

# taking hold of the new economy

## A New Economy Model for Upstate New York and the Finger Lakes Region

Department of City and Regional Planning  
Cornell University Workshop on the Finger Lakes Region



The New  
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to the Finger  
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### Findings

Economic development policy-makers should **scale out**, thinking about and working to ensure they consider broader regional conditions for economic development policy. This effort should be supported by the State of New York and include:

- ✓ Developing mechanisms for coordination of local economic development programs across cities, towns, villages, and counties
- ✓ Building horizontal linkages among key institutions, such as universities, local governments, and community development corporations (CDCs)
- ✓ Economic development targeted to the assets and needs of the region, rather than “cookie-cutter”

Economic development policy makers also need to **scale up**, building coalitions to change economic development incentives that emanate from the state and federal levels of government.

A “New Economy” model requires a **multi-faceted approach** that measures success in terms beyond job numbers. Job creation is still key in the New Economy, but so are job quality and regional quality of life.

Building and sustaining the Finger Lakes economy requires:

- ✓ Good governance and incentives to **reduce competition** among local economic development efforts

- ✓ Building on existing groups of small and medium size firms in industries such as photonics, environmental systems, and organic agriculture

- ✓ Attention to the cultural, creative and natural assets of the region and the role they play in quality of life

- ✓ Policies to link land use regulation to economic development goals

Citizens need to engage in strategic planning that builds in **accountability** for economic development initiatives in the context of long-term goals. This requires:

- ✓ Region-wide analysis of employment, industry and other trends across traditional geographic boundaries

- ✓ More accountable connections between the public and economic development bodies such as Industrial Development Agencies and Workforce Investment Boards

The New Economy has to be **redefined** in regions that include midsize cities, small towns, villages, and farmland. The Finger Lakes region, with its mix of natural beauty, burgeoning industries, cultural amenities, internationally recognized universities, robust civic engagement, and outdoor recreation activities, has the opportunity to engage with the New Economy in a sustainable and meaningful way.

**Figure 1.** Finger Lakes region based on state and industry definitions



## Introduction

**T**he Finger Lakes region of upstate New York is home to internationally recognized universities and firms, a highly skilled labor force, and numerous natural and cultural amenities. Major employers in Rochester and Syracuse, and the pristine lakes and sweeping views of the lakes region, have drawn people to this region from around the world. As the birthplace of the nation's winemaking industry, the women's rights movement, and major innovations in imaging and communications, the region's history is steeped in invention and creative energy.

Despite a strong foundation on which to facilitate continued economic growth, recent trends in population and economic development have been sobering. To keep pace with changes in the national economy, communities in the region need to think strategically about how to build upon existing assets, including

access to international markets via New York City and Canada; innovative urban industrial centers (Rochester ranks fifth on the Metropolitan New Economy Index's Innovation Capacity scale); an engaged civil society; and a nationally-recognized high quality of life.

To understand how the Finger Lakes region could build upon these assets and successfully move into the New Economy, Cornell students conducted interviews with economic development practitioners and civic leaders in the region, read economic development reports about the region, and researched best practices for achieving the new economy model. This report shares what we learned. Our hope is that it will help policymakers and civic leaders work together to craft a model for the sustained future growth of the Finger Lakes region.

## From government to governance

**G**overnance is more than government; it implies coordination between public, private, and non-profit actors.

**Regional cooperation** is essential because innovation and production—in addition to infrastructure, housing, and job training needs—no longer fit within the historical confines of villages, towns, cities, or even counties.

Our interviewees told us that existing Finger Lakes institutions could coordinate a regional strategy, but must first address three problems: (1) multiple layers of government that fragment service provision, (2) vertical competition and horizontal competition, and (3) inadequate planning capacity.

### Combat Fragmentation

Many Finger Lakes municipalities already realize that **joint operating agreements, municipal consolidation, and contracting out** increase efficiency through economies of scale and reducing fragmented service provision. For example, six Finger Lakes counties created the Municipal Electric and Gas Alliance (MEGA) to provide electricity and gas at lower, more stable prices. In the New Economy, joint service provision includes not only basic utilities, but technological infrastructure. *Berkshire Connect* in Western Massachusetts built a regional broadband system to not only lower costs, but also attract high technology firms. In order to achieve this sort of cooperation, Upstate municipalities told us they need more incentives and ways to share results and lessons.



**Figure 2.** Year round, vibrant Main Streets attract locals and tourists alike in the region's small cities, towns, and villages.  
*Photo courtesy of Skaneateles Chamber of Commerce.*

**Decrease incentives for competition and increase incentives for cooperation**

Cost savings from joint service provision provide tangible incentives for local municipalities to cooperate, but reducing competition requires action from business and labor coalitions as well as state and federal government.

Many Finger Lakes leaders are concerned about Industrial Development Agencies (IDAs) and Empire Zones (EZs) engaging in the “old” development model of “smoke stack chasing”, throwing tax breaks at firms without sufficient public accountability. Suggestions to resolve this problem include reducing the number of IDAs, and refocusing EZs on the needs of distressed communities.

Incremental steps can begin promoting intermunicipal and interagency cooperation. Economic development agencies in Denver previously competed among themselves for primary employers. Then local business leaders developed the Metro Denver Economic Development Corporation

(EDC) to bring together the county EDCs and other groups to recruit and attract international businesses—something they could not accomplish working alone. Similarly, Finger Lakes business leaders, together with universities, could establish a regional council of economic development agencies. The council’s increased capacity to develop international markets provides an incentive to work together.

Another objective might be to create state and federal incentives for cooperation by setting aside funds for cooperative ventures. In the Finger Lakes, the Ithaca-Tompkins County Transportation Council (ITCTC) already encourages individual municipalities to work together on transportation issues because federal funding requires this cooperation.

**Encourage Strategic Planning**

IDA and EZ staff members report that they would like to cooperate, but their funding depends solely on local job creation. To relieve this pressure, a new set of indicators could guide these organizations toward New Economy goals. More dynamic measures may include workforce education levels, business retention rates, and reduction in job turnover.

Such indicators should become part of a state-mandated strategic plan for IDAs and EZs based on a thorough study of the region’s economy and subject to a public review process. To help regions fulfill strategic plans, university outreach organizations such as Cornell Cooperative Extension could contribute to their planning capacity with research and data collection.

**Land use and economic development**

During the past few decades, development in the Finger Lakes Region has sprawled away from urban and village centers. The region’s centers—many of which contain aging building stock—have suffered from disinvestment and loss of fiscal capacity, severely affecting their economic development capacity. Specifically, it inhibited municipalities—and the region—from fostering innovative industries or attracting creative economy workers. Local land use decisions too often sacrifice long-term quality of life for short-term gain.

According to local leaders, land use and infrastructure planning in the Finger Lakes has been disjointed. Some of the region’s best assets are its historic cities and villages, its lakes and scenic beauty,

**Table 1.** Taxable sales and purchases, New York, Sept. 1999 to Feb. 2000

County	Taxable sales (\$)	Retail LQ*	County	Taxable sales (\$)	Retail LQ*
Albany	4,847,000	1.46	Oneida	2,256,000	0.62
Allegany	338,000	0.53	<b>Onondaga</b>	<b>5,981,000</b>	<b>1.16</b>
Broome	2,092,000	0.92	<b>Ontario</b>	<b>1,589,000</b>	<b>1.87</b>
Cattaraugus	751,000	0.79	Orange	4,257,000	1.11
<b>Cayuga</b>	<b>709,000</b>	<b>0.77</b>	Orleans	253,000	0.51
Chautauqua	1,252,000	0.75	Oswego	982,000	0.71
<b>Chemung</b>	<b>1,145,000</b>	<b>1.11</b>	Otsego	602,000	0.87
Chenango	381,000	0.66	Putnam	851,000	0.97
Clinton	893,000	1.06	Rensselaer	1,217,000	0.71
Columbia	566,000	0.79	Rockland	3,184,000	0.98
<b>Cortland</b>	<b>452,000</b>	<b>0.82</b>	St. Lawrence	991,000	1.05
Delaware	409,000	0.75	Saratoga	2,232,000	1.31
Duchess	3,431,000	1.09	Schenectady	1,745,000	1.06
Erie	11,091,000	1.03	Schoharie	250,000	0.70
Essex	453,000	1.10	<b>Schuyler</b>	<b>127,000</b>	<b>0.58</b>
Franklin	360,000	0.83	<b>Seneca</b>	<b>346,000</b>	<b>0.92</b>
Fulton	484,000	1.04	<b>Steuben</b>	<b>897,000</b>	<b>0.81</b>
Genesee	637,000	0.93	Suffolk	19,281,000	1.07
Greene	447,000	0.82	Sullivan	661,000	0.90
Hamilton	69,000	1.51	<b>Tioga</b>	<b>332,000</b>	<b>0.57</b>
Herkimer	467,000	0.64	<b>Tompkins</b>	<b>959,000</b>	<b>0.88</b>
Jefferson	1,152,000	0.97	Ulster	1,967,000	0.98
Lewis	177,000	0.62	Warren	1,161,000	2.17
<b>Livingston</b>	<b>505,000</b>	<b>0.70</b>	Washington	385,000	0.75
Madison	553,000	0.71	<b>Wayne</b>	<b>750,000</b>	<b>0.71</b>
<b>Monroe</b>	<b>8,756,000</b>	<b>1.06</b>	Westchester	14,544,000	1.86
Montgomery	466,000	0.83	Wyoming	285,000	0.58
Nassau	19,090,000	1.13	<b>Yates</b>	<b>184,000</b>	<b>0.66</b>
Niagara	2,202,000	0.89	<b>NYC</b>	<b>86,324,000</b>	<b>0.87</b>
			<b>All counties</b>	<b>218,769,000</b>	<b>1.00</b>

\*Retail Location Quotient (LQ): county per capita sales & purchases as a ratio of state per capita sales & purchases (1.0 = average) . Calculation by Tom Wisemiller and Elizabeth Sargent.

and distinctive rural character. Lacking either the capacity or will to plan strategically, many localities have accommodated haphazard development: poorly planned exurban subdivisions, industrial plants that outgrew their sites as soon as they were built, and commercial buildings that were erected in the last ten years, but

now lie scattered and abandoned along major highways.

Over the long run, investors, property owners, and developers benefit from rigorous yet predictable land use regulations as well as strategic, cooperative approaches to infrastructure planning. Investors have yet to take advantage of untapped resources in villages like Groton, which has an industrial zone

serviced by cheap electricity. Brownfield redevelopment provides opportunities for productive use of land in or near urban and village centers. The New York Department of Environmental Conservation reports that the Finger Lakes and Central New York have the second highest regional concentration of brownfields in the state, with 77 sites, or 4.5 per thousand residents.

Compounding the problems with disjointed land use and infrastructure planning, **New York State has pushed service costs down to localities.** A recent State Comptroller report indicates that unrestricted aid for local governments has failed to keep pace with inflation or budget growth. To make up for limited tax capacities, jurisdictions in the Finger Lakes have been forced to levy high retail, sales, and property taxes. According to the Tax Foundation, in the last three decades the local tax burden in New York State has been the second highest in the nation.

Retail sales in Ontario, Chemung, Onondaga, and Monroe counties are above average but disappointing for urban-core counties, while the retail sector in Schuyler, Tioga, and Yates counties continues to struggle. Meanwhile, property values have been slow to mature, resulting in low mortgage tax collections compared to adjacent regions. As a result, the quality of public services remains inconsistent. Public policymakers need to address the ways in which land use and local public finance can be used to enhance the attractiveness and viability of our cities and communities.



**Local communities in the Finger Lakes have forged shared service agreements and other cooperative strategies to overcome limited planning and infrastructure capacities.**



Some valuable policies have been proposed to counter the consequences of disinvestment in urban and village centers. For example, in 2001, the NY state assembly passed the Ithaca Bill, which enables local municipalities to enact a property tax abatement program for the rehabilitation of historic properties. While this law has been adopted by a number of municipalities, many more could take advantage of its benefits. In 2004, the state unveiled the \$20 million New York Main Street program to fund building renovations, downtown business or cultural “anchors”, and streetscape enhancements. Finally, there are eight microenterprise investment programs, or Community Development Financial Institutions (CDFIs), between Rochester and Syracuse. Each of these programs represents significant opportunities for reinvestment.

Local communities in the Finger Lakes region have forged shared service agreements and other cooperative strategies to overcome limited planning and infrastructure capacities. Recently, all the local governments in Tompkins County agreed to share the financial burdens of upgrading existing water and sewer facilities. In the future, water and sewer lines in Tompkins County will be extended to village centers to promote economic development in targeted areas. In Tioga County, the Village of Waverly is working with five neighboring jurisdictions—Barton in New York State and South Waverly, Sayre, Athens Borough, and Athens Township in Pennsylvania—to plan for development.

These policies and practices are valuable additions to the economic developer's toolkit, but won't make up for land use policies that leave communities without resources to pay for basic infrastructure and which encourage property owners to

defer maintenance or to leave older communities. State policies could promote reinvestment in city centers. These could include:

- Promoting a **state historic preservation tax credit** to support rehabilitation and reuse of structures in villages and town centers
- **Alternative funding** sources—including CDFIs—to support small businesses
- **Strengthening brownfield redevelopment programs** by improving incentives, targeting properties with location advantages, and educating municipalities on available programs
- Making **open space conservation** consistent with the region's rural identity and settlement patterns

By taking these steps and recognizing the relationships between land use and economic development, the Finger Lakes region can promote a sense of identity and culture, improve quality of life, and cultivate a vibrant and creative New Economy.



**Figure 3.** Rochester photonics cluster.  
*Data provided by Jennifer Clark*



**Figure 4.** Finger Lakes organic agriculture cluster.  
*Data mapping by Marcel Ionescu-Heroiu*

## Encourage small and medium-sized firms in innovative industries

The Finger Lakes region has historically been home to systems, optics, and agriculture. In their new forms—**Environmental Systems, Photonics and Organic Agriculture**—these industries suggest a clear direction for the New Economy. They cater to specialized domestic and international niche markets and offer immense potential for continued innovation while offering high-quality employment opportunities. The Finger Lakes region offers firms in these industries a legacy of innovation and an institutional support system that extends beyond concentration of similar firms to include research institutions and a highly educated and skilled workforce.

The Finger Lakes is home to over 2,200 small technology companies. More than 1,300 of these firms are in the Syracuse metro area, a geographic hub for firms in environmental systems. Regional employment in the sector is now five times the national average. Similarly, the Finger Lakes region boasts a location quotient of 17.8 for precision optics and imaging, which makes it one of the primary U.S. hubs for this industry. The regional concentration of firms in environmental systems, fuel cells, photonics, and organic agriculture has led policymakers to identify them as ‘clusters’ and to create supportive policy initiatives. Within the region, intermediary nonprofit organizations facilitate collaboration and cooperation among firms and link them to potential markets.



**Figure 5.** Organic farmer's stand at the Ithaca Farmer's Market  
*Photo by Roberto Ruiz.*

Creating industry “clusters” in the Finger Lakes requires ongoing effort. The regional concentration of small and medium-sized enterprises (SMEs) makes a case for promoting clusters even more persuasive, since smaller firms typically stand to gain much more than larger firms within a collaborative environment of fluid innovation transfer and exchange. The large distances between urban centers in the region increases the importance of strong networks. It is heartening that despite the flight of manufacturing jobs from Upstate New York, there continues to be a concentration of these industry groups in the region.

Effectively promoting both formal and informal networks is one of the most critical areas of policy focus in the Finger Lakes region. Networks could foster:

- **Information exchange** between businesses and supporting institutions
- Identification of **pooled resources** and creating easy access to those resources

- Access to **financing options** beyond startup capital, so that firms remain in the region as they grow
- Policies to build **infrastructure** that lowers the costs of connecting with customers and suppliers

Interviews with industry leaders indicated that the lack of strong institutional networks and funding for research talent are two key factors limiting the growth of environmental systems industries, despite an expanding global market for its products and services.

In photonics, intermediary organizations have emerged and have been successful in networking photonics companies around them. The industry's SMEs need a more coordinated policy presence in Albany and expanded relationships with the technology transfer capabilities of state-funded research centers.

The challenge of developing stronger ties between SMEs and their

supporting institutions is not unique to the Finger Lakes region, as sharing information with close competitors can be risky for smaller firms. This underscores the importance of the role for viable intermediaries to identify and facilitate inter-firm collaboration where clear benefits accrue to all parties.

Development within the emerging organic agriculture industry depends on strengthening links between growers and their markets. Small farmers, however, may have little background in (or comfort with) marketing and building a customer base. Facilitating programs such as the Finger Lakes Culinary Bounty (which links farmers to restaurants) and Farm-to-School (which links farms to school cafeterias) exist but are underutilized due to limited networks among organic growers.

Some overarching initiatives that could address the challenges to cluster development are:

- Promoting **industry-specific networks**, start-up and commercialization financing, mentorship programs and other support to SMEs by scaling up community-level initiatives through regional partnership programs, conferences, and inter-jurisdictional events.
- **Improving links** between firms, industry needs, and research institutions
- Increasing the number of college and university **internships** to encourage research talent to remain in the region
- Creating **business development and support centers** to provide technical assistance to individual firms in financing, grant writing, and marketing

**Table 2.** Creative assets of the Finger Lakes region and expected policy outputs.  
 Sketch by Manuel Tironi.

	TOWN REDEMPTION	JOB CREATION	PLACE MARKETING	BRAIN RETENTION	INNOVATION
UNIVERSITY-COMMUNITY PARTNERSHIPS	Shaded			Shaded	Shaded
CULTURAL TOURISM	Shaded	Shaded	Shaded		
ART ORGANIZATIONS			Shaded		Shaded
WINERIES		Shaded	Shaded		

## Technology Transfer

As home to a large number of colleges and universities, the Finger Lakes region is rich in intellectual capital. Regional research universities can be a significant driver of technological innovation. University tech transfer offices can contribute to the regional economy by:

- Collaborating with peer schools to identify synergies in research and development that build on the strengths of emerging industries
- Supporting the workforce development function of New York's community colleges
- Developing programs that prioritize upstate New York firms in the transfer of intellectual property

## Build a "creative" economy

Today, **innovation** and the capacity to create meaningful new development are the engines of regional growth. A key goal for regions such as the Finger Lakes is to connect cultural and knowledge-intensive activities to local economies. Such activities include the arts, cultural and heritage tourism, and small-scale food and

wine production. Jobs and activities in these creative industries can stimulate economic vitality by increasing the retention of newly-minted professionals and the attraction of potential visitors. The Finger Lakes region has numerous untapped resources in the areas of tourism, arts and crafts, niche-market food industries, historic landmarks, and colleges and universities. The region has a special opportunity to renew itself by becoming an important creative hub for New York State and the northeastern U.S.

Our findings suggest that the concept of *creativity* must be redefined for rural and agricultural areas. We suggest four key guidelines for applying the "creative economy" to the Finger Lakes:

- **Broader concepts of social and cultural diversity.** Our region is rich in academic institutions and artist communities, but also in farming traditions. This diversity can serve as an asset for place-based development strategies promoting the creative economy.
- **Re-scaling creativity.** Syracuse, Ithaca, and Rochester are important sites of innovation, but smaller locales such as Auburn, Aurora, and Geneva are also sources of vibrancy,

creativity, and local development.

- **Short-term and long-term efforts.** Initiatives based on tangible short-term goals can help establish trust and networks that will be crucial in longer-term pursuits. Examples of short term projects include façade improvements, festivals, and children's programs. Long-term goals may include business creation and product development.
- **Partnerships and regional cooperation.** Isolated initiatives can be strengthened and scaled up through partnering among neighboring communities. Partnerships between artists, entrepreneurs, and other local stakeholders can add visibility and recognition, enhancing regional competitiveness. The Finger Lakes Arts Council is an example that could be replicated.

Based on these findings, we identify several important regional assets that could operate as catalysts for a creative strategy in the Finger Lakes.

- **Wineries.** Wine in the Finger Lakes is not only a source of direct economic benefit, but also a hallmark of the region's identity, tied to the history and the people of the region. Wineries offer an opportunity to

link place-marketing and tourism with tradition and local development in a sustainable manner.

- **The Arts.** The Finger Lakes has 14 arts councils. With proper promotion, their activities could become engines for local economic growth, for example through cultural tourism, festivals, and cooperatives.
- **Art and Design Businesses.** Internationally known firms in fashion design and home furnishings have been started in the Finger Lakes but have not been considered a part of the “industrial” picture. Economic developers need to learn more about what helps these businesses grow and succeed.
- **University/community partnerships.** Colleges and universities are hubs of talent and innovation. Their success, however, is tied to the quality and vibrancy of their adjacent communities.

Our research identified three models of college/community cooperation occurring in upstate New York that could be encouraged by state policy:

- ✓ **Physical improvements** partnering with local governments for city regeneration
- ✓ **Mixed-use initiatives** integrating university activities to the city’s urban fabric
- ✓ **Event-based alliances,** town/gown alliances for events and festivals

Initiatives in these four areas—wineries, the arts, design businesses, and university/community partnerships—combined with innovative policy making, represent distinct opportunities to apply creative economy approaches in the Finger Lakes region.

## What incremental steps can we take to move toward a New Economy model?

**M**eaningful, **long-term regional development** will be achieved by linking creative, practical, everyday approaches to regional strategies for growing the economy, fostering technological and human resources, and planning for land use and infrastructure development.

Citizens and policymakers have already created initiatives that show promise:

- Alliances to plan for **transportation** enhancements
- Protection of the region’s rich natural assets, and promotion of **regional tourism**
- Intra-regional forums to bridge development agendas and delineate development tasks

Regional stakeholders can build upon these initiatives by:

- Building a **regional brand** around the Finger Lakes through tourism, the wine industry and the creative/knowledge economies
- Encouraging joint service provision, especially **technological infrastructure** such as broadband, to increase cooperation, save money and make the region attractive to businesses
- Requiring **strategic plans for IDAs** that shift emphasis from job quantity to job quality to encourage IDAs to invest in their communities and make better use of state funds
- Supporting firm networks, mentorship programs, and



**Figure 6.** The Finger Lakes are an important physical and symbolic backdrop for the region.

*Photo courtesy of Corning Chamber of Commerce.*

regional tech transfer to strengthen small and medium-sized enterprises

- Building upon existing municipal collaboration to encourage further inter-regional strategic planning
- Pairing downtown reinvestment with open space conservation to boost the regional economy and protect its pastoral character

The Finger Lakes region has a strong asset base, but it faces many challenges. Cities and counties cannot solve these problems alone. By collaborating and planning on the local and regional levels, by developing a shared vision of the future, and with support from the State of New York, the region can place itself at the cutting edge once more.

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