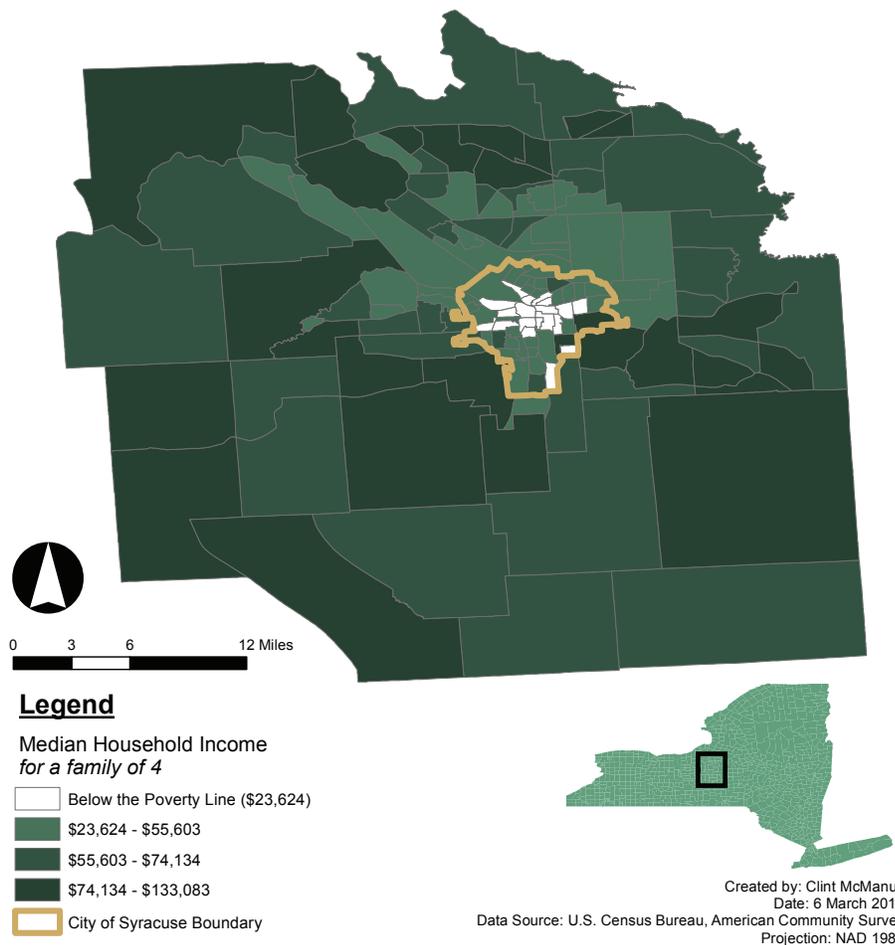


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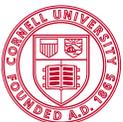
CASE STUDY 2 - MARCH 2014

SYRACUSE

Weathering Financial Challenges through Strategic Partnerships



Onondaga County Median Household Income
by Census Tract, 2012



Cornell University



state of new york cities

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Weathering Financial Challenges through Strategic Partnerships

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Executive Summary

This paper seeks to understand the origins of Syracuse's current fiscal challenges, recent strategies employed to overcome budgetary issues, as well as innovations and cooperative partnerships that may speak to a brighter fiscal future. Areas covered include: historical background, methodology, contemporary circumstances, city leadership, fiscal conditions, cooperative local partnership initiatives, inter-municipal collaboration, and conclusions.

Major urban challenges confronting City leaders include a high level of poverty (nearly one third of adults and 55% of children), an above-average residential vacancy rate, and a below-average median home value. Nearly half of Syracuse properties are tax-exempt, placing significant stress on the existing tax base.

Limited growth in property taxes, decreases in state aid, and mounting pension pressures are the chief fiscal stressors impacting Syracuse. Just like other Upstate cities, Syracuse's ability to change pensions agreements and other future cost obligations is impeded by state legislation. State aid, acknowledged to be in decline by the NYS Comptroller, is also outside the City's control. With a fund balance expected to run out in the next few years, Syracuse is in danger of its bond rating being downgraded and credit costs rising.

Yet despite these obstacles, Syracuse is implementing a variety of strategies to improve its existing tax base and

reduce costs. Its relationships with local business anchors and Onondaga County have given the City leverage to create innovative programs aimed at reducing expenses, leveraging resources towards more productive uses, and promoting sustainability. The Connective Corridor is an excellent example of an innovative "town-gown" partnership between the City and Syracuse University, while PILOT (payment-in-lieu-of-taxes) agreements help compensate for diminished tax revenue attributed to tax-exempt properties. Sales tax revenue sharing and Save the Rain both highlight inter-municipal collaboration that enhances economic development within the region. A new independent nonprofit land bank, launched by the City and County, may prove a model for addressing vacancy rates, property abandonment, and distressed neighborhoods.

In the coming years, the City's major challenges will be overcoming its rapidly dwindling funds balances and addressing rising pension costs. In order to stabilize its fiscal health, Syracuse must continue to foster its relationships with Onondaga County and local anchor institutions, pursue cost-saving measures, and nurture and cultivate both existing and new sources of local revenue. Finally, dwindling state aid and increased state-mandated requirements must be reconciled.

Historical Background

“Magnificent and numberless trees are a feature of the beauty of Syracuse upon which practically every visitor to Syracuse remarks. From many of the hills which overlook the city the impression upon the mind of the beholder would be that he was looking over a forest rather than a metropolis were it not for the taller buildings of the business section” (Syracuse: Convention City, 1926).

Syracuse, New York was once one of the largest cities in the country, rising above the trees so memorialized by convention boosters, an important center of manufacturing and commerce in the heart of the Empire State. Its moniker of “Salt City” reflected only a single portion of its economic contributions, and as the salt industry declined in the second half of the 19th century, more technical trades sprung up to take its place. Entrepreneurs such as Lyman Smith, inventor of the Smith-Corona typewriters, brought new industry to Syracuse. The Franklin Automobile Company achieved the distinction of producing the first four-cylinder engine. These businesses, plus many more, produced an early 20th century “industrial revolution” in Syracuse, noteworthy for the ingenuity and creativity of its businessmen. Smith, for instance, gave the world the “first generation of word processing” (Schramm, 2013). The City went on to welcome

candle manufacturers, the famous Syracuse China, car makers, and, eventually, General Electric (GE) and Carrier Corporation.

Syracuse was a wealthy city because industrialists were creative and inventive in both private initiatives and civic improvements. Many of Syracuse’s entrepreneurs, including Smith, were important players in its economic base and in the development of Syracuse University. As such, the City had some of the most progressive policies of the early and mid-1900s, including a public-private partnership in health care that was far ahead of its time and contributed to one of the healthiest urban environments of the 1930s (Schramm, 2013).

Closely bound to manufacturing, Syracuse suffered as its home industries changed mid-century. By the 1970s, critical sources of employment such as General Electric shifted production overseas, shutting down or significantly scaling back on their Syracuse operations. The City’s recent history is characterized by the continued downsizing of some major firms. When the Carrier Corporation finally moved the majority of its operations to Asia in 2003, it laid off 1,200 manufacturing workers in Syracuse (Polgreen, 2003). Similarly, at its post-World War II peak the General Electric plant employed around 17,000 people; at the end of 2013,

it employed only 200 and plans to shut down completely in 2014 (Moriarty, 2013).

Methodology

As industry slowly migrated out of Syracuse, the City's vitality also ebbed away. Before the 1930s, Syracuse was one of the 30 largest cities in the country and was nationally recognized for its education and health programs. Until the 1960s it remained one of the 50 largest cities in the United States. Today, Syracuse ranks as the 170th largest city and one of 15 of the top 200 that is consistently losing population (Schramm, 2013). To better understand the challenges confronting Syracuse and its response to them, our team conducted a series of interviews with Mayor Stephanie Miner, City Budget Director Mary Vossler, and Joseph Grasso of Cornell University; analyzed Syracuse's financial statements; and assessed financial data from the New York State Comptroller. Historical and contemporary primary and secondary sources were also consulted for background and contextual details. The subsequent paper is an attempt to understand the origins of Syracuse's fiscal strain, strategies for overcoming budgetary issues, and reasons to be hopeful for the City's future.

Contemporary Conditions

According to the 2010 Census, there were 145,170 Syracuse residents, constituting 56,445 households. Syracuse is a culturally and racially diverse community. Caucasians constitute 56% of the citizenry, African Americans 29.5%, Hispanic/Latinos 8.3%, Asians 5.5%, Native Americans 1.1%, and Pacific Islanders .5%. (Census, 2010).

Current demographic trends mirror historical and contemporary population losses. Reflecting national developments, Syracuse's population peaked in the 1950s, surpassing 220,000 residents, and began a downward trajectory almost immediately afterward. In the decade from 1990 to 2000, the City lost 16,554 residents, a 1.5% population loss (Dowty, 2011). In contrast, Onondaga County's population actually increased by 8,690 persons (1.9%) (Dowty, 2011). There is a modest movement of people into and within the region, but the demographics suggest they tend to settle in the suburbs, where they do not

contribute to Syracuse's property tax base. Further, there is great historical demographic disparity between Syracuse and Onondaga County, whose population peaked in the 1970s and which has only seen a decline of approximately 3% in subsequent years. In contrast, Syracuse declined over 33% from its population peak. (Census, 2000 and 2010; Syracuse Abandoned, 2013).

One clear consequence of demographic decline in Syracuse is a residential vacancy rate of 10.9% city-wide (DiNapoli, 2013), which rises to a staggering 37.1% in the low-income Southwest neighborhood (NRSA, 2011). The residents who are left in depopulated neighborhoods grapple with extreme poverty: 62.6% of children in Southwest live below the poverty line. Overall, 32.3% of people citywide live below the poverty level, compared to 14% in the Central NY region (Census, 2010; Reide, 2012).

The main urban challenges confronting Syracuse reflect general trends throughout other Upstate cities and Northeastern metropolitan areas more broadly. However, Syracuse has benefited from the presence of anchor institutions, primarily universities and hospitals. Syracuse is home to many higher education institutions, including Syracuse University, which is the City's largest employer. It is a hospital hub in Central New York, with institutions such as the State University of New York Upstate Medical University, a teaching hospital affiliated with the SUNY system. Syracuse is also home to St Joseph's Hospital and Crouse Hospital. These large anchor institutions, although property tax-exempt, keep jobs in the City, aid in development, and are important cornerstones of Syracuse's revitalization campaigns.

City Leadership

Despite its considerable challenges and uncertain future, Syracuse has found innovation and leadership in Mayor Stephanie Miner. Mayor Miner earned a Juris Doctor in 1999, going on to work as a labor lawyer representing unions and employees, an experience that has proven useful in informing her understanding of labor negotiations (Demographics, 2009).

Priority projects during Miner's first term included significant increases in downtown development, school

renovations¹, the Say Yes to Education program, and a sales tax agreement between the City and Onondaga County (Iannetta, 2013). She was reelected to a second term in 2013, winning 68% of the vote (Breidenbach, 2013).

Mayor Miner has garnered both acclaim and criticism for voicing her concerns about Governor Andrew Cuomo's plan for reducing fiscal stress in New York State. She argues distress is the outcome of economic downturns, but also due to past state leadership decisions. She contends that instead of confronting these situations, Governor Cuomo's proposed state budget pushes the problem down to the cities. As stated in an open editorial in *The New York Times*, "Mr. Cuomo — whom I consider an ally, despite some differences of opinion — ought to use his substantial, hard-earned political capital to convene the Legislature, the state comptroller, and union and business leaders for an honest conversation about the multiple fiscal pressures confronting our cities" (Cuomo to Cities, 2013). Miner claims that the mayors from the Big Four cities (Buffalo, Rochester, Syracuse, and Yonkers) have proposals to address specific issues that are triggering their fiscal distress such as labor arbitration, pensions, and taxes. She believes that what mayors currently lack is the leadership and political capital to build consensus towards a cogent strategy, a role that could be assumed by strong governor capable of acting as a mediator.

Fiscal Conditions

Mayor Miner inherited a difficult situation in Syracuse, including, but not limited to, changing demographics, financial pressures, infrastructure maintenance and development backlogs, and difficulties delivering municipal services. A review of the City's revenue streams and expenses reveals how a once-booming metropolis now struggles to overcome budget deficits while maintaining services.

Revenues: Sources and Trends

In the City's 2013-2014 budget, 54.9% of the total revenue is used to support the school district and 45.1% is for city operations. The largest sources of revenue come from sales

tax, property taxes (combination of city property tax, real property tax, school tax, and real property tax items), charges for services, and state aid.

Syracuse, like many cities across New York, is having trouble securing reliable revenue streams and is experiencing declining support from external sources. However, our analysis of trends in current dollars since 2000 indicate that the City is also increasing local revenue through a combination of strategies, particularly in charges for services and sales tax². (See Figure A.) In the 2013-2014 budget, increased sales tax revenue is the only projected source of growth, anticipated by Onondaga County to grow 3.4% over the 2012-2013 budget.

Generating greater sales tax revenue is a high priority for the City. A critical step was the negotiation of a Sales Tax Sharing Agreement with Onondaga County Executive Joanne M. Mahoney in 2010. This agreement essentially states that Onondaga County receives approximately 75% of sales tax levied, and Syracuse receives 25% (Knauss, 2010)³. This agreement increased city sales tax revenue from \$61.4 million in 2010-11 to \$74.2 million in 2011-12. Sales tax is vital to Syracuse's financing, especially given the importance of retail to economic development in the region. Destiny USA, Syracuse's mall, is one of the largest in the country and attracts shoppers from across the region. However, sales tax is volatile and business cycle dependent. Onondaga County residents are not universally supportive of this agreement, primarily due to fears that it will adversely affect other struggling municipalities (Knauss, 2010). Thus, there is no guarantee such agreements will continue; political changes in the County could affect the viability of this revenue source.

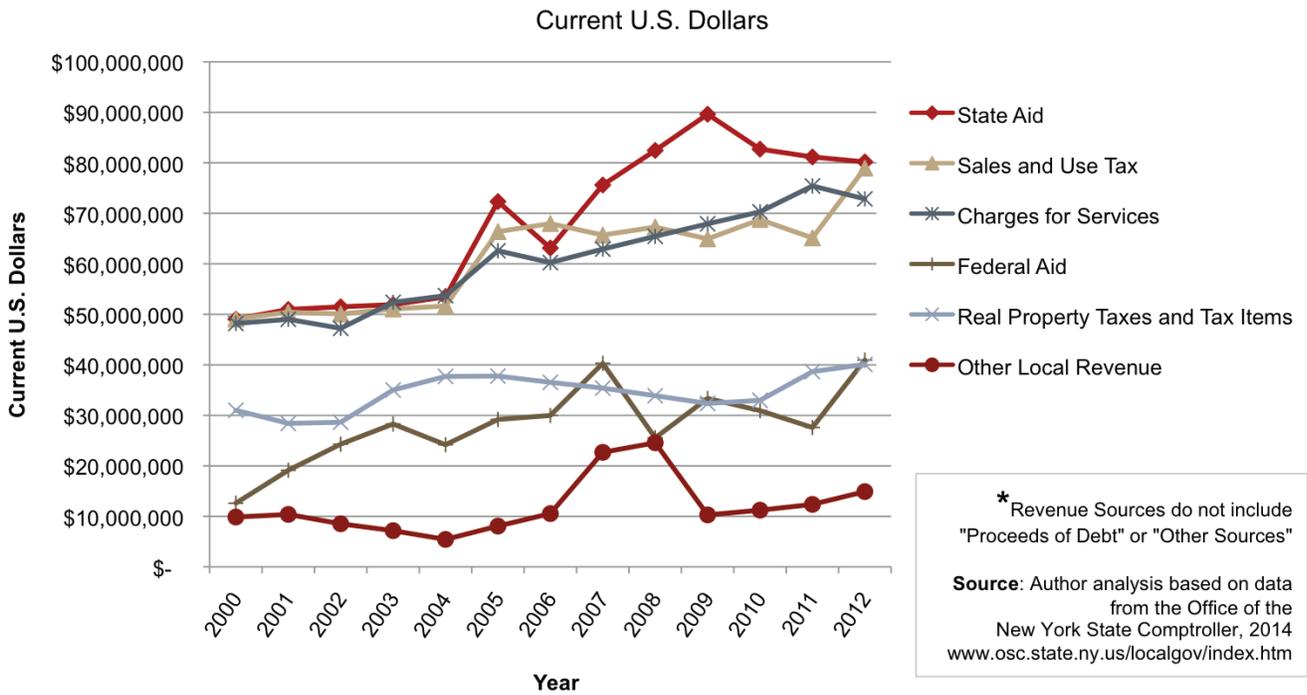
Collectively, property taxes and tax items (including PILOTS, special lighting taxes, tax fees and penalties) are the third largest source of budgetary revenue. As companies left the area, the Syracuse labor pool and tax base changed dramatically and industrial manufacturing has been partially replaced by nonprofit institutions. This concentration is an important source of much-needed jobs to Syracuse residents. However, nonprofit entities are

¹ Although largely outside the scope of this assessment, the partnership between the City and the school district resulted in the Joint School Construction Board. \$140 million has been borrowed for construction and renovation work, which was issued through the City's Industrial Development Agency. This prevented it from being subjected to the City's Constitutional Debt Limit (DiNapoli, 2013)

² A comparable chart calculated using constant dollars is provided in the Appendix, listed as Figure A-1.

³ The agreement between the County and the City reduced the City's share by \$10 million in 2011, which accounts for the downturn in that fiscal cycle in Figure C. The State Comptroller projects that this shortfall will be made up in subsequent years (DiNapoli, 2013.)

FIGURE A: Major City Revenue Sources in Current Dollars, 2000-2012



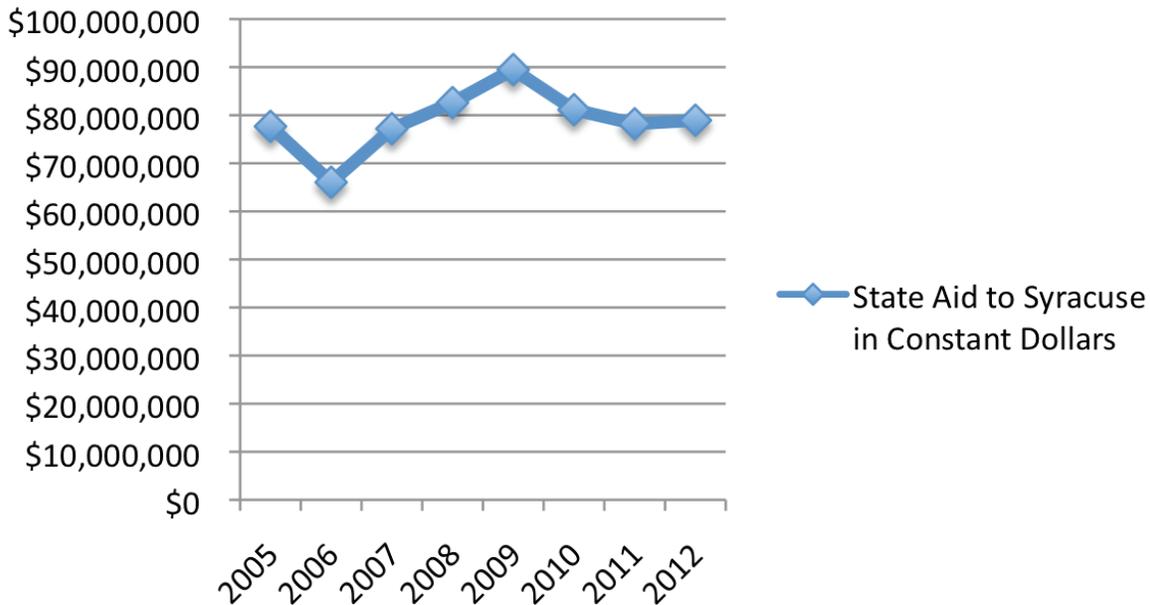
exempt from property taxes. According to a study by the New York Comptroller, 49.5% of Syracuse’s land is tax-exempt, compared to 32% for the average New York city (DiNapoli, 2013). As of 2012, tax-exempt properties were collectively assessed for \$4 billion, and their exclusion from property tax levies significantly impacts the City’s finances (Marion, 2012).

The property tax conundrum is further complicated by a property assessment base that typically hovers between stagnant and in decline (DiNapoli, 2013). As indicated in the FY 2013-14 budget, the City tax levy will decrease \$57,495 due to a slight decline of property valuation in the City (Budget, 2013). Although this is not a substantial amount, it is a reflection of historic trends and a median home value that is approximately 87% of the median home value of the average New York city⁴. In addition, approximately 8% of Syracuse properties are tax delinquent. Such delinquency, combined with a high percentage of tax-exempt property and below-average median home value, profoundly suppresses the City’s ability to generate property tax revenue (DiNapoli, 2013).

In order to compensate for some of the loss in revenue, Syracuse has pursued alternative revenue strategies. According to the City’s FY 2013-2014 budget, payments-in-lieu-of-taxes (PILOT payments) brought Syracuse \$8,043,270 in fiscal year 2012-2013. The majority of these payments come from the Syracuse Industrial Development Agency, which organizes PILOT programs with local businesses. In FY 2012-2013, almost \$2 million was used to compensate for uncollected City and school taxes. For FY 2013-2014, Syracuse projects a loss of \$2.7 million in PILOT payments due to changes in property assessments and termination of interim annual payments on the Destiny USA expansion project (Budget, 2013). Thus, the current PILOT structure cannot be depended on to recover missing property tax revenue. Mayor Miner recognizes that local nonprofit entities must play a greater role in funding the City (Vossler, 2013).

The City is also attempting to ease the pressure on property taxation by increasing user fees for a variety of city programs (such as permits) and engaging in sharing agreements with the County. Charges for services are

⁴The "median city" is established by the New York Comptroller and does not include NYC (DiNapoli, 2013).

FIGURE B: State Aid to Syracuse in Constant Dollars

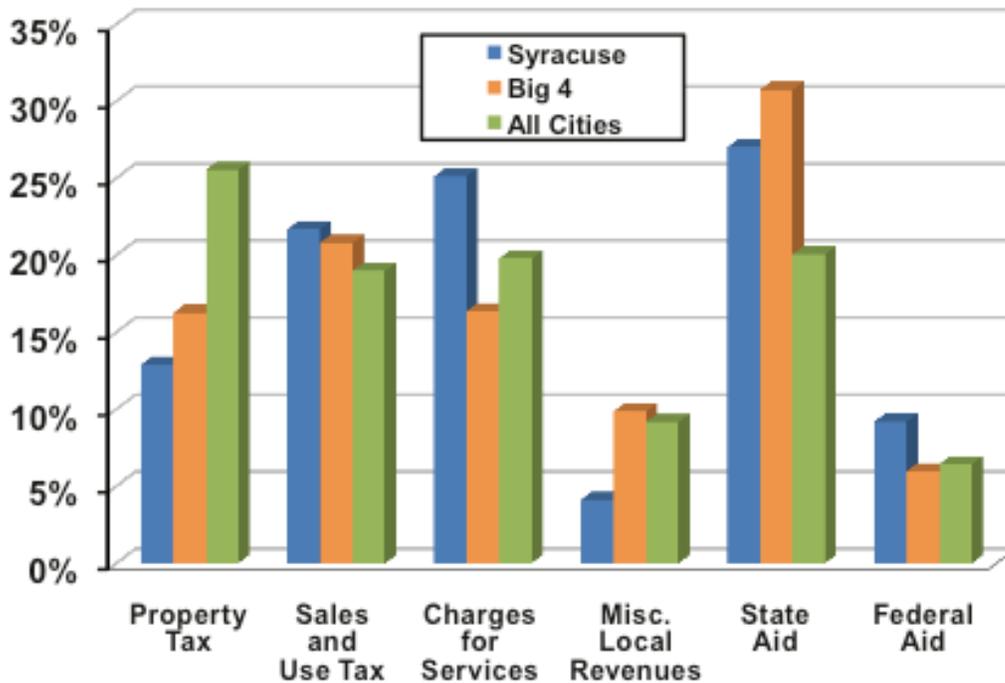
Source: Office of the New York State Comptroller, 2014. www.osc.state.ny.us/localgov/index.htm; GDP Deflator by Year, 2014, <http://www.multpl.com/gdp-deflator/table>.

already a critical revenue generator, and Figure A shows they have consistently increased since 2005. Mayor Miner suggests this process could be further enhanced through the creation of special districts to collect fees for city services, such as fire, police and snowplowing, which collectively add up to significant portions of the City budget and are funded by City taxes. These special districts, which require enabling state legislation, would be empowered to collect such fees from every property owner, regardless of tax status. Mayor Miner recognizes the conundrum of funding city services when a significant portion of city land is owned by non-profits is not unique to Syracuse. “I’ve been working very closely with mayors in New York state,” Miner said. “Now we have a group of new mayors who are coming in, and so there’s always a chance that we will start agreeing on some of those issues and working together as mayors. So it doesn’t have to just be a Syracuse issue. It can be an urban policy issue as well.” (Knauss, 2013).

Syracuse’s other key revenue stream is state aid, which is important for cities across Upstate. State aid currently makes up 54.2 % of city revenue in the FY 2013-14 budget, which does not offset the 54.9% consumed by the City’s required contribution to the school district. This funding level also reflects a major decrease in state funding.

Aid from New York State has decreased almost \$10 million since 2008, from \$81.3 million to \$73.2 million (Miner, 2013). When assessed in constant dollars, the drop is closer to \$11 million. (See Figure B). Mary Vossler, Syracuse’s budget director, states the governor has frozen state aid in an attempt to encourage governmental consolidation: “Squeezing state aid is one way for taxing entities to look at their operations and assess what they can do” (Vossler, 2013).

Vossler’s perspective is affirmed by the State Comptroller. State budgetary figures show that state aid to Syracuse has declined since 2008. Between fiscal years 2008-2009 and

FIGURE C: Comparison of Revenue Sources, 2011, in Current Dollars

Source: DiNapoli, 2013, page 3.

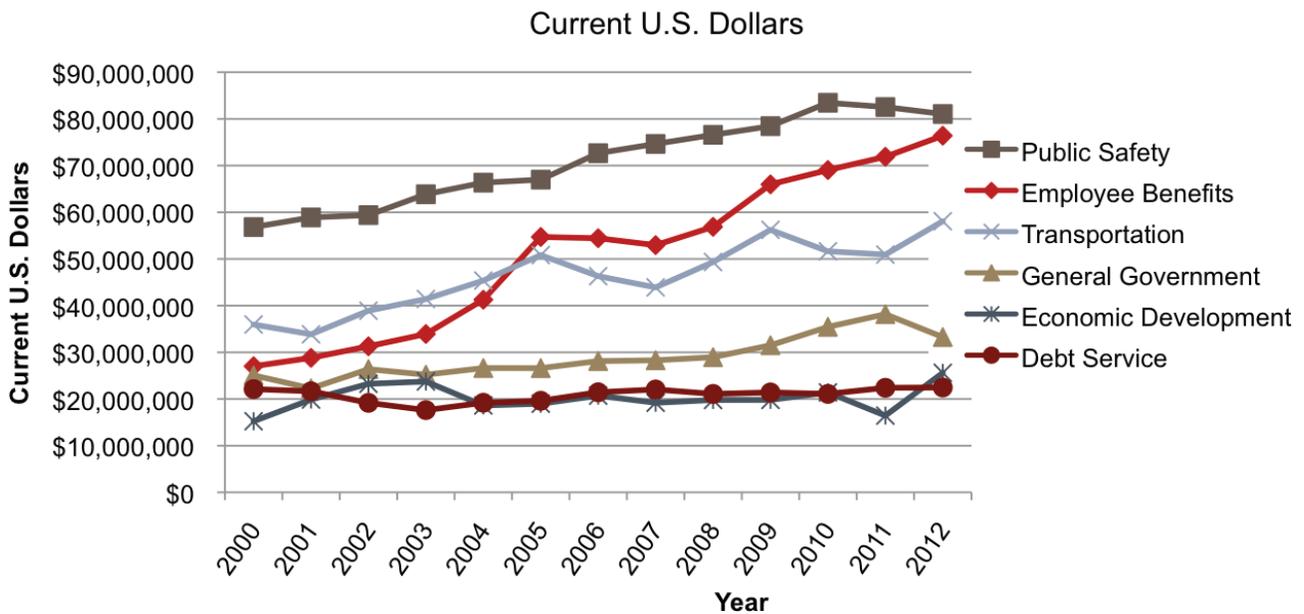
2012-2013, Syracuse experienced a decline of \$4.3 million in Aid and Incentives for Municipalities (AIM), which represents the majority of state aid funds (DiNapoli, 2013). In comparison to the other Big Four, Syracuse brings in less state aid, but more than the median city because of it receives assistance to offset mandated school contributions. (See Figure C.)

In comparison to other New York municipalities in 2011, Syracuse raises more revenue through sales and use tax and fees for services. In contrast, its property tax revenue is substantially lower than the other Big Four or the average New York city because of its below-average median home value and significant percentage of tax-exempt properties. An additional noteworthy distinction between Syracuse and other cities is in their respective streams of miscellaneous local revenue (such as special funds revenue). This might represent an opening for increased cultivation of future revenue generation in Syracuse.

Expenditures: Challenges and Trends

The FY 2013-2014 City operating budget (excluding school contributions) totals \$298,800,689, only a 0.23% increase over the previous fiscal year. Public safety consumes nearly 39% of the budget, while public infrastructure (Department of Public Works, Airport, Sewer, and Water) constitutes 33.5%. Syracuse particularly struggles to cover its health care costs. In FY 2011-12, Syracuse spent \$40.5 million on health care (including health insurance and other medically-related expenditures) for its current and retired City employees. In FY 2012-13 it spent approximately \$44.1 million; in FY 2013-2014, costs are projected to surpass \$45 million, constituting nearly 16% of total City operating expenses (Budget, 2013). Further, retiree health care expenditures outpace those for active employees by approximately \$5 million. The key costs driving the steep increase in employee (including retirees) benefits are increases health and pension costs. (See Figure D.⁵)

⁵ A comparable chart calculated using constant dollars is provided in the Appendix, listed as Figure A-2.

FIGURE D: Key Expenditures in Current Dollars, 2000-2012⁶

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

The City has been self-insured since the mid-1980s. Under this model, the City's costs are not determined by insurance premiums set by the provider, but based on actual medical and pharmacy claims incurred by enrollees. Recent data from the City's auditor, Martin Masterpole (2012), suggests that this model has reduced taxpayer costs and continues to be a wise fiscal decision. Many municipalities are switching to this model, indicating that it cuts costs (Eggers, 2012). Still, health care costs continue to grow in Syracuse, following national trends, likely as a result of increased costs associated with treatment of chronic diseases (Center for Disease Control, 2013).⁷

Pension costs in Syracuse also continue to climb, and there is little the City can do to cut costs, due to the legal constraints imposed under New York law. Currently, Syracuse's pension bill is projected to be \$33.4 million for FY 2013-14, a \$4 million increase from the previous year,

constituting approximately 11% of the total budget (Vossler, 2013). The majority (approximately 70% over the last three fiscal years) of these pension payouts go to police and fire retirees. In FY 2011-12, the City paid over \$14 million to retired police and fire workers; it was projected to pay over \$19 million in FY 2012-13 and has set aside \$23 million for FY 2013-14 (Budget, 2013). As Figure E shows, pension invoices have climbed \$8.2 million (current dollars) since 2011.

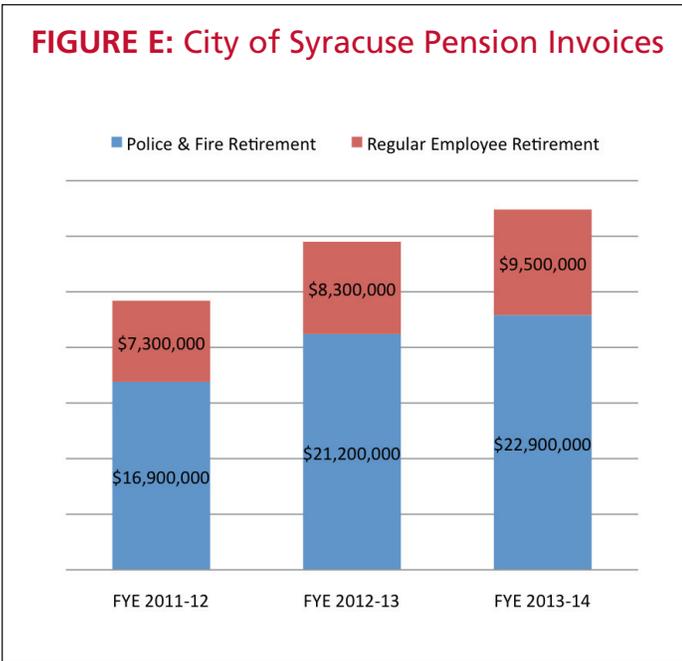
The City also has budgeted money for a six-year capital improvement program in order to revitalize Syracuse's infrastructure. This is a \$215.6 million plan, primarily dependent on local funding while issuing some new debt (CIP, 2013). As Syracuse is currently focused on paying existing debt service, the Capital Improvement Plan (CIP) discourages new bond issuance by limiting new net general fund debt to \$10.1 million.

Syracuse needs to maintain an adequate debt margin. However, it has increasingly been forced to draw down on its reserve funds in order to make up funding shortfalls in the budget. FY 2012-2013 was an unusual year when the reserve was untouched, due to a one-time "spin-up"

⁶ Syracuse is unusual among the other Big Four Cities because of its airport ownership history. The City's ownership of the airport has increased its transportation-related expenses. In 2013, the City created the Syracuse Regional Airport Authority in order to shift the associated costs to an independent entity. For more information, visit the Syracuse Regional Airport Authority at <http://www.syrara.com/>.

⁷ Charts showing historical employee benefit spending in both current and constant dollars are available in the appendix. (See Figures A-3 and A-4.)

FIGURE E: City of Syracuse Pension Invoices



Source: Office of Mayor Stephanie Miner, 2013.

payment in state aid funds. In the FY 2013-2014 budget, \$27.9 million (\$18 million for the City’s operating budget, \$9.9 for the school district) will be drawn from reserve funds, consuming 30% of its total reserves. Mayor Miner recognizes that this is not a sustainable economic approach,

and that maintaining sufficient reserves is critical for maintaining a healthy bond rating and favorable lending rates (Miner, 2013). If the City continues at the current rate, funding services through the depletion of reserve funds, the City’s fund balance could be in the negative by FY 2015-16.

In order to deal with mounting cost pressures, Syracuse has made substantive reductions. According to Mayor Miner, Figure F shows a wide range of cost savings between 2010 and 2013. Of particular note are the creative partnerships, especially in the services agreements with Crouse Hospital and Syracuse University and the increase in shared services with the County. These are important steps and reflect creative approaches towards reducing unnecessary public expenditures. However, these savings are insufficient to wholly offset budgetary shortfalls.

Cooperative Local Partnership Initiatives

Anchor Institutions

Anchor institutions are organizations, most often universities and hospitals, with unique ties to a city. They

FIGURE F: City of Syracuse Cost Cutting Measures, 2010-2013

Item	Savings
Negotiated healthcare savings with non-profit hospitals through POMCO, our healthcare provider	\$995k (est.)
Negotiated services agreement with Crouse Hospital	\$50k/yr. revenue
Reduced Police and DPW overtime costs	\$1.9M
Reduced workforce by 10% from December 2009 to April 2011	\$7.0M
Consolidated City and County mail services	\$28k/yr.
Privatizing airport security services	\$2.5M/yr.
Tier VI savings- City has only hired 24 employees (replacements) since April 1st	\$38k
Combined Purchasing Departments with County	\$220k
Negotiated Zero increases with six labor contracts	\$1.6M/each possible % increase
Relocating Senior Center	\$175k
Elimination of City Department (Syra Stat)	\$150k
Closing of City parking garage due to structural repair issues	\$15M
Delayed infrastructure repairs (public works, water, buildings and firehouses)	\$30M (est.)
Negotiated services agreement with Syracuse University	\$500k/yr. revenue
Increase health care contributions for management/confidential employees (153 active employees) from 3% to 10%	\$100k revenue

Source: Office of Mayor Stephanie Miner, 2013.

have brick-and-mortar locations and cannot move easily from one city to another. Syracuse has many of these anchors. For instance, Syracuse University could hardly operate in Binghamton or Rochester, both because of its substantial investment in its University infrastructure and its brand. Thus, anchor institutions are invested in their communities and can become driving sources for economic development.

As Syracuse faces ongoing budget challenges, it has begun to create partnerships with these institutions. These partnerships are essentially PILOT programs, in which nonprofit entities agree to pay a certain sum to the City in order to enhance goodwill and to engage in economic and community development. Two organizations committed to this process are Crouse Hospital and Syracuse University. Crouse Hospital has agreed to provide \$50,000 annually for four years, while Syracuse University will pay \$500,000 annually for five years. Collectively, these agreements will net the City \$2.7 million over the next five years to help with the budget issues brought on by pensions and other fiscal stressors (Marion, 2012). These agreements highlight the importance of anchors for enhancing Syracuse's development, as well as the dedication of these institutions to Syracuse's future. However, these payments are relatively low in comparison with other PILOT agreements in other cities. For instance, Cornell University paid \$1,643,000 in 2011 and Brown University paid \$1,147,471; other private universities pay considerably more (Kiley, 2012).

Cities must be careful when engaging in PILOT agreements, however. As indicated in a study by the Lincoln Institute, these agreements are often one-sided and secretive. They are not legally binding, nor do they fully replace the tax revenue nonprofits would provide if they paid property tax. In Syracuse's case, their agreements will bring in \$2.7 million over five years. If these properties were not tax-exempt, the full payment would be significantly higher. The Lincoln Institute's study also indicates that because PILOTs are voluntary in nature, one nonprofit organization often pays much more than another, decreasing horizontal equity, which is a desired part of any tax system (Kenyon & Langley, 2010).

Anchor institutions can engage in economic development in addition to PILOT agreements. Syracuse has worked closely with anchors to develop programs that positively affect the community. With Syracuse University, the City has collaborated on Say Yes to Education, the Connective Corridor, and Regional Economic Development Council projects (Iannetta, 2013). Anchor relationships with city governments are key aspects of development strategy in cities like Chicago, Philadelphia, and New York. Syracuse has embraced these opportunities and should continue to do so as a source of economic innovation and diversification.

The Connective Corridor: A Case of Anchor Development

One of the biggest urban revitalization projects ongoing in Syracuse is the Connective Corridor, a "town-gown" initiative spearheaded by Syracuse University in partnership with the City of Syracuse, Time Warner Cable, National Grid, the state and federal government, and Centro buses. As indicated by the Connective Corridor website: "The Corridor is creating new urban spaces and complete streetscapes with networks of green infrastructure, bike and pedestrian paths, and a free public transportation system, as well as public art" (Connective Corridor, 2013). This project is intended to create a cohesive physical path from Syracuse University through downtown Syracuse and Armory Square to the Near West Side, one of the struggling areas in Syracuse. Other strips of investment include arts districts along East Genesee Street and the Near Westside, as well as near Forman Park, Firefighters Park, Columbus Circle and the "Civic Strip" at the center of downtown. The development of this corridor includes business incentives to bring in private enterprise, arts and façade redevelopment, and historic landmark preservation (Connective Corridor, 2013).⁸

One of the key incentives used to entice development is the Façade Improvement Grant Program, which provides \$625,000 in several rounds to downtown businesses for improvements such as awnings, outside eating spaces, and arts. This grant is administered by Syracuse University

⁸ While it is outside the scope of this report, it is worth noting that the City is also addressing physical infrastructure challenges with pending future alterations to the I-81 corridor through downtown Syracuse. Removing the urban renewal-era above grade highway system should positively impact the Connective Corridor project and help knit the physical fabric of the downtown core back together.

and is funded by Empire State Development, New York's Economic Development Agency, as the program aligns well with their strategic plan for Upstate New York development (SU News, 2013). Another development tool is the Connective Corridor Hospitality Enterprise Fund, which was created by the Greater Syracuse Business Development Corporation (GSBDC) to encourage new restaurants and businesses along the Corridor.

Eligible businesses, according to the GSBDC, include restaurants that provide a unique experience for diners in order to attract people to downtown (GSBDC, 2013). This grant program indicates Syracuse's desire to make downtown Syracuse a place for students and locals alike to go. Centro bussing, a regional bus service, also provides free service downtown in order to encourage locals to frequent the newly developed corridor (Connective Corridor, 2013).

The Connective Corridor is an excellent example of the power of home-grown networking within local economic development. The project was spearheaded by Syracuse University and is funded by several organizations, allowing for the support of incentives, rehabilitation programs, and infrastructure development. (See Figure G.)

FIGURE G: Connective Corridor Funding Sources

NYS Funds	\$20 million
Federal TIGER Grant	\$10 million
Onondaga County Green Infrastructure Funds	\$2 million
National Grid	\$1 million
Federal Funds	\$4.9 million
Public and Private Sector	Matching programs totaling \$4.6 million
TOTAL	\$42.5 million

Source: Connective Corridor, 2013.

The diverse partnerships engaged in the Connective Corridor have given it legitimacy across the City of Syracuse. This project has even sparked national recognition: it was spotlighted by Michael Porter's Initiative for a Competitive Inner City as one of the best development programs in the country, in recognition of its integrative approach to development. The various partners, along with the County

and the City, also provide maintenance and beautification along the corridor. Ideally, it will inspire further private investment in the City, boosting the economy, serving as a source of job creation, and increasing property tax and sales tax revenue.

Other Economic Development Strategies⁹

The City also provides a number of other incentives to promote development in Syracuse. The City's incentives are run through a variety of public, quasi-public, or private development boards. These include the allocation of Connective Corridor funds such as the aforementioned Façade Improvement Grant Program and Connective Corridor Hospitality Enterprise Fund. There are also several organizations that provide development and improvement incentives, including the Syracuse Industrial Development Agency (SIDA), Syracuse Economic Development Corporation (SEDCO), and Syracuse Local Development Corporation (SLDC), all of which are public or nonprofit entities dedicated to Syracuse development. SEDCO, for instance, provides fixed asset financing to rehabilitate property, while SLDC focuses on bonds for nonprofits, and SIDA is more general in its financing (City of Syracuse, 2012).

Another community development project is Tomorrow's Neighborhoods Today (TNT). This project is comprehensive, including residents, local businesses, and organizations in planning. Citizen engagement is a key part of TNT; each neighborhood in Syracuse has its own Neighborhood Area Planning Council that is open to all local stakeholders. These councils have created five-year plans that have long-term visions for the neighborhood, requests for city resources, and recommendations to various City Departments (TNT). There is also a Lakefront Planning Council and a Downtown Planning Council, which develop similar plans for these areas (Interviews).

Inter-Municipal Collaboration

The County plays an important role in Syracuse's business and community development. Onondaga County provides further PILOT agreements with local tax-exempt companies

⁹ Notably missing from this report are recent awards to Syracuse through the Central New York Regional Planning Council economic development funding process. Given the late December 11, 2013 announcement date, these projects fell outside the scope of report. The full funding announcement is available at <http://regionalcouncils.ny.gov/assets/documents/2013REDCBooklet.pdf>.

and agencies. The Onondaga County Revolving Loan Fund provides low-interest financing focused on improving energy usage in the area, while a sales tax exemption program for projects qualified by the Onondaga County Industrial Development Agency reflects the County's deepening sales tax partnership with Syracuse. Finally, Onondaga works through its Green Improvement Fund, as part of its Save the Rain program to fund projects focused on green infrastructure in the County. These County incentives are used by Syracuse and highlight the symbiotic and maturing relationship between the County and the City (Interviews).

Combined Environmental Stewardship: Save the Rain

The Save the Rain program is a storm water management plan that aims to reduce Onondaga Lake's pollution. In 1998, Onondaga was placed under an Amended Consent Judgment (ACJ) order by the Federal Courts, which mandated the county reduce the frequency of combined storm water and sewerage overflow into the lake and its tributaries. In 2009 the courts agreed to County Executive Mahoney's proposal to rechannel resources from focusing solely on 'gray' infrastructure into incorporating 'green' solutions such as porous pavement, rain gardens, etc. The County identified 82 potential green infrastructure projects, many of which were located in Syracuse (NRDC, 2011).

Save the Rain's implementation would have not been possible without the partnership of the City. The project's first phase targeted Syracuse, as the largest municipality in Onondaga County. Environmentally friendly initiatives include the innovative Urban Forestry Program, wherein the County will plant 8,500 trees in the City. There will also be green job training, and Syracuse has committed to switching to porous cement to help manage storm water runoff. The majority of funding for these projects comes from the County and is distributed to specific projects through Green Improvement Fund Grants, administered by the County. Save the Rain not only produces more cost-effective solutions for both entities, it also positions Syracuse and Onondaga to become leaders in the adoption of new forms of water management. Recently the program received national accolades as the 2013 recipient of the U.S. Water

Prize. Syracuse's involvement in developing this program has helped solidify the relationship between the County and City, opening the door for future collaboration.

Inter-Municipal Cooperation

The leadership of both the County and City also has come to recognize the need for increased City-County collaboration on fiscal matters. Inter-municipal cooperation is a tool used to increase cost-savings without depriving its residents of important services. Agencies and services consolidated in the past years include mail services and the City and County purchasing offices. These cost cutting measures have saved Syracuse a total of \$248,000: \$28,000 per year in mail services and \$220,000 in the purchasing department (Miner, 2013). In June 2013, an inter-municipal agreement was signed uniting the City of Syracuse Bureau of Planning and Sustainability with the Syracuse-Onondaga County Planning Agency. Although this service sharing is clearly important, it cannot be relied on to overcome budget deficits, given how little \$248,000 means to a nearly \$300 million budget (Budget, 2013). However, these agreements do indicate County support for shared services and may bode well for larger agreements in the future.

The strategy of service sharing is noteworthy for three reasons. First, it highlights the importance of collaboration among public officials irrespective of their party affiliation (Mayor Miner is a Democrat while County Executive Mahoney is a Republican). Second, it offers, in certain instances, the opportunity to help share expenditure burdens, alleviating fiscal stress. Finally, and perhaps most importantly, this sharing helps streamline government functions. However, it is not a panacea, nor is it always a viable solution. Often, cities and counties have different functions or have few real opportunities for cost savings from shared services, and these relationships can be fragile over time as the collaboration between the Town of Clay and Onondaga County shows (Birk, 2013).

The Land Bank: Strengthening Communities

To address problems with high rates of vacancy and property tax delinquency, the City and County created

the Greater Syracuse Property Development Corporation through a 2012 inter-municipal agreement. The land bank is an independent, nonprofit corporation whose mandate is to take control of vacant, abandoned, tax delinquent or underutilized commercial buildings, lots, and houses. It is governed by a board of directors appointed by the City and County. Administration of properties is done in partnership with property management firms with the objective of returning these properties to productive uses and increasing the property tax collection rate. As of October 30, 2013, the land bank had assumed legal ownership of 38 properties (GSPDC, 2013), which are to be transferred to the land bank at a cost of \$151 per property (the cost of foreclosure). Estimates put the number of properties eligible for seizure due to tax delinquency at nearly 1,800, so the number of properties under control of the land bank is likely to increase (Knauss, 2013 October).

While improving the tax base is one objective of the land bank, another important aspect is the ability of this program to help improve the quality of life in neighborhoods plagued by vacant real estate. A \$3 million grant was secured in October 2013 from the Attorney General's Community Revitalization Initiative (CRI) to help the land bank "acquire, renovate and resell 40 highly distressed properties within the city of Syracuse and 10 properties in the surrounding county" (New York Attorney General, 2013). The renovated properties will be resold to new homebuyers at a price that is affordable to low and mid-income families. Some current single family properties are listed as sold between \$7,500 and \$49,900, depending on location, size, and level of upkeep (GSPDC, date). The first round of land acquisition occurred in October 2013, when the land bank took over 23 properties in Syracuse. Some were worried this acquisition would lead to a high level of eviction, but the land bank's executive director, Katelyn Wright, indicated eviction would be the last option. She says the organization prefers to be a landlord for current tenants than to force out existing occupants (Knauss, October 2013). Members of the land bank are exploring avenues to help tenants and homeowners of seized properties to rent them, securing occupancy by either new or already established tenants.

It is difficult to measure the success rate of this land bank, considering it is relatively new. However, it again reflects a unique way in which cities and counties can cooperate. The City hopes the land bank will be a tool to help alleviate the poverty and vacancy issues within Syracuse, while consuming minimal City funds.

Conclusion

Syracuse's story reflects both the general challenges in Upstate cities and the unique conditions created by a high concentration of tax-exempt properties and a predominantly economically strained population. It began, like many other municipalities in the northeast, as a manufacturing town. As its traditional employment sources moved overseas, Syracuse had to use its entrepreneurial spirit not only to develop new industries, but also to create new public policy solutions to mounting problems. The City is facing serious fiscal challenges, particularly high vacancy rates, low income from property tax, and increasing pension pressures. It is dependent on revenue sources such as sales tax and user fees, as well as on state aid, which has become more difficult to attain in recent years. Pensions and other future cost obligations will constrict Syracuse's budgetary options, barring major changes from the state level.

These conditions necessitate the City find new ways to cultivate development, improve its existing tax base, and reduce costs. Its relationships with local business anchors and Onondaga County have given Syracuse leverage to create innovative programs aimed at reducing expenses,

leveraging resources towards more productive uses, and promoting sustainability. The Connective Corridor is an excellent example of an innovative "town-gown" partnership between the City and Syracuse University, while PILOT (payment-in-lieu-of-taxes) agreement help compensate for diminished tax revenue attributed to tax exempt properties. Sales tax revenue sharing and Save the Rain both highlight inter-municipal collaboration that enhances economic development within the municipality. A new nonprofit land bank, launched by the City and County, may prove a model for addressing vacancy rates, property abandonment, and distressed neighborhoods.

In the coming years, the City's most momentous hurdles will be overcoming its rapidly dwindling funds balance and rising pension costs. Moving forward, in order to secure its fiscal stability, Syracuse must continue to foster its relationships with Onondaga County and local anchor institutions, pursue cost-saving measures, and nurture and cultivate existing and new sources of local revenue. Finally, dwindling state aid and increased state-mandated requirements must be reconciled.

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Appendix

FIGURE A-1: Major City Revenue Sources in Constant Dollars, 2000-2012

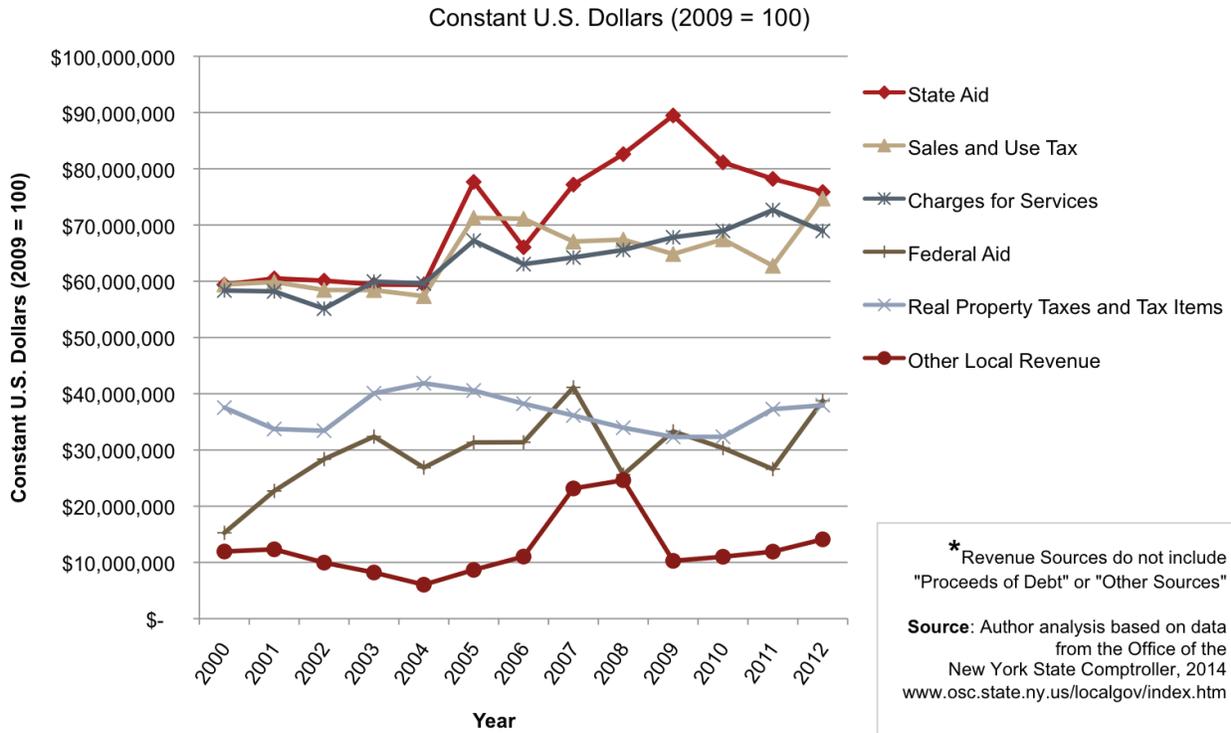


FIGURE A-2: Key City Expenditures in Constant Dollars, 2000-2012

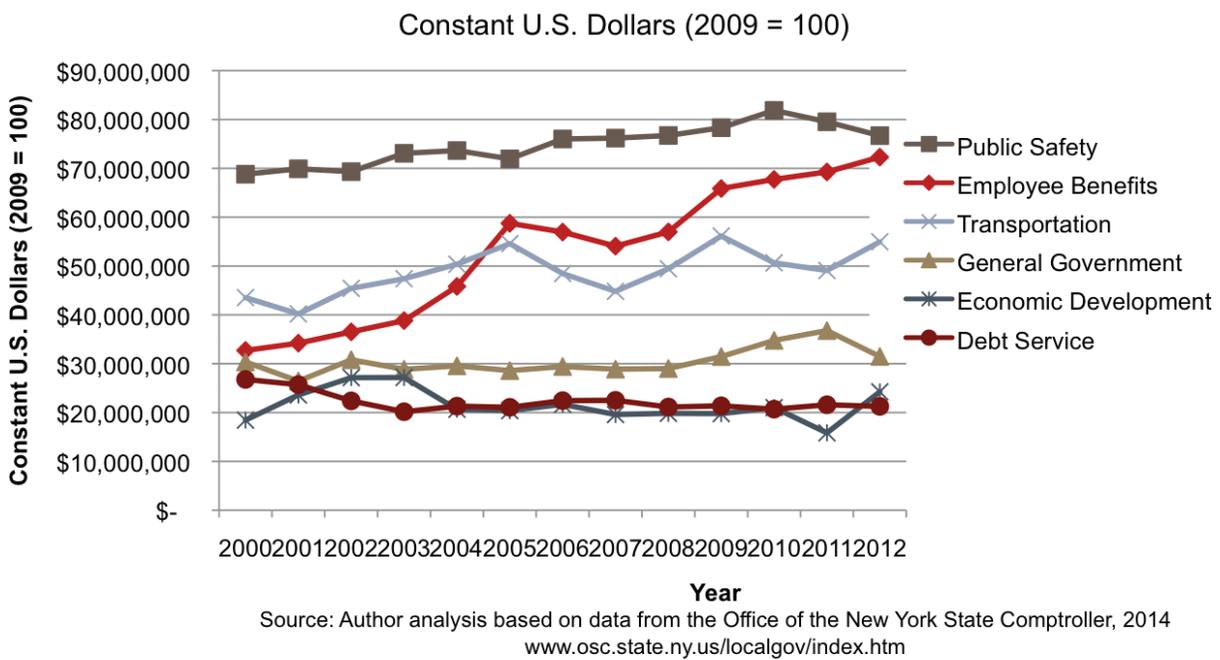
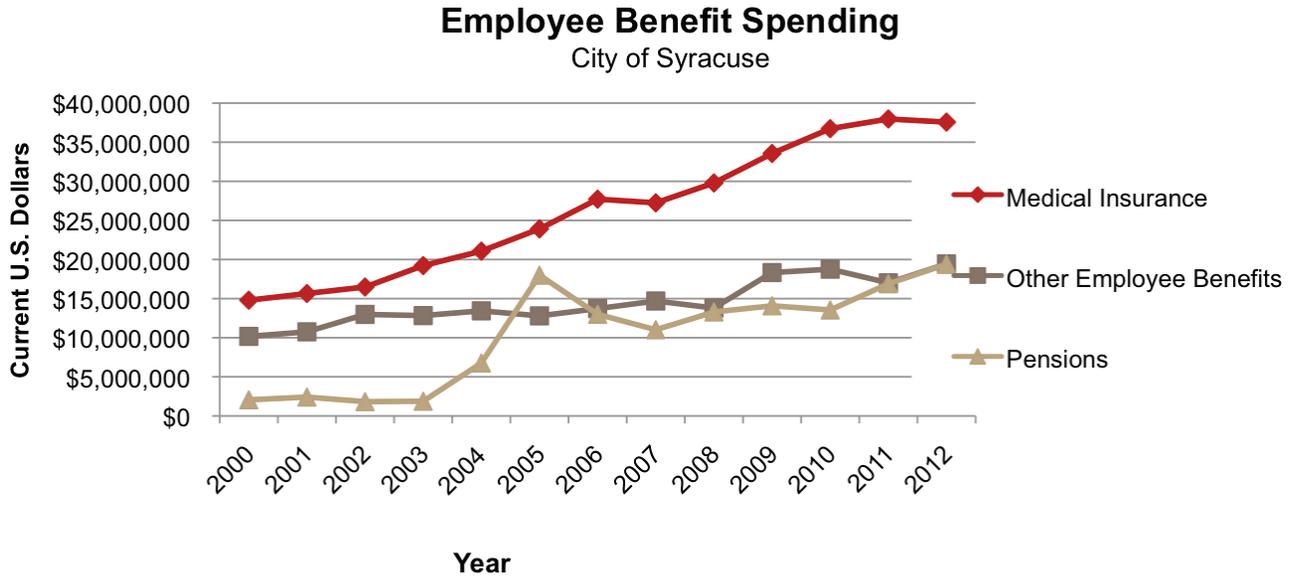
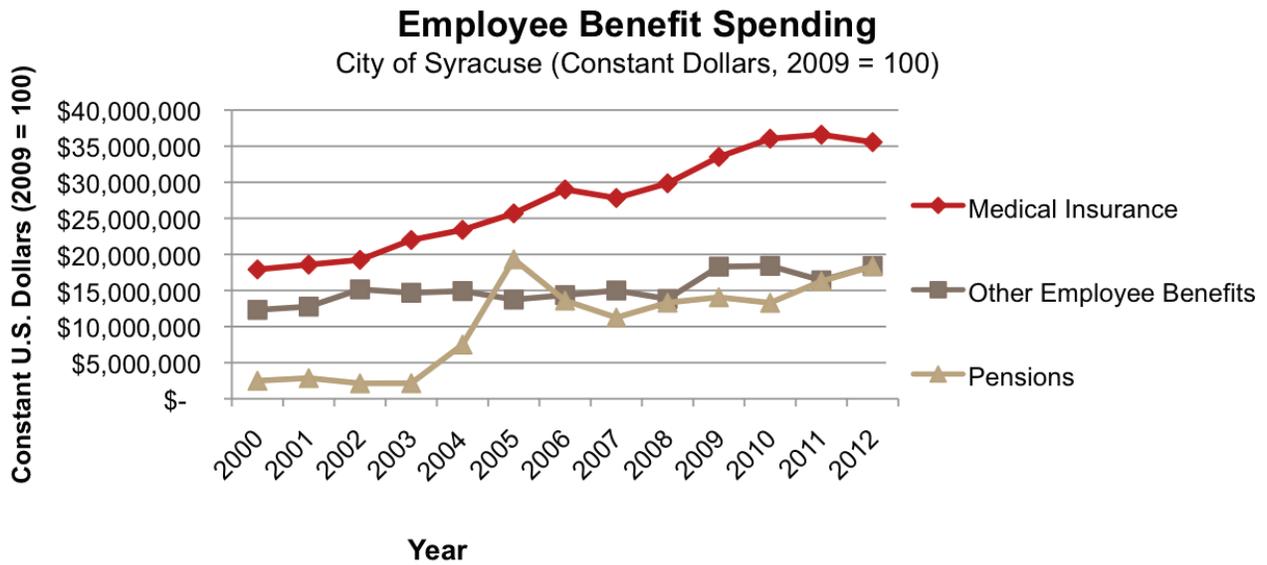


FIGURE A-3: City Employee Benefit Spending in Current Dollars, 2000-2012



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

FIGURE A-3: City Employee Benefit Spending in Constant Dollars, 2000-2012



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

