

**BUILDING GREATER
COMPETITIVENESS:
government efficiency
or
regional effectiveness?**

**a presentation to the
Governor's Commission on
Local Government
Efficiency and Competitiveness
Saratoga Springs, NY
June 13, 2007**

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BASIC REGIONAL ISSUE

***WHAT
GETS BUILT
WHERE
FOR
WHOSE BENEFIT
AND AT
WHAT COST?***

New York State's “Rules of the Game”

- 1. divide state into 1,544 “little boxes” cities, villages, and towns;**
- 2. set city-town-village boundaries inflexibly in Age of Sprawl;**
- 3. give each “little box” broad land use planning and zoning powers;**
- 4. provide no state requirement or even guidance for inter-municipal planning & zoning; “every man for himself, etc.;" and**
- 5. make each “little box” highly dependent on property tax, fostering chase for tax ratables & fierce inter-municipal in-fighting.**

New York regions are highly fragmented governmentally

(Metropolitan Power Diffusion Index
higher number = more fragmented)

<u>region</u>	<u>MPDI in 1972</u>	<u>MPDI in 2002</u>
New York NY-NJ-PA	na	16.28
Capital Region	6.04	9.47
Rochester	6.29	8.94
Syracuse	5.39	7.49
Buffalo-Niagara Falls	3.62	7.23
Utica-Rome	5.15	7.22
<i>New York Average</i>	4.80	6.89
Glens Falls	4.52	5.89
Binghamton	4.68	5.67
Kingston	na	4.90
<i>USA average</i>	3.83	4.85
Ithaca	na	3.65
Elmira	2.73	3.03
worst - Chicago IL-IN-WI	na	22.14
best - Honolulu HI	na	1.00

Governmental fragmentation = slower economic growth

“Controlling for national trends and industrial composition, *metropolitan competitiveness is adversely affected by metropolitan fragmentation....* The impact on the smallest metropolitan areas is most severe.... Smaller areas with fragmented metropolitan governance may lack the scope and power to affect the challenges they face. The large negative impact of fragmentation indicates that unity could help resolve the kinds of cross-jurisdictional challenges that are needed for a region to be competitive. These challenges include transportation and infrastructure as well as workforce and social issues.”¹

--- Prof. Jerry Paytas (Carnegie Mellon)

¹ Does Governance Matter? The Dynamics of Metropolitan Governance and Competitiveness (2001), pages 15 & 20. Accessible at www.smartpolicy.org/pdf/governancematter.pdf.

WHY?

Because “little boxes” regions suffer

- **cutthroat inter-municipal rivalry over commercial/industrial firms**
- **uncontrolled peripheral sprawl/ core community abandonment**
- **high cost of new infrastructure in peripheral communities**
- **waste of existing infrastructure in core communities**
- **hoarding by “winners” of revenues from new investments**
- **inability to access unified tax base**
- **greater economic/racial division = segregation of opportunity (“Housing policy is school policy”)**
- **unnecessary duplication of services**
[Rusk: this has minimal impact]

**UPSTATE NEW YORK
HOUSING PROBLEM:
not housing affordability but
housing “destructibility”**

**Too many new homes built for
too few new households**

**Example: Buffalo-Erie County
(1970-2005)**

new households	37,613
new homes built	<u>107,896</u>
“excess” homes built	70,823, or 187%

city homes “disappeared”	- 37,477 (-23%)
city households lost	- 40,827 (-26%)
city home values (CPI-adj)	- 6%
city tax base (1990-06)	- 21%

**“Beggar thy neighbor” competition
destroys Upstate NY cities, older suburbs**

CPI-Adjusted Change in Full Value of Property 1990-2006

Buffalo-Niagara Falls MSA	24%
Buffalo	-21%
Niagara Falls	-20%
Rochester MSA	2%
Rochester	-36%
Syracuse MSA	-1%
Syracuse	-22%
Utica-Rome MSA	16%
Utica	-31%
Rome	-20%
Binghamton MSA	-11%
Binghamton	-32%
Elmira MSA	24%
Elmira	-12%
Jamestown MSA	20%
Jamestown	-17%

**“Beggar thy neighbor” competition
destroys Upstate NY cities, older suburbs**

**DOWNSTATE NEW YORK
HOUSING PROBLEM:
severe workforce housing crisis
Too few new homes built for
new households –
and too big at that!**

**Example: Nassau-Suffolk County
(1970-2005)**

new households	224,578
new homes built	<u>292,851</u>
“excess” homes built	68,273
	or 30%

CPI-adj price increase (1970-00)	+ 77%
“ “ (2000-05)	<u>+ 81%</u>
“ “ (35 years)	+225%

**Long Island view:
Only high-priced homes wanted**

**LONG ISLAND'S
WORKFORCE HOUSING
CRISIS THREATENS
TO ERODE
LONG ISLAND
ECONOMY.**

**THE CRISIS HAS BEEN
CREATED ENTIRELY
BY LOCAL
GOVERNMENT
EXCLUSIONARY
ZONING PRACTICES.**

Carnegie-Mellon's Jerry Paytas (again)

“[My] results do not dictate that fragmented regions cannot be strong competitors or enjoy periods of competitive excellence. Rather, the findings indicate fragmented regions are unlikely to be strong competitors, and that they are unlikely to sustain competitiveness over the long-term. Long-term competitiveness requires flexibility, and fragmented regions are less likely to mobilize the consensus for change. Fragmented regions divide the regional constituency, offering opponents of change more opportunities, forums, and even institutional support to resist change. Unification encourages serving the regional constituency rather than parochial interests.”²

² *Op. Cit.*, pages 22-23.

Reversing Negative Trends

Not by inter-governmental collaboration for greater *service efficiency* (police, fire, parks, road repair, etc)

But by inter-governmental collaboration for greater *regional effectiveness* thru

- regional, anti-sprawl, pro-core land use, transportation and other infrastructure planning;
- regional, unified economic development programs;
- regional, “fair share” workforce housing policies/programs; and
- regional tax-base sharing.

State government controls

“rules of the game.”

Local governments are

“creatures of the state.”

New York legislature &

executive branch have

constitutional authority

to direct New York’s

many “little boxes” to

act as one

- **anti-sprawl planning (Oregon)**
- **“fair share” housing (New Jersey)**
- **tax base sharing (Minnesota)**
- **unified economic development**

if they had political will.

A Plan for Regional Action: State-mandated “county compacts”

- **tough, anti-sprawl, regional land use & transportation planning;**
- **unified, regional economic development programs, including “non-aggression pacts;”**
- **regional tax base sharing; and**
- **regional “fair share” workforce housing policies through inclusionary zoning to promote mixed-income communities.**

First three policies are vital for Upstate NY to halt “beggar thy neighbor” syndrome.

Inclusionary zoning will help provide more workforce housing in Downstate NY housing markets.

**State legislature will not
abolish “little boxes”
system.**

**The challenge is not
to merge “little boxes”
structurally
into a “Big Box”
but for state to direct that
“little boxes” functionally
act as one “Big Box”
on issues crucial to
economic competitiveness.**