

# **Upstate New York: a House Divided**

**Why New York State Must Change  
Its "Rules of the Game"  
To Reinvigorate  
Regional Economic Growth**

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**by  
David Rusk  
4100 Cathedral Avenue, NW #610  
Washington, DC 20016-3584  
(202) 364-2455**

**[drusk@starpower.net](mailto:drusk@starpower.net)  
[www.davidrusk.com](http://www.davidrusk.com)**

## SUMMARY

What get built where for whose benefit? That is always the key question for our nation's metropolitan areas.

New York State puts everyone locally in charge, so no one's really in charge.

In an Age of Sprawl, New York State has created the worst possible combination of "the rules of the game."

First, the legislature has set up a system that divides the entire state into 1,545 cities, villages, and towns with inflexible boundaries that cannot adapt to changing demographic and economic conditions.

Second, the legislature has delegated land use planning and zoning authority to each of those 1,545 municipalities without any semblance of state standards for regional growth management.

Third, by making those 1,545 municipalities highly dependent on local property taxes, the legislature has pitted localities against each other in a constant struggle over tax rateables.

For Upstate New York, these chaotic state "rules of the game" have contributed significantly to

- minimal inflation-adjusted growth in wealth and income of whole metropolitan regions in recent years;
- a pattern of "progress" in outer-ring towns at the expense of central cities, many villages, and the more built-out, inner-ring towns; and
- an inability of the many "little boxes" governments to mobilize the full resources of the region to compete effectively with "Big Box" regions elsewhere.

Unless the New York state legislature changes "the rules of the game," Upstate New York will continue to be "no-growth growth" regions.

Though it probably still has the constitutional authority, the legislature lacks the political will to reinstitute annexation by cities or to merge local "little boxes" governments into more viable "Big Box" cities.

Therefore, the legislature must institute wide-ranging reforms to end inter-municipal conflict, eliminate wasteful duplication of infrastructure

expenditures, accelerate regional economic growth, and share benefits of such growth more equitably among municipalities.

The legislature must do so by assigning more responsibility and authority to a region's only local government – county government – that can accomplish for its citizens as a “Big Box” what the many “little boxes” cannot do individually.

Specifically, the legislature must

- empower county government to develop comprehensive, county-wide land use and transportation plans that will curb urban sprawl and channel investment back towards core cities, villages, and inner-ring towns;
- require municipal governments to conform municipal plans and zoning maps to the county-wide plan;
- direct such comprehensive plans to incorporate a fair share plan for balanced housing development, serving all levels of the workforce throughout all municipalities;
- empower county government to issue bonds against the county-wide tax base for all growth-supporting infrastructure investments of regional significance;
- empower county government to issue bonds against the county-wide tax base for purchase-of-development rights to preserve valuable farmland and to secure open space;
- authorize county government to be the only local government that can approve tax abatement and other local financial incentives for economic development; and
- institute a county-administered system of tax-base sharing so that all municipalities will share in the revenues generated by regional economic growth.

If the legislature is unwilling to mandate such a system, it should provide clear statutory authority and state financial incentives by which a county's citizens can elect to institute such a system by county-wide referendum without the exercise of veto by “little box” constituencies. Residents of Upstate New York share many common goals. An 18<sup>th</sup> century system of local government stands in the way of achieving their hopes for the 21<sup>st</sup> century.

## INTRODUCTION

Upstate New York is widely perceived as having had the economic boom of the 1990s pass it by.

Four faith-based regional coalitions – ARISE of the Albany-Schenectady-Troy region, ACTS of the Syracuse region, Voice-Buffalo/Voice-Niagara/Voice-Lockport/ (all affiliates of the Gamaliel Foundation) and Interfaith Action of the Rochester region – joined together to form a New York State Thruway Alliance. In preparation for their first Economic Summit in Syracuse on May 20, 2005, they commissioned David Rusk to prepare this background study of economic trends in their regions.<sup>1</sup>

The report will focus on economic trends primarily for the four sponsoring regions, but will include data, as appropriate, on Upstate New York's five smaller metropolitan areas (Binghamton, Elmira, Glens Falls, Jamestown, and Utica-Rome).

The report will document six propositions about Upstate New York's metropolitan areas:

- over the past fifteen years inflation-adjusted growth in property tax base has been minimal (except for the Capital region); outer-suburban “progress” has been at the expense of central cities, many villages, and some older, more built-out, inner-suburban towns;
- during the 1990s inflation-adjusted growth in total regional household income was minimal and inflation-adjusted growth in regional median household income was non-existent; the problems of declining incomes now reaches beyond central city limits to affect some older, inner suburban communities;
- metropolitan areas in Upstate New York are highly fragmented governmentally into many “little boxes;”

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<sup>1</sup> David Rusk has spoken and consulted about urban affairs in over 100 metropolitan areas as well as in Canada, England, Germany, the Netherlands, and South Africa. A former mayor of Albuquerque, New Mexico legislator, and federal official, he is author of *Cities without Suburbs* (1993; 3<sup>rd</sup> edition, 2003); *Baltimore Unbound* (1995), and *Inside Game/Outside Game* (1999). He is a national strategic partner of the Gamaliel Foundation, a faith-based organizing network. Many of his articles, reports, and presentations are available on his website ([www.davidrusk.com](http://www.davidrusk.com)).

- there is a causal link between high levels of governmental fragmentation, social fragmentation, and slower regional economic growth;
- despite fragmented governance, economic markets span multiple jurisdictions; as economic regions, the *real* cities of Upstate New York are entire urbanized areas; and
- Upstate New York's *real* cities (its highly fragmented, urbanized areas) are not economically competitive with regions with actual, unified cities of comparable area and population at their core.

Finally, the report will conclude with recommended reforms that the state legislature must implement if the *real* cities of Upstate New York are to be restored to economic competitiveness nationally.

#### Trends in Property Wealth

It is nearly impossible to make valid state-to-state comparisons of relative property wealth. Among the fifty states there are fifty different methodologies for determining assessed valuation.

Within the same state decade-to-decade comparisons can be treacherous as assessment methodologies change. However, the New York State Comptroller's Office maintains records of consistently-defined "full value of taxable property." Electronic files covering all 57 counties and 1,575 municipalities are available from 1980 onward and have been provided for the years 1980, 1990, 2000, and 2004 for this study.

Data are presented for all counties, cities, villages, and towns for the nine metropolitan areas of upstate New York in Appendix A. One of the tables will show, for example, that in 1980 the full value of taxable property for the city of Buffalo was \$3,113,226,518; twenty-four years later, in 2004, that figure had grown to \$5,312,877,063 – more than a \$2 billion increase. That sounds like progress.

But wait! A dollar in 2004 was not worth what a dollar was worth in 1980 because of inflation. As a matter of fact, the total increase in the national Consumer Price Index over those 24 years was 130 percent. If the full value of the city of Buffalo's taxable property had just kept up with inflation, it would have amounted to \$7,151,081,312 in 2004. Instead, adjusted for inflation, the city of Buffalo lost -27 percent of its property tax base from 1980 to 2004.

Table I summarizes percentage changes for Upstate New York areas. For all regions except Buffalo, Jamestown, and Elmira, the 1980s were still a period of inflation-adjusted (“net”), double-digit growth. However, in the fourteen years since, the net growth in regional property wealth has dropped off for most metro areas. Net growth was modest for the Elmira (+27 percent), Buffalo (+20 percent), and Jamestown (+17 percent) regions – all rebounding from their stagnant 1980s. Net growth was minimal for the Utica-Rome (+11 percent) and Rochester (+8 percent) regions, and the Syracuse (-6 percent) and Binghamton (-12 percent) regions actually suffered net losses.

If regions were private investors, even the “winners” experienced disappointing rates of net return (that is, after they had hedged against inflation). The inflation-adjusted annual rate of return on their investment ranged from Elmira (1.7 percent a year) to Rochester (0.6 percent a year). For that kind of return, our hypothetical investor-regions might have just sat back and put their money into a passbook savings account.

The exceptions to this pattern were the Albany-Schenectady-Troy region (+41 percent) and the adjacent Glens Falls region (+43 percent). There is no mystery about the Albany-Schenectady-Troy region’s relative success. Among America’s 331 metropolitan areas, state capital regions form a privileged class. The power and wealth of state government has grown over the decades, generating regional wealth from the growing ranks of state employees and the legions of lobbyists and state associations headquartered in the capital region to influence legislators and regulatory agencies. In addition, many state capitals are also hosts to their state university system’s flagship campus.<sup>2</sup>

Such regional growth that did occur in Upstate New York’s regions came at the expense of serious erosion of the tax bases of most of its central cities. Just during these fourteen years (1990 to 2004), Elmira lost -9 percent of its tax base; Schenectady -11 percent; Niagara Falls -17 percent;

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<sup>2</sup> With the context of its state capital region peers, however, the Albany-Schenectady-Troy region is a weak performer. During the 1990s, total jobs in the Albany-Schenectady-Troy region grew only +9 percent compared for an average +26 percent increase among the 40 other state capital regions that are also metro areas. During the 1990s also, real personal income per capita in New York’s Capital Region grew only +10 percent compared with +17 percent for the other 40 capital regions. By these two important measures of economic performance, New York’s Capital Region outperformed only Springfield, IL; Dover, DE; Providence, RI; Topeka, KS; Hartford, CT; and Honolulu, HI.

Buffalo -18 percent; Jamestown -18 percent; Rome -19 percent; Syracuse -21 percent; Utica -27 percent; Binghamton -29 percent; and Rochester -37 percent. All, of course, are “inelastic cities” with fixed boundaries, unable to annex adjacent development as almost three-quarters of America’s other central cities regularly do.<sup>3</sup>

The same malady of “inelasticity” affects villages that are similarly boundary-constrained and have little or no vacant land for ready development. Collectively, (again with the exception of Capital region’s villages, that saw +27 percent growth), the average net growth in property tax base of a region’s villages average ranged from a low of -21 percent (Binghamton) to a high of +20 percent (Buffalo).

Village tax base growth, however, was modest indeed compared with typical growth rates of towns. These generally-land rich towns are the beneficiary of virtually unfettered urban sprawl. With the exception of towns of the Binghamton and Syracuse areas,<sup>4</sup> the net growth in town tax bases collectively ranged from a low of +19 percent (Rochester) to a high of +54 percent (Albany-Schenectady-Troy), with the five other region’s average town growth falling in the 35 percent to 49 percent range.

However, under the Iron Law of Urban Sprawl, “yesterday’s winners become today’s losers and today’s winners become tomorrow’s losers.” Outside Buffalo, first-ring suburbs Cheektowaga Town and Tonawanda Town are now sliding downhill (-6 percent and -15 percent, respectively, in the past four years) while second-ring Amherst Town has hit a lull (-2 percent in the same period), but third-ring Clarence Town continues to soar (up +13 percent since 2000, up +102 percent for the last fourteen years).

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<sup>3</sup> As a matter of fact, during the 1990s, 348 “elastic” central cities annexed 2,697 square miles of new subdivisions, office and industrial parks, or developable land – a 17 percent increase (and collectively an area larger than the entire state of Delaware). This figure does not include the impact of city-county consolidation of Athens-Clark County, GA and Augusta-Richmond County, GA that added, in effect, 111 square miles and 282 square miles, respectively, to their municipal territories. (At 302 square miles, Augusta-Richmond alone is almost geographically larger than Upstate New York’s 15 central cities *combined* [316.9 square miles] and only the inclusion of Rome [74.9 square miles] edges the group’s collective land area ahead of this single “elastic city.”)

<sup>4</sup> The net loss of the Syracuse region’s 79 towns (-2 percent) was almost entirely due to a devastating \$2 billion loss of tax base in the town of Scriba, which (if not a glitch in the Comptroller’s records) represented probably the creation (in the 1980s) and then subsequent closing (in the 1990s) a mega-factory or perhaps a big (possibly nuclear) power plant.

The same decline is evident for Rochester's first-ring towns, for example, Brighton (only +2 percent), Greece (only +1 percent), Irondequoit (-6 percent) and Gates (-17 percent) over the past fourteen years.

Thus, over the past fourteen years Upstate New York's inflation-adjusted growth in property tax base has been minimal (except for the Capital area). Outer-suburban "progress" has been at the expense of the decline of central cities, many villages and some older, more built-out, inner-suburban towns.

### Trends in Household Income

Let us turn our analysis from trends in regional property wealth to trends in regional household income. Table II compares net change in total household income and median household income for Upstate New York's nine metro areas with the rates for the United States for the decades of the 1990s (more precisely, 1989 to 1999).

In terms of net growth in total household income (that is, the combined income of all households living in a region), Upstate New York's regional growth ranged from zero growth (Binghamton) to 16 percent growth (Glens Falls). As a group, the net growth in total household income of all nine regions combined was only 9 percent – barely one-third of the USA's net growth (26 percent).

As with the case of property wealth, however, any regional growth reflected "progress" among the outer-towns at the expense of central cities. *In the 1990s every central city in Upstate New York lost total household income with just two exceptions.* Net losses ranged from Elmira (-2 percent) to Syracuse (-11 percent).

The exceptions were Auburn (a modest +3 percent increase) and Saratoga Springs (a national average-exceeding 29 percent increase). In fact, Saratoga Springs holds an even more unique status. Among the central urban places at the heart of New York's 57 counties back in 1950, Saratoga Springs is the only city or village that was better off (relative to its surrounding county) in Census 2000 than it was in the 1950 census. In effect, over the past fifty years Saratoga Springs was the only central place that beat New York State's "rules of the game" that otherwise condemned all other 56 central places to steady decline in an Age of Sprawl.<sup>5</sup>

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<sup>5</sup> See Appendix B for this analysis.

Inner-ring towns are also now stagnating. Rochester's first-ring towns – Irondequoit (+1 percent), Brighton (+3 percent), Gates (+4 percent), and Greece (+6 percent) – all had minimal net growth. Among Buffalo's suburbs, first-ring Tonawanda Town was, in effect, stagnant (+2 percent), though, buoyed up by the impact of the expanded Buffalo-Niagara International Airport, First-ring Cheektowaga did better (+6 percent). Formerly high-flying, second-ring Amherst cooled off (+8 percent) while the new regional meteor, Clarence, streaked across the heavens (+69 percent).

The benefits of the 1990s boom nationally largely flowed to the highest quintile of households. Only the tightest job market in memory began to lift inflation-adjusted wages and salaries for the middle and lower quintiles by the last years of the boom. As a result, net median household income nationally increased only +4 percent.

But Upstate New York's regions did worse. Five of the nine – Albany-Schenectady-Troy (-1 percent), Glens Falls (-3 percent), Rochester and Syracuse (-5 percent), and Binghamton (-8 percent) saw regional median household income actually decline, while only the Elmira area (+4 percent) came up to the national average.

Net decline in median household income was even greater in many of Upstate New York's central cities with Schenectady (-10 percent), Albany and Rochester (-11 percent), Syracuse (-12 percent) and Glens Falls (-18 percent) hitting double-digit declines. Only (as expected) Saratoga Springs (+8 percent) and (to my surprise) Elmira (+9 percent) saw healthy increases in net median household income.

Every first-ring suburb cited of Rochester and Buffalo experienced net decreases in median household income as did once high-flying Amherst (-1 percent) while third-ring Clarence (+13 percent) reaped the benefit of both wealthier households moving out from core communities and regional newcomers moving in to the new "place to be."

In summary, during the 1990s inflation-adjusted growth in total regional household income was minimal and inflation-adjusted growth in regional median household income was non-existent. The problem of declining incomes now reaches beyond central city limits to affect some older, inner suburban communities.

### The Fragmentation of Regional Governance

In his book *The Regional Governing of Metropolitan America* (Westview Press: 2002) University of Pittsburgh's David Y. Miller

presented his Metropolitan Power Diffusion Index (MPDI), the most sophisticated measure yet developed of the relative degree of governmental fragmentation in metropolitan areas. Drawing upon successive reports of the Census Bureau’s Census of Governments from 1972 to 1992, Miller analyzed the degree to which twenty-one different public services were delivered either by multiple local governments or by relatively few. The MPDI is a weighted measure of relative fragmentation (that Miller termed “diffusion”) for 311 metro areas.

Highly fragmented metro areas (that I have called “little boxes” regions) receive high scores. In 1992 the highest was the Philadelphia PA-NJ PMSA with a score of 15.40. Highly centralized metro areas (that I have called “Big Box” regions) receive low scores. In 1992, the lowest was Owensboro, KY MSA with an MDPI score of 1.44.<sup>6</sup>

By Miller’s MPDI methodology, New York State had the eighth most governmentally fragmented metropolitan area, as shown in Table III.

**Table III**  
**Relative Fragmentation/Centralization of**  
**Regional Governance by state, and**  
**by New York Metro Area, in 1992**

<u>metro area</u>	<u>no. metro areas</u>	<u>MPDI score</u>
Pennsylvania (worst)	15	7.60
New York (8 <sup>th</sup> worst)	13	5.25
Upstate New York	8	5.05
Albany-Schenectady-Troy		7.84
Rochester		6.54
Utica-Rome		5.74
Syracuse		5.49
Binghamton		5.21
Glens Falls		4.63
Buffalo		4.03
Niagara Falls		3.31
Elmira		2.69
(Note: Jamestown was not rated)		
Greater New York City area		5.68
Average of 311 metro areas		4.17
Virginia (best)	6	2.40

<sup>6</sup> Had they been rated, Anchorage, AK MSA and Honolulu, HI MSA would undoubtedly have been assigned MPDI scores of close to 1.00. Both have consolidated city-county governments in single county metro areas.

## Governmental Fragmentation and Segregation

Based on rigorous statistical research, Miller found a high correlation between governmental fragmentation and racial and economic segregation.

“Even when accounting for population [size] and region [of the country], jurisdictional diffusion is significantly and unquestionably linked to Black segregation in metropolitan America.... Too much diffusion of power in metropolitan areas serves to increase the probability of racial segregation....  
“Gaps between rich and poor communities will always be a part of the metropolitan environment.... However, the distance between rich and poor should be minimized or, at least, kept from widening... In the Allegheny County case (i.e. metro Pittsburgh area), the gap between the richer and poorer communities is growing – and at an alarming rate....”

Why should the level of racial and economic segregation be influenced by governmental structure?<sup>7</sup> My explanation comes principally from the experience of having consulted in over 100 metro areas and having analyzed housing patterns on a jurisdiction-by-jurisdiction basis in most of them and on a tract-by-tract basis in over seventy metro areas. In “little boxes” regions, I have found that the (generally) unspoken mission of most “little boxes” town councils (and most “little boxes” school boards) is “to keep our town (or our schools) just the way they are for people just like *us*” – whoever “*us*” happens to be. Up until a generation ago, the tools used were overtly racially discriminatory. After the Civil Rights Act of 1968 and (probably as significant) the enforcement of equal opportunity lending laws, economically exclusionary zoning has replaced overt racially discriminatory practices. As housing barriers based purely on race have been slowly lowered, barriers based on income are being raised. Jim Crow by income is steadily replacing Jim Crow by race.

Thus, when a local government adopts a zoning code that requires large minimum lot sizes or large minimum square footage for new home

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<sup>7</sup> There are certainly factors in the picture that may indeed be regarded as “happenstance.” On the whole, elastic (or low MPDI) metro areas are somewhat younger; more of their population growth has occurred in the post-civil rights revolution era and such metro areas have also had greater proportional growth in their housing markets. More apparent opportunity to move around in a regional housing market regulated (ostensibly) by equal housing opportunity laws should contribute to lowering residential segregation. Age of housing stock also affects the formation of racial and economic ghettos. In many metro areas of the South (where many elastic cities are found), moreover, a black population has traditionally been located in rural areas, while blacks have been largely excluded from Northern rural areas. Statistically, that affects the calculation of segregation indices on a census tract-by-census tract basis.

construction or that loads expensive requirements onto apartment construction (such as two or more covered parking spaces per rental unit), they are always be justified on “objective” quality-of-life or fiscal considerations.<sup>8</sup> However, their effect (and often their intent) is to exclude modest- and lower-income families from the community – with significant racial implications. In particular, one will almost never find “little boxes” suburban jurisdictions consenting to construction of public housing (except for subsidized housing for the elderly).

I do not argue that members of “Big Box” city councils and planning commissions always conduct themselves like good Boy Scouts or good Girl Scouts. However, their “us” tends to be a more racially and economically diverse constituency to which they must be responsive. “Big Box” city councils and planning commissions do not practice exclusionary zoning as relentlessly as “little box” town councils and planning boards.

Moreover, “Big Box” jurisdictions provide a broad geographic framework for implementation of certain public policies. Let us take the example of public housing policy. To this day, public housing authorities cannot build projects outside their charter jurisdiction (almost invariably, the central city) without an inter-governmental agreement (which is never forthcoming). Until 1989, when Congress enacted “portability,” the same strictures applied to utilizing rental vouchers. Despite their broader application now, city housing authorities still tend not to seek out suburban apartment properties for their Section 8 clients.

As a result, the geographic size of the central city (that is, a public housing authority’s charter jurisdiction) has significant consequences on the census tract-by-census tract distribution of very low-income families (who are also heavily black and Hispanic). It makes a big difference whether that jurisdiction is 40-square mile Buffalo (fair share of poverty index: 224, or more than twice the city’s proportional share of the poor; regional economic segregation index: 44, or tenth worst out of 105 metro areas) or is 242-square mile Charlotte (fair share of poverty index: 115; regional economic segregation index: 30, or ninth best). “Big Box” versus “little boxes” counts.

#### Governmental Fragmentation and Economic Development

In the research community there is near universal recognition that central cities and their suburbs are certainly integral and inseparable parts of

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<sup>8</sup> Fiscal considerations are always cited in “little boxes” states like Connecticut and New Jersey where local governments are heavily dependent on property taxes.

metropolitan economies. Whether or not there is a *causal* inter-relationship between the relative health of central cities and their suburbs has given rise to a lively academic debate. Does it matter how metropolitan governance is organized (i.e. “Big Box” vs. “little boxes”)?

In my view, the most rigorous analysis of the interrelationship of governance and economic growth has been carried out by Carnegie Mellon University’s Jerry Paytas.<sup>9</sup> Paytas used Miller’s Metropolitan Power Diffusion Index as the measure of relative governmental fragmentation, and utilized a sophisticated shift-share statistical technique applied to long-term metropolitan economic growth that “accounts for national growth, industrial composition and productivity.” Paytas found that

“fragmented governance at the metropolitan level reduces the competitiveness of the metropolitan economy.... The results do not dictate that fragmented regions cannot be strong competitors or enjoy periods of competitive excellence. Rather, the findings indicate that few fragmented regions are likely to be strong competitors, and that they are unlikely to sustain competitiveness over the long-term. Long-term competitiveness requires flexibility, and fragmented regions are less likely to mobilize the consensus for change. Fragmented regions divide the regional constituency, offering opponents of change more opportunities, forums, and even institutional support to resist change. Unification encourages serving the regional constituency rather than parochial interests.

“The addition of new units of government either to accommodate new population growth, shifting residential patterns, or to finance additional development expenditures, tends to increase fragmentation the most. This research indicates that the proliferation strategy is a trap for the long-term health of local governments.”<sup>10</sup>

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<sup>9</sup> Jerry Paytas, “Does Governance Matter? The Dynamics of Metropolitan Governance and Competitiveness.” Working paper, Carnegie Mellon Center for Economic Development (2002). Available at [www.smartpolicy.org/publications.smtml](http://www.smartpolicy.org/publications.smtml).

<sup>10</sup> Paytas elaborates on this point with regard to special districts as follows: “The catch-22 is that local governments have created new units of government, especially authorities and special districts, in order to evade the controls and debt limits placed on them by state governments. Technically, the creation of new governments keeps the debt off the books of the municipality. However, the credit-rating agencies often examine the total debt of local governments, related authorities, and special districts when they issue bond-quality ratings. Even though this debt is not legally the obligation of the municipality, the ability to repay the debt is determined by the same tax base. While the addition of new units of government is often a strategy that local leaders believe is necessary, it is not sustainable. The creation of new units to support debt is analogous to an individual who gets new credit cards to finance additional expenditures. This individual is able to spend more, but less likely to be able to repay the mounting debt.

Paytas writes that “fragmented regions are less likely to mobilize the *consensus* for change [emphasis added].” To that, I would add that fragmented regions have even greater difficulty mobilizing the *regional tax base* to support change through infrastructure investments. (That, indeed, is often the impetus for setting up multi-jurisdictional special districts.)

How does governmental fragmentation impede Upstate New York’s regions from being effective economic competitors?

### What’s the Real City of Buffalo?

What is the *real* city of Buffalo? Is it just a 40 square mile, 292,000-person municipality that has lost half its population since its peak a half century ago? A municipality whose current fiscal crisis is so severe that the state of New York is imposing a financial control board?

Or is the *real* city of Buffalo defined by how Western New Yorkers really conduct their lives? A family may live in Lancaster, but the husband works in Lackawanna and his wife at the Buffalo-Niagara International Airport in Cheektowaga. Their son attends the University at Buffalo (located in Amherst), but their daughter is applying to Canisius College in Buffalo. Avid football fans, they hold season tickets for Bills games at Ralph Wilson Stadium in Orchard Park. They frequent Eastern Hills Mall in Williamsville, while major medical problems may take them to Children’s Hospital in downtown Buffalo. A Taste of Buffalo and the Allentown Arts Festival are very popular events with area residents and visitors alike.

In short, they cross municipal boundaries back and forth every day. As a common labor market, housing market, commercial market, cultural and entertainment zone, the *real* city of Buffalo is the whole urban region.

Census 2000 defined the *real* city of Buffalo as the “Buffalo urbanized area,” containing 977,000 residents in 367 square miles of urbanized land. That definition includes the City of Niagara Falls as well as other urbanized portions of Niagara County. For reasons that will become clear below, I will restrict my discussion to the Erie County share of the *real* city of Buffalo.

The *real* city of Buffalo (Erie County portion) has about 810,000 residents and covers about 300 square miles. It includes, of course, the cities of Buffalo, Lackawanna, and Tonawanda, as well as all or most of the towns of Amherst, Cheektowaga, Elma, Grand Island, Hamburg, Lancaster, Orchard Park, Tonawanda, and West Seneca. It includes, of course, the villages that lie within these towns – Blasdell, Depew, Hamburg, Kenmore,

Lancaster, Orchard Park, Sloan, and Williamsville. The neighborhoods on the *real* city's edges include Billington Heights and East Aurora Village in the town of Aurora; urbanizing Clarence Center and Harris Hill in the town of Clarence; the North Boston section of the town of Boston; an urbanizing section of the town of Eden; and, south along the lakeshore, within the town of Evans, Angola on the Lake, Lake Erie Beach and the Village of Angola.

Is it hard for Western New Yorkers to visualize one city this populous and extensive? Not when traveling around the country or abroad. If our hypothetical family is asked "where are you from?" and responds, "Lancaster," they'll draw blank stares (unless a very savvy questioner thinks, "Ah! Pennsylvania Dutch country"). Instead, they'll say "Buffalo."

To help visualize the *real* city, just think about other cities of roughly the same population and geographic size. The closest municipal matches are Indianapolis (782,000; 361 sq. mi.), Jacksonville (736,000; 349 sq. mi.), Columbus (711,000; 210 sq. mi.), Austin (657,000; 252 sq. mi.), and Memphis (650,000; 279 sq. mi.). These, of course, are actual municipalities – single, unified governments serving populations and geographic areas that are comparable to the *real* city of Buffalo.<sup>11</sup> By contrast with these "Big Box" governments, the governance of the *real* city of Buffalo is fragmented among, by my count, 27 "little boxes" cities, towns, and villages.

Why should "Big Box" versus "little boxes" matter? One reason is that there is a high correlation between highly fragmented local governance in metro areas and a) high degrees of racial and economic segregation, and b) slower rates of economic growth. Though the evidence rests on a data base of 310 metropolitan areas, these observations hold for our small sample comparison. Measured at the metro area level, Buffalo is more racially and economically segregated than Indianapolis, Jacksonville, Columbus, Austin or Memphis.<sup>12</sup> And each of these "Big Box" regions has generated new jobs many times more rapidly than the "little boxes" Buffalo region.

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<sup>11</sup> Each of these central cities, of course, has suburbs, but the unified cities dominate their urbanized areas. The city of Indianapolis contains 65 percent of the population of its urbanized area; Jacksonville, 85 percent; Columbus, 53 percent; Austin, 79 percent; and Memphis, 67 percent. By contrast, the City of Buffalo is home to only 30 percent of its urbanized area's residents.

<sup>12</sup> On a scale of 0 to 100 (100 = total apartheid), metro Buffalo's housing segregation index for African Americans was 77 in 2000; Indianapolis, 71; Jacksonville, 54; Columbus, 63; Austin, 52; and Memphis, 69. Metro Buffalo's economic segregation index was 44 in 1999; Indianapolis, 37; Jacksonville, 32; and Columbus, Austin, and Memphis, 41.

Many complex factors shape regional economic trends, such as changing technology, greater workforce education (leading to higher productivity), international competition, Rust Belt to Sun Belt shifts, etc. As a “smokestack” economy, the Buffalo region was headed for trouble in the 1970s and 1980s regardless of governance arrangements. And three of the *real* city of Buffalo’s municipal peers (Indianapolis, Columbus, and Austin) are state capitals; state capital regions have historically prospered. However, a region’s capacity to organize and leverage its public assets affects its ability to respond to economic challenges and opportunities.

Consider, for example, property tax base – the foundation of the ability to make critical public infrastructure investments. The *real* city of Buffalo’s property tax base was about \$28 billion (state equalized value) in 2001, but the actual City of Buffalo’s property tax base was only \$5.2 billion – and, adjusted for inflation, the actual City of Buffalo’s tax base had *shrunk* by 27 percent in the previous five years! When the actual City of Buffalo seeks to sell its bonds to finance capital improvements, it is burdened by a near-“junk bond” Baa2 credit rating. It costs Buffalo more to borrow.

Recently, the Town of Amherst surpassed the City of Buffalo as the region’s largest property tax base (\$5.4 billion). Much of Amherst’s growth has come at Buffalo’s expense. With a still-growing town economy and as yet largely unburden by Buffalo-type responsibilities for social programs, the Town of Amherst sports a very respectable Aa3 credit rating.

But within this *real* city of Buffalo, the different “neighborhoods” are largely playing an almost zero-sum game. Amherst, Cheektowaga, and Clarence’s gains are largely offset by Buffalo, Lackawanna, and Tonawanda City’s losses. From 1996 to 2001, adjusted for inflation, the *real* city of Buffalo’s tax base grew an anemic 6 percent. (Erie County’s total tax base grew only 7 percent in real terms.) And, fragmented into 27 separate jurisdictions, no municipality can access the *real* city’s \$28 billion tax base.

Contrast that with the wealth and credit ratings of the *real* city of Buffalo’s municipal cousins: the City of Indianapolis (\$ 29 billion in 2000; Aaa); the City of Jacksonville (\$ 34 billion in 1999; Aa2); the City of Columbus (\$ 32 billion in 2001; Aaa); the City of Austin (\$ 44 billion in 2001; Aa2); and the City of Memphis (\$ 31 billion in 2002; Aa2). With the exception of Austin, the wealthiest city in Texas, these municipalities have only slightly more property wealth than the *real* city of Buffalo. However, they draw upon their entire tax bases, borrowing cheaply because of their high credit ratings. These cities all have superior credit ratings to Amherst,

the *real* city of Buffalo’s best “neighborhood,” but have tax bases that are six to eight times greater than Amherst’s. Austin, Indianapolis, Jacksonville, Columbus, and Memphis can pay for what they need to do for themselves – and for their regions – without state aid. Amherst may now be able to pay for its own strictly “neighborhood” needs, but neither Amherst nor the poverty-impacted, fiscally-strapped City of Buffalo can compete with the likes of Indianapolis, Jacksonville, Columbus, Austin, and Memphis.

Let’s apply our question to other major regions of Upstate New York.

What’s the *real* city of Rochester – a 36-square mile, 218,000 person municipality, or the 295-square mile, 695,000 resident urbanized area?

What’s the real city of Albany – a 21-square mile, 96,000 resident municipality, or the 284-square mile, 559,000 resident urbanized area?

What’s the real city of Syracuse – a 25-square mile, 147,000 resident municipality, or the 180-square mile, 402,000 resident urbanized area?

Clearly, the *real* cities of Upstate New York are their urbanized areas.

Who are these real cities peer communities?

Since the *real* city of Rochester is about the same size as the *real* city of Buffalo, its peers are the same: Indianapolis, Jacksonville, Columbus, Austin, and Memphis.

The peers of the *real* city of Albany are Denver, Nashville, Charlotte, Fort Worth, Portland, Oklahoma City, and Tucson.

The peers of the *real* city of Syracuse are Albuquerque, Kansas City, Fresno, Virginia Beach, Sacramento, Tulsa, Omaha, Colorado Springs, and Wichita.

Appendix C provides data comparing area and population, municipal bond ratings, regional employment and personal income growth for each of these real Upstate New York cities and their peers. For purposes of the economic development focus of this report, Table IV summarizes key data.

The pattern is clear. Regions with strong, healthy, muscular, growing central cities at their core have outperformed economically Upstate New York’s regions with their weak, sickly, anemic, shrinking central cities at their cores. For all the self-satisfaction that the outer suburbs of Buffalo, Rochester, Albany-Schenectady-Troy, and Syracuse may feel, Upstate New York regions are minor leaguers compared with the competition. Indeed, they are not even “the competition” in the others’ eyes.

**Table IV**  
**Key Regional Economic Indicators**  
**for Real Cities of Upstate New York and Their Peers**

<u>real city and its peers</u>	<u>bond rating* in 2002</u>	<u>job growth 1989-99</u>	<u>income growth 1989-99</u>
Buffalo	Baa2	4%	12%
five peer cities	Aa1+	33%	22%
Rochester	A2	8%	5%
five peer cities	Aa1+	33%	22%
Albany	A2	9%	10%
seven peer cities	Aa1+	34%	19%
Syracuse	Baa1	4%	5%
nine peer cities	Aa2	25%	13%

\*bond ratings of actual municipalities

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In *Capitalism, Socialism, and Democracy* (1942), the famed economist Joseph Schumpeter coined the phrase “creative destruction” – “a process of industrial mutation that incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one.”

The growth patterns abetted by New York State’s “rules of the game” are certainly “destructive.” There is serious doubt about whether they are at all “creative.” Upstate New York is largely caught up in a zero-sum game. Progress of one “little box” comes at the expense of some other “little box.” With so little net growth occurring, it is hard to credit that the “creative destruction” fostered by New York State’s “rules of the game” are creating a “new” anything. Much the same households, jobs, and property tax base are simply being spread out over more and more land at tremendous cost in terms of new public infrastructure required – and even greater cost in terms both public existing public infrastructure and private assets abandoned.<sup>13</sup>

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<sup>13</sup> During the 1990s, setting aside New York City’s population growth within its fixed acreage (New York City accounted for two-thirds of the state’s net population growth), the rest of the state saw 1.49 acres developed for each added resident – sixth worst ratio of land consumption to population growth among all state and second only to Pennsylvania (2.46 acres per net new resident) among more populous states.

## A Program of Legislative Reforms

Quite simply, the state of New York has the wrong “rules of the game” in effect. On the one hand, it has not enacted a strong state growth management law that would allow older communities to put brakes on constant peripheral development and core disinvestment. On the other hand, state law does not allow older communities to expand through annexation to capture their “market share” of urban sprawl. Central city mayors are required by the state to play a game that they cannot win. And more and more, supervisors of more built-out, inner-ring suburbs are finding that they are not being dealt many winning hands as well.

Today’s state legislature is not going to abolish its “little boxes” system. New York legislators once had the vision and courage to enact far-reaching governance reforms. In 1897, the legislature abolished the first and seventh most populous cities in America (Manhattan Island-based New York City and Brooklyn), merged them with three semi-rural counties (Bronx, Queens, and Richmond), and created the USA’s first metropolitan city – the five borough New York City. For a half century, Manhattan and Brooklyn suburbanized – but largely within the boundaries of the “Big Box” city. New York City was fabulously successful until post-war sprawl began sucking its middle-class out to Long Island, Westchester, Fairfield County CT, and Northern New Jersey.

Another example: in 1948, New York State still had 5,112 separate school districts. Over the next decade the legislature consolidated them into roughly the 715 school districts that exist today. It is almost inconceivable that any legislator or governor would propose similar reforms today.

The next state constitutional convention in 2017 might propose such a far-reaching reform, but that can only occur after a determined, extensive, multi-year, grassroots campaign – certainly a daunting mission for groups like faith-based coalitions sponsoring the May 20<sup>th</sup> economic summit.

So the challenge becomes not to merge “little boxes” *structurally* into a “Big Box” but to find ways that the “little boxes” *functionally* can act as one “Big Box.”

The *real* city of Buffalo (or Rochester or Albany or Syracuse) has only one “Big Box” government that can potentially compete in the “Big Box” League – its county government. Upstate New Yorkers are accustomed to thinking of only their cities, towns, and villages as their

“local” governments, but Erie County is actually Buffalo’s 45<sup>th</sup> local government; Monroe County government is Rochester’s 31<sup>st</sup> local government; Albany County government is its 20<sup>th</sup> local government; and Onondaga County government is Syracuse’s 36<sup>th</sup> local government. They are the only local governments that can do for the *real* cities of Upstate New York collectively what their myriad “little boxes” neighborhoods (cities, villages, and town) cannot achieve separately.

In all four regions reformers have put forth proposals for inter-municipal consolidation of various public services in pursuit of greater governmental efficiency. Certainly, saving taxpayer dollars by reducing needless duplication and utilizing advantages of scale is always important.

But, in my view, it is *not service inefficiency but regional ineffectiveness* that is the *real* cities of Upstate New York’s great challenge. For example, having several municipalities share road maintenance equipment promotes greater service efficiency, but implementing an anti-sprawl, regional land use and transportation plan so that fewer miles of new roads are built that must be forever maintained leads to greater regional effectiveness. Centralizing criminal investigation resources among police departments increases service efficiency, but instituting a regional, “fair share” housing policy that steadily eliminates high-poverty conditions that generate much criminality creates greater regional effectiveness.

The actual City of Buffalo is under a state financial control board and some other Upstate New York cities are not far behind Buffalo’s slide into fiscal crisis. They cannot be restored to better fiscal and economic health just through better management. There must be a fundamental change in regional development patterns.

Article 5-G (“Municipal Cooperation”) of the General Municipal Code provides broad authority for intergovernmental agreements among municipalities (including with counties) for shared services. Article 5-J (“Inter-municipal Cooperation; Shared Services”) explicitly provides for inter-municipal, even county-wide, cooperation in comprehensive planning and land use regulation.

Their fatal flaw is that voluntary agreement by the governing body of any municipality involved must be given. Each “little box” can exercise a veto. “Little boxes” never collaborate on tough, controversial problems, especially on the issue of what gets built where for whose benefit. Interests

of residents of the *real* cities of Upstate New York that go beyond their “neighborhood” boundaries are held hostage by the turf protection of “little boxes” officials.

The citizens of the *real* cities of Upstate New York need new state laws that lets them act as citizens of the *real* city. They need to be able to empower county governments to act on their behalf through assuming certain responsibilities that are currently assigned to cities, towns, and villages. Specifically, the legislature must

- empower county government to develop comprehensive, county-wide land use and transportation plans that will curb urban sprawl and channel investment back towards core cities, villages, and inner-ring towns;
- require municipal governments to conform municipal plans and zoning maps to the county-wide plan;
- direct such comprehensive plans to incorporate a fair share plan for balanced housing development, serving all levels of the workforce throughout all municipalities;
- empower county government to issue bonds against the county-wide tax base for all growth-supporting infrastructure investments of regional significance;
- empower county government to issue bonds against the county-wide tax base for purchase-of-development rights to preserve valuable farmland and to secure open space;
- authorize county government to be the only local government that can approve tax abatement and other local financial incentives for economic development; and
- institute a county-administered system of tax-base sharing so that all municipalities will share in the revenues generated by regional economic growth.

If the legislature is unwilling to mandate such a system, it should provide clear statutory authority and state financial incentives by which a

county's citizens can elect to institute such a system by county-wide referendum without the exercise of veto by "little box" constituencies.<sup>14</sup>

Many residents of Upstate New York share a common goal – to accelerate regional economic growth in a manner that fulfills both their stewardship toward nature and their stewardship towards their fellow man. Economic opportunity, environmental protection, social justice.

An 18<sup>th</sup> century system of local government stands in the way of achieving this goal in the 21<sup>st</sup> century.

Skeptics will say such reforms will *never* happen in New York State.

Never is a long time and faith can move mountains.

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<sup>14</sup> State Assemblyman Sam Hoyt has introduced A04292 ("the Erie County Compact Act") to achieve this goal for the Buffalo area.

Upstate New York is where city dwellers go to find a break from the hustle and bustle of their everyday lives. The region's lakes, mountains, trails and fall foliage make it easy to plan the perfect getaway. Residents can enjoy living in the suburbs, while still being in proximity to downtown areas and outdoor adventures. Best Places to Live in Upstate New York. If you're looking for some of the best places to live in New York State, we have plenty. The housing market is competitive in Ithaca and rental supply is limited"mainly because the housing market isn't growing as fast as the job market. With a strong educational foundation, Ithaca has a constant stream of renters due to nearby Ithaca College and Cornell University. See more ideas about House design, Upstate new york and House styles. Byron & Blue on Instagram: "Days off sometimes aren't days off" Today we're working on some new things. Looking forward to telling everyone about it soon! Hope you're