

An aerial photograph of Buffalo, New York, showing the city grid and the Buffalo River. A large, semi-transparent target graphic is overlaid on the city, with a central bullseye and crosshairs. The target is centered over the downtown area.

Missing the Target

How Economic Development Programs Have Failed to Revive Buffalo's Most Challenged Neighborhoods



PARTNERSHIP FOR THE
PUBLIC GOOD

**Missing the Target:
How Economic Development Programs Have Failed
to Revive Buffalo's Most Challenged Neighborhoods**

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A Partnership for the Public Good Report

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Executive Summary

Buffalo is the nation's third most impoverished city. Buffalo's East Side and West Side neighborhoods are two of Buffalo's most impoverished areas. If any two neighborhoods are in need of economic development, it is these two. And yet, despite spending billions of dollars on economic development programs each year, the State, County, and City have largely ignored these neighborhoods and their increasingly desperate residents. Programs, funds, and subsidies meant to help blighted neighborhoods have instead subsidized sprawl, rewarded large, non-local companies, and, even within Buffalo, done more for downtown law firms and upscale condos than for the East and West Side.

The East and West Side are very different in some ways, and very similar in others. Racially, the East Side is among Buffalo's most segregated neighborhoods (94.4% African-American), while the West Side is perhaps the most integrated (41.9% white, 24.5% African-American, and 35.1% Hispanic). But economically, they are equally impoverished, with a median household income of \$22,014 in the East and \$23,739 in the West. Unemployment rates are high both places: 21.6% in the East and 16.3% in the West. In both neighborhoods, most workers are low-wage service workers, with roughly 60% in service occupations and less than 10% in manufacturing jobs.

The West enjoys higher home values than the East, with a median of \$73,859 compared to \$58,252 – perhaps because it is less segregated and closer to an area of high home values (Richmond Avenue and the Elmwood Village). But both neighborhoods have very old housing stock, with duplexes the most common form, and astonishingly high vacancy rates: 28.7% in the East and 26.6% in the West. Both are studded with abandoned homes and vacant lots, many of them owned by the City of Buffalo and inadequately maintained.

The causes for this pervasive poverty and blight are manifold, but, in general, they reflect the dramatic economic, geographic, and racial inequality in the nation, the state, and the region. Put simply, our public policies have moved a huge percentage of our resources to the very wealthy, the white, and the suburban.

Economic development policies have exacerbated these inequities and patterns of sprawl, even when they have been intended precisely to revitalize distressed neighborhoods. Large infrastructure projects, such as the Kensington Expressway and the Niagara Thruway, have devastated the neighborhoods, and the proposed Peace Bridge truck plaza offers a continuation of that trend. Other projects, such as the Buffalo Schools Reconstruction Project, the Metro Rail, and the Buffalo Niagara Medical Campus, have been much more positive developments but have failed to leverage other resources and spur neighborhood revitalization.

The state's largest business subsidy programs, Industrial Development Agencies and Empire Zones, have failed abysmally and morphed into the crudest and most wasteful

type of corporate welfare. Their net effect on the neighborhoods has been negative, as they have reduced the tax base only to subsidize sprawl. The City and County continue to waste precious tax dollars on splashy, big-ticket items like sports stadiums and the Bass Pro project, while neglecting the neighborhoods.

While somewhat improved in recent years, Buffalo's CDBG and HOME programs have been plagued by excessively high overhead, duplicative service delivery, and a bias toward market-rate housing, downtown development, and homeownership programs, when what the neighborhoods need is the prevention and redress of housing abandonment and the provision of quality, green, affordable rental housing.

Programs to aid small, locally owned, neighborhood-based businesses have been underfunded, as the big subsidies have gone to large, non-local corporations. Almost no efforts have been made to ensure that publicly funded projects result in living wage, not poverty wage, jobs, or that publicly funded projects actually serve to advance the public good.

While this litany of failures has not gone unnoticed, it has remained obscure to the average citizen. Part of the obscurity stems from the very complexity of the programs involved, which has reached nearly Enron-like proportions. Part of it comes from the fact that nearly all of them are administered by independent authorities, operating outside of normal legislative and executive channels: an alphabet soup of entities such as BERC, BUDC, ECIDA, BURA, ECHDC, ESDC, etc. These authorities, which the State Comptroller has labeled New York's "secret government," control vast resources but operate largely outside of effective citizen involvement or democratic oversight. As a result, a decision like that of the Amherst IDA to spend \$79 million in Erie County tax dollars to subsidize a data center for HSBC, one of the world's largest subprime lenders, receives remarkably little scrutiny, particularly when compared to the attention given to much less expensive decisions made by City and County officials.

But while public policy and programs have missed the target when it comes to revitalizing the East and West Sides, both neighborhoods have an array of assets to build from, and, in recent years, some successful community economic development efforts that can serve as models and anchors. Public investments in schools, parks, parkways, health care facilities, and housing offer important starting points in both neighborhoods, as do grassroots community efforts by churches and non-profits to rehabilitate houses, plant community gardens and urban farms, redevelop commercial strips, and reclaim areas from blight. If a more aware citizenry successfully demands that government turn away from wasteful subsidies and follow the community's lead, there is no reason we cannot revitalize the East and West Sides – not by gentrifying them, but by improving incomes, housing, transportation, and amenities for the current residents.

Recommendations

Real economic development means investing in public goods that help the economy grow sustainably: quality education, affordable health care, green infrastructure, renewable energy, public transportation, and the renovation and weatherization of our housing stock. Most of what passes for economic development in New York is an incoherent bundle of programs awarding tax subsidies to a small number of businesses, with a strong bias toward the most well-connected and powerful and with few if any safeguards to protect the public interest. The following recommendations seek to return development policy to a focus on our people and places, particularly neighborhoods such as the East Side and West Side of Buffalo, which have been harmed the most by current practices.

Reform New York State's Subsidy Programs

To ensure aid is reaching those who have a true need, New York State should reform its major subsidy programs, such as Industrial Development Agencies and Empire Zones, to ensure that economic dollars are being spent wisely and with maximum community input. Reform legislation should include job quality standards (living and prevailing wages), local hiring, and green building requirements, anti-pirating and recapture mechanisms, and anti-sprawl provisions. Locally, the six IDAs in Erie County should be merged into one countywide authority.

Encourage Block-by-Block Revitalization

To prompt redevelopment efforts that are coordinated and comprehensive, the City of Buffalo and New York State should revise their housing and neighborhood revitalization programs to incorporate criteria for comprehensive community development, ensuring that communities and not just individual buildings are addressed.

Create a "Green Collar" Job Training Program

To provide job and career opportunities and to create wealth in low-income communities, New York State should fund a large scale residential retrofit and "green collar" job training program would provide home energy audits and a range of site-appropriate upgrades such as insulating walls, switching energy-guzzling appliances and light bulbs to Energy Star models, incorporating green building materials, installing a live green roof, or looking at alternative power sources where feasible. These green upgrades should be paired with workforce policy to develop job-linked training that creates access to jobs in distressed parts of the state, and establishes career paths with certifications and family-sustaining wage standards.

Improve Access to Public Services for Non-English Speakers

To unlock the potential of our immigrant communities, the City of Buffalo and Erie County should create Limited English Proficiency (LEP) plans to come into compliance with Federal civil rights regulations requiring language access for all public services. A single task force should be formed by the City and County in conjunction with the Western New York Refugee and Asylee Consortium to draft and implement LEP plans for both the City and County.

Permit Land Banks

To rationalize vacant and abandoned property reclamation and maintenance, New York State should pass legislation which allows for the creation of regional land banks at the request of local governments.

Protect Restore New York

To inject needed resources into challenged localities, New York State should preserve and expand the Restore New York program which provides resources to struggling communities, enabling a parallel application process which opens funding opportunities to non-profits as well as local governments.

Establish a Restore Erie County Fund

To begin a regional approach to combating the increasing challenge of community decay, Erie County should recognize the regional challenge of distressed communities and implement a Restore Erie County fund, which would provide resources for housing weatherization, rehab, deconstruction, mothballing, and blight abatement.

Require Community Benefit Agreements for Erie Canal Redevelopment

To ensure local residents benefit from massive government expenditures, no subsidies should be given to Bass Pro or other corporations without a community benefit agreement requiring living wage jobs, environmentally friendly building and operations, and a building and site design appropriate to the location.

Establish an Erie County Planning Board

To reverse the costly, combative, and ultimately destructive growth patterns of recent decades, Erie County should pass and implement a Countywide Planning Board, operationalizing the Erie Niagara Framework for Regional Growth, to help guide investment decisions in a rational and cost effective manner.

Expand and Improve Early Childhood Education

To give the children of today a chance to succeed tomorrow, New York State should expand the size and flexibility of Universal Pre-Kindergarten funding. Unused funds should be reinvested in districts where allocated funds were exhausted rather than going back into the State's general fund.

Crack Down on Predatory Lending

To help end the high cost of poverty, New York State should pass legislation requiring that before agreeing to a high-cost home loan, a borrower must receive counseling from an independent, non-profit, HUD-certified housing counseling agency to review all the terms of the proposed deal and explore less expensive sources of credit. The state should also pass stronger legislation capping the interest rates charged by rent-to-own stores. It should also strengthen consumer protections against misleading, high-interest tax refund anticipation loans and devote more funding to free income tax preparation services and to promoting the use of the earned income tax credit.

Revitalize Small Business Infrastructure and Neighborhood Business Strips

To rebuild our neighborhood economies and provide ready access to opportunities for would-be entrepreneurs, New York State should revamp its Main Street Program to provide administrative dollars and greater resources for capital reinvestment. To promote access to markets for Buffalo's growing immigrant and refugee population, the City should establish a Global Marketplace with distinctive food items and crafts representing Buffalo's diversity. To rebuild local markets through increased population density, the State and City should encourage rehabilitation of residential structures in close proximity to Buffalo's leading pedestrian-friendly commercial strips.

Restore Progressivity and Fairness in Income Taxes

To temper the increasing local municipal tax burden which disproportionately falls on low-income communities, New York State should collect more revenue by restoring higher marginal income tax rates on incomes above \$250,000. In addition, New York State should provide targeted guaranteed protection against unaffordable local property taxes with an expanded "circuit breaker" which would cap the portion of a household's income it could be required to pay in property taxes.

Replace Empire Zone incentives with an added earned income tax credit for people living in areas of concentrated poverty

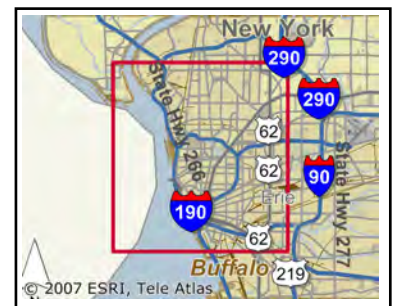
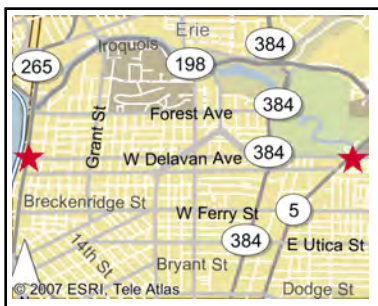
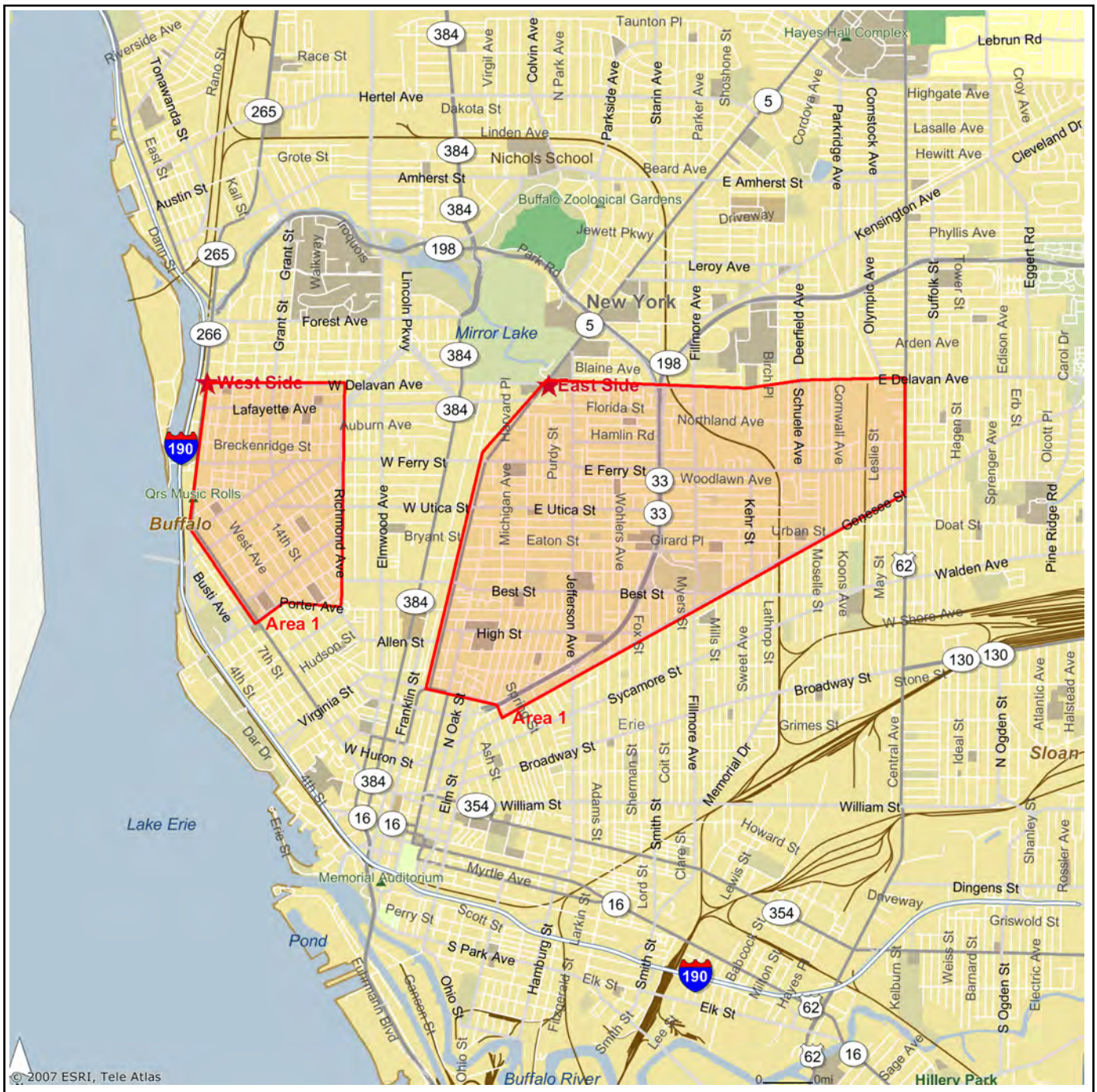
The Empire Zone is a failed program based on a faulty premise: that government can help impoverished areas by paying businesses to move there or stay there. Meanwhile, earned income tax credits are widely hailed as one of the most efficient, effective anti-poverty programs ever created. Areas of concentrated poverty need investment in their housing stock and their neighborhood businesses; the most efficient way to deliver it is to put money in the hands of the residents. Concentrated poverty and racial/economic segregation create an additional "tax" on residents in terms of higher prices for goods and services, worse environmental/health factors, crime, inferior schools, etc. Earned income tax relief helps offset that unofficial set of "taxes."

Introduction

In this study, we offer snapshots of conditions on the East and West Sides, drawing on census data, market analysis, and extensive interviewing of neighborhood residents. For purposes of this paper we define the West Side as the area bounded by the Niagara River, Richmond Avenue, Delevan Avenue, and Porter Avenue. We define the East Side as the area bounded by Main Street, Bailey Avenue, Delevan Avenue, and Genesee Street. We drew these boundaries to match community work and interviewing done by two of our partner organizations, the Coalition for Economic Justice (CEJ) and People United for Sustainable Housing (PUSH).

We then briefly explain some of the larger factors causing poverty and blight in the neighborhoods, before analyzing the principal state and local economic development programs and why they have largely failed. We close by highlighting some of the recent, more successful local attempts at economic development that can serve as models and anchors for future policies and programs.

Study Area Map



West Side Conditions

The West Side's assets include its cultural diversity, location next to the Niagara River, its stable and valuable housing stock along Richmond Avenue (a Frederick Law Olmsted designed parkway), its proximity to the Elmwood Village and Allentown, D'Youville College, historic housing stock, historic commercial strips on Grant and Niagara, and active non-profit community.

According to 2008 estimates, the West Side is home to 17,369 people living in 7,016 households, down from 18,874 people living in 7,542 households in 2000.¹ The population is 41.9% white, 24.5% African American, and 35.1% Hispanic. The West side houses a large number of refugees from many different nations, including large groups of Burmese and Bantu Somalis. The median age is 29.

The West Side's poverty is pervasive and extreme. The median household income for 2008 is \$23,739, compared to \$30,348 in the city of Buffalo, \$50,511 in the Buffalo metro area, and \$54,749 in the nation. Almost 43% of households have income of less than \$20,000 per year and 20.8% have income of less than \$10,000 per year. The median net worth is only \$11,606.

Household size is small. 34.8% have one person, 26.2% have two, and 15.5% have three. The population is relatively transient, with 31.3% moving to their current house in the last year and 29% having moved in the four years prior to that.

The dominant housing style is the duplex (48.1%), followed by single-family homes (24.1%), and three or four unit buildings (17.3%). The housing stock is very old, with a median year built of 1929.

Of the 1,180 owner occupied units in 2000, some 61.7% carried mortgages, with a median monthly owner cost of \$738. Of the 5,088 renter occupied units, the median rent was \$352 and the average rent was \$345, but the average gross rent (with utilities) was \$482, meaning a monthly utility bill of \$137 and an annual utility bill of \$1,644.

The median home value for 2008 is \$73,859, up from \$46,430 in 2000, but, like much of the city, the West Side is suffering from Buffalo's abandoned housing crisis. The housing is 48.2% rented, 25.2% owner occupied, and 26.6% vacant (up from 21.6% in 2000).

The West Side is home to 307 businesses, which employ 3,300 people, 37.5% of whom work in education or libraries – particularly at D'Youville College. Rich Products is the largest manufacturing employer in the neighborhood. Rich Products is Buffalo's largest

¹ Except where otherwise noted, all of the demographic information in this report is culled from 2008 ESRI projections based on Census data and market analysis, retrieved for PPG in a report from LISC Commercial Markets Advisory Service.

privately held company in terms of revenue (\$2.4 billion), and ranks 61st in terms of number of employees (1,000 FTEs).²

In 2000, the West Side had 13,397 people age 16 or over in the labor force, for a labor force participation rate of 56.5%. Of those in the labor force in 2000, 7.9% were unemployed. In 2008, however, it is estimated that unemployment had risen to 16.3%. Of those employed in 2008, 59% were in service jobs, followed by 10.4% in retail trade, and 9.9% in manufacturing.

In 2000, 54.9% drove alone to work, 17.2% carpooled, and 17.2% used public transportation. The average travel time to work was 22.1 minutes. Of the 7,485 households in 2000, 38.9% had no car available, 41.7% had one car, and 17.1% had two.

Of the population over age 24, some 26% lack a high school diploma. Only 15.7% have a bachelor's or graduate/professional degree, and 8.6% have an associate degree.

² Buffalo Business First, Book of Lists 2008.

East Side Conditions

The East Side's assets include the Buffalo Niagara Medical Campus, Canisius College, City Honors School, the historic Hamlin Park neighborhood and historic houses on Emerson and Woodlawn, the African American Cultural Center, the Merriweather Library, Artspace, the Buffalo Museum of Science, the Metro Rail line, and Martin Luther King, Jr. Park (an Olmsted park).

According to the 2008 Census estimate, the East Side is home to 25,837 people living in 10,816 households, down from 29,285 people in 12,104 households in 2000. The neighborhood is 94.4% African American, 2% white, and 1.6% Hispanic. The median age is 37.

The median household income is \$22,014, with 54.4% of households living on less than \$25,000 per year, 35.3% on less than \$15,000 per year, and 23.5% living on less than \$10,000 per year. The median net worth is \$13,711.

The median home value is \$58,252, up from \$36,674 in 2000. The housing is 32% owner occupied, 39.3% renter occupied, and 28.7% vacant. The average household size is 2.3, with 37.3% of households having one person, 26.7% having two, and 16.6% having three. The population is less transient than on the West Side, with 16.4% having moved into their current home within the last year, and another 20.6% in the four years prior to that.

The duplex is the most common housing form, at 52.7% of units, followed by single-family homes (32%), and three or four unit buildings (8.4%). The housing was almost all built before 1969, with a median year of 1934.

Of the 2,583 owner-occupied units in 2000, roughly half were mortgaged, with median monthly owner costs of \$757 for those mortgaged. Of the 6,995 renter-occupied units, the median rent was \$304 and the average rent \$302, but the average gross rent (with utilities) was \$453. In other words, the utilities cost half as much as the rent, with a yearly average of \$1,812 in utility costs (compared to \$1,644 on the West Side).

Of the population over age 24, 29.1% lack a high school diploma, and only 8.9% have a bachelor's or post-graduate degree. Of the population sixteen and over in 2000, 47.5% were in the labor force. Of those in the labor force in 2008, 21.6% were unemployed. Of those employed, 61.5% were in service jobs, 9.4% in manufacturing, and 8.3% in retail trade.

In 2000, 66.2% of East Side workers drove or carpooled to work, and 27% took public transportation. The average commute time was 24.9 minutes. 44.5% of households had no car available, 40.3% had one car, and 12.3% had two cars.

The East Side has 743 businesses employing 16,390 people. Healthcare and social assistance account for 56.6% of these jobs, followed by manufacturing at 15.7%, and

education at 6.5%. Retail trade accounts for only 1.7% of the jobs located in the East Side.

Household Budgets and Spending

We examined estimated figures for household budgets and expenditures for both East and West Side neighborhoods. Since they are quite similar, we present here only the information for the West Side. Several things are striking. One is how little money is left once basic needs such as shelter, transportation, food, utilities, and health care are taken care of. Another striking fact is how much the average home is spending on credit, with average mortgage interest payments of \$1,580 and average vehicle loan payments of \$2,400.

Looking at expenditures highlights the need to fight poverty not just by increasing income but also by reducing expenditures for such basic expenses as transportation (by making public transportation less expensive and more convenient); health care (by providing high-quality, free medical, dental, and optical insurance); and utilities (by weatherizing homes and helping them use electricity more efficiently).

The figures also show that, despite the poverty of the East and West Side residents, in the aggregate they purchase large quantities of goods and services, demonstrating that if their purchasing power could be redirected more toward neighborhood, or at least locally-owned, businesses, it would make a big difference in Buffalo's economy.

Major Portions of Household Budget for Average West Side Household

Shelter	23.2%
Transportation	14.8%
Food	12.8%
Pensions and Social Security	9.3%
Utilities, Fuel, Public Services	6.8%
Health Care	5.4%
Entertainment / Recreation	5.1%
Apparel and Services	3.6%
Household furnishings/equipment	2.9%
Travel	2.4%
Education	2.3%

Selected West Side Annual Spending Patterns (2008 Estimates)

Category	West Side Average	West Side Total
Apparel and Services	\$1,134	\$7,954,933
Computer	\$113	\$789,825
Entertainment: fees/admissions	\$271	\$1,898,813
TV/Video/Sound	\$702	\$4,921,748
Pets	\$185	\$1,299,483
Food at home	\$2,407	\$16,887,545
Food away from home	\$1,669	\$11,711,118
Alcohol	\$315	\$2,221,473
Health Care	\$1,730	\$12,136,275
• Health insurance	\$878	\$6,156,801
• Physician services	\$96	\$674,848
• Dental services	\$145	\$1,016,064
• Prescription drugs	\$239	\$1,678,829
Housing	\$9,545	\$66,968,550
• Mortgage interest	\$1,580	\$11,081,945
• Mortgage principal	\$728	\$5,108,926
• Property taxes	\$888	\$6,226,993
• Homeowners insurance	\$172	\$1,208,564
• Maintenance/remodeling	\$831	\$5,830,388
• Electricity	\$748	\$5,245,932
• Natural gas	\$370	\$2,592,504
• Phone	\$755	\$5,299,917
• Water/public services	\$209	\$1,468,270
• Rent	\$2,853	\$20,013,117
Housekeeping Supplies	\$355	\$2,487,955
Household furnishings and equipment	\$919	\$6,447,531
Child care	\$202	\$1,417,015
Smoking	\$259	\$1,813,887
Vehicle purchases (net outlay)	\$2,136	\$14,984,447
Vehicle loans	\$2,400	\$16,840,896
Car insurance	\$638	\$4,476,547
Gas and oil	\$1,134	\$7,957,149
Car maintenance/repairs	\$436	\$3,060,545
Average amount spent	\$31,854	\$223,488,027

Neighborhood Concerns and Conditions

In addition to census and market data, PPG gained insight into neighborhood concerns and conditions through the door-to-door canvassing done by two of its partner organizations: the Coalition for Economic Justice (CEJ) on the East Side and People United for Sustainable Housing (PUSH) on the West Side.

PUSH canvasses extensively in the warm-weather months. For example, in 2008 PUSH knocked on over 2,000 doors and had conversations with about 1,200 residents. Through these conversations, PUSH determined that vacant housing, absentee ownership of property, and youth unemployment were the issues of greatest concern.

Similarly, CEJ does extensive canvassing. For example, in 2008 CEJ knocked on over 3,000 doors and had conversations with 1,412 residents, in many instances two or three times. Primary concerns expressed by residents were housing, lack of political accountability, and jobs and wages. Vacant and abandoned houses scar the landscape of almost every block, and people are angry about it. Often, criminals or drug-users occupy the abandoned properties. Neighbors of these dilapidated houses expressed fear and said they do not go outside unless it is necessary. One elderly woman told a canvasser that her granddaughter is not allowed near the windows, because she does not want her to see what happens in the abandoned house next door.

Residents on the East and West Sides complained about the aesthetic offense of broken down houses and vacant lots. Well-kept properties sit adjacent and across from overgrown and rundown properties. Residents stated that these properties are eye-sores and bring down the value of the whole block, and they expressed disillusionment that a property sits vacant for years attracting rodents and mosquitoes rather than public action to solve the problem.

Many residents stated that local leaders do not care about their neighborhoods, pointing to the abandoned properties as evidence. Some had called the city many times to request action on vacant and abandoned properties without results. Although people were generally ready and willing to talk with canvassers, some people expressed the belief that, as one woman remarked, all the talking in the world won't do anything until "they" start listening.

Numerous residents reported that they work two jobs to make ends meet and suffer from having less time with family and stress from being overworked. Residents felt strongly that increasing wages is vital to improving conditions in Buffalo, and that without better jobs and higher wages people will continue to struggle to make ends meet. A woman who recently moved to Buffalo with her three children said she worked fifty hours a week at a small manufacturing plant for less than ten dollars an hour. She is already thinking about relocating to find a higher paying job. She believes hard working people with children cannot make it in Buffalo, because the available jobs do not pay enough money.

Patterns of Disinvestment and Inequality

Why are the East and West side so impoverished and blighted? Our metro area, despite significant economic challenges, has significant wealth and assets. The region's total personal income – all the money earned by its residents in a given year – was \$38.3 billion in 2006. This TPI ranked our metro area 49th in the United States, a fairly appropriate spot for the 47th largest metro area.³ In 2006, the poverty rate in the metro area was 14.2% -- a high number, but nowhere near the 29.9% rate in the city of Buffalo. Thus, our poverty, highly concentrated by race and geography, stems not so much from a lack of resources as from inequalities in resources. These inequalities, by and large, are produced not by local policy decisions but by state and national policy decisions.

Economic Inequality

Buffalo's economic inequality reflects that of New York State, which has the most extreme economic inequality in the nation, with incomes in the top quintile 8.7 times higher than those in the bottom quintile.⁴ Of course, economic inequality has also been rising in the nation as a whole. Larry Summers, head of President Obama's National Economic Council, provides a good summary:

From 1979 to today, those in the bottom 80 percent of the income distribution lost 7 percent of their real annual income. Those in the top 1 percent gained 7 percent of their real annual income - and 43 percent of all their income was attributable to the shift in income distribution - in other words, to greater inequality. The magnitude of the transfer is \$640 billion for the top 1 percent - or a gain of nearly \$600,000 per family - and a decline of \$7,000 for each household in the bottom 80 percent of the distribution.⁵

Much of the income gain went to the very peak of the pyramid. In 2006, the 400 wealthiest people in the nation had a combined income of \$105.3 billion, aided by the Bush tax legislation, which cut their tax rates by one third from 2000 to 2006.⁶

Locally, one reason for the income gap is the state and the region's loss of manufacturing jobs –often unionized – and their replacement by low-paying, non-union jobs in the service sector. This loss, which began in the 1970s, has continued to this day. Between 1990 and 2005, the state lost almost 400,000 manufacturing jobs, even as it gained jobs in many service sectors. The sectors cutting jobs had an average salary of \$61,796, while the sectors adding jobs had an average salary of \$45,905.⁷ In the Buffalo metro region,

³ By contrast, the per capita personal income in our region was \$33,803, ranking 130th in the United States – a strong indicator of the local economic inequality. Bureau of Economic Analysis, <http://www.bea.gov/regional/bearfacts/lapipdf.cfm?yearin=2006&fips=15380&areatype=MSA>.

⁴ Amy Kaslovsky, "Economic Inequality in New York State" (2008), available at <http://develop.wikispaces.com/Economic+Inequality+-+NYS+and+Buffalo>.

⁵ Lawrence Summers, "The Economic Agenda," Harvard Magazine (September 2008).

⁶ Ryan J. Donmoyer, "Under Bush, the wealthy got much wealthier," *Buffalo News*, 1/31/09.

⁷ AT Kearney, "Delivering on the Promise of New York State" (2007), p. 7.

manufacturing jobs dropped from over 80,000 in 2000 to roughly 63,000 in 2005. In the city of Buffalo, manufacturing jobs went from 21,201 in 1990 to 14,906 in 2000.⁸

Wages are low throughout Upstate New York, at 96.4% of the national average.⁹ A large percentage of the jobs in Western New York do not pay enough to keep a family safely out of poverty. Roughly 125,000 workers are in occupations for which the median wage in 2008 was less than \$20,000 per year – including salespeople, cashiers, security guards, and child care workers. Another 40,000 workers are in jobs where the median wage falls between \$20,000 and \$23,000 – including janitors, home health aides, pre-school teachers, and teacher’s assistants.¹⁰ Buffalo’s living wage ordinance defines a living wage as enough to keep a family of three out of poverty: the living wage for 2008 (for jobs without health benefits) was \$11.11 per hour, or \$22,220 per year.¹¹

Unemployment is certainly a problem, but by no means the whole picture. In 2006, the unemployment rate in the metro area was 6.1%; in the city it was 8.9%. Work that does not pay enough is the most widespread cause of poverty. According to the National Center for Children in Poverty, in New York State 74% of children living in low-income families have at least one employed parent.¹² While the percentage of New Yorkers living in poverty has remained fairly stable since the early 1990s, the number of families living in poverty despite having a worker in the family has risen by 75%.¹³

Exacerbating the wealth gap has been the dismantling of New York’s once progressive tax structure. Whereas in 1972, New York had 14 income tax brackets, with tax rates ranging from 2% to 15%, the state now has only five brackets, ranging from 4% to 6.85%. In cutting the income taxes of the wealthiest, New York has pushed the tax burden onto the middle and lower classes and forced local governments to raise property and sales taxes, which are particularly regressive.¹⁴ The effective tax rate for New Yorkers with incomes under \$15,000 is 12.6%; for those with incomes over \$1.6 million, it is 6.5%.¹⁵

⁸ City of Buffalo Comprehensive Plan, p. 11.

⁹ Rolf Pendall and Susan Christopherson, “Losing Ground: Income and Poverty in Upstate New York, 1980-2000,” (Brookings Institution, 2004), p. 4.

¹⁰ Sam Magavern, “Poverty-Level Work in Western New York” (2008), available at <http://develop.wikispaces.com/Poverty>.

¹¹ See Sam Magavern, “Poverty Level Work in Western New York” (2008), available at <http://develop.wikispaces.com/Poverty-Level+Work+in+Western+New+York>.

¹² Michelle Chau et al, “On the Edge in the Empire State,” National Center for Children in Poverty (May 2006). “Low-income,” in this definition, means lacking enough income to meet basic needs such as adequate food, stable housing, and health care. NCCP’s definition of low-income is roughly 200% of the federal poverty line.

¹³ Testimony of James Parrott, Chief Economist, Fiscal Policy Institute, before the New York State Division of Budget, Public Hearing on Economic Development, 12/18/2007.

¹⁴ Frank Mauro, “The Path Not Taken: How New York State Increased the Tax Burden on the Middle Class and Cut Taxes for its Highest Income Taxpayers by Over \$8 Billion a Year,” available at <http://develop.wikispaces.com/tax+burdens>.

¹⁵ Ron Deutsch, “Taxes in New York State,” New Yorkers For Fiscal Fairness, available at <http://develop.wikispaces.com/tax+burdens>.

Racial Segregation and Inequality

Racially, Buffalo is the eighth most segregated metro area in the nation.¹⁶ Eighty-six percent of the region's African-Americans are concentrated in the cities of Buffalo and Niagara Falls. Even within the city, segregation remains strong. For example, South Buffalo is 96% white and only 1% African-American, whereas the Masten Community is 87% African-American.¹⁷ In 2005, the poverty rate in the metro area for white people was 8.7%; for African-Americans it was 32.3% and for Hispanics it was 29.8%.¹⁸ In the Buffalo metro area, the unemployment rate for African-American males in 2007 was 18% – three times that of white males (6%).¹⁹

While only 1.2% of the metro area's white residents live in very high poverty neighborhoods, 25.9% of Hispanic residents and 21.1% of African-American residents live in very high poverty neighborhoods. For whites, this level of poverty concentration is the 23rd worst in the nation; for African Americans, it is the 7th worst; and for Hispanics, it is the 4th worst.²⁰

Local governments have not done a good job in welcoming immigrants and refugees or in honoring the rights of people with limited English language proficiency. According to Census estimates for 2005-2007, 12.5% of the city's population speaks a language other than English at home, and 5.2% of the population is foreign born.²¹

Title VI of the Civil Rights Act of 1964 forbids discrimination by national origin. Executive Order 13166, implementing Title VI, requires all recipients and sub-recipients of federal funds – including local governments and many non-profit agencies – to provide meaningful access to their programs and services to people with limited English proficiency (LEP). Each recipient must make an individualized assessment – usually done through an LEP Plan – on the language needs of the people it serves and how best to serve them with free translation of written materials, free interpreting, signage, etc.

It does not appear that the city of Buffalo, Erie County, the Buffalo Public Schools, or any major government entity in the region has an LEP Plan. Residents of the West Side, in particular, thus face constant violations of their civil rights through the failure to provide adequate LEP services.

Environmental Health and Racial Disparities

Nationally, roughly one third of the adults living in poverty are disabled. In the city of Buffalo, the Census estimates that 21.1% of the population is disabled, compared to a

¹⁶ City of Buffalo Comprehensive Plan, p. 20.

¹⁷ Id.

¹⁸ Irene Pijuan, "Poverty in the City of Buffalo" (2008), available at <http://develop.wikispaces.com/Poverty>.

¹⁹ See Heather Anderson, "Joblessness and Unemployment Among African-American Males" (2008), available at <http://develop.wikispaces.com/Unemployment>; and Wende Mix, "The grass may not be greener," available at

<http://www.buffalostate.edu/geography/documents/The%20grass%20may%20not%20be%20greener.pdf>.

²⁰ www.diversitydata.org, Harvard School of Public Health.

²¹ <http://factfinder.census.gov>.

national average of 15.1%.²² In addition to working in low wage jobs, many of the residents of the East and West Side suffer from health problems and disabilities.

Buffalo's low-income residents suffer from a host of health problems exacerbated by the environmental problems in their housing and their overall environment. Asthma is the most common chronic disease among American children, and asthma attacks are often triggered by mold, dust, cockroaches, and other housing repair problems, as well as by air pollution.²³ Buffalo's old housing stock suffers from severe repair problems that can aggravate asthma, and the Buffalo region receives a "failing" grade from the American Lung Association for ozone smog pollution.²⁴

A New York state study that assessed 3,008 children in Buffalo found that 26% of them had asthma.²⁵ Among the risk factors identified were dampness in the home, frequent truck traffic in the neighborhood, and proximity to an active industrial facility emitting ammonia. A second study of 5,427 Buffalo children found a crude asthma incidence of 8.2% and an overall asthma prevalence of 22.3%. Among the factors identified were cockroaches in the home. According to a third study, focused on Buffalo's East Side, 11% of the children and 7% of the adults had asthma.²⁶

Lead poisoning is perhaps the most prominent environmental health hazard for children in the region. Lead poisoning usually comes from exposure to lead paint in older housing that is not well maintained. The Erie County the percentage of children tested who have elevated lead levels is 6.84%, compared with a New York State rate of 3.02%.²⁷ In 2002 Erie County reported 546 cases of lead poisoning; in 2003, it reported 420.²⁸ The county has roughly 20,000 housing units with a high risk of lead hazards.²⁹ Buffalo's old housing stock and high poverty levels give it the worst lead problems in the region and perhaps the state. Regionally, of the 25 local census tracts that are classified as high risk, 23 are in the city. The city accounts for 95% of all new cases with hazardous blood-lead levels.³⁰

Buffalo's housing and environmental problems are not evenly distributed: they fall most heavily on people with low incomes and especially people of color. For example, the four zip codes with the highest rates of lead poisoning are on the predominantly African-

²² <http://factfinder.census.gov>.

²³ The overall prevalence of asthma among U.S. children is estimated between 4.3% and 6.9%. See Jamson Lwebuga-Mukasa, "A school-based asthma intervention program in the Buffalo, New York schools," *Journal of School Health*, January 2002.

²⁴ John F. Bonfatti, "Air Quality Improves in Region," *Buffalo News*, May 1, 2007.

²⁵ "Childhood Asthma and Environmental Risk Factors in the City of Buffalo, New York: Information Sheet," New York State Department of Health (January 2005).

²⁶ "Results of Landmark Study of East Side Community Health Needs to be Released by Black Leadership Forum," www.kaleidahealth.org/news/archive/0501/052201.asp

²⁷ <http://leadconnections.org/DidYouKnow.php>

²⁸ New York State Department of Health, "A Report of Lead Exposure Status Among New York Children," 2002-2003 Supplement, Table 3, available at http://www.health.state.ny.us/environmental/lead/exposure/report/docs/lead_exposure_status_among_new_york_children_2002-2003.pdf

²⁹ "Pollution rankings: lead hazards by county" at www.scorecard.org.

³⁰ "Healthy Homes," University at Buffalo Graduate Planning Studio, http://www.ap.buffalo.edu/%7Ebmclean/lead/lead_context1.htm

American neighborhoods of Buffalo, with incidence rates between three and five times higher than Erie County's average.³¹ Hispanic residents have the highest asthma rates in Buffalo, roughly twice that of other residents; the problem is particularly severe close to the Peace Bridge complex and major roadways feeding into it.³² Between 1991 and 1996, 158 people died of asthma in western New York. Of these deaths, 50% occurred in Buffalo (which has only 20% of the region's population). The two zip codes with the highest mortality were in African-American neighborhoods.³³

Sprawl Without Growth and Concentrated Poverty

The development pattern of the region is sprawl without growth. From 1950 to 2000, Buffalo's population declined by 287,484, while the county population outside Buffalo increased by 338,551.³⁴ While the regional population grew by only 7%, the urbanized area nearly tripled, from 123 square miles to 367 square miles.

From 1980 to 2006, the region's population fell by 5.8%, but the urbanized area grew 38%.³⁵ From 1990 to 2000, only 3,656 new units were built in the city, many of them public or publicly subsidized. During that same time, the housing stock of suburban/rural Erie County expanded by 20,134 units.³⁶

The city has continued to lose population in the new century, falling by another 6.8% to 272,632 as of mid-2007.³⁷ In the year 2005, only 110 new, privately owned units were authorized for building permits in Buffalo, ranking the city 64th out of 67 cities with population over 250,000. By contrast, Cleveland had 443, Milwaukee had 784, and Newark had 2,071.³⁸ The median year that Buffalo's housing was built is 1939, making Buffalo's housing stock the oldest of the 67 major cities.³⁹

As neighborhoods lose population – and especially their upper and middle-income residents – banks, grocery stores, services, and even religious institutions leave with

³¹ "State of the Region: Lead Exposure in Children," available at <http://regional-institute.buffalo.edu/sotr/Indicator.cfm?Indicator=108e30d5-8253-4953-8fb2-ec7c1bc4fdf0>.

³² Jamson S. Lwebuga-Mukasa et al, "Risk factors for asthma prevalence and chronic respiratory illnesses among residents of different neighborhoods in Buffalo, New York," *Journal of Epidemiology and Community Health*; 2004; 58:951-957; and James S. Lwebuga-Mukasa and Paulette M. Niewczyk, "Crude Asthma Incidence Rates Among Buffalo NY Children," *American College of Chest Physicians* (2006), available at <http://meeting.chestjournal.org/cgi/reprint/130/4/237S-b>

³³ John Patrick Almeida and Jamson S. Lwebuga-Mukasa, "Geographic Variations in Asthma Mortality in Erie and Niagara Counties, Western New York, 1991-1996," *American Journal of Public Health*, September 2001, Vol. 91, No. 9, 1394-1395

³⁴ Final Report, *Erie-Niagara Framework for Regional Growth* (October 2006), p. 8.

³⁵ *Id.*, p. 15.

³⁶ *City of Buffalo Comprehensive Plan*, p. 24.

³⁷ <http://factfinder.census.gov>

³⁸ www.dataplace.org

³⁹ www.dataplace.org

them. The Catholic Diocese of Buffalo, which serves eight counties in western New York, is phasing out 77 of its 275 churches, including 17 in the city.⁴⁰

As disinvestment takes hold, the neighborhoods get pushed out of the mainstream economy and into informal economies, where much of the economic activity is unregulated, illegal, or predatory. As the *Buffalo News* documented in its “High Cost of Being Poor” series, residents of low-income neighborhoods are vulnerable to high pressure businesses offering exploitative and expensive credit and financial services: rent-to-own stores, check cashing outlets, refund anticipation loans, and, most disastrously, subprime mortgages, generally used not to buy homes but to refinance existing debt or generate cash with home equity loans.⁴¹

Faced with an overwhelming concentration of poverty, the public school system cannot possibly succeed. Children come to school carrying enormous burdens from their impoverished circumstances – burdens, which even the best schools cannot completely overcome. Not surprisingly then, Buffalo’s 2007 High School Graduation Rate was 46%, compared to a statewide average of 68.6%, and a national average in the 100 largest cities of 52%.⁴² However, there is reason to think Buffalo could do better, despite its poverty. Buffalo’s graduation rate fell five points from 2006. By contrast, Lackawanna’s graduation rate jumped from 46 percent in 2005 to 67 percent in 2007, without any great improvements in Lackawanna’s economic situation.⁴³

Improving Buffalo’s public education and graduation rate is vital, but no society can simply educate its way out of poverty. Many jobs do not require more than a high school education, if that. As of 2004, only 21.5% of jobs in New York State required a college degree, and only 10.1% required some college. Since 31% of New York residents have a college degree, and an additional 23% have some college, we are already “overqualified” for the jobs we have.⁴⁴ A large percentage of workers in jobs such as home health care, child care, landscaping, retail, and security will continue to live in poverty unless their wages improve – regardless of their educational attainment.

Housing Abandonment

Buffalo is suffering from a major crisis of housing abandonment, a vicious spiral that is perhaps the city’s biggest problem. US Census data show a dramatic rise in housing

⁴⁰ Karen Andolina Scott, “Catholic Church Closings” (2008), available at <http://develop.wikispaces.com/Church+Closings>; Jay Tokasz, “Catholics bear an extra burden,” *Buffalo News*, 1/31/09.

⁴¹ See Rod Watson and Jonathan Epstein, “The High Cost of Being Poor,” *Buffalo News*, available at <http://develop.wikispaces.com/Predatory+Businesses>; Sam Magavern, “Subprime Lending: the Rotten Core of the Current Financial Crisis,” *Buffalo News*, 10/3/08; Chris Berardi, “Informal Economies” (2008), available at <http://develop.wikispaces.com/Informal+Economies>; and Rachel Jones, “Predatory Business Practices: Automobile Financing” (2008), available at <http://develop.wikispaces.com/Predatory+Businesses>.

⁴² Barry Grey, “High school drop out rate in major cities at nearly 50%,” <http://www.inteldaily.com/?c=144&a=5861>.

⁴³ Peter Simon, “Buffalo’s high school graduation rate falls,” *Buffalo News*, 8/12/08.

⁴⁴ Testimony of James Parrott, Chief Economist, Fiscal Policy Institute, before the New York State Division of Budget, Public Hearing on Economic Development, 12/18/2007.

vacancies within Buffalo. From 1990 to 2000, for cities of at least 250,000, Buffalo went from the fifty-fifth highest vacancy rate in the nation (10.2%) to third in the nation (15.7%). The numbers have continued to skyrocket. Current Census estimates place the vacancy rate in excess of 21% citywide, with the East Side 28.7% vacant and the West Side 26.6% vacant.

US Postal Service data are perhaps a more accurate measure of abandonment and a good way to zero in on the East and West Sides. Since December 2005, the East Side has lost 755 active addresses (a decline of 8.6%) while the West Side has lost 678 (a 10.3% decline). Though the residential vacancy picture is daunting, business addresses suffer even worse chronic vacancy rates – 35.4% for the East Side and 29.4% for the West Side.

Obviously, the main cause of abandonment is Buffalo's continuing population loss. But while Census data show a clear correlation between population and vacancy rates, the correlation is surprisingly elastic. Most interesting is the decade of the 1980s, when the city's population fell from 357,870 to 328,123, an 8.3% change, but the number of vacant units barely grew, from 15,439 to 15,535. Clearly, there are other factors besides population loss that spur abandonment; and it is also the case that abandonment sometimes spurs population loss, rather than vice versa. In other words, few things will cause residents to move to the suburbs more quickly than the presence of one or more abandoned houses on the block.

Buffalo needs to reduce its housing stock. Ideally, however, Buffalo would reduce its stock in the most planned, least disruptive way possible, rather than through a scattershot process of abandonment and demolition. The City would demolish only the most deteriorated, unsalvageable housing, rather than letting good housing stock get lost to abandonment, deterioration, and demolition. Buffalo would convert some residential areas to green infrastructure: parks for recreation, trees to suck up pollution and stormwater, gardens and farms to grow healthy, affordable produce, and natural areas in which native flora and fauna can thrive. Ideally, Buffalo would combine areas of residential and business density, which create an increasingly valued urban fabric that can compete successfully against the suburbs, with areas of natural beauty: green fingers and green pockets of the sort that many European cities have established. Increasing the amount of green space in Buffalo will be a positive, not a negative, if done right.

In other words, our current housing abandonment is a crisis not simply because we are losing units, but rather because of the way in which we are losing units. It is a crisis because:

- Many low-income homeowners are losing their homes to tax foreclosure, mortgage foreclosure, or physical deterioration. These losses represent financial crises for the families and a barrier to maintaining or increasing homeownership rates.
- In many cases, the losses are due to illegal or unethical practices by “flippers,” predatory lenders, or other exploitative individuals or businesses.
- The rate of abandonment is outpacing the City's ability to demolish units.

- Abandoned homes are sitting vacant for long periods of time, creating fire hazards, crime magnets, environmental hazards, and neighborhood blight that depresses property values and creates a vicious spiral of disinvestment and flight.
- It only takes one abandoned house to blight a block. Scattershot abandonment and vacancy is blighting huge swaths of the city.
- The City is picking up the costs for abandonment: processing tax foreclosures, taking title to units, maintaining properties, sending police and fire fighters to deal with crime and fires, marketing city-owned properties, etc.
- Demolishing huge numbers of units is an environmental disaster and a terrible waste of resources.

For all these reasons, Buffalo urgently needs to limit the number of homes being abandoned and to quickly recycle more abandoned homes to new owners before they deteriorate to the point where they must be demolished.

Buffalo's abandoned housing also represents a terrible missed opportunity to provide affordable housing. The famous affordability of Buffalo's housing is something of a mirage. Buffalo has low housing values and low median rents, but it also has high poverty and high utility costs (30% over the national average)⁴⁵ As a result, 48.5% of Buffalo renters pay more than 30% of their income for rent, and the Buffalo region (not just the city) ranks ninth worst in the nation for housing affordability.⁴⁶

Buffalo has been hit hard by mortgage foreclosures, stemming from many causes, including rapidly declining housing prices in some neighborhoods, and a high volume of expensive, exploitative subprime loans. An Empire Justice Center study in March 2008 found 5,404 subprime loans in Erie County, of which 27% were at least 30 days late or in foreclosure.⁴⁷

A growing problem in Buffalo is “partial foreclosures” – situations where the lender initiates foreclosure and the owner moves out, but the lender never takes title because it has realized that because the property is worth so little, it would cost more to foreclose than the lender could recoup. The City of Buffalo Housing Court handled about 700 foreclosures in 2006. According to a Housing Court study, at least 57% of the foreclosures are not completed. In a typical scenario, the lenders start the proceedings and send threatening letters to the homeowner. The owner moves out, not realizing that he could stay in the home until the foreclosure is complete. Only then does the lender send an appraiser and realize that the home is worth less than the costs of foreclosure. The lender drops the action but never notifies the owner, who is long gone, and the property sits in limbo.

Judge Nowak of the City's Housing Court has ruled that the lenders have control of the property for purposes of the housing code and has held them responsible for code violations. He has also refused to let the lenders complete evictions on other properties

⁴⁵ State of the Region Project, Cost of Living Report, 2/05

⁴⁶ www.diversitydata.org (2000 data)

⁴⁷ Jonathan Epstein, “Mortgages can be modified,” *Buffalo News*, 4/6/08.

until they pay fines on their “partially foreclosed” properties. In one case, he required the German bank Deutsche Bank AG and its U.S. subsidiary, Bankers Trust, to pay \$133,000 in fines from nine other properties before it allowed them to evict.⁴⁸ In March 2008, the City sued 28 lenders and servicers to recoup the sum – between one and two million dollars – it will spend securing, maintaining and demolishing 58 properties left in limbo by partial foreclosures.⁴⁹

Buffalo has also seen a surge in tax foreclosures, from 1,579 in 2006 to 2,900 in 2008. The City estimated this year that one in three of the houses on the auction block needed to be demolished, but, fearful of the cost and liability associated with maintaining more properties, the City planned to acquire only 300 properties this year for demolition (or, in a relatively small number of cases, further attempts to sell).⁵⁰ Because private buyers take a fairly small number of properties at auction, a large number are simply “adjourned” and remain in limbo. The City’s tax foreclosure process, understandably, is designed as a bill-collecting technique; it is not designed to prevent housing abandonment, and it is not designed for a housing market so weak that many owners simply walk away from properties that no one else wants to buy, even once all the liens are cleared by tax foreclosure.

Unfortunately, at the federal, state, and local level, housing policies remain oriented toward producing more housing and producing more homeowners, rather than protecting existing homeowners and renters from mortgage foreclosure, tax foreclosure, or physical deterioration. Vast resources are wasted “churning” people through the system, tossing out existing homeowners and then trying to subsidize new ones to take their place; tossing out existing buildings and then subsidizing new ones to take their place.

While Buffalo has foreclosure prevention services, there is little or no cash assistance available to help keep people in their homes. Other states and cities have developed programs that can serve as models. Twin Cities Habitat for Humanity has operated a mortgage foreclosure prevention program since 1993 with support from local foundations, based on studies showing that preventing foreclosure was much more cost effective than allowing it to go forward and then trying to deal with the problems caused for the family and neighborhood. In addition to counseling and advocacy, the program can offer a 0% interest deferred loan. The program has helped over 3,000 families.⁵¹

The City and State made the abandonment problem significantly worse in 2003, when the State’s Municipal Bank Bond Agency (MBBA) purchased 1,500 delinquent tax liens from the City and then securitized them and sold them to investors. The City got a deal that looked good on the surface: it was paid \$4.3 million for a set of essentially worthless liens. The idea was that the private firm hired by the state – JER Services – would obtain payment or foreclose on the properties and then return them to use. In fact, however, the

⁴⁸ Jonathan D. Epstein, “Banks won’t be allowed to abandon properties,” *Buffalo News*, 3/22/07.

⁴⁹ Jonathan Epstein, “Buffalo sues lenders over abandoned houses in foreclosure,” *Buffalo News*, 3/1/08. Complaint available at <http://bflo-housing.wikispaces.com>.

⁵⁰ Phil Fairbanks, “Tax sale puts houses on the block,” *Buffalo News*, 10/20/08.

⁵¹ <http://www.tchabitat.org/content/category/6/34/28/>

liens were overwhelmingly uncollectable, and the properties worth less than the costs of foreclosing on them. In the other cities that were part of the deal – Syracuse, Binghamton, and Plattsburgh – the owners were not as impoverished, and the properties had more value. In Buffalo, the vast majority of the properties simply sat in limbo. Their owners had long since abandoned them, and JER had no incentive to foreclose.⁵²

After a vigorous advocacy campaign by People United for Sustainable Housing (PUSH) – including stenciling then-Governor Pataki’s face onto the plywood boards at the abandoned houses – and a change of administration, the state agreed to return the liens to the City, so that the City could foreclose upon them and find buyers or demolish them. The state announced the return of the liens in September 2007. Of the 1,500 liens, the state was returning 1,039 immediately, with the number expected to rise to 1,400. According to the City, approximately half of the properties were vacant lots, with the other half occupied by vacant homes.⁵³ The State also agreed to create a \$3 million block-by-block revitalization program to help repair some of the damage it had done.

⁵² Mark Sommer, “Derelict properties in limbo,” *Buffalo News*, 2/28/07

⁵³ Mark Sommer, “State action will help fund needed demolitions,” *Buffalo News*, 9/11/07.

Economic Development Programs

Why have state and local economic development programs and policies done so little to help the East and West Side neighborhoods – which should be two of the most intense targets for development in the state? We will examine the three main types of governmental economic development activity in New York: (i) public projects; (ii) subsidy programs; (iii) community-focused programs.

Public Projects

Buffalo's century of dramatic expansion came largely because of the State's single most successful economic development program: the massive public infrastructure investment in creating the Erie Canal. From 1825, when the Canal was completed, to 1959, when the rival St. Lawrence Seaway was completed, the Canal drove much of Buffalo's economic activity. The Canal was particularly prominent on the West Side, which it flowed through on its way to its terminus in downtown Buffalo, following roughly the path that the Niagara Thruway follows today.

In an economically challenged city like Buffalo, public projects represent a large percentage of total development. When the *Buffalo News* analyzed Mayor Byron Brown's statement that the city had \$4.5 billion in new construction projects, it found that two-thirds of those projects were only potential (for example, the new office tower proposed by now-bankrupt developer Bashar Issa), and that of those projects completed or in process, two thirds were tax exempt, with \$1.4 billion going toward City buildings and infrastructure, such as the public schools reconstruction and the proposed Peace Bridge expansion.⁵⁴

Unfortunately, big public projects create harms as well as benefits, and the harms often go to the least powerful members of the populace. The Kensington Expressway, proposed in 1953 and opened in 1967, is a convenient route for people leaving or entering the city, such as suburban commuters, but it destroyed Olmsted's historic Humboldt Parkway and severely damaged the fabric of the East Side neighborhood.⁵⁵ Similarly, the Thruway cuts the West Side off from its access to the Niagara River and casts long shadows of blight around its path.

Recently, the plans of the Public Bridge Authority to demolish large numbers of old homes near the Peace Bridge to better accommodate international truck traffic have raised similar concerns.⁵⁶ Various neighborhood and community groups, including the Partnership for the Public Good, have opposed the Public Bridge Authority's plan, which involves demolishing 84 residential and 10 commercial properties on 14 acres to expand the plaza to 38 acres: a plan that runs counter to the neighborhood's historic character and

⁵⁴ James Heaney, "City Hall's sky high numbers," *Buffalo News*, 4/27/08.

⁵⁵ See Neil Kraus, *Race, Neighborhoods, and Community Power: Buffalo Politics, 1934-1997*, State University of New York Press (2000), pp. 122-125.

⁵⁶ See Partnership for the Public Good, "Position Statement on Route 5 and the Peace Bridge," at <http://ppg-buffalo.wikispaces.com/file/view/route+5+peace+bridge>.

its vision for revival. The Preservation League of New York has named the Columbus Park neighborhood threatened by the plan one of its “Seven To Save” in its annual list of the state’s most threatened historic resources.⁵⁷ The National Trust for Historic Preservation has also designated the West Side neighborhood one of the nation’s eleven most endangered historic sites.⁵⁸

The Olmsted Parks Conservancy also opposes the truck plaza plan because it conflicts with the Conservancy’s plans to restore Front Park to its historic beauty.⁵⁹ The Conservancy has called for the Public Bridge Authority to conceal or eliminate the elevated exit ramp to the southbound Niagara Thruway; as Charles Beveridge, a Virginia scholar considered the world’s foremost authority on Olmsted, has observed, “As long as that highly visible ramp continues to exist, they’re absolutely negating the purpose of Front Park.” Regarding the Authority’s plan for a berm, the Conservancy’s chair, David Colligan, stated “Olmsted would roll over in his grave if he thought of somebody putting a berm with a wall on top of it in one of the parks he designed in Buffalo.”⁶⁰

Initial plans surrounding the Metro Rail light rail rapid transit system called for it to be used as a tool for neighborhood revitalization, with residential and commercial redevelopment focused strategically around Metro Rail stops. In reality that promise has failed. For various reasons political and financial, what was to be a six-line system linking major regional assets including downtown, both SUNY University at Buffalo campuses, and the Buffalo-Niagara International Airport, still remains a single trunk line. While the lack of five additional feeder lines has clearly diminished the potential neighborhood impact of this major infrastructure investment, poor follow-through and arbitrary auto-oriented zoning approvals on the part of City Hall have also thwarted progress.

The Buffalo Niagara Medical Campus is one of the most successful public investments in Buffalo in the last decades. But while the BNMC’s master plan and other official documents include language about revitalizing the Fruit Belt neighborhood to its east, in reality the BNMC has made no significant contributions to the Fruit Belt thus far. Michigan Avenue, one of the BNMC’s borders, remains terribly blighted, pocked with numerous untended vacant lots and abandoned buildings.

The Buffalo Public Schools reconstruction project has offered much more direct benefit to neighborhood residents. This billion-dollar project, with over 90% of the money coming from the State, involves the complete renovation or replacement of each one of the 70 or so public school buildings in the city. The renovated schools provide a much better learning environment for the children. Unfortunately, despite some attempts, the City has largely failed to take advantage of the investment by focusing housing and

⁵⁷ <http://www.preservenys.org/downloads/Omnibus-PR.pdf>.

⁵⁸ Patrick Lakamp, “With traffic down, is new bridge needed?” *Buffalo News*, 2/1/09.

⁵⁹ Patrick Lakamp, “Front and center for Front Park,” *Buffalo News*, 2/22/08; Tom Buckham, “Front Park plan captures imagination,” *Buffalo News*, 6/26/08.

⁶⁰ Patrick Lakamp, “Olmsted expert finds fault with Peace Bridge plan,” *Buffalo News*, 6/7/08. See also, Geoff Kelly, “Don’t Surrender the Front,” *Artvoice* 5/1/08.

infrastructure dollars near the renovated schools. As a result, many beautiful, state of the art buildings are surrounded by vacant lots and abandoned houses.⁶¹

The City, County, and Buffalo Public Schools also share responsibility for the utter failure to maintain and make proper use of the Johnny B. Wiley Amateur Sports Pavilion, on the site of the old War Memorial Stadium in the East Side. This \$6.8 million facility was built by the City and dedicated in 1992, but City officials failed to develop an operating plan and kept the facility locked the following two summers, despite Common Council Majority Leader James Pitts using a bolt cutter to let children enter in 1993. The City has been holding a \$2 million grant from HUD to improve the complex since 1993, but is still waiting for the Schools to come up with a plan and budget for it. A community advisory board designed to manage it stopped meeting shortly after the county took responsibility for maintaining the facility in the City-County Parks agreement of 2004. In 2006 broken windows were left unfixed, letting water enter the building for months and cause extensive damage, and some computer equipment was stolen. The Buffalo Bisons baseball team and New Era Cap company have offered to make a multi-million dollar investment, but the local governments have not managed to take advantage of the offer, leading the Bisons president, Jonathan Dandes, to call it “the ultimate bureaucratic nightmare.”⁶²

When citizens attempt to influence policy making regarding public projects, they run into many barriers, including New York State’s profusion of independent authorities: what the State Comptroller has called our “secret” government: over 640 authorities and subsidiaries accounting for over 93% of the state’s debt.⁶³ For example, the NFTA controls much valuable waterfront land, the Erie Canal Harbor Development Corporation controls the canal terminus, and the Buffalo and Fort Erie Public Bridge Authority controls the Peace Bridge.⁶⁴ The Public Bridge Authority has revenues of over \$30 million per year from tolls and other sources; it has its own bonding authority; and its members do not face the public pressure of running for election. The example of the MBBA and its abandonment of 1,500 houses in Buffalo, cited above, is perhaps the most dramatic example of a rogue authority, operating in obscurity with no accountability. Any effort to reform the State’s economic development policies will have to include authority reform, as well.

⁶¹ See Louise Calixte, “Buffalo Public Schools Reconstruction” (2008), at <http://develop.wikispaces.com/Buffalo+Public+Schools+Reconstruction+by+Louise+Calixte>

⁶² Mark Sommer, “Wiley complex still languishes despite aid offer,” *Buffalo News*, 1/30/09.

⁶³ New York State Comptroller, “Public Authority Reform: Reigning in New York State’s Secret Government” (2004).

⁶⁴ See Robert Goodwin, “Buffalo and Fort Erie Public Bridge Authority” (2008), at <http://develop.wikispaces.com/Buffalo+and+Fort+Erie+Public+Bridge+Authority>.

Subsidy Programs

Each year the State spends roughly \$6 billion dollars in subsidies given to private businesses in the name of economic development.⁶⁵ While in theory the state's economic development subsidies should stimulate private investment in blighted areas and catalyze their redevelopment, in reality the vast majority of the subsidies have no influence on business decisions, much less on revitalizing neighborhoods. Instead, they simply reduce the taxes paid by those businesses savvy, well connected, or lucky enough to take advantage of them. As a result, the East and West Side of Buffalo have lost more than they have gained through the development subsidy regime.

Industrial Development Agencies

Industrial Development Agencies, or IDAs, are independent regional authorities created by State statute to attract and retain businesses. New York now has 115 IDAs in 62 counties. While the five counties of New York City share a single IDA, Niagara County has three and Erie County has six (Erie County, Amherst, Clarence, Concord, Hamburg, and Lancaster). The Amherst and Erie County IDAs are by far the most active. In 2004 the Amherst IDA subsidized 131 projects, providing net tax exemptions worth \$4,834,888. The Erie County IDA offered net exemptions worth \$27,070,150. Together, these two agencies gave out about \$32 million in tax revenues. How much money is \$32 million in the framework of county finances? To give two examples, the county spends about \$22 million per year on its library system and about \$5 million on its arts and cultural organizations.

IDAs are complex bureaucracies that require staffing, lawyers, offices, and other expenses. Thus, in 2004 the Amherst IDA spent \$396,600, and the ECIDA spent \$1,903,800. The IDAs get their revenue from developer fees – they get paid for each “deal” that they make. But the notion of developer fees is misleading, because the developers pay the fees in return for the subsidies they receive from the IDAs; in reality, the taxpayers are footing the bill.

Allowing multiple IDAs within a single county is not just wasteful, it is also undemocratic because a town IDA is able to give away county tax revenue. The Amherst IDA has aggressively subsidized “spec” office complexes that draw tenants from Buffalo and other suburbs, and it has used tax revenue from the whole county, including Buffalo, to do it. In one instance, a court found the Amherst IDA guilty of pirating office tenants from downtown Buffalo.⁶⁶ But the practices continue. Recently, the Amherst IDA granted Uniland \$1.46 million in tax breaks to build an office building, even though Uniland had not disclosed any of its prospective tenants.⁶⁷

⁶⁵ Testimony of James Parrott, Chief Economist, Fiscal Policy Institute, before the New York State Division of Budget, Public Hearing on Economic Development, 12/18/2007.

⁶⁶ *Main Seneca Corporation et al v. Town of Amherst Industrial Development Agency*, 100 N.Y.2d 246; James Fink, “Another Battle Brewing Over Amherst IDA Lease,” *Buffalo Business First*, 6/28/96.

⁶⁷ David Robinson, “Uniland to receive tax breaks,” *Buffalo News*.

When the Amherst IDA offered HSBC \$79 million to expand a data center, a subsidy worth \$6.6 million per job created, the rest of the county had no voice in the decision, even though it involved a reduction in the whole county's tax revenues.⁶⁸ A more vigorous and informed debate might have highlighted the fact that HSBC, Europe's second largest bank, has been responsible for much of the subprime lending that has torn apart so many neighborhoods, and now the entire global economy. At HSBC Holdings, for example, more than 63% of mortgages in 2006 were subprime, including 6,295 loans with rates at least eight percentage points over the Treasury level. While about half of white borrowers got high cost loans from HSBC, 63.27% of Hispanic borrowers and 68.97% of African-American borrowers got high cost loans.⁶⁹ It is strange, to say the least, to think about a low-income homeowner in the East Side of Buffalo, a neighborhood devastated by subprime lending, paying to subsidize HSBC's expansion in Amherst.

Many other local IDA deals appear harmful to the broader public interest. The Clarence IDA has boasted in full page advertisements in the *Buffalo News* about subsidies it has given to the New Buffalo Shirt Factory, a business formerly located in the city of Buffalo, and Dash's Market, a supermarket which received extensive county tax breaks in order to open a new location in Clarence. NRG Energy has received large subsidies for its coal plant in Tonawanda, which is by far the largest source of pollution in Erie County, releasing some 2,642,883 pounds of toxins per year.⁷⁰ Time Warner received a \$6.48 million reduction in sales taxes from the ECIDA, not to create jobs, but simply for a promise not to cut more than 50 jobs.⁷¹

As the 2007 study "Sprawling by the Lake" demonstrated, far from helping to revitalize the city of Buffalo, the IDA regime is subsidizing sprawl. In 2005, the city of Buffalo, with 30% of the county's population, contained only 17% of the IDA tax-exempted properties. In 2005 Amherst received 178 property tax exemptions totaling almost \$393 million; Buffalo received 113 exemptions totaling just under \$248 million.⁷² Even within Buffalo, IDA projects are heavily concentrated in downtown and the waterfront; of the more than 100 projects currently listed on the ECIDA's web site, only three are located in the East Side or West Side (D'Youville College, an affordable housing project on Michigan Avenue, and the Buffalo Public Schools reconstruction project).

Very profitable companies based in suburban or exurban locations routinely get IDA exemptions with only the weakest of justifications. Fisher-Price, a subsidiary of Mattel, received a \$1.4 million break in 2004 and sought another \$1.75 million in 2008 to upgrade its offices in East Aurora.⁷³ Moog received up to \$1.28 million in subsidies from the ECIDA in 2007 to build an addition in Elma.⁷⁴ Tops received \$1.57 million to

⁶⁸ David Robinson, "HSBC granted \$79 million in tax breaks by Amherst IDA," *Buffalo News*, 11/18/06.

⁶⁹ Jonathan Epstein, "Disparities found in loan rates to minorities," *Buffalo News*, 6/5/07.

⁷⁰ www.scorecard.org

⁷¹ David Robinson, "ECIDA trims tax breaks for cable firm," *Buffalo News*, 9/12/06.

⁷² Allison Lack, "Sprawling by the Lake: How IDA-Granted Property Tax Exemptions Undermine Older Parts of the Buffalo/Niagara Metro Area," Good Jobs First (2007).

⁷³ Sharon Linstedt, "Fisher-Price to invest \$20 million in East Aurora headquarters," *Buffalo News*, 9/26/08.

⁷⁴ Matt Glynn, "ECIDA OKs tax breaks for Moog expansion," *Buffalo News*, 8/14/07.

renovate its headquarters in Amherst.⁷⁵ The Dent Neurological Group received \$640,000 to expand its medical facilities in Amherst, vowing to create 38 new jobs.⁷⁶ But in what sense are those “new” jobs? Doctors in Amherst compete with other local doctors for a finite clientele of patients; if one office gains 38 jobs, then 38 jobs will be lost at the local competitors’ offices.

On a smaller scale, Martin’s Fantasy Island got \$74,000 to build two new rides at its Grand Island amusement park, over the objection of County Executive Chris Collins, who stated, “they’re going to put these rides in regardless. What company wouldn’t like a freebie, and this is a freebie.”⁷⁷ Collins’ logic applies to almost all IDA deals. Although the IDAs and businesses justify them by pointing to additional tax revenue the developments will generate, in return for the subsidy, that argument assumes that the company would not do the development but for the incentives. This “but for” test is not one that the IDAs actually use in evaluating projects, so they have no way of knowing whether a project passes it, and the evidence suggests that few projects do.⁷⁸

As reports from the State Comptroller and others have demonstrated, the IDAs’ job creation record is very weak. Of 217,000 jobs promised by IDA applicants for 2005, only 79,000 were actually created. One fourth of the IDA projects actually cut jobs in 2005.⁷⁹ In a series of reports and audits, the Comptroller has found that:

- the IDAs routinely subsidize projects that would have been done anyway;
- relationships between IDAs and developers often determine what projects get funded;
- piracy of businesses from one municipality within the state or region to another is common;
- IDAs are induced to support large projects by the fees they obtain from them;
- Only about one third of IDA projects are manufacturing;
- IDAs routinely fail in their reporting requirements;
- Most IDAs have no way to enforce their agreements when employers fail to live up to them.⁸⁰

The East and West Side neighborhoods might be better off if the IDAs were restricted to using bond financing and forbidden to grant tax exemptions. The current IDA regime takes countywide resources that could be used to (i) lower sales taxes, property taxes, or county fees or (ii) provide services such as parks, youth programs, public health, and libraries. The IDAs take those public resources and funnel them to a small number of privileged companies, many of them international giants such as HSBC and Time

⁷⁵ Jonathan Epstein, “Tops gets tax break to help rebuild local presence,” *Buffalo News*, 1/19/08.

⁷⁶ David Robinson, “Amherst firm gets \$640,000 tax deal,” *Buffalo News*, 11/17/07.

⁷⁷ David Robinson, “Fantasy Island to get tax breaks,” *Buffalo News*, 2/12/08.

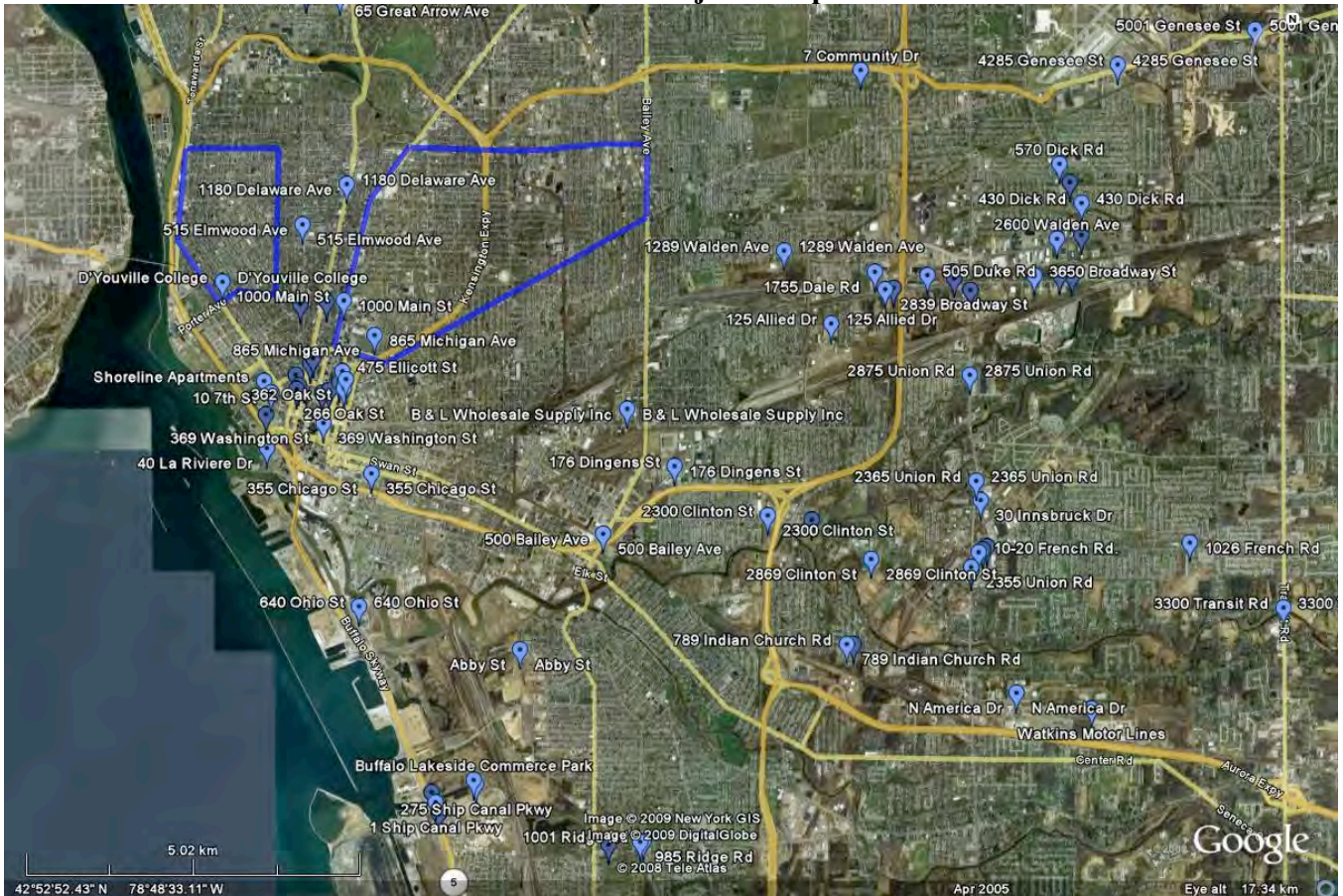
⁷⁸ David Robinson, “Collins wants tighter rules on tax breaks,” *Buffalo News*, 2/17/08.

⁷⁹ New York Jobs With Justice, “Getting our Money’s Worth: the Case for IDA Reform Legislation” (2007).

⁸⁰ See the following Comptroller reports: “Performance of Industrial Development Agencies: (February 2008); “Industrial Development Agencies in New York State: Background, Issues, and Recommendations” (2006); and “Industrial Development Agencies’ Project Approval, Evaluation, and Monitoring Efforts” (2006).

Warner, in return for promises of jobs that are highly speculative and not enforced. Short of eliminating IDA tax exemptions, the East and West Side would be best served by the type of major IDA reform recommended in the Community Agenda of the Partnership for the Public Good, adding living wage requirements, anti-sprawl provisions, green building requirements, claw-back provision, better reporting, and more transparency.⁸¹

ECIDA Projects Map



ABOVE: ECIDA projects are labeled by project address. East Side and West Side Neighborhoods are outlined in blue.

RIGHT: All ECIDA project locations shown in red.



⁸¹ PPG Community Agenda 2009, available at www.ppg-buffalo.wikispaces.com

Empire Zones

The consulting company AT Kearney, in a report for the Empire State Development Corporation, offered this summary of Empire Zones:

Of all the programs examined here New York's Empire Zones program provides perhaps the best example of good economic development intentions gone wrong. Its original mission has been morphed by political patronage, legislative revision and commercial manipulation, effectively repositioning it from a program primarily helping distressed communities to one routinely offering tax relief for ongoing businesses.⁸²

A non-partisan, fiscally conservative watchdog group, the Citizens Budget Commission, recently called for the complete abolition of the Empire Zone program, stating that "what was once intended as a small, targeted program to assist economically distressed areas is now a vehicle for giving tax breaks to a variety of corporations, with no clear, consistent, verifiable justification for the public investment."⁸³

Empire Zones were originally designed to help areas of high poverty and unemployment by offering businesses tax incentives to locate or expand in them. Now a program costing the state over \$600 million per year, it has become a gravy train for certain lucky businesses, particularly very large companies. Of the 5,000 firms that claimed Empire Zone credits in 2006, the ten biggest recipients, including IBM, NRG, and GEICO, received roughly \$100 million. Eleven big box retailers, including Wal-Mart, Home Depot, and Costco, claimed roughly \$30 million in credits.⁸⁴

The Empire Zones program has utterly failed to deliver on its promises of new jobs. An audit of 6,500 companies that received benefits under the Empire Zone program showed that 3,000 of them fell "substantially short" of their job creation goals for 2005. In 2008, the ESDC sent letters to 58% of its participating firms because they had missed job targets by more than 60%.

Buffalo's experience with the Empire Zones highlights the way that they were corrupted. As the State Comptroller has reported, instead of identifying a few high-need, high-priority zones and focusing resources there, Buffalo simply created Empire Zone parcels wherever there was a business deemed worthy. The City "spot-zoned" 130 different non-contiguous parcels to be Empire Zones, giving each Council Member 10 acres of Empire Zone designations to be made at his or her discretion.⁸⁵

In 2003, the *Buffalo News* examined the program's local results. For the 520 companies that had signed up for benefits between 1986 and 2003, two thirds had failed to meet their job goals, and one third had lost jobs; in fact, the net employment of the 520

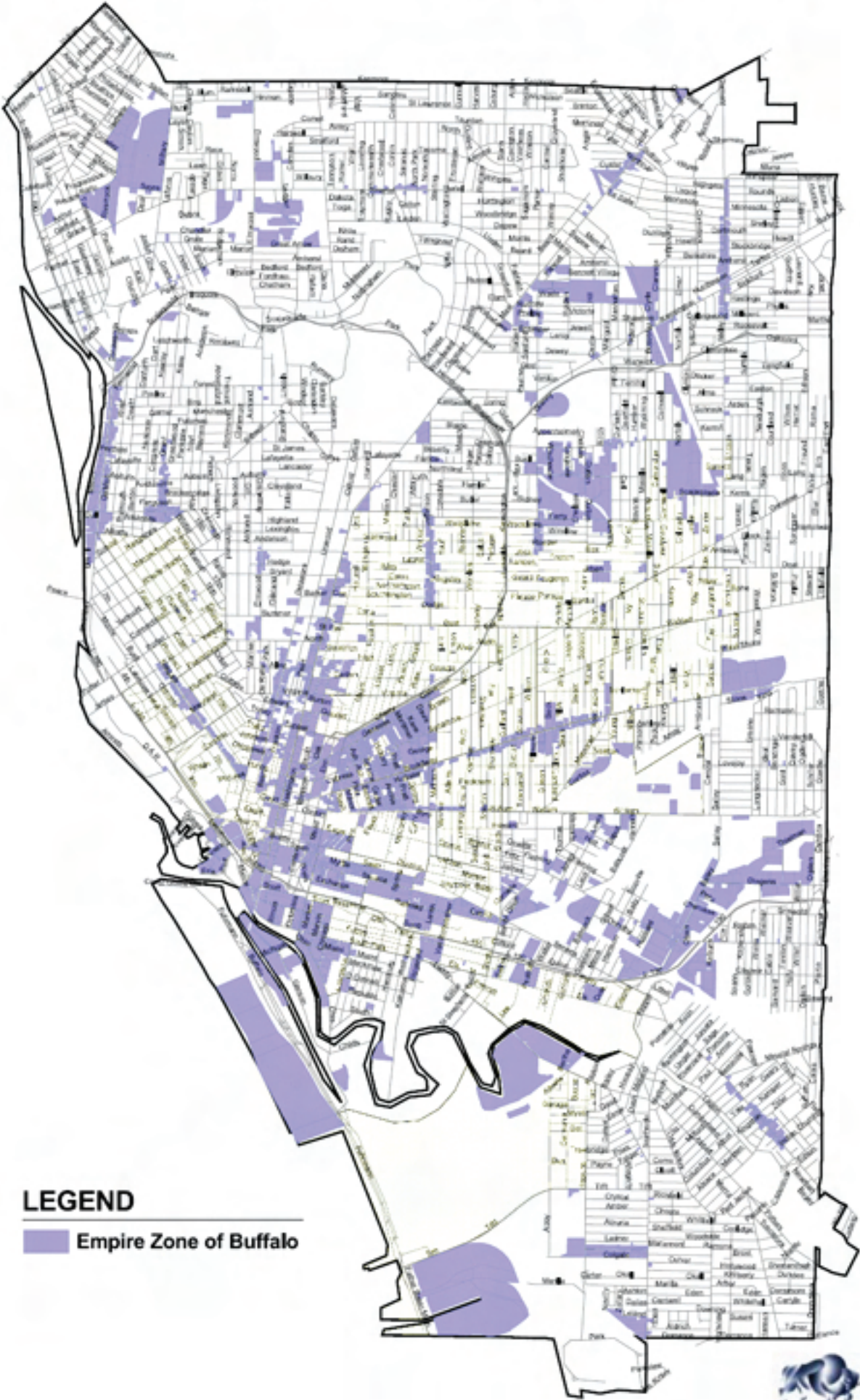
⁸² AT Kearney, "Delivering on the Promise of New York State" (2007), p. 26.

⁸³ Citizens Budget Commission, "It's Time to End New York State's Empire Zone Program" (2008).

⁸⁴ Id.

⁸⁵ New York State Comptroller, "Assessing the Empire Zones Program" (2004), p. 10.

Empire Zone Program Boundary Map Buffalo, New York



LEGEND

Empire Zone of Buffalo



companies had *dropped* by roughly 100 workers. Only 3% of the companies had relocated into Buffalo, and most of these came from nearby suburbs. Even the jobs *promised* by the companies paid an average of only \$10 per hour, \$3 less than the area median. The two most common types of business to receive benefits were restaurants and law firms (22 law firms registered for benefits, including the three largest area firms). Big businesses such as Delaware North and Rich Products reaped handsome benefits, and M&T and HSBC banks received a combined total of over \$4 million per year in tax breaks. Most businesses interviewed said that the benefits had no effects on their business decisions, and that they had made no extra efforts to hire disadvantaged workers.⁸⁶ As State Assemblyman Richard Brodsky put it, “If these programs were for poor people, [they] would have been shot down years ago.”⁸⁷

One remarkably expensive Empire Zone project, which also received other government subsidies, was the GEICO call center in Amherst. According to Pulitzer-prize winning journalist David Cay Johnston, GEICO received \$100 million in subsidies for a call center that cost \$40 million. GEICO obtained a new, custom-fitted Empire Zone in Amherst, one of the most prosperous suburbs in the region, in a location almost impossible to reach by public transportation. The *Buffalo News*, which is owned by Berkshire Hathaway, the same company that owns GEICO, and which is itself the recipient of over \$1.75 million in Empire Zone benefits, wrote “story after story about how the GEICO center was a wonderful economic development.”⁸⁸ Although GEICO promised to create roughly 2,500 jobs, its average employment in 2007 was only 1,232.⁸⁹

David Cay Johnston also spotlights the foolishness of Buffalo granting Empire Zone status to the Waterfront Place luxury condominiums developed by Carl Paladino.⁹⁰ The benefits include ten years of tax breaks, with the first seven years entirely tax-free. The City moved the Empire Zone boundaries in 2006 to include the site of the condos, which come with price tags as high as \$659,000.⁹¹ *Buffalo News* Columnist Donn Esmonde estimated that, with an average tax savings of \$100,000 for each of the 63 owners, the public is spending \$6 million on the project.⁹²

As a result, while the East and West Side neighborhoods do include some Empire Zone parcels, the bulk of Empire Zone benefits have been squandered on businesses that are doing nothing to revitalize distressed neighborhoods. Once an Empire Zone can be created anywhere, even on a Greenfield site in Amherst, then the benefits of the program to impoverished neighborhoods vanish, because the Empire Zone no longer functions as an incentive for businesses to move to or stay in the neighborhood. At that point, Empire Zones do little but reduce tax revenues, forcing government either to raise overall tax rates or to cut services – both results harmful to impoverished neighborhoods.

⁸⁶ James Heaney, “Failed Empire,” *Buffalo News*, 6/8/03.

⁸⁷ Michael Gormley, “Empire Zone tax breaks for businesses blasted,” *Newsday*, 2/11/08.

⁸⁸ David Cay Johnston, *Free Lunch* (Penguin 2007), p. 121.

⁸⁹ Jonathan Epstein, “Planned Empire Zone changes upset firms,” *Buffalo News*, 12/18/08.

⁹⁰ *Id.*, p. 122.

⁹¹ Phil Fairbanks, “City gives 10-year tax break to build condos,” *Buffalo News*, 5/13/07.

⁹² Donn Esmonde, “City’s gift to condos hurts us all,” *Buffalo News*, 5/16/07.

In December 2006, Governor Paterson proposed in his State budget plan to enact Empire Zone reform and to phase the program out by 2011. The governor's budget would require all companies enrolled in the program to be recertified under the standard that has been in place since 2007, requiring that the combination of wages and capital investments be at least 20 times greater than the tax benefits. About 8,600 companies would go through the process in 2009, with the remaining 600 recertified in the next few years. The Governor predicted that 2,100 companies would lose benefits, creating \$270 million in savings for the state.⁹³ In Western New York, the *Buffalo News* quoted a local economic development official stating that about 291 local companies with some 4,800 employees would be affected by the changes, and that GEICO, NRG, FedEx, and Coca-Cola would lose benefits. Paterson's plan drew immediate fire from business interests, such as the Buffalo Niagara Partnership, Ciminelli Development, and Uniland Development, which has since been echoed by the *Buffalo News* editorial board and Mayor Brown.⁹⁴

In its editorial, the *News* stated: "The Empire Zone program, however poorly it may have been managed in some places, was created for a reason, and that reason still exists. It is that the cost of doing business in New York, from labor costs to taxes to utilities, is just too high. To even think of coming here, or expanding existing operations, business planners have to be offered some benefit in return. Empire Zone tax breaks are just such a benefit."⁹⁵ These statements are contradicted by evidence gathered by the *News*' own reporter, James Heaney, cited above, which demonstrated conclusively that Empire Zone tax breaks do not bring companies from out of town to Buffalo and do not lead to the creation of more jobs; they simply transfer tax dollars from the majority of businesses and individuals paying taxes to a small number of lucky companies such as Hodgson Russ, Cellino and Barnes, and the *Buffalo News*.

It is remarkable to think what would happen if, instead of giving these large companies, many of them socially harmful, over \$600 million in subsidies, New York instead cut the taxes of its 600,000 lowest-paid workers by \$1,000 each. The Partnership for the Public Good has recommended replacing the Empire Zone program with a supplement to the nation's most successful poverty-fighting tool, the Earned Income Tax Credit.⁹⁶ In the absence of such wholesale change, PPG recommends making the same kind of reforms to the Empire Zone program as those listed above for the IDAs.

⁹³ Tom Precious, "Paterson to cut Empire Zone tax breaks," *Buffalo News*, 12/16/08.

⁹⁴ Jonathan Epstein, "Planned Empire Zone changes upset firms," *Buffalo News*, 12/18/08; Tom Precious, "Mayor in Albany with money on his mind," *Buffalo News*, 1/23/09.

⁹⁵ Editorial, "Reform program fairly," *Buffalo News*, 12/21/08.

⁹⁶ Partnership for the Public Good, "Achieving a Greater Buffalo," available at www.ppg-buffalo.wikispaces.com.

Power Authority Subsidies

One of the State's other large subsidy programs is run by yet another independent authority, the New York Power Authority, which gives out millions of dollars in discounted power each year to private corporations. A *Buffalo News* analysis found that of the 98 western New York companies receiving Power Authority subsidies, 23 did not meet their job quotas between 2003 and 2005. The Power Authority gave two large chemical companies, Occidental and Olin, 29% of the discounted power, for a total subsidy of \$53 million. Their subsidy amounted to \$126,155 per employee.⁹⁷ It is startling to think of what that money would do if it were invested, for example, in weatherizing and making energy-efficient the home of every low and middle-income homeowner in the Buffalo area, including the East and West Side.

⁹⁷ James Heaney, "Power Failure," *Buffalo News* special series (2008). See also Chris Berardi, "The New York Power Authority" (2008) and the Temporary Commission Report on Power Subsidies (2006), both available at <http://develop.wikispaces.com/Power+Authority+Subsidies>.

Bass Pro

Another example of questionable policy is the proposal to subsidize a Bass Pro store at Buffalo's historic Erie Canal Harbor site. The exact level of government subsidy is still hard to determine, but it is very large. According to the pre-development agreement, the Erie Canal Development Harbor Corporation (ECHDC) will lease the old Memorial Aud site to Bass Pro for at least twenty years with Bass Pro paying \$300,000 per year in rent but no real estate taxes.⁹⁸ ECHDC will do all the demolition and environmental remediation and will contribute \$25 million toward construction costs. The demolition will cost the State \$10 million.⁹⁹

The construction will be exempt from sales taxes. ECHDC will fund the entire costs of three parking ramps to be built by Benderson Development (on the Donovan Block, Webster Block, and Historic Block sites) and will contribute \$4 million toward Benderson construction costs for other parts of the historic site. ECHDC will demolish the Donovan building and will build a 1,000 parking space ramp on the Aud Block. Bass Pro will get 30 slips at the new Foot of Main Street Harbor at no cost. ECHDC will build an Erie Canal Transportation, Museum, Marketplace and Arcade Facility on the Historic Block. Bass Pro will operate the Museum and Arcade, but ECHDC will be responsible for all operating deficits of the Museum. ECHDC will pay to reopen Main Street, make streetscape improvements, create the new Foot of Main Street Harbor, create a new Main Plaza, and relocate the NFTA Light Rail Station.

According to the now somewhat outdated 2005 Memorandum of Understanding between Bass Pro and the state, city, and county, the public sector would contribute \$66 million, including \$21 million from ESDC and \$14 million from the city and county.¹⁰⁰ When the tax breaks are included, along with demolition, remediation, and parking facility costs, the public investment soars far higher. The Campaign for Greater Buffalo puts it at over \$130 million.¹⁰¹ What will the residents of Buffalo and, in particular, the impoverished residents of the East and West Side neighborhoods, get in return for this investment of public funds? A gigantic retail store, paying low wages, owned by a large out of town corporation, that competes against locally-owned outdoor stores and against national chains, such as Gander Mountain, that do not use government subsidies. The ECHDC estimates that Bass Pro will create 300 jobs, with an average gross payroll per job of \$22,500.¹⁰² This is less than a living wage, which the City of Buffalo's living wage ordinance defines for 2009 as \$11.57 per hour, or \$24,065 per year.¹⁰³ As subsidy expert Kenneth Thomas observes, "Retail jobs. . . contain a high proportion of low-pay, zero or

⁹⁸ Agreement available at <http://develop.wikispaces.com/Bass+Pro+-+Erie+Canal>. See also, Sharon Linstedt, "Canal Side project takes a major step forward," *Buffalo News*, 10/19/07, which lists the rent at \$600,000 per year; and Editorial, "The Deal Gets Sealed," *Buffalo News*, 3/31/07, which lists the rent at \$300,000.

⁹⁹ Brian Meyer, "Council Oks transfer of Aud to state agency," *Buffalo News* 12/27/07.

¹⁰⁰ Available at <http://develop.wikispaces.com/Bass+Pro+-+Erie+Canal>.

¹⁰¹ See <http://greaterbuffalo.blogs.com/gbb/2007/05/index.html>.

¹⁰² www.eriecanalharbor.com/project_status.asp.

¹⁰³ http://www.city-buffalo.com/Home/CityServices/Living_Wage_Commission.

low-benefit, often part-time jobs. Why economic development agencies pursue them so aggressively is difficult to explain.”¹⁰⁴

A *Buffalo News* editorial argues that the public investment will be repaid in seven and a half years, due to the annual rent of \$300,000 paid by Bass Pro and an estimated \$3 million per year in sales tax revenue. But this figure assumes that the sales tax revenue will be “new,” whereas most economists would argue that Bass Pro will generate little or no “new” sales tax revenue, as dollars that get spent at Bass Pro would have been spent at different stores or venues if Bass Pro were not present. The only revenues that would be “new” to the area would be revenues from out-of-region shoppers, and, given the very broad distribution of Bass Pro and similar stores throughout the nation and the region, it is hard to believe many tourists will come to Buffalo to visit Bass Pro.

The only commitment to the community from Bass Pro and Benderson in the pre-development agreement is to make a good faith effort to achieve goals of 20% minority business enterprise participation, 5% women business enterprise participation, and 25% minority and women workforce participation in the construction. There is no commitment to pay employees a living wage, to hire local residents, to build and operate environmentally responsible structures and grounds, or otherwise ensure that the public good is served. In other cities, community groups have won these sorts of commitments by negotiating community benefit agreements with the developers of large, subsidized projects.¹⁰⁵

Who makes the decisions on this massive government program? The board of the ECHDC is appointed by the governor. Presently it includes five voting members: a venture capitalist and major campaign donor (Jordan Levy); an attorney (David Colligan), an advertising executive (William Collins), the managing partner of the Buffalo Sabres (Larry Quinn), and an executive from Rich Products (Maureen Hurley). Melinda Rich serves as a non-voting member, along with the Mayor and County Executive.¹⁰⁶ It was Ms. Rich who initiated the Bass Pro deal in a discussion with her friend and neighbor in Florida, Johnny Morris, the owner of Bass Pro. Regardless of the good intentions and public spirit of these board members, it is not a board that reflects the broader community, much less the residents of the East and West Side.

¹⁰⁴ Kenneth P. Thomas, “The Sources and Processes of Tax and Subsidy Competition,” available at <http://develop.wikispaces.com/Studies%2C+Articles>.

¹⁰⁵ See Amy Kaslovsky, “Community Benefit Agreements” (2008), available at <http://develop.wikispaces.com/Community+Benefit+Agreements>.

¹⁰⁶ See <http://www.eriecanalharbor.com/boarddirectors.asp>, and Sharon Linstedt, “Gioia defends efforts to lure Bass Pro,” *Buffalo News*, 7/20/07, noting that Levy, a registered Republican, donated \$7,500 to Eliot Spitzer’s campaign. It was Spitzer who appointed Levy to the board.

Hotel Subsidies

Another highly questionable use of subsidy dollars has been the decades-long pattern of subsidizing multiple hotels in downtown Buffalo. The *Buffalo News* estimates that the public has invested \$65 million in downtown hotels, for an average subsidy of \$52,000 per room.

More than one third of this sum has gone to the downtown Hyatt owned by multi-millionaire Paul Snyder, which has never made money since it opened in 1984. The Hyatt has defaulted on \$11.6 million in loans and pays reduced property taxes: this year, \$187,000 on what otherwise would be an \$800,000 bill. In 2008, the State gave the Hyatt a \$5.1 million grant to pay for renovations, and the ECIDA approved \$1.1 million in new tax breaks -- all of this despite the fact that the City's Comprehensive Plan calls for a removal of the hotel's banquet facilities and atrium to restore the city's radial street plan.

Other hotels receiving large subsidies include what is now the Comfort Inn on Main and Chippewa, what is now the Adams Mark on Church Street, the Doubletree Club near the Buffalo Niagara Medical Campus, the Hampton Inn on Chippewa, and the Mansion on Delaware. Despite the fact that some of these are losing money, that the occupancy rate is only 65%, and that the average room rate is \$12.56 less than the national average, at least three new subsidized hotels are in the pipeline:

- a 150 room Embassy Suites in the former Dulski building, which will also include office space and condominiums and which has received a \$7 million grant from the State and has applied for a \$19.2 million package from the ECIDA and also stands to receive Empire Zone benefits
- a 72 room hotel in the Curtiss Building at Franklin and West Huron, an Empire Zone property that is receiving ECIDA assistance as well;
- the controversial hotel proposed for the Erie Basin Marina by former Common Council President James Pitts, in a site the City has designated as an Empire Zone.¹⁰⁷

Meanwhile, the Amherst IDA recently approved \$1.3 million in tax breaks for the renovation of the Marriott hotel in Amherst.¹⁰⁸ Hotels do not draw tourists to a region; they simply compete with each other for the tourists' trade. Furthermore, hospitality industry jobs tend to be among the worst paying jobs in the economy: chambermaids, desk clerks, food service workers, etc. Hotel subsidies aid the owners of the hotels, and, to some extent, people from out of town who benefit from artificially low room rates. They do more harm than good for the residents of a city.

¹⁰⁷ James Heaney, "Why handouts for hotels?" *Buffalo News*, 12/8/08; see also Dave Robinson, "County IDA cuts Buffalo Hyatt a break," *Buffalo News*, 12/1/07; and Sharon Linstedt, "Hyatt needn't repay \$8 million in old city construction loans," *Buffalo News*, 12/5/07.

¹⁰⁸ Jonathan Epstein, "Buffalo Niagara Marriott's owners plan \$20 million in renovations," *Buffalo News*, 8/18/07.

Sports Subsidies

Local governments spend a surprisingly large amount of public dollars on subsidies for professional sports teams. While the Buffalo Bills used to play on Buffalo's East Side, in the early 1970s the County built a new stadium in Orchard Park at a cost of \$22 million, and in 1999 renovated it at a cost of \$63 million.¹⁰⁹

Erie County's 2009 budget includes \$7.35 million for the Bills:

- \$4.2 million in operating subsidies,
- \$2.9 million in stadium improvements
- Use of Sheriff's deputies for game day security, at a cost of about \$240,000.

County Executive Chris Collins justified the expenses by arguing that the Bills are "the one cultural institution that we support that has all but 100 percent impact throughout the community," arguing that not everyone goes to the Zoo, not everyone goes to Chestnut Ridge Park, but "pretty much the whole community supports the Bills."¹¹⁰ Even apart from the question of whether professional sports teams make the kind of enduring contributions that artistic, scientific, and educational institutions do, one might point out that the Zoo and the parks, in contrast to the Bills, are not owned by a millionaire or staffed by millionaires. The County spends about \$5 million on all other arts and cultural organizations combined.

Coca-Cola Field (formerly Dunn Tire Park) and HSBC Arena are also massively subsidized operations. HSBC Arena was built for \$127.5 million, including \$10 million from the City, \$20 million from the County, and \$25 million from the State.¹¹¹ These facilities provide very little benefit to the residents of the East and West Side, most of whom cannot afford tickets to see the Bills or Sabres play.

¹⁰⁹ Irene Pijuan, "Professional Sports Subsidies" (2008), available at <http://develop.wikispaces.com/Sports+Subsidies>.

¹¹⁰ Matthew Spina, "Subsidy for Bills will top \$7.35 million," *Buffalo News*, updated 1/18/09.

¹¹¹ Irene Pijuan, "Professional Sports Subsidies" (2008), available at <http://develop.wikispaces.com/Sports+Subsidies>.

General Critiques of Subsidy Programs

The problems with New York's approach to economic development go beyond the flaws in these individual programs and projects. The whole notion of doing economic development by granting tax subsidies to individual businesses is intellectually incoherent and has been persuasively criticized from both the left and right. Critics from the left deride targeted subsidies for draining tax revenue that could be used to provide more public goods or to reduce regressive taxes and fees. Critics from the right question why the government should create complex bureaucracies and red tape to cut taxes for a favored few businesses, rather than simply cutting taxes for all businesses, or all individuals, equally. As a commentator in *Forbes* wrote: "For decades now targeted tax incentives have been a favorite elixir of state and local politicians in depressed communities. But targeted tax incentives don't spur real growth. Quite the contrary . . . targeted tax incentives are inevitably financed at the expense of established businesses."¹¹²

Research shows that tax subsidies rarely influence a company's decision on where to locate or whether to expand an existing business. State and local tax bills are dwarfed by other costs such as labor, transportation, office rent, and utilities. As one economist puts it, "The bottom line is that state and local taxes, at their current low levels, may be largely irrelevant to business investment decisions."¹¹³ One careful review of the research on subsidies concludes: "the best case is that incentives work about 10% of the time, and are simply a waste of money the other 90%."¹¹⁴

As economist Robert Lynch notes, even with optimistic assumptions, government is spending between \$39,000 and \$78,000 per job to create jobs in the private sector. "This substantial revenue loss forces government to lay off public employees in numbers that probably exceed the number of jobs created in the private sector. The net effect of tax cuts is thus likely to be a loss of employment."¹¹⁵ In Buffalo, where the City and County have cut their work forces dramatically, this analysis rings true. The City of Buffalo, for example, cut its payroll from 6,665 in 1972 to under 3,000 by 2003.¹¹⁶ Not only were these jobs lost, so were the public services that these employees provided.

As the Brookings Institution puts it, "Long experience shows that scattershot, firm-specific subsidies can result in a 'race to the bottom' among and within states and accounting tricks that credit firms with job creations when they only move jobs from one location to another within the state."¹¹⁷ Political scientist Kenneth P. Thomas

¹¹² Frederic Sautet, "On My Mind: Don't Tempt Me," *Forbes*, 6/3/06.

¹¹³ Robert Lynch, *Rethinking Growth Strategies: How State and Local Taxes and Services Affect Economic Development* (Economic Policy Institute, 2004), p. viii.

¹¹⁴ Alan Peters and Peter Fisher, "The Failures of Economic Development Incentives," *Journal of the American Planning Association* (Winter 2004), p.32.

¹¹⁵ Robert Lynch, *Rethinking Growth Strategies: How State and Local Taxes and Services Affect Economic Development* (Economic Policy Institute, 2004), p. viii.

¹¹⁶ Partnership for the Public Good, "Control Boards" (2008), available at <http://ppg-buffalo.wikispaces.com/Control+Boards>.

¹¹⁷ Rolf Pendall et al, "Transition and Renewal: The Emergence of a Diverse Upstate Economy" (Brookings Institution, 2004), p. 12.

summarizes: “Several important themes stand out: backroom deals, lack of transparency and effective citizen participation, the pernicious influence of site location consultants, and the commingling of eminent domain abuse with subsidy abuse.”¹¹⁸ Thomas points out that subsidies can “induce firms to locate to inefficient locations, to continue inefficient production, and can harm efficient unsubsidized competitors. The major equity concern is that subsidies go to owners of capital, who receive funds from the average taxpayer Finally, for an important subset of subsidies, the aided activity has harmful environmental consequences”¹¹⁹

Federal Reserve economist Art Rolnick wrote one of the classic essays on subsidies, “Congress Should End the Economic War Between the States.”¹²⁰ As Rolnick and others have pointed out, most economic development activities have nothing to do with growing the economy; rather, they are inducements offered to businesses to relocate or to stay put. Growing the economy, by contrast, depends on developing public infrastructure and a well-trained, well-educated, healthy populace – exactly the sort of public investments that get shortchanged when tax dollars are given away. Also, state and local taxes are not simply wasted money, from a business perspective; rather, they pay for infrastructure improvements, education, public safety, and a whole basket of goods that businesses value. Cities like San Francisco, Chicago, Boston, New York, Seattle, Portland, and Austin are not famous for their low taxes; and yet they draw businesses to them with unique packages of opportunities and amenities, many of them funded by taxes. In recent years, Rolnick has published research demonstrating that from a strictly economic, “bang-for-the-buck” perspective, investing in quality early childhood education offers a return rate of \$3 to \$17 for each dollar spent and is a far more efficient economic development tool than business subsidies.¹²¹

In 2002 the Federal Reserve Bank of Buffalo surveyed roughly 900 small businesses in Upstate New York about their barriers to growth. The top three barriers cited were health insurance premiums, workers compensation costs, and energy costs.¹²² Since that time, New York State has enacted a major reform of workers compensation, lowering costs for businesses. If we take the small business leaders’ needs to heart, then the next priorities for spurring economic development should be (i) enacting single payer health insurance to remove the burden of health insurance from employers; and (ii) providing additional incentives and subsidies to help businesses become more energy efficient and reduce their energy bills. This is a very different economic development agenda than targeted tax subsidies.

¹¹⁸ Kenneth P. Thomas, “The Sources and Processes of Tax and Subsidy Competition,” available at <http://develop.wikispaces.com/Studies%2C+Articles>.

¹¹⁹ Id.

¹²⁰ Federal Reserve Bank of Minneapolis Annual Report, 1994. Another persuasive account of subsidy abuse can be found in Greg LeRoy’s *The Great American Jobs Scam*.

¹²¹ Caitlin Connelly, “Early Childhood Education in Buffalo, New York” (2008), available at <http://develop.wikispaces.com/Early+Childhood+Education>.

¹²² Ramon Garcia, “Small Business: Big Challenge,” Federal Reserve Bank, Buffalo Branch (January 2002).

Community-Focused Programs

CDBG and HOME

The federal, state, and local governments operate a number of programs that are more specifically designed to aid in the neighborhood renewal that the East and West Side neighborhoods desperately need. Perhaps the largest example is the federal Community Development Block Grant Program (CDBG), which dates to 1974, when Congress consolidated seven existing grant programs into one, flexible program with these goals:

- benefit low- and moderate-income persons;
- prevent or eliminate slums or blight;
- “address community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community for which other funding is not available.”¹²³

Buffalo receives CDBG funds, along with federal affordable housing funding (HOME) through an annual application process, in which funds are awarded based on a federal formula to jurisdictions, so long as they comply with HUD regulations. For its 2008-2009 Action Plan, the city estimated roughly \$16.5 million in CDBG funds and roughly \$4.7 million in HOME funds.

The local HUD office has strongly criticized Buffalo’s use of CDBG funds, noting that in 2006, the city borrowed \$6 million from Fannie Mae to create a Livable Communities Fund, to be repaid with CDBG dollars. According to HUD, that money has gone into downtown market rate housing, including \$2 million for the Granite Works (846 Main St.) and \$2 million for the Warehouse Lofts (210 Ellicott St.).¹²⁴

HUD has criticized the city’s 2008-2009 Action Plan for spending 58% of the block grant money on city employees’ salaries and debt repayment. According to HUD, the city is spending over \$7.5 million of CDBG money on salaries.¹²⁵

Many of the city’s CDBG problems go back years and even decades. In 2004 the *Buffalo News* provided a detailed analysis of Buffalo’s CDBG program since its inception and concluded that it was a “half-billion-dollar bust,” with more than half of the funds going to cover bad loans (\$38.5 million), pay City Hall salaries (\$100 million), and subsidize an ineffectual crazy quilt of neighborhood agencies (\$75 million). The *News* estimated that 115 City Hall employees were being paid with CDBG funds (down from over 230).¹²⁶ A 2008 article in *Artvoice* estimated that the city was spending \$7.5 million in CDBG funds on salaries.¹²⁷ The city’s Four-Year Financial Plan (2008-2012) for the Buffalo Urban Renewal Agency (BURA) shows 60 BURA employees, funded entirely with grant funds and 27 BEREC employees, of whom 24 are funded with grant funds and program income

¹²³ <http://www.hud.gov/offices/cpd/communitydevelopment/programs/>

¹²⁴ Peter Koch, “Block Heads,” *Artvoice*, 5/8/08.

¹²⁵ Peter Koch, “Block Heads,” *Artvoice*, 5/8/08.

¹²⁶ James Heaney, “The Half-Billion-Dollar Bust,” *Buffalo News*, 11/14/04.

¹²⁷ Peter Koch, “Block Heads,” *Artvoice*, 5/8/08.

and 3 are funded with “city grants/funds.” Almost all of these employees appear to be funded with CDBG and HOME funds.

Buffalo has also suffered from defaults on old Section 108 loans backed by its CDBG money; of its 36 loans, 13 have defaulted, accounting for 61% of the funds loaned.¹²⁸ One of Buffalo’s largest housing programs, its Home Ownership Zone project, also has a troubled history. Buffalo won a HUD grant for this project in the 1990s, proposing to build 344 homes, 51% of them low or moderate income. The City won a \$5 million grant to be accompanied by a \$7 million Section 108 loan. The City had trouble getting the development going, and spent only \$3.5 million before the grant ran out, forcing it to return the rest. HUD reduced the target number to 218 homes and gave the city a two-year extension. The program ended December 31, 2008. As of May 2008, only 69 of the 111 low-mod homes and 82 of the 107 market rate homes had been built. The City was building 24 homes in Sycamore Village and 11 low-mod homes on Kane St., leaving a deficit of 32 homes.¹²⁹

The Sycamore Village project is particularly questionable. Sycamore Village is new construction on a former brownfield east of downtown; it will be 20 market rate and 4 low or moderate-income homes. The City initially marketed it, rather oddly, as “urban living in a suburban setting,” with the Mayor saying that it “combines the conveniences of being in the City with the charm and quaintness of a suburban community.”¹³⁰ The City has poured enormous resources into a project that will be of very limited benefit to anyone other than its developers and the buyers of the homes (if even to them: despite the massive subsidies, they may find that their housing values drop within a few years of the sale, if the surrounding neighborhood continues to depopulate and fall into blight).¹³¹ It is hard to imagine suburbanites moving into Sycamore Village; more likely, the new residents will be moving from other parts of the city, leaving the question of what to do with the houses they leave behind. In general, it is hard to justify spending money on new construction, rather than demolition, deconstruction, and rehab, and preservation, in a city that continues to lose population at a rapid rate.

Buffalo distributes its HOME funds on an ad hoc basis throughout the year, without any written criteria or a formal application process. Essentially, developers approach the city and request support for a project and the City decides, based on staff recommendations and the priorities of the Mayor. There is no safeguard against favoritism and no mechanism for making sure that HOME funds are spent strategically, in accordance with the City’s Comprehensive Plan. Much of the CDBG spending is done in a similar fashion. While the City has an application process and some monitoring mechanisms for the grants it makes to social service agencies, it does not appear to have a similar formal process for the capital expenditures it makes under the CDBG program.

¹²⁸ Peter Koch, “Block Heads,” *Artvoice*, 5/8/08.

¹²⁹ Peter Koch, “Block Heads,” *Artvoice*, 5/8/08.

¹³⁰ Byron W. Brown, “Urban Living in a Suburban Setting: Sycamore Village,” *The Downtowner*, 11/07.

¹³¹ See the Fix Buffalo blog for photographs and discussion of Sycamore Village at <http://fixbuffalo.blogspot.com/2008/11/sycamore-village-opening.html>.

Buffalo continues to prioritize the needs of homeowners over renters, despite the fact that most people living in poverty are renters. For example, Buffalo's 2008-2009 Action Plan calls for only 25% of HOME funds to be spent on rental properties, with 45% going directly to homeowner programs, and 20% going to the network of community housing organizations, who serve mainly homeowners and prospective homeowners.

One of Buffalo's problems in developing an effective housing policy has been a severe lack of capacity among its community housing organizations. In 2005, the Center for Urban Studies at the University at Buffalo produced a study of a number of these agencies.¹³² The study noted a large number of housing agencies. NeighborWorks, a national funder, has funded five separate Neighborhood Housing Service organizations in Buffalo, where usually they would fund only one. Similarly, the city formerly encouraged a proliferation of agencies and continues to certify ten as community housing development organizations (CHDOs). As the authors put it, "a number of low capacity CBHOs [Community Based Housing Organizations] have coexisted in Buffalo because of a stable stream of funding from the state and local levels of government."¹³³ Of the thirteen agencies examined, ten produced no new units of housing, two produced less than ten units per year, and one -- Belmont Shelter -- produced 87 per year, but the vast majority of these were outside the city.¹³⁴ When it comes to rehab, the study estimated that most of the agencies rehabbed one to two units per year. Belmont rehabilitated 295 per year, but, again, mostly outside the city.¹³⁵

Other cities facing similar issues have developed much more capacity. The Rochester Housing Development Fund is a \$16 million public-private partnership linking city government with non-profits and ten lenders, including JP Morgan Chase, HSBC, Citibank, Citizens Bank, M&T, Bank of America, and Key Bank. In the last seven years, it has acquired, renovated, and resold 360 single-family homes.¹³⁶ In Baltimore, the Paterson Park Community Development Corporation was organized in 1995. By 2002, it had rehabbed 261 vacant homes, of which it sold 120 and rented out 141. In the working class suburb of Orange, New Jersey, an aggressive CDC called HANDS began working on abandoned properties in 1996. By 2005, the number of abandoned properties had dropped from nearly 300 to roughly 70.¹³⁷

The Cleveland Housing Network was formed in 1981 by the directors of six low-capacity community development corporations. Today it has 105 full time employees and manages over 2,000 scattered site homes, both affordable and market rate. Its Homeward program has built or rehabilitated over 1,200 homes (roughly 20% new construction). It has developed 2,100 lease-purchase homes and completes 5,700 weatherization and home

¹³² Kelly L. Patterson and Robert M. Silverman, "Housing Service Agency: Structural Definition Report" (2005), p. i.

¹³³ *Id.*, p. 47.

¹³⁴ *Id.*, p. 36.

¹³⁵ *Id.*, p. 36.

¹³⁶ Phil Fairbanks, "Youngstown, facing problem similar to Buffalo's, shrinks by design," *Buffalo News*, 7/9/08.

¹³⁷ Alan Mallach, "From Eyesores to Assets: CDC Abandoned Property Strategies," available from www.nhi.org.

repair jobs per year. CHN has an operating budget of \$15.9 million and a capital budget of \$65.5 million. It earns \$5.6 million from fees each year and \$1.5 million from fundraising.¹³⁸

Other cities also offer examples of how to deal with vacant lots, a problem that Buffalo has not yet formulated a serious plan to address. In 1996, a community development corporation in Philadelphia, the New Kensington CDC, began a program to deal with its neighborhood's over 1,100 vacant lots. With help from the Pennsylvania Horticultural Society, CDBG funds, and foundation funds, they created a vacant land management program. By 2004, they had reclaimed over 600 vacant parcels, stabilizing them, planting trees, creating side yards and gardens, including a three quarter acre urban farm run by Greensgrow Farms.¹³⁹ A University of Pennsylvania study of the program found that stabilizing and greening a vacant lot increased the value of the adjacent property by an average of 17% or \$14,059.¹⁴⁰

An expanded version of this project, called Philadelphia Green and now run by the Pennsylvania Horticultural Society, has cleaned and greened and now maintains over 8,000 lots and has hired over 100 neighborhood residents. The Horticultural Society has created an excellent manual that can serve as a model for Buffalo: "Reclaiming Vacant Lots: a Philadelphia Green Guide." This guide has detailed instructions for reclaiming a vacant lot, including funding, costs, site control, assessment, design, preparation, planting, and maintenance.¹⁴¹

The City of Buffalo's housing policies and practices have not been aligned with the needs of the residents of the East and West Side. Most of these residents are renters with low incomes, living in blighted neighborhoods filled with abandoned housing and vacant lots, mostly owned by the city. They do not have the income or the good credit necessary for even deeply subsidized homeownership programs. They pay a huge percentage of their income toward rent and utility bills, particularly because their homes are old and not weatherized. A housing policy focused on them would prioritize:

- Rehabbing abandoned housing into green, affordable rental housing;
- Rehabbing and weatherizing affordable rental housing;
- Adequately sealing abandoned houses, including sealing their second floors;
- Demolishing non-salvageable abandoned housing at a much faster rate;
- Deconstructing and recycling more abandoned houses;
- Aggressively marketing City-owned houses and lots to non-profits, owner-occupants, and responsible investors;
- Cleaning and greening vacant lots;

¹³⁸ Kelly L. Patterson and Robert M. Silverman, "Housing Service Agency: Structural Definition Report" (2005), pp. 4-9.

¹³⁹ Alan Mallach, "From Eyesores to Assets: CDC Abandoned Property Strategies," available from www.nhi.org.

¹⁴⁰ National Vacant Properties Campaign, "Blueprint Buffalo Action Plan," p. 77.

¹⁴¹ <http://www.pennsylvaniahorticulturalsociety.org/garden/vacantmanual.html>.

- Shifting funding away from new construction, market-rate housing, and first-time homebuyer programs into foreclosure prevention, housing repair and rehab, weatherization, and affordable rental housing development.
- Shifting funding from downtown and waterfront projects to East and West Side project.

Recent Progress

In recent years, both the City and the State have taken steps toward a more coherent targeting of housing resources. Buffalo has made some progress in consolidating programs and requiring more accountability. The City centralized all its housing counseling dollars in one agency, HomeFront, and centralized some of the administration of its rehab loans at Belmont Shelter. Similarly, NeighborWorks appears to be pushing for consolidation of the housing agencies it funds. Belmont Shelter has turned its focus to city neighborhoods and rehab projects, and PUSH is developing the capacity to rehab a significant number of abandoned units each year. The City is attempting a strategic, focused approach to housing policy, and has announced a plan to rehab 500 units in the next five years, a huge leap over previous years.

The Brown administration has made a commitment to 5,000 demolitions in five years, in keeping with the goals laid out in the City's Comprehensive Plan. Current demolitions lag behind these numbers, but unfortunately, even if that pace can be met, it is far too slow to prevent abandoned homes from blighting neighborhoods and draining public dollars in maintaining them, dealing with arson fires, and responding to criminal behavior in and around them. The City has improved the speed with which it seals up vacant homes, but it has kept to a policy of sealing only first floors, so that broken-out second floor windows letting in the elements remain common.

Increasingly, Buffalo is trying to focus its subsidy dollars more tightly so that they can help to stabilize and improve transitional neighborhoods, rather than being scattered in a sea of blight. Richmond, Virginia has won national acclaim for its Neighborhoods in Bloom program, which targets CDBG/HOME spending in seven areas, each six to twelve blocks in size. These areas get 80% of Richmond's housing dollars, about \$6 to \$7 million per year, which, in combination with private funding, allows for intensive, block-by-block rebuilding.¹⁴² While Buffalo is not yet targeting its dollars as tightly as Richmond, it is attempting to focus resources and attention in more limited areas, including its Livable Communities Program and its Neighborhood Revitalization Strategy Area (NRSA), which is located on the East Side.

Another important sign of progress is the state's Block by Block program, developed in response to demands by PUSH that the state repair some of the damage from the MBBA debacle. The Block by Block program is providing \$3 million from Affordable Housing Corporation for "comprehensive plans for combating blight on specific blocks in Buffalo's inner city." Applications had to address all the abandoned or troubled properties on the block or blocks in question and set forth specific strategies for dealing

¹⁴² Carolyn Miller, "Buffalo Neighborhood Action Plan: Promoting Buffalo's Neighborhoods Through Strategic Redevelopment" (2008), <http://blfo-housing.wikispaces.com>.

with each property. The Notice of Funding Availability specified that “Quality applications may include plans for using empty lots as green spaces or community gardens, and other creative uses of structures and spaces.”

In June 2008 the state announced \$2 million in grants, including these projects on the East and West Side:

- BURA and Belmont Shelter will partner to finance renovations to 48 homes and acquire, rehab, and sell five additional two-family homes in the Mid-City area of the east side.
- Westside NHS will finance home improvements for 10 homes in Grant-Ferry and Black Rock Riverside.
- HomeFront will acquire and rehab 6 vacant homes on 19th Street.

Small Business Development

Small businesses play a crucial role in the nation's economy. Depending on how "small" is defined, they provide roughly one-third to one-half of the jobs in the nation, and are particularly critical in neighborhoods such as the East and West Side.¹⁴³ Buffalo offers a variety of resources for small and micro-businesses.

The Buffalo Economic Renaissance Corporation (BERC) runs programs to assist small businesses in the area. For example, their Entrepreneurial Assistance Program is a thirteen-week course offered only to Buffalo residents. A section of BERC, the Commercial Area Revitalization Effort Program (CARE), offers grants to small businesses for storefront facades and security improvements. The CARE areas are Jefferson Ave, Lower Niagara street, Grant and Ferry, Broadway and Fillmore, Seneca street, and Fillmore and Leroy. The Operation Facelift grant offered by CARE is up to \$2000 and is intended to repair exteriors of businesses. The Storefront Façade grant rebates 50% of the improvements, up to \$8000. The Security grant rebates 50% of the cost up to \$3000 for security devices. BERC also gives low interest loans through the Business Loan Program, Neighborhood Micro Enterprise Loan, SBA Micro Loan, CARE Special Loan, and the EAP loan.

The U.S. Small Business Association, which is an independent agency of the federal government, has a location in Buffalo. The SBA provides loans to small businesses with special loans available for minority business owners or businesses that will be based in low-income areas. The SBA has a loan guaranty program, guaranteeing to banks that if the small business defaults on the loan, a certain percentage will be covered by the SBA.

The Small Business Development Center is housed at Buffalo State College. The SBDC provides free one-on-one counseling and has worked with about 17,000 businesses in WNY since their creation in 1984. In addition to general small business counseling, the SBDC also assists businesses with e-commerce, finding sources of funding, and complying with regulations.

MicroBiz Buffalo is a group of not-for-profit organizations, colleges and universities interested in improving the financial well-being of Buffalo, one small business at a time. MBB, through its members, provides a complete listing of services for small and start-up business owners, including one-on-one credit counseling, a small business seminar, business plan development assistance, business counseling and mentoring, and small business loans.

The Empire State Development Corporation has a separate Division for Small Business. The ESDC defines small businesses as manufacturing companies with less than 500 employees, or service businesses with less than 100 employees. The ESDC provides a

¹⁴³ Jenna Piasecki, "Small Business in Buffalo" (2008), available at <http://develop.wikispaces.com/Small+Business> (much of this section is drawn directly from her fact sheet); and Ramon Garcia, "Small Business: Big Challenge," Federal Reserve Bank, Buffalo Branch (January 2002).

loan program with a 2-3% discount on the prevailing interest rate for loans up to \$500,000 through local banks and a Government Procurement program that assists small businesses in competing for state contracts.

Buffalo First is a coalition of 200 individuals, organizations and local independent businesses committed to building a more local, green and fair economy in Buffalo, NY. Businesses can join Buffalo First for as little as \$100 a year if they are locally based with a local work force and do not trade stock publicly. Buffalo First promotes their local business members in various ways, including events, publications and advertising.

Efforts to Build On

For all their challenges, both the East and West Side retain significant assets, and in both neighborhoods a spate of recent programs, investments, and successes offers a real sense of promise. We have already discussed some of them: for example, Belmont Shelter's current project to build 50 new homes and rehabilitate 50 existing homes on the East Side, and the City's decision to focus efforts in a Neighborhood Revitalization Strategic Area on the East Side. This section highlights just a few of the many on-the-ground successes. Many other agencies working in these neighborhoods are listed in PPG's Community Economic Development Directory, available at www.ppgbuffalo.org

East Side

Artspace

Artspace, located at 1219 Main Street, on the western border of the East Side, offers affordable housing and work space for artists along with commercial space for arts-related organizations or businesses. This \$17 million project opened its doors in July 2007, with 60 live/work units: 36 in the renovated Brietswater Printing Building (also known as the Buffalo Electric Vehicle Company building) and 24 newly-built units behind. As of July 3, 2008, Artspace had a waiting list of 424 artists.

Priced at between \$450 and \$895 per month, 24 of the Artspace apartments are for tenants whose annual income is less than \$36,720. Another 23 are for individuals earning under \$24,480 a year. The remaining groups of seven and six lofts are restricted to those who make less than \$20,400, and \$12,240, respectively.¹⁴⁴ Artspace was developed with a wide variety of funding sources, including city HOME and CDBG funds and state Housing Trust funds and Low Income Housing Tax Credits.

Buffalo ReUse

Buffalo ReUse is a new non-profit on the East Side which provides an economic and community development program that implements building deconstruction to divert reusable materials from the landfill, train and employ young adults, and eliminate blight through a variety of neighborhood improvement programs. Buffalo ReUse, Inc. operates The ReSource, a retail outlet that provides high-quality, low-cost building materials, education and outreach opportunities, and a destination for community engagement.

Over the past year, Buffalo ReUse has deconstructed over 20 structures and has diverted over 500 tons of material from the landfill, making it available at low cost to the community to enable renovations and improvements of our existing housing stock. During the Summer of 2008, Buffalo ReUse piloted a "Green Summer Program," a young adult mentoring program that provided education and mentorship opportunities for 15 high school youth. Youth worked primarily on clearing vacant lots, establishing a community garden and rehabilitating housing. Buffalo ReUse has also planted 375 trees, created two community gardens, and collaborated with existing neighborhood

¹⁴⁴ Gary Phillips, "Artspace Buffalo" (2008) available at <http://develop.wikispaces.com>.

organizations to board up abandoned houses, expand mural art projects, maintain community art parks, and beautify vacant lots.

Community Action Garden Project

Community Action activist Rosa Gibson and her colleagues have turned 12 vacant lots into flower and vegetable gardens and a toddlers' playground at Wohlers Avenue and Northampton Street. Neighborhood volunteers and people sentenced to community service tend the gardens. Design students from the University at Buffalo helped to design a unique "shoe garden," and there is also a memorial garden for those who have lost loved ones.¹⁴⁵

Groundworks

Groundwork USA is a network of 22 communities sponsored by the National Park Service and the Environmental Protection Agency working on green infrastructure in urban settings, including building trails, improving parks, remediating brownfields, and restoring wetlands. For example, Groundwork Milwaukee led in the conversion of a 2.7 acre industrial brownfield into a wetland that absorbs stormwater and prevents storm sewer overflow pollution. The project leveraged \$2.9 million and included the planting of 8,000 emergent aquatics.¹⁴⁶ A team of community members and organizations is working to bring Groundwork to Buffalo. Currently, the Urban Design Project is doing a feasibility study with a target area occupying much of the East Side neighborhood.¹⁴⁷

Jeremiah Partnership

The Jeremiah Partnership is a loose coalition of seven African-American churches active in economic development on the East Side. St. John Baptist Church, led by the Reverend Michael Chapman, has been particularly active in housing development, working on a \$54 million project in the Fruit Belt including a hospice, 28 new town homes, and seven single family homes. Bethel AME, led by the Reverend Richard Stenhouse, estimates that it has spent \$7 million on economic development in the last decade, including a \$1.5 million Jefferson Marketplace, a business incubator with an M&T bank, across from the Tops Market. True Bethel Baptist Church, led by the Reverend Darius Pridgen, won a fight to get a brownfield near its church cleaned up and has also opened a Subway Sandwich shop in its building on East Ferry.¹⁴⁸ Some of the churches, like other non-profit housing agencies in Buffalo, have been plagued by capacity problems in their development efforts.¹⁴⁹ But in general, the churches have provided crucial leadership, commitment, and funding for neighborhood revitalization efforts.

¹⁴⁵ Michael J. Billoni, "Gibson's gardens brighten the East Side," *Buffalo News*, June 10, 2007, and "Five Questions for Rosa Gibson," *Artvoice* volume 6, number 8.

¹⁴⁶ http://www.groundworkusa.net/GW_USA/Documents/Year%20in%20Review%202006.pdf.

¹⁴⁷ http://urbandedesignproject.ap.buffalo.edu/projects/groundwork/groundwork_index.htm

¹⁴⁸ Deidre Williams, "Buffalo's black churches build on their faith in the inner city," *Buffalo News*, 7/18/07.

¹⁴⁹ Bethel CDC was brought into Housing Court for its failure to properly maintain four abandoned homes on Michigan Avenue. Bethel also faced criticism for construction problems at the new homes it built in the Cold Springs neighborhood as part of its 18 home, \$3 million development project on Elsie Place and Purdy Street with \$2.45 million in HUD funding. Deidre Williams, "New homeowners angry at construction problems," *Buffalo News*, 10/17/06.

Jefferson Avenue Corridor

The City, the churches, and the non-profit community have targeted the part of Jefferson Avenue near East Utica for a series of transformations, including the beautifully designed Merriweather Library, the Tops supermarket and plaza, the Apollo Communications building, the M&T Bank plaza, and now a new business incubator being developed in the former library building. While these projects have required large public investments (for example, the Tops supermarket involved grants of \$500,000 from HUD, \$500,000 from ESDC, and \$500,000 from Erie County), they have been heavily concentrated, so as to make this stretch of Jefferson viable as a commercial district in the heart of the East Side.¹⁵⁰

Martin Luther King Jr. Park and the Kensington Deck

This 56 acre park was designed by Olmsted in 1861 and redesigned by his son in 1896. It was known first as the Parade and later as Humboldt Park. Originally, it was linked to Delaware Park by the 200 foot wide Humboldt Parkway. However, in the words of the Olmsted Parks Conservancy, “in 1960 the parkway was torn up and the 6 rows of stately trees were cut down to make way for the 6 high speed traffic lanes the Kensington Expressway, ripping out what was the spine of a strong working class community leaving a great divide in its place.”¹⁵¹ The Conservancy has begun restoring the park’s most significant feature, a five-acre wading pool, with funding from the county, the city, and the Margaret L. Wendt Foundation. The Conservancy has ambitious plans to renovate Martin Luther King Jr. Park, including, most difficult but perhaps most important, decking over the section of the Kensington Expressway near the park to unify the adjacent neighborhoods and expand the park.¹⁵² This is the kind of infrastructure project – like the original Olmsted plan it would partially restore – that can bring new life to Buffalo.

Queen City Farm

Still in the early stages is a proposed Queen City Farm project to reclaim a mostly abandoned 2.5 acre section in east Buffalo bounded by East Utica, Purdy, Masten, and Glenwood avenues. The project coordinator, Rod McCallum, is seeking grants to restore the currently derelict Engel House at 194 E. Utica, once a grand mansion, which had been targeted for demolition until city officials were persuaded to save it.¹⁵³

¹⁵⁰ Lisa Harlander, “East Side Tops Store Gets Ceremonial Start,” *Buffalo News* 11/22/02, cited in Michael Mettelle, “The Economic Impact of Institutionalized Racism in WNY” (2008), available at <http://develop.wikispaces.com/The+Economic+Impact+of+Institutionalized+Racism+in+WNY>.

¹⁵¹ www.buffaloolmstedparks.org.

¹⁵² “The Olmsted City: The Buffalo Olmsted Park System Plan for the 21st Century,” pp. 68-70. See also, Mark McGovern et al, “Urban Design Proposals for MLK Jr. Park Neighborhood,” (Fall Semester 2005).

¹⁵³ Harold McNeill, “Urban farm project for East Side area energizes coalition,” *Buffalo News*, May 22, 2007.

West Side

Cultural Diversity

The West Side is one of the most integrated and diverse parts of the city, with white, African-American, Hispanic, and international refugee residents living side by side. The rich Puerto Rican and Hispanic culture of the West Side and the cultures of the many new refugees offer the West Side the opportunity to be a regional showcase for art, entertainment, food, and heritage. Non-profits located on the West Side, such as Hispanics United of Buffalo, Journey's End Refugee Services, and many others, will continue to help catalyze the contributions of these diverse populations, but local governments such as the City and County have lagged behind in drawing on this energy, as well as on simply following federal civil rights law with regard to language access.

MAP

The Massachusetts Avenue Project (MAP) was founded in 1992 in response to the lack of opportunity on Buffalo's West Side. MAP's Growing Green program focuses on youth development and urban agriculture, with a small farm and an ecologically designed straw-bale construction greenhouse. MAP also sponsors a Youth Dinner Co-op, in which youth take turns cooking, cleaning and helping manage a weekly, low-cost community dinner. In just five years of operation, Growing Green has made a deep impact on the lives of over 3,000 Buffalo youth, 250 of whom MAP has directly employed. Growing Green has sold over 1500 lbs. of organic produce from its urban farm to low-income residents, and its Super Duper Salsa and Amazing Chili Starter are available at many area markets, including Wegmans. In the fall of 2003, MAP commissioned a study, *Food For Growth: a Community Food Security Assessment and Plan for Buffalo's West Side*, which won an American Planning Association Award.

PUSH Buffalo

People United for Sustainable Housing Inc., (PUSH Buffalo) is a grassroots, multi-issue, community organization working to rebuild the West Side of Buffalo. PUSH organizes residents to reform institutions that perpetuate poverty on the West Side and works with low-income residents to create and implement an action plan for improving the housing and employment conditions in the neighborhood.

PUSH established the PUSH Community Cooperative to renovate vacant property and to provide quality affordable apartments for those seeking to transition to home-ownership. The properties were renovated by at-risk residents working under the direction of community-based contractors and training organizations such as Youth Build and the Urban Community Corporation.

Two multi-unit buildings have been renovated and now serve as the home of the PUSH Community Cooperative. Through the Cooperative, tenants who reside in the rehabilitated apartments save \$75/mo for home ownership in a special escrow savings account. This sum is tripled by a pre-existing Federal Home Loan Bank program (similar to an Individual Development Account), allowing tenants to accumulate about \$8,000 for homeownership over two years of tenancy. PUSH plans to acquire and rehabilitate approximately 40 vacant or underutilized apartments over the next three years.

West Side Community Collaborative

The West Side Community Collaborative (WSCC) is a broad coalition of groups, government entities, institutions, and individuals led by a volunteer executive director, Harvey Garrett. WSCC began with an asset: Richmond Avenue, lined with historic houses and enjoying relative stability. It set out to work its way west, block by block, with a holistic approach involving housing conditions, crime, neighborhood beautification, youth activities, diversity training, resident involvement, and other facets of community life.¹⁵⁴

WSCC realizes that it takes a targeted, holistic approach to turn a blighted block around. Closing down one drug house, demolishing one abandoned home, or renovating one deteriorated home, can be a pyrrhic victory if the rest of the block continues to decline. A block must show enough progress that residents regain confidence and become motivated to stay and help clean it up, that outsiders become interested in moving to the block or investing in it, and that property values start go rise instead of fall. At the same time, organizers must beware of simply gentrifying a block, moving new, upper-income residents in, and displacing lower-income residents to other neighborhoods with no improvement in their circumstances. Although it certainly favors home ownership, WSCC avoids excess gentrification by creating and maintaining affordable home ownership opportunities for neighborhood residents and supporting well-run affordable housing providers.

The essence of the WSCC approach is to get to know a block and its residents intimately and to get the residents themselves involved in cleaning it up. WSCC combines a sophisticated use of government resources such as the police, the district attorney, and the Housing Court, with a do-it-yourself style in which WSCC members, rather than waiting for the city to re-board an abandoned house that has been vandalized, may re-board it themselves, and, rather than waiting for the City to paint crosswalks on the streets, may paint the crosswalks themselves.

WSCC and its partners have a long list of achievements in the area, including:

- working with landlords – generally cooperatively, but using Housing Court when necessary – to fix up properties and put a stop to illegal activities;

¹⁵⁴ Local Initiatives Support Corporation, “2004 MetLife Foundation Community –Police Partnership Awards.”

- facilitating the renovation of abandoned and deteriorated properties by local non-profits, for-profit companies, and individuals;
- dramatically reducing crime in targeted areas such 19th Street with a coordinated strategy involving the police, the DA, and Housing Court and heavy resident involvement;
- creating playgrounds, community gardens, and other green spaces in abandoned lots;
- increasing awareness and understanding among different neighborhood groups, including immigrant and refugee communities.
- starting a new cooperatively owned garden store, Urban Roots.