Reclaiming a Regional Resource

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

Department of City and Regional Planning
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Department of City and Regional Planning
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Executive Summary

Despite its significant human and natural resources, the economy of upstate New York has not shared in the prosperity produced by a long period of national economic growth. If upstate New York were treated as a separate state, its economic performance would place it at the bottom of the list of states. Over the 1992–98 period, the state’s rate of job growth ranked 49th among 50 states.

Although the transition from a manufacturing to a service economy and the cost of doing business in New York communities are often cited as the bases for sluggish job and wage growth, a look at the full range of trends affecting upstate New York suggests that a more complex set of forces has hindered an economic rebound:

- Upstate New York communities have experienced significant losses of employment and retail expenditures because of military downsizing and decreasing defense expenditures;
- Concentration and downsizing in key sectors of the upstate economy have encouraged the concentration of certain major employers in urban centers, depriving smaller communities of employment; and
- Deregulation of key sectors of the economy has led to job concentration in urban centers and higher costs for many upstate residents and businesses.

To reverse the decline of upstate economies and slow the loss of workers and jobs to other regions of the country, the Department of Housing and Urban Development has undertaken the Canal Corridor Initiative (CCI). The Initiative reflects the principles and approach embodied in the federal Empowerment Zone and Enterprise Community program, using federal resources to spur private investment in revenue generating projects in communities along the canal corridor which includes New York’s historic canal system and its inter-connected waterways.

The Canal Corridor Initiative was developed in response to state and local plans for the canal region. The vision behind the Canal Corridor Initiative emphasizes locally initiated efforts and regional synergy — the encouragement of development within a framework that will maximize benefits to the region as well as individual communities.

The Canal Corridor Initiative was strengthened in 1998 through HUD’s partnership with the U.S. Department of Agriculture (USDA). The HUD/USDA partnership commits the agencies to providing grant and loan resources, as well as expertise, for the benefit of small communities along the Canal Corridor.

The federal resources invested in canal communities are significant. Over the course of the three-year program, HUD has provided $237.3 million in grants and loans to leverage $361.1 million in investment from the private sector and local and state government for a total investment of $598 million. In addition, USDA has provided $160.2 million in assistance and leveraged $41.5 million for a total investment of $201.5 million. Together, HUD and USDA have provided or leveraged a total investment of $800 million.

This study, prepared by a team of researchers in the Department of City and Regional Planning at Cornell University, reports on the progress of the Initiative and evaluates its potential and realized economic impact on the canal region. Our findings are based on: 1) information on recent use of canal-related tourism facilities and services; 2) a Social Accounting Model, developed by the City and Regional Planning Department; and 3) an evaluation of what is happening “on the ground” through case studies in four communities that have investments in place through the Canal Corridor Initiative.

This preliminary study, the first of two on the Canal Corridor Initiative as an economic development strategy for the canal communities, demonstrates the Initiative’s positive impact on the upstate economies through HUD’s investments. The impact of the program is not just economic, however. Our case studies show that the Initiative has also given new confidence to communities who feel that their needs have been forgotten in an era of national prosperity.

Research Findings

Finding #1: Tourism expenditures in the canal region are rising and have the potential to produce significant economic growth. The Canal Corridor Initiatives investments create the capacity to draw and serve visitors to the region.

Evidence from canal region agencies, hotel taxable sales, and from our case studies, all shows recent
increases in expenditures in canal tourism activities. For example, hotel taxable sales are up 12% in the region; between 1996 and 1998, 10,000 additional boats used a canal lift or passed under a lift bridge; and the National Park Service reports an 18.5% increase at their New York sites, many of which are adjacent to the canal. Our case studies provide further evidence of this rise in tourism activity and its beneficial implications for canal region communities.

Investments through the Canal Corridor Initiative are creating the infrastructure and services to draw visitors, and to serve them (with restaurants, boat tours etc.) when they arrive in the region. With capital improvements in both public and private enterprises, jobs are created to meet the needs of the increasing number of visitors to the region and tourists.

Finding #2: Based on a conservative estimate of a 5% increase in tourism sectors in the region, HUD’s investment in the Canal Corridor is likely to yield over 17,000 additional jobs and a $447 million increase in state and local revenues.

Although, at this time, we cannot predict with full accuracy how much tourist expenditures will increase throughout the canal corridor communities, we have strong indications from our case studies and other research that the increases within tourism sectors will be at least 5%. A much larger job impact is probable if the increases in tourism sectors induced by CCI investments reach the 5% range.

This finding is based on our use of a Social Accounting Matrix (SAM), an internationally recognized tool used to trace how sales and receipts move through all sectors of an economy. With the development of better databases at the county level, regional SAMs can be used to analyze and predict economic activity in regional economies such as that of the canal region.

The Social Accounting model provides information on two key impacts of investment through the Canal Corridor Initiative. First it indicates that the total number of jobs induced by the investments is likely to be considerably greater than the number of jobs predicted by applicants when applying for HUD loans and grants through the Canal Corridor Initiative.

The results of the Cornell Social Accounting Matrix model indicate that the total of new jobs generated in the 32 counties impacted by CCI investment in tourism-related facilities and services will be significant.

With a 5% increase in tourist expenditures, approximately 17,000 additional jobs will be created in tourism related industries.

There will also be significant revenue increases for upstate communities, thereby strengthening their overall economic development potential. With a 5% increase in tourist sectors in the canal corridor communities, annual revenues to state and local government will increase by $447 million. In addition, there will be benefits to federal government revenues.

We used the SAM only to predict the additional impact on jobs in the region’s tourism sectors (retail, hotels, restaurants, recreation services, water and passenger transportation). Further job increases can be expected in other sectors as a result of the expenditures of people holding tourism jobs. Further specification of the model for our next research report will enable us to extend our analysis of the impact of CCI investments on the region.

Finding #3: Canal Corridor Initiative investments have provided a flexible tool that has functioned as a catalyst for economic development in canal corridor communities. The Initiative’s overall framework has encouraged regional collaboration and contributed to broader economic development goals, including the retention of manufacturing jobs.

This finding is based on a set of four case studies of communities that have implemented Canal Corridor Initiative investments — Little Falls, the City of Fulton, Oswego, and Lockport. As our case studies indicate, all of these cities have serious economic development needs — they have lost both jobs and the working age portion of their population during the 1990s.

The communities selected for case studies are, in many respects, “best practice” cases. They are places with a history of seeing the canal as a potential resource for economic revitalization and with the leadership and organizational capacity to respond to the possibilities offered by the Canal Corridor Initiative. As a consequence, they have been able to move more rapidly to realize some of their development goals. The case study communities were also chosen because they represent different development objectives and different sets of development problems. As a group, they illustrate the full range of the strategies used in 32 counties with projects supported by the Canal Corridor Initiative.
Findings from the case studies indicate some common themes:

- The Canal Corridor Initiative has functioned as a catalyst for development. Although these canal communities had plans for development, they needed support to turn their plans into reality.

The Canal Corridor Initiative has helped move long delayed plans “off the shelf” and toward realization. In addition, local officials were able to think more broadly about their development agenda, including how to utilize improvements in public facilities and services to attract and retain manufacturing jobs.

From Little Falls:

“The projects would not have happened without CCI funding. A lack of funding commitment from the City had limited the scope of projects in the past or prevented them. Except in emergency situations, it is difficult to get the City to address its infrastructure needs, particularly in the Central Business District.”

From The City of Fulton:

“If CCI had not come along this (development) would not have happened. We would have lost Sealright (a Fulton manufacturer). You would have had to turn off the lights. CCI helped us pull together a package that saved manufacturing jobs and led to downtown revitalization.”

From Lockport:

“Without CCI our commercial projects wouldn’t have happened or would have occurred too slowly or at an insufficient size to really make a difference. This is important because our goal with these projects is to create a critical mass of activities that keep tourists in Lockport for longer stays.”

- The Canal Corridor Initiative has proved to be flexible and adaptable to local needs.

Our case studies indicated that one of the most valued dimensions of CCI was its responsiveness to local needs and its respect for the assessment of local officials regarding their development priorities.

From Little Falls:

“This is not a typical we-think-you-should-do-this-and-here’s-the-money-to-do-it program. They’ve been receptive and very good about being flexible and allowing creativity.”

- The Canal Corridor Initiative has created a sense of regional synergy that stretches across the corridor.

The Canal Corridor Initiative fostered a regional development vision that incorporated efforts across communities. This vision helped sell the economic development investments locally and created the sense of being part of an effort that would have a much greater impact because of its regional scope.

From Oswego:

“This is one thread that ties us all together...this is a natural corridor”.

From The City of Fulton:

“The big difference here was that someone thought enough about the canal to make a comprehensive plan possible. It made our City proposal a more valued project. We got everybody to buy-in because it wasn’t just Fulton getting money to straighten its streets.”

- The Canal Corridor Initiative has made upstate canal communities visible as good places to live and do business.

The Canal Corridor Initiative has created a feeling of excitement and forward motion in communities that felt their economic development needs were being neglected. All of the case study communities see the opportunity to turn canal-focused improvements into a broader revitalization agenda.

From the City of Fulton:

“People are seeing hustle and bustle in the downtown. We love to see the UPS truck double-parked, making deliveries!”

RECOMMENDATIONS FOR FUTURE DEVELOPMENT

The Need For Expanded Regional Partnerships

However successful the Canal Corridor Initiative has been, it will only reach its full potential if a full range of public and private sector partners is engaged to contribute to rebuilding the region’s economic vitality.

Our interviews with community representatives and other informants knowledgeable about the upstate economy indicate how the positive contribution of the Canal Corridor Initiative could be enhanced by the active commitment of upstate resources, including colleges and universities, foundations, and
business groups. These organizations could magnify the revenue-generating investment by providing technical assistance, regional planning and coordination, and professional expertise.

As with the Canal Corridor Initiative, these efforts should be rooted in local agendas and should build regional cooperative action from the locality outward. Particular areas that would benefit from the involvement of local and regional institutions include:

- **The Coordination and Professionalization of Heritage Tourism Sites**
  Heritage and cultural tourism are key to the development plans of many canal communities. Museums are popping up everywhere. There is a need for local communities to coordinate their efforts to enhance the overall impact of individual projects.

- **Building Public and Private Development Capacity**
  Local capacity needs to be built in the private sector to develop entrepreneurial skills (such as business plan preparation) and in the public sector to integrate land use and economic development plans and to deal effectively with complex loan applications.

- **Efforts to Relate Tourism Development to a Broader Economic Development Plan for Upstate New York**
  CCI is playing a critical role in upstate New York’s movement toward a more prosperous future. For that future to be assured, a broadened regional economic development partnership is required. As the Mayor of the City of Fulton put it, “We can do something about job creation if we put our heads together collectively.”

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This report is the first of two to be prepared by the Department of City and Regional Planning on the impact of the Canal Corridor Initiative and its role in upstate New York economic development. A second report will be issued in February 2000. The second report will include: 1) a revised Social Accounting Matrix utilizing more recent data on the canal region counties; 2) expansion of the SAM model to include USDA investments; 3) an expanded set of case studies of communities implementing Canal Corridor Initiative investments; and 4) a more thorough examination of how institutions in the canal region can support economic development efforts.
Introduction

The Canal Corridor Initiative

The Canal Corridor Initiative (CCI) is a three year program of the U.S. Department of Housing and Urban Development (HUD). It puts federal resources to work to aid the small cities and communities situated along the historic system of canals and waterways that traverses upstate New York. The Initiative responded directly to local requests for development assistance from upstate New York communities. The framework for the Initiative emerged in conjunction with a broader programmatic reorientation in HUD’s programs under Secretary Andrew Cuomo toward community economic development.

An important goal underlying HUD’s new orientation is to extend the benefits of the current economic expansion to more American communities by identifying opportunities for investment and growth in places that have been adversely affected by recent shifts in the U.S. economy (U.S. Department of Housing and Urban Development, 1999a).

One particularly important dimension of the attention to “new markets” is a focus on small cities (U.S. Department of Housing and Urban Development, 1999b). HUD’s Small Cities Community Development Block Grant Program is directly applicable to the problems of upstate New York, a region of small to mid-size cities and towns.

The vision behind the CCI is one of locally driven development within a framework to encourage regional cooperation so as to maximize the impact of individual investments. The Initiative was able to build on the now extensive experience with waterfront development, especially those projects that were intended to enhance the economy of entire regions. Examples include the Chesapeake and Ohio Canal that runs from Washington, D.C. to Cumberland, Maryland; the Ohio River region with projects in Louisville, Cincinnati and Pittsburgh; and the Seattle and Puget Sound region.

The New York Canal System and its interconnected waterways is a valuable regional resource. The canals and waterways can attract visitors to upstate New York for boating, bicycling, and “heritage” or cultural tourism. The Initiative identifies five different types of potential projects: canal harbors; service ports; neighborhood development projects (including commercial districts); canal business projects; and regional partnerships.

Utilizing CCI loans and grants, communities are:

- reorienting street patterns to connect the central business district to the canal
- improving canal infrastructure, walkways, bike trails, parks and signage
- revitalizing commercial districts, including rehabilitation of canal front buildings
- building canal-oriented businesses
- restoring historical sites
- rehabilitating housing and public infrastructure

The development of the Canal Corridor as a scenic waterway will also build the image of canal cities and lead to other types of investment. As a mayor of one of the canal cities said recently, encouraging “tourism is not an end in itself but a means to an end” — a step in a longer term economic development plan for the canal region and upstate New York.

Despite its potential, the canal has been under-utilized as a stimulus for economic development because of limited private investment in facilities and services along the canal route and a lack of coordination of tourism development projects both within and across the canal cities.

CCI built on a number of efforts to develop the tourist potential of the Canal Corridor since the mid 1980s. The State of New York initially supported the development of community efforts to improve open space access or tourist-oriented canal facilities, laying the groundwork for many of the current development efforts.

Since the early 1990s, state efforts have been focused on the operation of the canal itself. According to our interviews, the CCI filled a critical vacuum by enabling canal communities to develop strategies to increase income-generating projects along the canal corridor.

HUD has promoted economic development in the canal corridor through two existing programs. First, it provides flexible assistance directly through New York’s Small Cities Community Development Block Grant
of the Initiative and evaluates its potential and realized economic impact on the canal region. The study utilizes a Social Accounting Model, developed by the City and Regional Planning Department, and evaluates what is happening “on the ground” through case studies in four communities that have CCI investments in place.

The purpose of this report is three-fold:

- To assess how the investments associated with the Canal Corridor Initiative will impact the counties included in the program and the region bordering the Canal. This region encompasses much of upstate New York whose economy has not kept pace with the rest of the country. Thus far, the best estimate of the impact of the CCI leveraged investments had come from the applications for funding under the Initiative. We use a Social Accounting Approach to project the job and local revenue outcomes that can be anticipated when the funds have been turned into investments in full operation.

- To examine how the Initiative is taking shape in four communities along the corridor. This progress report comes at an early stage in the life of the Initiative. Many of the projects leveraged via CCI programs are only getting started. In a few cases, however, including the ones on which we will report below, the investments are coming to fruition. The purpose of conducting an evaluation at this stage is to learn from the experience of these communities so as to inform the undertakings of those communities whose work is getting underway. This is a constructive evaluation — intended to document the history of the development process in the case study communities and to identify the key variables leading to success as well as to actual and potential problems.

- To probe the impacts of CCI and its programs on the visibility and perception of the canal corridor and its communities.

Table 1
Canal Corridor Funding Summary
HUD, USDA and Leveraged Funds for 1997-1999
(Dollars in Millions)

<table>
<thead>
<tr>
<th>Year Awarded</th>
<th>HUD Assistance</th>
<th>HUD Leverage</th>
<th>USDA Assistance</th>
<th>USDA Leverage</th>
<th>Total Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>$131.0</td>
<td>$159.3</td>
<td>N/A</td>
<td>N/A</td>
<td>$290.3</td>
</tr>
<tr>
<td>1998</td>
<td>$70.1</td>
<td>$68.0</td>
<td>$82.0</td>
<td>$17.8</td>
<td>$237.9</td>
</tr>
<tr>
<td>1999</td>
<td>$36.2</td>
<td>$133.8</td>
<td>$78.2</td>
<td>$23.7</td>
<td>$271.9</td>
</tr>
<tr>
<td>TOTALS</td>
<td>$237.3</td>
<td>$361.1</td>
<td>$160.2</td>
<td>$41.5</td>
<td>$800.1</td>
</tr>
</tbody>
</table>

(CDBG) program. Second, it provides loan guarantees to assure repayment of notes issued by local governments to raise money for applications in the canal area. HUD awarded grants of up to $900,000 for each canal-related development project. 200 projects in 57 communities have been developed in response to the Initiative.

The Canal Corridor Initiative was strengthened in 1998 through HUD’s partnership with the U.S. Department of Agriculture. A Memorandum of Understanding between HUD and USDA lays out their mutual interest in supporting the Canal Corridor Initiative, specifically coordinating resources and expertise for the benefit of small communities along the Canal Corridor.

Of primary importance in this cooperative agreement is the understanding that, while development must rely on local initiatives, it also depends on communities working together to promote regional economic development. The cooperative agreement supports business and industry loans and loan guarantees for businesses in small communities, and economic development loans and grants to cooperatives and non-profit corporations financing economic development and job creation activities in rural areas along the Canal Corridor. Together, HUD and USDA have provided and leveraged a total investment of $800 million in corridor communities. This report does not address the impact of this cooperative agreement and its associated programs, or the impact of USDA investments. However, these additional investments by the USDA are expected to contribute to the positive impact of the Canal Corridor Initiative and will be addressed in the followup report.

The Goals of This Report

This study, prepared by a team of researchers in the Department of City and Regional Planning at Cornell University, reports on the progress of the Initiative and evaluates its potential and realized economic impact on the canal region. The study utilizes a Social Accounting Model, developed by the City and Regional Planning Department, and evaluates what is happening “on the ground” through case studies in four communities that have CCI investments in place.
Because the objective of the Canal Corridor Initiative is to leverage funds to promote private investment, an exact determination of the impact of CCI is not a realistic goal at this early stage of implementation. It is not possible to trace and disentangle all the sources of development potential in the canal corridor communities and to isolate the impact of a single program such as the CCI on private investments. We have conducted the case studies with these concerns in mind but recognize that we may have an incomplete picture of all the forces at work. We anticipate that our continued research and second report (in February, 2000) will allow us to provide a more complete picture of what is happening in the canal corridor communities.
Despite a prolonged period of growth in the U.S. economy, some communities and areas of the country have been “left behind”, not prospering to the same extent as the country as a whole. Upstate New York has been struggling particularly hard during the 1990s, lagging behind the nation in employment and wage growth and losing population to faster growing areas of the state and the nation. (Drennan, 1998, Fiscal Policy Institute, 1999).

Two answers are typically given to explain the sluggish job and wage growth rates in Upstate New York in the 1990s: 1) the transition from a manufacturing to a service economy; and 2) the cost of doing business in New York communities. When New York is compared with other industrial states, however, these explanations seem inadequate. Other states have higher taxes, stiffer environmental regulation, and high unionization rates and have prospered in the 1990s. And all industrial states have faced the challenges of the restructuring of manufacturing industries and growth in lower paying service jobs. Still, upstate New York has been much slower to reap the benefits of national growth.

A look at the full range of trends affecting upstate New York, recently documented in the Albany-based Fiscal Policy Institute’s report *The State of Working New York* (1999), suggests that a much more complex set of forces has hindered an economic rebound. These trends have been particularly damaging to small and medium sized cities, the majority of upstate communities.

- The weak Canadian dollar has drained the upstate region of Canadian visitors and shoppers, a significant source of retail expenditures and tax revenue. At the same time, upstate residents, feeling the pinch of unemployment and poor wage growth, have been stretching their U.S. incomes by shopping in Canada.

- Upstate New York communities have experienced significant losses of employment and retail expenditures because of military downsizing and decreasing defense expenditures.

- The wave of mergers and acquisitions in the 1980s and 1990s has encouraged concentration and downsizing in key upstate sectors, including banking and hospitals. As these activities have concentrated economically, they have also concentrated their facilities, often in larger urban centers, depriving smaller communities of employment opportunities and job diversity.

- Deregulation of key sectors, including telecommunications, airlines, financial services, and utilities, has also led to job concentration in larger urban centers and to higher costs for many upstate New York residents and businesses. Airline fares from upstate New York locations to major markets are among the highest in the country, discouraging business location and growth.

- Fragmented and overlapping government jurisdictions combined with home rule have prevented coordinated, comprehensive approaches to dealing with the common problems that afflict upstate New York’s economy.

This combination of “hits” on the upstate economies, many originating in decisions intended to stimulate growth in the U.S. economy as a whole, resulted in a downward cycle of job loss, sluggish wage growth, and loss of the economically active population throughout the 1990s. As a result, upstate New York has a high proportion of what HUD has described as “doubly-burdened” cities, suffering from both low rates of job growth and population loss (Department of Housing and Urban Development, 1999). The depth of the problems facing New York are dramatic. Over the 1992-98 period, the state’s rate of job growth ranked 49 among the 50 states (Fiscal Policy Institute, 1999, Deltz and DeMott, 1996).

The upstate New York economy, however, began to show a turnaround in wage and employment levels in 1998, continuing into 1999 (Fiscal Policy Institute, 1999). One important indicator of this turnaround is an increase in tourist and business visitor expenditures. The improvements show up in hotel taxable sales in upstate New York (up 12% between 1996 and 1998); in an increase in the number of boats using the canal (an increase of 10,000 between ’96 and ’98); and in an 18.5% increase in visitors at New York National Park sites between 1995 and 1998.

If this rebound is to continue and be sustained, reinvestment in the region must be encouraged and stimulated and the economic development effort broadened to include new partners.
A Social Accounting Approach

We use the social accounting approach to:

- Describe how different components of the Canal Corridor region contribute to its economy as a whole.
- Show how CCI investments create capacity in the tourism sectors, which, in turn, create jobs.
- Estimate how CCI investments are related to different levels of job creation.

A Social Accounting Matrix (SAM) is an internationally recognized tool used to trace how expenditures move through various sectors of an economy. With the development of better databases at the county level, regional SAMs can be used to analyze and predict economic trends in regional economies such as that of the canal region.

Using a Social Accounting Matrix (SAM), we can predict and analyze the potential impacts — on economic output, incomes, and jobs — from the investment planned development for canal corridor communities partnering with HUD.

A SAM is a matrix (or table) showing how various sectors of an economy are related to each other through their pattern of transactions (both expenditures and receipts) over time, usually one year. The table organizes economic activity by “Sectors”, groupings of similar actors that spend or receive money, such as, for example, households or restaurants or auto manufacturers or governments.

Since some sectors spend more of their money inside the regional economy than do other sectors — a local wood carver may buy her inputs from her neighbor while a car dealer will buy cars from outside New York — the sectors spending more locally give the dollar more opportunity to turn over in the local economy. The primary concept underlying a SAM is that every purchase transfers the money to somebody who then spends it again. Measuring the repeated trading of the same single dollar produces a useful predictor called a “multiplier.” The cumulative effect over a year’s time can be expressed as some multiple of that first dollar and therefore will have higher multipliers than those sectors buying outside the economy. A description of how and where SAMs are used and a more complete description of the results of the model are included in an Appendix to this report.

A SAM Model of the Canal Corridor Counties

This SAM model investigates the economic potential of the $598.4 million invested in community-based development projects as proposed by local communities in cooperation with the U.S. Department of Housing and Urban Development’s CCI Initiative. This includes both HUD funding in loans and grants and funds leveraged from the local public and private sectors.

Using IMPLAN™ software and data, a Social Accounting Matrix was built using the counties participating in the Canal Corridor Initiative. (For a complete description of the matrix, see the Appendix.) The first information the matrix gives us is a basic description of some key features of the regional economy.

Canal Corridor Employment Patterns

- Total employment in the Canal Corridor Region for 1995 was 1,364,000 people.
- The tertiary sector of tourism, services and government, which produces 65.1% of total industry output, accounts for as much as 80.7% of total employment.
- Four out of five of the region’s employees are employed in the services, tourism, or government, a high number for a former manufacturing region but not as high as the State as a whole, 84%.
- 226,000 workers (16.6%) are employed in the manufacturing sector. The manufacturing sector employs fewer people to produce the same output than does the tertiary sector.

The model then gives us information that allows us to link capacity creating investments in the region with job creation.

How CCI Investments are Related to Different Levels of Job Creation in the Canal Corridor

The investments made via HUD’s loan and grant programs in the Canal Corridor and the additional investment they leverage are creating capacity in the tourism sector from the region’s new ability to draw customers and expenditures. Given the capital improvements in both public and private enterprises,
jobs are created to serve the expected increase in tourists.

Although we cannot predict with full accuracy how much tourist expenditures will increase throughout the canal corridor communities, we have strong indications from our case studies and other research that the increases within the tourist sectors will be at least 5%. For example, hotel taxable sales—a small portion of the regional economy’s tourism receipts—have increased 12% in the 1996-98 period. 10,000 additional boats used a canal lift or passed under a lift bridge; and the National Park Service reports an 18.5% increase at their New York sites, many of which are adjacent to the canal.

A much larger job impact is likely if the increases induced by CCI investments in tourism sectors reach the 5% range. At the 5% level, the total of new jobs is 17,042 as detailed below in Table 2.

Table 2
New Jobs by Category
Assuming an Average 5% Increase
in all the Tourism Sectors

<table>
<thead>
<tr>
<th>Sector</th>
<th>Increase within Sectors of 5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Transportation</td>
<td>50</td>
</tr>
<tr>
<td>Passenger Transportation</td>
<td>2,597</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>4,990</td>
</tr>
<tr>
<td>Wining and Dining</td>
<td>4,675</td>
</tr>
<tr>
<td>Hotels &amp; Lodging</td>
<td>1,653</td>
</tr>
<tr>
<td>Recreation Services</td>
<td>3,080</td>
</tr>
<tr>
<td><strong>Total new Jobs:</strong></td>
<td><strong>17,042</strong></td>
</tr>
</tbody>
</table>

Source: vom Hofe, Saltzman, 9/99

Because we used the SAM only to predict the additional job impact in the tourism sectors (retail, hotels, restaurants, recreation services, water and passenger transportation) further job increases can be expected in other sectors as a result of the expenditures of people holding tourism jobs.

How CCI Investments are Related to Different Levels of Local Government Revenue Generation

There will also be significant revenue increases for upstate communities, strengthening their overall economic development potential. With a 5% increase in tourist expenditures in the canal corridor communities, annual revenues to state and local government will increase by $447 million. In addition, there will be benefits to federal government revenues.

Interestingly, revenues at the state and local government level derived from CCI investments exceed revenues going to the federal level. In all probability this is because the increase of the tax base following a community-driven development initiative is larger for state and local governments.

Summary of Findings from the SAM Approach

The Social Accounting approach provides information on two key impacts of CCI investment. First it indicates that the total number of jobs induced by the investments is likely to be considerably greater than the number of jobs predicted by applicants when applying for CCI loans and grants. The model enables us to include jobs produced by the secondary expenditures of these direct job holders and, thus, to get a better fix on the total job impact in the region.

Second, the model enables us to estimate the revenue impacts of the increased expenditures and job creation in the 32 county region. The results indicate a particularly positive effect on state and local government revenues. This revenue impact will further enhance the ability of communities to pursue economic development goals.

Further specification of the model for our next research will enable us to get a better fix on the overall effect of CCI investments on the region.
Four Case Studies of “Best Practice” Community Efforts

The four communities selected as case studies for this progress report, the cities of Little Falls, Fulton, Oswego and Lockport, reflect many of the problems faced by New York upstate communities. In introducing our case studies we use data on labor market regions from the New York State Department of Labor to provide a context for understanding the economic challenges facing these communities.

On-site case studies were conducted in September, 1999 and included structured interviews in each city with the Mayor, Community Development Director, and entrepreneurs involved in canal development projects. An average of four interviews was conducted in each case study city. Additional information on the sites was provided by the CCI administrative office in Albany and by follow-up telephone interviews with government personnel knowledgeable about the Initiative projects.

The communities selected for case studies are, in many respects, “best practice” cases. They are places with a history of seeing the canal as a potential resource for economic revitalization and with the leadership and organizational capacity to respond to the possibilities offered by CCI. As a consequence, they have been able to move more rapidly than other localities to realize some of their development goals. The case study communities were also chosen because they represent different development strategies and different sets of development problems. As a group, they include the full range of the development strategies used in 32 counties with projects supported by CCI.
In 1992 the Canal Recreationway Commission mandated a planning process in which key officials and private citizens conceived a general scheme for the city’s revival that featured the waterfront. This result built on the earlier inventory of development sites. Meanwhile, the city was pushing ahead with plans for downtown development.

With a change in political leadership at the state level, the state placed a new emphasis on physical maintenance of the canal. This left a vacuum for assistance related to the broader development possibilities in cities along the Canals. Because of the previous planning efforts in Oswego, the city was ready to take advantage of the federal CCI program. Mayor Hammill cited the “long experience reinventing the waterfront” as a key resource he and others could refer back to when discussing more specific issues in the past three years. Then “when people saw there was a state plan” it was easier to get them on board behind particular projects. “Projects,” said Hammill, “then sort of emerged naturally once the HUD Canal Corridor Initiative began.”

One key example was the Coleman Loan: Cahill’s fish restaurant had been a long-time fixture, but the Cahill family had to retire from operating the business, and the building lay empty. Financing was needed to find a new operator. The availability of the HUD Section 108 loan funds made it possible for the city to go in search of a new operator, whom they found in Syracuse entrepreneur Peter Coleman. Coleman purchased the property with a $650,000 HUD loan, and has subsequently invested $1.5 million in it. In an example of further development fostered by CCI investments, Coleman acquired the property adjacent to the restaurant. He plans to sell these lots to condominium developers to create an environment compatible with the restaurant business. Secondary investments are expected on nearby properties.

How Do CCI Projects Use the Canal as a Resource for Economic Development?

Oswego has been working through an adjustment to the loss of major industrial facilities since at least the early 1980s, and the focal point of these efforts had been the development of waterfront recreation and tourism. Mayor Terrence Hammill said “You can’t attract investors in a waste land.” Tourism development, especially since the introduction of the CCI initiative, was considered an important goal because it required the clean-up of industrial areas. An equally important second agenda was the creation of general business activity for its own sake and for the welfare of the majority of the city’s people. Community Development Director Eugene Saloga, who has been a key player in various city roles for three decades, said, “...the main business of economic development in the city was jobs...”. In Oswego, developing tourism and the canal was a means to a larger end, not an end in itself. CCI functioned as a catalyst to maintain the momentum of a larger economic development process.

The Development Process

Project selection came out of the city’s long experience of waterfront planning. In the 1980s, the state’s Coastal Zone Management Program funded a Local Waterfront Revitalization Plan (LWRP) which resulted in an extensive inventory of development sites. With its adoption in 1985, the city became eligible for state grants. Mayor Hammill, who had been part of that process, said, “...that made people in the community look (forward to) what might happen”.

The City of Oswego

Economic Context

The City of Oswego is located in Oswego County, part of the Syracuse MSA. Wages and salaries in the county declined 1.8% between 1989 and 1997 but have recently begun to edge up. The Central New York Region (including Oswego County) is one of two labor market regions in the state to experience absolute wage declines in the 1990s. While manufacturing employment in the county fell by 17% from 1989 to 1998, the county remains significantly dependent on manufacturing jobs—they represent 23% of total wages. The population in the labor market region declined by 2.8% between 1993 and 1998, predominantly because of an active labor force out-migration.

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A general sense of stages centers on the changing base of financial support for economic development. One city official said “What we are seeing here is the twilight of a company town. As Niagara Mohawk divested in the face of public utility deregulation (the Varick hydro-electric facility) and as other industrial properties became derelict, the tax base declined 72%. City political leaders seemed to see this loss as a transition so that, during the 1980s, a significant re-evaluation took place.

The CCI comes as a catalyst to such a second phase, or as a third phase in itself. This third phase is notable for a process of downtown revival. In addition to the CCI-supported Coleman restaurant, other
downtown properties have attracted new investment and businesses: a first class bookstore and other businesses opened in West First Street. Mayor Hammill notes a possibility for an indoor mall and a possible buyer for city property adjacent to city hall. One official noted that in parts of West First Street where there had been a 28% occupancy rate in late 1994, there is now an 85% occupancy rate.

**The Development Projects and their Current Status**

According to the Oswego Community Development Office (OCDO), two of seven projects, representing 16 percent of the HUD funding, are completed. These are the Coleman Loan (to a waterfront restaurant that projected 14 full- and part-time jobs, and appears to have exceeded that by half) and the Brenneman Site Cleanup. The city characterizes five other projects as in active phases of development:

- **Development of the Brenneman site.** Currently, a $200,000 purchase offer is pending from a developer who would invest $2 million in a condominium project.

- **Cyclotherm factory site development.** There is a $900,000 purchase offer pending from a developer who would install a retail operation.

- **Leto Island.** Developers are being sought.

- **Infrastructure improvements creating extensions to the canal side parks.** Construction is underway adjacent to the Coleman site, and plans are near completion for construction of additions to the linear park at Cyclotherm and Brenneman, with bids scheduled for October.

- **Hydroelectric Development project.** The City is negotiating to acquire the Varick Hydroelectric plant, formerly owned by Niagara Mohawk, and has the authority to use eminent domain power if necessary.

Plans include using one third of the space for a museum on canal and hydroelectric power. City officials estimate a revenue stream of $400,000 per year, greatly in excess of the current $40,000 payments in-lieu-of-taxes the city gets from Niagara Mohawk.

**What Has Been the Impact of the Investments So Far?**

The permanent jobs created thus far are in the Coleman restaurant. Fourteen full-time equivalents were projected in the application. Other estimates put the current number at 20. Additional investment benefits have been seen in the strong increase in downtown occupancy rates.

**REGIONAL COLLABORATION**

Mayor Hammill sees the canal projects as an implicit regional development. “This is one thread that ties us all together...this is a natural corridor (from Syracuse to Oswego)”. He sees the canal corridor as an implicit regional compact, to benefit all, but remarked that not all the counties are accepting the idea or the funds. Current efforts are underway with City of Syracuse to develop formal regional collaboration along the canal corridor.

**What Technical Assistance was Used?**

The city made extensive use of outside expertise. Hammill said the willingness to go outside for help characterized the city’s approach. The technical resources included: HUD personnel, whose help was crucial in operationalizing the 108 loans; a Syracuse marketing consultant who played a key role advising on economic development strategy, and a Lockport business person, engaged in a canal capital improvement project, who advised the City of Oswego on canal jurisdictional issues.
THE DEVELOPMENT PROCESS

According to the Mayor, “Because we had been working on them, we knew the development priorities.” When the initiative was announced, advertisements were placed in local papers announcing the program and soliciting applications. A meeting for all those interested in applying was held in a local restaurant. The Lockport Canalfront Development and Revitalization Taskforce was established to advise the City on development priorities. A historic preservation advisory organization has recently been established.

The phases of the development process have paralleled access to different types of funds. Earlier state funds for canal development supported the development of open space along the canal, a heritage park, and marina improvement. According to the Mayor, “In comparison with earlier programs, the CCI provided critically needed support for revenue-generating projects.”

The CCI focus on the canal has stimulated longer term planning for the development of canal related projects. The City has received a $5,000 grant to study how the Flight of Five locks might be made operational and maintained. Future plans also include enhanced docking capacity along the canal, lighted walkways, and a development plan for all land adjacent to the canal.

The Development Projects and their Current Status

The City of Lockport was among the first sites to apply for support under the CCI and has received funding for all of its current projects. These include:

- **The Lockport Lock and Canal Tours Project.** The project includes a restaurant and banquet facilities, a boat dock, canal and lock tours, and a gift shop. The facilities have been operating during the 1999 tourist season. A formerly abandoned stone building from the early canal era is being renovated to provide a larger gift shop and interpretive center.

- **The Hydraulic Race Tunnel.** This project supports the development of an industrial heritage complex built around a hydraulic race tunnel that used the water energy produced by the lock system to provide mechanical power to 19th century Lockport industries, including a pulp mill. The planned interpretive center and guided boat tours through the tunnel (already operating) are intended to provide the visitor...
What has Been the Impact of the Investments So Far?

Because only one of the three projects has been implemented, the long term job impact has been limited (estimated at 4 full-time and 8 part-time jobs).

Because of the lower value of the Canadian dollar, many residents of Erie County as well as visitors are flocking north to Canada to shop. This is depressing sales in the country as well as limiting tourism from Canada. On the other hand, the expansion of tourist activities in Lockport (evidenced, for example, by a 34% increase in canal boat tour customers in a CCI funded project) since the early 1990s suggests that increased tourist traffic may be countering the effects of the loss of sales to Canada.

Regional Collaboration

The CCI process encouraged municipalities to cooperate in their initial submissions but this collaboration “was more informational than anything else....it let each community know what the other was doing.” Continues Mayor Swan, “There is a need for more incentives for collaboration, especially to coordinate activities across different sites on the corridor.”

What Technical Assistance was Used?

A wide variety of technical assistance was used in developing the project plans. These included financial consultants who acted as intermediaries between the City and HUD; attorneys with experience dealing with various state and federal agencies, and consultant archaeologists. One major area where technical assistance was required was in assisting businesses in developing business plans. The City relied on Niagara Community College to provide assistance to applicants.

Because of lack of awareness of what technical assistance was potentially available or useful to canal corridor communities, the mayor indicated that “technical assistance organizations need to approach the city rather than waiting for inquiries.”

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The development of the Sealright Riverfront complex — creating a campus setting for the packing corporation that is adding a significant number of manufacturing jobs to the local economy.

4) The Woolworth Cinema Project

The City of Fulton has drawn down and committed approximately 80% of its total CCI funding. Both the Canal landing infrastructure project and the Sealright Expansion project are 100% complete. Business loans have been committed to the Woolworth Cinema project and preliminary work has begun on the Canal Landing Retail Center Project.

**IMPACTS**

City officials estimate that 116 jobs have been created by investments so far. Sixty-five of the jobs are manufacturing jobs with Sealright. The remainder are in service firms affected by increased expenditures brought about by a larger employment base and in restaurants that have expanded using CCI loans.

**REGIONAL COLLABORATION**

The City of Fulton met regularly with representatives from the Central New York region (including Cayuga, Madison, Onondaga and Oswego counties) to discuss how their individual approaches fit into a regional concept. The group is working from recommendations in the Central New York Canal Plan and the New York State Canal Recreationway Plan to construct an integrated network of facilities and services.

**What Technical Assistance was Used?**

Saratoga Associates was hired by the City in response to a Request for Proposal process in December, 1996. They guided the city through the planning, shaping and implementation process. A committee of business and community leaders played a vital advisory role.
The city has identified the following goals for its Canal Corridor Initiative program:

- Remove blight and unsafe conditions
- Support commercial, residential, and industrial growth
- Expand recreational opportunities
- Increase tourism
- Capitalize on the area’s cultural heritage resources
- Link the waterfront with the Central Business District, and
- Improve overall quality of life in the area

The link between the canal, Canal Place, and the city’s central business district has become a critical component of its economic development and CCI strategy. Little Falls has recognized and is beginning to demonstrate that the development activity which is taking place along the canal can have a ripple effect throughout the community.

### The Development Process

While many of the projects currently under implementation are products of traditional collaborative planning process among members of the community, city officials, and professional consultants, others are rooted in canal planning activities which began in Little Falls in the mid to late 1980’s. The charge behind these early canal redevelopment discussions was led by city officials, staff from the city’s Urban Renewal Agency, and members of the Canal Place Development Commission - an active group of prominent property owners within Canal Place who provided some of the initial vision to redevelop the waterfront based on the natural and cultural history of the canal.

In 1987, the City, with funding assistance from the State, County, Urban Renewal Agency, and a variety of economic development organizations, purchased and demolished the six-story Allegro Shoe Manufacturing Building - an abandoned manufacturing site which dominated Canal Place. The demolition of the Allegro building opened up Canal Place, but perhaps more importantly, created views to the waterfront from the Central Business District—and stimulated...
discussion about the redevelopment potential along the canal.

Following in the footsteps of the Allegro building demolition, the city sought to complete a master plan for Canal Place in 1987-88. Ultimately, Little Falls secured funding from the state’s Regional Economic Development office to conduct the Erie Canal Redevelopment Feasibility Study, the first regional economic development study involving the canal. The study area covered all of the communities along the canal from Amsterdam to Sylvan Beach and included a specific pilot study on Little Falls and Canal Place.

Since the completion of the study in 1989, the city has applied for and received HUD Small Cities funds to rehabilitate Canal-era row buildings along South Ann Street, conduct housing improvements in the South side neighborhood, and perform public infrastructure improvements in Canal Place. In total, more than $1 million in public and private funds were invested in Canal Place from 1989 to 1997 and the beginning of the Canal Corridor Initiative.

In many respects, the Erie Canal Redevelopment Feasibility Study was the precursor to New York State’s Canal Recreationway Plan which, in turn, provided the concepts for many of the plans which are currently being developed within the city.

The Development Projects and their Current Status

Little Falls has been among the first communities to establish and fund projects through the Canal Corridor Initiative and has distinguished itself among CCI communities for its program diversity.

The City’s major projects and their current status include:

- **THE MILL BUILDING PROJECT**

  Redevelopment of two large stone mill buildings on the south edge of Canal Place for specialty and antique retail shops.

  One of the two mill buildings was purchased and redeveloped privately as a mixed-use retail and residential development. An antique retail shop occupies the first floor. Craft shops are currently being developed for the second floor, and three apartments are located in the building’s top floor.

  The City spent approximately $370,000 acquiring and stabilizing the second mill building in an attempt to attract a private developer. The city issued a Request for Proposal and has selected a preferred developer out of Syracuse who is currently conducting the site plans for the project. The developer has proposed building 18 professional live/work units that would ultimately generate 20 - 30 jobs, and would include more than $1 million in building restoration and improvements.

- **BENTON’S LANDING**

  Acquisition, demolition, and site redevelopment of a blighted junkyard facility along the north wall of the canal bulkhead.

  The city has acquired the waterfront property, demolished a deteriorated structure on the property, and cleaned up an adjacent junkyard. Contractors are currently completing landscaping and site improvements for a dock, cultural heritage information center, and greenway along the canal. This project needs to be coordinated with a state bridge project which may delay its implementation.

- **CANAL/CENTRAL BUSINESS DISTRICT LINKAGE**

  Streetscape improvements and redevelopment work along Main Street and Ann Street from the Central Business District to Canal Place.

  The city is currently putting the finishing touches on a new canopy along Main Street, which will be followed by lighting and signage improvements. New sidewalks, period lighting, and benches have been installed along one section of Ann St. Proposed improvements along Ann St. in Canal Place have been held off until the state completes construction on a new Route 167 bridge.

- **CANAL HARBOR ENHANCEMENT**

  Proposal to acquire property and conduct a land swap with a lumber company that owned two fire-damaged properties along the waterfront adjacent to the canal terminal facilities. This project is in conjunction with a proposed $1.5M Canal Harbor development conducted by the state and the Canal Corporation.

  The original plan for the city to swap lands with the lumber company’s fire-damaged holdings could not be implemented because CCI funds were not available when the company was ready to rebuild. The city revised the CCI program by selling its property to PEM’s Machine & Tool Company, developing a public/private parking facility on PEM’s property, and conducting streetscape improvements opposite
the Canal Harbor site. The public/private parking facility will provide on-site parking for the redeveloped terminal and new boat landing facility and will allow the city to maintain open space along the waterfront adjacent to the terminal.

HUD funds are also being used to rehabilitate canalside housing.

**Shoppers’ Square**

Redevelopment of a deteriorated shopping plaza that is currently 40 percent vacant and located in the city’s Central Business District.

A developer from Connecticut is under contact to purchase and redevelop the site. $800,000 in HUD funds have been made available for the project in the form of grants and Section 108 Small Business Loans. In addition, the developer has proposed $400,000 of privately-funded site improvements and building renovations.

**Business Loan Fund**

Small business loan fund for business development in Canal Place and along the waterfront. The Urban Redevelopment Agency, using CCI resources, has provided two Section 108 small business loans to two local businesses.

The city has closed one loan for $70,000 with the owner of Ann St. Deli. The loan recipient has used the $70,000, in conjunction with her own $70,000 investment, to purchase the property and business and conduct site improvements and repairs. The business has been open under new management for a one year and five months and has hired 6 employees who each work 30-40 hours per week.

A second loan for $110,000 to PEM’s Machine & Tool has been approved at the local level and is currently being processed with HUD. The owner has projected 6 new jobs once the investment is implemented.

**Impacts**

Although it is difficult to quantify the impacts of CCI to date because projects are still being completed, the site visit and anecdotal information indicate that things are moving in the right direction. For example:

- Pleasure boat traffic at Lock 17 is up 10% this year
- Hired tour boat traffic is up 111% this year
- The occupancy rate at the city’s only hotel is up 2% over last year

**118 new jobs are projected in connection with projects completed or nearing completion**

**Regional Collaboration**

Little Falls CCI program is a strong example of local, state, federal, and private partnerships. In total, more than $17M in non-HUD monies have been allocated for projects that are either directly involved in CCI projects or are directly related to overall canal development.

$15 million in New York State Department of Transportation money has been used to rebuild the route 167 bridge over the Mohawk River and canal. The bridge links Canal Harbor with Canal Place and will provide better access to waterfront areas.

$300,000 in ISTEA money, administered through the state Department of Transportation, has assisted in the S. Ann Street project and the pedestrian walkway under Route 5.

**What Technical Assistance was Used?**

The city hired a private consultant to assist in planning and HUD program development. He has worked with the city on HUD projects for more than 25 years, and is currently assisting a number of other communities with their CCI programs.

The city also hired Saratoga Associates and George Bunk Engineering to prepare site plans and oversee construction activities.

The Mohawk Valley Heritage Corridor Commission has been retained to implement the heritage signage project. Herkimer County Trust Company has providing consulting services and helped the city implement loan projects.

**A Summary of Findings from the Case Studies**

CCI investment has provided a flexible tool that has functioned as a catalyst for economic development in canal corridor communities. The CCI framework has encouraged regional collaboration and contributed to broader economic development goals, including the retention of manufacturing jobs.
However successful CCI has been, it will only reach its full potential if a full range of public and private sector partners are engaged to contribute to rebuilding the region’s economic vitality.

Our interviews with community representatives and other informants knowledgeable about the upstate economy indicate how the positive contribution of CCI could be enhanced by the active commitment of upstate resources, including colleges and universities, foundations, and business groups. These organizations could magnify the revenue-generating investment by providing technical assistance, regional planning and coordination and professional expertise in areas such as museum management and historic preservation.

Particular areas that would benefit from this broadening involvement include:

- **The Coordination of Heritage Tourism Sites**

  Heritage and cultural tourism are key to the development plans of many canal communities. Museums are popping up everywhere along the corridor. There is a need to coordinate these efforts among canal corridor communities to enhance their individual and overall impact.

  There is also considerable activity among historic preservation groups in canal towns and cities. Support for coordination of events and tours among the cities could deepen awareness of the historical and architectural significance of this region. Attention to the regional coordination and enhancement of cultural tourism activities is particularly important because they have the potential to attract visitors during the entire year.

- **Building Public and Private Development Capacity**

  Local capacity needs to be built in the private sector to develop entrepreneurial skills (such as business plan preparation) and in the public sector to integrate land use and economic development plans and to deal effectively with complex loan applications. Our interviews indicate that each community is on its own in developing these skills and capacities. Although city officials frequently hire competent consultants to assist them, there is a need to broaden the base of knowledge about economic development programs within communities.

  One of our interviewees noted that, in his community, local program administrators need help in thinking through how to best use HUD funds to enhance community development. He suggested that more and better training programs are needed to develop skills and foster creative solutions. Non-profit organizations could develop workshops and other training programs that go beyond HUD’s user guides and conferences in order to allow experience sharing across communities, provide assistance with technical problems, and develop a problem solving network among public officials.

  Interviewees also noted the fragility of new entrepreneurial activity, and lack of entrepreneurial skills in canal communities, an attribute linked to their generally weak economies. Again, there is an important role that regional institutions can play in assisting communities attempting to develop these skills in their business communities.

- **Efforts to Relate Tourism Development to a Broader Economic Development Plan for Upstate New York**

  CCI is playing a critical role in Upstate New York’s movement toward a more prosperous future. For that future to be assured, a broadened regional economic development partnership is required. As the Mayor of the City of Fulton put it, “We can do something about job creation if we put our heads together collectively.”

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This report is the first of two to be prepared by the Department of City and Regional Planning on the impact of the Canal Corridor Initiative and its role in upstate New York economic development. A second report will be issued in February, 2000. The second report will include: 1) a revised Social Accounting Matrix utilizing more recent data on the canal region counties; 2) an expanded set of case studies of communities implementing CCI investments; 3) expansion of the model to include USDA investment and 4) more thorough examination of how institutions in the canal region can support economic development efforts.
How and Where are Social Accounting Matrix Models Used?

Because Social Accounting Matrices were first used at the national level, this tool is better-known by economists who study national economies. Indeed, the construction of a SAM builds on and incorporates an Input/Output table, the development of which was important enough to earn a Nobel Prize for its investor, Vassily Leontief. The United Nations', for example, uses SAMs for studying the economies of developing countries and for analyzing potential changes in people’s living standards.

As with input/output models, SAMs are not appropriate where prices are expected to change rapidly. Computable general equilibrium (CFE) models are used to study economies in which price changes would be expected to occur. An alternative set of accounts called the national income and product accounts, NIPA, while also a static framework like a SAM, does not have the SAMs’ ‘factor’ accounts showing the distribution of income to households.

With the development of better databases at the county level, regional SAMs can analyze and predict the behavior of a regional economy like that of the Canal Corridor. Good data determines the usefulness of a SAM model. In general, New York has excellent data sources. A combination of software and data developed by IMPLAN™ for the county level enables practitioners to develop highly informative county-level SAM models.

A SAM model is well-suited for studying the Canal Corridor Initiative and the canal regional economy because expenditure patterns are not expected to change rapidly, and because most and perhaps all new capital expenditures generated by the CCI would not be made in the region were it not for the Initiative.

A SAM Model of the Canal Corridor Counties

Much of the data analysis herein is taken directly from a research paper by Rainer vom Hofe and Sid Saltzman entitled “Evaluating the Socio-Economic Impacts of the Canal Corridor Initiative.” (Cornell University, 1999.)

This SAM model investigates the economic potential of the $598.4 million investment in the community-based development projects proposed by local communities in cooperation with the U.S. Department of Housing and Urban Development.

Using IMPLAN™’s software and data, a social accounting matrix was built for the twenty-five counties funded in 1997 by the Canal Corridor Initiative. Although subsequently the number of CCI-funded counties has increased to thirty-two, for this study the larger Canal Corridor is assumed to have basically the same economic relationships as does the original 25-county region. The data in Table A-1 and in the model are for 1995, the latest available from IMPLAN™ when this model was first prepared. In general, the relationships shown in input-output tables and social accounting matrices will change very little over time. Therefore, any errors introduced by the use of the 1995 data set can be expected to be insignificant, especially in relation to the anticipated stimulus in sectors from the expected increase in tourist spending.

Table A-1 shows the Canal Corridor Region’s economic structure compared with that of New York State. The 528 industry sectors found in the Standard Industry Classification were combined into forty-four sectors and then divided into three categories indicating their type of production (i.e., mining is a primary sector, manufacturing is secondary, and service work is tertiary). Data in the table are sorted by the different functions in the Social Accounting system as follows: (1) the industry account (just described), (2) the factor account, (3) the institution account, and (4) the trade account.

The SAM’s Description of the Socio-Economic Components of the Canal Corridor Communities:

Table A-1 above sums up as an annual “Grand Total” all the money moving through the Canal Corridor Region. All Industries’ output comprises about one third of the whole economy. Of all Industry output, the service sector contributes about 45%, and the government and tourism sectors each contribute about 11%. The Canal Corridor Region follows the national trend of service sector dominance.
Table A-1
Summary of Outputs from the Comprehensive Social Accounting Matrix (SAM)
for the Aggregated 25-County Canal Corridor Region and for New York State*
(In millions of 1995 dollars, largest sectors only)

<table>
<thead>
<tr>
<th>Account Description</th>
<th>25 Counties</th>
<th>%</th>
<th># of Jobs</th>
<th>%</th>
<th>NYS</th>
<th>%</th>
<th># of Jobs</th>
<th>%</th>
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<tbody>
<tr>
<td>Industry Account</td>
<td>$103,146</td>
<td><strong>32.6</strong></td>
<td>1,363,763</td>
<td><strong>32.6</strong></td>
<td>$957,311</td>
<td><strong>31.6</strong></td>
<td>9,723,988</td>
<td><strong>31.6</strong></td>
</tr>
<tr>
<td>1.1) Primary Sector</td>
<td>1,804</td>
<td>1.7</td>
<td>36,405</td>
<td>2.7</td>
<td>5,830</td>
<td>0.6</td>
<td>120,879</td>
<td>1.2</td>
</tr>
<tr>
<td>1.2) Secondary Sector</td>
<td>34,201</td>
<td>33.2</td>
<td>226,398</td>
<td>16.6</td>
<td>219,929</td>
<td>23.0</td>
<td>1,416,106</td>
<td>14.6</td>
</tr>
<tr>
<td>Construction</td>
<td>5,927</td>
<td>5.7</td>
<td>72,165</td>
<td>5.3</td>
<td>38,740</td>
<td>4.0</td>
<td>435,587</td>
<td>4.5</td>
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<td>Food Processing</td>
<td>2,822</td>
<td>2.7</td>
<td>11,086</td>
<td>0.8</td>
<td>17,707</td>
<td>1.8</td>
<td>62,106</td>
<td>0.6</td>
</tr>
<tr>
<td>Misc. Mfg.</td>
<td>1,180</td>
<td>1.1</td>
<td>10,043</td>
<td>0.7</td>
<td>7,936</td>
<td>0.8</td>
<td>47,230</td>
<td>0.5</td>
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<td>Fab’d/Primary metals</td>
<td>3,426</td>
<td>3.3</td>
<td>17,152</td>
<td>1.3</td>
<td>13,659</td>
<td>1.4</td>
<td>79,732</td>
<td>0.8</td>
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<td>Pulp, paper, printing</td>
<td>4,174</td>
<td>4.0</td>
<td>24,949</td>
<td>1.8</td>
<td>31,066</td>
<td>3.2</td>
<td>187,390</td>
<td>1.9</td>
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<td>Chemicals, petroleum</td>
<td>3,901</td>
<td>3.8</td>
<td>10,900</td>
<td>0.8</td>
<td>22,358</td>
<td>2.3</td>
<td>59,899</td>
<td>0.6</td>
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<td>Industrial machinery</td>
<td>4,342</td>
<td>4.2</td>
<td>24,676</td>
<td>1.8</td>
<td>18,389</td>
<td>1.9</td>
<td>98,990</td>
<td>1.0</td>
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<tr>
<td>Other Industry</td>
<td>8,430</td>
<td>8.2</td>
<td>55,427</td>
<td>4.1</td>
<td>70,075</td>
<td>7.3</td>
<td>445,172</td>
<td>4.6</td>
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<tr>
<td>1.3) Tertiary Sector</td>
<td>67,141</td>
<td>65.1</td>
<td>1,100,960</td>
<td>80.7</td>
<td>731,552</td>
<td>76.4</td>
<td>818,7003</td>
<td>84.2</td>
</tr>
<tr>
<td>Tourism</td>
<td>11,739</td>
<td>11.4</td>
<td>297,360</td>
<td>21.8</td>
<td>97,560</td>
<td>10.2</td>
<td>1,905,695</td>
<td>19.6</td>
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<td>Services</td>
<td>44,451</td>
<td>43.1</td>
<td>566,495</td>
<td>41.5</td>
<td>596,761</td>
<td>62.3</td>
<td>5,596,540</td>
<td>57.6</td>
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<tr>
<td>Government</td>
<td>10,951</td>
<td>10.6</td>
<td>237,105</td>
<td>17.4</td>
<td>37,231</td>
<td>3.9</td>
<td>684,768</td>
<td>7.0</td>
</tr>
<tr>
<td>Value-Added</td>
<td>60,272</td>
<td><strong>19.1</strong></td>
<td>608,878</td>
<td><strong>20.1</strong></td>
<td>345,672</td>
<td>56.8</td>
<td>222,656</td>
<td>36.6</td>
</tr>
<tr>
<td>Employee Comp</td>
<td>34,938</td>
<td>58.0</td>
<td>345,672</td>
<td>56.8</td>
<td>222,656</td>
<td>36.6</td>
<td>222,656</td>
<td>36.6</td>
</tr>
<tr>
<td>Proprietary Income</td>
<td>19,538</td>
<td>32.4</td>
<td>40,550</td>
<td>6.7</td>
<td>222,656</td>
<td>36.6</td>
<td>222,656</td>
<td>36.6</td>
</tr>
<tr>
<td>Other Factor Accounts</td>
<td>5,795</td>
<td>9.6</td>
<td>222,656</td>
<td>36.6</td>
<td>222,656</td>
<td>36.6</td>
<td>222,656</td>
<td>36.6</td>
</tr>
<tr>
<td>Institution Account</td>
<td>110,377</td>
<td><strong>34.9</strong></td>
<td>1,045,938</td>
<td><strong>34.6</strong></td>
<td>511,473</td>
<td>48.9</td>
<td>340,595</td>
<td>32.6</td>
</tr>
<tr>
<td>Household Income</td>
<td>55,586</td>
<td>50.4</td>
<td>511,473</td>
<td>48.9</td>
<td>340,595</td>
<td>32.6</td>
<td>193,870</td>
<td>18.5</td>
</tr>
<tr>
<td>Government</td>
<td>39,252</td>
<td>35.6</td>
<td>340,595</td>
<td>32.6</td>
<td>193,870</td>
<td>18.5</td>
<td>193,870</td>
<td>18.5</td>
</tr>
<tr>
<td>Other Institutions</td>
<td>15,540</td>
<td>14.1</td>
<td>193,870</td>
<td>18.5</td>
<td>193,870</td>
<td>18.5</td>
<td>193,870</td>
<td>18.5</td>
</tr>
<tr>
<td>Trade Account</td>
<td>42,278</td>
<td><strong>13.4</strong></td>
<td>413,019</td>
<td><strong>13.7</strong></td>
<td>413,019</td>
<td>413,019</td>
<td>413,019</td>
<td>413,019</td>
</tr>
<tr>
<td>Grand Total</td>
<td>316,073</td>
<td>100</td>
<td>1,363,763</td>
<td>100</td>
<td>3,025,146</td>
<td>972,988</td>
<td>1,000,000</td>
<td>100</td>
</tr>
</tbody>
</table>

* The first column represents the raw totals (total sector output) for the corresponding accounts or sectors taken from the social accounting matrix derived by using IMPLAN Pro™. The four underlined accounts (1-4) build the SAM grand total and sum to 100%. Within the four individual accounts, the listed sectors also sum to 100%.
The next largest contributor to total Industry output is the secondary sector with construction comprising almost 6%. The primary sector of Agriculture has the smallest industry output of all three categories and accounts for less than 1.7% of the total industry output.

The Value-Added account shows that wages, salaries, self-employed income and rents and dividends make up about 20% of the total economy. Of that twenty percent, 25% is generated by rents and dividends. 60% goes to wages and salaries.

The Institutions account indicates how the value-added Factor payments are distributed among household categories, government levels, and other institutions. About 17% of the economy’s income goes to households; governments and institutions receive a similar proportion.

The last account in Table 1, Trade, reflects the total expended by regional consumers for goods, services, labor and capital produced outside the Canal Corridor Region. The value of these imports netted against that of locally-produced goods and services shows that the Canal Corridor Region produces 81.2% of its demand for goods and services, while importing makes up the remaining 18.8%.

**Long-Term Economic Impact of the Expected Expansion in Tourist Expenditures within some Sectors**

This SAM model assumes that future increases in tourist expenditures will take place only within the sectors defined as serving the tourist industry. These partially-tourist sectors are: 1) water transportation, 2) passenger transportation, 3) retail trade, 4) wining and dining, 5) hotels and lodging places, and 6) recreation services (Shifflet, 1997). Because the data does not distinguish between, say, expenditure for dinner by local residents from that by tourists, this analysis uses an estimate of 5% as the average effect on an entire sector that could be attributed to future growth in tourist dollars.

A hypothetical 5% growth in tourism’s effect on tourist sectors results in annual increases in demand of $591 million. (see Table A-2). According to a quarterly national survey on visitor expenditure patterns in New York State in 1997, this annual increase in future tourist dollars is likely to be distributed among the six “tourist sectors” according to the breakdown in Table A-2.

The estimated annual increase in tourist expenditures will increase the Canal Corridor counties’ economic output as shown in Table A-3. For the 5% estimated impact within sectors serving tourists, the scenario predicts that $1,693.3 million will accrue as new industry output, $1,047 million will accrue in value-added, and the institutional income will increase by $1,647 million.

The annual output from new industry is listed in Table A-4. The results show that 85% of the increase of new output will occur in the non-manufacturing, or tertiary, sector. Using the conservative 5% scenario as an example, the tourism industry is the largest beneficiary at about 45% of the total final output. The government sector’s share of the increase will be about 9%. The largest individual sectors are passenger transportation and retail trade, about 11%, followed by wining and dining, 9%. Recreation services account for 8% of the total increase. Interestingly, hotels and lodging places contribute less than 6% of the total new industry output. As the economy is currently structured, water transportation has little importance for the aggregated region. Only three secondary sectors show significant increases and should benefit from future tourist expenditures: the construction sector with above 5%, and the chemical and industrial machinery sectors with about 2% each.

Finally, with an average increase in tourist sectors of 5%, Value-added is estimated to increase by over a billion dollars.

**Increases in Government Revenues at Federal, State, and Local Levels**

Revenues to federal, state, and local government will increase significantly due to the Canal Corridor Initiative. A summary of potential increases in governmental revenues is presented in Table A-5. When federal investment is compared with the potential increase in governmental revenues, the federal government is a beneficiary of the increases in tourism expenditures.

When the increase in revenues at the state and local government levels are considered, the benefits to revenues from the project become even more apparent. The period following the capital investment is estimated to generate an annual addition of $393.3 million for the non-education sector of state and local governments. Thus, in the case of the Canal Corridor Initiative, revenues at the state and local government level exceed revenues going to the federal level.
Table A-2

Expected Annual Growth in the Region’s Purchasing Resulting from
Expanded Tourism’s Effect within each Sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>Distribution</th>
<th>Initial Increase at 5% produces Final Demand of:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Transportation</td>
<td>1.2%</td>
<td>$ 7.0</td>
</tr>
<tr>
<td>Passenger Transportation</td>
<td>27.0%</td>
<td>$ 158.8</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>17.9%</td>
<td>$ 105.7</td>
</tr>
<tr>
<td>Wining and Dining</td>
<td>21.9%</td>
<td>$ 129.3</td>
</tr>
<tr>
<td>Hotels and Lodging Places</td>
<td>14.7%</td>
<td>$ 87.0</td>
</tr>
<tr>
<td>Recreation Services</td>
<td>17.5%</td>
<td>$ 103.2</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>100%</strong></td>
<td><strong>$ 591.0</strong></td>
</tr>
</tbody>
</table>

Table A-3

Annual Growth in Economic Activities* (in Millions)
in the Canal Corridor Region from
Projected Increases in Tourist Expenditures

<table>
<thead>
<tr>
<th></th>
<th>5% Scenario</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Industry Output</td>
<td>$ 1,693.3</td>
</tr>
<tr>
<td>Total Value-Added</td>
<td>$ 1,047.0</td>
</tr>
<tr>
<td>Total Institutional Income (households, governments)</td>
<td>$ 1,647.0</td>
</tr>
</tbody>
</table>

*Note: These activity groupings cannot be added together

Table A-5

Projected Annual Increases in Government Revenues
(in Millions)

<table>
<thead>
<tr>
<th>Capital Investment Period</th>
<th>From Projected 5% initial Sector Increases</th>
<th>From Tourist Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Government Non-Defense</td>
<td>$ 149.4</td>
<td>$ 175.5</td>
</tr>
<tr>
<td>Federal Government Defense</td>
<td>$ 15.0</td>
<td>$ 17.8</td>
</tr>
<tr>
<td>State/Local Govt Non-Education</td>
<td>$ 310.9</td>
<td>$ 393.3</td>
</tr>
<tr>
<td>State/Local Govt Education</td>
<td>$ 42.4</td>
<td>$ 53.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 517.7</strong></td>
<td><strong>$ 640.0</strong></td>
</tr>
</tbody>
</table>

Source: Calculated from the 25 county aggregated SAM in vom Hofe, Saltzman, 1999.
Table A-4
Projected Annual Increases in Industry Output
(in Millions of 1995 Dollars)

<table>
<thead>
<tr>
<th>Distribution</th>
<th>After Initial Increase of 5% Avg. in Sectors defined As Tourist Sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Primary Sector</td>
<td>6.7 0.4%</td>
</tr>
<tr>
<td>2) Secondary Sector</td>
<td>242.8 14.3%</td>
</tr>
<tr>
<td>Construction</td>
<td>93.0 5.5%</td>
</tr>
<tr>
<td>Food Processing</td>
<td>10.7 0.6%</td>
</tr>
<tr>
<td>Miscellaneous Mfg.</td>
<td>10.8 0.6%</td>
</tr>
<tr>
<td>Fab’d, primary metals</td>
<td>1.4 0.1%</td>
</tr>
<tr>
<td>Pulp, paper, printing</td>
<td>17.8 1.0%</td>
</tr>
<tr>
<td>Chemicals, Petroleum</td>
<td>40.7 2.4%</td>
</tr>
<tr>
<td>Industrial Machinery</td>
<td>34.6 2.0%</td>
</tr>
<tr>
<td>Other Industria Sectors</td>
<td>33.9 0.002</td>
</tr>
<tr>
<td>3) Tertiary Sector</td>
<td>1,443.6 85.3%</td>
</tr>
<tr>
<td>Tourism</td>
<td>760.5 44.9%</td>
</tr>
<tr>
<td>Water Transport</td>
<td>9.0 0.5%</td>
</tr>
<tr>
<td>Passenger Transport</td>
<td>180.6 10.7%</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>179.8 10.6%</td>
</tr>
<tr>
<td>Wining and Dining</td>
<td>157.8 9.3%</td>
</tr>
<tr>
<td>Hotels, Lodging</td>
<td>94.1 5.6%</td>
</tr>
<tr>
<td>Recreation</td>
<td>139.1 8.2%</td>
</tr>
<tr>
<td>Other Services</td>
<td>524.4 31.0%</td>
</tr>
<tr>
<td>Wholesale</td>
<td>51.7 3.1%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>105.8 6.2%</td>
</tr>
<tr>
<td>Others</td>
<td>366.9 21.7%</td>
</tr>
<tr>
<td>Government</td>
<td>158.8 9.4%</td>
</tr>
<tr>
<td>S/Local Govt non-Education</td>
<td>103.4 6.1%</td>
</tr>
<tr>
<td>Federal Government-military</td>
<td>4.7 0.3%</td>
</tr>
<tr>
<td>Federal Non-military</td>
<td>15.9 0.9%</td>
</tr>
<tr>
<td>S/Local Govt Education</td>
<td>36.3 2.1%</td>
</tr>
<tr>
<td>Industry Accounts Total:</td>
<td>1,693.1 100.0%</td>
</tr>
</tbody>
</table>


Reclaiming a Regional Resource

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

Department of City and Regional Planning