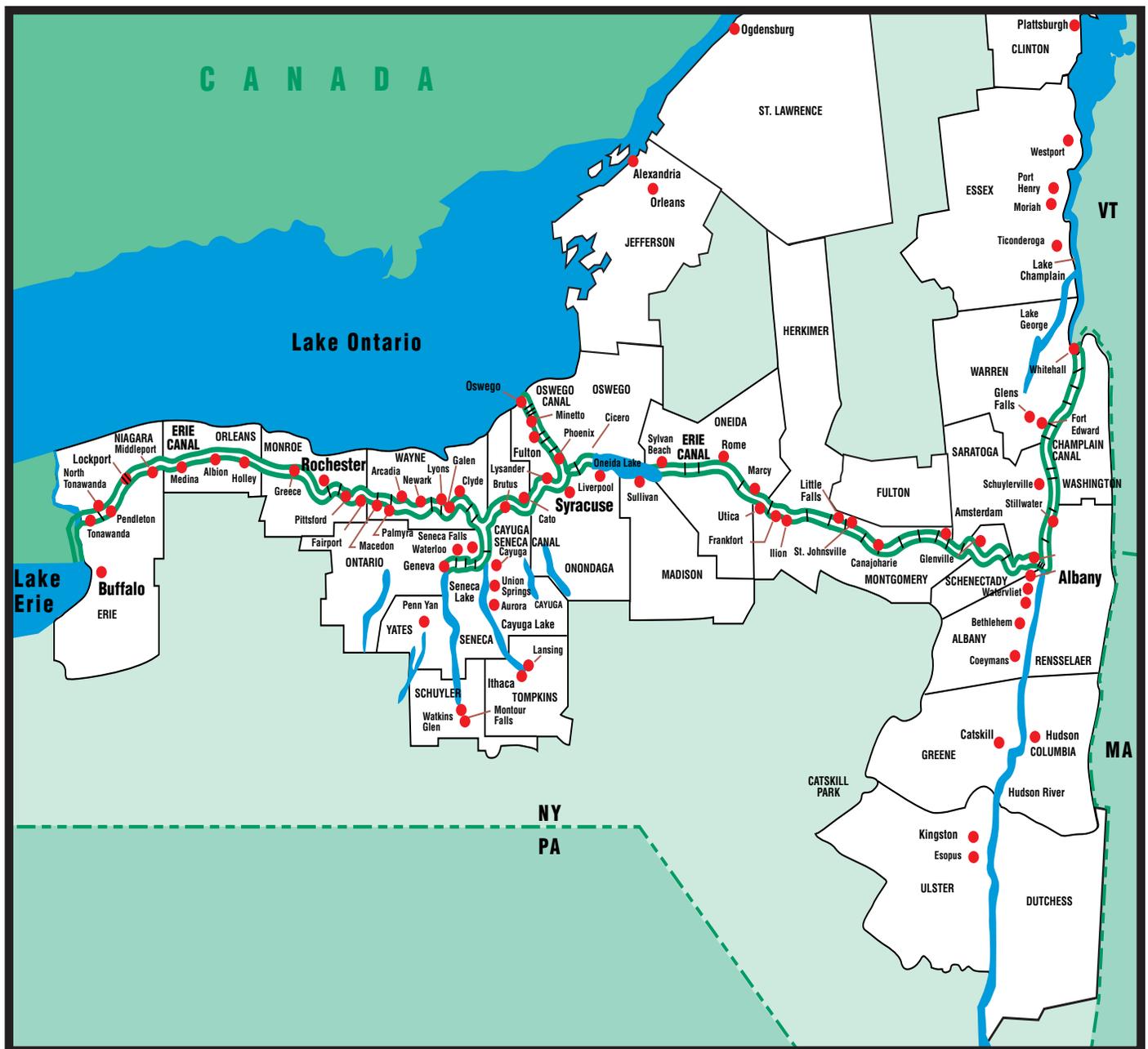


Diversifying and Rebuilding Local Economies

A Second Progress Report on the U.S. Department of Housing and Urban Development's Canal Corridor Initiative



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the U.S. Department of Housing
and Urban Development's
Canal Corridor Initiative

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Executive Summary

New York's canal system, with its historically important buildings, cultural amenities, and unparalleled opportunities for recreation, is proving an important resource in renewing the economic strength of communities in upstate New York.

HUD's Canal Corridor Initiative was initiated in 1997 in response to State and local plans for tapping these extraordinary assets. The vision behind the Initiative is one of support both for local efforts and for regional synergy, encouraging development that will bring economic benefits to the region as well as to individual communities.

In this report we examine how investments that attract visitors and improve the quality of life in the canal region can play a more complex role in diversifying local economies and creating jobs that call for a wide range of skills, and in rebuilding the urban physical and commercial infrastructure in ways that attract highly skilled workers and high-technology firms.

The Federal resources invested in canal communities are significant. Since 1997 HUD has provided \$237.3 million in grants and loans used to leverage \$361.1 million in investments from the private sector and local and State governments for a total investment of \$598.4 million. The Canal Corridor Initiative was strengthened in 1998 through HUD's partnership with the U.S. Department of Agriculture (USDA). USDA has since provided \$160.2 million and leveraged \$41.5 million for a total investment of \$201.7 million. Together HUD and USDA have provided or leveraged a total investment of \$800 million to renew and develop Canal Corridor communities.

This is the second of two reports on the progress of the Canal Corridor Initiative. In our first report, issued in September 1999, we focused on how tourism expenditures fostered by investments in canal-based facilities and services—such as marinas, restaurants, and museums—can be a stimulus for economic growth in the region. We estimated that more than 17,000 jobs would be produced in canal counties with only a 5-percent increase in expenditures in restaurant, hotel, transportation, and recreation services.

This report examines how Canal Corridor communities are diversifying their economies beyond tourism, using Canal Corridor Initiative investments as catalysts. While some regions turn to tourism because other economic development options are not available, upstate New York, including the Canal Corridor region, has a strong manufacturing base and is home to both large international firms and small skilled-craft and high-technology firms. In upstate New York, then, investment in tourism can play a more complex role, interacting with other sectors of the economy.

For this progress report, we examined the impact of increased demand resulting from HUD's Canal Corridor investments in tourism on manufacturing and businesses in 29 Canal Corridor counties. We also surveyed local officials, receiving responses concerning 132 projects in 18 counties, and conducted detailed case studies in 9 communities, including Fulton, Ithaca, Little Falls, Lockport, North Tonawanda and Tonawanda, Oswego, Seneca Falls, Waterford, and Whitehall.

Key Research Findings

Finding 1: Expansion in tourism facilities and expenditures produces growth and jobs beyond the tourism sector. It also stimulates demand and job growth across the economy in many different types of businesses. In addition to the 17,000 jobs projected earlier in the tourism sector as a result of HUD's Canal Corridor Initiative, these same investments are likely to yield more than 10,000 additional jobs in manufacturing and business services.

Tourism services and facilities in the Canal Corridor region will need to buy goods and services from other businesses, including insurers, accountants, bankers, and real estate agents. They will need goods such as restaurant machinery, auto and boat parts, and food products. So expansion in tourism sectors has a secondary impact, stimulating growth in other sectors of the economy.

Our Social Accounting Matrix model tells us that, in addition to the more than 17,000 jobs produced in the tourism sectors in connection with HUD Canal Corridor Initiative investments, the 29-county Canal Corridor region also could see an increase of \$226

million per year in manufacturing industry output in conjunction with investment in the tourism sectors (and a 5-percent expansion in demand in those sectors). As a consequence of this additional output, we also can expect to see an increase in construction and manufacturing employment. In those 29 counties, we can expect more than 1,600 potential new jobs in construction and manufacturing.

By far, the largest secondary impact of the development of increased output in the tourism sector will be in the finance, insurance, and real estate industries, with a \$311 million increase in demand for their services. The expected increase for business services is estimated at \$76 million. More than 9,000 new service jobs are associated with Canal Corridor Initiative investments and the 5-percent increase in the tourism sector.

Thus, investment in tourism facilities and services has a broad impact on the economy. With only a conservatively estimated 5-percent increase in tourist-related businesses—such as restaurants, hotels, and marina facilities—we would see 17,000 jobs created directly in those businesses, 1,600 jobs created in the manufacturing industries that supply them, and 9,000 jobs created in the business services that provide them with a range of products and services. This totals 27,600 jobs, 38 percent outside the tourism sector. With an output increase of higher than 5 percent, the number of jobs created also would increase.

Finding 2: There is evidence that the spinoff effects of Canal Corridor Initiative investments are beginning across Canal Corridor communities.

Additional inquiries about starting a business make up the most significant new activity reported by Canal Corridor communities. Seventeen officials of the 32 responding to our survey said that such inquiries had occurred while 11 mentioned the establishment of non-Canal Corridor Initiative businesses. In combination with the indications of increased tourism-related business (tours, boat traffic, etc.), these inquiries suggest improvement in the attractiveness of Canal Corridor communities.

Our case studies provide a range of examples of these spinoff effects. The City of Fulton in particular offers a powerful example through the implementation of its Bridge-to-Bridge development plan linking manufacturing, downtown revitalization, and waterfront restoration. Other important examples include new downtown business startups in Little Falls

and business inquiries stimulated by marina development in Ithaca.

Finding 3: Enhanced technical assistance efforts are helping communities move forward with project completion.

In developing and carrying out their projects, the Canal Corridor communities report that they have made use of a wide range of expertise. Local officials have partnered with professional development consultants who assisted them in preparing proposals and administering grants. Localities also have worked with State and local planning agencies as well as private-sector engineering firms.

When asked what would have been helpful to project planning and implementation, local officials emphasized the need for greater expertise in the area of project financing, particularly sources of financing and underwriting. They also emphasized the need for more and better information on governmental regulation and reporting requirements.

Looking forward to the future, our survey respondents again emphasized the need for assistance in dealing with the complex regulations that affect the many Canal Corridor development sites that may contain historic buildings and/or environmentally problematic brownfields (old industrial locations requiring environmental cleanup). They also noted that the development of marketing expertise and training in entrepreneurial skills and business planning was key to the future success of canal-based investments.

Local officials identified two recent efforts by HUD as evidence of what has been learned about the complex Canal Corridor development process and the agency's commitment to improving that process. The first is the publication of *The Permitting Guidebook: A Practical Guide to Getting Your Project Done*. Despite its daunting size (223 pages, plus appendixes), this *Guidebook* summarizes a massive amount of regulatory material and tells the officials of "canaltown" how to proceed through the design and development process. This new resource provides communities with a step-by-step description of how to plan and carry out a project within the Initiative.

The second project is a series of workshops aimed at potential program participants. The workshops help them determine whether they qualify for HUD Canal Corridor Initiative-related programs and, using the *Guidebook*, walk them through the development

process. These workshops have been very well received and already have produced applications for new projects to be included in the Initiative.

Conclusions

Conclusion 1: HUD's Canal Corridor Initiative is serving as a catalyst for turning individual and community needs into cooperative regional initiatives.

Approaches that emphasize intermunicipal and regional cooperation and service provision will be critical to preserving the quality of life in "downsized" canal communities. The Canal Corridor Initiative fosters this cooperation by encouraging communities to work together on tourism development projects and regional marketing and economic development. Despite a history of local autonomy, the community linkages created by canal development can begin to help small communities to think regionally.

Officials in many Canal Corridor cities recognize that investment in tourism facilities and services via the HUD Canal Corridor Initiative is part of a broader economic development strategy. By improving the quality of life in canal communities, the Canal Corridor Initiative investments are helping to create, retain, and attract skilled workers as well as employers who want to locate in a region that is both

affordable and offers a high quality of life. Realizing the vision of skilled, well-paid jobs in a high-quality environment requires leadership and cooperation at the local and regional levels. Our survey data and case studies indicate that the Canal Corridor Initiative has served as a significant catalyst in fostering increased local and regional cooperation.

Conclusion 2: Effective local implementation of Canal Corridor Initiative projects has been best achieved when investments are part of a comprehensive economic development strategy.

The local officials to whom we talked described their struggles in dealing with multiple regulations governing brownfield sites and historic buildings, not to mention archaeological digs. One conclusion we reached in listening to these stories was that process matters. When the Canal Corridor Initiative was perceived as a community opportunity to develop comprehensive economic strategies, individual projects were seen as parts of a bigger plan that would bring jobs and visitors, and improve the quality of life. The City of Fulton experience shows how a participatory process to build the community support for economic change can see people through a long and complex development process and produce tangible results.

Introduction

For more than 170 years, the New York State Canal System fostered economic and population growth in upstate New York. Completed in 1825, the canal system enabled relatively fast and inexpensive transportation between international shipping facilities in New York City and the Hudson Valley and the expanding markets and production centers of the Midwest. The canal system united a “necklace of cities” that relied on the canals for transportation of passengers and freight. Its enormous success was responsible for the growth of New York City into the primary American international port and the development of upstate New York into a thriving, innovative manufacturing region.

Like people, however, regions need to renew themselves. The industrial infrastructure that created new communities and jobs in the 19th century needs to change to create a base for economic growth in the 21st century.

Upstate New York’s canal system, with its historically important buildings and opportunities for recreation, is proving an important resource in renewing the economic strength of Canal Corridor communities. In this report, we examine how investments that attract visitors and improve the quality of life in the canal region can play a more complex role by:

- Diversifying local economies and providing jobs for people with a wide range of skills.
- Rebuilding the urban physical and commercial infrastructure in ways that attract highly skilled workers and high-technology firms.

Canal Corridor Initiative

HUD’s Canal Corridor Initiative was developed in response to State and local plans for the canal region. The vision behind the Initiative is one of local efforts and regional synergy, encouraging development that will bring economic benefits to the region as well as to individual communities.

The Federal resources invested in the canal communities are significant. Since 1997 HUD has provided \$237.3 million in grants and loans used to leverage \$361.1 million in investments from the private sector and local and State governments for a total investment of \$598.4 million. The Initiative was strengthened in 1998 through HUD’s partnership with the

U.S. Department of Agriculture (USDA). USDA since has provided \$160.2 million and leveraged \$41.5 million for a total investment of \$201.7 million. Together HUD and USDA have provided or leveraged a total investment of \$800 million to renew and develop Canal Corridor communities.

Goals of This Report

This report is the second of two examining the progress of HUD’s Canal Corridor Initiative. In our first report, we focused on how tourism expenditures fostered by investments in canal-based facilities and services—such as marinas, restaurants, and museums—can be a stimulus for economic growth in the region. Using a Social Accounting Matrix (SAM) model,¹ we estimated that more than 17,000 jobs would be produced in canal counties with only a 5-percent increase in expenditures in restaurant, hotel, transportation, and recreation services. We also looked at best practice case studies to see how community leaders were using the opportunities provided by the HUD Initiative to realize their development goals.

This second report describes the status of a significant sample of Canal Corridor projects. We also build on the results of our initial study of the impact of HUD’s Canal Corridor Initiative (Cornell University, September 1999) in looking at the impact outside the tourism sector.

Case studies conducted for the first report indicated two major questions for further examination:

- How do HUD’s Canal Corridor Initiative investments affect the broader economic agenda of Canal Corridor communities?
- What types of assistance do Canal Corridor communities require to implement and take maximum advantage of HUD’s Canal Corridor investments?

In this report, we examine how Canal Corridor Initiative investments have contributed to:

- The diversification of local economies by creating jobs in manufacturing and business services as

¹A description of the SAM model is included in an appendix to the first report, *Reclaiming a Regional Resource*, U.S. Department of Housing and Urban Development, 1999.

well as in tourism-related sectors such as hotels, restaurants, and transportation and recreation facilities.

- The building of physical and economic capacity to support economic development in sectors outside those directly related to tourism.

We also look at the types of technical assistance that would have speeded the implementation of canal projects, and what local officials think would be useful technical and informational inputs to assist with project completion as well as to potentially stimulate other development efforts.

The investments undertaken with support from the HUD Canal Corridor Initiative are just coming to fruition. This research reports on the experience of completed investments and on insights from a significant cross-section of communities participating in the program. Our goal is to help communities realize the potential of these investments by recording what they have learned and what they say they need to learn. We also look at what the communities anticipate as their economic development needs in the future.

Our information sources include:

- An extension of our SAM model that examines the impact of increased demand from Canal Corridor Initiative-stimulated investments on tourism sectors, in the areas of manufacturing and business services.
- A survey of officials in jurisdictions responsible for implementing HUD Canal Corridor Initiative projects. We received responses from 32 officials (a 54-percent return rate). Our respondents are located in 18 of the 29 Canal Corridor counties and are responsible for implementing 132 HUD Canal Corridor Initiative projects.
- Case studies in nine canal corridor communities including Fulton, Ithaca, Little Falls, Lockport, North Tonawanda and Tonawanda, Oswego, Seneca Falls, Waterford, and Whitehall.
- Interviews with key informants (consultants, local officials, and researchers in areas such as technical assistance, entrepreneurship development, and economic development via tourism). These persons have significant experience working in upstate New York communities.

Regional Problems and Regional Promise

The evidence is clear: during the past 20 years, upstate New York has lagged behind the rest of the United States in benefiting from the national economic boom that has brought increased levels of prosperity to many regions. Although the region's economy began to grow again in the 1990s, it continues to show the effects of the loss of manufacturing jobs and of younger, skilled workers (Deitz and DeMott, 1999).

There also has been a significant redistribution of the population. In the 25 counties within 5 miles of the New York Canal System, the population grew only 7 percent between 1960 and 1998. In six counties, especially on the area's Western frontier, there were absolute population losses. Only Saratoga County showed a significant population gain over the period (124 percent). Population losses are even more dramatically evident in the cities and towns located within 5 miles of the canal system. On average, these communities lost 30 percent of their population between 1960 and 1998. As a result, upstate New York is changing from a region of small towns into a region in which the majority of people live in the largest metropolitan areas of Albany, Buffalo, Rochester, and Syracuse.

Slow population growth and population losses have affected the tax base in Canal Corridor cities and communities, limiting their ability to renew their infrastructure and public facilities to provide the kind of environment that can attract new high-technology firms and highly skilled workers.

However, while some regions turn to tourism because other economic development options are not available, upstate New York, including the Canal Corridor region, is in an advantageous position. Despite its employment losses, it has retained a strong manufacturing base and is home to both large international firms and small skilled-craft and high-technology firms.

New York State ranks seventh among U.S. States in the proportion of its workforce in manufacturing jobs. The majority of those jobs are in upstate cities and towns. The region has highly competitive wages,

in part because of housing affordability. More than 76 percent of homes in upstate metropolitan areas² are affordable for families earning the regional median income. This compares favorably with the region's major competitors. For example, in the Raleigh-Durham-Chapel Hill, North Carolina, metro area, only 62 percent of homes are affordable by families at the median income; in Seattle, Washington, only 49 percent; and in San Jose, California, only 23 percent. The combination of a skilled workforce and a high quality of life puts upstate New York in a competitive position in comparison with other high-technology manufacturing regions.

Individual firms in upstate New York already have adapted to new demands, and production is expanding in cutting-edge areas of manufacturing such as photonics. These new areas of expertise build on older skills and competencies in the regional labor market, creating a link between the past and the future. One indication of this growing strength is that the region's firms are now experiencing a skills shortage as expanding businesses scramble to find and retain skilled workers. In Rochester, for example, between 200 and 300 jobs for skilled machinists currently are unfilled.

What Are 21st Century Firms Looking For?

Evidence from studies of fast-growing, high-technology oriented manufacturing regions indicates that both firms and highly skilled workers look for particular types of environments when they consider where to locate or where to develop a business. These locations have:

- Up-to-date infrastructure, including advanced telecommunications and inexpensive access to major markets via air and road transport.
- Amenity-rich environments, with parks, good schools, recreational facilities, and nearby retail centers and restaurants.
- Affordable housing.
- A sense of place, expressed by volunteer activity and awareness and appreciation of local history.
- Proximity to major educational institutions.

In a recent conference in Rochester, Christine Whitman, a Rochester business owner and recipient of the Herbert VandenBrul Entrepreneurial Award

²Binghamton, Buffalo, Jamestown, Rochester, Syracuse, and Utica-Rome. Source: The National Association of Home Builders (<http://www.nahb.com/>).

presented by the Rochester Institute of Technology, spoke about what she saw as the difficulties in recruiting skilled high-technology workers to upstate communities. Her observations include:

- High-technology workers like to work hard and play hard. Recreational opportunities in the region are not fully developed, and the region's existing wealth of attractions is not sufficiently publicized.
- Potential entrepreneurs need to be supported and provided with the necessary incentives to locate their businesses in the region.
- Young people are looking for ways to give back to the community. The region's unique sense of compassion and charity needs to be brought forward as an asset.
- Collaborative relationships among firms need to be developed in order to create the flexible, innovative, skill-intensive industrial districts that characterize the most innovative regions in the country (Cail, 2000).

Much of upstate New York, including the Canal Corridor communities, has a commercial and physical infrastructure fixed in the industrial and manufacturing needs of a previous era. This environment does not adequately meet the requirements of either contemporary firms or highly skilled workers. Investments in Canal Corridor communities made through the HUD Canal Corridor Initiative are helping individual communities, and the region as a whole, renew physical infrastructure and develop amenities to attract new investment and retain firms.

Economic Development in Conjunction With HUD Canal Corridor Initiative Investments

HUD's Canal Corridor Initiative and New York State's Canal Recreationway Plan both place responsibility for project initiation and implementation in the local community. Local officials have responded actively to the opportunities presented by HUD support for commercial and infrastructural development. Through local planning organizations, they have adapted development plans to be consistent with local needs. This may have slowed the process of implementation, but it has meant a stronger local commitment to the effort and engaged citizens in broader comprehensive development efforts.

Our case studies and interviews indicated that planning and implementing economic development projects along the Canal Corridor are parts of an unusually complex process. In almost all cases, multiple State and local agencies are involved in the approval process, and financing sources include public and private entities, each of which brings different standards and concerns to the table. The use of public funds requires that both local officials and private developers demonstrate high standards of fiduciary accountability. In addition, many Canal Corridor development projects are located on sites that are historically significant or brownfields (old industrial locations requiring environmental clean-up). Some sites are both historic and environmentally compromised, demanding the resolution of multiple problems with officials from different Federal and State agencies. It is not surprising, therefore, that development has been more cumbersome than it would be on greenfield sites.

In an economic development context, private-sector investment typically follows rather than leads. However, in some sites such as Fulton, Ithaca, and Oswego, where canal-related investments have had time to mature, there is evidence of increased private-sector activity. Our earlier case studies suggested that in those communities that had implemented canal improvement projects, the impact of those improvements went beyond the attraction of tourists to the community.

Diversifying Canal Corridor Economies: How Tourist Dollars Create Jobs Outside the Tourist Industry

Finding 1: Expansion in tourism facilities and expenditures produces growth and jobs beyond the tourism sectors. It also stimulates demand and job growth across the economy in many different types of businesses. In addition to the 17,000 jobs projected earlier in the tourism sector as a result of HUD's Canal Corridor Initiative, these same investments are likely to yield more than 10,000 additional jobs in manufacturing and business services.

As our September 1999 study described in some detail, HUD's investments in promoting tourism in canal communities impact in two stages. First, as a consequence of HUD's investment in infrastructure, commercial, and recreational facilities, the capacity of Canal Corridor communities to attract and serve tourists will increase. This "industrial capacity," in the form of restaurants, boat marinas, parks, and other facilities, is necessary to attract tourist dollars to the Canal Corridor region.

Based on boat counts and increasing hotel stays, for example, there are indications that tourists and business travelers are increasing their visits to the region. Hotel taxable sales—a small portion of the regional economy's tourism receipts—increased 12 percent in the 1996–98 period. The National Park Service reported an 18.5-percent increase in visitors at its New York sites in 1999; many of these sites are adjacent to the canal. For purposes of estimating the impact of the Canal Corridor's increased ability to attract tourists, we can very conservatively project that tourism expenditures will increase by 5 percent per year when the facilities and services proposed under the Canal Corridor Initiative are fully operational. (Obviously, a total expenditure rate higher than 5 percent in tourism sectors—retail, transportation, hotels and restaurants, and recreation facilities—would mean higher output, more induced demand, and more jobs.)

In our first report, we used a SAM model to estimate that more than 17,000 jobs could be created in the Canal Corridor tourism sectors (retail, transportation, hotels and restaurants, and recreation services) if expenditures in these sectors increase by 5 percent in response to the new capacity created by the HUD

Canal Corridor Initiative investments (Cornell University, 1999).

Tourism services and facilities in the region will need to buy goods and services from other businesses, including insurers, accountants, bankers, and real estate agents. They will need goods such as restaurant machinery, auto and boat parts, and food products. So, expansion in tourism sectors has a secondary impact, stimulating growth in other sectors of the economy.

Not all of this growth is captured in the region. Some purchases are made from firms outside the region, but our model helps us estimate the portion that will be obtained from firms in the region.

Our SAM model tells us that the 29-county Canal Corridor region could see an increase of \$226 million per year in manufacturing industry output in conjunction with investment in the tourism sectors (and a 5-percent expansion in demand in those sectors). Construction sector output is expected to increase by \$101 million. As a consequence of this additional output, the area also will see an increase in construction and manufacturing employment and an increase in expenditures. Looking at the 29 counties, we can expect more than 1,600 potential new jobs in construction and manufacturing.

By far, the largest secondary impact of the development of increased output in the tourism sectors will be in the finance, insurance, and real estate industries, with a \$311 million increase in demand for their services. The expected increase in demand for business services is estimated at \$76 million. The increase in service jobs associated with the Canal Corridor Initiative investments and the 5-percent increase in the tourism sectors is more than 9,000. This totals 27,600 jobs, 38 percent outside the tourism sectors. With an output increase of higher than 5 percent, the number of jobs created would also increase.

What does this tell us? While expansion in tourism facilities and expenditures produces growth and jobs in businesses where it might be expected, such as restaurants, boat marinas, and bicycle rental shops, it also stimulates demand and job growth across the

economy in many other types of businesses. The impact of this demand will be stronger because a wide range of business services and manufacturing enterprises to capture this growth are located in the region.

So, Canal Corridor investment in tourism facilities, such as that initiated by HUD, can be an important part of a comprehensive development plan and create a wide range of employment opportunities.

Rebuilding Canal Corridor Economies

Finding 2: There is evidence that the spillover effects of Canal Corridor Initiative investments are beginning across Canal Corridor communities.

In addition to the diverse range of jobs that will develop in conjunction with demand created by investment in tourism facilities, the Canal Corridor Initiative directly helps develop new businesses, contributing to the rebuilding of Canal Corridor economies.

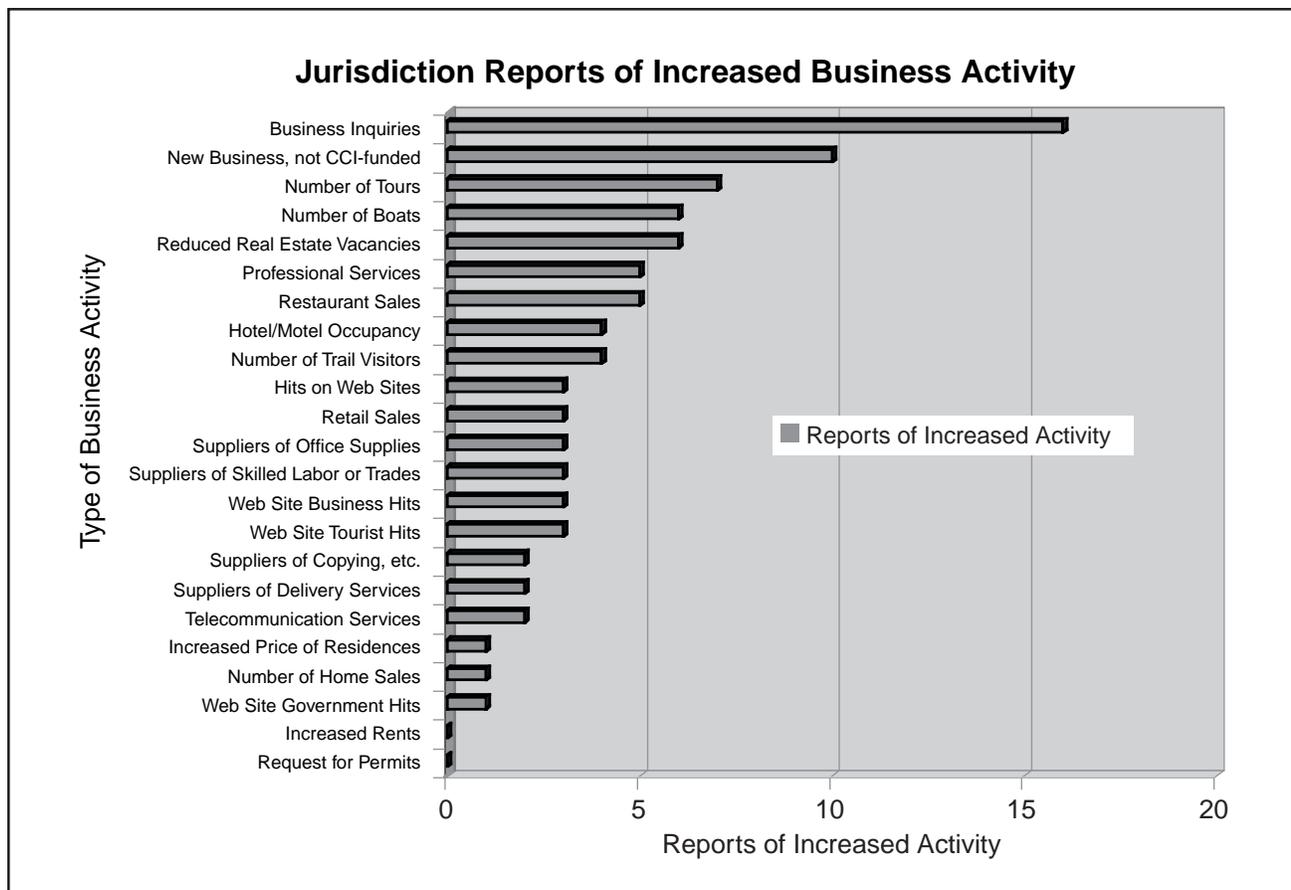
Of the 132 economic development projects reported on in our survey, 47 have been completed or are within 6 months of completion. Another 26 are within 1 year of completion. Although many development projects are just beginning to come “online,” there is some early evidence that Canal Corridor investments are having spillover effects, encouraging private investment in more attractive commercial districts and recreational facilities, and attracting jobs outside the tourism sector.

In our survey, we asked whether there were any early indications of new private business activity connected

to the canal investments. Although exact information on new business activity is very difficult to obtain, the officials we surveyed are among those most responsible for the economic development of their communities and, thus, most likely to be able to assess new activity.

As might be anticipated, local officials noted increased evidence of tourist activity in the form of more visits to the canal by tour groups and boats. This suggests that the improved facilities, combined with media attention, are increasing activity along the canal.

Additional inquiries about starting a business make up the most significant new activity. Seventeen officials of the 32 survey respondents said that such inquiries had occurred, whereas 11 of the 32 respondents reported the establishment of non-Canal Corridor Initiative businesses. In combination with the indications of increased tourism-related business (tours, boat traffic, etc.), these inquiries suggest improvement in the attractiveness of canal communities.



One way in which investments in tourism facilities and services contribute to a broader economic development agenda is by creating an environment that attracts and retains firms focused on new markets and new technologies, and on employing skilled workers.

Officials in a number of Canal Corridor communities have recognized this potential and, using the stimulus provided by the HUD Canal Corridor Initiative, have taken steps to expand development activities to encourage local entrepreneurs and to attract and retain good jobs.

Retaining and Creating Good Jobs

The story of the City of Fulton exemplifies the experience of many Canal Corridor communities. During the first half of the 20th century, the increasing popularity of railroad and truck transportation began to undermine the health of the city's canal-oriented businesses. Its manufacturing firms, however, continued to prosper within a 4-mile-long waterfront corridor that once housed more than 30 industrial establishments. In the early 1960s, Fulton, like many older central cities, began to experience falling property values in its central business district and older residential neighborhoods as increasing numbers of retail businesses and families moved to the suburbs in search of cheaper land and lower property taxes. In the early 1970s, Fulton sought to strengthen the competitive position of its central business district by using Federal urban renewal funding to create a 6-block pedestrian mall and related parking facilities within the city's declining downtown.

However, the vacancy rate in retail and commercial space within downtown Fulton continued to increase throughout the 1980s despite the construction of the pedestrian mall. Skyrocketing vacancy rates caused property values to plummet, undermining the city's fiscal health. This problem was overshadowed in the early 1990s by a series of highly publicized plant closings that included the loss of 800 jobs at the Miller Brewing Company, 600 jobs at the Armstrong Flooring Company, and 100 jobs at the Container Corporation of America. These business and employment losses forced many longtime residents to leave Fulton in search of new economic opportunities, causing its population to drop from 14,003 to 12,929 between 1980 and 1990. Local concern regarding the future of the city's economy intensified in 1995 when the Sealright Company announced plans to relocate

its Fulton packaging operation to a new 475,000-square-foot plant in DeSoto, Kansas. Despite municipal, county, and State efforts to stabilize the city's industrial sector, manufacturing employment in Oswego County (where Fulton is located) fell by 17 percent between 1989 and 1998. These business and employment losses caused the county's unemployment rate to rise to 8 percent by 1996.

In December 1996 Fulton began the development of the Bridge-to-Bridge plan in response to the possibility of funding for economic development through HUD's Canal Corridor Initiative. The plan evolved through a highly participatory process involving residents, local businesspersons, area investors, and municipal officials. Developed by a citizens' committee and development team, the plan sought to expand business, employment, and investment opportunities for local residents by reconnecting the community to the canal. One of its defining characteristics was its dual emphasis on the retention and expansion of high-paying manufacturing jobs and revitalization of the city's retailing and commercial center.

After it announced the planned move, the Sealright Riverfront Manufacturing Complex became the beneficiary of a series of steps to protect jobs at the 120-year-old manufacturing facility that produces packaging for frozen dessert and other food products. Funds were provided to close South First Street below the Broadway Bridge that bisected the Sealright property and complicated onsite material handling, threatening quality control efforts. Sealright also received a low-interest loan that enabled the firm to upgrade its basic package printing technology from flexograph to lithograph processing and rehabilitate a historic mill building to house the new printing and graphics equipment.

This investment has produced very positive results including the creation of more than 65 living-wage jobs in the newly established lithograph division. An additional eight living-wage jobs also were created when an ink production firm decided to move its operations into the Sealright facility to serve its largest domestic customer. Sealright's most important customer recently changed its printing and graphics specifications, making it necessary for all of its vendors, including Sealright, to use lithograph processes. If Sealright had not upgraded its printing technology in 1998, it would have lost this critical account, placing many of its 600 employees at risk. In early 1999 Sealright announced plans to install a second lithography press line at the facility that is expected to add another 25 jobs.

In addition to the retention and expansion of manufacturing jobs, HUD Canal Corridor Initiative funds have been used to encourage new businesses that improve the quality of life in the community as well as attract tourists. Three new businesses have been established in the recently redeveloped Canal Landing Plaza, and the success of the plaza redevelopment has generated significant new investment in downtown Fulton.

Finally, the successful implementation of the Bridge to Bridge Plan has increased local residents', businesspersons', and municipal officials' confidence in their ability to create, fund, and manage major economic and community development projects. The success of Fulton's Canal Corridor Initiative project has broadened local interest in, and commitment to, pursuing future economic and community development projects aimed at revitalizing the entire waterfront district located between the Oneida Street and Broadway bridges.

Attracting Good Jobs and Promoting Economic Development

Seneca Falls is a key destination on the canal because of its historic importance as the site of the first Women's Rights Convention, held in 1848 at the Wesleyan Chapel downtown. The site was acquired by the Federal Government in 1980 and is now the Women's Rights National Historical Park, administered by the National Park Service. Seneca Falls is also critical to the success of the canal as a tourist attraction because it lies midway in the canal system and links it to the Fingerlakes District to the South.

Seneca Falls officials have taken several important steps to use the revitalization of the canal area and the area's prominence as a nationally important historic site to extend economic development initiatives. They are implementing land-use plans to strengthen the landside connections between the canal locks and the nearby Elizabeth Cady Stanton house, thus linking the two historic sites. Despite limited marketing efforts, Seneca Falls has received national attention from the travel media (for example, a recent article in *The New York Times* Travel section) and expects the number of annual visitors to approach 200,000. Seneca Falls is one of the few Canal Corridor communities to develop a formal method for measuring the number of visitors to the community, significantly enhancing its ability to market itself and develop a plan for maximizing the impact of tourism expenditures in the community.

Tourism expansion alone, however, cannot revitalize Seneca Falls and encourage the redevelopment of its downtown. So Seneca Falls officials have used the enthusiasm generated by canal development and the expansion of tourism to develop a long-term, comprehensive economic development plan. As a first step, Seneca Falls officials have surveyed residents to solicit their opinions on growth, government services, and the future of the community. They will use this information, along with a community asset study, to market Seneca Falls to firms in manufacturing and business services. They also are obtaining funds to study the types of businesses seeking to expand in areas with characteristics similar to Seneca Falls.

Supporting Entrepreneurs Who Can Create New Jobs

Diversifying Canal Corridor economies requires rebuilding in communities that may have lost their entrepreneurial base and skills as jobs and people left the region.

The HUD Canal Corridor Initiative has attempted to foster new businesses but, as our interviews have indicated, this process has been slowed by a lack of experience with business ownership and the absence of support for new business owners.

The City of Oswego has developed a program to fill this gap, boosting the success rate of new small businesses in its redeveloping central business district. The city sponsors a 21-hour Microenterprise Training Program, which helps potential entrepreneurs develop a business plan and learn about recordkeeping, legal issues, financing possibilities, marketing, and personnel. Oswego also has coordinated the way in which business inquiries are handled so that potential new business owners do not fall through the cracks because there was no one to provide encouragement and respond to their questions.

One of the key factors associated with the growth of high-technology industry is a close association with institutions of higher education. In some cases, the public sector and a university or college partner join together to develop projects as part of a long-term economic development plan. Educational institutions are finding that the quality of life and economic strength in a region are important factors in attracting the highest quality faculty, staff, and students. Universities and colleges cannot stand apart from what goes on in their communities and expect to thrive. At the same time, communities can use the

expertise and potential entrepreneurial talent that resides in a college or university. These joint projects benefit both the educational institution and the community.

Upstate New York and the Canal Corridor communities have significant resources in the State University of New York (SUNY) system, many excellent private colleges, a strong network of community colleges, and Cornell University. Although our interviews suggest that these resources are still underutilized, there are many indications of positive collaborations.

The City of Tonawanda, for example, is developing a partnership with the Department of Planning at

SUNY Buffalo to support a small business incubator that will provide a range of assistance to new local entrepreneurs.

Tompkins County has partnered with Cornell University to develop a Business Innovation Center intended to provide assistance to startup companies in the county. The center concentrates on opportunities originating from intellectual property and research with the aim of fostering high-quality jobs.

Fulton Montgomery Community College and the City of Amsterdam are exploring how larger cooperative regional institutions, in areas such as health care, might contribute to economic development.

Using Technical Assistance To Increase Development Capacity

Finding 3: Enhanced technical assistance efforts are helping communities move forward with project completion.

Technical assistance has been critical to the implementation of Canal Corridor investments, in part because of the complexity of the planning process and the number of agencies and jurisdictional actors involved. The canal itself is managed by the State of New York. Sites adjacent to the canal may be brownfields, governed by environmental regulation at both the State and national levels. Historic places and buildings along the canal fall under the jurisdiction of State and national Historic Preservation protections. Cities, counties, and towns may have conflicting objectives for economic development.

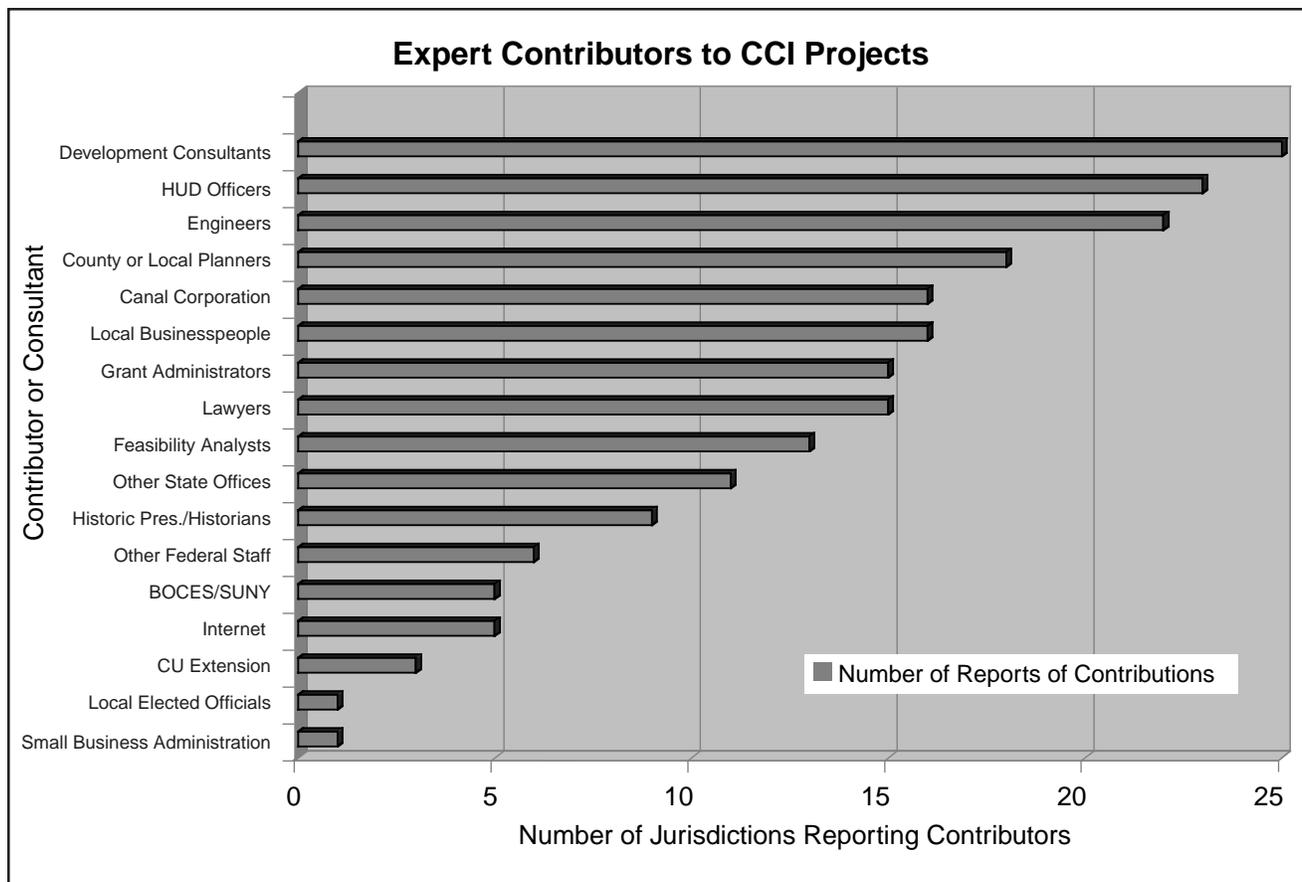
Real estate acquisition and development is a highly complex process when all of these regulatory agencies and jurisdictions are involved. It entails interacting with all of these entities as well as local private-sector investors and solving disputes that may arise. Development depends on obtaining the necessary

expert information in order to proceed. It is no surprise, then, that local officials point to the necessity of technical assistance for project implementation.

In developing and carrying out their projects, the Canal Corridor communities made use of a wide range of expertise. HUD officials, for example, provided critical expertise regarding whether a project qualified for grant or loan funding under the program. Local officials also made use of consultants who assisted them in preparing proposals and development plans and administering grants. Officials also used both public and private expertise, including State and local planning agency staff and engineers contracted from private firms.

Identification of Technical Assistance Needs

When asked what would have been helpful to canal project planning and implementation, officials emphasized the need for more and better information on



governmental regulation and reporting requirements. This need is connected to the complexity of development on Canal Corridor sites, which may be affected by multiple regulatory agencies, including those governing historic or potentially environmentally hazardous sites. Our respondents also reported that they needed more expertise in the area of project financing, particularly sources of financing and underwriting.

When asked what other types of expertise would have contributed to the success of the projects if they were available (or the need recognized at the inception of the projects), respondents particularly noted:

- Information on increasing the economic impacts of tourism, including local multipliers.
- Expertise on identifying and marketing local cultural, historic, and architectural treasures.
- Assistance on developing visitor centers and marketing local museums and interpretive centers.

Looking forward to further project development, they requested more technical assistance on:

- Project financing, especially project underwriting.
- Entrepreneurial development, especially the development of business plans.
- Government regulations and reporting requirements.
- Methods to increase local multipliers from tourism.
- Marketing.

There also were requests for more information on how to develop brownfield sites and historical and cultural tourism sites.

Responding to Community Needs for Technical Assistance

The communities in the Canal Corridor were not the only ones that had to come to grips with the difficulty of redeveloping canal sites. HUD officials working with canal communities had to contend with the limited capacity of Canal Corridor communities to make their way through the regulatory requirements associated with the development of the canal sites and how to translate broad goals of job creation and poverty alleviation into terms that could be understood by the tour boat operator who wanted to expand his business. Those communities that had put together community support for a broadly conceived economic development strategy were more successful as “interpreters” of HUD goals.

Considerable practical learning has taken place over the 3-year period since the inception of the Canal Corridor Initiative. Two recent HUD projects demonstrate not only what has been learned about a complex process, but also a commitment to improve that process and increase community capacity to handle the difficulties of the canal redevelopment process. The first is the publication of *The Permitting Guidebook: A Practical Guide to Getting Your Project Done*. Despite its daunting size (223 pages, plus appendixes), this *Guidebook* summarizes a massive amount of regulatory material and tells the officials of “canaltown” how to proceed through the design and development process. It gives communities a step-by-step description of how to plan and carry out a project within the Canal Corridor Initiative.

The second project is a series of workshops aimed at potential program participants. The workshops help them determine whether they qualify for HUD Canal Corridor Initiative-related programs and, using the *Guidebook*, walk them through the development process. These workshops have been very well received and have already produced applications for new projects to be included in the Canal Corridor Initiative.

Conclusions

Conclusion 1: HUD's Canal Corridor Initiative is serving as a catalyst for turning individual and community needs into cooperative regional initiatives.

Approaches that emphasize intermunicipal and regional cooperation and service provision will be critical to preserving the quality of life in “down-sized” canal communities. The Canal Corridor Initiative fosters this cooperation by encouraging communities to work together on tourism development projects and regional marketing and economic development. Despite a history of local autonomy, the community linkages created by the canal development can begin to help small communities to think regionally.

Officials in many Canal Corridor cities recognize that investment in tourism facilities and services via the HUD Canal Corridor Initiative is part of a broader economic development strategy. By improving the quality of life in canal communities, the Canal Corridor Initiative investments are helping to create, retain, and attract skilled workers as well as employers who want to locate in a region that is both affordable and offers a high quality of life. Realizing the vision of skilled, well-paid jobs in a high-quality environ-

ment requires leadership and cooperation at the local and regional levels. Our survey data and case studies indicate that the Canal Corridor Initiative has served as a significant catalyst in fostering increased local and regional cooperation.

Conclusion 2: Effective local implementation of Canal Corridor Initiative projects has been best achieved when investments are part of a comprehensive economic development strategy.

The local officials to whom we talked described their struggles in dealing with multiple regulations governing brownfield sites and historic buildings, not to mention archaeological digs. One conclusion we reached in listening to these stories was that process matters. When the Canal Corridor Initiative was perceived as a community opportunity to develop comprehensive economic strategies, individual projects were seen as parts of a bigger plan that would bring jobs and visitors, and improve the quality of life. The City of Fulton experience shows how a participatory process to build the community support for economic change can see people through a long and complex development process and produce tangible results.

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