PAI 735 State and Local Government Finance
Professor J. Yinger

MEMORANDUM

To: Onondaga County and City of Syracuse Public Officials
From: Chloe Elberty & Ignacio Pezo
Date: May 5th, 2017
Subject: Proposal to Merge the City of Syracuse's and Onondaga County's Industrial Agencies.

I. Introduction

Tax incentives for businesses are a common practice for local governments as a way to foster local economic development. The City of Syracuse is currently under duplicity of tax incentive authorities, where the City's and County's Industrial Development Agencies (OCIDA and SIDA, respectively) overlap on the same jurisdiction under a structure that encourages competition. The consequence of this setting is detrimental to the overall government negotiation position when dealing with businesses and recent affairs have shed light to open political confrontation between both authorities and expensive legal quarrels. This memo provides an assessment of the current situation, outlines our main and secondary recommendations to merge both IDAs or establish a protocol with clearly defined roles and procedures that will reduce IDA competition and some general guidelines to improve aspects of transparency and accountability in the process of providing tax incentives.

II. Background

a. Tax incentives are a wide used tool for economic development

It is a common practice for states and local governments to use tax incentives for businesses as a way of fostering economic development and improving living conditions. Tax incentives - which can include exemptions on property tax, sales and use tax, deductions of mortgage interests, etc. - are offered to attract new businesses that will impact the local economy by increasing investment and creating jobs. The basic assumption is that new jobs will bring higher wages and reduce unemployment, which should increase property values and profits for local businesses.

A local government's Industrial Development Agency (IDA) will receive requests from eligible businesses and start negotiations with the project owner/sponsor until an agreement on tax incentives and their scheduled payment structure is met. These agreements are made official in a Payments in lieu of taxes (PILOT) document. Tax exemptions can last decades and significantly affect a local government's budget (Bartik, 1991). Ellen & Schwartz (2000) estimate that in the early nineties tax incentives might have cost as much as $25 to $60 per capita in annual tax revenues in some states. Other benefits provided by government include training programs, low interest loans, etc. are common. In order to increase the impact of tax incentives, Community Benefit Agreements (CBA) can also be met. CBAs are legally binding agreements that requires developers to provide benefits to the local communities. These can include: a minimum percentage of local workforce hired, training programs for local workforce, and the renovation or construction of relevant infrastructure like public spaces, mixed or low-income housing, cleaning of brownfields, rehabilitation of historical buildings, etc.

b. Evidence about their effectiveness is inconclusive

Despite the wide use of tax incentives, evidence about their effectiveness to both attract businesses and impact economic development is unclear. Scholars point out that taxation is sometimes a minor part in a firm's decision for location (Mast 2016). Other factors like access to qualified workforce and strength of local markets can have a greater impact and, therefore, only if the deal is relatively generous it might influence firm location. For example, Ellen & Schwartz (2000) argue that tax incentives are effective in attracting businesses from neighbors and not from afar.

Although some studies suggest new firms can increase the productivity of other existing local firms and this can lead to higher wages (Garcia-Mila & Spain, 2001) or to an increase in land value (T. Bartik, 1991), consequences are very hard to determine. For example, land value increases can benefit homeowners, but will have a negative impact on low-income populations, who are usually renters. In addition, although a new firm might lower unemployment in the short-run, immigration of labor force can revert the effect and bring unemployment levels back.

Furthermore, economic development is directly dependant on macroeconomic factors which usually cannot be influenced by the limited ability of local governments. As a result, apparent economic developments in communities can be a result, not of actual creation of wealth, but rather its spatial displacement (Mast, 2016).

Overall, empirical evidence about the effectiveness of tax incentives is inconclusive and academic work offers little guidance to decision makers (Buss 2001).

c. Public officials face uncertainty in their decision making

Even if tax incentives can influence location decisions and impact economic development, the main questions that remains is when a business should be granted incentives and when it is necessary. Governments have limited capacity to determine what firms would have done in the absence of tax incentives and as a result, many times these deals are granted to businesses that would have made the same location choice regardless (Ellen & Schwartz, 2000).

Local governments also face significant uneven conditions against business counterparts. While a government's financial conditions are public, public officials have no access to firms' balance sheets and usually lack business expertise for making accurate estimations. As a result, governments face strong limitations while negotiations take place with their business counterparts and, although decisions should ideally be informed by cost-benefit analysis, the complex nature of economic development makes it very difficult for IDAs to know what is correct thing to do.

d. Pressure on Governments to provide Tax incentives

Competition between localities to lure businesses or even "steal" them from each other places intense pressures on local governments to offer generous tax incentives. Rogers and Ellis (2000) point out to this issue calling it a "race to the bottom," where economic development professionals and government officials engage in an tax incentives race which might sometimes benefit localities, but will always benefits firms.

Tax incentives can also be instrumental for politicians who want to gain support of their constituents. Communities who demand economic development will find big infrastructure developments or big businesses moving in as more impactful to their perception. As a result, politicians will address public demand and support salient projects, regardless of their actual comparable returns. As Buss (2001) clearly mentions: "there is little risk to politicians when incentives fail because failure can be blamed on market forces, or dysfunctional corporate behavior. Political dividends during economic good times are great because policy makers can claim credit for intervening."

This generates pressure and an incentive for authorities to signal a "pro-business environment" in their localities. For example, The City of Syracuse's Comprehensive City Plan 2040 states that economic development will be achieved by making the City of Syracuse have a "business-friendly environment that provides resources and assistance for sustainable urban economic grow." (2012, p. 22) As a result, Public officials can be forced to offer tax breaks for businesses because the political costs of not doing so are greater than the possible economic loss of providing them.

III. The adversarial relationship between SIDA and OCIDA

Two separate industrial development agencies - SIDA for the City and OCIDA for the County - have overlapping authority to provide tax incentives for businesses. Although tax breaks provided by either IDA are shared equally and the city and county are expected to cooperate[1], their overlapping attributes have the potential to generate an adversarial relationship between them to try to bring business and revenue into their community.

The county and the city have separate priorities when it comes to the types of businesses and the location of businesses they would like to encourage to come into their community. These agencies also have different policies which affects where businesses decide to develop. Different political agendas of the county executive and the mayor also affect the decisions made about whether or not to offer PILOTs to developers. Lastly, competition between them is also encouraged because whichever IDA makes the deal with the developer gets a 1% fee, which can be very large for big development projects. It is important to note that, although the issue over the fee has been widely mentioned by the different parties involved in public discussions (including the mayor of the city), due to the obscurity of information on this matter, we have been unable to confirm the existence of this fee by an official document.

The costs of an organizational structure that encourages competition are detrimental for the both the city's and county's economic growth and regional competitiveness. The most salient consequences of this competition has been the undermining of SIDA's negotiation position when with businesses in the lakefront area. In at least two recent occasions, developers have decided to work with OCIDA over SIDA, because they expected the conditions offered by the latter to be insufficient. Regardless of the IDA's positions, the key issue here is that the existence of a duplicate tax incentive authority grants businesses a second option and, therefore, it gives them more control over the negotiation: one of the IDAs can potentially undermine the other by allowing firms to back off the process and switch whenever the offers are not enough for them. The overall consequence is that businesses' negotiation position is stronger than it already was.

Additionally, other problems arise from this overlap: a lack of coordination between both agencies can divide efforts onto different priorities with contradicting results. Also, and more recently, the adversarial relationship between both agencies can produced legal quarrels that are both time consuming and expensive, especially for the city which is in dire financial straights.

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[1] The Comprehensive City Plan 2040 (2012) states that: "The City of Syracuse will work closely with Onondaga County's Economic Development office to direct suitable development projects into the City, in order to reduce sprawl and foster development consistent with the County's Sustainable Development Plan." (p22)

IV. The Inner Harbor Project Case

The conflict between SIDA and OCIDA over the development of the Inner Harbor exemplifies the issues that occur when a city and a county have separate, competing IDAs. The conflict between the developer, COR Development Co., and the city goes back even before the clash over the Inner Harbor. In 2011, COR proposed a $500 million sports arena to replace the Carrier Dome. In 2013, Governor Cuomo and County Executive Mahoney made an agreement to provide $300 million in state and county funds towards the project. However, Mayor Miner shot the project down, citing that more research was needed to proceed (Knauss, 2016).

This proposal from COR happened to overlap in timing with COR's other proposal to develop the Inner Harbor with mixed use buildings, which the city had approved in 2012. However, on December 15, 2015, COR made a deal with OCIDA, providing COR with $44.6 million in property, sales, and mortgage recording tax breaks. The same day, the City of Syracuse sued COR, claiming that COR had agreed not to seek tax breaks for the project. The mayor claimed that she would not have given any tax break without insuring that the project would provide training and jobs for residents (Moriarty, 2015). However, the city lost because they did not have evidence of the agreement. Yet, the city still fought to prevent COR from developing and refused to sell the rest of the parcels of land. Therefore, COR sued the city for reneging on their deal (Moriarty, 2016). The city attempted to dismiss COR's claim to no avail. The legal battle continues, as COR continues their development.

In order to understand whether or not these tax breaks are cost effective, information about OCIDA's cost benefit analysis must be known. They could very well have a good reason for providing this tax break, however it must be a good enough reason to justify undercutting the city. Other information such as how many jobs will be created by the project, and the level of economic activity the project will spur and from where is also essential. According to COR, this project will create over 4,000 permanent jobs and 8,000 construction jobs.[2] However, developers have a bias towards over estimated the projected benefits to the city in order to obtain a better deal.

These battles over economic development between SIDA, OCIDA, and developers demonstrate the crucial need for coordination between the agencies. The city is still within the county, which is why OCIDA was able to override the city and offer the tax breaks to COR, even though the Inner Harbor is technically within the city. These kinds of skirmishes over territory will only continue if nothing changes and will hinder economic growth and regional competitiveness, especially in the city, which is severely struggling financially. It is imperative that these agencies figure out a way to cooperate with each other for the benefit of both the city and the county.

[2] http://corcompanies.com/syracuse-inner-harbor/

V. Recommendations

The current situation shows that the authority overlap of SIDA and OCIDA can potentially lead to a confrontation of opposite interests. This confrontation is a result of the structure of the administration of tax breaks and the lack of clearly defined roles and rules. Furthermore, regardless of the IDA's positions, the existence of duplicate tax incentive authorities with incentives to compete over each other grants businesses more power over the negotiation process, potentially resulting in worse tax incentive deals for local communities.

We propose two alternative solutions for this situation which we present in prioritized order. (1) Our primary recommendation is the merger of City and County IDAs to create a sole consistent and accountable economic development agency. In case the merger becomes unfeasible due to the highly politicized context, we provide an alternative that will address the key issues at stake: (2) we recommend the implementation of a countywide protocol that will clearly differentiate the roles between both IDAs and determine standardized procedures for the granting of tax incentives that will prevent any future conflict.

Primary Recommendation

Ideally, both IDAs should merge in order to end the expensive legal battles and competition between them, especially because development projects have costs and benefits for both the city and the county. This would eliminate the competition between the city and the county, and create a new agency with regional prosperity as the goal. The new agency would require representatives from both the city and the county in order to ensure that development projects consider both of their interests. Representation of decision makers should be per capita in order to ensure a fair distribution of power. Because the city is within the county, the county should have a say in development within the city, but the city should also have just as much say in development that occurs in the county. Essentially, decision power should be equitably distributed in order to acknowledge the interdependence of the city and the county.

If the two were to merge, we recommend that they create a strategic plan for the city and the county, recognizing their codependent nature. The plan should orient and prioritize their decisions on tax breaks. The new agency must establish a unified vision for the communities. This means determining their goals for new development. Strategic plans focus on long-term goals, and work backwards in order to determine the best means of reaching them. In Syracuse and Onondaga County, their long term vision should be to improve the economy, alleviate poverty, revitalize neighborhoods, create jobs, bring more people into the region, keep more young people from leaving, and improve education and public safety. This means making the region a thriving center for economic activity and families to prosper. Developing this strategic plan should also involve public input. It should not be a hasty process; it should take time and consideration of the interests of all of the relevant stakeholder groups in the community. A collaborative process would be an effective way of reaching a consensus among constituents.

Once these goals are determined, then they can decide how the agency will prioritize PILOTs in order to reach their goals. They could prioritize by location, for example offering tax breaks to developers who agree to projects in heavily distressed neighborhoods or brownfields. This would help both poverty alleviation and revitalization efforts. They could prioritize by industry, preferring certain types of industries that would bring jobs that match the local workforce abilities or are aligned to the strategic development plan. Also, industries that might have negative effects like pollution of air or water, could be avoided. They could also prioritize residential projects that will include some affordable housing piece, or create more greenspace.

Secondary Recommendation

If they do not merge, the key structural elements that encourage competition should be neutralized by setting a protocol that clearly defines their interactions and establishes procedures for starting negotiations in the city area and decision making. First, the 1% fee that is currently promised to whichever agency makes the deal first should be equally shared between both IDAs. Other differentiated revenue sources or earmarking that results from tax incentives should be identified and split evenly between both IDAs in order reduce competition and disincentivize making quick deals with developers simply to obtain the fee before the other IDA.

Second, in order to balance negotiation power between government and businesses, it should be formally established that once a developer begins negotiations with an IDA, their choice of agency must be definitive. In other words, developers are prohibited to submit tax incentive requests to more than one agency for the same project at the same time. With this measure, developer will lose their current advantage of having a second choice that leverages their bargaining power.

Third, because of the political gains that authorities can gain by claiming ownership of a big development, we recommend that when dealing with projects of really large sizes within the city, a special joint committee that represents both IDAs should be appointed to conduct negotiations and provide the tax incentives. The caps that determine whether a project requires the formation of a joint committee or not should be established in a benchmarking process that takes into consideration the average size of total investments ($) of prior projects in the area and also the economic impact that developers and consultants estimate it will have (job creation, CBAs, etc.).

Finally, in order for the two agencies to work parallely, their tax incentive framework should be made available both to potential developers and the other IDA. It is essential that the agencies are transparent with each other about their negotiations. The fact that they keep their dealings secret from the other IDA gives businesses huge bargaining power over the region because they are the only ones that know what each IDA is offering. This creates a substantial disadvantage to the region as a whole, ensuring that businesses will likely get deals that undercut either the city or the county. This measure will not prevent competition but will reduce the amount of speculation between IDAs and also make things easier for developers to choose.

General Recommendations

Regardless of whether or not the agencies merge, however, we also have general recommendations to make the IDAs work better together. These recommendations apply to both the case of a merger, and the case of two separate agencies cooperating. Firstly, the IDAs need to have principles that structure their negotiations. It is not feasible to require IDAs to demand any specific stipulations in negotiating development projects, because every negotiation must be unique based on the circumstances. However, we recommend that the IDAs make an effort to incorporate CBAs into their agreements. Providing local jobs is a common aspect of CBAs, however other creative options could include provisioning infrastructure or cleaning up brownfields.

Any report provided either by the developers or private consultants about the cost-benefit analyses of the projects should be made available to the public in digestible formats and put forward for public comment before they move forward with a project. This is a standard step in other development procedures such as the National Environmental Policy Act (NEPA), which requires that any proposed federal action goes through a process, typically including an Environmental Impact Statement, that has multiple stages for public comment throughout. The process must be transparent and they must respond to all of the comments made. A more streamlined application and negotiation procedure that includes transparency and public comment would ideally lead to a more efficient IDA with better capacity to make decisions that will benefit the community as whole.

We also recommend that the agencies encourage more public participation and transparency in order to foster public accountability. SIDA has information about their standards for approving projects online, however they do not disclose the details of the PILOTS they have made. OCIDA, on the other hand, does not include information on either on their website. Information about the PILOT agreement details should be accessible to the public so they know the amount of tax breaks that were offered and for how long. This will increase the accountability of the IDA's decisions if they are up to the scrutiny of the public over time as the success of the project becomes more evident. The hope is that greater accountability and public input will not only include the interests of the community in the agenda but also leverage the negotiations for the benefit of the people. For example, public opinion can pressure businesses into compromising for CBAs in order to gain the communities' legitimacy, and public access to PILOTs can allow third parties to identify when a firm is violating any of its commitments to jobs, investments, or CBAs.

Accountability of the developer's commitments after receiving tax incentives should be a priority. The evaluation of the developer's commitments is an essential piece that is lacking because of the difficulty of connecting inputs to outcomes. The goals of the project, based on the agreements made with the developer, could be one place to start. For example, if they had agreed to employ 20% of their construction staff locally, detailed records on the people hired for the project and where they reside would be required by the developer. Because the agreement would be legally binding, then the IDA would be able to sue the developer for reneging on their deal, and perhaps an outcome of that could be reducing the tax breaks offered. Another way to evaluate a project could be to determine the ratio of tax breaks given to the ratio of tax income caused by the project. For example, if the IDA offers property tax breaks, but not sales tax breaks, then the amount of dollars in sales tax revenue relative to each dollar of property tax breaks provided would offer a proportion of costs and benefits. Although this is a rudimentary form of evaluation, it is one way to prove success or failure that would be easy to calculate and make public.

VI. Conclusion

Tax incentives are not the silver bullets of economic development and their success is extremely difficult to evaluate. Nevertheless, because of the concrete and apparent benefits it provides to both businesses and politicians, they are widely adopted in cities and states across the country. Because of their prolificness, it reasonable to expect the City of Syracuse and Onondaga County to continue such policies in order to gain regional competitiveness. However, their current system of two separate and competing IDAs is reducing the overall power of government when making deals with businesses. The conflicts between the IDAs has lead to mistrust between the city and county and costly lawsuits. Therefore, we recommend firstly that the two agencies merge into one, keeping representation for both the city and the county and, therefore, making decisions with the interests of both in mind. However, if they do not merge they have to agree to cooperate in order to reduce competition. We believe the recommendations that we made for the IDAs to work in better harmony would help reduce the competition and conflicts between them and improve the competitiveness of the region.

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Bartik, T. J. (1991). Boon or boondoggle? The debate over state and local economic development policies. In Who Benefits from State and Local Economic Development Policies? Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, pp. 1-16

Timothy J. Bartik is a Senior Economist at the W.E. Upjohn Institute, a private, nonprofit, nonpartisan, independent research organization that investigates the causes and effects of unemployment. Bartik's work on state and local economic development and local labor markets is highly recognized. This is the introduction to the book "Who Benefits from State and Local Economic Development Policies?", where the author makes an overview of economic development policies, framing the basic questions that must be asked in order determine their effectiveness and consequences, both locally and nationally. This is a useful reading as an introduction to economic development and in this chapter one of the main issues covered is tax incentives policies by states and local governments. Even though the book is old, this introduction touches issues that are still relevant for economic development policies.

Buss, T. (2001) The effect of state tax incentives on economic growth and firm location decisions: an overview of literature. *Economic Development Quarterly*, Vol. 15 No. 1, February 2001 90-105

The Economic Development Quarterly is a peer-reviewed academic journal covering the field of economics. Buss is a professor and chair of public management at Suffolk University in Boston. This article compiles the literature on tax studies in order to summarize the current understanding of the interactions between taxes, tax incentives to businesses, and economic growth. Buss finds that studies show conflicting results on the effect of taxes on business decisions about location. Although costs and benefits of tax incentives are sometimes explored, studies rarely attempt to determine if the tax incentives were justified or if the money would have been better spent elsewhere. Therefore, Buss makes the argument that these studies do not provide very much insight to policy makers trying to use incentives to bring economic development. He also offers several recommendations for making better policies for tax incentives. Buss essentially argues that the literature does not confirm one way or the other the benefits of tax breaks, but that politicians will use them regardless, and therefore there are certain policy provisions that should be included in tax incentive plans. His thesis is useful in supporting our argument that there is no definitive evidence to show that tax incentives lead to positive economic growth and providing us with ideas for our recommendations to policy makers.

Ellen, I. G., & Schwartz, A. E. (2000). No easy answers: cautionary notes for competitive cities. *The Brookings Review*, 44-47.

Ellen and Schwartz are both professors at the Wagner School of Public Service at New York University. This article was published by the Brookings Institution which is a D.C. based think tank that conducts social science and economic research. The Institution has been labelled centrist and left leaning, but has also been known to agree with conservative viewpoints at times. This article looks at several strategies for economic growth, including tax incentives to businesses, and finds that "there is no magic bullet." Although these policies can seem appealing when looking at success stories in other cities, in reality they often produce disappointing results. They also recommend future research explores the economic benefits of policies that improve education and reduce poverty and also look into whether there are non monetary benefits provided to the community by development projects to be considered in decisions. This article contributes to our points about the uncertainty of whether economic development policies work.

Ellis, Stephen & Cynthia Rogers . (2000) "Local Economic Development as a Prisoners' Dilemma." *Review of Regional Studies* vol. 30, no. 3 (200): 315-330.

Stephen Ellis is an associate professor of philosophy and Cynthia Rogers is an associate professor of Economics at the University of Oklahoma. The Review of Regional Studies is an Open Journal published by the Southeastern Regional Science Association at the Oklahoma State University. In this paper, the authors analyze tax incentive competition between locations using a game theoretic model. They conclude that localities are compelled to offer incentives because of the potential costs of not doing so. As a result, a locality must offer incentives to avoid big losses. Failing to compete for a firm sends a negative signal about a locality's business climate.

Fisher, Peter S., and Alan H. Peters. 1998. "Industrial Incentives: Competition among American States and Cities." ***Employment Research*** **5(2): 1, 3–4**

This article was published by the W.E. Upjohn Institute for Employment Research, which was established in 1945 in order to conduct research on and promote solutions to employment related issues. They administer to federal and state employment programs in four counties in Michigan and they also provide program designs and evaluation plans for government around the world. The authors are both professors at the University of Iowa. This article explores the question of whether economic developments improve rates of employment and looks at the spatial patterns of incentives to determine if they are higher in areas with greater unemployment rates. They "used the hypothetical firm method to measure the value of competitive incentives." Their conclusions are in line with the arguments that development incentives are used for high unemployment, but also for other reasons such as slow growth and simply copying other cities. Also they find that high unemployment will likely persist even when tax incentives improve the overall economy.

Gabe, T. & Kraybill, D. 2002. The Effect of State Economic Development incentives on employment growth of establishments. ***Journal of Regional Science*****, Vol. 42, No. 4, 2002, pp. 703-730**

According to the Journal Citation Reports, the Journal of Regional Science has the seventh highest impact factor out of 54 journals in the category of planning and development. Therefore this is a reliable peer reviewed source. Gabe and Kraybill did a study on 366 Ohio businesses that received tax incentives. They compared the employment increase targets announced at the time of the business' expansion due to the tax breaks to the actual employment changes that occurred over a two year period after expansion. Their findings indicate that there is either no effect, or a negative effect on employment due to tax incentives. Therefore, they find that tax incentives to businesses to not seem to spur job growth and that businesses overestimate the effects on job growth in order to obtain more lucrative tax breaks. This study supports the idea that politicians give tax incentives mainly to have "talking points or bragging rights." Additionally, because voters do not receive information about how many jobs the development creates, the imperfect information leads politicians and businesses to gain at the expense of the voters. We use this to enforce our points about the dubious nature of tax incentives and the need for transparency.

García-Milá, Teresa and McGuire, Therese J. (2001) Tax Incentives and the City. UPF *Economics and Business Working Paper* No. 631.

Teresa García-Milá is Professor at the Universitat Pompeu Fabra and Director of the Graduate Schoool of Economics. And Therese McGuire is Professor of Strategy at the Kellogg School of Management at Northwestern University. In this paper the authors analyze tax incentive policies in the current context of competition. They use complex econometric models to determine whether tax incentives are beneficial to cities. Although the econometric models are too esoteric to be discussed in this paper, their conclusions and evaluation framework provide a good background about tax incentives as economic development policy. Furthermore, this paper has a commentary by Edward Glaeser, Harvard Economist renowned for his work on Urban Economics. He gave a good review: "Tax Incentives in the City presents a new approach to this question taking into account the possibility that there are significant agglomeration economies. This is a fine paper with a new idea."

Knauss, T. (2016, January 15). Syracuse Inner Harbor developer COR wields money and political clout. *Syracuse Post-Standard.*

Tim Knauss graduated from the Newhouse School of Public Communications and has been working for the Post-Standard for 33 years. He focuses on city government politics in his articles. The Post-Standard was founded in 1829 and is Syracuse's major daily newspaper. This article describes COR Development Co., their plans with the Inner Harbor and their political ties to Albany and Syracuse. We used this article in the background of the Inner Harbor conflict. Although a newspaper article may not be the most credible source, information on the dealing between COR and the city are mostly under wraps and difficult if not impossible to access. Therefore, we have relied on articles from the Post-Standard to inform our case study, and we believe that the journalistic integrity of both Knauss and the Post-Standard should ensure accurate information.

Mast, Evan. (2016) "Race to the bottom? Local tax break competition and business location". *Working paper.* Stanford University.

Evan Mast is PhD candidate in Economics at Stanford University and this is a working paper is part of his dissertation research project about local tax incentive competition. This paper centers the analysis on how competition between localities affects both the behavior of governments providing tax incentives and the location decisions by businesses. The author uses statistical techniques on a sample of counties providing property tax exemptions. His main findings are that policies that reduce competition between localities, such as restricting which levels of government can offer tax incentives, have minimum effects on the firm's location decisions but can lower tax exemptions by up to 30%. He concludes that the main consecuence of competition is an overall lowering of tax rates for businesses.

Moriarty, R. (2015, December 15). City sues developer over tax deal for Syracuse Inner Harbor. ***Syracuse Post-Standard.***

Rick Moriarty graduated from Northeastern University with a bachelor's in journalism. He has written for the Post-Standard about the business community for 33 years. This article was written the day that COR made a deal with OCIDA and the city sued them for reneging on their deal. We used this article to write about the Inner Harbor case study. It provides information about why the city sued COR and more about the conflict between SIDA and OCIDA. As stated above, we acknowledge the fact that the newspaper was our only source of information about the Inner Harbor because most of the dealings were behind closed doors. This fact actually reinforces our recommendation to increase transparency.

Moriarty, R. (2016, September 16). COR Development sues city of Syracuse over Inner Harbor land. ***Syracuse Post-Standard.***

This is another article in the Post-Standard by Moriarty. It describes the situation that has unfolded since the city sued COR and COR had continues developing through their deals with OCIDA. COR was suing the city because the city was still refusing to sell them a couple parcels of land that they had initially agreed to sell them before the conflict. The same sentiments that have been expressed in the annotations for the previous newspaper articles apply to this one.

Weiner, J. (2009). State business tax incentives: examining evidence of their effectiveness. ***New England Public Policy Center*****.**

Weiner is a policy analyst for the New England Public Policy Center which is a research organization established by the Federal Reserve Bank of Boston (also known as the Boston Fed). Their purpose is to inform sound policy through research and analysis and advising policy makers based on the results of their studies. This discussion paper gives a broad overview of of tax credits for businesses, and the inherent challenges involved in evaluating their effectiveness. Weiner gives an overview of four studies looking at four policies to incentivize capital investment, job creation, research and development, and film production. Their findings conclude that the incentives do tend to foster their targeted activities, however they also find that a lot of businesses end up getting windfalls when they receive credits for a form of economic growth that would have happened anyway and that deals can often be zero-sum games. This paper does a good job of summarizing many of the issues that we discuss in this paper and is used as reinforcement for our position that it is extremely difficult to evaluate tax incentives and a lot of improvements are needed, especially in terms of transparency.