

Rebuilding the Upstate Economy, City by City

Rochester and the Finger Lakes

**Midtown Plaza
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[As Prepared for Delivery]

Today I want to present our City by City projects for Rochester and the Finger Lakes region. But first, let me step back and attempt to relate our effort to the larger context in which we find ourselves.

If we look back at the history of Rochester, it is the history of a city that led the nation—not followed it—into new frontiers of commerce and trade.

In 1803, Colonel Nathaniel Rochester and a group of investors founded what was then the “Village of Rochesterville” because they saw the potential in the mills that were constructed along the Genesee River. Within a few decades—thanks to the rapidly flowing river and the construction of the Erie Canal—Rochester became a powerhouse in the commercial economy of the mid-19th century. In fact, at one point, it was the most productive flour-milling city in the world.

By the late 19th century, the commercial economy and the flour-milling sector had declined in importance. But the city did not decline. Led by great industrialists such as George Eastman, Rochester emerged as the world’s dominant manufacturing city in optics and imaging. And, after World War II, Rochester prospered for many decades as the headquarters for some of the world’s largest and most prominent companies.

Rochester’s growth has undoubtedly been driven by the genius and innovation of visionaries in the private sector. However, at every step along the way, the public sector “primed the pump” for growth—whether by building the Erie Canal that allowed the commercial economy to thrive; constructing a port at the mouth of the Genesee River; or by creating the transportation networks and reliable, low-cost energy infrastructure that allowed the manufacturing economy to take hold and thrive.

My larger point here is that Rochester has faced moments of economic transition before. And each time, thanks to the efforts of both the private and public sectors, Rochester—indeed, all of Upstate—was successful in making the transition. In fact, Upstate New Yorkers became known across the nation for their ingenuity and capacity to solve any problem.

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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 Rochester has actually *declined* by 8 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 has 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 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 by building strategic industries; and third, strengthening our infrastructure to create the foundation for economic growth. And today, with the rollout of our City by City Plans, we are adding a fourth pillar: revitalizing our Upstate cities.

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.

Reducing the Cost of Doing Business

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.

Adapting to the Innovation Economy: Investing in Education and Building Strategic Industries

Second, we have begun to adapt to the Innovation Economy by investing in education and building strategic industries

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.

Succeeding in the Innovation Economy also demands economic development agencies that are nimble, quick and effective—because Upstate 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 pledges to create 2,900 jobs, retain 9,400 jobs, and invest \$1.45 billion in private dollars in the Upstate economy.

Another part of our strategy to adapt to the Innovation Economy involves growing strategic industries.

Upstate New York has many industry sectors that are thriving—such as optics, imaging, advanced manufacturing and biotech here in Rochester; agriculture and tourism in the Finger Lakes region; nanotechnology in the Capital Region and aerospace in the Southern Tier.

In addition to having different industry clusters, each one of these regions also has different geography, different infrastructure, different comparative advantages and disadvantages.

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

The centerpiece of our regional approach is the Regional Blueprint process. In late September and earlier this month, we held Regional Blueprint meetings around the state—bringing business leaders, economic development organizations, political leaders, and community and civic organizations together for conversations about how to strengthen strategic industries and the overall economy in each region.

These Regional Blueprint work sessions 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.

Investing in Infrastructure

The third part of our plan is to invest in the infrastructure needed to catalyze and sustain economic growth.

For one example, take energy. 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 we extended the Power for Jobs program with a commitment to taking that program to the next level in the future.

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.

Revitalizing Cities: Our City by City Plans

But what I want to focus on today is the fourth pillar of our strategy: our City by City plans to revitalize 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, many of our cities that once led the nation have fallen far behind. Some of our Upstate cities have lost up to half their population since 1950. And despite the heroic efforts of many committed citizens, too many of our cities are still struggling to attract investment.

At the same time, however, we must also recognize that as much as our Upstate cities have struggled in the global economy, they have an equally tremendous opportunity to thrive.

They have outstanding assets, including a skilled workforce; a robust infrastructure that can support growth; a relatively affordable cost of living; great cultural institutions; and many strong colleges and universities. And, most of all, our Upstate cities have an eminently important factor that can’t be quantified—a strong sense of community and an excellent quality of life. In fact,

earlier this year, Rochester was ranked the number-one city in the country for best quality of life by Expansion Management Magazine.

Yet each of our cities has struggled. Why? One of the main reasons is that 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.

The purpose of our City by City Plans is to break this gridlock by establishing priorities—by 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.

Starting last week, I began traveling to each Upstate city to discuss our City by City projects. Let me now present the ones for Rochester and the Finger Lakes Region. They include one major project for revitalizing downtown and three critically important investments in the future of this region's rural areas.

Priority Projects for Rochester and the Finger Lakes Region

Midtown Plaza

The first project I want to announce is truly a breakthrough project for this city. It involves this very building: Midtown Plaza.

You only have to visit Downtown Rochester once to recognize that it truly has an extraordinary amount of potential. Nearly everything is in place for a downtown resurgence: beautiful architecture, important cultural institutions, corporate headquarters and a thriving arts and entertainment scene. But right at the center of downtown is a major obstacle to development: a 1960s-era shopping mall that is 75 percent empty.

Not only does this structure present a physical impediment to revitalization—it is 10 acres large and right in the middle of downtown—it also presents a symbolic impediment. To everyone who visits downtown Rochester, it represents decline and decay, rather than the beauty and vitality that truly characterize this city.

I asked Dan Gundersen and Upstate ESDC to address this problem. We brought everyone together. And today, I'm proud to announce that we have reached an agreement that will transform this site.

First, the City will acquire the Midtown Plaza site. The State will then spend about \$50 million to remediate and demolish the site to make it "shovel ready." The telecommunications firm PAETEC will then construct a new world headquarters building on a portion of the property. Not

only will PAETEC bring its 600 workers downtown, the new facility will enable them to hire at least 400 more workers. That's an expected 1,000 jobs brought downtown, including 400 new good-paying jobs for the people of Rochester.

The rest of the property will be shovel-ready and will present an outstanding mixed-use development opportunity in the heart of the city.

The obstacles to this project were significant, but I commend Dan for bringing everyone together to make it happen. I thank Mayor Duffy and the City for their hard work. And I commend Arunas Chesonis of PAETEC for making such a bold investment in the future of downtown Rochester. Today's announcement is a sign that both PAETEC and downtown Rochester have a bright future indeed.

Strengthening Agriculture

The next City by City projects we want to announce today are really a group of projects that are focused around strengthening agriculture in this region. Now, you might think that was an abrupt transition—to go from talking about telecommunications and the Innovation Economy to a discussion of agriculture, which is perhaps the world's oldest industry. I would argue to the contrary. The agricultural sector in the Rochester and Finger Lakes region is an important strategic industry sector that is poised for tremendous growth—if we make the right investments.

Of course, we must recognize the fact that many of our farmers face significant challenges. The number of farms in New York continues to decline each year. Commodity prices are continually challenged due to the downward pressure exerted by global competition. And the cost of production relative to return continues to increase—as a result of rising fuel costs, expensive waste disposal, and soaring property taxes. We must do all we can to help the farmers that are suffering as a result of these pressures.

However, there are many sectors of agriculture in New York State that are actually poised for real growth.

In fact, the Finger Lakes region is one of the only parts of the state where the number of farms has increased since the last farm census. That's because there is a rapidly increasing demand for value-added goods such as wine, cheese and organic food, especially produce—and an increasing demand for food processing facilities to add value to agricultural goods.

That is the future of agriculture, and Upstate New York—particularly the rural areas around Rochester—are already strong in those areas. Today, I want to announce three strategic investments that will allow us to capitalize on these opportunities for job creation.

First, the State will invest \$3 million to construct an agricultural manufacturing park along Route 63 in Batavia. This is the ideal location for such a facility. It is located in the heart of some of the best agricultural land in the State; it has superior transportation access; and it will build upon recent successes in Batavia, which has a resurgent downtown, and which was recently ranked third in the nation by Site Selection Magazine for the amount of economic activity in a small

city. We are planning a huge facility—over 200 acres—and the food processing and agriculture-manufacturing industries attracted to invest in this site could yield more than 1,000 new jobs to the region. We expect the project to be complete by the end of 2008.

Second, we will recognize that a critical aspect of succeeding in a value-added agricultural economy is to connect producers and consumers.

Yates County is located in the heart of the viticulture industry in the Finger Lakes, and also has the largest collection of organic farms in the Northeast. The State's investment of \$750,000 there will provide critical seed capital for the development of a new organic produce center, which will support local farmers by allowing them to reach new markets. Additionally, the local IDA will evaluate the opportunity for the development of a joint grape-crushing incubator facility to be utilized by various wineries in the region. This new facility will serve as a catalyst for further growth in these sectors in the Finger Lakes region.

And third, we will invest in the future of agriculture by supporting R & D related to food and agricultural production. That's why we're investing \$1 million in the Cornell Agriculture and Food Technology Park in Geneva, NY. The state's investment will assist the expansion of the park to accommodate additional R & D facilities. This will enable that facility to foster the creation of innovative technologies; drive economic growth in the food and agricultural sectors; and ensure that New York State remains at the cutting edge of agriculture. We expect this project to be completed in late 2008.

Agriculture is very much a part of our past in New York—but it's also an important part of our future. These investments will create jobs and help revitalize the beautiful rural counties surrounding the city of Rochester.

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Let me close with a final point.

Two weeks ago, in Cortland, my wife, Silda, organized the "I Live New York" Summit, which brought together hundreds of New Yorkers from a variety of fields to talk about how we can keep the next generation 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 Rochester, we were once the birthplace of great innovations and great industries. Making the transition to the global economy will not be easy. But we have the ingenuity and the capacity to make it happen once again. That's because transcending adversity is part of the New York character.

Rochester is a great city. We have been through a difficult time. 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 we can—indeed, that we will—do it once again. Thank you.