

# CREATIVE RESPONSES TO STRESS IN NEW YORK & LESSONS FROM OTHER STATES

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Dec 1<sup>st</sup> -- State Austerity & Local Fiscal Stress Conference -- Ithaca, NY

*See more information at <http://www.mildredwarner.org/restructuring/fiscal-stress>.*

# Stresses on Local Government

ENVIRONMENT

**State Policy**  
Property Tax Cap

**Economy**  
Aging Infrastructure  
New Economy - Tax Exempt

LOCAL  
GOVERNMENT  
ORGANIZATION

Strategic Management

Cuts

Revenue

**FISCAL STRESS**

**Demography**  
Declining Population

# 2017 NYS Fiscal Stress Survey



2 WHAT CAUSES LOCAL FISCAL STRESS? WHAT CAN BE DONE ABOUT IT? MAY 2017

## LEVELS OF FISCAL STRESS

What level of fiscal stress does your local government face? In 2017, half of the respondents reported under severe (10 or more points) stress. While cities and towns report moderate or significant stress, 42 percent of counties are feeling the fiscal stress.

**LOCAL FISCAL STRESS**  
State Austerity Policy & Creative Local Response

## WHAT CAUSES LOCAL FISCAL STRESS? WHAT CAN BE DONE ABOUT IT?

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### INTRODUCTION

Local governments in New York State are under fiscal stress. A 2017 survey of New York State local governments finds the primary sources of this stress come from state level policy-shifting service and expenditure responsibilities to local government and restricting their ability to raise revenue and innovate in service delivery. Local governments provide the services critical to economic development and quality of life. To continue providing these key public services for their constituents, local governments in New York State must possess adequate budgetary and political authority to address fiscal stress. To do so requires a state partner.

Focus groups were conducted in Fall 2015 with towns, villages, cities and counties across the state to uncover the causes of fiscal stress, and local revenue and service delivery responses (Anjum et al., 2015). The focus group results were used to design survey questions. A statewide online survey was conducted in March 2017 by the Survey Research Institute of Cornell University. All cities, counties, towns, and villages in New York State (excluding New York City) were surveyed regarding sources of and responses to fiscal stress.

**Table 2: Local Fiscal Stress**

Stress Level	N
Significant	10
Moderate	31
None	15
N	2

Source: Cornell University, Local Government Fiscal Stress in NYS Survey, 2017.

### DRIVERS OF FISCAL STRESS

What leads local governments to such high levels of stress? This question, we found, has many drivers. The top three contributing factors identified were state and local property tax caps.

### Figure 1: Map of Survey Respondents

The map shows the state of New York divided into counties. Darker shades of gray represent higher concentrations of survey respondents. A legend indicates:

- Cities & Villages (darkest gray)
- Towns (medium gray)
- Counties (lightest gray)

A scale bar at the bottom left shows distances of 0, 25, 50, and 75 miles. The map is titled "Source: Cornell University, Local Government Fiscal Stress in NYS Survey, 2017, N= 919. Coordinate System: CGS North America - 1983. Map by Austin Aldag."

Cornell University partnered with the New York Conference of Mayors and the New York State Association of Towns for this study. Funding for the survey was provided by the USDA Hatch and Smith Lever funds and the Cornell University Institute for Social Sciences. We would like to thank Chris Anderson, Mack Cook, Ron Drutich, Jerry Eggle, Tyler Keegan, Mark Lang, Warren Lucas, Joe Marone, Chuck Rankin and Barbara VanEps for their helpful comments on survey design. Additional information can be found at <http://www.mildredwarner.org/restructuring/fiscal-stress>.

## Link to full report:

- <http://cms.mildredwarner.org/p/268>

## Collaborators:

Cornell University

- Dept. of City & Regional Planning
- New York Conference of Mayors
- New York State Association of Towns

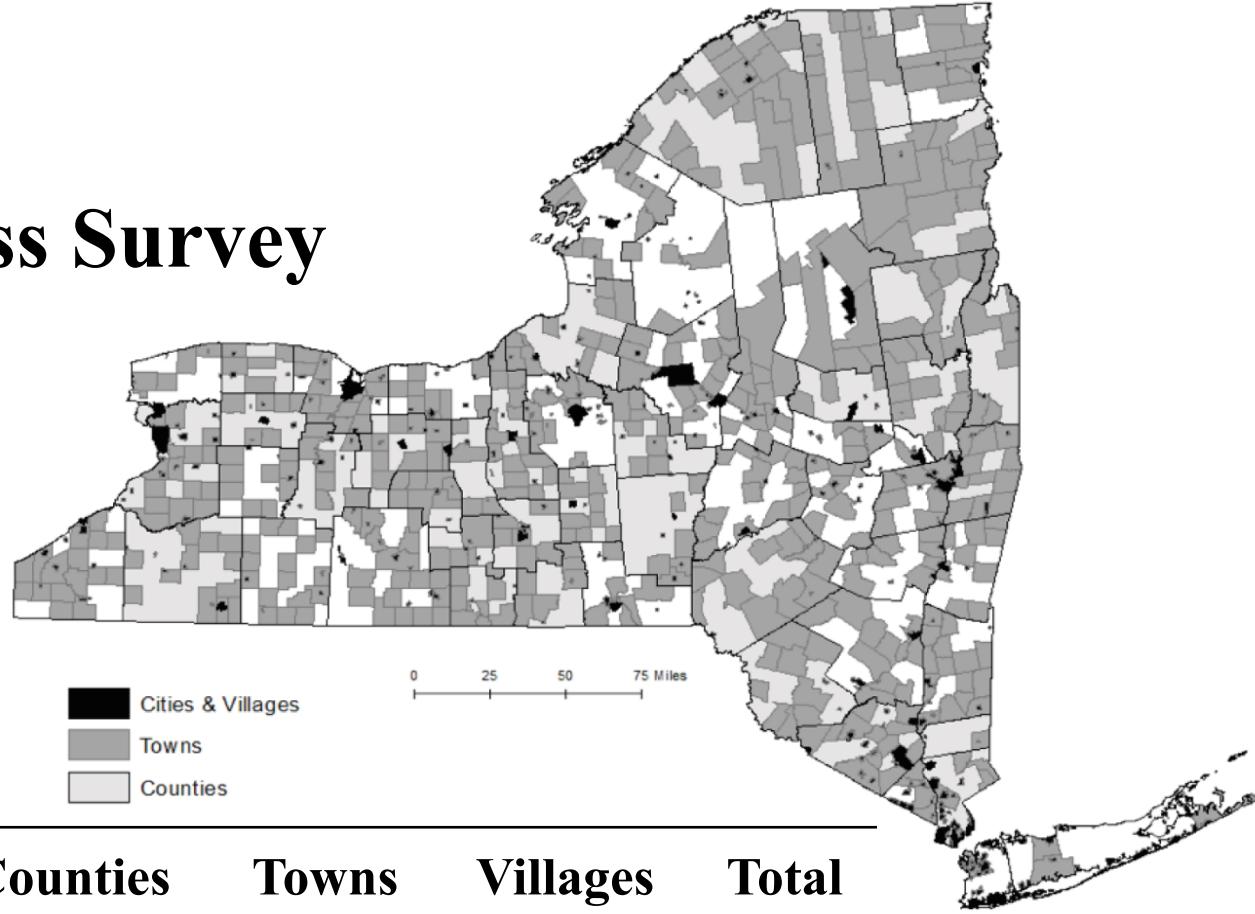
Funding for the survey was provided by the USDA Hatch and Smith Lever funds and the Cornell University Institute for Social Sciences.

## 2017 Survey Results

CORNELL UNIVERSITY

# 2017 Fiscal Stress Survey

## Response Rates



	Cities	Counties	Towns	Villages	Total
Total NYS	62	57	932	545	1,596
Responses	47	30	509	333	919
Response Rate	76%	53%	55%	61%	58%

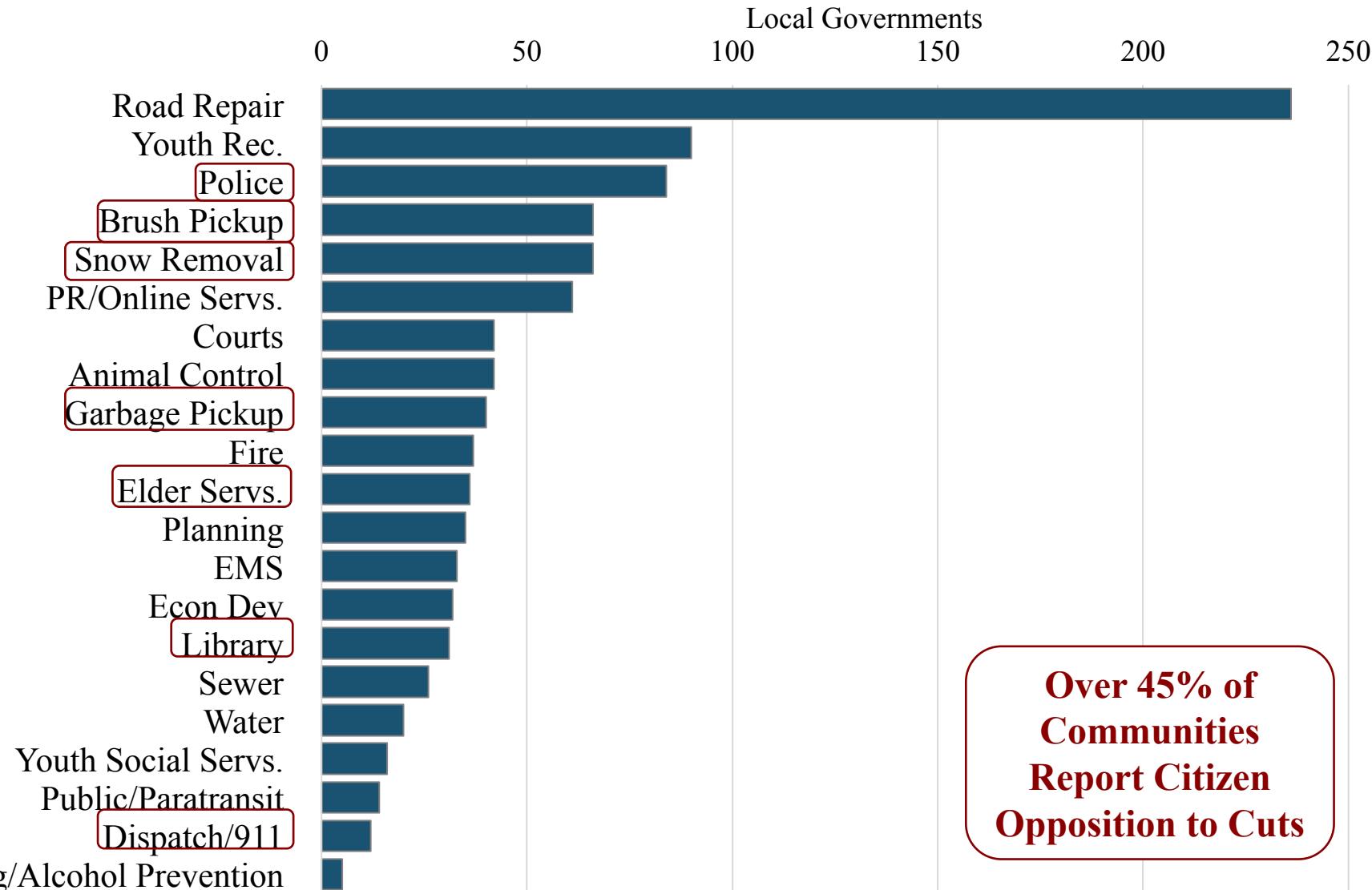
# Budgetary Needs Most Affected by Stress

Which future budgetary needs will be most affected?  
(Select all that apply)

Service	% Yes
<b>Infrastructure Investments</b>	<b>86%</b>
<b>Long-term Planning</b>	<b>63%</b>
Recreation	26%
Elder Services	19%
Social Services	10%

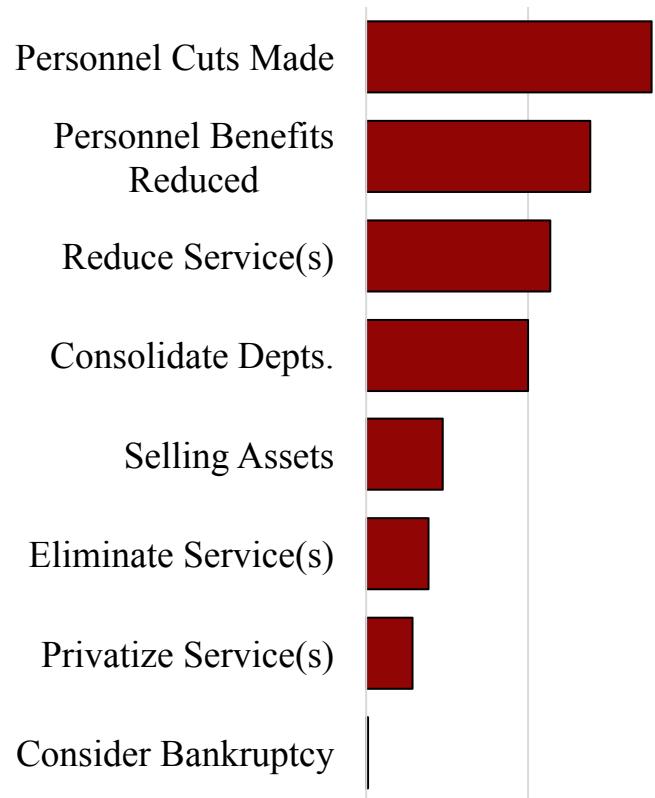
Source: Cornell University, Local Government Fiscal Stress in NYS Survey, 2017, N= 766, multiple responses allowed.

# Service Cuts in Response to Fiscal Stress

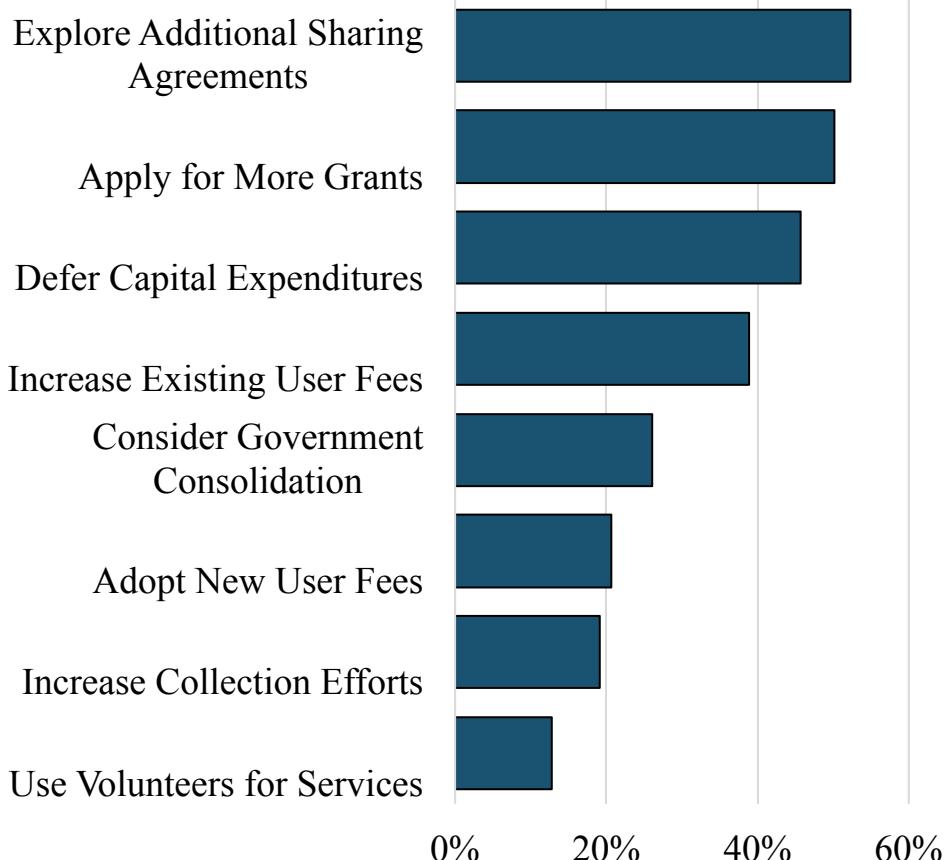


# Local Reactions to Fiscal Stress

## Cuts (Mean =1.3)

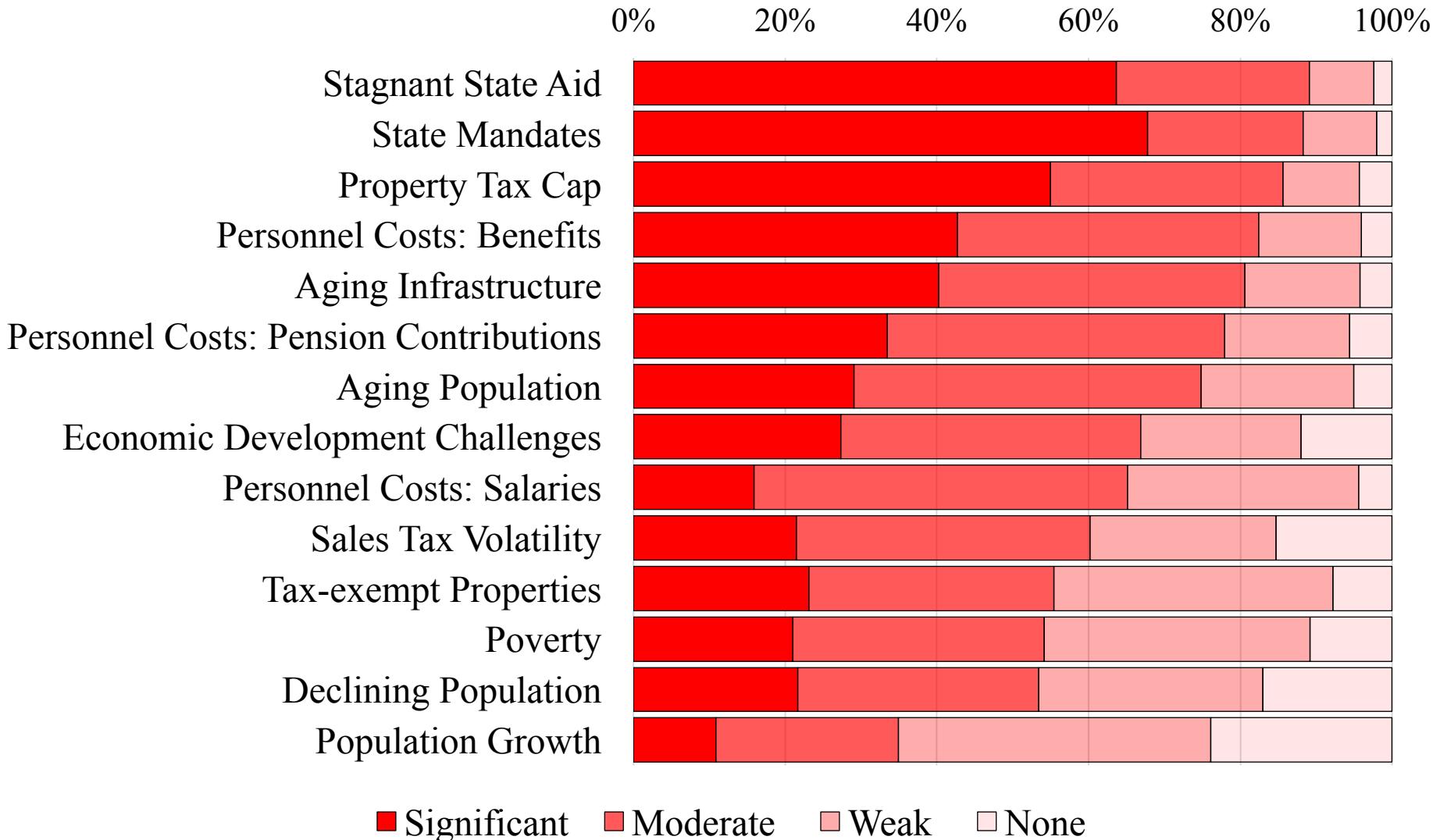


## Revenue Enhancements (Mean =2.4)

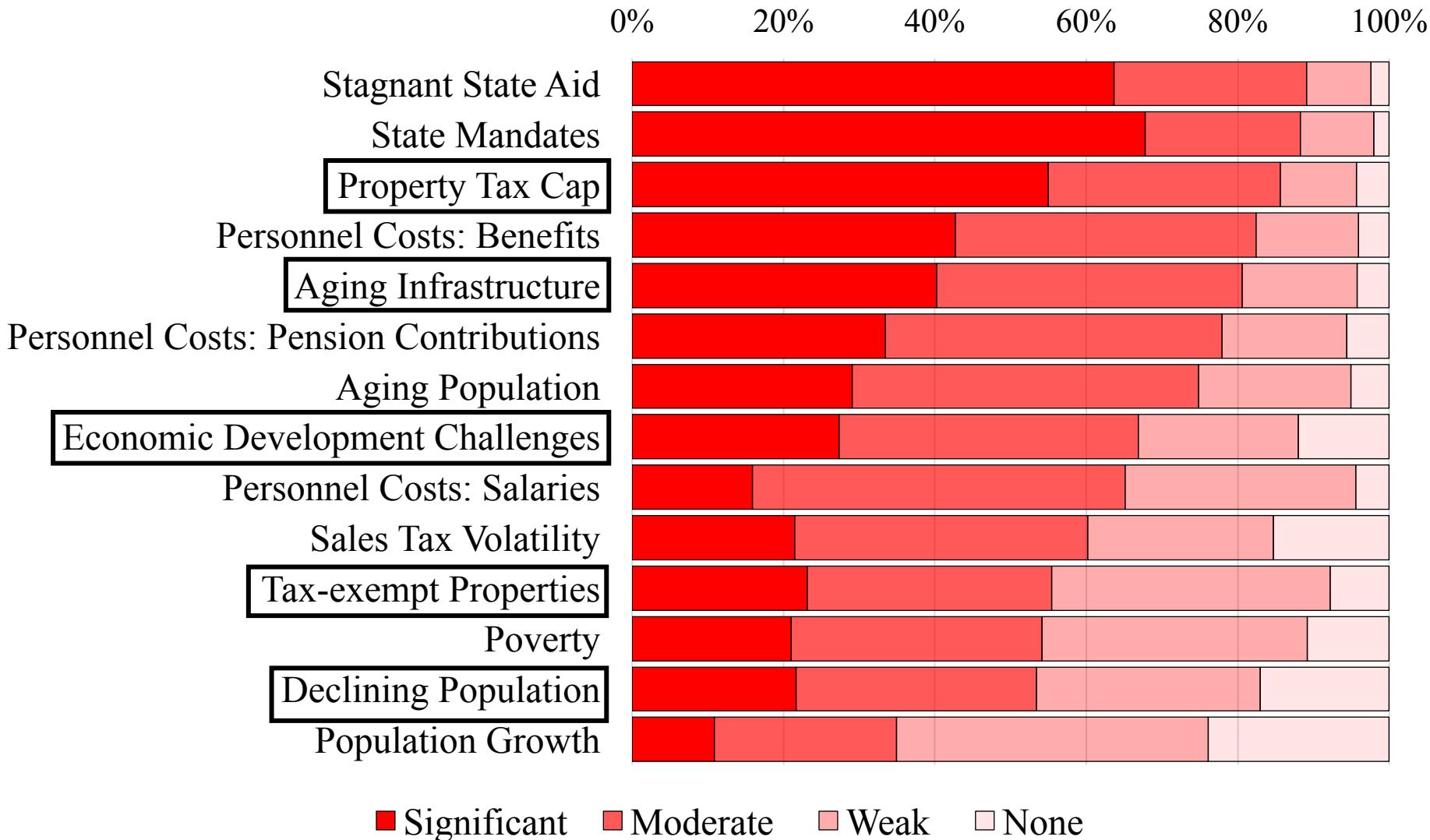


Source: Cornell University, Local Government Fiscal Stress in NYS Survey, 2017, N=855. Multiple responses allowed.

# Sources of Local Fiscal Stress

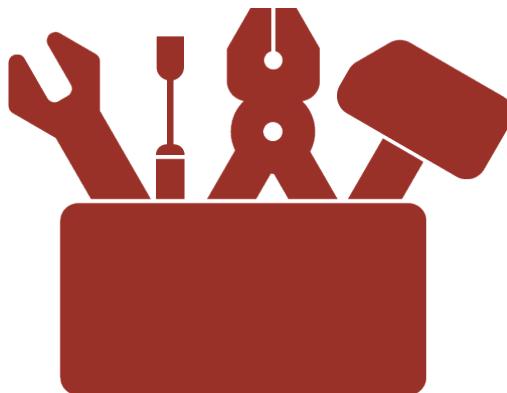


# Sources - Within Local Gov. Capacity



# Linking Stress Sources to Tools - The Toolbox

<b>Stress Source</b>	<b>% Moderate or Significant Source</b>	<b>Tool</b>
Property Tax Cap	86%	Overriding Tax Cap
Aging Infrastructure	81%	Innovative Financing
Declining Population	53%	Land Banks & Land Trusts
Tax-exempt Properties	55%	Payments in Lieu of Taxes (PILOTs)
Economic Development Challenges	67%	Community Benefits Agreements (CBAs)



# Overriding the Property Tax Cap: Who, Where, and Why?

Austin Aldag



Tool	Override	Innovative Finance	Land Banks & Trusts	PILOTs	CBAs
Stress Source	Tax Cap	Aging Infrastructure	Declining Population	Tax-exempt Properties	Econ. Dev. Challenges

# How to Override?

## For General Purpose Local Government:

- Pass local ordinance** with a 60% supermajority.
- Pass final public budget** following the override vote.

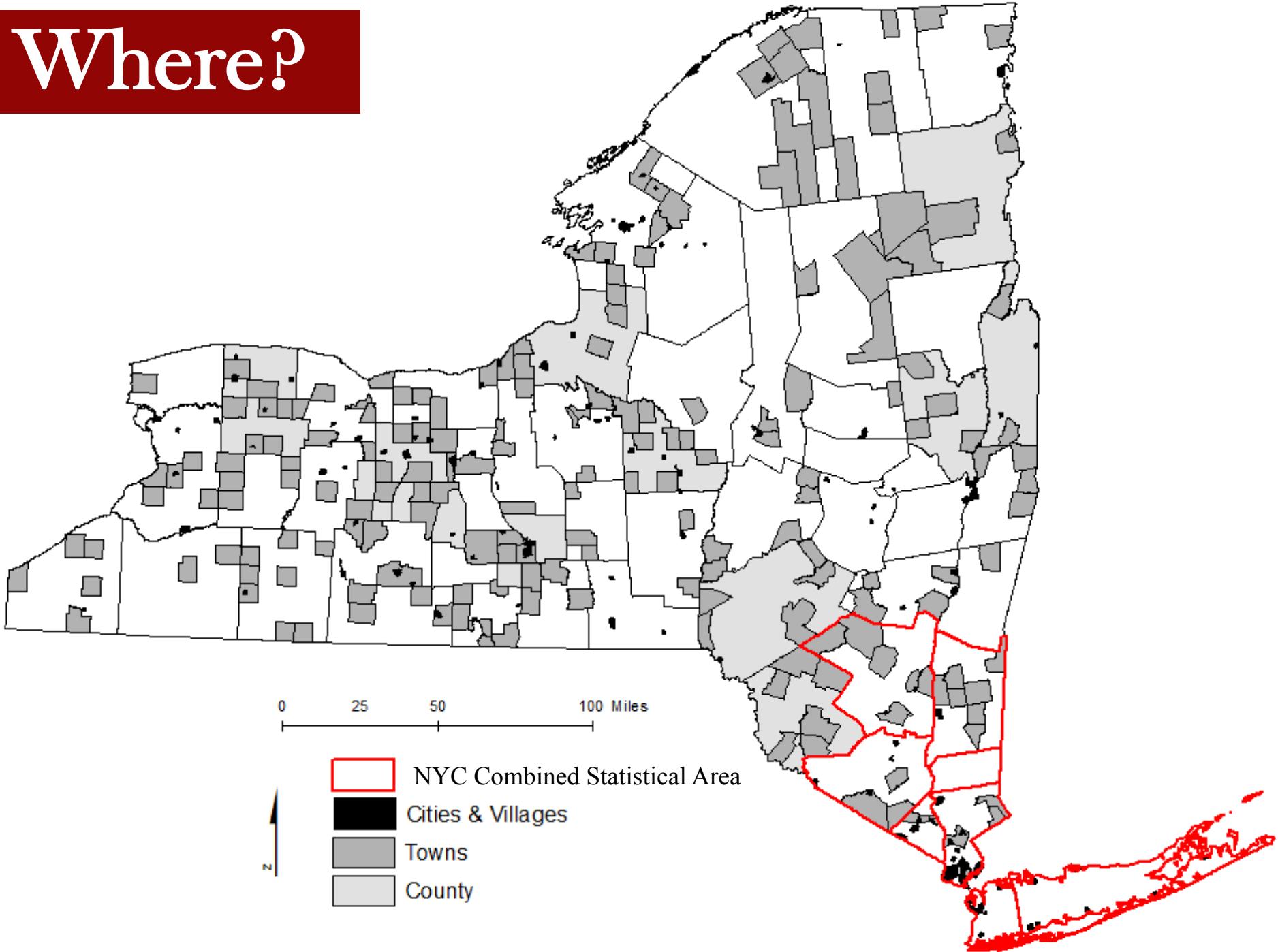
# Who is Overriding the Tax Cap?

In the last three years, has your jurisdiction overridden the Tax Cap?

Government Type	% Yes
All	<b>38%</b>
Cities	43%
Counties	43%
Towns	39%
Villages	34%

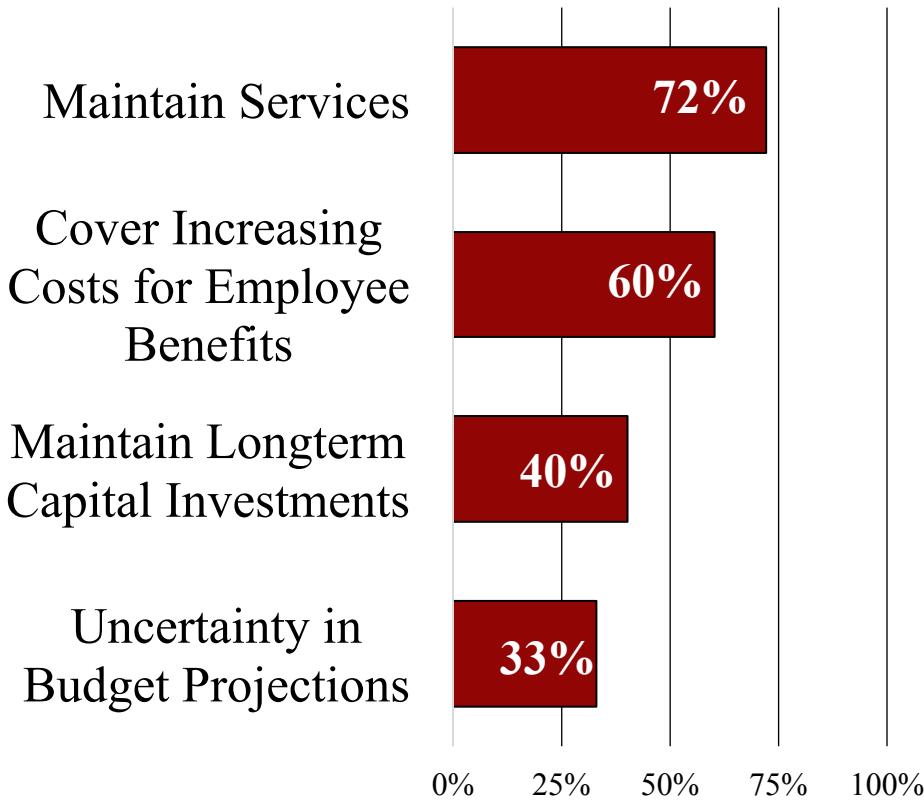
*Source: Cornell University, Local Government Fiscal Stress in NYS Survey, 2017, N=878.*

# Where?

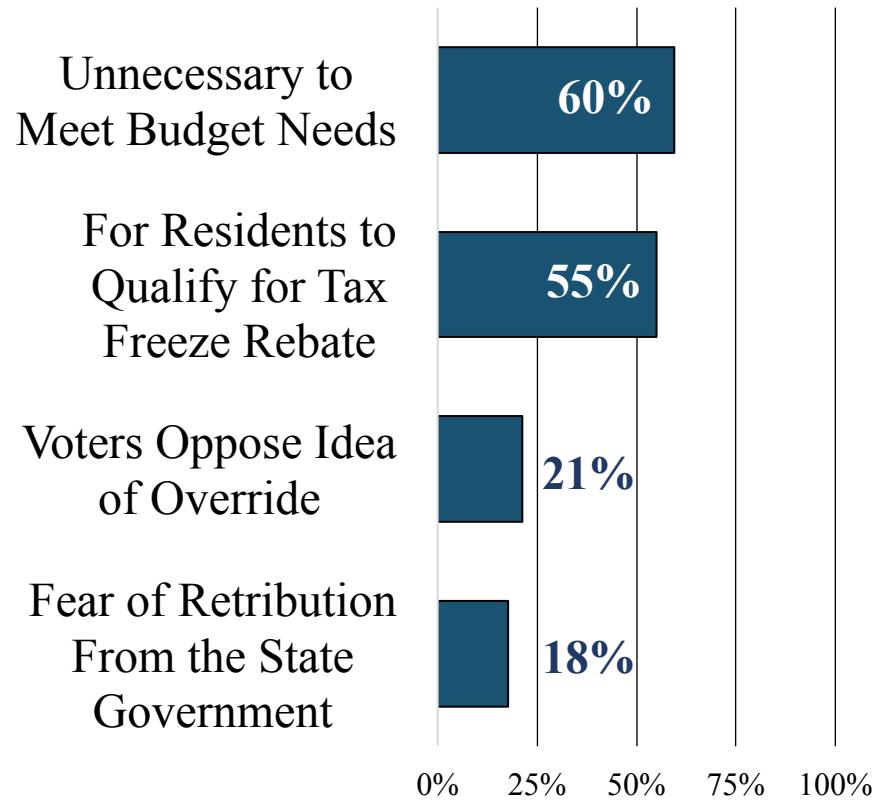


# Why / Why Not Override Cap?

*Why did your jurisdiction decide to override the Tax Cap? (N=330)*



*Why did your jurisdiction **not** override the Tax Cap? (N=548)*



*Source: Cornell University, Local Government Fiscal Stress in NYS Survey, 2017. Multiple responses allowed.*

# Why Override Cap?

*Why did your jurisdiction decide to override the Tax Cap? (Check all that apply)*

	Maintain Services	Cover Increasing Costs for Employee Benefits	Maintain Long-term Capital Investments	Uncertainty in Budget Projections
All	72%	60%	40%	33%
Cities	<b>80%</b>	55%	<b>55%</b>	15%
Counties	58%	41%	42%	<b>42%</b>
Towns	71%	<b>62%</b>	38%	31%
Villages	<b>74%</b>	<b>60%</b>	43%	40%
Upstate	75%	59%	37%	<b>37%</b>
NYC Suburbs	72%	64%	<b>54%</b>	17%

*Source: Cornell University, Local Government Fiscal Stress in NYS Survey, 2017, N=330. Multiple responses allowed.*

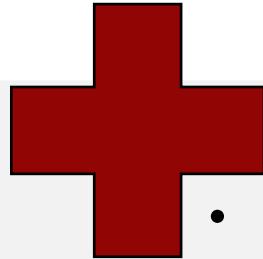
# Why Not Override Cap?

*Why did your jurisdiction not override the Tax Cap? (Check all that apply)*

	Not Necessary to Meet Budget Needs	In Order for Residents to Qualify for the Tax Freeze Rebate	Voter Oppose Idea of Override	Fear of Retribution from the State Government
All	<b>59%</b>	<b>55%</b>	<b>21%</b>	<b>18%</b>
Cities	50%	46%	31%	15%
Counties	<b>69%</b>	<b>63%</b>	25%	6%
Towns	62%	57%	24%	16%
Villages	55%	54%	15%	<b>22%</b>
Upstate	60%	55%	20%	<b>19%</b>
NYC Suburbs	59%	57%	<b>28%</b>	12%

*Source: Cornell University, Local Government Fiscal Stress in NYS Survey, 2017, N=548. Multiple responses allowed.*

# Overriding Tax Cap Summary



- Pushback Narrative
- Total Services Provided
- Fiscal Stress
- Cutbacks in Road Repair
- % Expenditure – Employee Benefits
- Tax-exempt Property

- NYC Region
- Job Growth
- Believe Narrative
- Submitted Gov. Efficiency Plan
- Prop. Tax Rev / Assessed Value



# Addressing Infrastructure Needs through Innovative Financing Mechanisms

Molly Warrington and Shareef Hussam

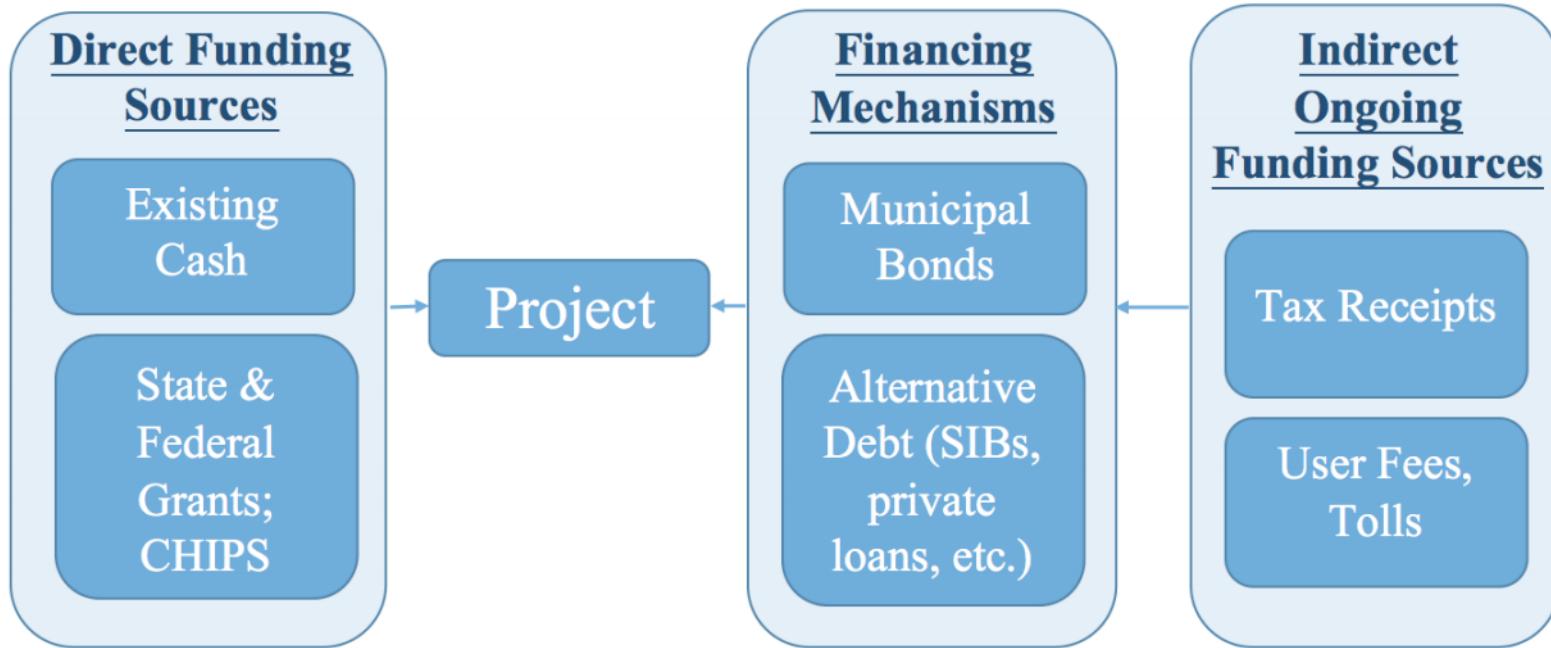


Tool	Override	Innovative Finance	Land Banks & Trusts	PILOTs	CBAs
Stress Source	Tax Cap	Aging Infrastructure	Declining Population	Tax-exempt Properties	Econ. Dev. Challenges

# Infrastructure Problem

- **New York's Infrastructure Problem**

- In 2015, New York State (NYS) infrastructure received a rating of C- from the American Society of Civil Engineers
- Under fiscal stress: difficult to make capital investments that require long-term recurring expenditures



Graphic: Burgess et. al., 2014

# Green Bonds

Similar to municipal bonds but used to fund projects that will generate environmental benefits.

Types of projects:

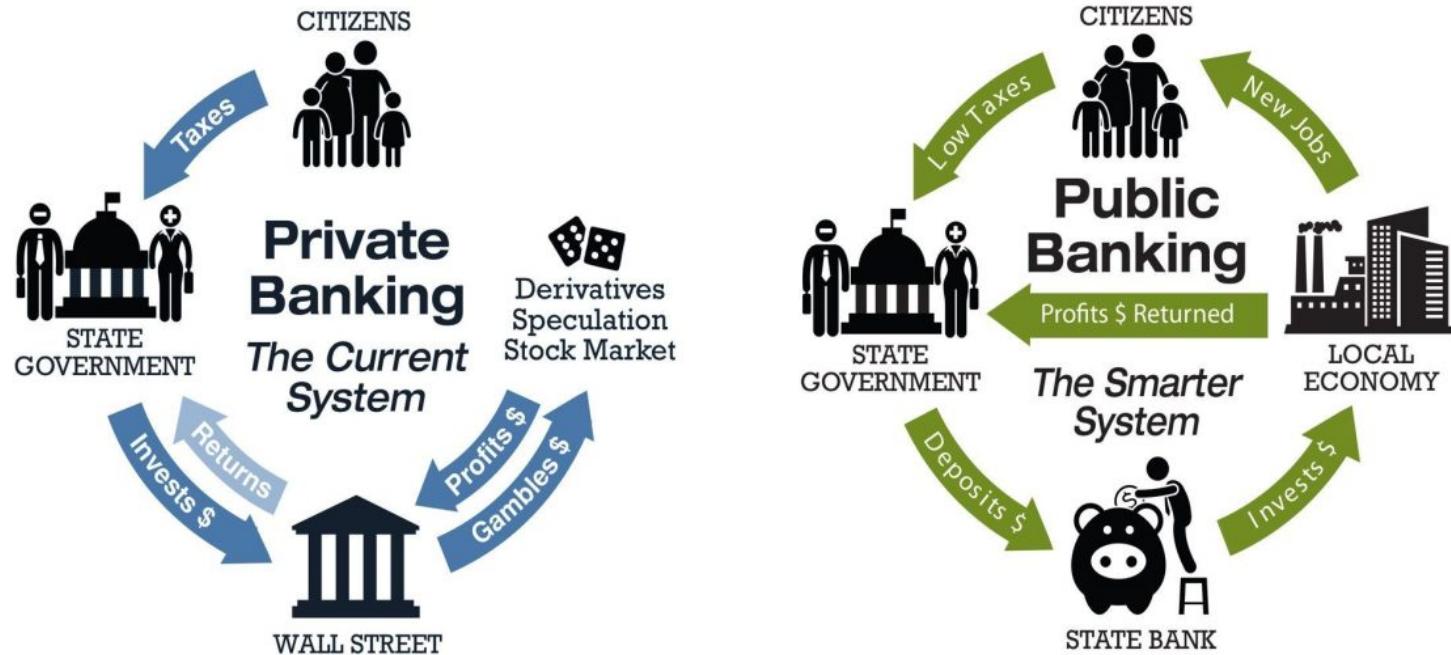
- Clean transportation
- Clean water
- Ecosystem services
- Sustainable waste water management

Massachusetts and San Francisco have both used green bonds to fund green infrastructure projects.

# Public Banking

- **What is Public Banking?**

- Similar in function, organization, and goals as a private bank but capitalized with public monies (such as tax revenue)
- Correct market failures - lack of markets for small-scale infrastructure projects
- Public Banking vs. Other Vehicles (RLFs, SIBs, Bond Banks)



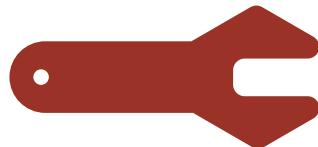
Graphic: Public Banking Institute, 2012

# Public Banking

- **Bank of North Dakota Case – Infrastructure Loan Fund (since 2016)**
  - For “essential” waste, wastewater, sewer, and stormwater infrastructure
  - Funded with \$50m one time funding from oil revenues and \$100m from BND profits
  - Loans are maximum of \$15m with a term of up to 30 years at 2% interest
  - Six cities selected based on scoring matrix assessing public need
  - Benefits in Grand Forks, ND:
    - 1) Interest Savings: 2% interest rates vs. 2.75%-3.5% in private markets
    - 2) Flexible Terms: interest only paid on portion of loan currently drawn
    - 3) Lower Issuance Costs: bond and legal counsel provided by BND
  - Repayment: utility fees, special assessment districts, sales tax, municipal funds
- **Suggestions for NYS**
  - Develop sub-national institutions that:
    - 1) Pool financial resources for cheaper capital
    - 2) Consolidate accounting to enable cross-subsidization across sectors
    - 3) Model governance after private sector: market discipline & political independence
    - 4) Provide technical capacity to local governments

# Land Banks and Land Trusts

Natassia Bravo and Zach Small



Tool	Override	Innovative Finance	Land Banks & Land Trusts	PILOTs	CBAs
Stress Source	Tax Cap	Aging Infrastructure	Declining Population	Tax-exempt Properties	Econ. Dev. Challenges

# Background

## WHAT ARE LAND BANKS?

Non-profit organizations established to acquire, rehabilitate or demolish, manage and transfer vacant, abandoned and tax delinquent properties.

## WHY USE THEM?

Vacant properties generate costs to the city. They cause tax revenue loss and loss in property value.

## HOW DO THEY OPERATE?

They have super bid authority, and ability to acquire properties at zero-cost (or low-cost) through the foreclosure process, hold them tax-free and deliberately retain them.

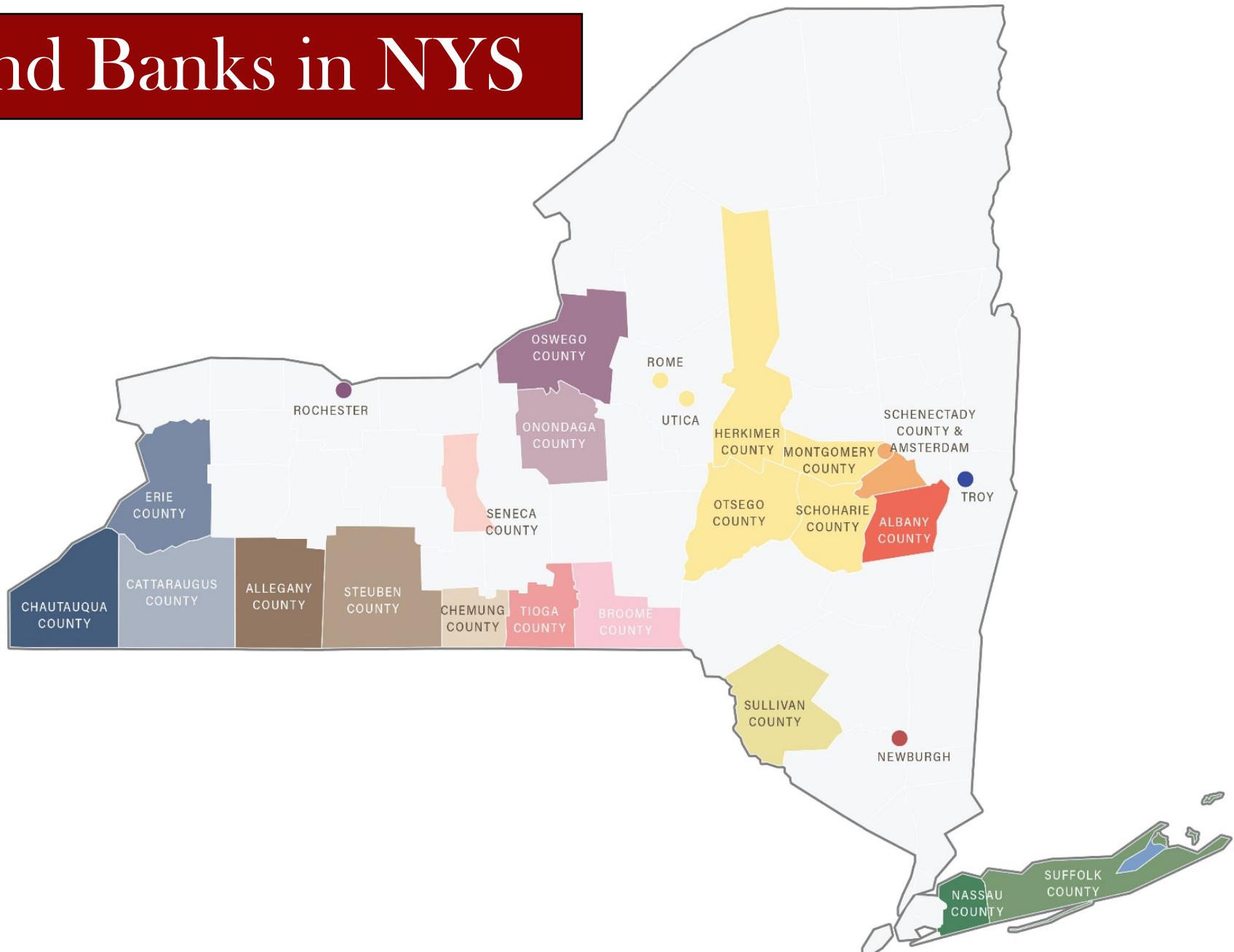
## ARE THEY SELF-SUFFICIENT?

**No.** They depend mainly on external funding (mainly, NY's Attorney Office). But they are able to use revenues and tax recapture.

## ARE THEY THE SAME AS LAND TRUSTS?

**No.** Land banks do not retain ownership after disposing of the property.

# Land Banks in NYS



Source: New York State Land Bank Association (2017). *NYS Land Banks: A New National Standard*.

# Case Studies

**Greater Syracuse Land Development Corp.**  
(2012)

County-wide  
1,271 Property Acquisitions  
96 Properties Returned to Tax Rolls  
\$730,000 Property Tax Revenue Generated Per Year

**Newburgh Land Bank**  
(2012)

Downtown core  
100 Property Acquisitions  
28 Properties Returned to Tax Rolls  
\$53,000 Property Tax Revenue Generated Per Year

**Albany County Land Bank**  
(2014 )

County-wide  
631 Property Acquisitions  
96 Properties Returned to Tax Rolls

# Performance Report

as of April 2017

**1,989** properties acquired

**1/3** of properties acquired returned to tax rolls

**\$ 28.4M** return in assessed value to the tax rolls

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**\$ 2M** new tax revenue

*Source: The Center for Community Progress and the New York State Land Bank Association (April 2017)*

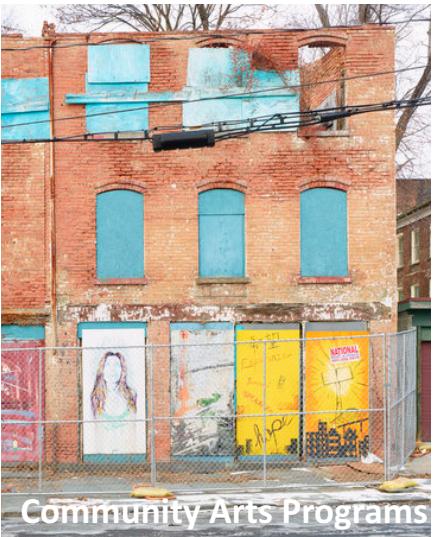
# Programs and Tools to Address Need

Need	Program
Cost of Rehabilitation	<p><b>Rehab incentives:</b></p> <ul style="list-style-type: none"> <li>• Partial exemption of taxation on the increase in assessed value due to improvement. Also for historic properties.</li> <li>• Financing for eligible buyers through a single mortgage product.</li> </ul>
Affordable Housing	Discounts for public employees. Partnerships with Non-Profit Developers
Development	Parcel assembly, co-financing projects. Vacant Property Stabilization
Responsible Homeownership	<ul style="list-style-type: none"> <li>• <b>Reverter clause.</b></li> <li>• <b>Homeownership-choice:</b> Only accept offers from buyers who intend to make the property their primary residence.</li> </ul>

# Land Banks and Equity



Photo Credit:  
Syracuse Community Land Bank and Newburgh Community Land Bank (2017)

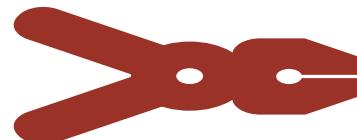


# Land Banks and Land Trusts Summary

	Land Banks	Community Land Trusts
<b>Origin</b>	State-government authorized	Community-created
<b>Stakeholders</b>	Local government	Community non profits
<b>Level of operation</b>	Town, city, county or regional	Neighborhood, town or city
<b>Objective</b>	Fight blight and vacancy. Put Properties to Productive Use.	Preserve community control and ensure affordable development
<b>Tax-exempt?</b>	Yes	Eligible
<b>How do they operate?</b>	Granted super bid authority	Retain ownership
<b>How do they address inclusive growth?</b>	Discounts for local public employees and developers of affordable housing.	Affordability restrictions
<b>Shortages &amp; Challenges</b>	They are not responsible for regulating property use/affordability after disposing of it.	Lack land banks' powers and funding regarding property acquisition, retention and rehabilitation.

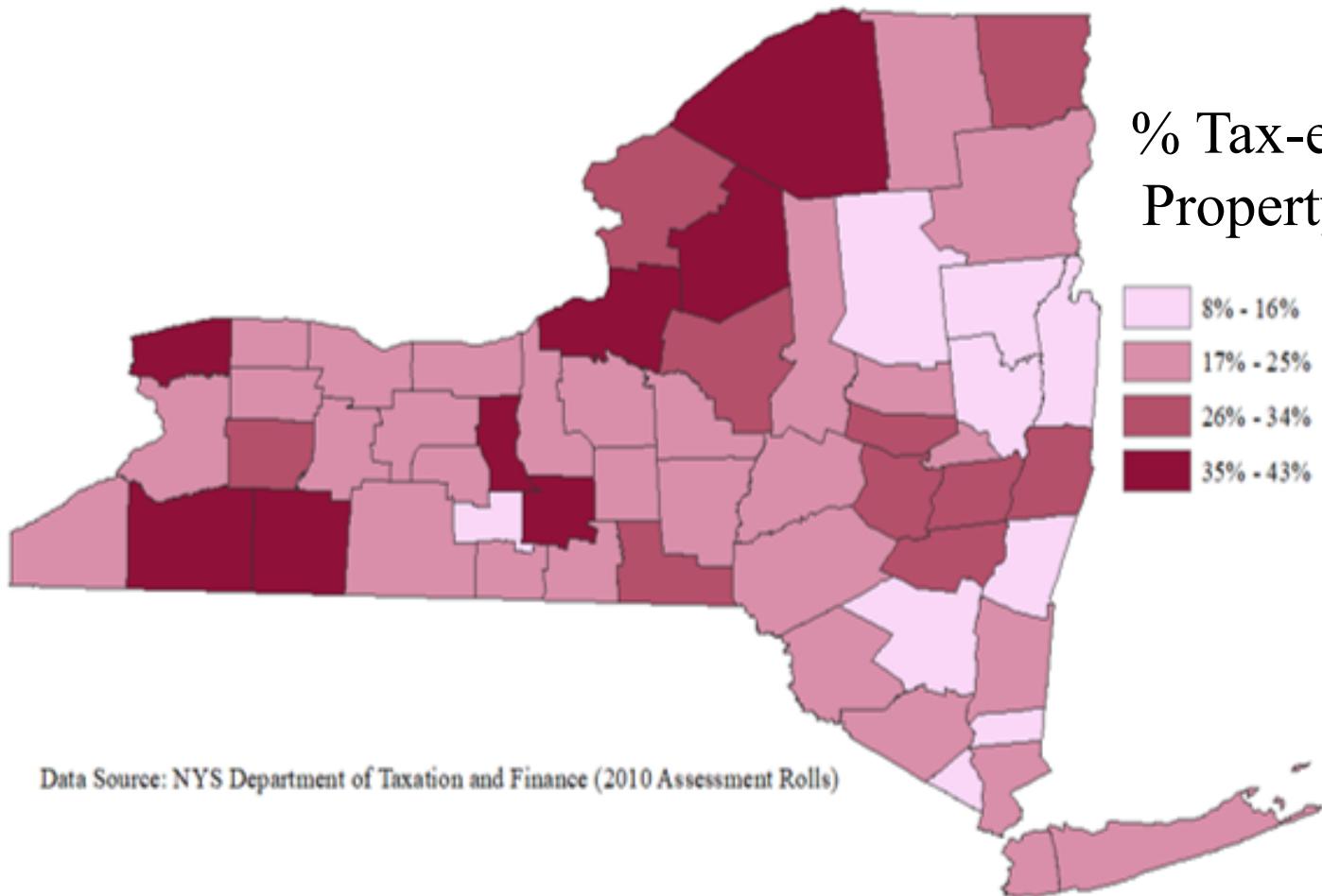
# Payments in Lieu of Taxes (PILOTs)

Alfie Rayner



Tool	Override	Innovative Finance	Land Banks & Trusts	PILOTs	CBAs
Stress Source	Tax Cap	Aging Infrastructure	Declining Population	Tax-exempt Properties	Econ. Dev. Challenges

# Tax Exemptions in NYS



For County Uses - % of full equalized value.

Source: NYS Office of Real Property Tax Services

# What is a PILOT?

Voluntary payments made by tax-exempt property owners or users to compensate for all or part of lost property tax revenue.

## Common Factors

- ✓ Large, wealthy non-profits with high value property ownerships.
- ✓ Non-profit unlikely or unable to leave area.
- ✓ Area experiencing fiscal stress.
- ✓ Usually located in the Northeastern US.

# Why Establish a PILOT in NYS

## 1. Local governments reliance on property tax revenue

- Property tax is 30% of total revenue for local governments in New York

## 2. Offset tax burden on local residents

- Local property tax rates go up to compensate
- Many users of nonprofit services may not be local

## 3. Economic power of non-profits

- More growth than GDP for last decade
- Hospitals, colleges, and universities are 90% of PILOT revenue nationwide

## 4. Nationwide trends

- Massive increase in PILOTs since the 1990s

# How to Establish a PILOT in NYS

## Traditional:

- 1. Identify non-profit**
- 2. Leverage government powers**
- 3. Contract negotiation to produce short-term agreement**
- 4. Payments determined by organization and paid until contract expires**

# How to Establish a PILOT in NYS

## Traditional:

Ad Hoc

**1. Identify non-profit**

Stick

**2. Leverage government powers**

Short-Term

**3. Contract negotiation to produce short-term  
agreement**

Flexible

**4. Payments determined by organization and  
paid until contract expires**

# Framework to Establishing a PILOT

- 1. Local government leverage:** Carrot vs. Stick
- 2. Timeframe:** Short-term vs. Ongoing
- 3. Consistency:** Ad hoc vs. Systematic
- 4. Payment determination:** Flexible vs. Specified

# Case Studies

	<b>Ithaca</b> (Cornell University)	<b>Syracuse</b> (Syracuse University)	<b>Oswego County</b> (Wind Projects)
<b>Leverage</b>	Stick	Carrot	Stick
<b>Timeframe</b>	Short-Term	Short-Term	Ongoing
<b>Consistency</b>	Ad Hoc	Ad Hoc	Systematic
<b>Payment Determination</b>	Flexible Payment	Specified Amount	Specified Amount

# PILOTs Summary

- Address stress from the source
- Opportunity for collaboration between local governments and non-profits
- Shifts burden of service provision

# Community Benefits Agreements (CBAs)

Mark Cassidy



Tool	Override	Innovative Finance	Land Banks & Trusts	PILOTs	CBAs
Stress Source	Tax Cap	Aging Infrastructure	Declining Population	Tax-exempt Properties	Econ. Dev. Challenges

# What are CBAs?

- Response to economic development challenges
- Legal agreement between developers and community coalition
- Range of provisions from developer to the neighborhood
- Equity - Offset negative impacts of development
- Eds & Meds, Sports Stadiums, Historic Redevelopment

# Menu of Benefits

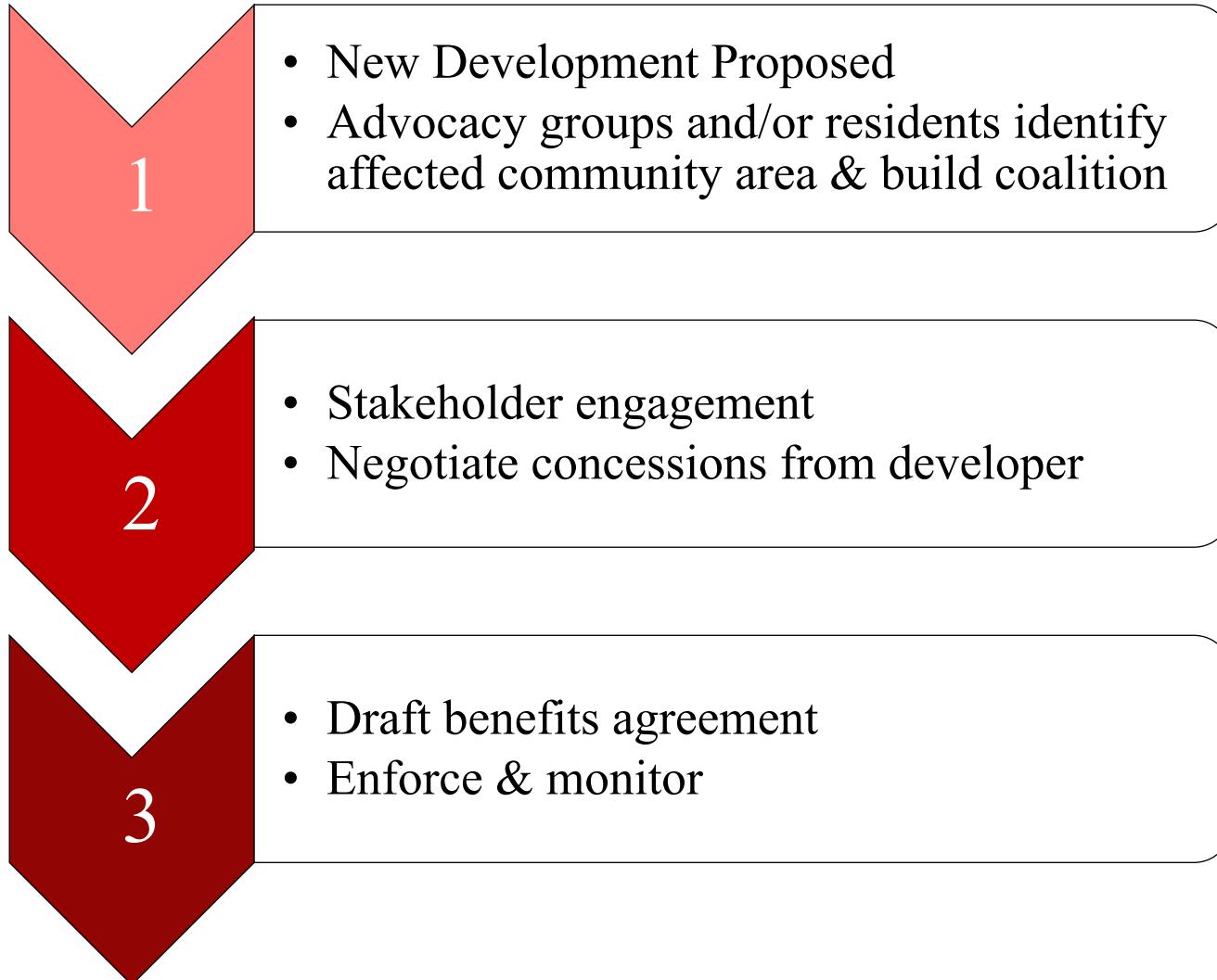
Provision Type	Common Provision Examples
Community Empowerment	Community representation in decision-making
Workforce Support	Living wage requirements; local hiring
Community Amenities & Services	Community facilities; Expanded Wi-fi networks
Business Support & Procurement	Local product sourcing
Community Preservation	Anti-displacement policies; Historic preservation
Environmental Resiliency	Green business practices; Public transit
Enforcement	Contractual penalties; Community oversight

# High Road Principles

- Equitable development practices throughout district
  - Emphasize quality and local jobs, sustainability, health
- Erie Canal Harbor Development Corporation



# General CBA Process



# Applicability and Transferability

- Started in California in 1999 – since spread
  - New Haven medical research center, Syracuse school board, multiple in NYC
- Current push for Buffalo Medical Campus
- Look to anchor institutions or high growth areas
- Ideal circumstances



# Buffalo Niagara Medical Campus

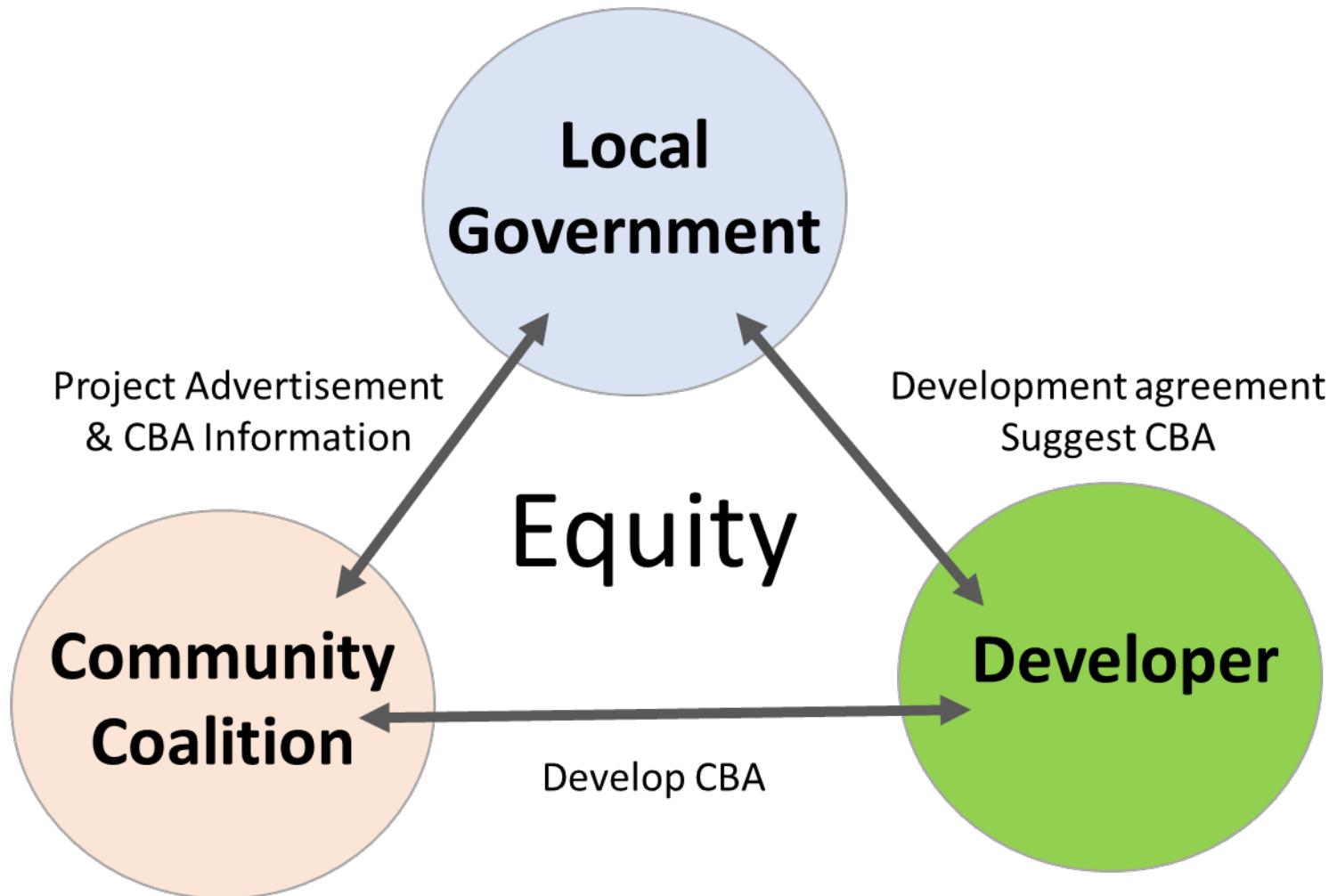


Context	Ideal Circumstances	BNMC
Formation of Coalition	Coalitions representative of community	-
	Common thread between coalition	✓
	Organized prior to construction	-
Development	Area of economic growth	✓
	One-time development	-
Document	Clear designation of agreed terms	N/A
	Effective enforcement and accountability	N/A

# Opportunities

- BNMC currently providing benefits without formal agreement
- Achieve equity without ad-hoc agreement
- Atlanta Belt Line
- Duplicate “high road” principles with municipal policy

# CBA Summary



# Linking Fiscal Stress & Equity

Stress Source	Tool	Result → Fiscal Stress	Result → Equity
Tax Cap	Overriding Tax Cap	Increase property tax revenue	Fund services for dependent populations
Aging Infrastructure	Innovative Financing	Mitigate problem of aging infrastructure	Invest in declining areas
Declining Population	Land banks & Land trusts	Grow tax base	Community programming & community land trusts
Tax-exempt Properties	Payments in Lieu of Taxes (PILOTs)	Offset costs of service provision	New contributions decrease community burden
Econ. Dev. Challenges	Community Benefits Agreements (CBAs)	Increase private contribution to public economic development	Secure benefits for neighborhood residents of incoming development

# Thank you



**Question or comments?**

Link to full report & issue briefs:

<http://www.mildredwarner.org/restructuring/fiscal-stress>