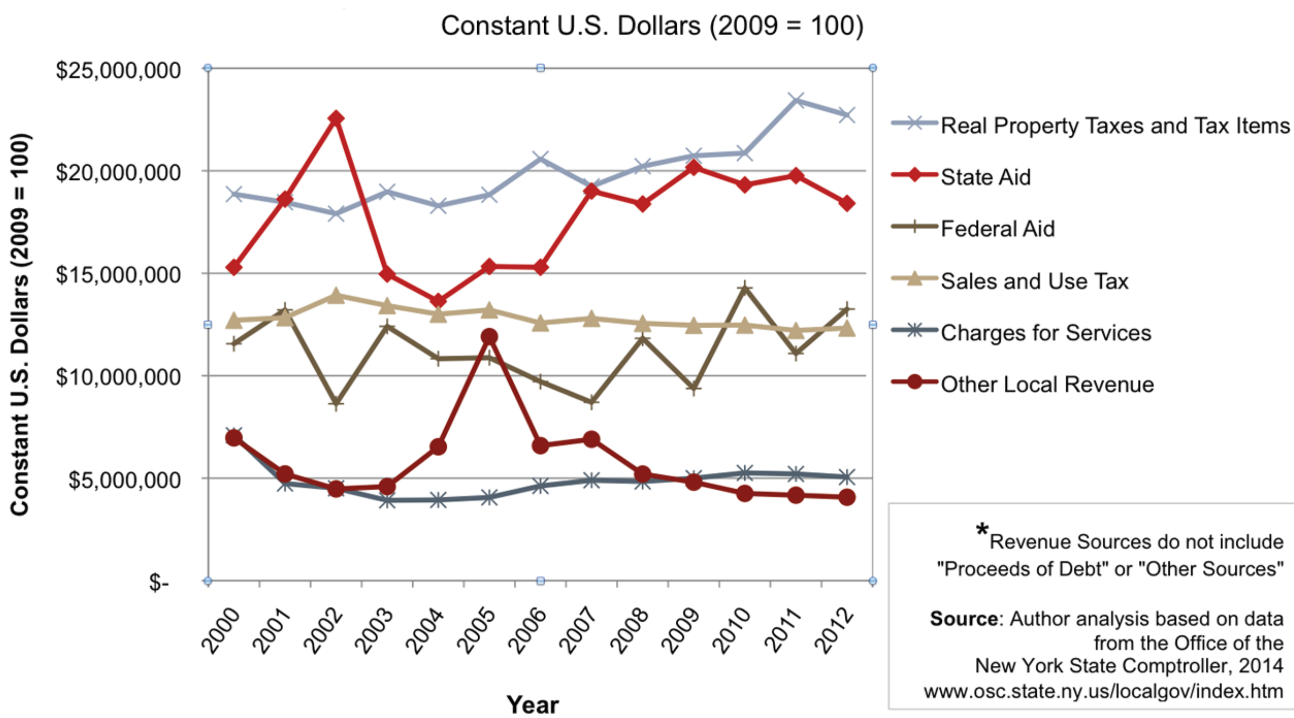
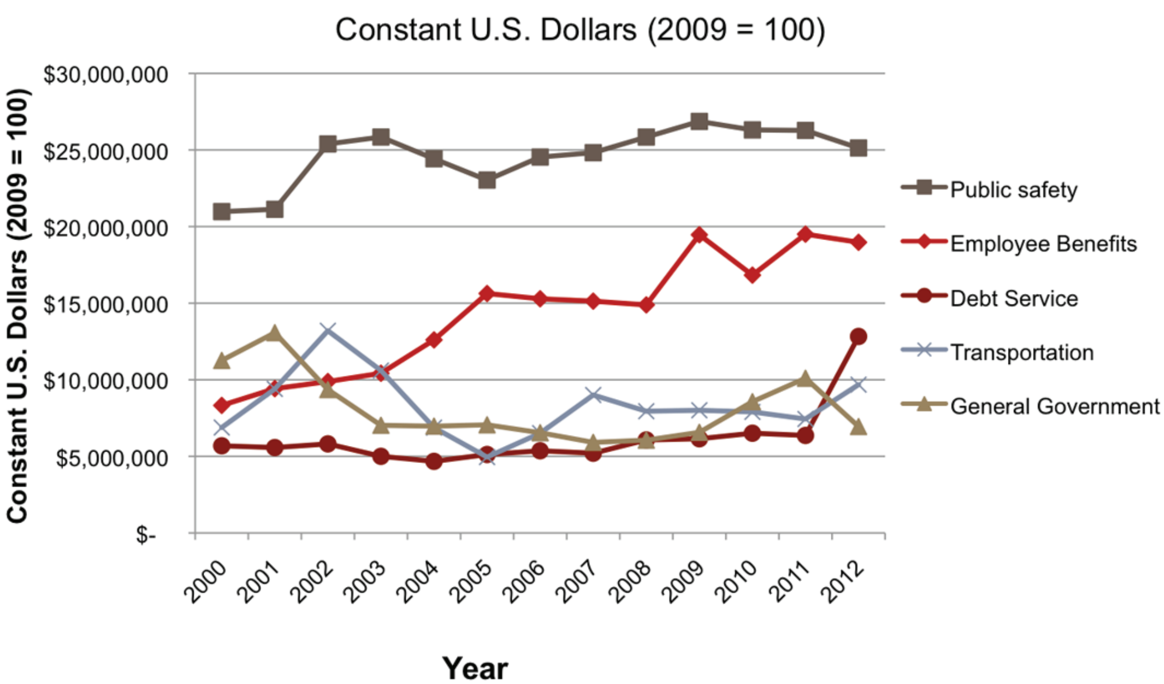
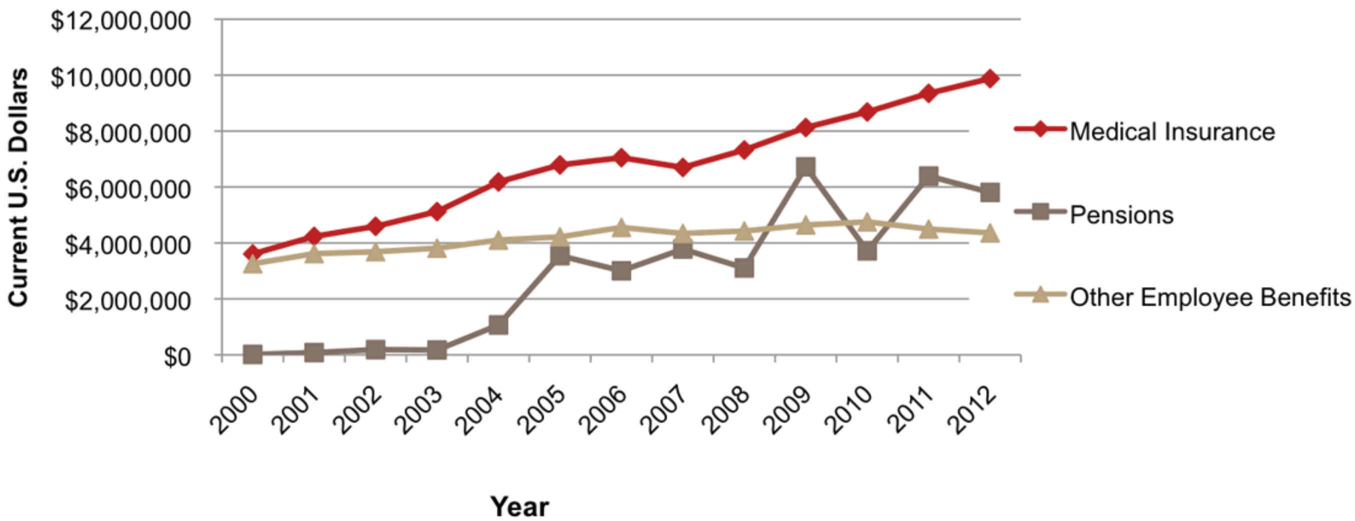


CHART A-2 City of Utica Key Expenditures in Constant Dollars



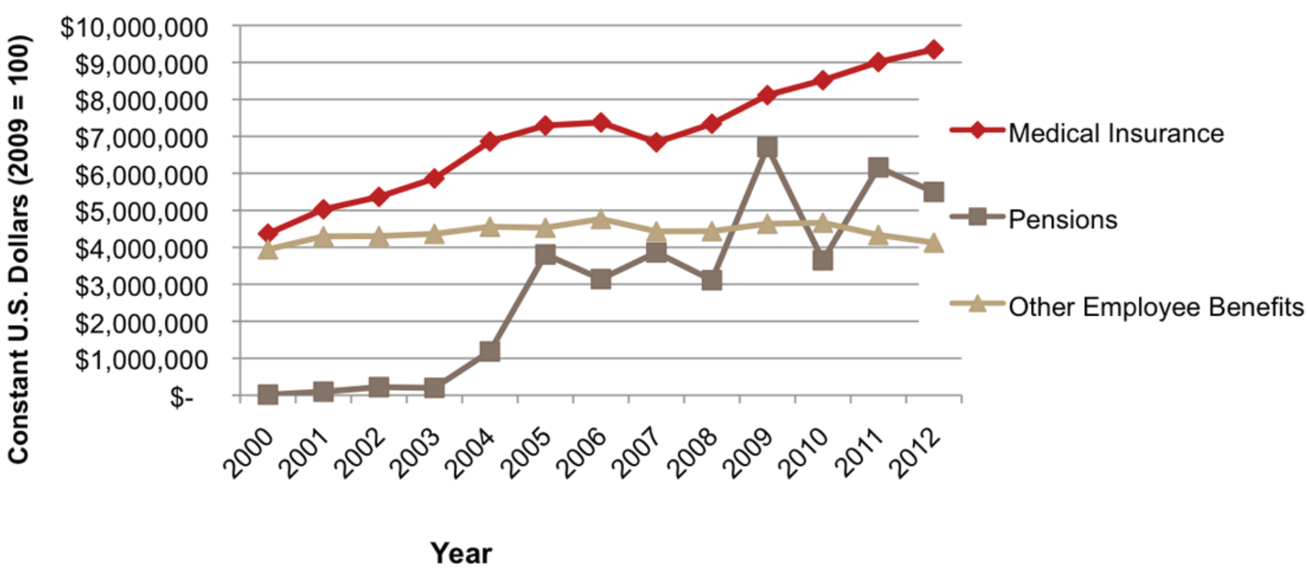
Source: Author analysis based on data from
the Office of the New York State Comptroller, 2014
www.osc.state.ny.us/localgov/index.htm

CHART A-3 City of Utica Employee Benefit Spending, Current Dollars



Source: Author's analysis from the Office of the New York State Comptroller, 2014
www.osc.state.ny.us/localgov/index.htm

CHART A-4 City of Utica Employee Benefit Spending, Constant Dollars



Source: Author's analysis from the Office of the New York State Comptroller, 2014
www.osc.state.ny.us/localgov/index.htm