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CITY OF BUFFALO, NEW YORK**

**TESTIMONY BEFORE
NEW YORK STATE JOINT
LEGISLATIVE FISCAL COMMITTEES
REGARDING
GOVERNOR'S 2015/2016 RECOMMENDED STATE BUDGET**

**SUBMITTED
WEDNESDAY, FEBRUARY 24, 2015
ALBANY, NEW YORK**



Chairman Farrell, Chairman DeFrancisco, members of the legislature, thank you for the opportunity to address you regarding New York State's 2015/16 budget and its impact on New York State's second largest city, Buffalo, New York.

Since becoming Mayor, my focus has been on improving the fiscal outlook of Buffalo, creating a stronger business environment that will attract investment and job creation and establishing a more efficient government.

While there are still challenges, our efforts are producing results. For example:

- Since 2006, Buffalo has reduced the residential real property tax rate by nearly 16% and the commercial real property tax rate by over 29%;
- Buffalo created a Rainy Day Fund to provide a financial cushion against unanticipated adverse financial circumstances;
- Since 2006, Buffalo has not only maintained public services, but enhanced public services by:
 - Implementing a 311 Call & Resolution Center;
 - Adding a Citistat Management System;

- Installing GPS in many City vehicles, including snow plows and garbage trucks;
- Hiring firefighters and police officers, and modernizing the vehicle fleet for both;
- Reforming the permitting and licensing process;
- Resuming parks management after the inter-municipal agreement ended with Erie County;
- Resuming cell block management after the inter-municipal agreement ended with Erie County;
- Creating on-line payment systems;
- Reducing claims and outside legal fees, and
- Strategically making capital investment in parks and commercial corridors that yield a greater return.

Buffalo has pursued strategies to keep future costs down. For example:

- Collective Bargaining Agreements include the following provisions:
 - Providing conservative annual salary increases. Personal service costs have only increased 2.3% annually;
 - Ending retiree health care for all new white collar employees;
 - Negotiating residency with the Fire Department;

- Increasing employee contributions to health care;
- Increasing the length of the work day;
- Reducing paid time off;
- Creating 12 steps for City firefighters;
- Transitioning to self-insured health care.

We have also:

- Increased our recycling rate;
- Retrofitted buildings with energy efficient lighting;
- Imposed a capital budget “debt diet” that since 2006 has reduced capital spending, and
- Strategically selling capital bonds only when projects are “shovel ready.”

These efforts led the NYS designated control board overseeing Buffalo’s fiscal management to voluntarily reduce oversight of the City’s finances by going to “advisory status”. Running a lean government, while reducing taxes and increasing the quality of life have yielded growth in Buffalo’s tax base.

Buffalo is on the path to revival. Currently, there is over \$5 billion in economic development activity underway, which will result in over 12,000 new jobs. And, for the first time since 1950, the City of Buffalo is preparing for population growth, with a new wave of investment and interest returning to downtown Buffalo.

Governor Cuomo and the State Legislature have been true partners and I applaud the focus and dedication Governor Cuomo is showing Buffalo. This year's budget makes important investments, but I still have some concerns. Buffalo is looking to protect programs that work and add tools that will allow the city to reach its full potential.

Since I took office in 2006, Buffalo has gone beyond limiting tax increases and has considerably reduced property taxes. Buffalo's steadfast commitment to making the difficult cuts and decisions necessary to lower taxes, despite increasing pension, healthcare and utility costs beyond its control, now leaves it in a precarious position. The City is working to close a significant budget gap for its upcoming fiscal year, which threatens our City's ability to continue its growth and commitment to real property tax reductions. The City's exploration of alternatives to property tax increases

is critical because Buffalo seeks to continue the positive momentum, excitement and energy, which has been amplified by the Governor's Buffalo Billion, Start-Up New York and other successful development and tax reduction initiatives. The City now needs some assistance to continue its fiscally conservative, real property tax-cutting ways. For example:

LED Street Lighting

The City of Buffalo is seeking funding to support the development, acquisition and Smart LED retrofit of Buffalo's street lights. With acquisition and the retrofiting of these lights the city will achieve:

- Substantial savings through the reduction of energy use and maintenance costs and
- Enhanced public safety in its commercial business corridors

The city has over 34,000 lights throughout its 1,400 lane miles of streets and numerous parks. The system, estimated to be valued at over \$80 million, is currently owned and operated by National Grid (Niagara Mohawk).

As utility costs continue to increase, the city aims to bring budget certainty and short-term and long-term savings to the taxpayer. Through acquisition and retrofitting, the city will realize financial and operational benefits from:

- Reduced tariff rates for system ownership and non-metered rates for LEDs;
- Reduced maintenance costs (less bulb replacement performed by the city);
- Reduced energy costs (40-60% lower energy consumption of LEDs);
- Eliminating the use of hazardous materials contained in sodium vapor lamps;
- Improved lighting quality and visibility and enhanced street and park safety;
- Increased revenue opportunities due to ownership (Wi-Fi, real-time remoter control and monitoring sensors, cell-tower installation, electronic signage), and
- Real-time reporting of energy usage for energy billing and communicating non-operating streetlights for improved response.

I commend the Governor for including funding in this year's budget for a new energy competition that will award up to \$20 million for the most

forward-thinking energy projects. The City of Buffalo is in the process of putting together our submission.

Public Works Campus

The city is examining the cost saving potential of a public works campus. The campus would house the city's municipal snow plowing, garbage collection, paving, and construction vehicles, administrative offices, animal shelter, and the city impound lot. The relocation of the various divisions (which are currently scattered throughout the city) into one Department of Public Works (DPW) campus will allow for an easily accessible, "one-stop-shop" for the public to access a variety of DPW services. Consolidating these functions to one facility is expected to reduce maintenance, energy, and staffing costs. This project will ensure government efficiency by providing a single administrative office building for all DPW Divisions. The relocation of these divisions will make prime land downtown available for more appropriate uses, resulting in increased economic investment and job creation.

Fund the Restore NY Program

This program is vital to Buffalo's economic recovery. Although substantial progress has been made, Buffalo still has one of the highest rates of vacant property in the state. This program allowed for the rehab and demolition of 535 structures including the Trico building, and was essential for the expansion of the Buffalo Niagara Medical Campus. Funding for the program wasn't included in this year's budget, which may hamper Buffalo's neighborhood stabilization and revitalization efforts.

Brownfield Opportunity Areas

The New York Department of State's Brownfield Opportunity Areas (BOA) Program provides municipalities with significant financial assistance to complete brownfield revitalization plans and to implement strategies for areas affected by their proximity to such sites. Up to 90 percent of eligible project costs can be reimbursed through the BOA program currently. Through the program, brownfields are transformed from liabilities to community assets that generate business, employment, and revenue for local economies.

To date, the City of Buffalo has been awarded four Brownfield Opportunity Area designations which have been used to undertake Step 2 Nomination Studies at critical sites: the South Buffalo BOA, the Buffalo Harbor BOA, the Buffalo River Corridor BOA, and the Tonawanda Street Corridor BOA. The South Buffalo BOA is nearing completion of Step 3, making it one of the first brownfield areas to be officially designated a BOA under the program. Located within the South Buffalo BOA is the Riverbend project and the future home of Solar City, the largest Solar panel manufacturer in the United States that is expected to bring over 3,000 new jobs to Buffalo. Without the BOA program, this project would not have happened.

The Governor's proposed budget does not include funding for the Brownfield Opportunity Areas Program. Without this important funding, efforts to revitalize brownfield sites will fall short and perhaps falter.

I urge you to fund the BOA Program.

Brownfield Cleanup Program

The Brownfield Cleanup Program (BCP) provides valuable tax incentives and liability protections that have successfully encouraged redevelopment

of many brownfield sites in Western NY that would have remained vacant otherwise.

As a result of its history as a manufacturing hub, the City of Buffalo is saturated with brownfields ripe for redevelopment. In particular, Buffalo's waterfront and Eastside has numerous contaminated sites that require significant remediation before they can be repurposed.

I support the extension to the Brownfield Cleanup Program provided within Governor Cuomo's budget proposal but I recommend the following modifications to achieve the program's intent and success:

- Revise the definition of the "upside-down" requirement to be eligible for the tangible property tax credit within the BCP to reflect the following:
 - An upside-down property is defined when the cost of investigation and cleanup exceeds the appraised property value, post-remediation, but reflects the site's liabilities as a current or former brownfield.
- Presently, real estate appraisals do not incorporate environmental conditions in their valuations, which skew appraisals higher than

market value, as buyers are more hesitant to purchase brownfield or former brownfield sites.

Environmentally-impacted properties in upstate NY are valued much lower than similar downstate properties. This is why the BCP must remain an active State program. This is one of the only tools that the private sector can turn to in order to make many environmentally impacted property developments economically viable in Upstate New York. Additionally, without the BCP many of the developments that are bolstering Buffalo's resurgence may have instead, invested in another state.

Super Bid at In Rem Foreclosure Auctions

The City of Buffalo forecloses on several thousand tax-delinquent properties each year through its In Rem Tax Foreclosure process.

Unfortunately, many properties are transferred from one negligent landlord to another because the City has no preferred bid status at its annual In Rem Foreclosure Auction. Like any other interested party, the City must place the highest bid on a given property in order to purchase it.

As a result of the City's inability to step into a position in front of all other bidders to acquire problem properties at the auction, certain neglected properties continue to cycle through ownership by various unscrupulous landlords, who may even be relatives of the delinquent owner who was originally foreclosed upon. This cycle stymies productive reuse of the property and revitalization of the surrounding neighborhood.

The city would benefit from being granted the same "super bid" power that land banks have. The Land Bank Act (Article 16 of New York State Not-For-Profit Corporation Law) empowers land banks to win a bid by default at a public sale and in certain other circumstances, provided that no municipality tenders a bid and that the land bank's bid is greater than, or equivalent to, the total amount of all municipal claims and liens which were the basis for the judgment. This proposal would dramatically improve the City of Buffalo's land use planning, management and development.

AIM Funding

Given the wide variety of financial needs the City of Buffalo has, I must request an increase in AIM funding.

With budget growth consistently under inflation, a 25% reduction in workforce since 2000, and continued sacrifice by our employee unions, Buffalo has already made tough choices and tightened its belt. We continue to do more with less, and have implemented scores of efficiency measures. It is critical for local aid to be increased, so that the city's fiscal recovery is assured into the future. Presently, the city is highly dependent on state aid with over 1/3 of all revenues attributable to state support. The city has very few alternative revenue sources, other than property tax, which I have committed to not raising, in order to continue to improve the climate for residential and commercial investment in Buffalo. The City of Buffalo pays almost \$50 million in pension costs, in addition to other costs (such as healthcare, utilities, and general maintenance) increasing well beyond the rate of inflation, while persistent zero growth in state aid is endangering Buffalo's hard-earned fiscal stability.

Through hard work and careful planning, progress has been made in Buffalo. We have worked to build a foundation for future growth and investment that must not be endangered by the loss of key state funding. Thank you for your time and I wish you success in the budget deliberations ahead.