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In Ithaca, Cornell Isn't Paying Its Fair Share

What do colleges owe the cities that host them?



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THE REVIEW | OPINION

By *Davarian L. Baldwin*

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thaca, N.Y., has been described as 10 square miles, surrounded by reality. Every summer, half the city empties out

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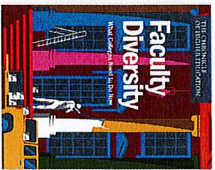
Ifestivals, solidifying the city's reputation as a quirky, bucolic haven from the real world. But over the past few months, reality has hit right at the heart of Ithaca's picture-postcard setting. This quaint college town, surrounded by rolling hills and waterfalls, has had to contend with big-city struggles over budget deficits, land battles, and political deception. And Cornell sits at the center of the controversy.

This institution of higher learning, colloquially known as "Big Red," is the largest employer in Tompkins County. Cornell has helped the area bounce back from recent recessions by drawing workers and investors to a growing high-tech sector. Alongside the purchasing power of its students, the university spends millions on construction and curates a menu of cultural amenities that make this small rural area in upstate New York an international destination.

A significant part of Cornell's economic dominance includes an estimated 47-percent ownership of Ithaca's total property value. And because it's an educational institution, most of the college's property holdings are exempt from taxation. Each year for the past 20 years, Cornell has provided the city with a payment in lieu of taxes, a financial term often referred to by its acronym, Pilot. That payment has scaled up to \$1.6 million. But if the university were not exempt, the taxes on its assessed property would amount to about \$33 million — more than a third of Ithaca's \$90-million annual budget. The burden of funding the amenities and lifestyle of this college town therefore disproportionately falls on the backs of the city's year-round residents, while its biggest employer and landholder benefits but remains tax exempt.

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A growing cross section of Ithaca's residents are belatedly realizing that the tax exemption Cornell receives for its educational service to the public good fails to outweigh its drain on Ithaca's public resources. In disgust, many Ithacans have renamed this Ivy League college "The Big Red Bandit." The reckoning has been calamitous — and, some would say, a long time coming.

This flagrant economic disparity finally came to a head during recent negotiations between Cornell University and the city of Ithaca for a new Pilot agreement. During the current round of discussions, the city requested an \$8-million Pilot, calculated as 25 percent of the \$33 million Cornell would pay if assessed a property tax. This Pilot calculation is drawn from [the Boston model](#), which only accounts for the percentage of tax collections that fund public services. Instead, Cornell played hardball, walking away from the table with an offer of only \$4 million, an annual figure that would be adjusted for inflation.

Ithaca's city government was thus caught in a double bind, forced to choose between accepting the weak Pilot terms offered by the university or watching the city fall into a budget deficit. In late September it appeared that the mayor had tentatively accepted the university's deal after a series of behind-closed-doors conversations with little public discussion. Outraged, a motley coalition of homeowners, students, and members of the local Democratic Socialists of America chapter came together under the slogan "Make Cornell Pay." They quickly organized a public

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rally and packed a Common Council meeting, calling on council members to table and ultimately reject Cornell's offer.

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On Wednesday, October 11, the Common Council made its decision. The councilors passed Cornell's limited Pilot agreement. The only adjustments included a reduction of the fixed-agreement length from 20 to 15 years and an amendment to Cornell's desired "gag order": The city can now engage in state and federal lobbying but it still cannot be directly involved in litigation against the university.

While some would still call this a victory, pushing through this Pilot agreement is in fact an act of strong-arm extortion. Cornell dangled these Pilot terms over the heads of elected officials with the full knowledge that there's a budget deficit looming. The university understood that no public official wants to be tied to a budget deficit. Therefore, political expediency forced the city to pick a "practical" solution over a more comprehensive vision of economic restructuring, even though everyone involved knows that Cornell's tax exemption is what created the deficit in the first place.

Many advocates, myself included, hope that Pilot agreements can still be used as tools of economic justice. But the

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even greater benefits. As I argue in my recent book, *In the Shadow of the Ivory Tower*, colleges have become companies, and our communities are their company towns. Today's dominant knowledge economy consolidates students, researchers, support staff, and their families around housing and labor, largely in the med-tech, health services, and software industries — all sheltered under higher education's tax-exempt arrangements. The case of Ithaca therefore has grand implications as more and more American cities are reorganizing their political economy around the planning model of a campus. The property-tax exemption afforded higher education is lucrative for colleges and their investors. But it brings dire consequences for most anyone who tries to survive in the environments they create.

Because Cornell takes so much property off the tax rolls, the burden is passed on to both homeowners and renters, while sapping the life out of the public infrastructure. Property owners pay what locals call a “double mortgage.” According to an Ithaca assessor, if all properties were taxed, the city's tax rate would drop by more than 50 percent. Of course, this tax burden also plays out in rental costs. [Local outlets have reported data from the listing service Dwellsy](#) showing Ithaca has one of the highest rents of any small city in the country; in 2022, only eight major cities had higher average rents. This pushes low-income and largely non-white residents, who often work the service jobs on campus, to the outer fringes of the city, which in turn increases their transportation costs. And while Cornell accounts for a whopping 70 percent of the Tompkins Consolidated Area Transit's bus ridership, it only contributes one-third of the annual budget.



TED SHAFFREY, AP

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Ultimately, Cornell generates wealth in the knowledge sector because it can draw investors by providing financial shelter to their research and development on tax-exempt properties. The university then sends these workers and their families out into the city to benefit from the “college-town amenities,” while only paying a fraction of the costs. In the end, both low-wage campus workers and long-term residents carry the financial burden of all of this prosperity and productivity in high mortgages and rental costs, long and costly commutes, and a weakened public infrastructure.

To add insult to injury, a number of lawyers looked at Cornell’s current memorandum of understanding with the city. It clearly demonstrates that one last payment is owed from Cornell, and it could fill the deficit. Many residents have argued that Cornell wants to set the terms of a Pilot now, fearing that new council members could be elected and push for better terms. Above all, honoring the actual MOU would have allowed for a more democratic process to happen around the terms of a new Pilot agreement without the threat of balancing the budget or fears of political survival.

The specifics of the situation may be unique, but Ithaca is not alone. The city’s struggles with Cornell bring greater illumination to national trends I have been engaged with through my Smart Cities Research Lab for some time. There is a groundswell of momentum among urban communities pushing back against the challenges created by the expanding footprint of higher education’s tax-exempt land control.

For example, New Jersey residents won \$18 million in a settled lawsuit, in 2016, against Princeton University, which had sheltered millions in royalties for the pharmaceutical giant Eli Lilly by allowing it to conduct research in tax-exempt campus buildings while the costs were passed on to the local community. [In Arizona, government officials](#)

to private companies, like State Farm Insurance, which raises the cost of living and services in the college town of Tempe.

Administrators at University of California at Berkeley have spun their continual breach of enrollment caps as bringing higher education to more people. But their [blatant violation of the Long Range Development Plan](#), without building more on-campus housing, pushes students out into the local housing market, and raises the costs for infrastructural maintenance in town. And in 2021, those of us with the Smart Cities Research Lab helped [the New Haven Rising coalition successfully fight to bring Yale University to the table](#) — after decades of resistance — and negotiate an additional \$52 million Pilot over the next six years for the city's budget in compensation for property-tax loss.

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Finally, the last few years have witnessed new and creative uses of the higher-education property-tax exemption, with dangerous consequences for local communities. Washington University in St. Louis has begun to buy up multifamily residential properties in the nearby town of University City. The conversion of these buildings into what have been called “mini-dorms” not only takes the properties off the tax rolls but also inflates housing costs beyond the reach of working-class families who have traditionally called University City home. These are just a few of the

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many communities that have reached out to us at the Smart Cities Research Lab, out of a growing concern with the broad implications of higher education's expanding tax-exempt footprint.

Let's be clear: Colleges have the capacity to serve as powerful "anchors" in our communities and do great things. But their claims to social impact must be in the interests of their host communities. They must do more than simply provide ideological cover for their insatiable desire to hoard capital like a hedge fund, occupy space like a real-estate tycoon, make decisions like a ward boss, and still pay taxes like a nonprofit.

All across the country, the demand that colleges serve as good neighbors to their surrounding urban communities is growing. Improbably enough, the quaint and quirky town of Ithaca, with its lakes and gorges, has emerged as ground zero for this struggle. For far too long, both city leaders and university administrators have reeled off the benefits that cities like Ithaca receive from having an institution like Cornell in their midst. But a reasonable Pilot—one that fairly compensates for city services and reduces the cost of living for residents in ways that also benefit the school's students and employees—is the least these institutions can offer in exchange for what their host cities provide. Paying these communities what they deserve is not a gift, it's a responsibility.

Correction (Oct. 17, 2023, 10:43 a.m.): The 2023 budget of Ithaca, N.Y., is \$90 million, not \$71 million. Cornell University's offer to provide the city \$4 million annually for payments in lieu of taxes would be adjusted for inflation, contrary to what this essay originally stated. Ithaca's Common Council met and accepted Cornell's offer on October 11, not October 12. The errors have been corrected.

We welcome your thoughts and questions about this article. Please [email the editors](#) or [submit a letter for publication](#).

OPINION

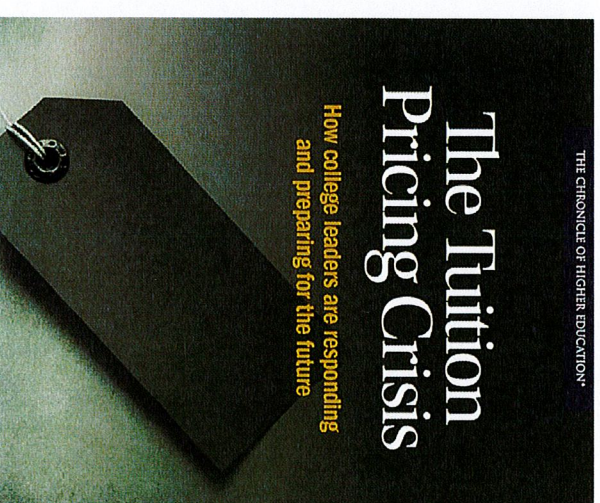
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LAW & POLICY

Davarian L. Baldwin

Davarian L. Baldwin is a professor of American studies and founding director of the Smart Cities Research Lab at Trinity College in Hartford, Conn. His latest book is *In the Shadow of the Ivory Tower: How Universities Are Plundering Our Cities* (Bold Type Books, 2021).

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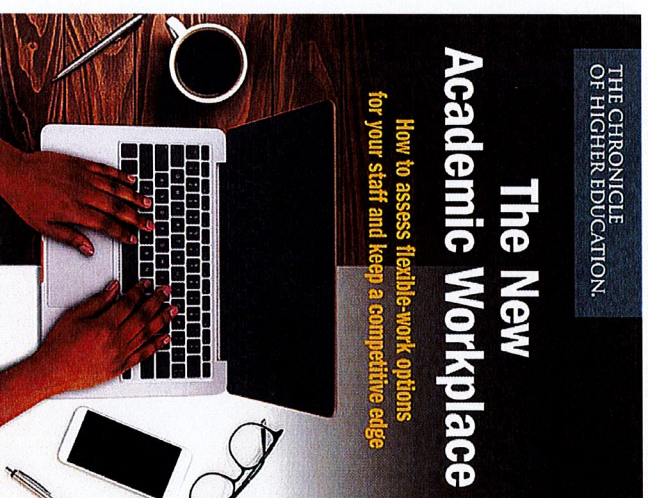


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