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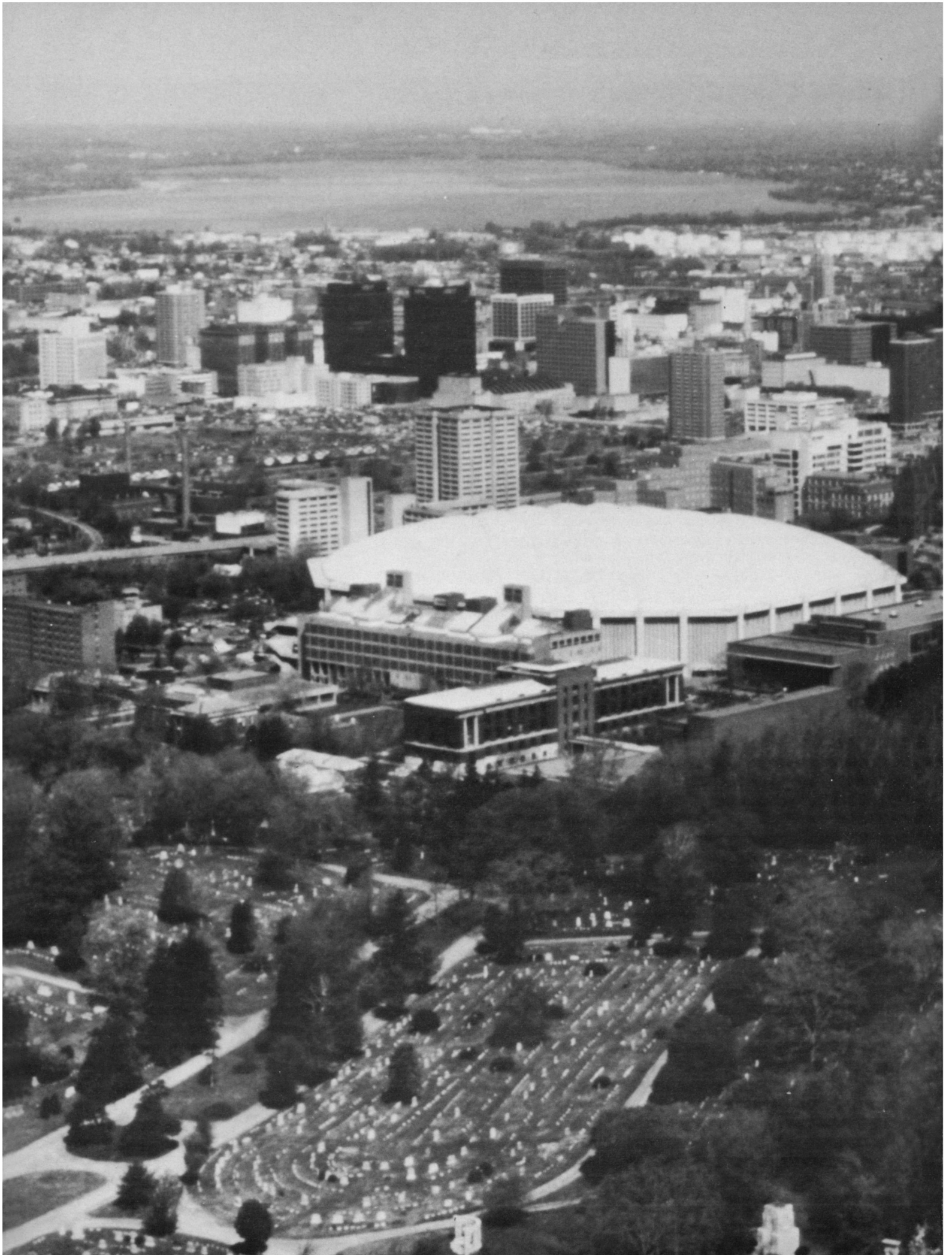
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THE CARRIER DOME CONTROVERSY

REWRITING THE TOWN-GOWN RELATIONSHIP

In 1984, when Syracuse University paid the city of Syracuse \$1.25 million in contested taxes and interest charges—its 1982 property tax bill on the 50,000-seat stadium known as the “Carrier Dome”—colleges and municipalities looked on with anxious interest. Although the payment was made “under protest,” had the university failed to pay that bill the city had the authority to sell the Dome for back taxes. Even as it made the payment, the university was holding city tax bills for the Dome of over \$1 million per year for 1983 and 1984.

The university’s fears were confirmed on June 7, 1985, when New York State Supreme Court Justice Thomas J. Murphy ruled that the private university had used the facility for “deliberate, willful revenue-producing

activities,” and that the Dome was indeed taxable. Murphy delayed entering an order, and for the next eighteen months the city and university struggled to resolve the problem locally. Finally, on December 16, 1986, a new city administration and the university announced an agreement exempting the Carrier Dome from real estate taxes; in return, the city would receive a share of ticket proceeds from nonacademic Dome events. The city retained the \$1.25 million in taxes paid earlier by the university.

I have changed my mind about this case three times. The first was when students researched the matter during its early stages and presented their findings in a senior seminar on “Corporate Responsibility.” Their presentation and class discussion persuaded me that the university was right to fight taxation. I switched to the city’s side a few months later when at Vassar College I presented a reworked analysis of the case to a work group studying “values conflict in institutional decision making.” This meeting of the Society for Values in Higher Education had assembled college presidents, deans, faculty, lawyers, and legislators; their in-

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sights convinced me that the City's position had more merit. But the final out-of-court settlement caused me to reconsider; *both* sides have persuasive arguments about this complex issue.

Now that a settlement has been reached, the full story of the Carrier Dome controversy can be told. Its outcome can help educators and city administrators understand critical issues of taxation and town-gown relations.

The Carrier Dome Story

The Carrier Dome is massive. Substantially completed on September 19, 1980 at a cost of \$27.5 million, the white shining roof of the 50,000-seat Dome dominates the physical and psychic geography of central New York State. It symbolizes both Syracuse University's hope for big-time athletics and a controversy that lingers across campus, city, and state. The history of that controversy is illuminating.

Why It Was Built: Except for the importance of football to Syracuse there would be no story to tell. Since 1889 football has been a major part of the fall for both the university and central New York State. Football legends such as Jim Brown, Ernie Davis, and Larry Csonka played for Syracuse in the '50s and '60s. The Orangemen won the national title in 1960. Throughout the '70s, the team struggled to regain national repute. That struggle reached a milestone this past January when Syracuse, after an undefeated 1987 season, played Auburn to a tie in the Sugar Bowl.

For a number of years the city and surrounding municipalities in Onondaga County had hoped cooperatively to construct a major sports facility. But who would build such an arena, and where to locate it, was always the problem. For its part, the university was feeling pressure to build a new stadium to meet NCAA stadium requirements for division-I football.

In the early '70s the university had hired a consultant to evaluate its financial future in light of expected drops in student enrollments. The consultant suggested that an alternative would be to build a large, attractive, domed, extracurricular/sports/multipurpose facility, one that could open the door to national recognition for the Syracuse football program and promote the na-

tionally ranked basketball program, which was already playing before capacity crowds in the 9,000-seat Manley Field House. An enhanced sports program and the resulting publicity would help recruit high-quality athletes and facilitate general student recruitment on a national basis. The increase in student numbers and spin-off income from the Dome would allow the university to improve its educational programs. The Dome, then, was seen as an answer to problems the university would face over the next twenty years.

But where should the Dome be built? At least three sites received consideration. One was Skytop, a large parcel of land contiguous with and owned by the university. Construction was to be a joint city and county effort, with the university contributing the land. Another proposed site was the New York State fairgrounds on the outskirts of Syracuse. Like Skytop, this site had ample parking and access by interstate highways and public transportation. (The site eventually chosen had little or no parking.)

The Skytop location was dropped when it became clear that prolonged opposition from citizens groups made the cooperation of local communities and municipalities unlikely. As various parties wrangled, the university opted for a pre-emptive strike: It would build a huge, multipurpose facility itself, right in the middle of its own crowded campus on the site of the old, 22,000-seat Archibold Stadium. The university's plan called for playing fields and basketball courts, of meeting areas, and health facilities—a major attraction for alumni, students, and the larger Syracuse community.

The site's main advantage was that it was already appropriately zoned, so the structure could be built promptly. The disadvantage of the decision to proceed alone was that sufficient time wasn't left to negotiate with neighborhoods, the city, or the county. The fact that neighborhoods and hospitals around the Dome would be greatly impacted was not carefully considered, which in retrospect was a mistake.

Building a large, domed sports facility in Syracuse in 1978 was risky. The university, city, and the surrounding municipalities were unsure about the

facility's financial and political implications; no one party felt strong enough to pressure another. The university needed public services and good will; surrounding communities needed the spin-off revenue from Dome events. Thus all parties proceeded cautiously. The money needed for operating costs and related services clearly would be great, and it was by no means clear how much revenue the facility would generate. Given the financial uncertainties, the city adopted a more giving attitude in early discussions.

Funding the Dome: A breakdown of how the Dome was paid for sheds light on the financial controversy. Of the Dome's total cost of \$27.5 million, \$15 million came from the State of New York, \$2.75 million from the Syracuse-based Carrier Corporation, and \$9.75 million from other sources. More than half the cost, then, came from New York State taxpayers. The next largest amount came as a gift from a large corporation (note that, for \$2.75 million, Carrier gets continual advertisement on national television). So from the beginning, the Dome reflected a marriage between government, business, and education, an attempt to make a university and community more viable.

Why Syracuse University received such a large sum of money from the state treasury for this facility was a mystery and a source of contention within the state. Governor Hugh Carey and key local legislators were up for election at the time, and the governor was in trouble in Onondaga County. That circumstance, and heavy, effective lobbying by influential alumni in Albany and support from small business across the state, convinced state officials in late September 1978 to award \$15 million to the university. Provided as a grant from the Urban Development Corporation, the money would go for construction costs (the state would not agree to fund operating costs). Back in 1978, this allocation meant that what remained of the state's financial pie for other private colleges and universities was very small indeed. To this day, deep feelings linger among sister institutions about the way money was siphoned off to Syracuse.

The Dome's construction was further helped when Governor Carey signed

legislation in July 1980 offering exemption from state taxes to the Carrier Dome as an educational facility. In return for the grant, the university signed a contract with the New York State Department of Parks giving the state use of the Dome for twenty days each year for the next forty years. The rationale was that public funds should somehow benefit the public.

Two agreements were made with the city that would eventually lead to tension. The first, in 1979, authorized the city's police department to pay its officers for special assignment to Dome events. The city, county, and university agreed that if sales taxes for events at the facility did not cover costs for traffic-control staff, the university would pay the excess. This arrangement later became crucial to the larger dispute; the university and city would soon argue about how many people were needed to control traffic at Dome events. The second agreement allowed the university a full exemption from city taxes for the first year of the Dome's operation (because of the project's risky nature).

In November 1978, the university began demolition of the old stadium. Within twenty-one months the Carrier Dome was completed, and in September 1980, the first football game was played.

Assessing the Dome: Fewer than eight months after the Dome's opening it was clear that the project would be a huge financial success. Right after that the tax controversy began, in July 1981. The city's Commissioner of Assessment assessed the parcel of land (real property) on which the Dome is situated at one-half its total value; the taxable value was put at \$6,242,200. Three months later the university protested that the partial exemption was illegal; it initiated an action pursuant to Article VII of the Real Property Tax Law seeking relief from the assessment and a declaration that the facility was exempt totally from real property taxes.

Why did the city set its mind to tax the Dome? City officials told the university that some events at which traffic control costs were incurred—such as a Rolling Stones concert and a professional boxing match between Sugar Ray Leonard and Larry Bonds—were

commercial ventures unrelated to the educational status upon which tax exemption was based. A second reason may lie in a report from Roy Bernardi, the city auditor, who recommended prompt collection of \$620,000 from the university as reimbursement for traffic control costs at Dome events. The auditor's report claimed that as of December 1981, the city had not received any reimbursement for costs reported by the police department for 1980 and 1981.

Newspaper reports claim that another reason for the city's action was a bill for \$35,000 sent to the university to cover overtime costs incurred by the city while training security personnel for the Dome. Confusion ensued about the meaning of the original agreement and about the overtime costs; the university refused to pay the \$35,000. The combination of Bernardi's report and the university's reaction to the bill for overtime costs were the sparks that ignited the controversy.

The political impact of this well-publicized report led to heated exchanges between the university and the city. The university claimed that it had been overcharged and demanded an investigation, which the city resisted; the matter never was resolved.

The controversy reverberated through a financially strapped city. In 1965 the proportion of tax-exempt property in Syracuse, as a percentage of the assessed value, was 31 percent; in 1980 it had been 47.8 percent; today it is more than 50 percent. Confronted with a diminishing tax base, the city chose not to ignore the fact that over 800,000 people using the Dome in its first eight months had generated \$8,139,000 in gross revenues, along with an estimated \$23 million in other business activity for the community. The Dome had housed the National Sports Festival, the Sugar Ray Leonard boxing match, a Frank Sinatra Republican party benefit, and the National Invitation Basketball Tournament; soon to follow were two Rolling Stones concerts attracting over 90,000 people at \$20 a ticket. These kinds of events, and their very size, made the city's tax review board want to reassess the Dome's tax status.

The university received its first prop-

erty tax bill for the Dome on January 5, 1982; it was for \$965,000. Upon receiving it, the institution replied, "we will not pay the taxes; we will litigate."

The university's position was that taxing the Dome was a precedent-making decision affecting the very nature of not-for-profit institutions—their ability to survive and provide for the public interest. University officials felt that decisions of this import should not be made by individuals negotiating out of court, but in court where precedents could be established. This is why the university chose to litigate rather than negotiate. According to university officials, the dispute had become "a matter of law, and the best forum for settling a matter of law is the court."

The city felt that sending the tax bill to the university was fair and equitable. Kenneth Mokrzycki, the new assessment commissioner, reflected that attitude when he asserted that property tax bills had been sent to all property owners in the city, and the university's Dome bill is "due just the same as anyone else's."

At the heart of the disagreement between the city and university was the question of whether the Dome had been organized "exclusively" for educational purposes. For two years the university resisted all efforts to open the Dome's financial records to the city, insisting that private institutions were not required to make their books public. But the court, needing to discover whether "the primary use for which it is used is educational or reasonably incidental thereto" or whether it was a guise for profit making, ruled on December 30, 1983, that the university must open its books so that the actual records and revenues from each event might be investigated.

The Trials: The case came to trial in January 1985. The university argued that under Section 420 of the Real Property Tax Law, the Carrier Dome was entitled to a full exemption from taxation "as a matter of law." Every event in the Carrier Dome, it argued, by definition was an educational event; its goal, it said, was to defend the sanctity of tax exemption for all educational institutions. The city, unwilling to have things so black and white, accused the university of using the Dome

as a guise for profit-making operations and argued that the Dome should be only partially tax exempt.

Was there validity to the university's claim that the Carrier Dome and *all* its activities should be tax exempt? According to New York law, tax exemption can be granted if

1. The organization or agency is organized exclusively for purposes declared to be tax exempt;
2. The property is used for a designated exempt purpose; and
3. No profit beyond reasonable compensation is obtained or the property is not used as a front for profit making.

The university's arguments were many and varied. One maintained that since similar events—such as high school athletic events, several professional football games, and concerts—had been held in the old Archibold Stadium, which had been treated as tax exempt, the same privileges should apply to the Dome. The judge rejected this argument, responding that “each taxable year is separate and distinct.” The university also argued that if less than 10 percent of the events were commercial, then the Dome maintained its tax exemption. The judge also rejected this argument, agreeing with the city's call for assessment based on a percentage of the commercial revenues.

A third argument was that the number of people attending an event, or the size of its revenue, did not transform its nature from educational to commercial. It noted that rock concerts held in the 9,000-seat Manley field house were not considered commercial, while the same type of event drawing 40,000 people to the Dome was considered commercial.

In June 1985, Justice Murphy ruled that the “university is entitled to a partial exemption only.” He listed the nonexempt events from 1982, 1983, and 1984. The judge observed that “the Carrier Dome sponsored a significant number of commercial ventures, open to the public, which were neither educational, nor incidental to the university's educational purposes.” In the mind of the court, the evidence was clearly against Syracuse University as to whether there had been “no profit beyond reasonable compensation.”

Among the judge's findings were that the Dome had been rented to third parties; that the public was sought through advertising; and that SU permitted use of the Dome for noneducational events. The court record also showed that the university's vice-chancellor had ordered Dome managers to reach the largest possible audience, and that a complete analysis of financial potential was made before any contracts for events were signed. The judge reminded both parties that he was well aware of the “tolerance” of New York courts for some degree of use of exempt property for incidental but unrelated activities but, he concluded, the university had taken part in “deliberate, willful, revenue-producing activities.” Finally, in an important note, the judge observed that no tickets were reserved or discounted for students. If the events had been solely for students, or had discount tickets been made available, then these events more likely would be declared tax exempt. The judge concluded that when “it leased out the facility, it was usually to high-audience-oriented events that would generate a profit.”

The judge's decision established two principles. First, it is permissible for a “profit” to be made on an activity of a nonprofit entity, but not one beyond reasonable compensation. Second, it is permissible for a university to engage in noneducational, nonexempt activities, but it must pay property and income tax on them. Thus, some events are nonprofit but may generate a reasonable compensation, while others have profit as their primary motive. The judge in this case was attempting to define a test for tax exemption for private colleges and universities. The test, he said, was whether Syracuse University used the Dome primarily for educational purposes and whether all other uses were incidental to educational purposes.

Some university officials argued that the judge ruled in response to public opinion and pressure. They believe that for the citizens of Syracuse the Dome had come to symbolize the newly found riches of the institution; it is a “cash cow,” an extravagant “extra-curricular palace,” a reminder of how “rich” and “able to pay” the univer-

sity has become. In reporting the decision, the *Syracuse Herald American* headlined a story, “Neighbors Believe SU is rich and ‘Fair is Fair.’ ”

The university complained that the judge had failed to state criteria for deciding what was educational and noneducational. It also complained that when the judge ordered the university to pay taxes based on a percentage of Dome revenues from nonexempt events, rather than on the assessment of property value, he in effect created a gross income tax annexed to the real property law.

The decision that the university could and should be taxed in certain situations meant that the city's tax base had been broadened. It also meant that a method had to be worked out to establish the value of the five-year-old stadium and so determine the base on which the university must pay taxes for 1982, 1983, and 1984.

A second trial ended on January 11, 1986. Justice Murphy determined that the city had overassessed the Carrier Dome. The university claimed that the valuation of the land and improvements should be \$25 million for each of the years at issue. The city estimated the value to be: 1982—\$36 million; 1983—\$37 million; and 1984—\$40 million. Both parties agreed to the following: that the Dome is a special-purpose property; that the market data approach is not appropriate because the Dome was not built for exchange in the marketplace; and that there are no sales of properties comparable to the Dome. They also agreed that an income approach was not appropriate because the Dome was not used primarily for the production of income. They also decided to use the Reproduction Cost New Less Depreciation (RCNLD) method for valuing the Dome's land and improvement.

Thus the court concluded that the city overassessed the Dome for the three years in question as follows: 1982—\$5,408,778; 1983—\$5,448,431; 1984—\$4,951,580. This was a major decision because the judge's ruling meant that the university would wind up paying taxes based on an assessed value of about \$7 million, nearly 40 percent less than the \$12.4 million the city had requested.



The Carrier Dome Controversy centered on two basic issues: whether the Carrier Dome should be exempt from property tax, and how and for what amount the Dome should be assessed if declared taxable (Syracuse University photo).

The Final Settlement: In the court hearings there were two basic issues: whether the Carrier Dome should be exempt from the property tax, and how and for what amount the Dome should be assessed if declared taxable.

On December 16, 1986, Mayor Tom Young and University Chancellor Melvin A. Eggers announced a new agreement: The city would exempt the Carrier Dome from property taxes but receive a share of ticket proceeds from nonacademic events held at the Dome. The settlement cleared the way once again for the Dome to host major cultural and entertainment events.

Major elements of the agreement included:

- The city of Syracuse retained the \$1.2 million paid in 1982 under protests by the university.
- The city agreed to exempt the Carrier Dome from real estate taxes.
- In the future the city would receive a surcharge of 75 cents from the cost of

each ticket sold at nonacademic events at the Dome. The surcharge is to be levied at events attended by at least 5,000 people who pay at least \$2 admission charge and will be factored into the admissions fee for events such as concerts or professional sports events.

- The university will pay the city at least \$100,000 a year.

It was the election of Mayor Tom Young in November 1985 that changed the atmosphere from combativeness to cooperation. During the new administration's transition period it became clear that the city wished to settle the matter out of court. Both sides knew the matter could drag on in the courts for up to seven years; there was still time to act since Justice Murphy had yet to sign an order implementing his decisions.

Frank Harrigan (corporation counsel) and Joseph Mareane (director of development) negotiated for the city. The university's team was Melvin Eg-

gers (chancellor) and Michael Sawyer (vice chancellor). The first item settled was the one that had generated early controversy: the cost of traffic control for Carrier Dome events. The core of the controversy in the past had been the university's contention that the city provided more police service than was necessary. Under the new agreement, the city and university created a formula whereby the number of police officers assigned to Dome events would be directly proportionate to the attendance. The university agreed to pay police wages and employee benefits, and for snow removal for Dome events. Finally, the university agreed to pay \$316,000 for police protection rendered between 1980-85, in addition to the \$228,000 it had already paid.

With these obstacles out of the way, the university chancellor, the mayor, and the city corporation counsel met with Justice Murphy, who gave his approval for continued out-of-court ne-

The Carrier Dome controversy rewrote the rules for noneducational entrepreneurial activities by private colleges and universities, and both sides now agree that the final agreement is wise and fair.

gotiations. From June through November 1986 negotiations continued. The motivation behind the negotiations was that it would be a "no-win situation" for both parties if the court and appellate process continued.

On the basis of earlier court decisions, the chancellor in 1985 had ordered that the Dome cease hosting any event not clearly educational. Given this order, the city and country were far more the losers than the university. Between 1980 and 1985 (when the moratorium took effect), twenty-seven concerts at the facility had an estimated economic impact of \$15.9 million on the community, according to the Syracuse Chamber of Commerce. A total of 758,454 people attended these concerts, about ten percent of whom stayed at area hotels. The events also generated an estimated \$1.1 million in sales tax.

"The Dome, when taken in conjunction with our other facilities like the zoo, puts us over and above the competition when it comes to attracting convention business," said Irwin Davis, executive vice president of the Metropolitan Development Association. The moratorium on nonuniversity events is one reason why the Hotels at Syracuse Square ran some \$3 million in the red, according to hotel officials.

Even as the city suffered from curtailment of the Dome's use, the university found many of its goals being met. Football did indeed prosper, and with it came publicity, culminating with the Orangemen's undefeated season this past fall. But the big surprise—and revenue boon—came from basketball: In 1986–87, 498,000 attended SU home games in the Dome, including crowds of 32,000 each for games with Georgetown and Notre Dame. Home and away, Syracuse hoopsters played before 641,146 fans last year, an NCAA record, and, by reaching the NCAA finals, garnered a windfall of publicity for the university.

It was clear, then, that a city victory in the courts could be nothing but pyrrhic. As this became clearer, both sides agreed to keep working until they could come up with a settlement and return the Dome to full use.

The plan was to submit proposals and weigh their pros and cons until an amicable settlement could be reached. The city's research office communicated with other municipalities and put together proposals based on arrangements in other town-gown situations. In Princeton, New Jersey, the university gives the town \$35,000 annually in lieu of taxes, plus additional services. In Ann Arbor, the university makes payments of \$410,000 toward the cost of police services, and the state of Michigan makes a payment of \$630,000 towards costs of providing fire protection. In Scranton, Pennsylvania, the University of Scranton and city negotiate an agreement each year in lieu of payment of taxes; the figure has been \$50,000 per year since 1982. In Berkeley, California, the university has agreed to help the city by providing services-in-kind; for example, by hiring approximately seventy-five city youths to help with landscaping as part of a

summer youth program. Within New York State, St. Lawrence, Colgate, and Cornell all make municipal payments in lieu of taxes.

During the negotiations a major stumbling block was what to do with the \$1.25 million the university had already paid to the city. The city was firm that it would not return the money because of the public reaction that would ensue. The impasse was overcome by counting up the people who had attended events in the nonacademic category and surcharging for each; the amount nearly equalled what the university had already paid in taxes. In return for this the city decided not to press its claim for other back taxes. Henceforth, with a head-tax concept as the controlling factor, the university would be free to sponsor whatever events it wished in the Dome facility.

Lessons and Issues

Before examining the lessons and critical issues raised by the Carrier Dome controversy, it is important to recognize three developments that helped create the volatile, highly charged nature of this university-city tax debate.

First, as U.S. society becomes more secularized, municipalities and governments are less cautious about openly challenging the tax-exempt status of universities, churches, and other non-profit groups. The recent law that taxes income of priests and ministers doing work not directly related to their ministry reflects this secularization process.

The second development is the emergence of the fund-starved municipality with diminished revenue sources. Like most cities, Syracuse is experiencing a decline in taxable property, decreased federal revenue sharing, and a shrinkage of its once-stable workforce. Mergers and plant closures from major employers such as Carrier, Allied Chemical, General Electric, and Bristol Myers have weakened the city economy.

Third, universities are feeling the fiscal strains of tight enrollments and higher operating costs, while still wanting to expand and enhance their prestige.

There are two crucial lessons to be learned from the Carrier Dome tax story. A bottom-line lesson is that litigation is costly. Legal fees for the city and university alone were between

\$500,000 and \$1 million. The Alexander administration bypassed city lawyers and hired Fisher and Fisher, a politically connected law firm from Brooklyn; it billed the city \$383,065 between 1981 and 1985. Using the new revenue formula worked out as part of the settlement, it will take the city four years to recoup the money spent on its law firm. City costs increase further when time spent on the Dome case by members of the city's administration is factored in. The university's legal fees are not public, but they too must be substantial.

The cost could have been truly enormous if the case had continued through the appellate process. Communities, universities, churches, and nonprofits would have joined the lawsuit, or been forced to tread carefully because of confusions over their tax liability.

The economic vitality of central New York also came under a financial squeeze. According to Mayor Young, "the curtailment of activities at the Dome deprived our area of an economic boost." Recall that the 27 concerts held at the Dome had generated \$15.9 million in economic impact; they have had almost no concerts in the three years since the moratorium was imposed.

A second lesson concerns the importance of process. The Carrier Dome case models two approaches to problem solving: brinkmanship vs. cooperation and dialogue. It is a vivid example of the cost of brinkmanship measured in financial, political, and human terms. It is a lesson Syracuse University Chancellor Melvin Eggers takes to heart. In a telephone interview this past January 5, Eggers acknowledged that the university should have worked more closely with its neighbors and city officials. For Eggers, a crucial lesson of the Carrier Dome tax debate is the importance of maintaining close, working relationships with City Hall.

Beyond these lessons, the Dome case puts critical issues on the table. The most fundamental is this: Will society allow private educational institutions to engage in profit-making activities, and thereby remain competitive with public institutions? Just what financial resources will society allow private colleges and universities to tap to remain

competitive? If private colleges deteriorate and can no longer compete with public institutions, then government may be forced to accept the responsibility (and expense) of providing their services. Related to the question of entrepreneurial activity is the recognition that private education provides a vitally important alternative for the public, by encouraging and making possible diversity and variety. But what price is society willing to pay for this freedom to choose between different educational models and values?

A second issue is how far society will go in allowing rules to be rewritten to preserve this diversity. Because of the Carrier Dome controversy, the city now allows the university to engage in noneducational activities, making this private university more competitive and financially viable. In essence, a new set of rules has been created to address a new set of tax problems. But while many problems were solved by the innovative city-university accommodation, there are potential difficulties ahead: When the Carrier Dome is in need of major maintenance or rebuilding, who then will fund it? What if the university and city chose to go into a joint venture in which a professional football team was lured to the city by the promise of a major stadium?

A third issue is whether "private" and "public" institutions are being treated equally. If a public university constructs a "dome" and uses it for noneducational purposes, would it have to pay property taxes? Both federal and state governments recognize by their statutes and acts that public and independent colleges and universities share the same purpose, and they afford them equal treatment. In New York this is shown by the current tax-exempt status of private colleges and universities, the uniformity of student aid throughout the state, and by the common regulation of education in general by the State Board of Regents. Should this equality be extended to facilities like the Dome?

Conclusion

The Carrier Dome controversy rewrote the rules for noneducational entrepreneurial activities by private colleges and universities, and both sides now agree that the final agreement is

wise and fair. But that agreement is more an accommodation to existing reality than a permanent resolution. Despite its *ad hoc* nature, the accommodation demonstrates the advantages of innovation and cooperation in this kind of tax debate. In the end it took the city and the university five years to recognize that the Dome is a new kind of animal in a changing environment that calls for fresh approaches and new rules. Both parties needed time to see that when the old approaches and rules were invoked, everyone lost.

The first new approach was to see the Dome as a unique property benefiting not only the university but also the entire central New York area. What developed was a new sense of property, neither public nor private, worked out by the city and the university. On line with that sense, the city now admits that certain kinds of profit-making activities are legitimate for universities. Indeed, educational institutions throughout the nation are already engaged in profit-making activities, such as building super computers, developing new products, and consulting for business.

Even though an accommodation has been reached, the underlying issue of whether noneducational enterprises by private universities should be subject to tax has not been squarely faced. Because of this, uncertainties lie ahead. A new administration in the city or the university, for example, could raise this issue again, to argue for better terms. What is needed, beyond "a new sense of property," are more-certain criteria, clear rules understood by all parties.

In the end, the agreement "signalled the end of the wars" between the university and the city. It has, according to city corporation counsel Frank Harigan, "paved the way for forging better relationships between the city and the university." The controversy's solution demonstrates that difficulties can be dealt with equitably. The final solution was acceptable because all sides were sensitive to what the policy would do to and for people from different constituencies, and because those constituents were at least consulted. The people of Syracuse are proud of their city; the resolution of this problem should make them more so. □