

**NEW YORK STATE
EMPIRE STATE DEVELOPMENT CORPORATION
UPSTATE**



**TESTIMONY ON:
Economic Development Capital Funding**

October 30, 2007

**Eliot Spitzer
Governor**

**Daniel C. Gundersen
Co - Chairman, ESD**

Introduction

Thank you, Director Francis, for inviting me here today to participate in this budget hearing along with my esteemed colleagues. I want to commend you and Governor Spitzer for your vision and for your efforts to promote a budget process that is more open, transparent and accountable.

To begin, I would like to echo the words of Co-Chairman Pat Foye and hope that through our testimony today, we underscore the need for, and importance of, a strategic economic development capital fund. It is an idea whose time has come and one from which all of our communities, both Upstate and Downstate, will truly benefit.

What has happened in so many Upstate communities is no secret: manufacturing made those communities great, and manufacturing has been on the decline. The argument can be made that government was unprepared and unresponsive. And now New York is playing catch up with other states, when it should be leading them. The Brookings Report that was issued last spring demonstrates the need for government, civic, and business leaders within and across metropolitan regions to work together to advance a new state agenda for revitalizing the Upstate economy.

That report, entitled “Restoring Prosperity,” looked at cities nationwide, some of which it classified as having significant economic problems, and addressed both the challenges and the opportunities facing them.

Twelve such cities are from Upstate -- and the statistics the report cited are pretty grim.

- In 2005, the average poverty rate for Albany, Buffalo, Rochester and Syracuse was almost 29 percent, an increase of over 8 percentage points since 2000.
- The growth of wages and the number of business establishments has continued to trail that of other cities studied.
- All told, nearly 4.5 million people in 2000—nearly a quarter of the state’s total population—were living in economically anemic communities.

The report said the solution lies in maximizing these communities’ physical, economic and cultural attributes. It cited several, including:

- Historic sites that anchor many of the neighborhoods in the communities;
- Educational and medical facilities are a draw for new commerce and new industries;
- And cultural amenities that could serve as magnets to revitalize downtowns and surrounding neighborhoods.

That’s the good news: Our Upstate communities have all these attributes to build upon and a tremendously skilled workforce already in place.

As has been described by the Governor and other administration officials, we have collaborated on an approach likened to a four-legged stool. I would like to elaborate on ESD initiatives that form two legs of the four-legged stool.

Regional Blue Prints - Overview

At ESDC Upstate, we have developed what we believe is a new approach to economic development in New York. We no longer apply the “one size fits all” strategy. We need to appreciate how regional economies work, and we know we need to address each region’s opportunities and challenges if we hope for long-term growth and development.

Our goal was to engage stakeholders in economic development to verify our findings and to obtain buy-in to this process.

The Blue Print process is essential for understanding our regions and to appropriately represent their needs. It is an iterative process that helps focus our strategies in Upstate going forward.

The Meetings

Recognizing that an effective Upstate agenda must come from the regional perspective and then be pulled together for an overarching strategy, we hosted meetings in all seven of the regions that comprise Upstate New York. We viewed these meetings as true work sessions, where economic development experts in each region were invited to join us, roll-up their sleeves and get to work.

These first-of-their-kind sessions, reflected on information gathered from hundreds of reports and meetings with development and community-based professionals. They focused on:

- Conditions of the Upstate economy;
- Regional strengths and needs;
- Clarification of ideas and proposed new programs;
- Coalescing around key regional priorities, and
- Identifying regional and statewide growth strategies.

The Five “I’s”

The Blue Print sessions focused on five core issue areas that are the foundation of ESD today. They are:

1. Infrastructure

What are the physical constraints on business attraction and expansion (i.e. shovel ready land, telecom, transportation, infrastructure)?

2. Innovation

How can NYS increase the capacity to leverage research and development into new technologies, new products, entrepreneurship and the reinvention of NYS companies?

3. Intellectual Capital

What role can universities and colleges play in economic development, particularly in issues pertaining to strategic workforce planning and the incorporation of workforce planning and university curriculum alliance with regional growth industries?

4. International

How can NYS expand and enhance regional opportunities for new foreign direct investment? How can we identify and utilize correlations between regional strengths and international growth industries? What role can and should the State play in linking Upstate companies with international export opportunities?

5. Investment

What is the availability of capital for Upstate companies? How effective are current programs (including ESDC and other state agency programs, early seed, venture capital, and private institutions), and are they engaged in spurring growth of the Upstate economy and offering products that are tailored to Upstate needs?

In addition to many other identified needs, projects, particularly falling under the Infrastructure category, were brought to the surface in every session. Whether the issues involved water and sewage, brownfields, broadband networks, or rehab of a core building, I couldn't help but think that a dedicated capital fund, applied strategically, would truly help us to prioritize and support transformational economic development projects.

The Intent

The Regional Blue Print sessions are a critical component of the administration's Upstate economic development strategy. Admittedly, the sessions will not provide all the answers, but are a critical step towards developing consensus and support to help underpin the Administration's continued focus on the Upstate economy. The sessions were serious, working meetings in which economic development practitioners and businesses worked to attain agreement on fundamental regional growth strategies and priorities.

Next Steps

We are now analyzing what we learned through this process and are combining it with what we already knew to develop a list of priorities, many of which would be supported by capital funding. When you look at an area such as infrastructure, you can readily conclude that capital resources will be critical to our efforts to affect change in infrastructure in any region.

As we all know, there simply aren't enough funds for every project out there, but having dedicated capital resources, strategically targeted, will allow those that are the most important, the most impactful and the most resourceful to rise to the top. It is these projects that will contribute to downtown revitalization, provide investments in infrastructure, generate momentum and create or retain jobs or business activity within a municipality that we need to fund; those are the projects that will help fuel economic resurgence.

City-by-City

I want to touch on the Governor's recent City-by-City initiative across Upstate. City-by-City offers many examples of just the kind of strategic capital investment that would be supported by the capital fund administered by ESD. City-by-City projects reinforce our strategy to regionally tailor our economic development efforts with projects that are designed to spur private sector investment by investing in significant projects that will serve as a catalyst for economic expansion and growth.

While these announcements are separate from the Regional Blue Print process, they are integrated, as already stated, as one of the key elements in our four point approach. The City-by-City plans serve to identify projects in and around Upstate cities that capitalize on each region's unique assets and are selected based on their potential to spur economic development.

Those projects that have already been announced in many cases are being led by private investment or already have secured federal and/or state funding. However, allow me to highlight a few of these projects as examples of strategic investment decisions:

- In Buffalo, the Governor announced the redevelopment of 200 Delaware; a 400,000 square foot building in the heart of Buffalo's downtown that was at risk of sitting vacant due to exorbitant asbestos remediation costs that made redevelopment unlikely. Support of this project will ensure this core building will be used for office space, hotel rooms and residences in downtown Buffalo.
- In Rochester, the Governor announced the Midtown Plaza project, which will be remediated and demolished, and the site will be redeveloped as mixed-use urban space that will include a new corporate headquarters for PAETEC Communications.
- In the North Country, he announced a Community Broadband Network, where the state is investing \$250,000 to leverage a match by the U.S. Economic Development Administration to fund the network design work.
- In Syracuse, the 300 Block of South Salina Street currently has three completely vacant buildings and 12 buildings with vacant upper floors. This project will turn a blighted area into mixed-use residential and office space, to meet business demands for floor plans that work the way business does today, and resident demands for downtown living and it will spur development of a long dormant pivot point in Syracuse's downtown.
- In Utica, the Governor is committing funds to stabilize the Harza Building, a key structure in downtown that, when renovated, will create positive momentum for additional development.
- In Rome: Rome Up & Running, a not-for-profit, has partnered with the City of Rome to reconstruct a long-vacant building as a micro-enterprise center in downtown.

These are just a few examples of the impactful, important projects that have been targeted for support. They are essential to spurring economic development in each of these cities and most importantly, support of these projects will bring private sector investment back to these regions. But, there are many more projects like this across Upstate. If we hope to continue to fund them appropriately, we need to have those funds dedicated.

Together, with our regional Blue Print process they send a loud, clear message to businesses across the United States: Upstate New York can compete if we focus our efforts and target our resources.

Conclusion

Both Pat and I have provided many examples of types of projects that a strategic capital fund, administered by ESD, would support. I look forward to working with you, Director Francis, the Governor and the legislature to making such a fund a reality. Together, we are committed to the revitalization of both Upstate and Downstate; to making New York State a better place to work, live and do business. A strategic capital fund is critical to realizing that vision.

Thank you for allowing me the opportunity to present to you today and I appreciate your time and consideration.