



Sustainable Economic Development

Investments in People, Place & Business

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Sustainable Economic Development: Investments in People, Place and Business

In the midst of acute fiscal stress, municipalities turn to a wide range of economic development policies to stimulate job growth and bolster their tax base. No single policy offers a panacea for communities. Economic development practitioners in New York State (NYS) must balance the unique needs of their communities in the context of state policy. This report offers a guiding framework and recommendations for a sustainable economic development strategy. We recognize that economic development practice works from the neighborhood to the national scale with initiatives that include basic infrastructure provision and public service delivery. Cataloguing hundreds of strategies is outside the scope of this project. Instead, we have chosen four transferable, high-impact policies – anchor institutions, land banks, business associations and social entrepreneurship – that offer beneficial lessons for municipalities and fit within our framework. We analyze the impact of these policies as seen in a variety of case studies, and then offer recommendations for municipalities and the state.

Building a Sustainable Framework

To construct a framework for healthy policy, we first outline the trends in economic development practice, and then draw conclusions about sustainable policy from recent research.

Practice through Time

The International Economic Development Council (IEDC) – the professional association of economic developers – defines economic development as “a program, group of policies, or activity that seeks to improve the economic wellbeing and quality of life for a community, by

creating and/or retaining jobs that facilitate growth and provide a stable tax base” (“IEDC At a Glance,” n.d.). Three waves of economic development policy have dominated practice in the field. First Wave, “low road,” strategies entice large industrial employers by lowering production costs (land, labor and capital) through such policies as subsidized loans, tax incentives, and direct payments for the expense of relocation (Hanley & Douglass, 2014; Leicht & Jenkins, 1994; Teitz, 1993; Eisinger, 1988; Bradshaw & Blakely, 1999). In the late 1980s, local governments introduced Second Wave policies to help employers identify, expand and develop new markets from within the municipality. Second Wave policies also soak up the risks of expansion and innovation through technical and financial support.

Empirical studies of business incentives in the first two waves show mixed results across time and space (Dewar, 1998; Eisinger, 1988; Teitz, 1994; Hanley & Douglass, 2014; Zheng & Warner, 2010; Bartik 2005). Warner and Zheng (2013) argue for a more nuanced understanding of business incentives. They find that the governments who rely heavily on tax incentives suffer from a weaker tax base than those that offer non-tax incentives, like guidance in the planning process or workforce development. A study of incentives in North Carolina reveals successful job and wage growth when governments offer incentives to select industries while guaranteeing quality public infrastructure and services (Lester, Lowe and Freyer, 2012).

Community-Based Framework

Many scholars would place policies like the one from North Carolina in the Third Wave, in which local government supports strategic industrial clusters and strong community-based economic development policies (e.g., small business support and workforce development programs) (Hanley & Douglass, 2014; Bradshaw & Blakely, 1999; Bradshaw & Blakely, 2002;

Warner & Zheng, 2010). In NYS, the prevailing approach to economic development involves more than \$1 billion per year in state-administered tax incentives, an annual competition for state funding between regions, and local incentives divvied out by Industrial Development Agencies and local development corporations (The Alliance for a Greater New York (ALIGN), 2013).

While the impact and accountability of NYS economic development financing will be covered later in this report, the dominance of business incentives must be tempered with a Third Wave, holistic strategy for job creation and retention. Policies must support the *People* who live and work locally (improvements to quality of life and education), the *Places* that house those jobs (improvements and maintenance of the physical fabric), and the local *Businesses* that create jobs (small business support and programs for local purchasing and hiring) (Figure 1).¹

Cycle of Sustainable Economic Development



Figure 1: Cycle of Sustainable Economic Development

People. A growing number of studies support our *People, Place and Business* framework. In a recent report, Standard & Poor’s recommended local, state and federal policies

¹ Our *People, Places, and Business* framework mirrors other conceptualizations of public and private sector collaboration, notably, the Triple Bottom Line, argues that all businesses should embrace an accounting framework that calculates performance based on social (*People*), environmental (*Place*), and financial (*Business*) outputs (Slaper & Hall 2011).

that lift *People* out of poverty (Bovino, 2014). They argue that wealth disparities in the United States damage long term economic growth. *A 2010 IEDC report states that workforce quality, not low production costs, is the main concern for American businesses, and that economic developers can grow a skilled labor pool through policy.*² A new report from PolicyLink finds that the United States GDP would jump up 14 percent by closing the income and employment gaps for minorities.

Place. The tax incentives that work well are the ones that encourage carefully targeted physical development. Many cities selectively invest in neighborhoods that attract the young, educated *Creative Class*. While this approach can ignite development and increase property values, it can also displace low-income households, exacerbating issues of chronic poverty. Local governments must ensure that the development process is not captured by a small number of stakeholders who profit from limited development in lucrative areas (Molotch 1976; MacLeod, 2011). At the state level, place-based policies must not exacerbate geographic winners and losers or encourage unprofitable place-specific ventures, like casinos.

Business. As the main goal of economic development is to create jobs, it may be tempting for governments to throw incentives at the largest employers. A deeper look recommends caution. Although Walmart is the largest employer in the United States, a 2008 study of its impact revealed that for every job created by Walmart, the local economy lost 1.4 jobs (Neumark, Zhang & Ciccarella, 2007). In a compilation of case studies from the United States and Canada, the Institute for Local Self-Reliance (ILSR) demonstrates that local businesses create greater economic benefits than big-box chain stores across a range of geographies (Mitchell, 2013). The Kauffman Foundation found that economic development

² The IEDC supports our framework by stating, “quality jobs benefit people, companies and places” (IEDC, 2010, p. 7).

policy (particularly tax incentives) should be geared toward new and growing local businesses (Ewing Marion Kauffman Foundation, 2014). The report justifies this claim by noting that nearly all net job creation since the recession comes from new businesses in the United States (Kane 2010).

Healthy economic development diet. All three components of the framework are interdependent. Investment in *Business* will not succeed without concurrent investment in *People* and *Place*. Likewise, policy level and policy quality both matter. Economic development policy that invests in large corporations at the expense of other *Businesses*, *People* and *Place* is “low-road”, low quality, and ultimately unsustainable. In a way, investments in *People*, *Place* and *Business* are the necessary components of a healthy economic development diet.

It is up to individual municipalities and regions to determine which policies comprise the most appetizing and healthy approach. In some cases, municipalities might pursue a First Wave-style policy that lowers the cost of labor for specific industries by offering a proven workforce development program. In other instances, the healthiest option may be façade improvements along a key commercial corridor or investment in a regional child care system. The *People*, *Place* and *Business* framework gives communities a foundation for economic development that does not lean on race-to-the-bottom tax incentives or expensive investments in wealthy areas at the expense of the rest of the community.

Funding Trends in NYS

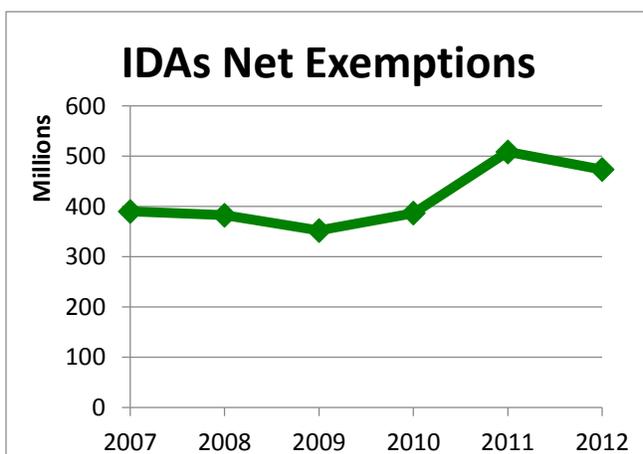
Local government budgets in NYS continue to endure the effects of the 2008 recession. In particular, municipalities have been affected by a steep decrease of property taxes and state revenue sharing. Before the recession, property taxes were rising steadily across the state. In fact,

in 2007, revenues from property taxes rose at 7.4%. However, this trend evaporated in 2008 after the beginning of the recession and has only barely increased since. In 2012, revenues from property taxes increased by 2.1% (Office of the New York State Comptroller (OSC) data in current dollars) (OSC, 2013a). Additionally, there were large reductions in state and federal revenue sharing. Immediately after the onset of the recession, state and federal aid to municipalities increased due to the American Reinvestment and Recovery Act. Since then, revenue sharing has dropped. In 2011 and 2012, revenue sharing fell by 4.6% and 1.6%, respectively (OSC, 2013a).

Despite discouraging budgetary trends, municipalities utilize numerous types of government authorities to gain access to new revenues for economic development, especially through tapping into debt markets. They also have used a variety of funding mechanisms, such as tax exemptions, tax increment financing (TIFs), and payment in lieu of taxes (PILOT) increment financing (PIFs) to promote economic growth. These strategies have had mixed results.

Tax Abatements

Tax abatements are a popular and widespread technique across the United States. NYS has used some form of tax abatements for decades to attract and support business. Local IDAs, or

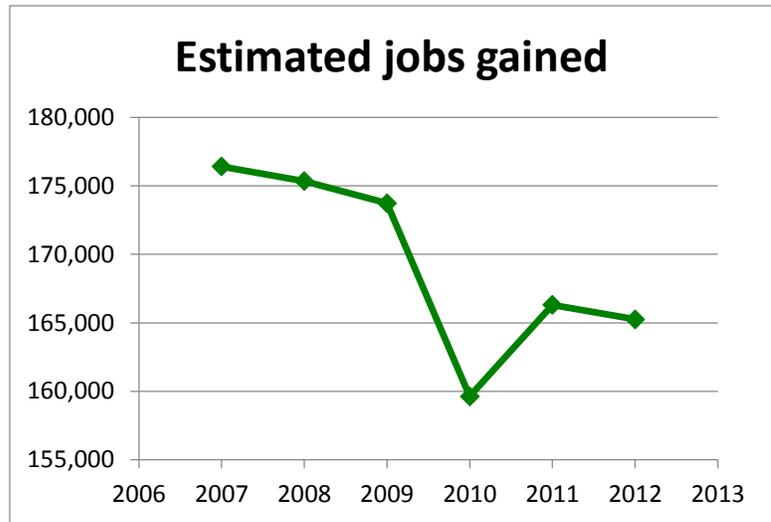


industrial development agencies, have administered many tax abatements in the state since enabling legislation for IDAs in 1969 (OSC, 2006). Such tax exemptions have increased recently for areas outside of New York City since 2007.

Graph 1: IDAs Tax Exemptions, NY Localities (except NYC)
Data from New York State Comptroller, 2014. In current dollars.

In 2012 alone, IDAs supported 4,521 projects, which amounted to a net of \$1.3 billion in property tax exemptions across the state (OSC, 2013b). These abatements are often accompanied by PILOTs to partially compensate for the loss in revenues. Since 2007, net abatements (exemptions minus PILOTs) have increased by around \$100 (as shown in Graph 1).³ Despite a drop in taxes from the recession and a dire need for local revenue, IDAs tax abatements still increased.

There are mixed assessments on how useful exemptions have been in creating and retaining jobs. Different auditing authorities arrive at very different conclusions regarding abatements impact. The NYS Comptroller reports that IDAs tax



Graph 2: Jobs Gained from Tax Abatements: NY Localities (except NYC) Data from New York State Comptroller, 2014. In current dollars.

abatements have produced a little less than 200,000 jobs for the state in 2007 (OSC 2008). Since then, the number of jobs created by abatements per year has dropped, as shown in Graph 2, demonstrating the increasing cost of job growth through tax exemptions alone⁴.

This trend is made more worrisome by the difference in findings between the NYS Authority Budget Office (ABO) and the Office of the State Comptroller. While the Office of the State Comptroller determined that abatements created 165,245 jobs in 2012 (outside NYC) since the IDAs instituted their projects, at about \$2,865 in tax exemptions per job, they calculate jobs

³ Other authorities in the state, such as infrastructure authorities and local development corporations also have the power to grant exemptions (ABO 2013). Due to a lack of reporting requirements, abatements given by these authorities are not readily available.

⁴ Author calculations based on data provided by the New York Office of the State Comptroller in 2014.

created from the abatements based on the total new jobs in the organizations that receive assistance (OSC 2013b). In other words, if a factory receives some abatements, all of the new jobs in the factory are considered to be from the IDAs' exemptions. Intuitively, this is problematic as it is unclear whether or not these new jobs would otherwise be created, or have been created because of changes in demand for the company's product. Furthermore, the ABO calculates jobs gained by firm looking at a new project's effects on employment within the first year of the project or in years after a project is first implemented. They additionally assume that the abatement is responsible for all new jobs in a benefiting firm. In 2012, they estimate that new projects created only 1,779 jobs, with net exemptions in the first year of \$34,175,247. This would amount to an abatement of \$19,210 per job. In their analysis of abatements over the past four years in continuing projects, they find that 7,487 jobs were created at a cost of \$24,422 per job (ABO 2013).

Obviously the Comptroller's calculation of \$2,865 and the ABO's \$24,422 calculation are very different. One results in a lower cost per job, while the other is more than ten times the cost per job. Both are based on assumptions that may disregard other factors of business growth. As a result, the actual effectiveness of abatements is in dispute. Despite the ABO's attempts to calculate IDAs benefits, the organization itself admits that determining the effectiveness of IDAs is difficult because of the ambiguity in how they effect growth (ABO 2014). Lynch, Fishgold, and Blackwood (1996) put it another way: the benefits of IDAs are questionable while their costs are clear and substantial. Since their study in 1996, it is evident that IDAs effectiveness calculations have not changed in the two decades since.

Despite their questionable effectiveness, NYS is increasing the use and scope of exemptions through the START-UP NY program, in which new businesses affiliated with

universities and colleges can be exempted from all taxes for ten years, and 10,000 employees per year across the state can be exempted from personal income taxes (NYDOTF, 2013). Others have criticized these types of tax incentive strategies, including a commission affiliated with the Governor that describes these credits as not having a good return in investment, and encouraged further measurement of their effectiveness (Reform and Fairness Commission, 2013). Subramanyam (2014) argues that START-UP New York focuses on high tech start-ups that provide little growth or employment at first. These businesses need additional funding to become large operations. Subramanyam describes a perpetual overconfidence that tax abatements can create great growth, without consideration of other needs and dimensions of development.

Debt for Development: Bonds, Tax Increment Financing, and PILOT Increment Financing

In addition to exemptions, various authorities issue debt to fuel economic development projects. IDAs and other local authorities like urban renewal agencies and local development corporations, issue bonds to assist in development by providing infrastructure and resource accumulation (like purchasing parcels of land) for developers. Many of these bonds are issued as a part of TIFs and PIFs.

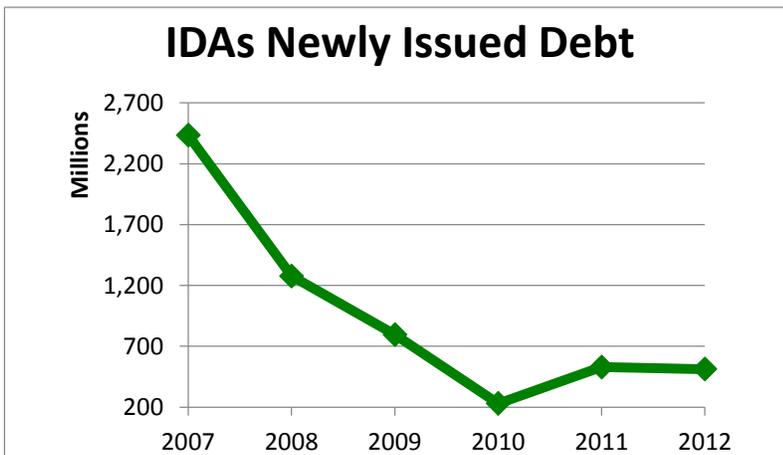
TIFs, or tax increment financing, work in the following way: the property involved in the TIF has its property value frozen by an authority, such as an IDA. Normally, the issuing authority will then release bonds for development. As the property value increases, the taxes from the additional property value then go to servicing the debt from the bonds.

PIFs (PILOT increment financing) work in a similar way. A developer's property is transferred to the ownership of the tax-exempt authority, most often an Industrial Development Agency. The IDA may issue bonds to fuel development, which are paid by agreed-upon PILOTS

from private developers. At the end of the term of the bonds, the land is returned to the private owner.

Groups like the Western Regional Council as well as the Urban Council have pushed for TIFs to be used more often (NY Urban Council, 2013; West NY Regional Economic Development Council 2011). PIFs are relatively popular to use in NYS and have been issued successfully in creating large projects such as the State University of New York’s Marcy Nanocenter at its Institute of Technology campus to create a space for experts on nanotechnology to conduct research and invent (Mohawk Valley Edge 2013). Additionally, PIFs have been heavily used in urban areas like Buffalo. A good example is the Lakeside Commerce Park created to offer beautiful parklands and well-prepared parcels of land for manufacturing development (Buffalo Urban Development Corporation 2012). Despite these successful projects, PIFs make up less than 1% of all debt issued by local authorities (ABO 2014).

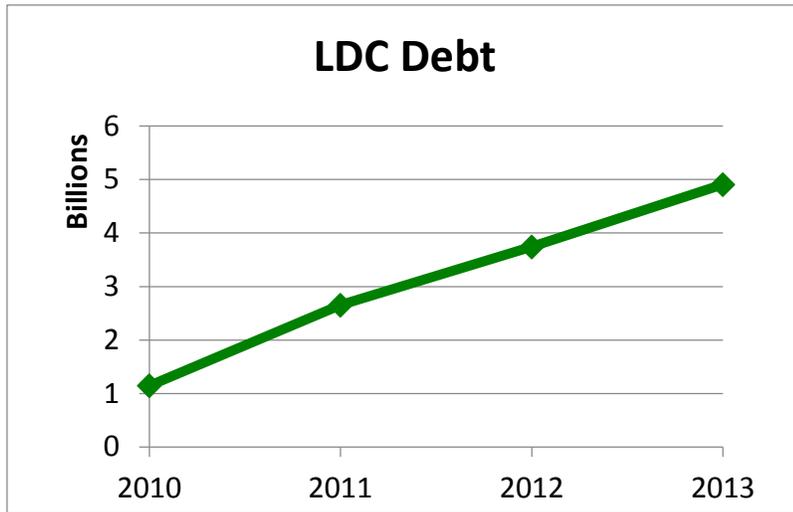
TIFs and PIFs are both risky and can require municipalities to foot the bill in case of default. For TIFs, if future land values do not increase, there will not be new revenue to service the bonds. Similarly, if a private partner ceases issuing PILOTs (e.g., due to bankruptcy), the IDAs must look elsewhere. Normally, default of IDAs debt harms the credit ratings of the



Graph 3: New IDA Debt: NY Localities (except NYC) Data from New York State Comptroller, 2014. In current dollars.

municipalities involved in the IDAs investment, as credit agencies expect them to pay for the IDAs bonds (Cerciello, 2004). New York local authorities have already issued billions in debt (more than \$92 billion in 2013)

(ABO 2014). Additional liability may be untenable.



Graph 4: Local Development Corporation Debt: NY (outside NYC)
Data from New York State Authorities Budget Office, 2014.
Current dollars.

Interestingly, data shows that for greater NYS, newly issued IDAs debt has sharply decreased from a high of about \$2.5 billion in 2007 to around \$500 million in 2012. At the same time, conduit debt, or debt issued on behalf of a third party (like a developer) issued

by local development corporations (LDCs) has steadily risen by \$1

billion per year (ABO 2014). Some experts allege that increased investment in LDCs sidesteps the legal constraints on IDAs and avoids the auditing required by public authorities (Lavine, 2011). Both the state Comptroller and ABO have also explained that municipalities are shifting to LDCs as regulations restrict IDAs from funding civic facilities owned or occupied by non-profits (Viekind, 2011; ABO, 2014). In any case, more money is now spent secretly and without many regulations guiding accountability, transparency, and objectivity. Because of the fuzzy distinction on public versus private LDCs, many LDCs lack public scrutiny despite having significant public funding. Additionally, the ABO can only publically censure late filers of financial disclosure reports (ABO 2014), which may contribute to the fact that 54 public authorities had not filed 2013 data by 2014. The use of LDCs increases the risk of fraud and abuse (OSC 2011).

It is clear that tax abatements and debt-based development financing are too uncertain and risky to use as growth strategies. The current lack of data on policy effectiveness and bond liability beg huge questions. We believe that community based strategies present more controllable, transparent, and effective options for municipalities to use to achieve sustainable economic development.

Policy 1: Anchor Institutions

Anchor institutions are “nonprofit or corporate entities that, by reason of mission, investment capital, or relationships to customers or employees, are geographically tied to a certain location” (Webber & Karlstrom, 2008, p.6). This condition implies that they cannot be easily moved and that they have incentives to invest in the community. Universities and medical centers – usually referred to as “Eds and Meds” – are arguably the most relevant anchor institutions due to their size and the economic resources they involve. According to figures from 2009, they generated around one trillion dollars in economic activity (Penn Institute for Urban Research, 2009), and employed 18.98 million people across the United States (Fiscal Policy Institute (draft), 2014). In the same year, these institutions accounted for 18.9% share of the economy and employed 1.674 million people in NYS (Fiscal Policy Institute (draft), 2014).

Eds and Meds can promote local economic development through five main channels: Human resources (employment), real estate development, investment, business incubators, and local purchasing (Penn Institute for Urban Research, 2009).⁵ Anchor institutions can have broad,

⁵ Besides the above-mentioned benefits that anchor institutions can bring for community development; they can also attract highly educated professionals, and generate cultural resources for the community, like museums and libraries.

direct, and tangible impacts on the three final recipients of economic development previously described: people, place, and business.

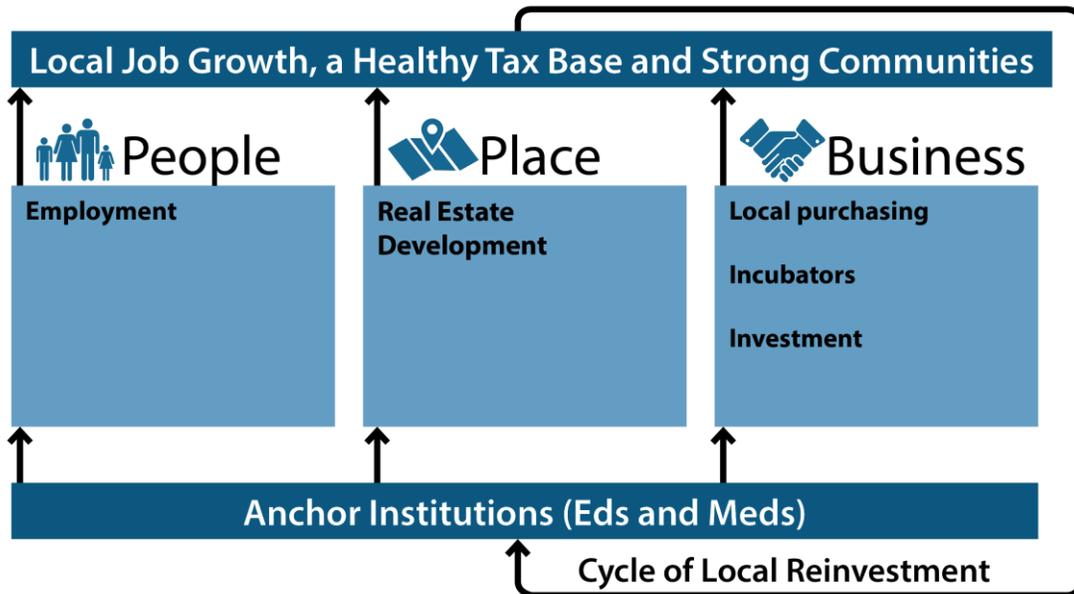


Figure 2: Anchor Institutions for sustainable economic development

Anchor institutions’ actions toward generating economic development rely on their good will. However, these institutions also respond to the community challenges that affect their own interests.⁶ Considering these two sources of motivation, local governments can link the good will and interest of anchor institutions with the community’s needs. This section will explore examples from Cleveland, Ohio and Syracuse, NY in which the local government successfully linked the two.

Cleveland, Ohio: The University Hospitals Difference: Vision 2010.

In 2005, the nonprofit University Hospital announced a 1.2 billion dollar growth plan to construct five facilities and expand others (Serang, Thompson, and Howard, 2010). In an innovative move, the plan identified specific targets related to community development,

⁶For example, in Baltimore City, when ten years ago drug abuse and crime generated a risk of reducing the enrollment at the Maryland Institute College of Art, the institution became involved in a strategy to reduce vacant houses (Green, 2014).

particularly: (1) procurement to minority and female-owned businesses; and (2) direct expenditure towards local businesses. This Agreement was signed by University Hospital and the Cleveland Building and Construction Trades Council, with the city as a third party beneficiary (Serang, Thompson, and Howard, 2010, p.9). The Mayor pushed for a diversity agenda as well as for the agreement between the unions and the hospital, especially to grant at least 20% of employment to Cleveland residents. By 2010, the institution contracted with 110 minority and female-owned businesses, generated 5,000 jobs, paid more than \$500 million in wages, and recorded a 92% local procurement rate (Serang, Thompson, & Howard, 2010, p.39).

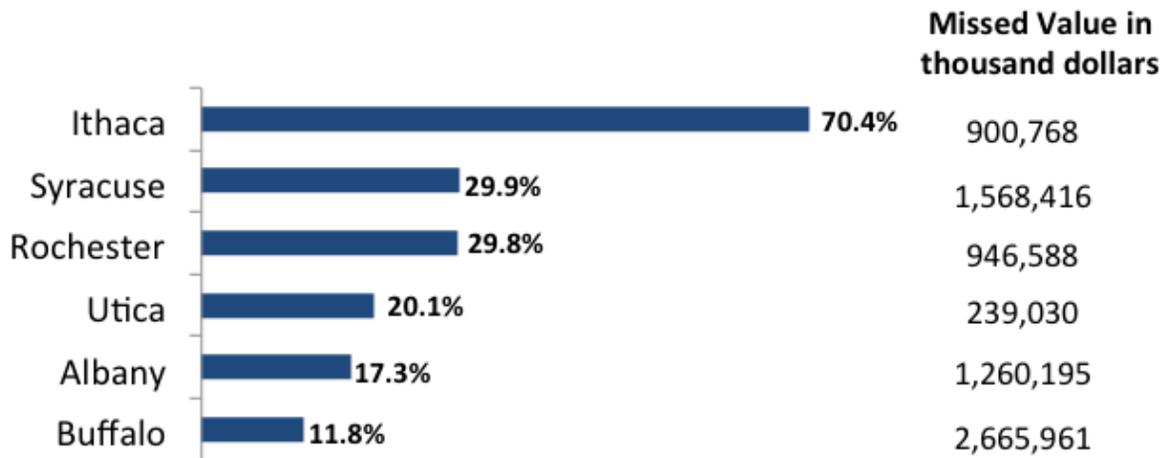
Syracuse, NY: The Connective Corridor.

The Connective Corridor is an urban revitalization project co-sponsored by Syracuse University, the City of Syracuse, and Onondaga County. The project relies on \$42.5 million of external funding, \$260 million of new downtown private investment, and \$1.4 million in projects by local universities, medical institutions and the private sector (Connective Corridor (official website))⁷ The objective was to fund infrastructure improvements, buses, and smart transportation technologies to connect the University Hill with downtown Syracuse. As part of the project there are business incentives, arts and façade redevelopment, and historic landmark preservation. For example, the Connective Corridor Hospitality Enterprise Fund supports new business and restaurants along the Corridor. (Connective Corridor (official website)).

Despite all the economic development benefits of anchor institutions, they also entail costs. Given that most Eds and Meds are nonprofit organizations, they are exempt from paying certain taxes. Most importantly from the local government point-of-view, they are exempt from

⁷ For further information: <http://connectivecorridor.syr.edu/wp-content/uploads/2014/07/Greenbuild-2013-CC-presentation-compressed.pdf>

property taxes. In NYS, real property taxes account for 44% of local government revenues and nonprofit exemptions account for \$112 billion, or 14% of exempted property value (Office of the New York State Comptroller, 2013c), with some cities more affected than others. The following graph shows the percentage of the exempted property value for a selection of cities, as well as the estimated sum this represents.



Graph 5: Percent Exempt Property Value from Non-Profits

Source: NYS Office of Real Property Tax Services, 2014

Government – Anchor Partnerships

Considering the data above, what can the local governments do to ensure that the benefits generated by Eds and Meds exceed their costs in terms of tax expenditure? While nonprofit institutions are exempt from paying property taxes, they can voluntarily make “Payments in Lieu of Taxes” (PILOT) to local governments to compensate. More than 90% of the PILOTs revenue across the United States comes from “Eds and Meds” (Langley, Kenyon, and Bailin, 2012); and 52% of it is generated by the institutions listed in Table 1.

In New York State, Cornell University, located in the City of Ithaca, made PILOT payments of \$1.9 million in 2008 and of \$1.6 million in 2009 as a part of a ten year PILOT

agreement based on “what the university thinks it can afford” (Office of the NYS Comptroller, 2013). As of 2011, Syracuse University made voluntary payments of approximately 1 million dollars, or 4% of the \$24 million in taxes that the institution’s property would generated if it were not exempt (Office of the NYS Comptroller, 2013). To be sure, these universities make enormous contributions to the cities, mainly through investment and job creation. Nevertheless, in a context of fiscal crisis in a large number of local governments, these voluntary contributions are not enough. The following section will include some alternatives to foster greater revenues from anchor institutions.

Table 1 Ten Nonprofits Making the Largest PILOTs

Nonprofit	Year	Amount	Nonprofit Type	Localities	State
Harvard University	2012	10,088,273	Higher Educ.	Boston, Cambridge, Watertown	MA
Yale University	2012	8,100,000	Higher Educ.	New Haven	CT
Stanford University	2009	7,100,000	Higher Educ.	Palo Alto	CA
Brown University	2012	6,400,000	Higher Educ.	Providence	RI
Boston University	2012	5,718,122	Higher Educ.	Boston, Brookline	MA
Mass General Hospital	2012	3,508,707	Hospital	Boston	MA
Dartmouth College	2009	1,900,000	Higher Educ.	Dresden School District	NH
Bingham & Women's Center	2012	1,823,270	Hospital	Boston	MA
Mass. Institute of Technology	2012	1,787,780	Higher Educ.	Cambridge	MA
Princeton University*	2009/2012	1,751,000	Higher Educ.	Princeton Borough/Township, W. Windsor	NJ
Top 10 Nonprofits		48,177,152			
Percent of all Nonprofits		52.0%			

* Princeton University's PILOT to Princeton Borough and Township is for 2012; PILOT to West Windsor is for 2009.

Source: Langley, Kenyon, and Bailin, 2012, p.6.

Agreements for Payments in Lieu of Taxes (PILOTS). The objective of these agreements is to generate standards to define the size of adequate PILOTs considering the characteristics of the nonprofit organization. These could include its size in terms of employees or revenues, the assessed property value, or the use of public services. Boston has experienced success in generating an agreement of this type. In 2009, Mayor Thomas Menino initiated a task force to promote an increase in revenue from non-profits (Kenyon and Langley, 2010). The task

force included a diverse group, from Eds and Meds staff to city government officers, unions and community groups. As a result, the task force recommended PILOTs be set at 25% of the exempted property tax for institutions over \$15 million in assessed value. Currently Boston is the city with the highest PILOTs revenue: \$19.4 million (Langley, Kenyon, and Bailin, 2012).

Services in Lieu of Taxes (SILOTs). Nonprofits can also contribute to municipalities by providing services instead of money. This alternative, referred to as Services in Lieu of Taxes (SILOTs), may apply to diverse sectors such as health, education, or even security. They can be complementary to PILOTs or stand on their own. For instance, Vanderbilt University in Nashville, TN does not make PILOT payments, but provides police protection for areas surrounding its campus (Kenyon and Langley, 2010).

Policy 2: Land Banks

Aims of Land Banks

According to New York's Land Bank Act (2011), land banks are not-for-profit corporations which acquire, manage and sell vacant, abandoned, and tax-delinquent properties. Land banks in NYS acquire properties from foreclosures, contracts, and transfers (New York's Land Bank Act, 2011). After acquisition, land banks should manage and finance those properties and convert them into commercial use, affordable housing or public spaces (Alexander, 2005). Redesignated and repurposed properties can improve the image of communities, attract businesses or individual investment, and reinvigorate economies (New York's Land Bank Act, 2011).

NYS currently has eight land banks⁸: Erie (the Cities of Buffalo, Lackawanna, and Tonawanda, with Erie County), Syracuse (the City of Syracuse and Onondaga County),

⁸ For further information: <http://www.communityprogress.net/blog/years-land-banking-takes-shape-york-state>

Schenectady (the Cities of Schenectady and Amsterdam and Schenectady County), Chautauqua County, the City of Newburgh, Broome County, Suffolk Country and the City of Rochester.

Acquisition of property. Land banks can only acquire properties inside their jurisdictions that are vacant, abandoned, tax delinquent, or tax foreclosed. In addition, land banks can acquire properties from political subdivisions or with redevelopment plans. However, land banks cannot exercise eminent domain. Instead, they obtain properties via transfers from governments which use eminent domain (New York Land Bank Act, 2011).

Often, land banks purchase properties in foreclosure auctions. Erie County acquires properties from Foreclosing Government Units (FGU) and purchases liens of foreclosure⁹. Newburgh, Chautauqua and Syracuse accept donations.¹⁰ Both Syracuse and Newburgh prioritize acquiring properties which stimulate economic revitalization, support public spaces and neighborhood stabilization, and decrease environmental pollution.^{10, 11} Besides that, Chautauqua and Schenectady encourages inter-local agreements to increase municipal involvement.^{10,12}

Disposition of property. Land banks release the properties they have acquired for use as affordable housing, economic activities, public spaces, and conservation areas. All land banks in NYS prioritize affordable housing. Erie County divides its propriety sales methods into sealed bid, public auction and negotiation approaches.¹³ In addition, Chautauqua and Syracuse encourage side lot programs, which promote transferring lot ownership to neighborhood

⁹ Rules & Procedures of Buffalo Erie Niagara Land Improvement Corporation (BENLIC).

¹⁰ Land Acquisition and Disposition Policies & Priorities of Chautauqua. Acquisition of Property of Newburgh Community Land Bank (NCLB). Acceptance of Donated Real Property Policy of Great Syracuse Land Bank.

¹¹ 2014 Performance Objectives of Great Syracuse Land Bank.

¹² Intergovernmental Corporation Agreement of Schenectady.

¹³ Property Disposition Guidelines of BENLIC.

residents.^{10,14} Chautauqua and Newburgh emphasize commercial and mixed use development of properties.^{10,15} Syracuse offers discounts to public safety employees, and Schenectady intends to use land bank properties to improve public safety.^{14,16}

Land Bank Financing

Land Banks receive grants from the Federal Government, NYS agencies, municipalities, and other entities. In 2013, Syracuse acquired the most grants, principally from municipalities, while Newburgh received the second most grants and Chautauqua received the least grants, most of which came from state government.¹⁷ In 2013, Syracuse, Newburgh and Chautauqua had similar property revenue levels while Schenectady had no operating revenue¹⁷.

Land Banks and Land Trusts

Land trusts are not-for-profit corporations that acquire properties and sell them to private parties. In 2010, NYS had 97 land trusts, and ranked 5th out of 50 states in the U.S.¹⁸ Compared to land banks, land trusts are private corporations with long-term supervision and responsibility for property management. Land trusts are beneficial for long run development of properties, but have fewer purchasing powers than land banks, such as acquiring tax-foreclosed properties¹⁹. Land banks have the authority to acquire large amounts of properties, but lack the responsibility for long term management.¹⁹ Therefore, because land banks' strength is in acquiring properties

¹⁴ Disposition of Real and Personal Property Policy of Great Syracuse Land Bank.

¹⁵ Disposition of Properties Priorities of NCLB.

¹⁶ Land Reutilization Cooperation of the Capital Region Mission Statement.

¹⁷ Financial Statement of BENLIC, 2013 Budget of Land Reutilization Cooperation of the Capital Region, NCLB Final Audit 2014-Financial Report, 2013 Certified Financial Audit of Great Syracuse Land Bank, Report on Financial Statement (2013) of Chautauqua.

¹⁸ For further information: <http://www.landtrustalliance.org/land-trusts/land-trust-census/data-tables>

¹⁹ Burlington Associates in Community: Land Banking vs. Land Trusting: A Comparison of Complementary Strategies.

and land trusts have the advantage of managing properties, in the long term, municipalities should encourage cooperation between the two.

There are mainly two types of land trusts: Conservation Land Trusts and Community Land Trusts. Conservation land trusts aim to protect ecology while promoting environmental education, ecotourism and sustainable farming. Both the NYS Conservation Partnership Program and the NYS Policy Program encourage land trusts to support conservation areas.²⁰ For example, in Onondaga County, four land trusts focus on wildlife conservation. Also, the Syracuse land bank emphasizes the Community Garden/Green Space Program.¹⁴ Therefore, land bank and conservation land trusts could collaborate around similar goals. Community land trusts acquire and manage lands to benefit community residents, including reducing vacant housing, providing affordable housing for lower-income residents, attracting investment, and promoting community revitalization (West, 2011). Similar to community land trusts, land banks have the same targets. Thus, cooperation between land banks and land trusts is a win-win situation for NYS.

Land Banks for Economic Development

Establishing Land banks benefits economic development (see Figure 6). For *People*, land banks set the stage for affordable housing development and offer public safety employee and teacher discounts. For *Place*, land banks facilitate real estate development, support infrastructure, public and open spaces, activate side lots, create safer and attractive neighborhoods, and reduce environmental contamination. For *Business*, land banks support comprehensive plans, reduce blight in the community, increase tax revenue, and stimulate business and individual investments by opening up commercial and industrial real estate. In future development, land banks could

²⁰ For further information: <http://www.landtrustalliance.org/about/regional-programs/ne/nyscpp>

enhance internal communication and cooperation, increase cooperation with land trusts and diversify funding sources.

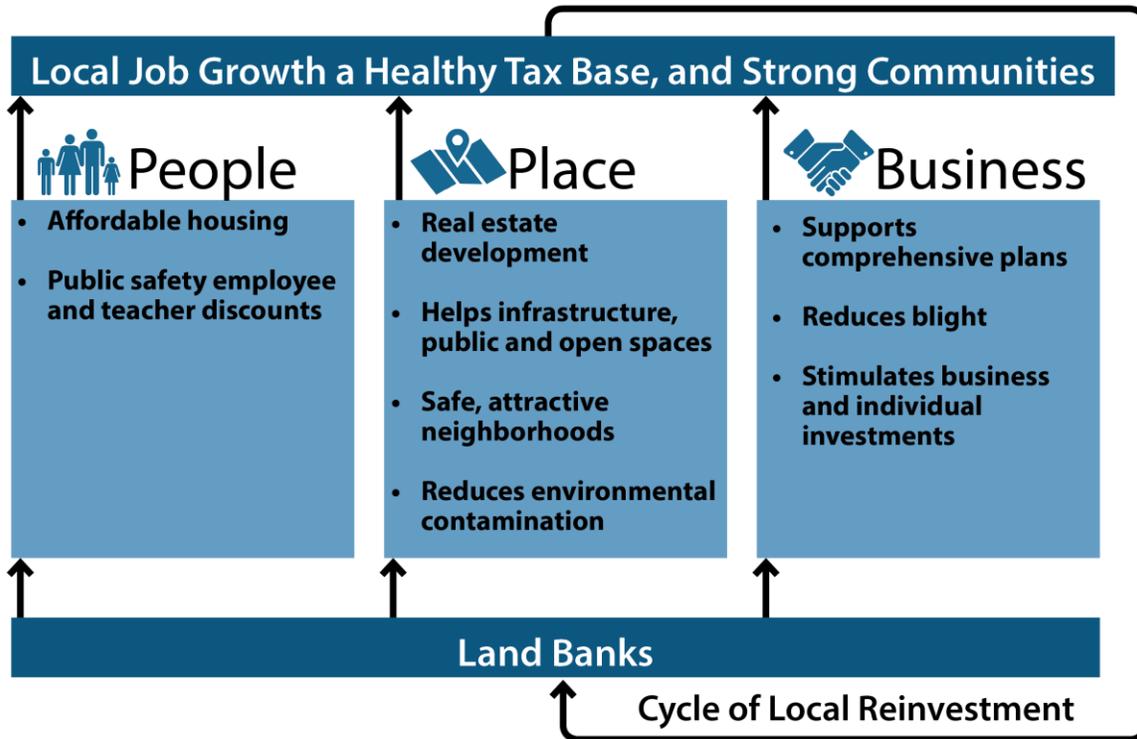
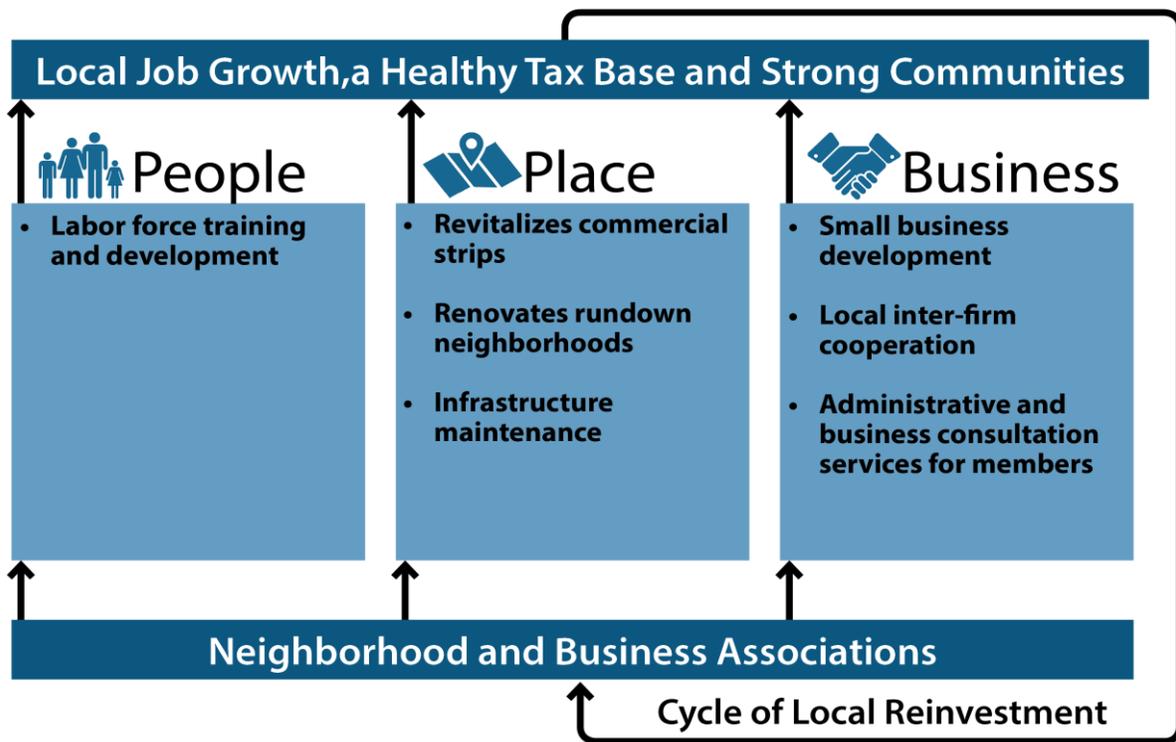


Figure 3: Land Banks promote sustainable economic development

Policy 3: Neighborhood and Business Associations

Neighborhood and Business Associations (NBAs) are comprised of membership organizations representing individual firms, property owners, local residents, and non-profit organizations that seek non-market solutions to individual or group problems (Hawley et al, 2005). These organizations can be viewed as formal or informal intermediary institutions which play a significant role in promoting grassroots-level economic development through collective action to attain what neither the public nor private sectors can achieve alone (McCormick, 2000; Kunyavsky, 2004).

The initial interest and adoption of NBAs within the United States can be traced to the successful adoption of flexible production models²¹ by manufacturing districts in the 1980s and 1990s. These models have changed over time and currently exist within municipalities in diverse forms, ranging from traditional Business Improvement Districts (BIDs) to less formal community-based or grassroots organizations. Through their valuable associational qualities, NBAs have the capacity to incorporate a community focus into the private market sphere and contribute to economic development through small business development, labor force training, neighborhood revitalization, and infrastructure maintenance, as seen in Figure 4.



²¹ According to McCormick (2000) flexible production models are systems which necessitate collaboration among many actors. Intermediary organizations, such as business associations, labor unions, and less formalized collective institutions like consortia, are directly involved in activities that provide business assistance to firms. These non-governmental actors also forge partnerships or act in an indirect advisory capacity with local and regional government agencies and other public sector actors such as universities and public school systems to promote local economic development and industrial policy. The greater the overlap and duplication of such collaborative partnerships, the greater the opportunity for all firms to link to the beneficial framework.

Figure 4: Neighborhood & Business Associations for sustainable economic development

Associational Qualities of Business Associations

The associational qualities of NBAs are market-complementing activities, which seek to build and sustain these organizations (Doner and Schneider, 2000; Kunyavsky, 2004). The positive externalities associated with these activities in turn promote economic development. The broad range of associational qualities are grouped under seven main categories as outlined in

Table 2: Qualities and Functions of Business Associations

Associational Qualities	Functions
1. Transaction Cost Savings	Reduce administrative costs for both local governments and businesses
2. Market Coordination	Collecting and Disseminating Information
3. Skill Upgrading	Upgrading skills and productive capacity of members
4. Research and Development	Promoting research and development activities
5. Inter-Firm Coordination	Smooth out conflicts
6. Strategic Planning	Anticipating future changes in technology, labor force requirements, markets etc.
7. Ensuring Compliance With Labor Standards	Uphold labor standards and other social benefits for workers

Source (McCormick, L.E. Hawley, J. D. Meléndez, E. 2008 p.218-219)

Benefits Local Government Derive from Collaborating with NBAs

Local governments stand to benefit from forming collaborative relationships with neighborhood and business associations. Walsh²² (2014) says the City of Syracuse Division of Neighborhood and Business Development is heavily reliant on such organizations as they run a lean operation on staff for the neighborhoods within the city. According to Walsh (2014), NBAs serve as an extension of his department as these organizations are more versed in neighborhood

²² Ben Walsh is the Deputy Commissioner, Division of Neighborhood and Business Development for the City of Syracuse.

level information and also have the capacity to deal efficiently with development related issues at the neighborhood level. The three main collaborative benefits his department derives include:

1. **Site development:** NBAs assist businesses and developers to identify sites within the city to develop. The city works in conjunction with real estate brokers and the business districts such as the Downtown Committee of Syracuse²³ in identifying underutilized and tax delinquent properties that are usually not listed in real estate markets for development.
2. **Identify priorities in business needs at the neighborhood level**
3. **Inventory and information sharing:** The two business districts in Syracuse²⁴ keep extensive and detailed inventory of every square foot of space within their districts and this database can be made available to his division upon request.

The division also benefits from other associational activities of NBAs such as labor force training, small business development and neighborhood revitalization. The Northside Urban Partnership is a neighborhood association in Syracuse which has been very successful in labor force training. Through their entry-level workforce training programs,²⁵ this organization has successfully trained 250 people over the past six years to work in the health and construction industries. Currently, 85% of its graduates work at institutions within the Northside community of Syracuse (Logan,²⁶ 2014).

²³ Downtown Committee of Syracuse is one of the two BIDs located within the City of Syracuse.

²⁴ Downtown Committee of Syracuse and Crouse-Marshall Business Improvement District.

²⁵ Green Train & Health Train Programs. For more details about the Northside Urban Partnership programs, please refer to their website at <http://northsideup.org/>

²⁶ Jonathan Logan is the Program Manager for Place Making and Small Business Development in Northside Urban Partnership.

How Local Municipalities Promote and Fund NBAs

Local government can facilitate and empower these organizations. For example, the City of Rochester allocates funds to facilitate deliberation between these organizations. This helps NBAs build collaborative partnerships to develop projects, for which the Rochester government can leverage funding for implementation (Smith,²⁷ 2014). It is important to note that, unlike BIDS which have the benefit of the coercive power to tax, neighborhood associations lack a steady funding stream. Therefore local governments can work in tandem with these organizations to apply for grants or allocate some form of funding for the implementation of projects. To overcome this challenge of funding, neighborhood associations should be encouraged to diversify their funding by partnering with other organizations such as anchor institutions, non-profit organizations, and even BIDs.

Policy 4: Social Entrepreneurship

Social entrepreneurship promotes innovations that address social problems and comprise a range of initiatives run by individuals, non-profit organizations, for-profit companies, or a hybrid of models. These can lead to both small and large scale transformations.

There are five key attributes that Dees (1998) identifies as key in understanding the role of social entrepreneurship: 1) Adopts a mission (social or environmental), 2) creates social value (not just private value), 3) engages a process of continuous innovation, adaptation and learning, 4) not limited by resources at hand, 5) exhibits a heightened sense of accountability to the constituents served. In addition, social entrepreneurship serves as an engine for innovation, job creation, and economic growth, while also providing opportunities that would otherwise not be

²⁷ Delmonize Smith is the Commissioner of the Division of Neighborhood and Business Development for the City of Rochester.

available to individuals who are disadvantaged due to physical, mental, educational or economic disadvantages.

The Social Enterprise Alliance²⁸ points to the social and financial costs of chronic unemployment and exclusion from the workforce as one key argument for social entrepreneurship. Those who are unemployed often have to be covered under “society’s safety net,” in essence, taxpayer dollars. On the other hand, the value of a single job in the American economy is referenced in estimates by the Control Data Corporation at \$52,000 per year in 1981, and at a minimum of \$80,000 per year today (Social Enterprise Alliance, n.d, p.4). Thus, being able to create jobs for many of those who are otherwise locked out due to various disadvantages makes a meaningful contribution to the local economy.

Social Entrepreneurship in practice

At a national level within the United States, social entrepreneurship efforts seek to address many of the social complexities and challenges that communities are facing. For example, the Resolve to Stop Violence Program (RSVP) seeks to reduce recidivism rates in the United States, which at 60%, was ranked as one of the highest in the world.²⁹ The RSVP reduces recidivism by providing rehabilitation programs that provide a path towards integrating former prisoners back into the community as productive, employable citizens.

In Cleveland Ohio, a collaborative effort between the municipal governments, a foundation, employee association, hospitals, and universities have been initiating worker-owned cooperatives to create living wage jobs for six low-income neighborhoods in an area known as

²⁸ Social Enterprise Alliance is the *membership* organization for the diverse and rapidly growing social enterprise sector in North America

²⁹ The 60% ranking was based on a 1994 report by the U.S. Department of Justice’s Bureau of Justice Statistics (BJS) though a follow-up report in 2004 put the rate at 43.5%. This latter report was by the PEW Center on the States, *State of Recidivism, 2011, The Revolving Door of America’s Prisons*. For further information refer to

https://www.michigan.gov/documents/corrections/Pew_Report_State_of_Recidivism_350337_7.pdf

Greater University Circle (GUC) that has 43,000 residents and a median household income below \$18,500 (Bradley, 2013). These cooperatives employ 81 people in the GUC and include green-houses, laundry services and solar energy provision.

Social Entrepreneurship in New York State

Within New York State, our research identified three specific categories of social entrepreneurship: 1) social enterprises were using business models as an avenue to serve specific constituents such as women recovering from substance abuse or persons with disabilities, 2) individual social entrepreneurs running innovation boot camps supporting specific target communities or addressing issues of food security, and, 3) initiatives that were either incubation points for social and business innovations or partnerships working to transform specific neighborhoods. See Appendix for examples.

Social Entrepreneurship for economic development

Social entrepreneurship presents an opportunity to take a multi-dimensional approach to some of the chronic social challenges present within communities, see Figure 5. These initiatives are often run by non-profit organizations, but leverage the skills and resources of businesses, government, and anchor institutions such as universities. The research also shows the potential for support for social entrepreneurship efforts by providing incentives such as tax exemptions, one example being, the hot spot innovation tax benefit under the New York Innovation Hot Spot Support Program.

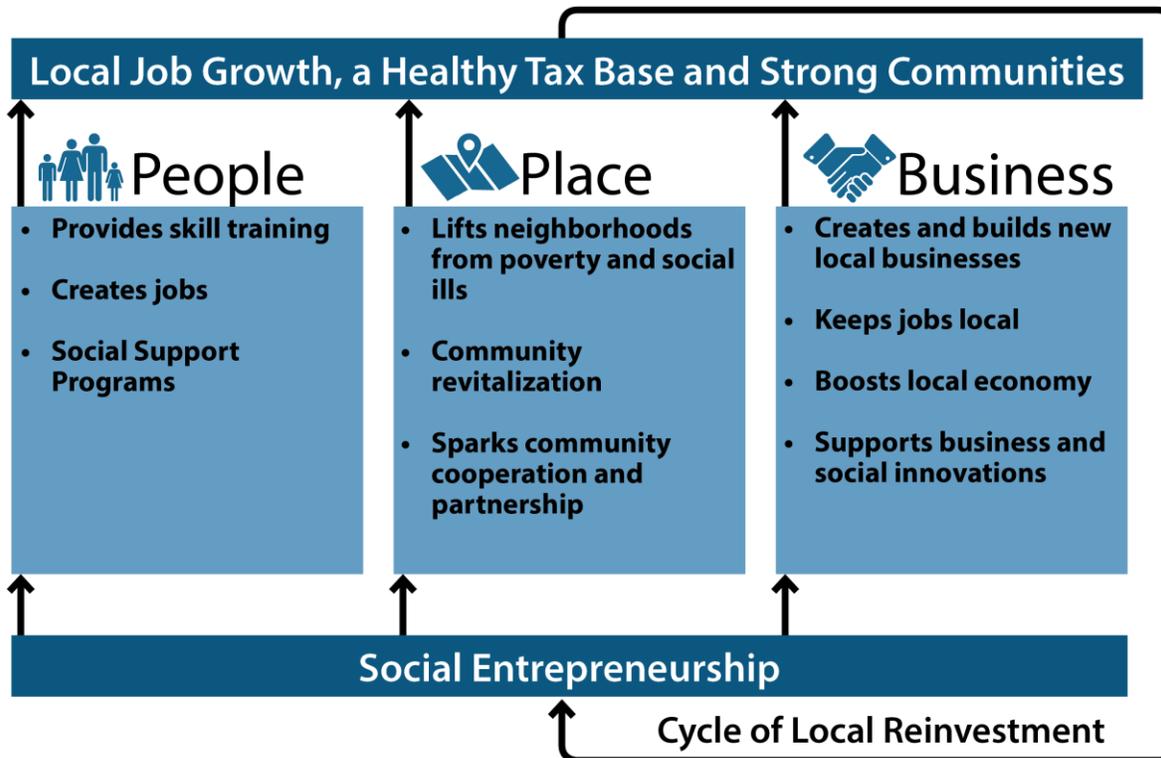


Figure 5: Social Entrepreneurship for sustainable economic development

Conclusions on Economic Development Strategies

Economic development strategies change rapidly over time and municipal leaders must identify and implement policies that create and retain quality jobs within their jurisdictions. NYS’s current methods of economic development lean heavily on policies of the past that no longer successfully support local economies. As an alternative, municipalities and the State of New York should adopt a guiding framework for economic development policies that supports people, place and business.

Considering a context of financial crisis among NYS municipalities, in this study we have explored alternative approaches that local authorities can consider to promote sustainable economic development. To do so, we focused on four innovative practices relevant to the

majority of municipalities in the State: (1) Anchor Institutions, (2) Business Associations and Business Improvement Districts, (3) Land Banks, and (4) Social Entrepreneurship.

Regarding anchor institutions, we found that local governments have a broad potential to actively generate and coordinate anchor institutions' investments in the community and connect them with the people's needs. This can occur particularly in regards to job generation, support to local business, and coordination with labor unions. However, to exploit this potential, local authorities need to create more formal channels to foster collaboration with anchor institutions. Moreover, there is a need to look for alternatives to compensate the "Eds and Meds" property tax exemptions. Some of these alternatives are to generate standardized PILOTs Agreements or ask for Services in Lieu of Taxes (SILOTs).

Land banks benefit economic development through turning vacant, abandoned, and tax-delinquent properties into productive uses. One major target of land banks is to provide affordable housing to people in NYS. In future development, land banks could enhance internal communication and cooperation. In addition, land banks could diversify funding sources.

Business Associations have the capacity to promote small scale, yet sustainable economic development. However they are limited in terms of funding. Despite their limitations, local municipalities can derive immense associational benefits from these organizations. Placing Business Associations into the sustainability framework, they tend to focus more on the business and place pillars in terms of their associational qualities.

On social entrepreneurship, local government can recognize successful models and support the underlying approach through seed funding, facility provision, support to scale up initiatives, and research. These efforts can help municipalities utilize social entrepreneurship to promote economic growth and in meeting community goals.

All of these strategies are viable options for revitalizing upstate New York communities. Municipalities should carefully consider which of these strategies would meet the needs of their particular community problems and fit within their own strategic plans, see Figure 6. Regardless of the development choices New York municipalities choose, each community must carefully consider the financial options available to fund economic development strategies. They must also utilize allied business, nonprofit, and community groups as their partners to maximize the effectiveness of their development efforts. Above all, these policies should attempt to maximize the benefits for people, businesses, and place to ensure sustainable growth for their entire community.

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

Figure 6: Policy Goals and Outcome of four economic development policies

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Appendix: Social Entrepreneurship Examples

Social Enterprises

i. **The Coffee Connection, Rochester, New York**

The Coffee Connection is a not-for-profit business that sells fair trade organic coffee to retail and whole sale customers, and also provides employment training and job opportunities for women in recovery from substance addiction. As part of their focus, they provide comprehensive, continuous support for the women in order to get them on a path of sustainable recovery, and also provide sustainable jobs with benefits. Through the Work Experience Program,³⁰ they receive referrals from the Department of Human Services to provide on-the-job training for which they receive a 90% reimbursement for a four-month training session.

At A Glance:

- **3 coffee café locations, 2 actively running, 1 soon to open**
- **400 – beneficiary women since 2002**

ii. **Human Technologies Corporation (HTC), Utica, New York**

The Human Technologies Corporation³¹ runs six businesses that have formed partnerships with entities both locally and globally to provide a range of services including corporate apparel, graphic design and industrial sewing, behavioral health services, property management and maintenance, and also supply chain logistics including packaging and assembly. The organization is one of the adopters of the Quality Work Environment Program (QWE).³²

At a glance:

- **600 employees**
- **75% disabled**
- **13% direct labor jobs annually**
- **\$15,191,680 in sales from federal, state and commercial clients**

³⁰ Those who receive benefits from social services are required to work for them and the Coffee Connection through project empower provides on the job training for the referrals.

³¹ HTC is a not-for-profit organization that creates employment for people with disabilities by providing training, work and supportive services including counseling and clinical services for those seeking to improve the overall quality of their lives. For further information refer to <http://htcorp.net/>

³² The Quality Work Environment (QWE) initiative provides a program-wide framework to implement Ability One (program focused on providing jobs for people who are blind or have significant disabilities Employer Best Practices. For further information refer to http://www.abilityone.gov/abilityone_program/qwe.html

iii. **The Center For Transportation Excellence, Buffalo, New York**

The Center For Transportation Excellence (CTE) is a social enterprise that seeks to address a common challenge in the United States where millions are unable to provide their own transportation—or even use public transportation—for medical appointments, job training, or other services. These persons that the center refers to as “transportation disadvantaged” are often disabled, elderly, or of low income. In response, the CTE manages non-emergency medical transportation (NEMT) for county governments, managed care organizations and health and human service agencies that serve older adults, persons with disabilities, and other individuals lacking adequate transportation.³³ This is accomplished through CTE’s 24 hour – 7 day a week call center where reservations are taken by telephone, scheduled and then sent via the internet to individual transportation companies to bring the clients to their destination. Since 2007 CTE has also been hosting transportation summits, workshops and focus groups, collaborating on grants and creating other partnerships that are helping the community realize a fully coordinated transportation system.

Individual Social Entrepreneurs

iv. **The Corbin Hill Food Project, Schoharie County**

The Corbin Hill Food Project is an initiative that is working to bridge the gap between rural farm communities in upstate New York that are growing local products and city communities that often have a challenge accessing fresh and healthy products. Through their farm share program, the project is able to deliver fresh products to low income communities in New York city, specifically in Harlem and South Bronx. Recently, they began selling wholesale to hospitals, schools, Head Start, drug rehabilitation and other organizations serving people in need.³⁴

At a glance

- **1,072:** Shareholders and families who weekly purchase products through the year round Farm Share program
- **32** New York State farmers and artisans who aggregate their produce and value-added items to sell through Corbin Hill’s markets
- **3,578** Individuals from vulnerable populations provided fresh food each week thus far in 2014
- **\$770,000** Initial equity contributed

³³ Information on the organization retrieved from CTE website on 12/1/2014 at <http://www.cteny.com>

³⁴ Based on a 2014 report on the healthy food access portal, the Corbin Hill Food Project Website and interviews during the 2014 Finger Lakes Social Entrepreneurship event.

Collaborative initiatives and incubation points

v. The Near West Side Initiative (NWSI), Syracuse, New York

The Near West Side Initiative is a not-for-profit organization that leverages the resources of Syracuse University, the state, the city, private foundations, businesses, not-for-profit corporations, and neighborhood residents to achieve its goals.³⁵ The initiative is focused on the Near Westside Neighborhood in Syracuse, New York that has a population of 7,030 people with a median household income of \$14,474.³⁶ The initiative aims to revitalize the neighborhood, mostly a residential area with some of the oldest housing stock and many of the homes being vacant and in need of substantial rehabilitation. The initiative promotes the neighborhood as a center of arts and technology, thus the rebrand of the neighborhood as the SALT District of the Near Westside, with SALT being an acronym for “Syracuse Art Life Technology.”

The data cited is from SALT District Annual Report 2012-2013³⁷

At a glance:

- Several initiatives; house improvements, workforce development, social enterprises, public parks and spaces.
- \$74,310,000 in capital investments
- 308 jobs

vi. The Rev Ithaca StartUp Works, New York

The Rev Ithaca StartUp Works in Ithaca New York, serves as incubation point where individuals or start up entities can access resources to support their innovations and businesses. The support provided includes office space and other infrastructure such as internet, conference room, printing and phone services, as well as advisory support in partnership with Cornell University and the Tompkins county. As a member of the incubators, companies that are less than five years old are eligible for the Innovation Hot Spot tax benefits³⁸, including a five year exemption from New York State corporate income taxes, personal income tax related to pass-through income from member LLCs and S-Corporations, and a portion of the sales taxes associated with purchases (REV Ithaca STARTUP, 2013).

³⁵ Syracuse Arts, Literacy and Technology (SALT) District website (<http://www.saltdistrict.com>).

³⁶ Near Westside Neighborhood profile. (Source: http://www.syr.gov.net/uploadedFiles/Departments/Community_Development/Content/Near%20Westside%20from%202010%20Syracuse%20Housing%20Plan.pdf)

³⁷ The SALT District Annual Report 2012-2013 retrieved on 11/29/2014 at <http://www.scribd.com/doc/186068591/SALT-District-Annual-Report-2012-2013>

³⁸ The New York State Innovation Hot Spot Support Program was enacted as part of the 2014-15 State Budget to provide financial support for business incubators in the state and provides for innovation tax benefits. (Source: <http://www.tax.ny.gov/pdf/memos/multitax/m141c1i2s.pdf>)