

## **Rebuilding the Upstate Economy, City by City**

**Asbury Hall**  
**Buffalo, NY**  
**October 10, 2007**

[As prepared for delivery]

Starting today in Buffalo, I will be announcing the latest milestone in our effort to rebuild the Upstate economy: the release of “City by City” plans to create the infrastructure for economic growth in each of the major Upstate cities.

But first, let me step back and tell a story that I believe helps illustrate, in a larger context, what we are trying to accomplish.

The story begins in the early 1800s with a man named Samuel Wilkeson, who was a businessman, a judge and a trustee of what was then the Village of Buffalo.

In 1817, when construction started on the Erie Canal in Albany, the State had still not decided where to locate the western terminus of the Canal. Of all the potential locations, the Village of Buffalo was certainly not the favorite; after all, it didn’t even have a natural harbor.

But Samuel Wilkeson was a visionary. He knew that the stakes were high—that Buffalo being chosen as the western terminus of the Canal would transform the city from a sleepy agrarian village into a powerful crossroads of commerce and trade.

However, Buffalo would have to overcome a huge obstacle: it would have to build a harbor. It was a task that—for such a tiny village—seemed all but impossible.

Yet, for Wilkeson, it didn’t matter that a village of Buffalo’s size had never undertaken a project of such magnitude. It didn’t matter that there was essentially no money for the project. It didn’t matter that not a single towns person had any experience building a harbor. It didn’t matter that, even if the project was successful, there was no guarantee Buffalo would be chosen as the terminus of the canal.

Rather than shrink from it, Samuel Wilkeson embraced the thrill of the challenge and boldly took charge of the project himself. He drew up the plans. He ordered the supplies for construction. He negotiated the conflicts that arose. And he did whatever had to be done to keep the project going.

In fact, at one point, when workers walked off the job, he waded into the Buffalo River himself, and began hauling craggy blocks of stone—inspiring the workers to return to the task.

In 1820, the harbor was finished; Buffalo was chosen as the canal’s western terminus; and the rest, as we all know, is history. The canal was completed in 1825, and only a matter of years passed before Buffalo became the crossroads of the world—connecting the agricultural goods

and raw materials of the rapidly growing Midwest and the emerging markets of the Northeast and Europe.

My larger point here is this: Moments of economic transition are never easy. But we, as New Yorkers, have the ingenuity and capacity to solve any problem. And at that particular transition point for our state's economy, our leaders rose to the challenge.

In fact, for the next 150 years, at every major economic transition point in our history, Upstate New York led the nation—not followed it—into new frontiers of commerce and trade.

In 1842, the grain elevator was invented in Buffalo, enabling this city to not only capitalize on—but lead the world in—grain transshipment and flour milling in the late 19th century. Later, in the transition to heavy industry in the early 20th century, Upstate again led the way, emerging from this transition as the workshop of the world. In fact, for a long time, the largest steel plant in the world was located in Western New York. Importantly, at each of these transition points, the public sector helped “prime the pump”—for example, by building and later expanding Buffalo's port; by constructing the Niagara Power Project to make Buffalo one of the nation's first major cities—if not the very first—with a cheap, reliable supply of electricity; and by building a world-class transportation infrastructure.

For example, New York State completed the Thruway before federal government even created the Interstate Highway System.

Today, the economy has undergone yet another transition. Revolutions in technology and communications have flattened the world and ushered in a new era—the era of the highly competitive global economy.

However—unlike in the past—Upstate's economy has struggled to make this transition.

Since 1990, Upstate's population has grown slower than all but two states. During that time, the population right here in Buffalo has actually *declined* by 14 percent. For the first time, a generation of Upstate New Yorkers has had less economic opportunity than their parents—and many have been forced to leave for opportunity elsewhere. After 200 years of leading the nation into new frontiers of commerce and trade, Upstate faltered.

The question is, why?

The cause wasn't a lack of ideas, or talent, or gumption, or even a lack of resources.

What happened was a crisis of leadership. As the world transformed and moved forward, our state government stood remarkably still.

*That* is what New Yorkers elected me to change.

In my Inaugural Address, I said that everything we will do must further a single objective: rebuilding New York's economy so it can make this transition and compete on the global stage in the next century.

It didn't matter how serious the problems were. It didn't matter how entrenched the status quo was. It didn't matter how many people said it would be impossible to actually change anything.

We began with the proposition that, as New Yorkers, we have the ingenuity and capacity to solve any problem—and we got to work.

### **Getting Results: Our Three-Part Strategy for Revitalizing the Upstate Economy**

Back in January, in the State of the State, I laid out a comprehensive strategy to rebuild Upstate New York's economy so it could compete in on the global stage in the 21st century.

Our strategy was based on three pillars: first, reducing the high cost of doing business in New York—what I call the “perfect storm of unaffordability;” second, adapting to the Innovation Economy; and third, strengthening our infrastructure to create the foundation for economic growth.

Over the past nine months, working with our partners in the Legislature, in labor, and in the business community, we have taken on issues that were said to be intractable, that were given up as impossible. And we have gotten results.

First, we have reduced the cost of doing business.

We brought business and labor together and reformed our workers' compensation system, allowing us to raise payments for injured workers, while reducing workers' comp rates by 20.5 percent—saving New York's businesses \$1.2 billion dollars.

We laid the foundation for reducing health care costs by cutting our Medicaid budget by \$1 billion dollars, reducing what had been an 8 percent annual Medicaid growth rate to less than 1 percent.

And we cut taxes. We enacted the largest property tax cuts in State history—\$1.3 billion dollars—and targeted them to the middle-class homeowners that need them most. We also cut taxes for businesses, with a special reduction for manufacturers.

Second, we have begun to adapt to the Innovation Economy.

In today's economy, jobs and investment will flow where the most educated and high-skilled workers are. That's why, this year, we not only made a historic investment in our schools—increasing aid by \$1.8 billion or 10 percent—but we also delivered on our promise to establish a rigorous accountability program—the Contracts for Excellence—to ensure that this infusion of funding gets results. We know that, more than anything else, our people are our greatest resource, and we are going to raise a new generation of New Yorkers that has knowledge and skills they need to achieve economic security and compete in the Innovation Economy.

And we have also convened a Higher Education Commission to transform the SUNY and CUNY systems into world-class academic institutions that are also powerful engines for economic

development. For Western New York to realize its full potential in the Innovation Economy, UB must become one of the world's pre-eminent universities—and we are going to finally provide the reforms and the commitment to make that a reality.

Succeeding in the Innovation Economy also demands economic development agencies that are nimble, quick and effective—because Western New York is now competing not only with cities in nearby regions, but with regions all over the world.

That's why we established an Upstate headquarters for ESDC, led by Dan Gundersen. Under Dan, Upstate ESDC is getting results. Over the past 8 months, they have secured commitments from the private sector to create 2,900 jobs, retain 9,400 jobs, and invest \$1.45 billion in private dollars in the Upstate economy.

Third and finally, we have invested in the infrastructure needed to catalyze and sustain economic growth. Take energy. We extended the Power for Jobs program with a commitment to taking that program to the next level in the future. We are implementing a strategy called "15 x 15" to reduce electricity consumption 15 percent by 2015 so that, in the long term, we can reduce the demand for energy that is driving up costs. And our commitment to clean energy has facilitated an incredible wave of clean energy projects across the state—including Steel Winds in Lackawanna, where eight steel wind turbines have risen on the former site of Bethlehem Steel, transforming a symbol of neglect and decline into a symbol of renewal.

Overall, I am proud to report that—as a result of what we have been able to achieve together—the Upstate economy is stronger and more competitive today than it was nine months ago.

### **The Need for Regional Strategies to Complement Our Overall Vision**

So how do we build upon the success we've had?

Going forward, we must not only continue to address the macro-level issues I have presented above—reducing costs, adapting to the Innovation Economy and strengthening infrastructure—on a statewide level. We must also complement this strategy with a focused effort to revitalize each region.

We often talk about the "Upstate economy" as if Upstate were monolithic. But that's not accurate. Upstate is economically, socially and culturally diverse. For instance, each region of Upstate has a different set of industry clusters that are thriving—whether it's biosciences and the financial sector in Western New York, optics in the Rochester area, nanotechnology in the Capital Region or aerospace in the Southern Tier. In addition to having different industry clusters, each one of these regions also has a different geography, a different infrastructure, different priorities, different competitive advantages and different obstacles to overcome.

Therefore, as we address the macro-level issues on the state level—like reducing the cost of doing business—we are also complementing that strategy with a focused, regional approach.

### **The Regional Blueprint Process**

The centerpiece of our regional approach is the Regional Blueprint process.

In the past, economic development in New York was characterized by two dynamics: a “one size fits all” approach on the state level; and, on the local level, competing visions among various stakeholders—business leaders, elected officials, economic development agencies—who all worked together and had good ideas but were not united around a strategy for change.

What we are doing with the Regional Blueprints is *inverting* this process: replacing the “one size fits all” approach with a targeted strategy for each region that recognizes the fact that each of our regions has different needs; and, on the local level, bringing all stakeholders together to work together with us so the state’s direction on economic development is aligned with regional priorities.

To further this goal, over the last two weeks, we have organized Regional Blueprint Meetings around the state.

At the meeting for Western New York, participants discussed issues such as the need to expand support for existing businesses; to advance and expand collaboration between universities and industry; to foster adaptive re-use and redevelopment, to address disparities in worker skill levels, and to expand foreign direct investment.

These Regional Blueprint conversations will inform our overarching economic development strategy—which will not be a one-size-fits-all approach, but one that includes policy, programmatic and budget proposals that will support each region’s unique assets and address their unique challenges.

#### The City by City Plan: Priority Projects for Western New York

Today I want to formally announce another major element of our regional strategy: the City by City Plans.

While everything we have done since January 1 has been focused around rebuilding New York’s economy, we are placing a special focus on our Upstate cities.

That’s because our cities have been hit the hardest by our state’s failure to transition to the global economy.

In fact, if we’re honest about it, we must admit that many of our cities are in a state of crisis. Some have lost half their population since 1950. Despite the heroic efforts of many committed citizens, our cities are continuing to lose jobs and population.

At the same time, however, we must also recognize that, for many reasons, our Upstate cities have a tremendous opportunity to thrive in the global economy. They have outstanding assets, including a skilled workforce; a robust infrastructure that can support growth; a relatively

affordable cost of living; great cultural institutions; many strong colleges and universities; and, most of all, an eminently important factor that can't be quantified—a strong sense of community.

Of course, these cities will benefit from our three-pillared strategy to reduce the cost of doing business, adapt to the Innovation Economy and strengthen our infrastructure.

Yet, in addition to these statewide efforts, we need a focused, individual approach for our cities as well. That's the motivation behind our City by City Plans.

While each of our cities is different, they do have one thing in common. They have all been held back by too many competing priorities. Each city has a deep well of potential that has remained untapped because of key projects that have stalled and been mired in gridlock. Our City by City Plans will break this gridlock by establishing priorities—clearly identifying the pivotal projects in each city and then providing the leadership, the funding, and the will to get them done.

This doesn't mean that we will not support other projects. It simply means that we have identified certain projects that we will approach differently than the state has in the past. Each state agency will focus all of their efforts on these projects—working with one another and with stakeholders on the local level to keep projects moving forward and ensure they get done.

Over the next two weeks, I will be traveling to each upstate city to discuss these projects. Let's start with our priority projects right here in Western New York.

### 200 Delaware Avenue

I'm proud to announce today that out of our four priority projects, there is actually one that we have already finalized.

Over the past several years—and especially in the last few months, even days for that matter—Buffalo's Delaware Avenue has seen an incredible renaissance—a renaissance that, in fact, began when a couple of visionaries saved this very building from the wrecking ball and transformed it into one of Buffalo's most beautiful public spaces.

Today, we are announcing that the largest project on Delaware yet will become a reality.

Several months ago, Uniquest—a partnership of developers Uniland and Acquest—acquired the former Thaddeus J. Dulski Federal Building and indicated an interest in transforming the 15-story building into a state-of-the-art office, hotel and residential complex.

But the project soon faced serious obstacles that placed it in jeopardy. Asbestos and PCB contamination—the reason the building was vacated in the first place—proved even more problematic, and far more costly, than was predicted. We feared we might continue to have 400,000 vacant square feet on Delaware Avenue, in the heart of downtown Buffalo, and we couldn't let that happen.

I designated Dan Gundersen as the lead on this project, and he put together a team that worked aggressively with Uniquest to save the project. And we succeeded.

Today, I am proud to announce that we have finalized an agreement whereby Uniquest will renovate the former Dulski Building into 200 Delaware Avenue, a world-class building that will include a 150-room full-service luxury hotel, 37 condominium units and 128,000 square feet of Class A office space. The developers predict the project will be complete by early 2009. It's a \$63.6 million investment in downtown Buffalo.

200 Delaware was a priority project because it will catalyze further investment in this section of downtown. The symbolism is remarkable: a building that once housed government offices will now be on the tax rolls—satisfying the growing private-sector demand for office space, hotel rooms and residences in downtown Buffalo.

I would like to recognize Carl Montante Sr. of Uniland Development and Bill Huntress of Acquest. Thank you, Carl and Bill, on behalf of all the people of Western New York, for your investment in this project and your commitment to revitalizing downtown.

### *The Waterfront*

Our next priority project for Western New York is the transformation of the waterfront into the vibrant place we know that it can and should be.

Buffalo's waterfront has always had incredible significance. It was where Buffalo was founded over 200 years ago. It was where, as I talked about earlier, Samuel Wilkeson constructed the city's first harbor. It was where the Erie Canal connected Buffalo with the world. For over a century, the factories and ports on the waterfront symbolized the might of a great industrial power.

However, since the decline of heavy industry, an empty waterfront came to serve as a symbol of the gridlock that has prevented Buffalo from moving forward.

Today, we are working to transform the waterfront from a symbol of gridlock into a symbol of resurgence and renewal that will be a powerful engine for economic growth in Western New York.

We have put in place a great team, led by Jordan Levy, who I appointed as chairman of the Erie Canal Harbor Development Corporation, and Mindy Rich and Larry Quinn, who are working tirelessly on the Bass Pro project. We have a plan in place. And we are getting results. At the Inner Harbor, the Commercial Slip has been re-watered, a bridge has been built, and construction is finally taking place at the site.

Today, I want to make a major announcement about the future of this project.

In March, a plan was set forth to bring Bass Pro to the waterfront. That plan was followed by an outpouring of public input and debate.

Yet, rather than let this dynamic bog down the project, we worked proactively and cooperatively over the past few months to actually address the concerns that were raised. We reached a new agreement with Bass Pro. And at 12:30 today, down at the Inner Harbor, the Erie Canal Harbor Development Corporation, Benderson Development and I will unveil the new three-dimensional model for the Inner Harbor called “Canal Side.”

Here are the highlights of the new agreement.

Bass Pro will still be building a store at the waterfront. But now, rather than building the store as part of the Central Wharf development, Memorial Auditorium and the Donovan Building will be demolished, and Bass Pro will build a much larger store on the north end of the Memorial Auditorium block as part of a 500,000-square-foot mixed-use development that will include space for retail, restaurants and entertainment, office space, hotel space and residential space.

Here’s just one of many exciting aspects of this new project: in the process of researching the history of the Inner Harbor, planners found that the Erie Canal once ran through this very site. So, part of this new project will include a reconstruction and re-watering of the canal as it passed through this site.

Stepping back for a moment, however, I believe this announcement shows what has changed over the past nine months.

In previous years, the flood of debate, discussion and disagreement that we saw after the previous plan was unveiled would have sidetracked the project. Instead, this time around, it has made the project better. Now, we have a framework in place, and we are ready to move forward.

Let me also briefly mention that we are preparing the Outer Harbor for development as well. We are moving forward with environmental remediation; improving access by reconfiguring the transportation infrastructure; and acquiring land for development. The timetable for the Outer Harbor is longer than the Inner Harbor, but we have a plan; we have everyone working together; and we are making real progress.

Together, we will transform both the Inner and the Outer Harbors into powerful engines of economic growth.

### *The Peace Bridge*

Our third priority project for Western New York is the construction of a new Peace Bridge and the completion of a new plaza for people entering the United States.

For everyone in this region, the long delays in building a new Peace Bridge have been a painful symbol of stagnation. However, they have also contributed to Upstate’s stagnation in real ways. The bottlenecks at the bridge have drastically limited our ability to take advantage of the opportunities afforded by our international border.

The gridlock on the Peace Bridge must end. The Western New York economy cannot afford any further delays; and we are not going to tolerate them anymore.

That doesn't mean we're going to ignore the community's concerns about the project. To the contrary: tomorrow a Public Hearing will be held on the Draft Environmental Impact Statement for the bridge, and just as we are doing at the Inner Harbor, we are absolutely committed to working proactively and cooperatively to address the concerns that are raised, so the project can remain on schedule.

Indeed, I promise the people of Western New York that in two years—in November of 2009—we are going to have shovels in the ground on this project.

### *Downtown Niagara Falls*

The final priority project I want to discuss today is the redevelopment of downtown Niagara Falls.

Niagara Falls receives more than 8 million visitors from around the world each year. Its downtown should be one of the most vibrant places in Upstate New York. Sadly, however, that is not the case.

Today, I am announcing that the State—through USA Niagara, a subsidiary of Empire State Development—will lead an effort to turn this area into the neighborhood it deserves to be.

We will start by focusing on an area known as the west pedestrian mall of Old Falls Street.

Essentially, our goal is to transform this 50-acre area from a run-down vestige of 1970s-era urban renewal into what it once was—the Main Street of Niagara Falls, and the center of a great urban neighborhood. We will do this by funding the infrastructure needed to catalyze this neighborhood's revitalization—reconnecting the street to the city's street grid and the park, and rehabilitating or demolishing certain properties. The goal is to do what the public sector should be doing—giving the private sector confidence to invest its capital by building infrastructure and creating a setting where private sector development will occur organically.

Such an effort has been talked about for decades. Starting now, however, we are taking action. Together, we will create a beautiful new downtown for the people of Niagara Falls and their 8 million visitors to enjoy. Finally, Niagara Falls will have a downtown that does justice to the natural beauty and economic potential of that great city.

Those are our City by City priority projects for Western New York. Again, those are not the only projects we will focus on. But they are the ones that must be completed as soon as possible to lay the foundation for future economic growth.

But for our City by City effort to succeed, we must work together.

The State Senate must confirm all of our economic development appointees, especially Dan Gundersen, the top economic development official in Upstate New York. In addition, the Senate must work with us to agree on the allocation of up to \$1 billion in economic development capital, much of it for Upstate. And all state agencies—and every level of government—must come together around these priorities so we can see them through to completion as quickly as possible.

## **Conclusion**

Let me close with a final point.

Two weeks ago, my wife, Silda, organized the “I Live New York” Summit in Cortland, which brought together hundreds of New Yorkers from a variety of fields to talk about how we can keep the next generation of New Yorkers here.

In her opening remarks at the Summit, Silda said something that stuck with me. She said, “It is time to shift from deficit to surplus thinking. It is time to focus in each region on what our assets are and what our potential for opportunity is. New settlers want a place that believes in itself, one that offers hope and promise. So we in New York have to undergo a real mind shift.”

At this summit—and in cities, suburbs, small towns and rural areas across Upstate New York—one can sense a genuine optimism emerging about the future.

Here in Western New York, we were once the birthplace of great industries. Making the transition to the global economy will not be easy. But we have the capacity to make it happen once again.

That’s because transcending adversity is part of the New York character. Indeed, the only reason our city exists in the first place is because a single Buffalonian—through ingenuity, creativity and sheer force of will—constructed a great harbor in a tiny village.

We’re not a tiny village anymore. We are a great city. We have been through some difficult times. But we have embraced the future, and we are ready to confront the challenges of a changing economy.

We have done it before, and I am confident that can—indeed, that we will—do it once again.

Thank you.