

# The Post-Standard

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SYRACUSE, N.Y. • \$1.75

America's Best-Read Sunday Newspaper

**GOOD MORNING**

**SUMMER VISIT**



This morning's fog will clear quickly, leaving a hot, sunny day. Monday will be the same. Alas, Tuesday will see a 20 degree drop in temperature.

Complete forecast, B-8

HIGH: 84 LOW: 60

SAVE \$188 WITH COUPONS IN TODAY'S NEWSPAPER



**YOUR GUIDE TO FALL TV**

What's good, what's bad and when you can watch it.

CNY, PAGE I-1

**UTILITY WANTS MORE**

State questions utility's request for another rate hike.

BUSINESS, PAGE D-1

**SAVING A FOOTBALL TEAM**

How students, adults from a wealthy school district helped save a rival's program.

NEW YORK, PAGE A-21

**ANN TAYLOR MAKEOVER**

CEO talks about plans to revive the company.

BUSINESS, PAGE D-1

**WHY IRAN WANTS NUKES**

Insiders say it is a matter of national pride.

STORIES, PAGE A-10

**DIFFERENT VIEWS ON CNY**

SU students offer their take on area's art, culture and music.

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**TALLEST ON EARTH**

How the Dutch got there.

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**Online news updates**

The Post-Standard's reporters update the news of Central New York from morning until night seven days a week. Get the latest news when you want it at:

www.syracuse.com/news/updates

**Corrections**

- Auburn arrest and fatal crash in Fleming/B-1
  - Touchdown passes by CBA quarterback Mike Paulus/C-1
- Call Deputy Executive Editor Tim Bunn at 470-2240 to discuss a correction on a news story. Subscription questions? Call 470-NEWS (470-6397).

THE POST-STANDARD

For home delivery, call 470-6397



The state won't tell you who collected the most **EMPIRE ZONE** tax breaks.

**THE SECRET:** It's a New Jersey company that runs old, dirty power plants that didn't add workers. In New York, **\$22 MILLION** is ...

## Money for Nothing



Gary Walts / Staff photographer

THROUGH NEW YORK'S Empire Zone program, state taxpayers reimburse NRG Energy of New Jersey for \$2 million a year in property taxes it pays for the Oswego Steam Station, built 30 years ago. The plant only runs on the coldest and hottest days, during peak demand for electricity.

By Mike McAndrew  
Staff writer

The state's Empire Zone program is supposed to work this way: New York rewards your company with tax breaks if you expand or add jobs.

But the king of the Empire Zones is a business that has done neither.

Taxpayers paid \$22 million to NRG Energy for one year, and it did almost nothing to deserve it.

The New Jersey company added one-half of one employee. It operated Upstate electric plants built decades ago by someone else. Two of these plants are the state's worst polluters and a third rarely operates.

Despite this, NRG grabbed a bigger Empire Zone tax break in 2003 than any of the 8,300 other eligible businesses, an investigation by

The Post-Standard reveals. No. 2 was another out-of-state energy conglomerate: Reliant Energy of Texas.

State taxpayers reimburse the companies for their property taxes, making them, in effect, as property tax-free as a school or church.

While New Yorkers paid the third-highest electric rates in the nation, the state gave a total of \$84 million of their taxes in recent years to two power companies.

Even Gov. George Pataki, the program's statewide cheerleader, thought that was a bad deal.

In 2004 and 2005, Pataki proposed capping the zone credits NRG and other electric generators could claim. Pataki thought

"utilities were receiving large state tax benefits with no job growth," a spokesman said.

The power companies, their friends in the Legislature and their lobbyists beat back the idea both times.

For the Oswego Steam Station alone — a 30-year-old plant that is idle most days — state taxpayers reimburse NRG for all of its property taxes: \$2 million a year.

Charles Echelbarger, a SUNY Oswego philosophy professor, lives next door and pays about \$3,000 a year in property taxes. His state income taxes help cover NRG's benefits.

"I think it's an outrage," he said.

NRG's, PAGE A-12

**THE GREAT EMPIRE ZONE GIVEAWAY**

The first in a series of stories about who's cashing in on New York's strategy to encourage businesses to grow.

On the Web: Talk about the story and find extra coverage: [www.syracuse.com/specialreports](http://www.syracuse.com/specialreports)

**ONE WOMAN'S STRUGGLE THROUGH CHEMOTHERAPY**

'I was really scared. I didn't know what was happening. . .'

Laurie Mangicaro, of Lysander, was told April 14 she had ductal carcinoma in situ in her right breast. It is a form of breast cancer that grows in the milk ducts. She underwent a double mastectomy on May 16 to remove the cancer and to try to prevent a recurrence. On May 24, she learned she would need chemotherapy and hormone therapy because her cancer had spread into the breast tissue. She's sharing her story with Post-Standard readers.

By Pam Greene  
Staff writer

After two months of shedding hair, fighting nausea and feeling like she ate a mouthful of butter, it's finally over. Laurie Mangicaro finished her last chemotherapy treatment Sept. 5.

She was exhausted. Two days later, during a follow-up appointment with her doctor, she became dizzy and sick. Her blood pressure and potassium plummeted and she



Dick Blume / Staff photographer

LAURIE MANGICARO grimaces when Deborah Walters, a registered nurse, puts a solution into a port during a chemotherapy session on July 3 at Hematology/Oncology Associates of CNY in DeWitt.

spent hours hooked to an IV to fight dehydration. She had to return the next day for more fluids.

"I was really scared. I didn't know what was happening to me," she said. "I felt like I was in a lake and I was going under."

While her final round of chemotherapy delivered the worst side effects, it was still the best treatment yet because it was the last, she said.

"I want to have a party, I want to  
I JUST, PAGE A-22

In Her Own Words: She tells what it was like to go through chemotherapy/Page A-22

## CNY race sets national political fire

By Mark Weiner  
Staff writer

It's the battle of the First Lady versus "Funny Lady" — Laura Bush against Barbara Streisand. It's the clash of tough guys Dick Cheney and Eliot Spitzer. It's right versus left, red against blue.

It's happening right here in Central New York. If you haven't seen or heard about it, just turn on a TV and chances are that you'll get the message in a commercial — all morning, afternoon and night.

The big national names are lining up, and the money and people are flowing in, to support the candidates for the open 24th Congressional District seat in Central New York.

Democrat Michael Arcuri and Republican Ray Meier are vying to replace Rep. Sherwood Boehlert, R-New Hartford, as the congressman representing a district that covers all or part of 11 counties.

The expansive district stretches from the Finger Lakes to the western Adirondacks, including Cayuga, Cortland and Oneida counties.

LATEST, PAGE A-23

The candidates, district and polls/A-23

# NRG's plants 'our proverbial dirty dinosaurs'

NRG's, FROM PAGE A-1

NRG and Reliant's windfalls help explain why the cost of the program has skyrocketed — from \$30 million in 2000 to a projected \$545 million this year.

The money flows across New York to everything from manufacturers to a self-storage place in Olean, from law offices to taverns, from startups to companies that date back to the 1800s.

The recipients include true economic success stories as well as hundreds of businesses that did not move to New York, did not grow or are no risk to move out of state.

NRG and Reliant's plants are worlds apart from the job-creating, high-tech plants that politicians fight to attract.

In addition to the Oswego operation, NRG runs coal-fired plants in Dunkirk and Tonawanda that were built in the 1950s. When it applied for zone benefits, NRG projected it would hire no new employees in Dunkirk, two at Oswego and six at Tonawanda.

Some of the hydroelectric stations Reliant owned, like ones on the Oswego River, are almost 100 years old.

The units at NRG's Oswego Steam Station, where the company said 82 people work, operate only on the coldest or hottest days of the year, when there is a peak demand for electricity.

NRG's plants in Tonawanda and Dunkirk emitted more pollutants than any other New York power plant and were the 31st and 155th dirtiest power plants in America in 2005, respectively, according to an Environmental Integrity Project report.

"They are our proverbial dirty dinosaurs," said Peter M. Iwanowicz, director of environmental health for the American Lung Association of New York State.

In 2003, NRG sued the state to try to prevent New York from enforcing rules to limit power plant emissions that cause acid rain.

"NRG has not been as responsive to the public health concerns and environmental issues associated with electricity generation as other players in the industry have been," Iwanowicz said.

To settle a Clean Air Act lawsuit brought by the state attorney general's office, NRG agreed last year to shut down four of its units at Tonawanda and to reduce its sulfur dioxide emissions by 80 percent.

Meanwhile, Reliant is awaiting trial on federal criminal charges in California. Prosecutors accused Reliant of conspiring to create a phony energy shortage in 2000 to illegally drive up electricity prices there. Without admitting wrongdoing, Reliant has paid \$460 million in refunds to settle civil suits over the alleged market manipulation.

"This is the opposite of what somebody might call a smart economic development investment," said Frank Mauro, executive director of the Fiscal Policy Institute, a liberal think tank.

New York's gift keeps giving. Because benefits run for more than 10 years, NRG's benefits alone could end up costing New Yorkers \$200 million.

## Benefits preserved

Pataki helped create the Empire Zone program. He promoted it to businesses across the country. His administration led the fight to preserve the tax breaks when they came under attack by Assembly Democrats.

But even Pataki drew a line at the breaks paid to the power companies like NRG and Reliant. In 2004 and 2005, the governor proposed capping their credits at \$10,000 for each new employee. That would've dramatically cut NRG's property tax benefit.

In both years, the Legislature and Pataki let the idea die in their private budget negotiations.

Assembly Speaker Sheldon Silver wanted a cap on benefits for every business, not just energy companies, spokesman Brian Franke said. In the end, the leaders agreed to reforms that would apply to only companies approved after April 1, 2005, not the 9,000 businesses already in the program, he said. A spokesman for Senate Majority Leader Joseph Bruno did not respond to questions.

"I know there was resistance from the Senate," said Assemblyman Paul Tonko, who chairs the Assembly Committee on Energy. "In the Senate, I think the energy committee was influential."

State Sen. James Wright, R-



Gary Walts/Staff photographer

**THE VARICK STREET** hydropower station in Oswego was built in 1926. It is one of 40 Upstate hydro stations in Empire Zones that Reliant Energy owned. Reliant expected a \$450,000 state tax refund of property taxes it paid on the Varick Street station and a hydro-power station in Minetto. In 2004, Reliant sold its 71 New York hydropower stations to Brookfield Asset Management of Toronto. Brookfield can now claim Empire Zone credits.

## The tax-credit generators

### NRG Energy Inc.



About the Princeton, N.J., corporation that received \$42 million in Empire Zone tax breaks:

**In Empire Zones:** NRG employs 141 workers at an electric generating station in Tonawanda, 149 at its station in Dunkirk and 82 at the Oswego Steam Station.

**2005 profit:** \$84 million.

**CEO pay:** David Crane's base salary is \$1 million. Incentives could bring another \$2 million plus stock.

**Bankruptcy:** In May 2003, NRG petitioned bankruptcy court for Chapter 11 protection. It emerged from Chapter 11 in December 2003, shedding \$5.2 billion in debt and \$1.3 billion in other claims.

**Pollution:** In 2002, Attorney General Eliot Spitzer sued NRG, charging the owners violated the Clean Air Act at Tonawanda and Dunkirk. NRG settled the suit in 2005 by agreeing to close four of its units at Tonawanda and cut sulfur dioxide emissions there by 80 percent by 2013. It plans to spend \$1.6 billion to build new units at Tonawanda. The project will create 85 to 100 permanent jobs and 400 to 1,000 construction jobs.

### Reliant Energy Inc.



About the Houston corporation that received \$42 million in Empire Zone breaks:

**In New York:** Sold 71 Upstate hydroelectric stations, including 40 in Empire Zones, and a cogeneration plant in East Syracuse to Brookfield Asset Management for \$874 million in 2004. In February, Reliant sold three power plants in New York City, including two in Empire Zones, for \$975 million to an investor group.

**Stadium:** In 2002, Reliant Energy signed the biggest naming-rights deal in history, agreeing to pay \$300 million to put its name on every building on Houston's Astrodome complex, including Reliant Stadium, where the NFL Houston Texans play.

**CEO pay:** Joel V. Staff will receive \$1 million in salary and \$3.39 million in other compensation.

**On trial:** Reliant awaits trial on federal criminal charges, accused of conspiring to manipulate electricity prices in California.

**Political connections:** Former CEO Ronald S. Letbetter and its former chairman, Don D. Jordan, each raised more than \$100,000 for George W. Bush's 2000 campaign for president.

### Brookfield Asset Management



About the Toronto corporation that may receive an estimated \$11 million per

year in Empire Zone tax credits for its upstate hydropower plants:

**In New York:** Bought 71 Upstate hydroelectric stations in 2004 from Reliant. It operates them as Erie Boulevard Hydropower LLC.

**Size:** Forbes ranked it as the 405th largest public company in the world with \$6 billion in sales.

**CEO pay:** J. Bruce Flatt, was paid \$1.67 million in 2005.

**Profit:** A record \$1.7 billion in 2005.

**Improvements:** Spent \$33 million upgrading its Empire Zone hydropower stations in the past three years, according to a Brookfield official.

**Workforce:** Its power division employs 200 in New York, including 120 at zone sites, the company said. Added 30 workers in its zone locations.

— Mike McAndrew

## Pataki's plan short-circuited in Legislature

Gov. Pataki proposed in 2004 and 2005 that Empire Zone breaks for electric generators be capped at \$10,000 per new employee. NRG Energy got more than \$20 million per year but created one-half of one job.

### FOR



Assemblyman Paul Tonko, D-Amsterdam, chairman of the Assembly energy committee

NRG does not deserve more than \$20 million in Empire Zone tax refunds per year if it created few jobs. The state should return to the intent of the programs: to encourage business growth in depressed areas.

Giving millions to NRG hasn't resulted in lower electric rates.

- Sen. James Wright, R-Watertown, chairman of the Senate energy committee

- It is unfair to impose new limits on NRG and other electric generators already in the program. Those companies made business decisions relying on those tax breaks.
- "We didn't want to send a message that New York state wasn't going to honor its commitments."
- Wright suggested the credits lower electrical rates for New Yorkers.

### AGAINST



Local, not state, officials decide which companies can participate in the Empire Zone program.

Each of the state's 72 zones has a zone coordinator. In Tonawanda, that's Robert Dimmig.

He said that when NRG applied to him in 2003, he thought it was a good candidate. The company was about to emerge from Chapter 11 bankruptcy. It was promising to hire six workers and invest \$21 million within two years, Dimmig said.

At the time, state officials had not issued any cost-benefit guidelines for local zone administrators to follow when evaluating an application. Now the state says applicants should be expected to provide \$15 in new salaries or investments for every \$1 in tax credits.

Dimmig said NRG invested nearly \$17 million at the Tonawanda facility in its first two years in the Empire Zone — less than it pledged.

NRG now promises to invest \$1.6 billion at the Tonawanda site by 2013 to install a new gasification plant that will burn low-sulfur coal and reduce harmful emissions. According to NRG, the project will add 85 to 100 permanent jobs and create 400 to 1,000 temporary construction jobs.

For that investment, NRG deserves its tax break, Dimmig said.

"People made multimillion-dollar investments based on an understanding they qualified for certain benefits," Meara said.

"They may not have made those investments if they didn't qualify. That was my pitch."

NRG, Reliant, Brookfield Asset and their subsidiaries have contributed \$48,700 to the campaigns of state politicians since 1999. That includes \$27,800 to Pataki, \$6,450 to Wright and \$7,200 to members of the Assembly. The companies also gave \$29,560 to the political action committee of the Independent Power Producers of New York, a trade association. The

### RESULT

The Assembly majority Democrats initially supported Pataki's proposal, but the Senate majority Republicans refused. The compromise: impose reforms on businesses admitted into the program after April 1, 2005.

Watertown, chairman of the Senate energy committee, said he opposed Pataki's proposal.

It would be unfair to cap the benefits because the state promised corporations those tax breaks and the businesses count on them, said Wright, whose district includes both NRG's Oswego station and some of the hydroelectric plants Reliant Energy owned until late 2004.

"We're certainly not going to change it retroactively," Wright said. "That would give New York economic development a bad name. We have an obligation to honor those commitments."

With millions of dollars in benefits at stake, electric generators hired lobbyists to fight Pataki's proposal.

NRG, Reliant and Brookfield Asset Management Corp. — the company that bought Reliant's hydroelectric stations in 2004 — spent about \$360,000 from May 2004 through June 2006 to lobby the Legislature and governor's office on Empire Zone issues, according to state records.

Lobbyist Brian Meara, who was hired by Reliant and is a close friend of Silver, said he helped convince the Assembly that Pataki's proposal wasn't fair.

### About the reporting

In the coming weeks, The Post-Standard will publish a series of stories about the cost and benefits of the Empire Zone program.

State officials have refused to reveal to the public the value of each company's zone tax breaks.

Businesses are helped through credits applied to their state income taxes, not through the usual grants and loans given by state officials. State law forbids New York's tax department from releasing to the public information from corporate or individual tax returns.

Each zone business must send a different department, the state Department of Economic Development, a report each year that estimates the amount of credits the business plans to claim on its tax return. The state declined to release those amounts to The Post-Standard.

The accompanying story is based on government records, interviews with the companies and local officials, property tax records and other sources.

The reporting provides the first statewide examination of what New Yorkers are getting for their money in the \$546 million program.

The Post-Standard is suing the state Department of Economic Development over its refusal to release complete credit amounts. The suit is pending in state Supreme Court.

### Empire Zone facts

**Origin:** Assembly Speaker Sheldon Silver proposed it in 2000 to spur job creation in poor areas. The Legislature and governor approved it in the state's 2000-01 budget.

**Cost:** The state budgeted \$40 million in 2000. By 2002, it cost \$273 million. Projected for 2006: \$546 million.

**Credits:** Used to reward hiring or investment. In many cases, the state will reimburse 100 percent of a company's local property taxes for 10 years. Companies also can avoid sales taxes.

**Who benefits:** Fewer than 2 percent of the state's 544,000 businesses with employees are certified for the program. Half of the 9,403 certified businesses expected to grow enough to claim tax credits in 2004.

**How the breaks are paid:** Credits reduce or eliminate a company's state income tax bill. Businesses and partners claim the credits on their income tax forms. Some credits, like the real property tax credit, generate refunds.

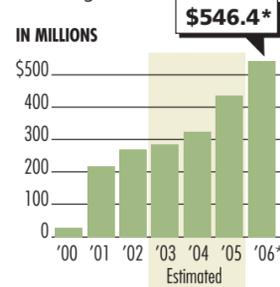
**The money comes from:** Refunds are paid from the state's general fund — income taxes paid by businesses and individuals, fees and other charges.

**Changes:** The state tried to fix loopholes in the law two times — in 2002 and 2005 — to prevent companies from receiving benefits without creating jobs. Accountants say the state has allowed businesses approved under the old law to continue to receive their credits.

**Syracuse dominates:** Syracuse has the most Empire Zone businesses (707) among the 72 zones; 17 percent of the eligible businesses statewide are in Onondaga, Oswego, Madison, Cayuga, Cortland or Oneida counties.

### Empire Zone costs

The state's cost of zone benefits is soaring.



\* projected  
(The figures don't include \$532.8 million worth of credits that corporations have earned but not used. They could use those credits in future tax years to reduce their corporate income tax liability.)

Source: State Department of Taxation & Finance

**MONEY FOR NOTHING**

**Taxes paid and reimbursed**

How NRG Energy Inc., which has plants in Oswego, Tonawanda and Dunkirk, collects its benefits:

2003	2004
NRG <b>pays</b> \$21.9 million in <b>local property taxes</b> in Erie, Chautauque and Oswego counties.	NRG Energy tells New York's Department of Economic Development it will seek a \$21.6 million Empire Zone real property tax credit. To qualify, an NRG subsidiary had to employ one employee at one of NRG's electric generating plants. NRG Energy files a <b>corporate tax return</b> with New York.

**MAY 11, 2005**  
New York sends NRG a **tax refund** for \$21.9 million. The state uses money from other taxpayers to subsidize the refund.

**Bone of contention: Do consumers benefit from large tax breaks?**

**BONE, FROM PAGE A-12**  
ating costs, those corporations can generate cheaper electricity. Tonko, the assemblyman, disputes that. He said he thinks the electricity generators pocket their tax refunds and don't share their savings with consumers.

*"These investments wouldn't have been done without the Empire Zone."*

— David Youlen, Executive who manages New York hydropower plants for Brookfield Asset Management

Only residents in Hawaii and Massachusetts pay higher residential electric rates than New Yorkers, according to the U.S. Energy Information Administration.

fund. But the real property tax credit that NRG and Reliant claimed works differently.

Using that credit, businesses can get the state's taxpayers to reimburse up to 100 percent of the property taxes they pay to counties, cities, towns and schools.

To get a full refund, an Empire Zone business is required to double its number of employees.

NRG employs a total of 231 union workers at its Tonawanda, Dunkirk and Oswego generating stations, according to the International Brotherhood of Electrical Workers union. The number has decreased since 1999, when NRG bought the plants from Niagara Mohawk Power Corp., said Dave Falletta, business manager of IBEW Local 97.

It appears NRG still qualified for a 100-percent refund of its property taxes because of a loophole in the zone law.

NRG created subsidiary companies that own the land and buildings at its three generating stations. The corporation told the state these holding companies had zero employees.

If NRG's holding companies

hired just one worker, the companies' employment would increase by 100 percent in the state's eyes, and NRG would qualify for a full refund of its property taxes.

In 2003, NRG paid \$11.9 million in taxes for its Tonawanda plant; \$8 million for Dunkirk; and \$2 million for Oswego.

**From many to a few**

Think about the \$42 million NRG and Reliant claimed was due them in 2003:

- It is more than New York contributes each year to 51 of 54 school districts in the Syracuse area.

- It represented 15 percent of the program's estimated cost of \$286 million that year.

- It cost the average New York individual and corporate tax filer \$4.53, adding to the tax bill for residents who pay the fourth-highest property taxes in the nation.

More than 98 percent of the state's businesses can't claim a dime in Empire Zone tax credits, but they chip in to pay tax refunds to NRG and Reliant.

Those payments came from people like Veronica Pascuzzi, 68, a widow who has lived for 38 years in a house next to the Oswego Steam Station. In addition to state taxes and fees, she pays local property taxes.

"I think NRG should pay taxes the same as we do," she said, "and not get the money back."

Mike McAndrew can be reached at mmcandrew@syracuse.com or 470-3016. Data editor Jeff Rea and staff writer Michelle Breidenbach contributed to this report.

The Empire Zone tax breaks have no effect on consumer electricity costs, said Gerald Norlander, executive director of the Public Utility Law Project, which represents low-income utility customers.

NRG, Reliant and Brookfield can plan on earning big profits in New York because of the way the state's power grid buys electricity, Norlander said.

NRG's Tonawanda and Dunkirk plants burn relatively low-cost coal. The hydro plants Reliant sold to Brookfield cost even less to run. Both operate more cheaply than plants that run on oil and natural gas.

But the state's power grid pays every generator the same price for electricity. That market price is usually set by those burning oil and natural gas.

So the owner of an old coal-fired plant or hydroelectric plant — with lower costs but the same sale price — "practically has a printing press" for money, Norlander said.

**Big investments**

While declining to answer questions from The Post-Standard, NRG and Reliant issued statements noting that their corporations complied with the Empire Zone rules.

NRG noted that it spent \$217 million in 2005 operating its New York energy plants.

"When you consider the sum total of what NRG invests in New York each year, and plans to invest in the future, you can see that the Empire Zone program provides a fraction, albeit meaningful to us, back in tax relief," said Meredith Moore, an NRG spokeswoman.

David Youlen, an executive who managed the New York hydropower plants for Reliant and now runs them for Brookfield Asset Management, said those companies have invested \$33 million to fix their hydro plants in the past three years.

"These investments wouldn't have been done without the Empire Zone," Youlen said.

At least 30 new employees were hired by Reliant or Brookfield at the hydropower plants in Empire Zones since they became certified, he said.

Charles Gargano, who as the state's economic development commissioner is responsible for running the program, also declined to be interviewed. His staff released this statement on his behalf: "We support efforts to ensure that Empire Zones benefits are directed towards projects that provide real economic benefits to New York."

**Creative accounting**

Most types of Empire Zone credits can be used only to reduce a corporation's income taxes and don't result in a re-



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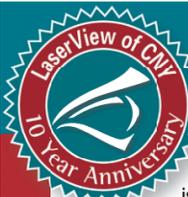
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America's Best-Read Sunday Newspaper

**GOOD MORNING**

**WET AND WINDY**

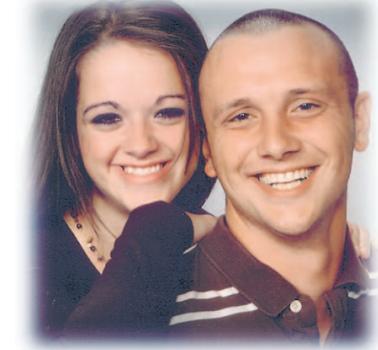


Saturday's gray weather gathers some wind and blows into today, bringing showers and thunderstorms with it. The clouds stick to the sky through the evening, when the wind dies down as temperatures take a dive.

**Complete forecast, B-8**  
**HIGH: 68**    **LOW: 47**

**SAVE \$159.73 WITH COUPONS IN TODAY'S NEWSPAPER**

**OSWEGO COUNTY SOLDIER DIES IN IRAQ**



**ARMY SPC.** Robert Thomas Callahan, shown with his wife, Kristen, died in Iraq Tuesday while serving with Fort Drum's 10th Mountain Division. Kristen grew up in North Syracuse/**B-1**

**BIN LADEN'S DEMISE**

U.S., French downplay report of his death. No confirmation forthcoming.  
**STORY, PAGE A-8**

**CORNELL TO TEST FOOD**

State approves \$40 million to build lab to test for E. coli, poisons and other nasty things.  
**NEW YORK, PAGE A-22**  
**SPINACH UPDATE, PAGE A-17**

**CLINTON ON TERROR RECORD**

Former president vehemently defends dealings with al-Qaida.  
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**TEDY BRUSCHI'S BATTLE**

Super Bowl champ back in the game after stroke at age 31.  
**PARADE**

**NEW POET LAUREATE**

Meet Donald Hall at his New England farmhouse.  
**STARS**

**CNY SECTION AMONG BEST**

The Post-Standard's feature section was named one of the nation's 10 best, again.  
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**Online news updates**

The Post-Standard's reporters update the news of Central New York from morning until night seven days a week. Get the latest news when you want it at:  
[www.syracuse.com/news/updates](http://www.syracuse.com/news/updates)

**Corrections**

- Fall Festival History Weekend/**B-1**
  - Stride for Pride time/**B-1**
- Call Deputy Executive Editor Tim Bunn at 470-2240 to discuss a correction on a news story. Subscription questions? Call 470-NEWS (470-6397).

THE POST-STANDARD

For home delivery, call 470-6397



# Husband, Wife Killed In Apparent Murder-Suicide

**Witness: Young woman ran from garage, screaming for help. Man heard three shots, then a fourth.**

**By Pedro Ramirez III and Elizabeth Doran**  
 Staff writers

A Cicero couple died in an apparent murder-suicide Saturday afternoon in their home, state police said.

Police found James P. Dirk, 50, and Wendy Dirk, 47, shot dead in an upstairs bedroom at 6150 Dawns Ridge. State police investigators were work-

ing Saturday night to determine who shot whom, said Capt. Jeffrey Raub of the trooper barracks in North Syracuse. Autopsies are scheduled for today.

Michael Ciotti, who lives in the neighborhood, said he called 911 for help just before 4 p.m. after he saw a young woman run screaming and crying from the garage at the house.

Then a scream came from inside the house, followed by three gunshots, he said. Ciotti said he heard a fourth shot while talking to the emergency dispatcher.

"It was pretty eerie," Ciotti said. "I drove a couple of houses away, because I had my girlfriend in the car and I was paranoid he might come out shooting."

Then he saw the woman who'd come out of the garage lying in the road crying, so he returned to console her until police arrived.

Ciotti saw a white Chevrolet Ava-



Wendy Dirk

lanche speeding by his home and followed it to ask the driver to slow down. The truck stopped in the driveway at 6150 Dawns Ridge. The male driver got out of the truck and went inside the house, Ciotti said. Police said the man was James Dirk.

It appears the Avalanche was chasing a silver Ford Focus with two women in it, including Wendy Dirk, state police said.

Both vehicles ended up parked side by side in the driveway at 6150 Dawns Ridge.

FRIEND, PAGE A-23

When hundreds of New York companies tinker with their names to collect millions of dollars in Empire Zone benefits, it's

# No Small Change

**Harden Furniture Inc. (roots to 1844): No tax breaks**



**Harden Holdings Inc. (formed 2002): \$332,083 in tax breaks**



Chrissie Cowan / Contributing photographer

**HARDEN FURNITURE INC.** (top) looks a lot like Harden Holdings Inc. (bottom). The first company traces its roots back 162 years. In 2002, that company formed Harden Holdings Inc., in part to take advantage of Empire Zone tax credits. Marge Wines has been making furniture in McConnellsville for 18 years.

"We are very loyal to New York state," Harden said. "We've been here for a long time and plan to be here for a much longer period of time."

Across the state, existing companies shifted their assets or reincorporated and seemed to be new. Workers continued to make the same computers, beer, jewelry and newspapers they have produced in New York for generations.

**THE GREAT EMPIRE ZONE GIVEAWAY**

One in a series of stories about who's cashing in on New York's strategy to encourage businesses to grow.

**On the Web:** Talk about the story, read previous stories and find extra coverage:  
[www.syracuse.com/specialreports](http://www.syracuse.com/specialreports)

NEW, PAGE A-24

## Why the Yankees, Mets won't play here

**Farm teams wanted new homes, but the SkyChiefs re-signed with Toronto.**

**By Matt Michael**  
 Staff writer

Imagine the New York Mets as the major league affiliate of the Triple-A Syracuse SkyChiefs.

Or how would the New York Yankees grab you?

Last week, both teams were shopping for a new Triple-A partner.

The Yankees aligned with Scranton, Pa., Thursday morning after dropping Columbus, Ohio. And the Mets signed with New Orleans Thursday night after the Baltimore Orioles hooked up with the Mets' old Triple-A affiliate at Norfolk, Va.

In Syracuse, the SkyChiefs never had a chance to court either team. That's because the SkyChiefs board of directors voted in June to renew the team's Player Development Contract with the Toronto Blue Jays for two more years, through the 2008 season.

The Yankees, Mets and Boston Red Sox are still in the hunt for a new Triple-A partner.  
**BOARD, PAGE A-18**

## Making music with Condoleezza Rice

**CNY native plays in chamber music ensemble that includes the secretary of state.**

**By Frank Herron**  
 Staff writer

Eight days ago, after he was filmed playing his viola for "60 Minutes," Syracuse native Lawrence Wallace's thoughts went back about 60 years.

As he often does, when it comes to his musical work, he thought of Elizabeth Mann.



Wallace

Wallace, a 1948 graduate of Nottingham High School, called his former music teacher to let her know that she might be able to see, and hear, her former student in tonight's scheduled broadcast.

Wallace is likely to appear on the CBS news magazine show because he plays in a five-piece chamber music ensemble with Secretary of State Condoleezza

ENSEMBLE, PAGE A-4

*"I love when people talk about tax situations and they say, 'Well, you know, it's state money. It's out there.' That state money came from my frigging withholding every week. It's absurd to me."*

— Dave Hyzy, former Buffalo Sabres season ticketholder

# New name, new tax breaks

## NEW, FROM PAGE A-1

The Post-Standard revealed the loophole as a possible strategy in 2003. Now, an examination of state records shows which companies actually played the game and began collecting the benefits, which continue for more than 10 years.

Corning Inc. saved \$5 million in taxes in 2003 after it moved its property to a real estate division, Corning Property Management Corp.

The Southern Tier's largest employer made record profits in 2000 and employment surged to 8,300 workers in New York. But then the bottom fell out of the telecommunications industry. Corning slashed its worldwide work force in half. Now, the company employs 5,500 workers in New York.

Buffalo's Rich Products Corp. took \$361,881 in property tax credits this year. The company got into the Empire Zone program in 2001, after it reorganized. Buffalo has been the home of non-dairy whipped cream since the late Robert E. Rich invented it in 1945.

Donald Western, who runs Onondaga County's Empire Zone, calls these kinds of moves a "change of shirt." It reminds him of turning his gym shirt inside out as a kid to play for the red team instead of the blue.

It's as if workers at the old company changed their shirts and came back to work for a new company.

"Instead of being ABC company, you're CBA company," Western said.

## Few new companies

The companies defend their tax credits.

The accounting tricks were legal — made possible by loopholes in a 2000 state law that the governor and legislators have struggled to fix every year since.

Gov. George Pataki and state legislators expanded an old tax credit program in 2000 and bestowed the rewards on geographic areas called Empire Zones. The law was intended to help businesses relocate or expand in zones where poverty was greatest. It was intended to help only businesses that created jobs.

But the law had an unintended consequence. The program would richly reward businesses that could claim to start with zero employees. Accountants quickly found ways to do that.

Now it is difficult to find a truly new company on the state's list of 9,403 Empire Zone businesses.

Two out-of-state power companies changed

their shirts and qualified for the biggest tax breaks in the program in 2003. NRG Energy and Reliant Energy run old power plants with little job growth.

State taxpayers gave the two companies \$84 million in zone benefits in recent years, The Post-Standard revealed Sept. 17.

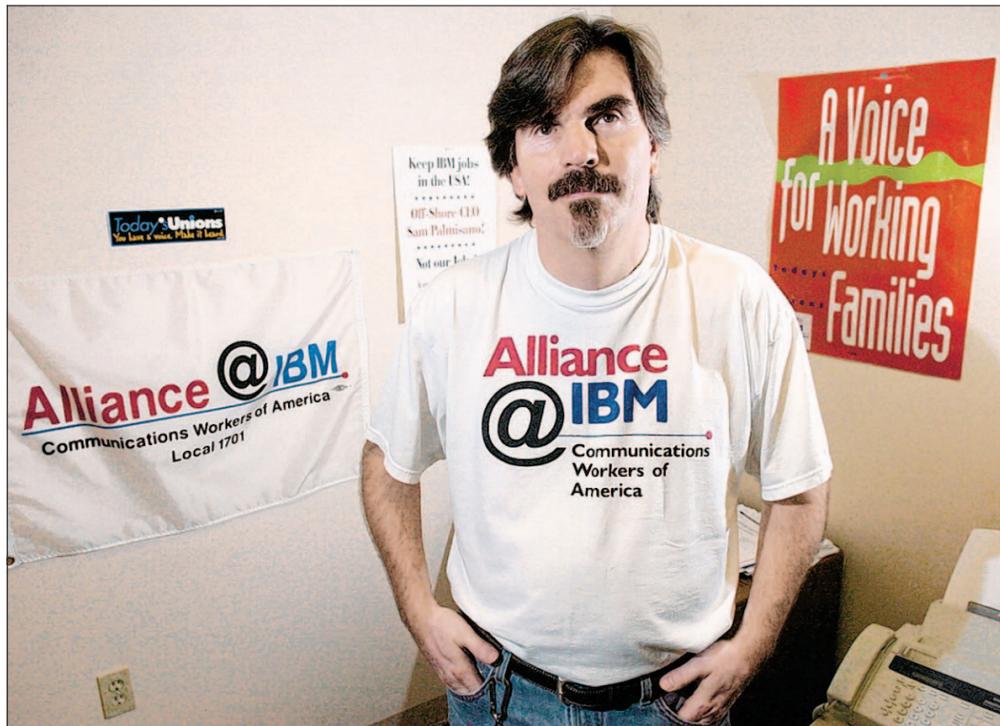
Historic hotels, bars, banks, a spa, corner delis, lawyers and accountants passed themselves off as new and won state tax relief.

## Faith in New York

In many cases, long-standing businesses transferred their property to newly created companies. That set up the businesses to easily qualify for tax breaks equal to 100 percent of their property taxes, plus other credits. These real estate divisions often employ only a few people.

Welch Allyn's real estate division hired one person to manage The Lodge, a conference center on the company's Skaneateles Falls campus. This qualified the real estate division to be repaid for its property taxes for a decade on both the conference center and the manufacturing plant: \$226,661 for 2003.

That's part of more



Stephen D. Cannerelli / Staff photographer



Stephen D. Cannerelli / Staff photographer

**RICK WHITE**, now an organizer for Alliance@IBM Communications Workers of America, lost his job when Endicott Interconnect Technologies took over IBM's microelectronics division. White, an engineer, had worked at IBM for 28 years. He says the state's investment in EIT is "nothing more than corporate welfare."

**SENIOR** manufacturing operator Jeff Poyer repairs circuit lines at Endicott Interconnect Technologies in downtown Endicott. EIT inherited 2,000 workers from IBM and immediately cut 200. Because the company was starting from scratch, it was easy to look like it had created hundreds of new jobs in New York.

than \$1 million in credits Welch Allyn's divisions took that year. The company, which makes medical equipment, has been in the region since 1915.

A company executive points to the Empire Zone program as part of the state's efforts to stop its hostility toward business.

"There were different times within this state where our former CEO wasn't terribly inclined to invest in New York state," said Kevin Cahill, executive vice president and chief financial officer. "That changed."

In 1994, the tax situation in New York was so bad in the eyes of the company's former president that William Allyn told then-Gov. Mario Cuomo in a letter that he would consider expanding in North Carolina. He called New York an "overtaxed, high-energy-cost, over-regulated and bureaucratic state."

When Pataki won the election, Allyn invited him to tour the plant and announced that the governor had given him the courage to expand in New York.

"We don't want to visit you down in North Carolina," Pataki said at the time.

## The rush to apply

Kevin McAuliffe, a lawyer with Syracuse's Green & Seifter, said in a 2003 interview that he first learned about the possibilities for shirt changers from state officials at a state-sponsored seminar near Buffalo. It was 2000 — before the expanded Empire Zone program went into effect.

The governor and the Legislature knew even then that they had a problem. The law went into effect anyway in 2001, and it took 17 more months for state leaders to repair the

loopholes. State leaders reached a deal in the 2002 budget. Then, they gave businesses three more months to get in.

Through the summer of 2002, accountants knew that July 31 would be the cut-off date. Companies approved after that date would find it tougher to change their shirts and get full property-tax credits.

The news spread quickly. Accountants taught each other at seminars how to make an old business look new. Some firms promoted the strategy.

Some accountants said they faced an ethical dilemma: Should they rush their clients into the program? Or should they acknowledge the credits were not intended for businesses that just planned to change their shirts?

"We knew it was way beyond any spirit of any law," said Christopher Anderson, a partner with Testone, Marshall & Discenza in Syracuse.

Elaine Buffington, of the Faglarone Group in Auburn, said accountants risked their licenses if they advised clients to take tax breaks they could later have to repay.

"I have had people who said, 'I want to start a new corporation so I can get these credits,'" she said. "A lot of those cases, we just said, 'That's not what we're going to do. If you want to do that, you should probably go find another accounting firm.'"

Other accountants, local officials and business owners said it was legal and fair for old businesses to get state help.

"For a new business to come in right next to you and have all of these credits available, that really wasn't fair to the established business that really supported the city throughout its history," said Karl Jacob, an accountant

with the Syracuse firm Dannible & McKee.

Jacob said he feared he could be sued for malpractice if he decided not to tell his clients this money was available.

"The city (Syracuse) was actually pushing people to get their applications in," Jacob remembered.

The race was on. In the summer before the law changed, the state approved 1,264 businesses — four times the number approved in the same period a year earlier, records show.

Almost 10 percent of the businesses allowed into the program by 2004 were approved in the single month before the state tightened the rules. A third of the new-looking companies that applied at the last minute are in Onondaga County.

Most of the benefits last for 10 years. The state budgeted \$30 million for the Empire Zone program in 2000. This year, it is expected to cost \$546 million.

## No penalties

The shirt-changing game was publicized by The Post-Standard in 2003. Charles Gargano, the state's economic development commissioner, promised to change the philosophy of the program to encourage job creation, especially in poor areas. He said the state would revoke tax breaks for companies that did not deserve them.

Assemblyman Richard Brodsky, D-Westchester, called Gargano to testify about the situation at a public hearing of his committee on authorities.

Brodsky asked Gargano to survey companies to see if they would admit reincorporating simply to take advantage of tax credits. Gargano's office mailed questionnaires to companies that started with zero employees. The state mailed 1,511 surveys. Only 175 businesses returned them. The state did not follow up.

"The companies were within their legal rights to use the loophole and to ignore our information request," said Jessica Copen, a spokeswoman for the economic development office.

Last year, the state made another new law, this time requiring the tax department to root out offenders. The state required companies to testify on their tax returns that they were reborn for a valid business reason, not just to capture tax breaks. Companies filled the form out for the first time this year. The state said it is too early to report any information about it.

Businesses and accountants say they are not worried because they had valid business reasons for their rebirths. The businesses' moves had other benefits: limiting liability and aiding estate planning, for example.

Anoplate Corp., an industrial metal finishing company in Syracuse, transferred leadership from founder Milt Stevenson Sr. to his son, Jim. The company also changed its by-laws and has added 60 jobs since 2002, paying an average \$10 an hour, Chief Financial Officer Michael Kauffman said.

The 42-year-old company reincorporated and looked brand-new to New York state. That qualified Anoplate for \$363,727 in tax credits for 2003.

"It worked perfectly for us," Kauffman said.

## New owners cut jobs

Some businesses became new for the Empire Zone program because they got new owners.

Some of those cut workers. But because they said they started new, with zero employees, every employee they inherited from the former owner looks like a new employee to New York state.

A group of managers bought the assets of the Genesee Brewing Co. in 2000 and became the High Falls Brewing Co. They added microbrews and kept on brewing the J.W. Dundee's Honey Brown, Genesee and other beers that made the company famous.

Local newspapers in 2000 said the buyout saved 450 jobs and ended speculation that the brewery might shut down after 122 years.

By 2004, the new owners had cut back to 338 employees, state records show.

Those owners took \$1.3 million in zone tax credits in 2003.



Chrissie Cowan / Contributing photographer

**GREG HARDEN**, CEO of Harden Furniture, which declined from a peak of 635 workers in early 2000 to fewer than 500 today and received \$332,083 in tax relief in 2003.

## State inflates 'new job' counts

By Michelle Breidenbach  
Staff writer

Gov. George Pataki's economic development team said the Empire Zone program created 91,088 jobs in the first four years after he and state legislators expanded the tax cuts.

Pataki's numbers are inflated, however, to include thousands of jobs that already existed in New York state, a Post-Standard analysis has found.

The governor counts 1,700 jobs at Endicott Interconnect Technologies as new jobs. That company was formed in 2002, when local investors bought a division of IBM. The new owners inherited about 2,000 workers.

The governor counts the Buffalo Sabres' workers as new employees, although the team has been playing since 1970.

The governor counts 477 jobs at Harden Holdings as new jobs. That's the new name for Harden Furniture, which rein-

corporated in 2002 and claimed all of the old employees as new.

The governor counts the 338 jobs at the High Falls Brewing Co. in Rochester as new jobs. That company was formed in 2000, when a group of managers bought the assets from Genesee Brewing Co.

The list goes on: Welch Allyn, in Skaneateles Falls, is listed in state records as creating 974 new jobs. Huhtamaki Consumer Packaging, of Fulton: 591 jobs. Car-Freshner Corp. of Watertown: 257 jobs.

The Department of Economic Development calculates job creation by simply adding up the numbers the companies provide every year on a document called the Business Annual Report. Jessica Copen, a spokeswoman, said staff looks for data input errors.

"But we have no independent way of verifying what is reported by the business," she said.

EMPIRE ZONES

# Old Sabres, new money

## A save and a bonus

Ask anyone in Buffalo; billionaire Tom Golisano saved the Buffalo Sabres. The first thing he did, however, was cut 10 percent of the hockey team's staff. "I think 20 of us that day got hammered. I was No. 3," said Gerry Magill, who worked his way up over 30 years from washing the

players' laundry. At the end of his career, Magill was the guy who blasted the air horn when the Sabres scored and, sometimes, when it only looked as if they had scored. He made about \$20,000 a year.

Dan Dipofi, the team's chief operating officer, said, "This place was losing so much money when we acquired it that we needed to find some efficiencies."

Golisano was free to count every remaining Sabre, security guard, manager and usher as a brand-new employee. That means the team could claim a \$1,500 state tax credit when it signed player Daniel Briere to a \$5 million contract.

With all its credits, the Sabres saved \$541,000 in 2003 taxes.

The team has been playing hockey in Buffalo since 1970. That's when Dave Hyzy started buying season tickets. Thirty-three years later, he quit as a personal protest. The city of Buffalo was nearly bankrupt. Schools were hurting. Libraries closed.

"The idea that millionaire owners would use tax manipulation to squeeze every little bit of blood out of the taxpayers, as if the taxpayers aren't the fans, as if it's not from people," he said. "I love when people talk about tax situations and they say, 'Well, you know, it's state money. It's out there.' That state money came from my frigging withholding every week. It's absurd to me."

Michelle Breidenbach can be reached at mbreidenbach@syracuse.com and 470-3186. Staff writer Mike McAndrew and data editor Jeff Rea contributed to this report.

OLD, FROM PAGE A-24

## Tax breaks and layoffs

Similarly, Endicott Interconnect Technologies saved hundreds of jobs at the birthplace of IBM. But it still cut some.

IBM was looking to get out of its microelectronics division in 2002. Pataki called its chairman and vouched for the credibility of a group of local investors who wanted to buy it, said Tom Davis, a minor investor who served as the accountant for the deal.

EIT got into the Empire Zone program a week before the loophole closed. The new company used anticipated zone credits and refunds as collateral for private financing. In 2003, the new EIT and its real estate division took \$9.5 million in credits.

"It provided a real safety net for the investors," Davis said.

The tax breaks covered operating losses and equipment costs in the first year, he said.

EIT inherited about 2,000 employees from the former IBM. In the first month, the new owners told 200 workers not to come back.

Because the company was starting from scratch, however, it was easy to look as if it had created hundreds of new jobs in New York. In its first year, the company claimed 1,758 former IBM workers as new employees.

In reality, the company has cut so many jobs that it risks being forced to pay back another kind of state grant, worth \$4 million, from the same state officials who regulate Empire Zones.

EIT asked engineer Rick White to leave after 28 years with IBM and less than two months for EIT.

"These people were senior engineers and scientists who were Ph.D.s or, at the very least, had several different degrees in science," White said. "They got fired."

White, now a union organizer for Alliance@IBM, said the state's investment in EIT is "nothing more than corporate welfare."

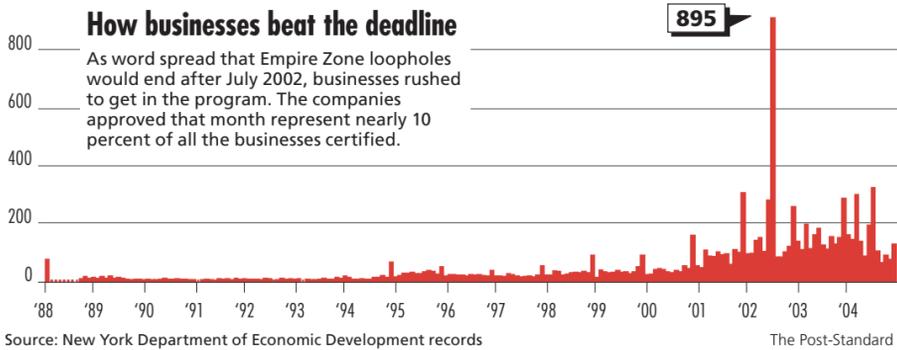
"It really bothers me why they can't invest their own money from scratch and sink or swim on that," he said. "Why do they need taxpayer dollars?"

## How businesses made themselves appear new

Some Empire Zone companies that assumed new identities, qualifying them for the most tax breaks. (Note: Date refers to when predecessors started; benefits includes either zone tax breaks or property taxes eligible for reimbursement.)

Company	Date of origin	What's new	Benefits
Anaren Microwave Inc., East Syracuse	1967	Moved assets to holding company	2006 property taxes: \$164,598
Birds Eye Foods, Fulton	1902	Put real estate into BEMSA Holding Inc.	2006 property taxes: \$187,154
Buffalo Sabres	1970	Tom Golisano bought team, created two corporations	2003 credits: \$541,000
Cliffstar Corp., Dunkirk	1899	Put real estate into Star Real Property	2006 property taxes: \$364,640
Corning Inc.	1851	Put real estate into Corning Property Management Corp.	2003 credits: \$4.6 million
Crucible Specialty Metals, Geddes	1876	Put real estate into Crucible Development Corp.	2006 property taxes: \$783,786
Harden Furniture, McConnellsville	1844	Reincorporated as Harden Holdings Inc. in Delaware	2003 credits: \$332,083
High Falls Brewing Co., Rochester	1878	Genesee Brewing managers bought the assets, renamed company	2003 credits: \$1.3 million
Welch Allyn, Skaneateles Falls	1915	Put real estate into Allyn Development Co.	2003 credits: \$321,051

Sources: State and local records, interviews



## Money Wise

The Post-Standard Mondays

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America's Best-Read Sunday Newspaper

**GOOD MORNING**

**SOGGY SUNDAY**

Today breezes in with rain and drizzle giving way to clouds and a shower by midday. The gray weather continues into evening with more clouds and yet another shower.



**HIGH: 63 LOW: 48**

Complete forecast, B-8

SAVE **\$336.53** WITH COUPONS IN TODAY'S NEWSPAPER

**THIRD STRAIGHT WIN; SU SCORES IN DOUBLE OT**



Frank Ordoñez / Staff photographer  
**RUNNING BACK** Delone Carter lunges for his third touchdown Saturday against Wyoming. The freshman posted four touchdowns in SU's 40-34 victory. **SPORTS, PAGE C-1**

**REPORT ACCUSES CLEMENS**

Ex-teammate claims Roger Clemens, Andy Pettitte and Miguel Tejada used performance-enhancing drugs. **SPORTS, PAGE C-13**

**MAN SHOT TO DEATH**

Double shooting leaves one victim dead in city Saturday night. **LOCAL, PAGE B-1**

**E-MAILS NO SECRET**

Top House Republicans knew for months about e-mail between Rep. Mark Foley and a former page. **STORY, PAGE A-14**

**LEFTOVER EMBRYOS**

Couples face tough choices over what to do with their frozen embryos. **STORY, PAGE A-21**

**JOYCE CAROL OATES**

A conversation with the author, who comes to Syracuse Tuesday. **STARS, PAGE 4**

**THE NEW JAMES BOND**

An interview with Daniel Craig. **PARADE, PAGE 4**

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**Corrections**

Strategic Workforce Action Team time/D-1

Miss Columbus Day pageant/B-1

Owners of Oneida land proposed for stores/B-1

Call Deputy Executive Editor Tim Bunn at 470-2240 to discuss a correction on a news story. Subscription questions? Call 470-NEWS (470-6397).

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## Without Promised Expansions, Pyramid Collects Millions

**Congel, partners gather \$9 million a year in tax breaks on malls in Syracuse, Watertown and Utica.**

By Mike McAndrew  
Staff writer

The Pyramid Cos. warned Syracuse politicians in 2002 that without Empire Zone tax breaks it would not transform the Carousel Center mall into Destiny USA, a \$1.7 billion resort.

In the four years since, not a single beam, block or two-by-four has been erected for Destiny USA.

Yet Pyramid founder Robert Congel and his partners are already claiming Empire Zone tax breaks worth \$7 million per year.

The 40,000 new Destiny jobs Pyramid predicted don't exist. But New York taxpayers reimbursed Pyramid for its Carousel Center property taxes in 2004 and 2005.

And it can continue to claim these tax breaks through 2015.

Sixty-seven miles to the north, a similar scene is playing out.

Congel's son, Scott Congel, announced in 2003 that a Pyramid partnership was planning a \$170 million ex-

pansion of its Watertown mall. The project would create 3,000 jobs, he predicted.

But Scott Congel told Watertown officials that before Pyramid could turn the Salmon Run Mall into an international tourist destination — with a convention center, hotel, golf course and housing — they had to put Salmon Run in an Empire Zone.

Today, the Salmon Run Mall looks essentially the same. There's no convention center. No hotel. No golf course.

PYRAMID'S, PAGE A-18

**THE GREAT EMPIRE ZONE GIVEAWAY**

One in a series of stories about who's cashing in on New York's strategy to encourage businesses to grow.

On the Web: Talk about the story, read previous stories and find extra coverage: www.syracuse.com/specialreports

**How one man with a Web site in Oregon exposed**

# HAZING

**at dozens of NCAA schools**



This image from www.NCAAhazing.com purports to show a hazing incident at North Central College in suburban Chicago.

**His claims spark probes at Cortland, Ithaca and Oswego**

By Rebecca James  
Staff writer

If student athletes get drunk and hold initiation parties in Central New York, will people 2,800 miles away have something to say about it?

In this digitally connected world of online photo albums and blogs, count on it.

William Schut, a 37-year-old in Portland, Ore., started a blog four months ago that has identified photos of students from 40 colleges, including 12 in New York, that he says depict hazing.

Schut, while sarcastic and brash, has gotten results with his blog: **www.NCAAhazing.com**. Ask Hank Nuwer, an assistant professor at Franklin College in Indiana who has written four books on hazing.

"His rants have exposed more sports teams

and their hazing since May than my reasonable, reasoned arguments and solid journalism have exposed in the last 10 years," Nuwer said.

Last month, the State University of New York at Cortland imposed sanctions against two varsity teams and Manhattan College canceled its women's lacrosse fall season. The State University of New York at Oswego and Ithaca College are in the midst of investigations.

"His site sure does point out the ability of a blog today to raise hell and to effect changes," Nuwer said. "Years ago he would have been reduced to writing letters to newspapers that certainly would have fallen short of the influence he's had today."

On Sept. 14, Schut took aim at Ithaca College:

BLOGGER'S, PAGE A-20

## Justice derailed in Upstate towns

**Legal decisions often made by those with no training, experience, law degrees.**

By William Glaberson  
N.Y. Times News Service

Some of the courtrooms are not even courtrooms: tiny offices or basement rooms without a judge's bench or jury box. Sometimes the public is not admitted, witnesses are not sworn to tell the truth, and there is no word-for-word record of the proceedings.

Nearly three-quarters of the judges are not lawyers, and many — truck drivers, sewer workers or laborers — have scant grasp of the most basic legal principles. Some never got through high school, and at least one went no further than grade school.

But serious things happen in these little rooms all over New York state. People have been sent to jail without a guilty plea or a trial, or tossed from their homes without a proper proceeding. In violation of the law, defendants have been refused lawyers, or sentenced to weeks in jail because they cannot pay a fine. Frightened women have been denied protection from abuse.

These are New York's town and village courts, or justice courts, as the 1,250 of them are widely known. In the public imagination, they are quaint holdovers from a bygone era, handling nothing weightier than traffic tickets and small claims. They get a roll of the eyes from lawyers who amuse one another with tales of incompetent small-town justices.

A woman in Malone was not amused. A mother of four, she went to court in that North

THE DRILL, PAGE A-8

- CNY justices who were sanctioned by the state/A-8
- Two stories of justice denied in town courts/A-8

## In wake of mother's killing, the mystery remains



GINOCCHETTIS: John, Timothy and Pamela.

By Marnie Eisenstadt  
Staff writer

Pamela Ginocchetti's obituary is 119 words long. It mentions no survivors.

Her loss will be mourned by both her family and her family of faith at the Christian Apostolic Church in Fayetteville, NY.

Pamela Ginocchetti's son, Timothy, 21, is the only remaining member of their immediate family. He was in jail during her funeral, charged with her murder. Police said Timothy Ginocchetti stabbed his mother repeatedly Aug. 23 in the kitchen of the Man-

lius town home they shared.

After a private service Aug. 28, Pamela's body was buried next to her husband, John, at White Chapel Memory Gardens. His death, too, was painfully public. He and another firefighter, Timothy Lynch, died in a 2002 house fire in Pompey.

A pot of dying purple mums sat in front of the freshly turned dirt on Pamela Ginocchetti's grave. Her death date has not yet been inscribed on the family's headstone. Underneath her name is a set of hands, clasped in prayer.

Religion had been a strong force in the family's life. Timothy's devotion to God and his

mother seemed to be his anchors, said the few close friends who would talk about him for this article.

For them, that amplifies the mystery of this quiet, kind young man who sat in the back of the class: How could he lash out so violently against the two things so central to his life?

It is a mystery that has not come clearer with time. Pamela Ginocchetti's death was followed by silence from almost every corner of the community.

No one from law enforcement would be interviewed for this article. Most family members, friends

MOM, PAGE A-20

# NEW YORK

## Brown repeats call for death penalty

ERIK KRISS  
ALBANY NOTEBOOK



State Senate hopeful **Jeff Brown** is citing testimony in the recent conviction of a cop killer as Exhibit A in the case for reinstating the death penalty.

Assemblyman Brown, R-Manlius, pointed out that an accomplice testified in a Chemung County court last week that **Anthony Horton** noted New York's lack of capital punishment before fatally shooting state Trooper **Andrew Sperr** on March 1.

**Bryan Adams**, who drove the getaway car after Horton robbed a Big Flats bank, testified that as Sperr approached them from his patrol car, "Tony said, 'Do you want to do a little bit of (prison) time or a lot of time?' He said he was going to shoot the cop. He said New York doesn't have the death penalty."

That prompted Brown to declare, "For those who say the death penalty is not a deterrent, this case serves as tragic evidence to the contrary; and, if there were a death penalty for cop killers in this state, Trooper Sperr might be alive today."

Brown is challenging freshman Sen. **David Valesky**, D-Oneida, who opposes the death penalty.

Earlier last month, after the killing of another state trooper, Brown had called on Assembly Speaker **Sheldon Silver**, D-Manhattan, to reconvene the house to pass legislation that would fix flaws in the state's 1995 death penalty law.

New York's highest court ruled the law's sentencing provisions unconstitutional in 2004.

Brown supports legislation passed earlier this year by the Republican-controlled Senate to reinstate capital punishment for cop killers.

**Fat tax author applauds**  
The sponsor of a proposed state "fat tax" said last week he hopes New York City's proposal to ban restaurants from using harmful trans fatty acids will spur state action.

Assemblyman **Felix Ortiz**, D-Brooklyn, who has proposed taxing junk food, praised the Big Apple's Board of Health for voting to move forward with the ban.

"I hope that we will be able to take this proposal one step further," Ortiz said, "and pass my (other) bill . . . which would require restaurants throughout New York state to post the caloric value, fat content and sodium content per serving."

**No debate**  
Democrat **Eliot Spitzer** and Republican **John Faso** debated last week in their race for governor, and plan to debate again Oct. 12 in Buffalo. But you won't see any debates between their running mates.

Rockland County Executive **C. Scott Vanderhoef**, the Republican candidate for lieutenant governor, challenged his Democratic opponent, Senate Minority Leader **David Paterson**, to debate in "every region of the state."

Paterson — through Spitzer campaign spokeswoman **Christine Anderson** — said he would not debate, period.

**Inside Albany**  
The topics on "Inside Albany" today will include the charges and countercharges surrounding the federal investigation of state attorney general candidate **Jeanine Pirro**.

Also, state Comptroller **Alan Hevesi's** apologizes and reimburses the state for his use of a state employee to chauffeur his wife, and a gubernatorial debate in Ithaca last week emphasized the sharp differences in policy views between candidates Spitzer and Faso.

# Pyramid's 'new' companies had to add one job to save millions

PYRAMID'S, FROM PAGE A-1

"None of it took place," said Peter Clough, a Watertown councilman and chairman of the Watertown Empire Zone board.

Still, New York taxpayers are paying Congel and his partners at Salmon Run \$1 million per year in zone benefits.

In all, Pyramid partnerships are claiming \$9 million per year in Empire Zone tax breaks for three malls — Carousel Center, Salmon Run and Riverside Center in Utica.

Partners that include Robert and Scott Congel also claim \$15,500 per year in zone credits for a new hotel next to Pyramid's Hudson Valley Mall in Kingston.

Pyramid officials defend the tax breaks this way: Congel and his partners have spent far more — \$215 million planning Destiny USA and \$22 million on improving the Watertown and Utica malls — than they've received in Empire Zone benefits.

The Carousel Center expansion, promised since 1998, has been delayed in part by disputes over local taxes and financing, and the developer's evolving vision for the plan. Pyramid officials say construction will begin this year.

### Tied to Destiny

The Empire Zone program, created by the Legislature and Gov. George Pataki in 2000, was designed to reward businesses with tax breaks after they moved to the area, added jobs or expanded.

Across New York, hundreds of businesses took advantage of the program's loose rules to capture lucrative tax breaks without creating many jobs. The program's cost jumped from \$30 million in 2000 to a projected \$546 million in 2006.

State leaders fixed some of the problems by 2005, but the stricter rules do not apply to more than 9,000 businesses already in the program, including the three Pyramid malls.

In early 2002, Destiny USA chief executive officer Michael Lorenz gave Syracuse Common Council and the Onondaga County Legislature an ultimatum.

If the politicians didn't put the then-12-year-old Carousel Center and the surrounding Destiny USA acreage into an Empire Zone, Pyramid would walk away from the \$1.7 billion project, Lorenz said.

The council voted 9-0 to approve zone status. The legislature approved it 17-1, with only Lovie Winslow voting no.

Syracuse zone coordinator Marge Simcusi said the city approved the mall because Destiny USA was coming.

"There wasn't any other proposed development that came to the city or county that came anywhere close to this," she said.

In its one-page zone application for Carousel Center Co. LP, Pyramid projected it would hire three new workers in the next two years.

That was enough. Under the state's loose rules, Carousel Center only had to hire one new worker for Congel and his partners to collect a full refund of the mall's property taxes for 10 years, said Jessica Copen, a state Department of Economic Development spokeswoman.

Even if Carousel Center is never expanded and the thousands of Destiny USA jobs never happen, Congel and his partners are still entitled to the tax break, Copen said.

Syracuse Common Councilor Stephanie Miner, a critic of the Destiny USA deal, said that shows how flawed New York's economic development policies are.

"There is no relationship between the lucrative benefits Pyramid gets and the benefits the



File photograph, 2002 / Dennis Nett

**NINO CARDONE**, of Syracuse, paints ceremonial pilings in October 2002 for groundbreaking ceremonies for the \$1.7 billion Destiny USA project. Pyramid founder Robert Congel and his partners get Empire Zone tax breaks worth \$7 million per year for the project which hasn't been built.

### Pyramid's tax breaks

Pyramid Cos. partnerships are claiming \$9 million per year in Empire Zone tax credits for three malls and a hotel\* in New York. Here's how the credits break down for 2005:



File photo, David Lassman, 2003



Stephen D. Cannerelli / Staff photographer



Gary Walts / Staff photographer

\* In 2005, Pyramid claimed a tax break of \$15,503 for a Marriott Courtyard in Kingston, built in 2006.

Sources: State records, the Pyramid Cos.

The Post-Standard

community receives in exchange," Miner said. "We have the same mall now that we had before they were getting Empire Zone credits."

County Legislator Mark Stanczyk was surprised to learn Carousel Center's partners are collecting zone tax credits when Destiny remains a promise.

"This community has been taken for a long ride on this thing," he said. "Quite frankly, I thought that if the state creates a special incentive for businesses to expand and create new jobs, that if they don't expand or create new jobs, I assumed the state would make sure they got no tax credits."

### No breaks for other malls

Carousel Center's competition has to get by without these tax breaks.

The owners of ShoppingTown in DeWitt don't receive zone benefits. At Great Northern Mall in Clay, only a Dick's Sporting Goods store is collecting zone benefits.

Near Rochester, two malls owned until last year by the Wilmore group receive more than \$1 million a year in zone credits.

Only two zone businesses in New York state — both power companies — are getting bigger property tax credits than Carousel Center.

Under the state's Empire Zone rules, manufacturers that employ thousands of workers in high-paying jobs — such as New Process Gear in DeWitt and Lockheed Martin in Salina — collect millions of dollars less in zone benefits than the mall.

Destiny USA spokesman David Aitken said the mall developer deserves the tax breaks for Carousel Center because it has hired people and spent \$215 million planning Destiny in the last four years. Aitken said the partners have reinvested the tax breaks back into the project.

Aitken noted that Congel agreed this year to pay \$60 million in project fees, which Syracuse and Onondaga County can keep if Destiny is not built.

### Corporate shuffle

Carousel Center opened in 1990. Twelve years later, when it applied for Empire Zone status, Carousel Center Co. LP claimed it had zero employees.

The partnership claimed 107 workers in 2005, with a starting pay of \$13 an hour.

The Pyramid partnership called Carousel Center Co. LP was formed years before it ap-

plied for zone benefits. Because it had no employees in 2002, it gets treated like a new business under the Empire Zone rules. If it hired just one worker, it's entitled to a 100 percent refund on its property taxes.

The Pyramid partnerships that own Salmon Run Mall in Watertown and the Riverside Center in Utica both reincorporated under new names to become eligible for the maximum benefits, said Michael Bovalino, the CEO of Pyramid Management Group. The legal practice of companies

changing their identities to appear new is known as "shirt-changing."

"This is clearly a vestige of an unfortunate loophole," said R. Michael N'Dolo of Camoin Associates, a Saratoga firm that Watertown hired to help run its Empire Zone.

Twenty-seven Carousel Center and Destiny entities applied for Empire Zone status in 2002, seven days before tougher rules went into effect to begin to close the "shirt changer" loophole. All the Destiny companies —

with such hopeful-sounding names as "Destiny USA Tourism" and "Destiny USA Golf" — fall under the old law. By hiring one worker, each can get state taxpayers to reimburse the company for its property taxes for a decade. These Destiny companies have not hired workers or claimed Empire Zone tax breaks, Aitken said.

Pyramid's leases generally require its tenants to pay the mall owner prorated shares of the property taxes. Aitken would not say whether Carousel Center's partners have shared any of the \$7 million-a-year Empire Zone property tax refund with the tenants.

### Salmon Run survives

The Watertown Empire Zone board talked in 2005 about asking the state to drop Salmon Run as a zone business because it didn't expand as promised, board chairman Clough said.

It didn't take that step. New York has not decertified any businesses for failing to fulfill their promised job creation or investment, said Copen, the state Department of Economic Development spokeswoman.

The Salmon Run project was scrapped because the mall encountered new competition, Bovalino said.

He said Salmon Run's partners have spent \$13 million renovating the Watertown mall since 2003, adding about 50,000 square feet. Three stores — Best Buy, Gander Mountain and Dick's Sporting Goods — moved in.

Salmon Run claimed four workers earning an average of \$15,878 in 2005. Bovalino said its tenants employ 225 more workers today than in 2003.

After Utica officials made Riverside an Empire Zone business, Riverside hired one employee who earned \$11,364 in 2003.

Riverside has been turned from an enclosed mall to a strip center with a Wal-Mart, BJ's Warehouse and Lowe's. Its eight movie theaters closed in 2005. Montgomery Ward, Old Navy, OfficeMax and Radio Shack recently left, too. They've been replaced by a Linens & Things, a Tractor Supply Co. and Steve & Barry's.

Bovalino said Riverside's partners spent nearly \$9 million renovating the strip center in the past three years. Tenants have added 250 employees since 2002, he said.

Mike McAndrew can be reached at mmcandrew@syracuse.com or 470-3016. Data editor Jeff Rea contributed to this report.

*"Quite frankly, I thought that if the state creates a special incentive for businesses to expand and create new jobs, that if they don't expand or create new jobs, I assumed the state would make sure they got no tax credits."*

— Mark Stanczyk, Onondaga County legislator

# The Post-Standard

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America's Best-Read Sunday Newspaper

## GOOD MORNING WHAT A DAY



It will be a beautiful day for fall colors, playing outside, or just looking out the window. The warm days and cool nights continue Monday.

Complete forecast, B-8

HIGH: 75 LOW: 52

SAVE \$134.64 WITH COUPONS IN TODAY'S NEWSPAPER

## METS CLINCH, YANKEES OUT



Mets 9 Padres 3  
Dodgers 5 Cardinals 1

New York wins series 3-0 St. Louis leads series 2-1

Next game: Wednesday Next game: 8:05 p.m. today



Yankees 3 Twins  
Tigers 8 Athletics

Detroit wins series 3-1 Oakland won series 3-0 Friday

Next game: Detroit vs. Oakland Tuesday

BASEBALL STORIES, PAGE C-1

## DIRT WEEK PAY DIRT

Danny Johnson won the DIRT 358-modified race Saturday. The feature race, the Eckerd 200, is at 2:15 p.m. today.

STORIES/SPORTS, PAGE C-16, 17

GALLERY OF CARS/SPORTS, PAGE C-18

## FOLEY FALLOUT

Analysts: At least five more GOP congressional seats in serious contention.

STORY, PAGE A-18

## SU LOSES TO PITT

Pitt snaps SU's three-game winning streak. SU loses 21-11.

SPORTS, PAGE C-1

## HALLOWEEN CONTEST

Hey kids, finish Bruce Coville's scary story for a chance to win.

CNY, PAGE I-1

## APPLES SPOILING

CNY growers lose apples because of a shortage of migrant workers.

BUSINESS, PAGE D-1

## WHAT \$622,000 BUYS IN CNY

Take a tour of a Cazenovia cottage that once hosted theater groups.

REAL ESTATE, PAGE H-1

## FIGHTING SPAM

Al Fasoldt offers his tips on thwarting spammers.

STARS, PAGE 24

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## Online news updates

The Post-Standard's reporters update the news of Central New York from morning until night seven days a week. Get the latest news when you want it at:

www.syracuse.com/news/updates

## Corrections

■Price of home at 140 Mildred Ave./H-1 Call Deputy Executive Editor Tim Bunn at 470-2240 to discuss a correction on a news story. Subscription questions? Call 470-NEWS (470-6397).

THE POST-STANDARD



For home delivery, call 470-6397

# How You Can Cut Your Utility Bill

## Pick market rate for electricity and save, but there's a risk

By Tim Knauss  
Staff writer

Pssst. Want to cut your household electric bill by \$10 or \$15 a month?

Jim Gladyszewski has a hot tip for you. The local energy consultant is advising his clients and friends to take advantage of a little-known billing option from National Grid that can offer significant savings.

If you're interested, understand this: It is not risk-free. It is a gamble. You could end up losing money over the long run.

That said, the households and small-business owners who have taken the gamble this year have won, saving money or breaking

even every month since January.

The gamble is called "market rate service."

If you ask National Grid to put you on market rate service, rather than the default "standard rate service," one of the charges on your bill each month will disappear. Customers on market rate service do not pay the so-called "delivery adjustment."

The delivery adjustment varies. As of last week, it added about 2.4 cents per kilowatt-hour to the bill, or \$12 to \$18 on a typical residential bill in Central New York.

But some energy experts say market rate

EXPERTS, PAGE A-25

## The bill

National Grid customers can avoid the "delivery adjustment" on their electric bill (highlighted below). But it's a risk, and experts disagree on whether consumers would come out ahead.

National Grid Electricity Delivery Charges	
Basic service (not including usage) .....	\$ 15.68
Delivery 699 kWh @ 3.4143 ¢ .....	23.87
Delivery Adj 699 kWh @ 2.37700 ¢ .....	16.61
SBC/RPS Charge 699 kWh @ 0.155800 ¢ .....	1.09
Trans Rev Adj 699 kWh @ 0.20000 ¢ .....	1.40
Tariff Surcharge (3.09278 %) .....	1.81
<b>Total NG Electricity Delivery Charges .....</b>	<b>\$ 60.46</b>

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Getting fixed energy prices gives you stability, but it comes at a cost/D-1

## LARGEST NORTH COUNTRY HOUSING BOOM SINCE THE '80S



Stephen D. Cannerelli / Staff photographer

CRESCENT WOODS, a housing development rising on Fort Drum, looked like an assembly line a little over a week ago. At one end, families had moved into finished homes. At the other, wood frame skeletons and concrete foundations awaited their next phases of construction. The houses are 1,700-square-foot, three-bedroom dwellings.

# A PLACE TO COME HOME TO

## WITH 7,500 SOLDIERS EXPECTED TO ROTATE HOME NEXT YEAR, FORT DRUM GOES INTO THE HOUSE-BUILDING BUSINESS



Stephen D. Cannerelli / Staff photographer

MELISSA CERVANTEZ-ZAHLER installs framing hardware Sept. 28 in a house at the Crescent Woods development. Fort Drum Mountain Community Homes is trying to build places "where families want to stay, even during deployments," said Joseph McLaughlin, project director.

By Hart Seeley  
Staff writer

Families around Fort Drum can't wait until next year, when about 7,500 U.S. Army soldiers are scheduled to return home from war zones. But the thought has given James W. Corriveau a few sleepless nights.

He's got to make sure they have homes.

"The day of reckoning is coming next winter, or next spring, when the soldiers want to reunite with their families," said Corriveau, public works director at Fort Drum, the fast-expanding Army base near Watertown. "I'm looking for a difficult time next spring."

Troop deployments to Iraq and Afghanistan have delayed the impact of the 6,000 new soldiers that have been added to the North Country base in the

last two years. But they have left North Country housing officials struggling to project how many boots will be on the ground if and when everybody does come home.

"We expect brigades to come and go in the years ahead, just as they are doing now," Corriveau said. "So we wonder, what is going to be the steady state of demand? We've got 17,000 soldiers assigned to Fort Drum, but we've never seen them all here at one time, and we might not for years to come. That's not simple stuff for developers and lenders to sort out."

Still, Watertown faces a quandary most Upstate communities have not enjoyed for generations: growing pains.

In fact, Fort Drum's expansion has triggered the largest local housing boom

DRUM'S, PAGE A-12

**On the waiting list for Drum housing: 1,170 families**

## Lopsided race has few wondering who will win

Even some GOP faithful are backing Spitzer over Faso. Many wonder if Spitzer can fix Albany.

By Erik Kriss  
Albany bureau

It could be a classic matchup in the governor's race: a progressive Democrat against a conservative Republican. But Democrat Eliot Spitzer is so far ahead of Republican John Faso in polls, money and establishment support that few who follow politics call it much of a matchup at all.

And as the race to succeed retiring Gov. George Pataki heads toward the homestretch, much of the talk centers on whether, and to what extent, Spitzer can fix a state government both candidates call broken.

The Princeton-educated, Harvard Law School-trained Spitzer promises to confront Albany's status quo in the same way he took on Wall Street fraud as attorney general.

A son of privilege whose father made millions in real estate in New York City, Spitzer, who captained his prep school tennis team, promises to sharply increase school aid and invest in key business sectors without raising taxes.

Faso, the son of a Catholic — and Democratic — school janitor on Long Island, graduated from State University College at Brockport and settled Upstate in Co-

BOTH, PAGE A-24

## CAMPAIGN '06 RACE FOR GOVERNOR



FASO SPITZER

The two men who want to succeed Gov. George Pataki — Republican John Faso and Democrat Eliot Spitzer — have sharply differing views on taxes, social issues, government reform and the environment.

SIDE-BY-SIDE COMPARISON: PAGE A-24

For more stories, blogs, forums and a comprehensive online guide to races to be decided on Nov. 7, go to [www.syracuse.com/politics](http://www.syracuse.com/politics)

## For top 10 firms, \$56M in refunds for few jobs

Biggest Empire Zone winners created fewer than 21 positions. Some cut workers.

By Mike McAndrew  
Staff writer

None of the 10 businesses that claimed the biggest Empire Zone property tax refunds for 2003 created more than 20 jobs, and some actually cut workers, The Post-Standard found.

The 10 companies told the state they would claim \$56 million in property tax credits that year. The money is delivered in income tax refunds to the companies — all paid by state taxpayers.

The state's Empire Zone program is supposed to reward companies that expand and create jobs. But the 10 took advantage of the program's loose rules to

**THE GREAT EMPIRE ZONE GIVEAWAY**

One in a series of stories about who's cashing in on New York's strategy to encourage businesses to grow.

**On the Web:** Talk about the story, read previous stories and find extra coverage: [www.syracuse.com/specialreports](http://www.syracuse.com/specialreports)

qualify for big tax breaks without hiring many workers.

The list includes old power plants, a shopping mall opened in 1967 and divisions of two big Upstate companies that have cut jobs since joining the program.

Only one of the 10 companies — Central New York Oil & Gas

LOOPHOLE, PAGE A-24

Who got the top Empire Zone payouts/A-24 Empire State Development Corp. chairman defends program/E-1



Stephen D. Cannerelli / Staff photographer

**ELIOT SPITZER**, who is running for governor, campaigns for state Sen. David Valesky at the Family Restaurant in Auburn on Wednesday. Spitzer is talking with Betty Graney, of Auburn, and her son, Bill Graney, while her grandson, Andrew, watches.



Gloria Wright / Staff photographer

**JOHN FASO**, who is running for governor, speaks at a news conference in April at the Onondaga County Republican Party headquarters on West Onondaga Street in Syracuse. He was elected Assembly minority leader in 1998 and ran for state comptroller in 2002.

# Both candidates for governor carry some baggage

BOTH, FROM PAGE A-1

lumbia County, where he was elected to the Assembly. He proposes deep cuts in broad-based taxes by trimming state spending in real dollars, as he helped do in supervising the drafting of Pataki's first budget in 1995.

Both men claim they can pay for their programs through spending cuts, including slashing Medicaid costs. But Faso has insisted Spitzer's promises will lead to more spending and higher taxes, and Spitzer has called Faso's deep tax cuts "voodoo economics."

The differences between the two extend to social issues, the environment, and whether state judges should be elected, as Faso says, or appointed, as Spitzer favors.

Despite a reputation that won him the nickname "the sheriff of Wall Street" and astronomical poll numbers, Spitzer has generated his share of controversy.

He did not reveal, until late in the 1998 campaign he narrowly won to become attorney general, that his father had loaned him \$4 million to pay off debt from his failed 1994 bid for the office — a total some charged violated the spirit of campaign contribution limits.

And corporate leaders charge that Spitzer abused the Martin Act, which gives New York's attorney general sweeping and unique powers. He used it, they maintain, to bully investment firms, insurance companies and pharmaceutical manufacturers into settling questionable investigations, resulting in thousands of job losses. The one defendant who took him to trial, they noted, prevailed.

Faso says Spitzer would hurt

## What's the difference?

These candidates for governor of New York hold widely diverging views on a number of issues. Here are some of them:



**Eliot Spitzer, Democrat**



**John Faso, Republican**

Issue	Eliot Spitzer, Democrat	John Faso, Republican
<b>Taxes</b>	Lower income taxes, but only when affordable; close some corporate loopholes. Increase "STAR" exemption for school property taxes by 80 percent for homeowners earning less than the median income and between 30 percent and 80 percent for others. Those earning \$235,000 or more would get no increase. No state-imposed cap on local school spending.	Phase in income tax cut of 25 percent; eliminate income tax for married couples earning less than \$50,000 and singles earning less than \$25,000. Double "STAR" exemptions for school property taxes for all homeowners if districts cap spending at the rate of inflation or 4 percent, whichever is less, and if the state relieves localities of key mandates.
<b>Social issues</b>	Legalize gay marriage. Maintain current abortion rights.	Maintain ban on gay marriage; consider instituting civil unions. Ban so-called "partial birth" abortions; ban most Medicaid funding for abortion; require notifying parents of underage daughters getting abortions, except in cases of abuse.
<b>Government reform</b>	Publicly finance political campaigns; allow governors to appoint state Supreme Court judges; have an independent panel not legislators redraw legislative districts.	No public campaign financing; keep electing state Supreme Court judges; no separate redistricting commission, but would veto any redistricting plan he considered "gerrymandered."
<b>Environment</b>	Expand bottle bill to require deposits on non-carbonated beverage containers.	Don't expand bottle bill.

The Post-Standard

economic development.

"I am the only candidate," Faso recently told business leaders, "who does not think that pursuing phony, headline-grabbing cases against prominent corporate figures is the right message to send investors and business executives across the nation."

Faso has not had a free pass, either.

His critics claim that as a reg-

istered lobbyist in recent years, he was the kind of Albany insider who made New York's state government dysfunctional.

His own state party chairman, who backed former Massachusetts Gov. William Weld for the GOP nomination, said Faso was living in "la-la land." Other Republicans suggested his record as Assembly minority leader was too conservative for him to win.

Political observers say none of

it really matters.

Asked about Faso, Syracuse University political science professor Jeffrey Stonecash quipped, "Who?"

"Spitzer is rolling along with a halo around him because of what he did with corporate corruption," said Stonecash, who also noted Democrats' 5-3 statewide enrollment advantage and President Bush's unpopularity in New York. "I don't

think Faso has gotten a serious look by the electorate here."

Even former state Republican Chairman J. Patrick Barrett, of Manlius, contributed \$50,000 to Spitzer's campaign.

"He gets it," small business lobbyist and diehard conservative Mark Alesse said of Spitzer. "I think he's the kind of guy, if the business community marshals the facts and makes the case logically and rationally, he's going to be with us."

Alesse, executive director of the National Federation of Independent Business state chapter, noted Spitzer's pledges to hold the line on taxes, to weaken a union-supported law requiring costly separate contracts on public works jobs, and to limit permanent partial disability awards to injured workers (all positions Faso has at least matched).

Deb Warner, director of government affairs for the Greater Syracuse Chamber of Commerce, said both candidates are talking about "our top issues." Although she said Faso has offered more detail, the chamber's PAC donated \$2,000 to Spitzer and none to Faso.

Service Employees International Union (SEIU) 1199 represents hundreds of thousands of workers in hospitals, some of which Spitzer has promised to close. The union usually en-

dorses Democrats but is sitting out the governor's race. 1199's politically savvy executive vice president, former state Assembly aide Jennifer Cunningham, would not say why.

Although Spitzer says he ultimately wants to cut taxes, some of his supporters say he will have to raise them to fulfill his promises of increasing education spending and other programs.

"We believe he's going to

*"Spitzer is rolling along with a halo around him because of what he did with corporate corruption. I don't think Faso has gotten a serious look by the electorate here."*

— Jeffrey Stonecash, Syracuse University political science professor

have to at some point,"

conceded Alan Lubin, executive vice president of the powerful New York State Teachers union, which endorsed Spitzer. "Perhaps he can cut the taxes for working people and raise them on the wealthy."

Lubin added, "I just

don't see him going after unions."

Alesse, the small business lobbyist, said he hopes Spitzer delays some of his initiatives rather than raise taxes. He said he thought Faso offers "terrifically good ideas," especially on tax relief and pension reform.

"You really hope that John is able to articulate those ideas clearly enough and well enough that he can persuade really the one voter that counts here — Eliot — because John's not going to win."

Erik Kriss can be reached at erikriss@aol.com or 518-463-8038.

# Loophole allows companies to keep getting state tax refunds

LOOPHOLE, FROM PAGE A-1

Co., which opened an underground natural gas storage facility in 2002 in Owego — was actually a new business in New York. It reported 10 workers, but that was good enough to qualify for \$2.5 million in property tax credits.

One of the businesses — Corning Inc. — laid off thousands of workers across New York in 2001 and 2002. Its subsidiary, sixth on the list, planned to claim \$4.6 million in credits for its Corning-area operations.

U.S. Sen. Charles Schumer accused another of the top 10 companies — AG Properties of Kingston, which owns a former IBM complex there — of poor management in 2004.

The state withholds from the public any information on how much each business claims. So The Post-Standard compiled the top 10 list using Empire Zone records, local property tax bills and interviews.

Most of the top 10 qualified for the maximum tax breaks by using savvy accounting and a loophole in the Empire Zone law to appear — on paper — to be new.

This practice — called "shirt-changing" — enabled companies that had existed in New York for generations to hire just one worker and qualify for a full refund of their property taxes for 10 years. That means the top 10 in 2003 are in a position to collect similar amounts this year

and beyond.

Here are five examples:

**NRG Energy.** The "shirt-changing" strategy is why taxpayers paid nearly \$22 million in 2003 Empire Zone refunds to this Princeton, N.J., corporation. It has three companies in the top 10.

**Huron Real Estate Associates.** State taxpayers refunded \$6.2 million in property taxes to the real estate affiliate of Endicott Interconnect Technologies.

Huron claimed on Empire Zone records that its work force went from 0 in 2002 to 214 in 2003. Actually, Endicott Interconnect has laid off about 400 of the former IBM workers it inherited.

**The Mall at Greece Ridge Center.** Taxpayers paid a \$2.6 million property-tax refund to a Wilmore partnership that owns the Rochester-area mall. Wilmore claimed it increased employment there from 0 to 4.

**AG Properties of Kingston and Ulster Business Complex.** The real estate companies both owned by Alan Ginsberg of New York City, bought a 27-building former IBM complex outside Kingston in 1998.

In 2003, AG Properties claimed in state records that it had created 15 jobs and wanted a \$2.2 million tax refund. Ulster Business Complex claimed it had hired one worker and wanted a \$1.1 million refund.

Ulster County considered seizing the site, now called

## Top 12 zone payouts

These individual companies claimed the biggest Empire Zone property tax credits for 2003. Two are new.

Company, Location	What it does	New business?	2003 real property tax credit (in millions)
1. NRG Energy, Tonawanda	Power plant built in 1950s, dirtiest in state	no	\$11.9
2. Astoria Generating Co., Brooklyn	Power plant built in early 1970s, works only at peak demand	no	9.9
3. NRG Energy, Dunkirk	Power plant built in 1950s, second dirtiest in state	no	7.7
4. Erie Boulevard Hydropower, Potsdam	Former Reliant Energy subsidiary owned about 25 hydropower plants, most built 1902-1957	no	6.4
5. Huron Real Estate Associates, Endicott	Owens former IBM site, leases it to Endicott Interconnect Technologies	no	6.2
6. Corning Property Management, Corning	Subsidiary of Corning Inc., which cut thousands of jobs in 2001 and 2002	no	4.6
7. Greece Town Mall, Rochester	Wilmorite's Mall at Greece Ridge Center was Upstate's first enclosed suburban mall (1967)	no	2.6
8. Central New York Oil & Gas Co., Owego	Underground natural gas storage facility, opened in 2002, employed 10	yes	2.5
9. AG Properties of Kingston, Kingston	Real estate company bought former IBM complex in 1998	no	2.2
10. NRG Energy, Oswego	Built 1976-1980, power plant operates only on peak demand days	no	2.0
11. Nichols Distribution, Nichols	Best Buy subsidiary built warehouse in 2003, hired 201 by 2004	yes	1.5
12. M&T Bank, Buffalo	Through mergers, bank increased jobs from 829 to 1,702 in 2003 at its headquarters.	no	1.4

Source: State records

The Post-Standard

TechCity, for tax delinquencies in 2004 and selling it at auction.

In an e-mail to The Post-Standard, Ginsberg said his company received a smaller credit in 2003, but he did not disclose how much. He did not respond to re-

quests for an interview.

Chester Straub, president of the Ulster County Industrial Development Agency, said Ginsberg has leased about half of the site's buildings to tenants who employ about 1,000 workers.

## Some successes

The Empire Zone program — which will cost an estimated \$546 million this year — does have some real successes.

**Nichols Distribution,** a Best

Buy subsidiary, and **Manufacturers & Traders Bank** projected the 11th- and 12th-largest Empire Zone real property tax credits in 2003, according to The Post-Standard's analysis.

In 2003, Nichols Distribution built, in Tioga County, the first Best Buy distribution warehouse in the Northeast. The warehouse hired 94 workers that year, and by 2004, the work force was up to 201.

In recent years, M&T Bank bought two out-of-state banks and moved many of those banks' jobs to M&T's headquarters in downtown Buffalo, said Keith Belanger, an M&T senior vice president.

When M&T applied for Empire Zone status in 2001, it claimed 829 workers at its headquarters. Today, M&T has more than 1,900 workers there.

The Empire Zone benefits led the bank to move the jobs to Buffalo, Belanger said.

But he said the program "hasn't been as successful as the crafters would have wanted it to be in creating jobs."

The Pyramid Cos. did not make the 2003 top-10 list because it did not claim Empire Zone credits for its Carousel Center mall in 2003. In 2004, Pyramid partners claimed a \$7 million credit for Carousel Center.

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# The Post-Standard

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SUNDAY, NOVEMBER 19, 2006 • FINAL EDITION

SYRACUSE, N.Y. • \$1.75

America's Best-Read Sunday Newspaper

**GOOD MORNING**

**UNDER COVER**

Saturday's clouds hang in there to hide the sun again today. Rain and snow showers will mix it up through midday and into the evening. On Monday, look for more of the same.

Complete forecast, B-8

HIGH: 44 LOW: 31

SAVE \$138.38 WITH COUPONS IN TODAY'S NEWSPAPER

**AUBURN HEADS TO CHAMPIONSHIP GAME**



Stephen D. Cannerelli / Staff photographer

**AUBURN FANS** celebrate Saturday after their football team beat John Marshall High School 20-18 in Rochester to advance to the state championship at 3 p.m. Saturday in the Carrier Dome. Find more photos at [www.syracuse.com/hsfootball](http://www.syracuse.com/hsfootball)

SPORTS, PAGE C-18

**CNY's Hart has big game; but Ohio St. beats Michigan**

Michigan running back Michael Hart, who formerly played for Onondaga Central High School, ran for three touchdowns against Ohio State Saturday. No. 1 Ohio State beat No. 2 Michigan, 42-39.

SPORTS, PAGE C-1

**Drug a soldier's lifesaver or a potentially fatal risk?**

Army medical commanders say a blood-coagulating drug is saving the lives of wounded soldiers on the field. But some experts say it can cause clots that lead to strokes, heart attacks and death in patients without hemophilia.

STORY, PAGE A-6

**A storybook wedding for Cruise, Holmes . . .**

Tom Cruise and Katie Holmes exchanged wedding vows Saturday in a glowing 15th-century castle in a medieval lakeside town in Italy.

STORY, PAGE A-8

**Online news updates**

The Post-Standard's reporters update the news of Central New York from morning until night seven days a week. Find the latest news when you want it at: [www.syracuse.com/news/updates](http://www.syracuse.com/news/updates)

**Corrections**

■ Chart on US Airways' proposed purchase of Delta/A-2  
Call Deputy Executive Editor Tim Bunn at 470-2240 to discuss a correction on a news story. Subscription questions? Call 470-NEWS (470-6397).

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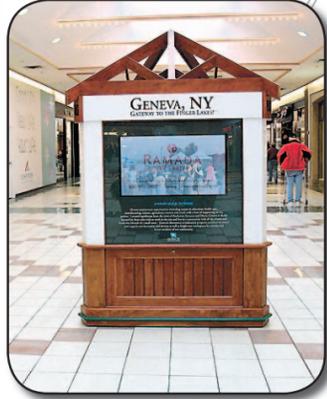


## WHAT HAPPENS WHEN TAX BREAKS ARE FOR SALE



THE OWNER OF EASTVIEW MALL WANTED EMPIRE ZONE TAX CREDITS, BUT THE PROPERTY WASN'T IN A ZONE. NO PROBLEM.

THE COMPANY PAID GENEVA \$1.5 MILLION TO "MOVE" SOME OF ITS ZONE TO THE MALL. THE PAYOFF: \$14 MILLION IN TAX BREAKS.



Mike McAndrew / Contributing photographer

AS PART of its multimillion-dollar deal, Geneva received a bonus from Eastview Mall: rent-free space for a kiosk that promotes the city to passing shoppers.

**THE GREAT EMPIRE ZONE GIVEAWAY**

One in a series of stories about who's cashing in on New York's strategy to encourage businesses to grow.

**On the Web:** Talk about the story, read previous stories and find extra coverage: [www.syracuse.com/specialreports](http://www.syracuse.com/specialreports)

By Mike McAndrew and Michelle Breidenbach  
Staff writers

New York state officials allowed a Rochester mall owner to buy Empire Zone tax breaks while thousands of other state businesses were excluded from the program.

Wilmore Inc. agreed in 2002 to pay at least \$1.5 million to the city of Geneva to expand the boundaries of the city's zone to include a business that isn't even in Geneva. The Eastview Mall sits 31 miles away in the town of Victor in Ontario County.

It was a good deal for Wilmore. Those mall tax breaks are worth about \$14 million. State taxpayers are on the hook to reimburse the mall owner for its property taxes for 10 years.

Meanwhile, other businesses outside of the state's 72 Empire Zones were out of luck.

Few businesses knew about the tactic used by Wilmore and a handful of other companies. In fact, legislators who wrote the law, local officials who run the program and accountants who study it said in interviews they didn't know New York let a company buy its way into an Empire Zone.

Across New York, businesses left the state, prospective employers chose other states and buildings sat empty — all without the interested parties knowing that lucrative Empire Zone benefits could be had for the right price.

State Sen. Liz Krueger, D-Manhattan, said allowing companies to buy a ticket into the zone perverts the program's original purpose: to create jobs in targeted impoverished areas.

"We've bastardized that concept pretty far," she said. "This would be taking a giant leap forward into 'What the heck are we doing?'"

Officials in Pennsylvania and Michigan, which run similar business incentive programs, said companies outside their targeted zones cannot pay their way in. By 2005, New York had

LOOPHOLE, PAGE A-20

◆ State leaders created Empire Zones in 2000 to fuel job creation in poor areas.

## State policy on abusive men: They will never change

**Vera House lost funding for its program for abusive men. Why? It tried to counsel them.**

By John O'Brien  
Staff writer

For 10 years, New York state gave \$42,000 a year to the Vera House battered women's shelter to run a program for abusive men.

But state officials discovered the Syracuse agency had committed a serious breach of contract: It tried to change the bad guys. So for the last three years, the state cut off the money.

The state Office for the Prevention of Domestic Violence forbids any state-funded batterers programs from trying to rehabilitate abusers.

Anger management? Prohibited.

Alcohol or drug counseling? Forbidden.

Mental health therapy? Can't do it.

It didn't used to be that way.

The state switched about seven years ago to a philosophy that allows only what amounts to finger-wagging in the 26-week programs it funds. Instructors can only tell the abusers they were wrong and why.

"Why would we do this work if we didn't believe there was a possibility it could help change abusive men?" asked Vera House's executive director, Randi Bregman.

The philosophical divide: those who think wife-beaters can change and those who think that even the attempt to change them gives victims false hope for safety.

State officials say programs for bat-

"Why would we do this work if we didn't believe there was a possibility it could help change abusive men?"

— Randi Bregman, Vera House executive director

EXPERT, PAGE A-21

## Smokers beware: The foot is coming down

**Many communities, including Onondaga County, move to pass laws to discourage smoking.**

By Marnie Eisenstadt  
Staff writer

Smoking banned on sidewalks? A ticket or even jail for smoking in front of the kids?

Those may sound unlikely, but both are happening already.

Calabasas, Calif., prohibits smoking almost everywhere, including sidewalks, parks and outdoor businesses. Louisiana and Arkansas this year made it illegal to light up in the car if a child is present.

Onondaga County is poised to take its own next step in the war on cigarettes. Lawmakers proposed moving the legal age to buy cigarettes from 18 to 19. The restriction sailed through the Legislature's Health Committee and could be approved by the full Legislature Dec. 5.

Over the past 20 years, laws regulating smoking have squeezed tighter and tighter. In 1989, New York passed the first law restricting smoking indoors. It limited smoking to restaurants and offices. In 1997, a federal law made it illegal to sell cigarettes to minors. In 2003, New York outlawed lighting up anywhere in a public building.

To get a glimpse of what else is on the horizon, The Post-Standard talked to state and national tobacco policy experts.

**Child safety**

**Prediction:** Over the next 10 years, exposing children to secondhand smoke will begin to be regarded as child abuse, said John Banzhaf, head of Action on Smoking and Health and a law professor at Georgetown University who has brought suits against tobacco companies

CHURCHES, PAGE A-18

EXPOSING, PAGE A-21

## How will 100 priests serve 350,000 people?

**Parishes must submit their plans by Thursday on how they will deal with priest shortage.**

By Renée K. Gadoua  
Staff writer

After more than 20 years of discussions and studies, the Syracuse Diocese this week faces a significant turning point in a restructuring that could close or merge dozens of Roman Catholic churches.

Thursday is the deadline for all parishes to submit to the bishop proposals for how they will operate with fewer than 100 priests — com-

pared with the 366 who ministered in 1974. Plans approved by the bishop are expected to be put in place starting in July.

Underlying the reconfiguration is the fact that by 2010 fewer than 100 priests will be available to minister full time to the 161 parishes and 14 missions in the Syracuse Diocese.

"The current challenges before us in Upstate New York with changing demographics, fewer priests and fewer resources have been anticipated, and now they are a reality," said Syracuse Bishop James Moynihan.

The restructuring continues changes that began in 2001 when Moynihan issued a pastoral letter outlining the decline in the number of priests and population shifts throughout the seven-county diocese.

File photo / C.W. McKeen, 1996  
**ASSUMPTION CHURCH,**  
North Salina Street, Syracuse



## THE GREAT EMPIRE ZONE GIVEAWAY

The cost of Empire Zone tax breaks statewide jumped from **\$30 million** in 2001 to an estimated **\$546 million** in 2006.



SCHOHARIE COUNTY Planning Director Alicia Terry is in front of the uninhabited Guilford Mills textile plant in Cobleskill last week. In 2001, the plant announced it would close and eliminate 500 jobs. Terry has taken representatives of at least 20 companies through

the vacant building to land a new occupant — in vain. Problem is, there are no Empire Zones in Schoharie County and efforts to squeeze the empty factory into one in a neighboring county were rebuffed.

Stewart Cairns / AP Special to the Post-Standard

#### LOOPHOLE, FROM PAGE A-1

changed the law to ban the strategy, but Wilmorite and other companies are still free to keep their tax breaks for more than 10 years.

#### Power negotiations

Here's how the program works: The state's political leaders assign Empire Zone acreage to local governments in regions with the greatest economic needs. Local officials designate those acres where they want. The state approves that decision.

In the North Country, Potsdam and Lewis County agreed in 2001 and 2002 to accept as much as \$12.5 million combined to redraw their zone boundaries to include hydropower plants for Reliant Energy of Texas. Potsdam stands to receive up to \$11 million of that.

In return, Reliant was awarded tax breaks that could be worth more than \$72 million over a decade, state records show.

The village and town of Potsdam sold about 35 acres from its zone ration to include 21 Reliant plants. Most of the dams are along the Raquette and Oswegatchie rivers, which snake south outside of Potsdam across St. Lawrence County.

In the end, millions of state dollars intended

#### Keeping up with Destiny

A Wilmorite official said it wanted zone breaks so Eastview Mall could compete with the Destiny USA resort proposed by The Pyramid Cos., Wilmorite's Upstate competitor.

Wilmorite officials feared Eastview would lose 10 percent to 15 percent of its sales if the Carousel Center mall in Syracuse were expanded into Destiny.

The only zone in Ontario County was in Geneva. The state had awarded the city 1,280 Empire Zone acres — the same amount it gave Potsdam and big cities such as Rochester and Syracuse. After most of Geneva's businesses were placed in the zone, the city had acres left over, an official said.

Wilmorite asked to get in. City officials demanded that the developer pay, said Rich Rising, city manager.

"We needed to be true to the zone program and make sure there were benefits for the zone residents," Rising said.

Their deal required Wilmorite to pay Geneva \$150,000 a year for 10 years. So far, that has earned Geneva \$600,000. The deal also requires Wilmorite to pay an extra \$1 million if Eastview attracts a new department store.

#### No bids

Rules usually govern how a city gets rid of anything of value. When Geneva wants to sell a dented police cruiser, it auctions the car to the highest bidder.

In general, state law requires cities to hold public auctions or advertise for sealed bids before they sell surplus property. That ensures that municipalities collect the highest price and that everyone has an equal opportunity to buy public property.

When Geneva decided to sell its zone acres, the city wasn't required to seek bids or hold an auction, said A. Clark Cannon, the city's attorney. Geneva also did not ask for competing proposals from businesses outside the city with better-paying jobs than a mall could offer.

The city met its legal requirements by holding a public hearing before its council unanimously approved it, he said.

#### State keeps it low-key

The state Department of Economic Development — which oversees the zone program — allowed local communities to charge for access to the state tax breaks.

At the time, the law did not prohibit zone

#### The Great Empire Zone Giveaway

Some findings from The Post-Standard's series on the state's Empire Zone program:

■ No. 1 on the state's secret list of companies taking advantage of the biggest zone tax breaks is NRG Energy, which got a tax break of \$22 million in one year for running old, polluting power plants. NRG reported that it added one-half of one worker.

■ Businesses that existed for generations grabbed tax breaks by simply changing their names and pretending to be new. For this they earned the nickname "shirt changers." The state eliminated a decade's worth of taxes for these companies, though some laid off workers.

■ The Pyramid Cos. won Empire Zone status for Carousel Center and Salmon Run mall in Watertown by promising expansions that would create thousands of jobs. Pyramid did not follow through on the plans but receives \$8 million per year in tax breaks on these malls.

■ None of the 10 businesses that claimed the biggest property tax refunds for 2003 created more than 20 jobs. Read the stories and find more coverage at [www.syracuse.com/specialreports](http://www.syracuse.com/specialreports)

# Loophole closed; tax breaks remain

to nurture new and expanding businesses in Potsdam are going into the pockets of out-of-state hydropower companies for properties that aren't in Potsdam. Seen another way, the local officials could trade \$5 in state taxpayer money for \$1 in money they could keep at home.

Potsdam Village Administrator Mike Weil defended the deal, saying the village has used the Reliant money to buy a firetruck, build water and sewer projects, roads, an office park and to renovate the civic center.

Kimberly DesChamp, Potsdam's economic developer, said she knows people criticize the decision to include the hydropower plants. She said the economy is struggling and local officials do what they can to improve it.

"We can't help the fact that we have corporations and companies that try and take advantage of what's available through the Empire Zone," she said. "Certainly, our area benefits on the whole from having those businesses here."

Syracuse lawyer and Empire Zone expert Kevin McAuliffe represented Reliant in both deals. The company sold its hydros in 2004 to Brookfield Asset Management Corp. of Toronto, which now collects the benefits. Reliant and Brookfield would not comment.

The state gave Geneva zone acres because 14 percent of the city's families live in poverty. In Victor, where the mall is, 2 percent of families are poor.

Wilmorite spent \$27 million to expand Eastview by about 5 percent in 2003, Vice President Dennis Wilmot said. Wilmorite couldn't have done the expansion without the tax breaks, he said.

The expansion created hundreds of short-term construction jobs. Mall stores added about 450 jobs, Wilmot said.

Few Geneva residents commute 62 miles round-trip to work at Eastview, Rising conceded. But the deal benefited Geneva in other ways, he said.

Wilmorite let Geneva put a kiosk in the mall. Brief videos run continuously on small screens, silently touting Geneva as a good place to live and work. The city paid \$45,000 to build the kiosk.

In 2005, Wilmorite sold 13 shopping centers, including Eastview, to a California real estate investment trust for \$2.33 billion. Wilmorite still manages the mall.

As it happens, Destiny hasn't turned out to be a threat to Eastview. Pyramid hasn't started building it. Yet the promise of Destiny helped Pyramid put Carousel Center in an Empire Zone, too. In 2004, Pyramid began collecting \$7 million a year in zone tax credits for its mall.

administrators from charging fees, said Jessica Copen, a department spokeswoman.

Geneva officials notified the state about the compensation, records show. They say Fred DiMaggio, then director of the state's zone program, approved the compensation. DiMaggio declined to talk to a reporter. Randy Copen, who replaced DiMaggio in 2003, also declined to be interviewed.

While allowing the deals, the state never publicized that such pay-to-play arrangements were legal, Copen said.

Accountant Daniel Fordham, of Plattsburgh — who teaches daylong Empire Zone seminars for accountants across New York — said he didn't know about the million-dollar deals. Nor did some local zone coordinators who gathered at an Empire Zone seminar in October.

The cost of Empire Zone tax breaks statewide jumped from \$30 million in 2001 to an estimated \$546 million in 2006.

Yet businesses in many parts of the state still cannot get zone benefits. More than 98 percent of the state's 544,000 businesses aren't in an Empire Zone. While Wilmorite and Reliant worked their deals, 11 entire counties and parts of many others were waiting to get zones.

In 2005, the state Legislature agreed to gradually create zones in every county.

#### A few other sales

A handful of other companies paid their way into a zone.

In deals struck in 2003 and 2004, Columbia County included adjacent Greene County in its zone so the Save-A-Lot grocery store chain and National Bedding Co. could open new facilities.

Save-A-Lot paid Columbia County \$350,000 and National Bedding paid \$210,000, Columbia County zone coordinator Todd Erling said. The new jobs helped both counties, he said.

State officials knew of the compensation, Erling said.

The state was not accommodating when Schuyler County wanted to give some of its zone acres to businesses in adjacent Tompkins County. The Tompkins County businesses were going to pay Schuyler and Tompkins

counties 5 percent of the tax breaks the companies received, said Michael Stamm, president of Tompkins County Area Development.

State officials rejected Schuyler's request in 2004.

"We had a tremendous amount of opportunities that we were missing because we didn't have a zone," Stamm said.

"We had some high-tech companies that we worked hard to help launch and grow and then, when it came time for them to really plant their roots and move into a permanent facility, we lost a few of those to the East Coast and West Coast because we weren't able to offer the kinds of incentives we needed to offer to keep them here."

#### Schoharie waits

On Sept. 10, 2001, the Guilford Mills textile plant announced it would close its lace-knitting plant in Cobleskill and eliminate jobs for 500 workers.

Schoharie County Planning Director Alicia Terry said she took representatives of at least 20 companies through the vacant building to land a new occupant.

"Typically, the first or second question that anyone asked when we were touring the facility was, 'Is this property in an Empire Zone?'" she said.

It wasn't. None of Schoharie County was.

Terry and other county officials thought they might be able to try to squeeze their empty textile factory into an Empire Zone in a neighboring county. Schoharie is nestled between Albany, Schenectady, Amsterdam and Otsego County, which all had zone acres. But Schoharie County officials did not think they could justify it. Would residents of those counties really commute to Cobleskill?

"I just remember thinking 'That should be illegal,'" said Jody Zakrevsky, the county's economic developer. "I mean, the whole point is that areas were designated based on need and severity, and so for another county that couldn't prove that to buy a piece of an Empire Zone, that doesn't seem right to me."

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**RELIANT ENERGY**, of Houston, which operates this hydroelectric plant on the Oswegatchie River near Star Lake in St. Lawrence County, paid as much as \$12.5 million to Potsdam and Lewis County to redraw their Empire Zone boundaries to include 21 of the company's plants. Reliant was awarded tax breaks that could be worth more than \$72 million over a decade.



Dick Blume / Staff photographer