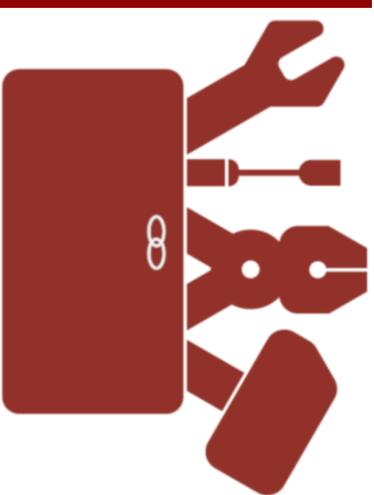


LINKING FISCAL STRESS AND SOCIAL EQUITY: A MUNICIPAL TOOLBOX



Austin Aldag, Yuanshuo Xu, Christine Wen, Natassia Bravo & Mark Cassidy

Cornell University: Department of City and Regional Planning
May 10th – 2018 NYSOCMA Conference – Ithaca, NY

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



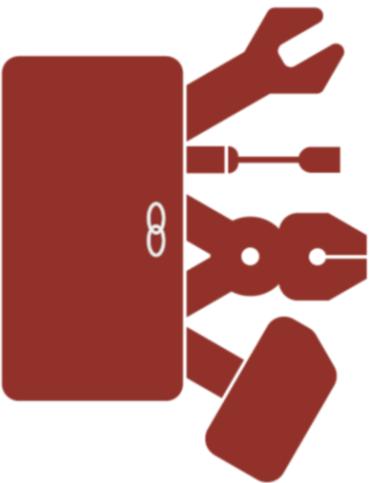
Context

Tax Cap Research

- Impacts of the Tax Cap in New York State
- Lessons from Other States
- Tax Cap Overrides: Who, Where, and Why?

Linking Fiscal Stress & Equity: A Toolbox

- Landbanks and Land Trusts
- Tax Abatements and the Database of Deals
- Payments in Lieu of Taxes (PILOTs)
- Community Benefit Agreements (CBAs)





SHARED
SERVICES

George Homys, Department of Public Administration
Binghamton University (State University of New York)
Binghamton, New York

Bingqi Qian, Yang Wang and Mildred Warner,
Department of City and Regional Planning
Cornell University, Ithaca, New York

August 2013

Shared Services in New York State: A Reform That Works

LOCAL
FISCAL
STRESS

State Austerity Policy
& Creative Local Response

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

Austin M. Aldag, Mildred E. Warner
Department of City and Regional Planning
Cornell University, Ithaca, New York

Yunji Kim
Department of Urban and Regional Planning
University of Wisconsin: Madison

MAV 2017

LOCAL
FISCAL
STRESS

State Austerity Policy
& Creative Local Response

NY Property Tax Cap Impact Analysis

Robert Rivera & Yuanshuo Xu

December 2014

LOCAL
FISCAL
STRESS

State Austerity Policy
& Creative Local Response

Fix the Cap

Austin Aldag and Mildred Warner

February, 2018

LOCAL
FISCAL
STRESS

State Austerity Policy
& Creative Local Response

Tax Caps in Other States Lessons for New York

Hector Chang & Christine Wen

December 2014

LOCAL
FISCAL
STRESS

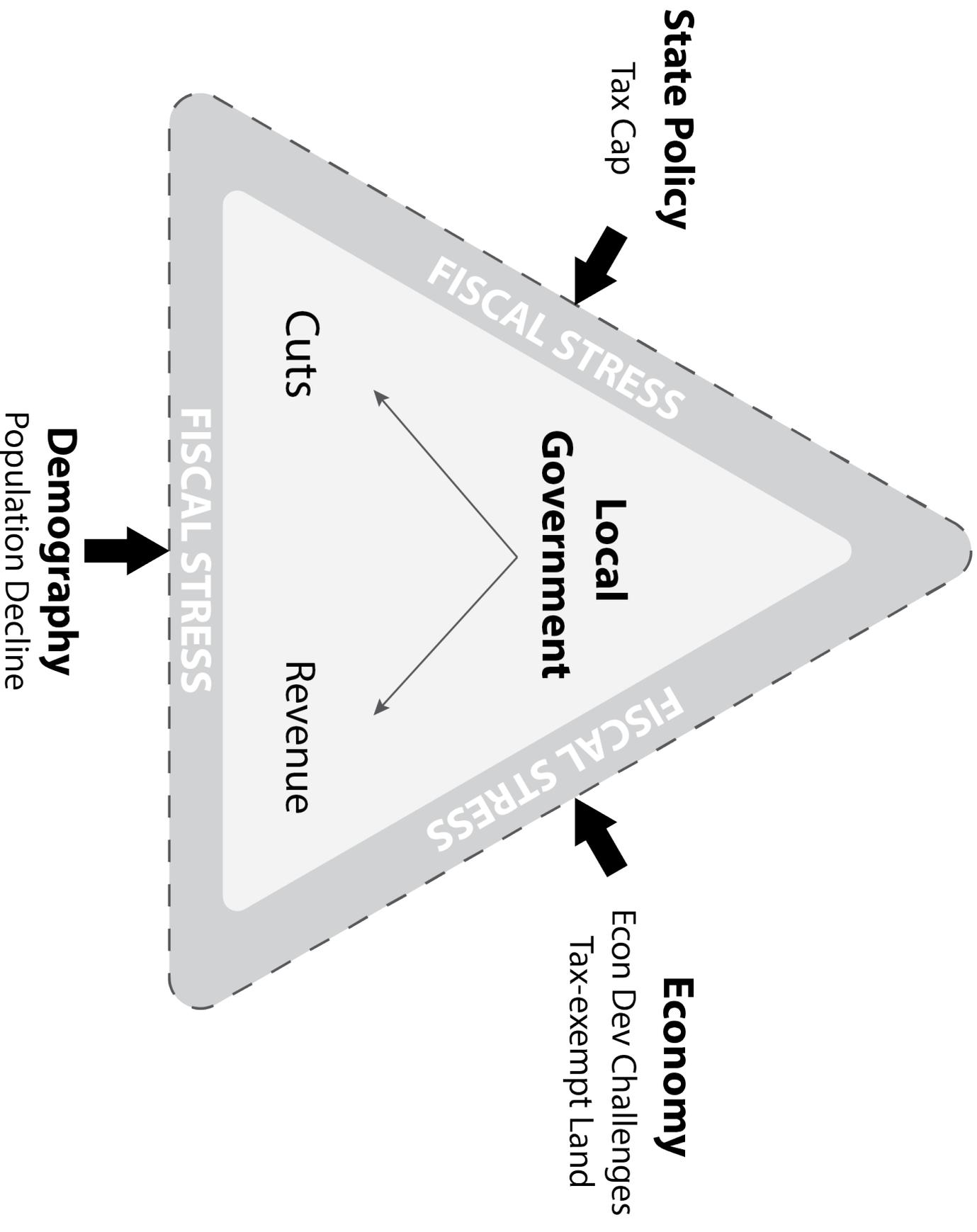
State Austerity Policy
& Creative Local Response

LINKING FISCAL STRESS & SOCIAL EQUITY: A MUNICIPAL TOOLBOX

Austin Aldag, Natassia Bravo, Mark Cassidy, Alfe Rayner, & Zach Small

December 2017

What Drives Local Government Fiscal Stress?

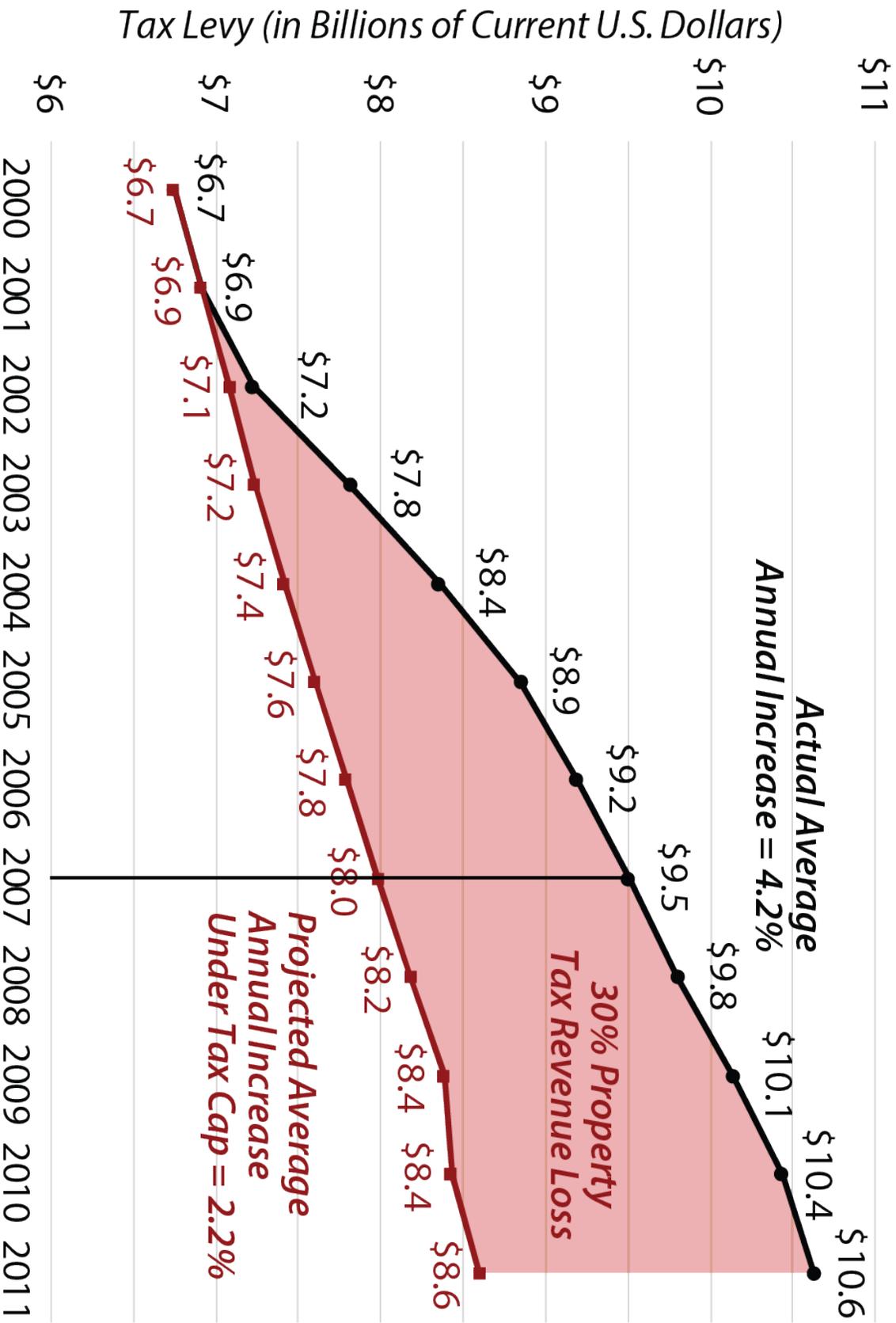


EDMONTON
STATE
POLICY
DEMOCRACY



Tax Caps in Other States: Lessons for New York

Growing Impacts of the Tax Cap



Who is Affected Most by the Tax Cap?



Total Shortfall

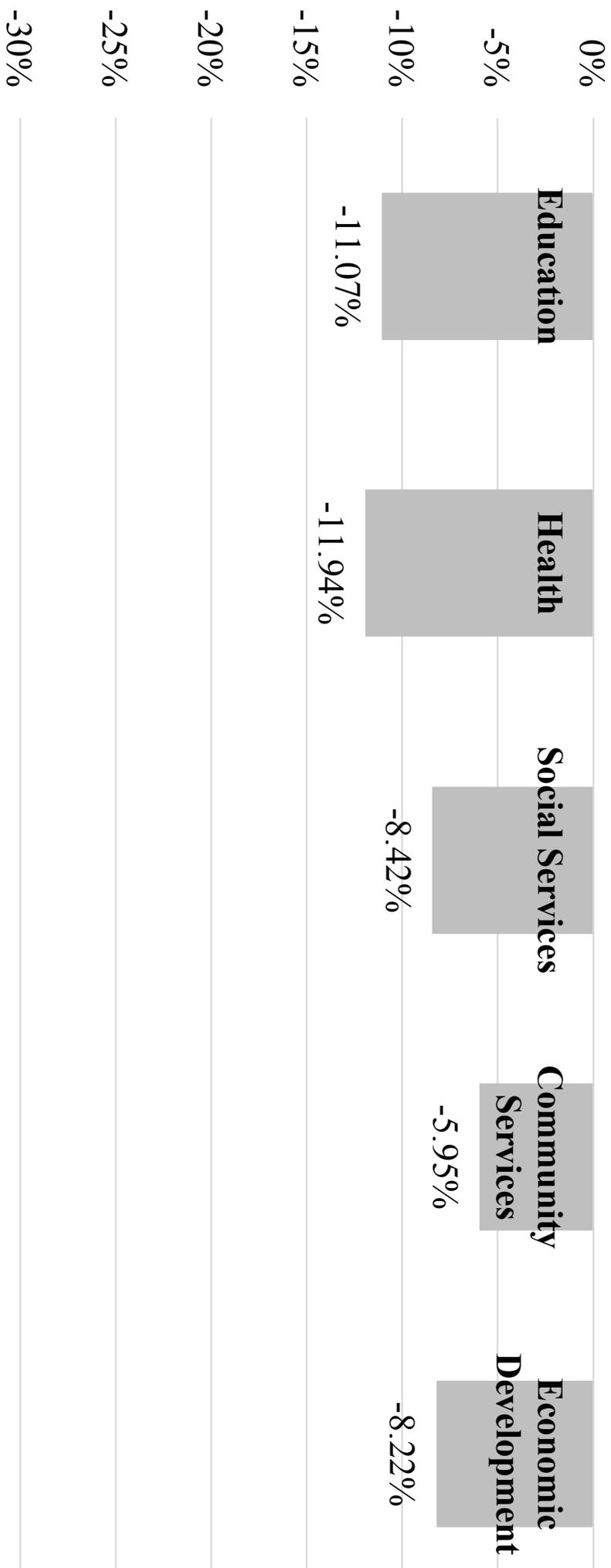
	Observed	Projected	Shortfall
City	48.9%	26.1%	-22.8%
County	53.7%	27.2%	-26.6%
Town	62.2%	28.6%	-33.6%
Village	67.6%	25.9%	-41.7%
Total	57.5%	27.5%	-30.0%

- 2.2% average annual property tax increase under cap, 4.2% without
- 30% shortfall in property tax, over \$13 billion loss to NY localities
- Counties would lose 27% and Cities will lose 23% of property tax revenue
- Towns and Villages, who depend more on the property tax, will lose 34% and 42% of property tax revenue.

Short Term Impacts: Cuts Under Tax Cap



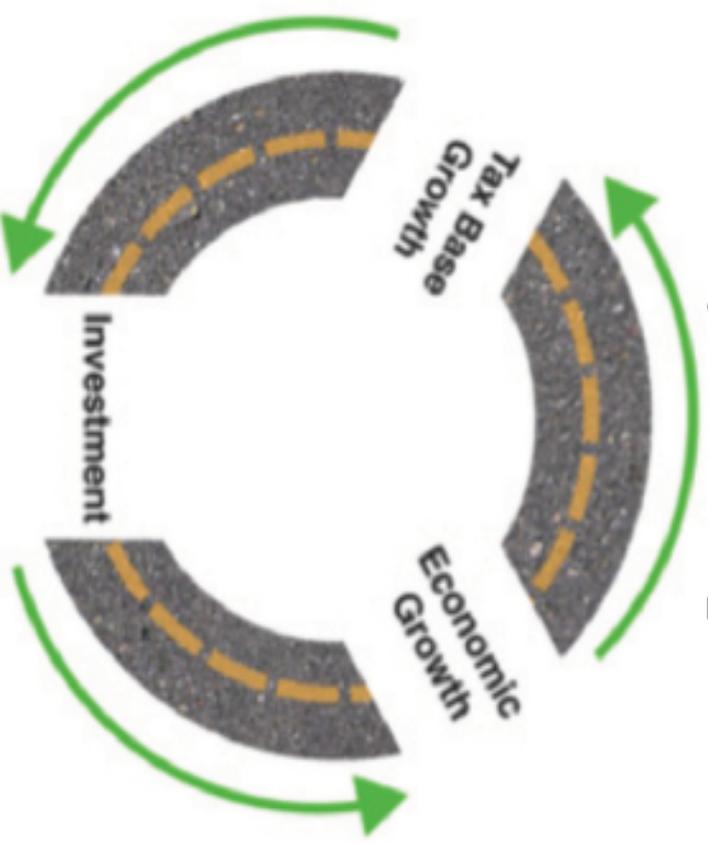
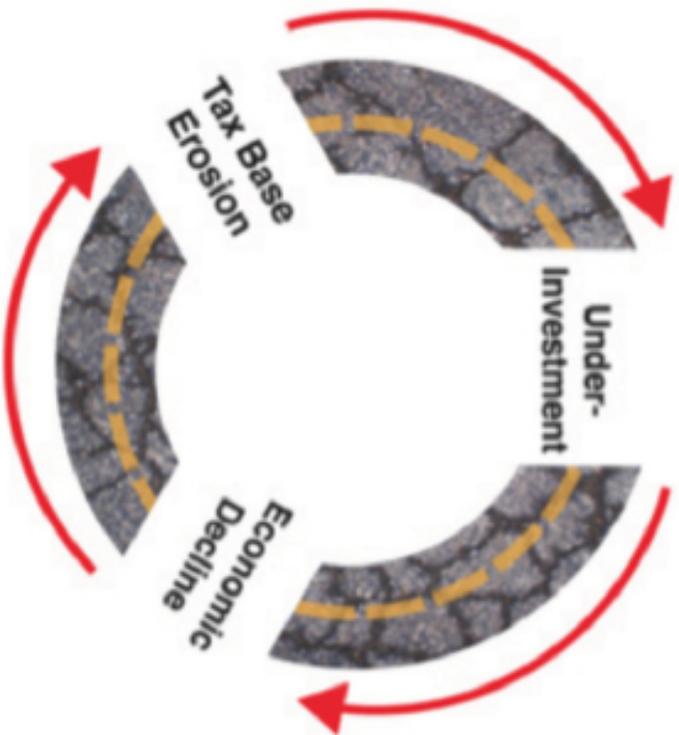
Major Expenditure Change Per Capita 2012-2015: Counties



Fix the Cap!



Vicious Cycle Under Current Cap Virtuous Cycle if Cap is Fixed



Fix the Cap!

CORNELL UNIVERSITY

12

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

Impacts of Tax Caps



- Tax Caps do not reduce expenditures in the long term
- Tax Caps increase use of revenue sources that are more volatile (sales taxes), less transparent (impact fees), and more regressive (user fees)
- Tax Caps disproportionately affect counties and communities with lower income and smaller populations
- Tax Caps force municipalities to reallocate economic development dollars to maintain mandated services

What Do Other States Do?



- Increase state aid to localities and schools
- Centralize fiscal responsibility for state mandated services
- Exempt infrastructure investment from tax cap
- Exempt emergency or disaster expenses
- Allow simple majority overrides
- Exempt special districts

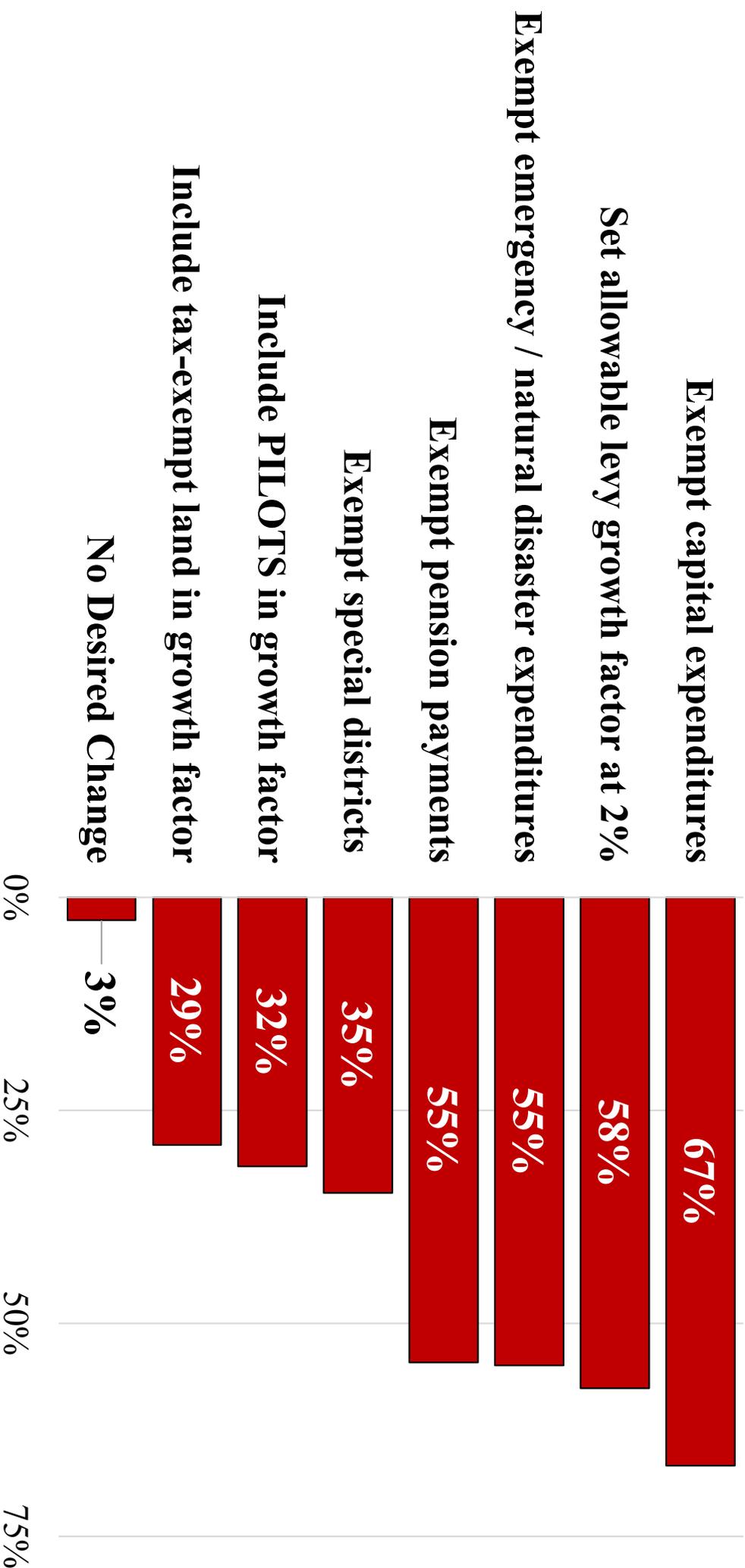
Fix the Cap!

CORNELL UNIVERSITY

14

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

Desired Reforms to Property Tax Cap



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

Overriding the Tax Cap: *Who, Where and Why?*

Who is Overriding?

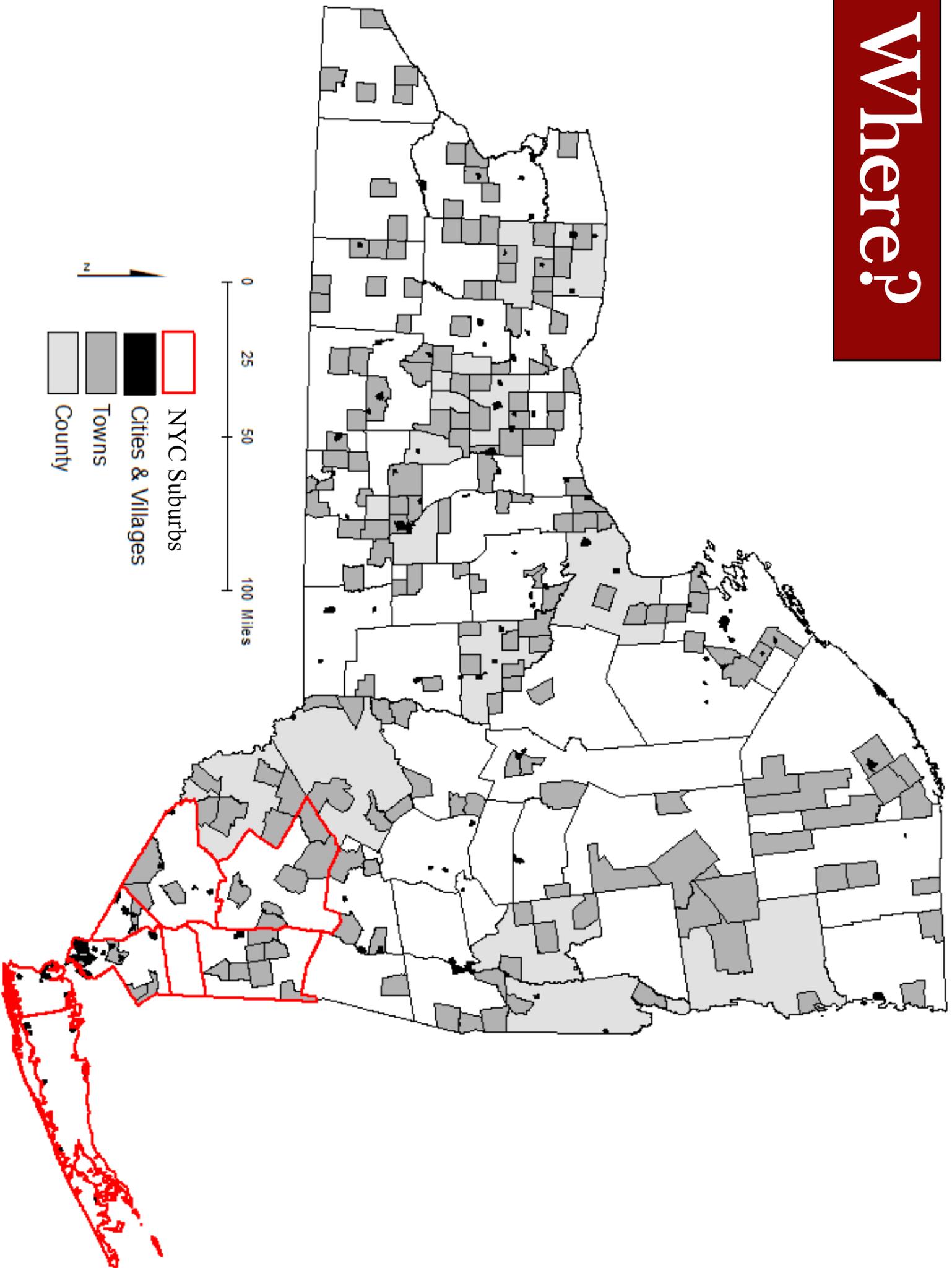


In the last three years, has your jurisdiction overridden the Tax Cap?

Government Type	% Yes
All	38%
Cities	43%
Counties	43%
Towns	39%
Villages	34%

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

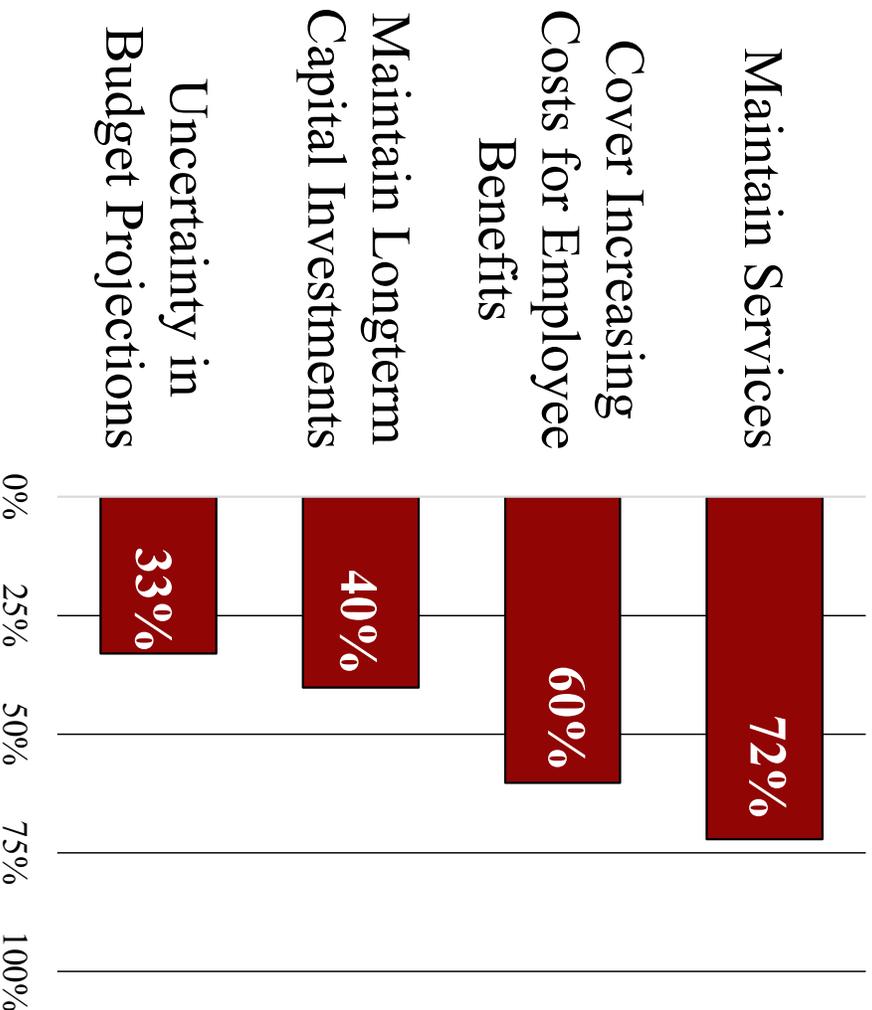
Where?



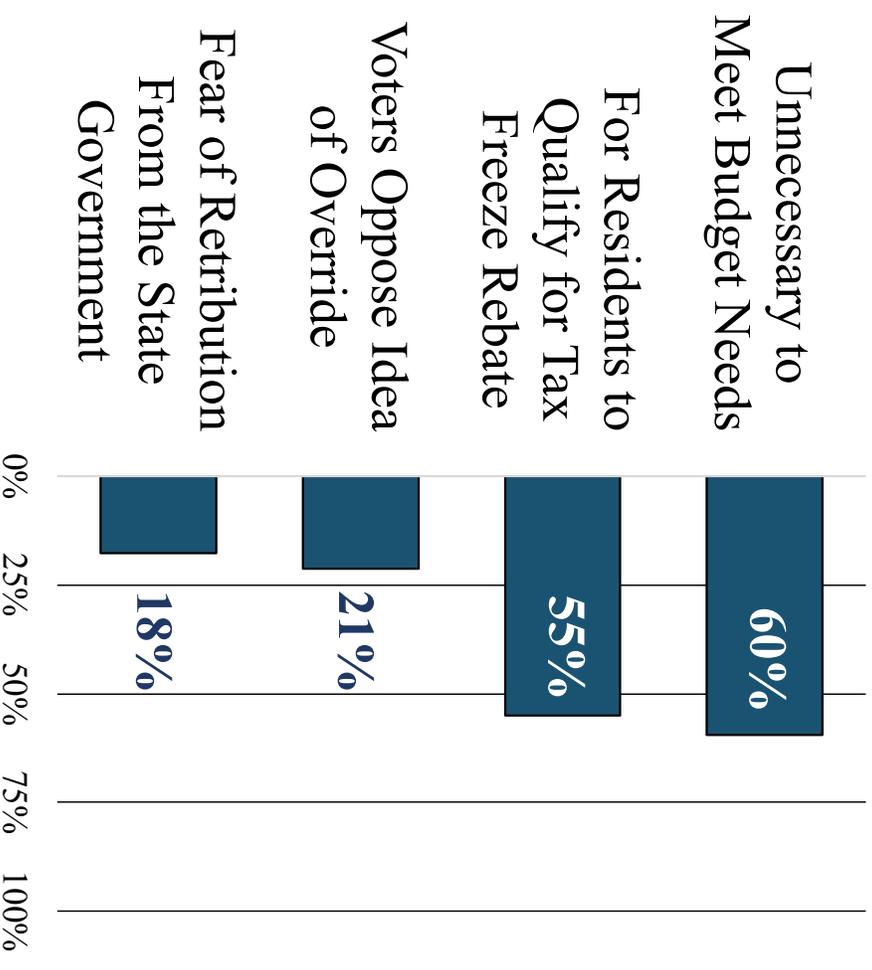
Why / Why Not Override the Cap?



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.

Overriding the Tax Cap Summary

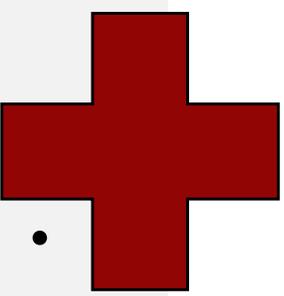


More Likely

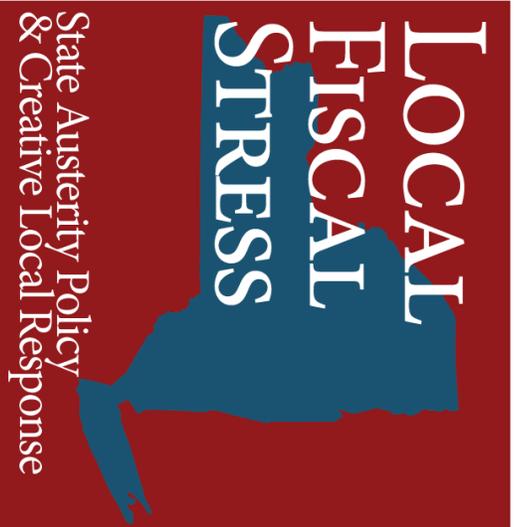
- Fiscal Stress
- Cutbacks in Road Repair
- Tax-exempt Property
- Pushback Narrative
- Total Services Provided
- % Expenditure – Employee Benefits

Less Likely

- NYC Region
- Job Growth
- High Tax Effort
- Believe Narrative of Inefficiency
- Submitted Govt. Efficiency Plan



We want to hear from you!



What reforms would you like to see in the Tax Cap?

Why did your jurisdiction override/not override the Tax Cap?

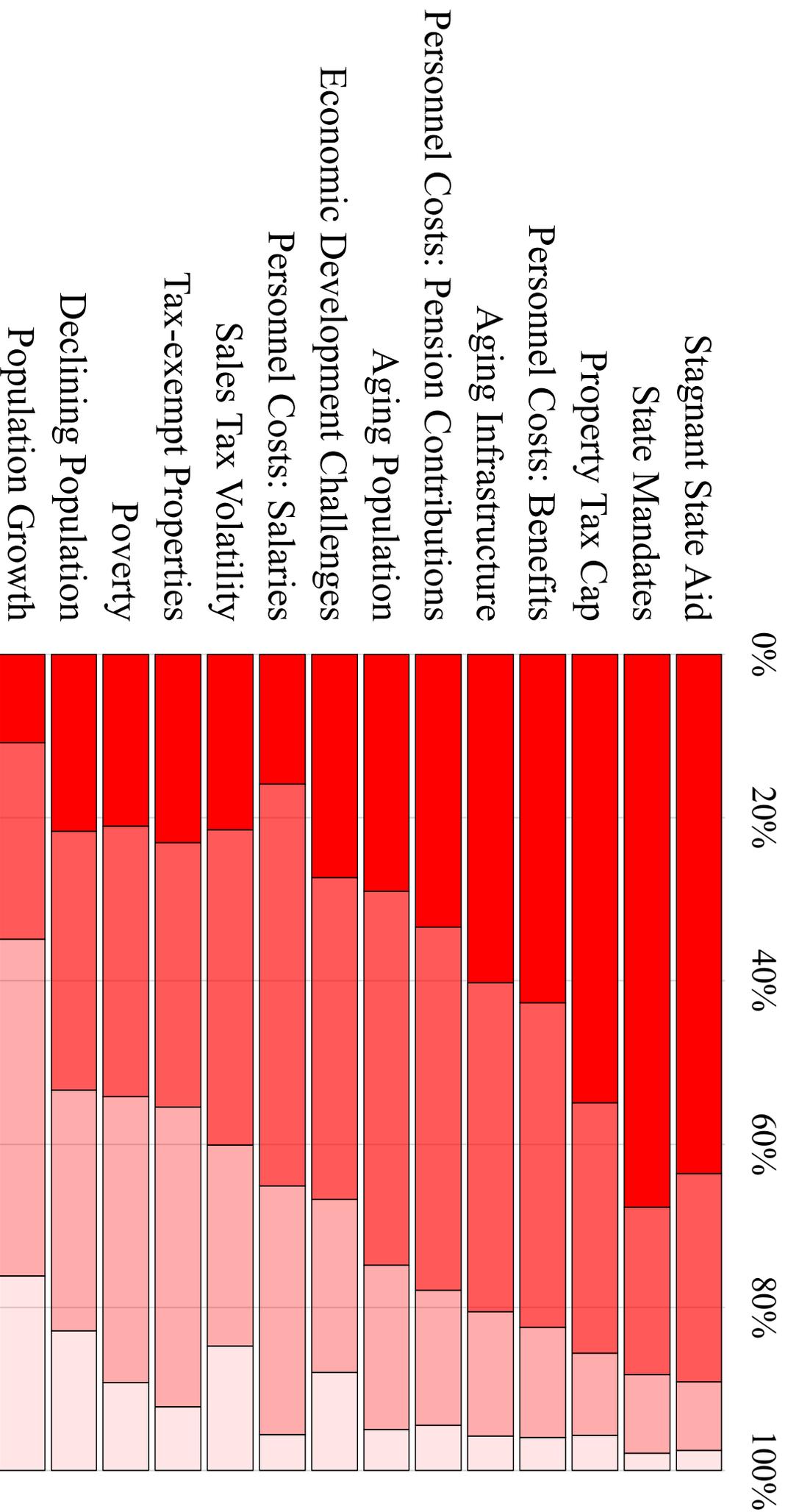
How has the tax cap affected your jurisdiction?

What Can Local Governments Do?



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

Sources of Local Fiscal Stress



■ Significant
 ■ Moderate
 ■ Weak
 ■ None

Linking Stress Sources to Tools



	% Moderate or Significant Source	Tool
Stress Source		
Declining Population	53%	Land Banks & Land Trusts
Economic Development Challenges	67%	Transparency in Tax Abatements & CBAs
Tax-exempt Properties	55%	Payments in Lieu of Taxes (PILOTs)



Link to full toolbox:
<http://cms.mildredwarner.org/p/280>

Land Banks and Land Trusts

Land Banks



**WHAT ARE
LAND BANKS?**

WHY USE THEM?

**HOW DO
THEY OPERATE?**

**ARE THEY
SELF-SUFFICIENT?**

**WHAT TOOLS DO THEY
USE?**



\$ 2M
new tax revenue

\$ 28.4
return to the tax rolls

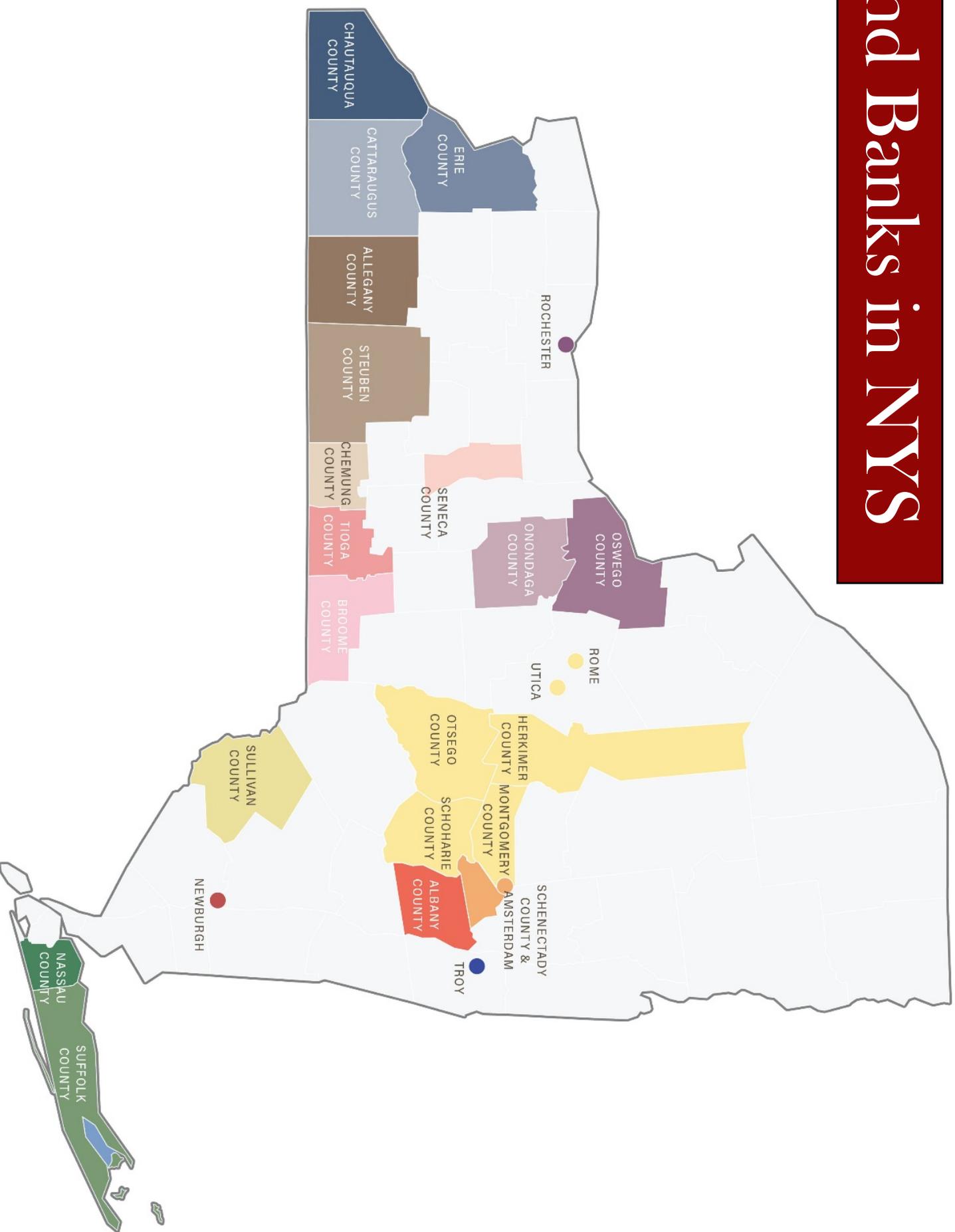
Land Banks & Land Trusts

CORNELL UNIVERSITY

26

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

Land Banks in NYS



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

Land Banks and Equity



Stabilizing Vacant and Abandoned Property



Partnerships with Affordable Housing Developers

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



Community Arts Programs



Community Gardens and Side Lot Programs



Demolitions

Land Banks & Land Trusts

CORNELL UNIVERSITY

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

Economic Development Challenges: Tax Abatement Data, PILOTs, and CBAs

House of Cards



Tax is an anti-business environment for the State of New York... We have one of the worst tax structures in the nation... Neither bodes well for an economic future.



- Political strategy – Firm Poaching

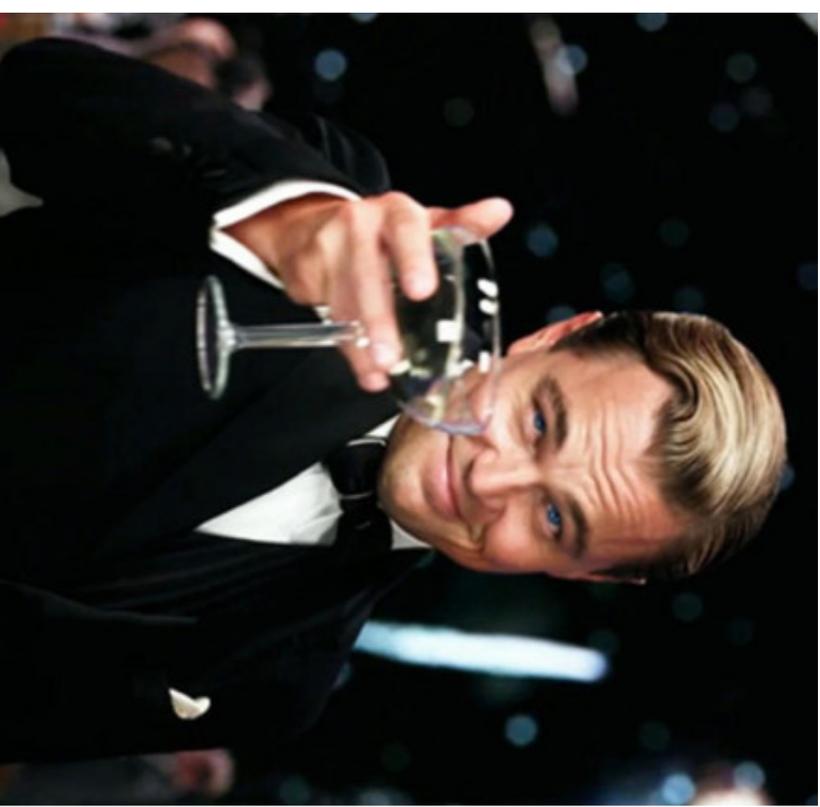
- **Jobs jobs jobs-** easy to point at a job creation number

- Let's check the numbers!

The Great GASB-77



- GASB 77 - standard for governments to report tax break dollars (2017)
- Some states require local government to follow GAAP, NYS is not one of them
- Congruency and consistency issues
- No job creation figures
- Improve to allow adequate cost/benefit analysis



NYS- National Lamppoon



State:

	Per Capita	Abatements
New York State	\$ 207	42%
Nebraska	\$ 188	4%
Louisiana	\$ 106	5%
Vermont	\$ 87	1%
Michigan	\$ 82	8%
Missouri	\$ 80	5%
Connecticut	\$ 47	2%
Washington	\$ 44	3%
Iowa	\$ 44	1%
Oklahoma	\$ 44	2%
Total	\$ 30	\$9.7 billion

Metro Area:

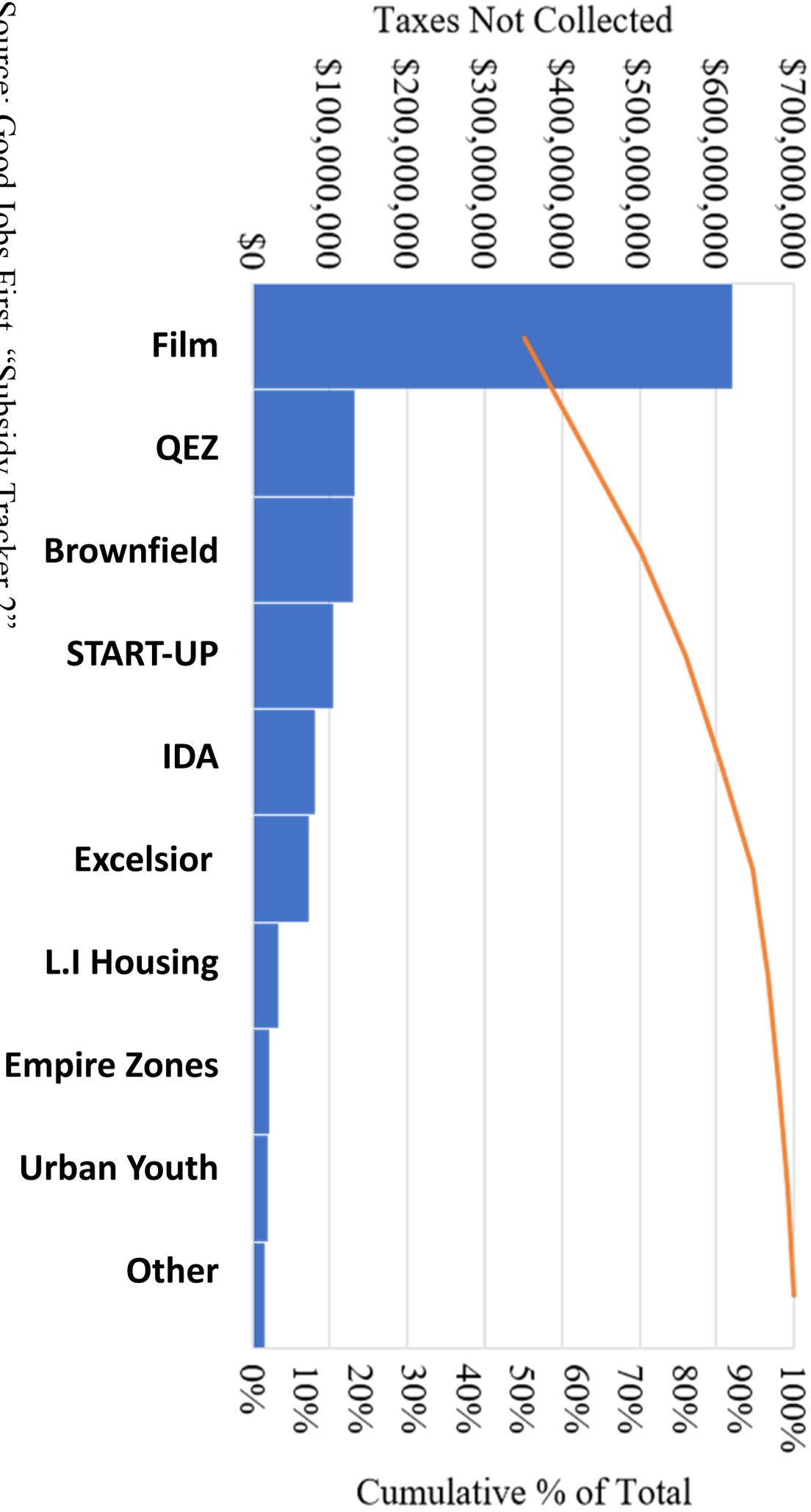
	Per Capita	Abatements
Reno	\$ 202	2%
New York City	\$ 167	83%
Kansas City	\$ 43	2%
San Jose	\$ 25	1%
Las Vegas	\$ 20	1%
Houston	\$ 20	3%
Chicago	\$ 5	1%
Los Angeles	\$ 3	1%

Source: Good Jobs First, “Subsidy Tracker 2”

Give it to Me Straight, Doc



GASB – 77 NYS Breakdown



Source: Good Jobs First, “Subsidy Tracker 2”

The Biggest Loser



Region	# Film Credits	
NYC	76%	▶ Minimum film or post production activity to qualify
MSA	90%	▶ No individual \$\$
NYS Total	202	▶ Large quantity of projects in city
		▶ Long existing major film industry cluster in NYC
		▶ Very poor ROI and Economic Impact
		▶ Projects will film minimum qualifying time at location and post-produce elsewhere

Source: Good Jobs First, “Subsidy Tracker 2”

Start me up



- ▶ START-UP NY – The new Empire Zone
- ▶ 75% in NYC
- ▶ \$222,800 per job
- ▶ 1,135 Total Jobs created
- ▶ \$101,000,000 – 2017 Incentives
- ▶ \$54 million – 1st Year Advertising
- ▶ \$31,000,000 - community investment

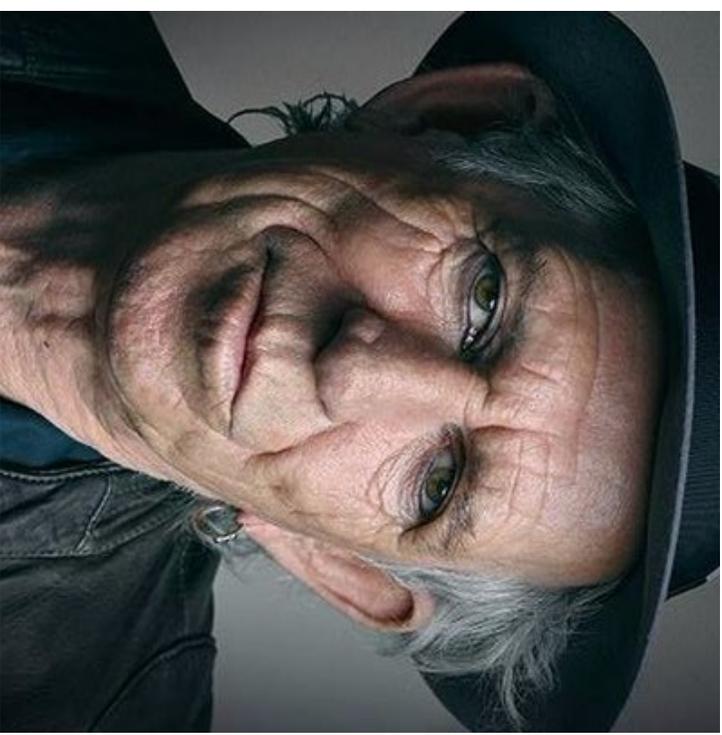
STARTUP NY

“Firms are pre-revenue, they are not and should not be concerned with tax rates at this point,” -- Caitlin Schickle

Start me up



- ▶ START-UP NY – The new Empire Zone
- ▶ 75% in NYC
- ▶ **\$222,800 per job**
- ▶ **1,135 Total Jobs created**
- ▶ \$101,000,000 – 2017 Incentives
- ▶ \$54 million – 1st Year Advertising
- ▶ \$31,000,000 - community investment

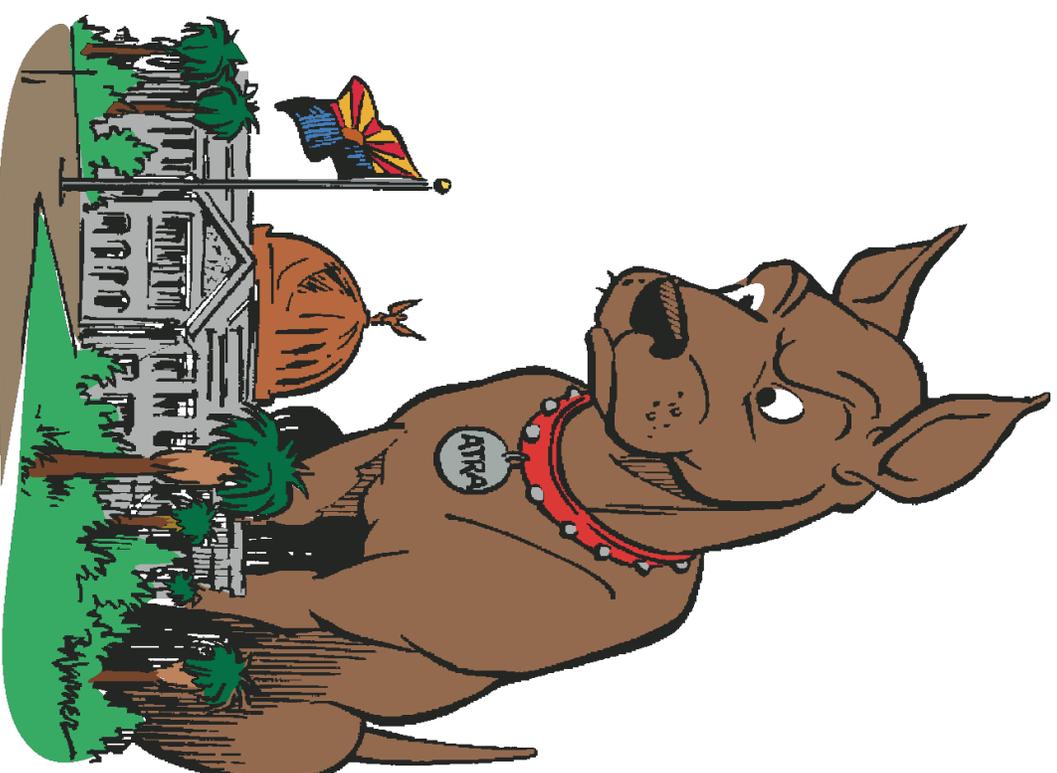


“Firms are pre-revenue, they are not and should not be concerned with tax rates at this point,” -- Caitlin Schickle

In All Seriousness



- ▶ Tax Abatement is rampant in NYS
- ▶ Theory says bad deal, data cannot support conclusions
- ▶ **Database of Deals** - Pushed by government watchdogs
 - ▶ Bi-partisan support
 - ▶ Specific amounts tax not collected and jobs created
- ▶ Did not pass this round of budget
- ▶ Continue discussion to improve spending transparency



Two Solutions - PILOTS / CBAs



“If corporations just got a whopping tax cut - from 35% to 21% - do they really need all of these tax breaks - would be much easier to deliver services at the local level if these dollars are not wasted with subsidies and abatements”

– Ron Deutsch, Director of Fiscal Policy Institute

- Infrastructure? Housing?
- Shift subsidy from film
- Standardize use of Community Benefit Agreements and PILOTS in conjunction with tax abatements

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.

Tax Abatement	Service Agreement
Avoid paying some or all local property taxes	Contribute when tax-exempt institutions
<u>NET LOSS</u>	<u>NET GAIN</u>
Goal: Encourage development	Goal: Compensate for public services

Framework to Establishing a PILOT



Consistency

- Ad-hoc vs. Systematic

Local Government Leverage

- Carrot vs. Stick

Timeframe

- Short-term vs. Ongoing

Payment Determination

- Flexible vs. Specified

Why Establish a PILOT in NYS



1. Local government reliance on property tax revenue

- Property tax is 30% of total revenue for local government in New York
- Property tax is 58% of local revenue for NYS Towns
- **PILOTs raise revenue for vital public services**

2. Offset tax burden of local residents

- Local property tax rates go up to compensate for tax-exempt property
- Many users of nonprofit services may not be local
- **PILOTs directly addresses fiscal stress from a root source**

3. Shifting role of non-profits

- Many are regional economic drivers (especially eds and meds)
- Creating increased instead of decreased burden of service provision
- **PILOTs create opportunities for collaboration around shared goals between local government and non-profits**

Case Studies



Oswego County
(Wind Projects)
2017

Boston
(PILOT Program)
2017

Consistency	Systematic	Systematic
Government Leverage	Stick	Carrot
Timeframe	Ongoing	Ongoing
Payment Determination	Full amount of foregone taxes	25% of foregone taxes
Tax-Exempt Property Value	-	\$13.9 Billion
Requested Payment	Full foregone tax amount	\$49.5 Billion
Payment Amount	Full foregone tax amount	\$32.4 million

Services and Community Benefits Agreement



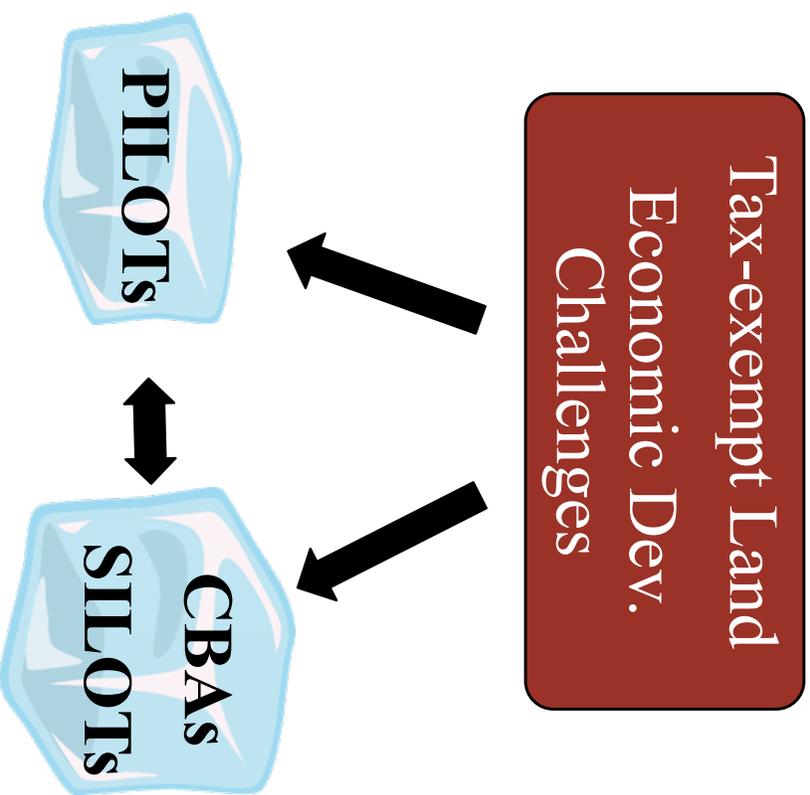
Legal agreement between stakeholders:

- Community members, developers, and local government

Offset negative impacts by securing benefits for directly affected residents.

Institutions of interest:

- Non-profits
 - Eds & Meds
- Renewable energy
- Historic re-development



Linking Fiscal Stress & Equity



	Result → Fiscal Stress	Result → Equity
Tool		
Land Banks	Grow and preserve local tax base.	Community programming and community land trusts.
Tax Abatement Transparency	Decrease misused, or wasted, economic development funds.	Transparency in local spending, and hold government accountable.
PILOTS & CBAs	Align costs of service provision; reduce burden on local government for econ dev.	New contributions decrease community burden; benefit local community

Thank you



See handout for all publications

All available at www.mildredwarner.org