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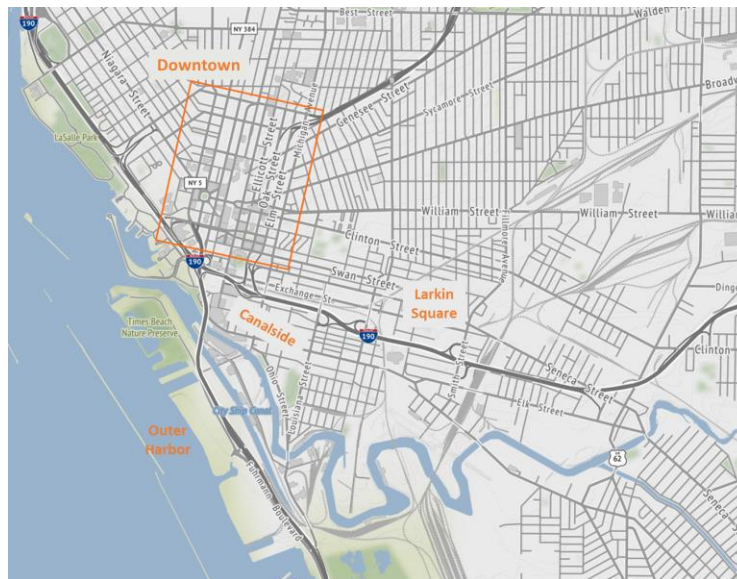
Syracuse University

Maxwell School of Citizenship and Public Affairs

Program for the Advancement of Research on Conflict and Collaboration

## Cross-Sector Collaboration and Urban Revitalization in Buffalo, NY

### CASE



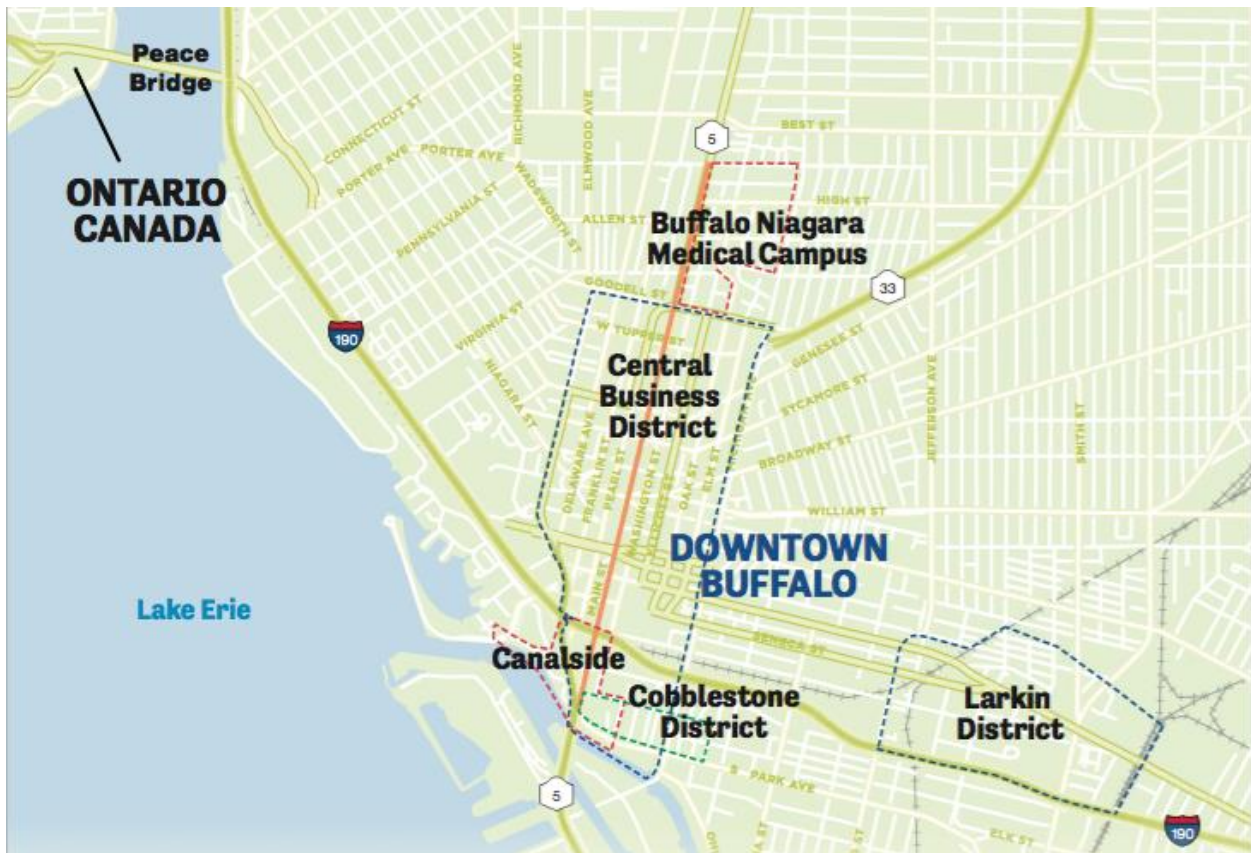
### Aspirations for Revitalization

American cities have been losing population to suburbs since the 1920s, but over the past decade have finally begun to see reversals in migration patterns as people move back into urban cores. This trend has been fueled by a variety of factors such as falling crime rates, long commute times, preferences of Millennials and aging Baby Boomers, and increasing economic opportunity. These demographic shifts have in turn created demand for downtown real estate, leading to an increase in the renovation of old buildings for residential purposes or restaurants and shops.

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As these trends have spread across the nation, many cities have become interested in models of downtown and neighborhood revitalization. Whereas economic development policy has historically focused on building factories and luring corporations to cities, new paradigms emphasize interconnected economic networks, “authentic” urban design, recreational opportunities, infrastructure for biking and walking, and the creation of vibrant urban spaces. As cities struggle to figure out how to judiciously deploy public resources to support revitalization efforts, they have begun experimenting with strategies like residential construction, new transit infrastructure, and infill development. As these experiments multiply, it is difficult to determine exactly which programs have an impact on revitalization and which are wasted efforts.

This case study serves to illuminate the complex interplay of public and private actors in contemporary economic development initiatives, using Buffalo as an example of a mid-sized city that has worked to catalyze redevelopment of the downtown area. This case study focuses on two key redevelopment sites in Buffalo—downtown and the waterfront—due to their proximity as well as the shared nexus of actors and organizations working in these areas. Similar to other cities but at a more dramatic scale, downtown Buffalo has experienced tremendous growth over the past decade and has achieved a reputation as a desirable place to live, work, and play. These achievements have resulted at least in part from a variety of public programs aimed at accelerating movement back into the city.



Key Redevelopment Sites, from Buffalo Urban Development Corporation (See Appendix C)<sup>i</sup>

This case study highlights a set of public, quasi-public, and private institutions that develop a shared vision for the resurgence of Buffalo's downtown, deploy a variety of public programs, and build public-private partnerships to support redevelopment efforts. It also touches on the challenges of public venturing—using public dollars to provide grants and loans to private and nonprofit entities to catalyze economic development. These sorts of complex programs require transparency and governance. In this way, this case study is meant to be instructive to other metropolitan areas that are interested in supporting revitalization efforts and might benefit from the Buffalo experience.

Key actors at two levels have been instrumental in the process. First, revitalization of the Buffalo region has become a priority for state government in recent years. The most significant public project by far has been the 2012 \$1 billion investment in the Buffalo region by New York Governor Andrew Cuomo to stimulate economic growth—an investment that came to be known as the “Buffalo Billion.” Second, Buffalo has experienced strong support for downtown revitalization by local political leadership. For example, Buffalo Mayor Byron Brown has been a strong advocate for economic development and neighborhood revitalization since taking office in 2005. His Comprehensive Plan for Buffalo includes plans for the redevelopment of downtown Buffalo and the waterfront specifically.<sup>ii</sup>

Because it is widely considered a successful revitalization effort, Buffalo's experience is instructive for other cities that are attempting to resurrect downtowns. However, in tracing Buffalo's recent development efforts, this case study raises a number of questions for policymakers and others to consider as Buffalo moves forward.

- What are the advantages and potential drawbacks of Buffalo's revitalization strategies?
- What specific actors and organizations have come together to enact reforms?
- What funding mechanisms and sources were most important in catalyzing redevelopment projects? What effect did the Governor's regional \$1 billion investment have on projects downtown and at the waterfront? What is the role of private sector funding in Buffalo?
- And ultimately, is Buffalo's model replicable in other cities?

Additionally, while this case study details the progress that has been made, Buffalo still has a long way to go to address its many challenges. For example, large parts of the city remain racially segregated. How will new development programs benefit these neighborhoods? Although revitalization efforts have been promising for downtown, will the benefits of economic development extend to the rest of the city?

The exact combination of factors that have led to Buffalo's successes can be difficult to parse, especially given that each city has unique geographic, demographic, and economic considerations. All urban revitalization efforts, however, share similar collective action problems and raise questions about how to best use scarce public resources and support private development efforts. This case study offers one example of how officials in Buffalo have addressed these challenges.

## Research Methodology

This case study was assembled from data gathered from semi-structured interviews conducted during the summer of 2016 with eleven individuals who represent the business, government, philanthropic, and/or educational communities in Buffalo. Early interviewees were identified as representatives of lead development organizations in Buffalo. Using a snowball sampling technique, these early interviewees were asked to recommend additional stakeholders, who were then contacted for further interviews.

Key questions included:

- What has been your organization's role in the Buffalo waterfront redevelopment, downtown redevelopment, or neighborhood revitalization in Buffalo more broadly?
- How would you define the goals of the waterfront redevelopment and downtown revitalization projects?
- What individuals or organizations have been influential in defining and shaping these goals? Who owns the vision?
- What coordination or governance structures have been important to ensure these entities work together effectively?
- What are the important financial instruments that have helped move these projects forward in Buffalo?
- What have been the biggest challenges in carrying these projects out?

As the interviews went on, a common story began to emerge, of a network of actors and agencies from the public and private sectors working collectively to push redevelopment initiatives forward in Buffalo. Similarly, all interviewees reinforced the idea that redevelopment projects required a mixture of public and private funds, though interviewees expressed different perspectives on which funding mechanisms were most useful, depending on their focus. In general, interviewees tended to emphasize the ways in which their own organization was valuable in contributing to revitalization efforts, despite supporting the assertion that it took a network of organizations working together in Buffalo to make projects successful. There were no directly contradictory narratives.

Extensive background research also supported the narratives described by the interviewees. Project documentation from the various agencies' websites, as well as news articles and publicly available information about Buffalo's history all provided important context for this case study. Some of this material is captured in the appendices.

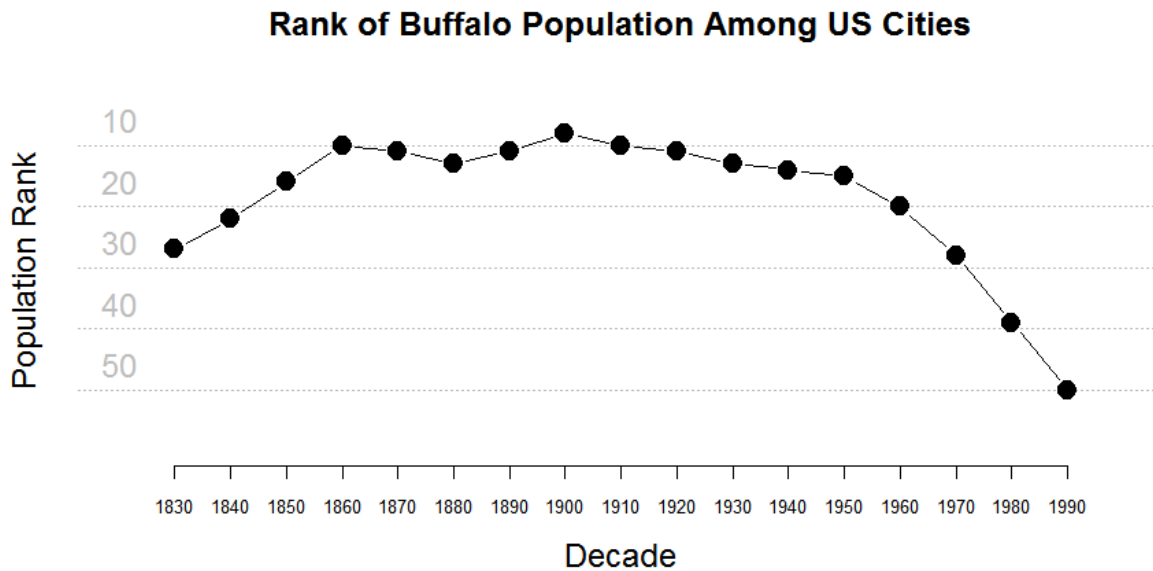
## **Historical Context**

At the time of its founding in 1832, Buffalo, New York functioned as a trading outpost due to its location on a port of the Buffalo River where the newly-opened Erie Canal connected with Lake Erie. Because of this strategic geographic position along one of the most lucrative trade routes in US history, the city became a hub for trade and manufacturing with population and economic growth accelerating during the mid-19<sup>th</sup> century when the Erie Canal was at peak trading volume. It grew to be the second largest city in New York State with a population of 580,132 inhabitants in 1950. It also benefited from its proximity to Niagara Falls, a major tourist destination just 20 miles away.

By the turn of the twentieth century Buffalo was one of the wealthiest cities in the county with a diverse economy, thriving public institutions, and significant investments in public spaces and civic assets. For example, built on a radial street layout designed by Joseph Ellicott, Buffalo was once called “the best planned city in America.”<sup>iii</sup> The greater Buffalo-Niagara region is home to 22 colleges and universities<sup>iv</sup> with 8 schools within the City of Buffalo proper: University at Buffalo, Buffalo State College, Erie Community College, Bryant and Stratton College, Canisius College, D’Youville College, Medaille College, and Trocaire College. It is home to a number of historic properties as well as an extensive park system designed by Frederick Law Olmsted and many public spaces along the shores of Lake Erie.

## **Economic Downturn**

Similar to other Rust Belt cities, Buffalo’s economic position slowly eroded. Trade along the Erie Canal peaked in 1855, declining thereafter due to the expansion of rail lines and highways, population growth in the West, and the creation of alternative trade routes like the St. Louis Seaway and the Panama Canal. By the early 1900s, these factors began to undermine Buffalo’s geographic advantage. In the 1980s, the region was further disadvantaged when the manufacturing base was decimated through corporate restructuring. As a result, Buffalo’s economy declined from 26% of the regional GDP to just 9% as of 2013.<sup>v</sup> Buffalo’s population fell by more than half, from over 580,000 at its peak to just 261,310 by 2010. The median household income in Buffalo in 2014 was only \$31,919—almost half of the national median of \$53,657.<sup>vi</sup>



Buffalo became a trading hub and grew to be one of the largest and wealthiest cities in the US through the early half of the 20<sup>th</sup> Century, but the loss of industry caused a rapid decline in population and wealth.

Today the Buffalo economy looks very different. Healthcare comprises the largest industry, employing over 20,000 people and constituting approximately 20% of the jobs in the city, followed by retail trade and educational services, which provide about 12,000 jobs apiece (22% of total jobs collectively).<sup>vii</sup> Buffalo continues to function as a key transit zone for international trade between the US and Canada and benefits from the 8 million tourists visiting Niagara Falls each year, generating \$2.2 billion in revenue.<sup>viii</sup>

### Buffalo’s Redevelopment Landscape

Buffalo’s various redevelopment projects comprise an interconnected geography of revitalization. Planners and developers hope that targeting central business districts, cultural districts, and select neighborhoods will collectively enhance the quality of life within the city and attract the region’s many suburbanites to move to more central locations closer to commerce and amenities.

The central business district in downtown Buffalo is a key component of the geography of revitalization. The economic decline of the business district and the closure of Main Street to through-traffic in the mid-1980s,<sup>ix</sup> along with insufficient parking and an undersupply of residential units downtown, caused local businesses to suffer due to low foot traffic. Mayor Brown was elected in 2005 partly because of his stated goal to reopen Main Street to cars and bring 2,000 new housing units to downtown Buffalo. To follow through on these promises, the Mayor’s Office and the Buffalo Niagara Partnership (the region’s chamber of commerce) created a working group to push downtown initiatives.

Recent urban redevelopment in Buffalo was kick-started with the Governor’s 2012 investment of \$1 billion in the Buffalo region. A notable program for its size and intention, this grant marked a turning point in Buffalo’s revitalization efforts. When the award was announced, a committee of local experts from the public and private sectors convened to produce “The Buffalo Billion Investment Plan” (see Appendix A).<sup>1</sup> This plan provides an overview of Buffalo’s economic challenges as well as target areas for investment, and outlines an implementation plan for managing the state’s money. Initiatives focused primarily on economic development,<sup>x</sup> but also included a place-based initiative to “build on [Buffalo’s] reputation as one of the top 10 cities in America to raise a family and become a vibrant, thriving city with modern amenities and infrastructure, convenient transportation, robust communication, high-quality services, and well-designed infrastructure.”<sup>xi</sup> Central to this vision is a four-part strategy to: invest in housing; build infrastructure; support common assets such as the waterfront and public parks; and encourage public-private partnerships.<sup>xii</sup>

In the early stages, downtown revitalization was prompted by investments from the public sector—namely, the City of Buffalo and the State of New York—but over time, public grants stimulated private investments as early successes demonstrated the opportunity for private developers to make money by investing in downtown. After the Mayor directed an initial \$3 million towards downtown revitalization efforts, the Buffalo Niagara Partnership was able to raise \$10 million from five area banks. Within a matter of just a few years, these initial investments sparked the interest of more and more private developers, leading to a total investment of over \$3 billion in downtown Buffalo since 2013, including commercial investments from out of state.

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*“Although public sector money is an important part of seeding things, what you want is private investment.”—Christina Orsi, Vice President for Research and Economic Development, University at Buffalo and former Regional Director of Western New York Empire State Development*

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Fueled by downtown efforts, the Buffalo Billion, and subsequent private investment, a number of redevelopment initiatives have sprung up around the city. Focus areas include: downtown Buffalo, the waterfront, the Buffalo Niagara Medical Campus, and the Larkin Neighborhood (or “Larkinville”). While this case study focuses on downtown and the waterfront, it is important to understand that all of these projects are interconnected. In many cases, successes in one area have spurred new projects in others.

For example, even before the Buffalo Billion investment, Larkin Development Group, a private developer, along with their corporate partners First Niagara Bank and Independent Health, had

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<sup>1</sup> The committee was helped by organizations and initiatives already in place, such as the Western New York Regional Economic Development Committee (REDC).

invested significant capital into redeveloping a post-industrial neighborhood called Larkinville. When Main Street improvement projects began bringing life back into downtown, these previously disconnected neighborhoods—only one mile apart—began to feel more integrated. Similarly, while the downtown and waterfront redevelopment efforts have been largely planned independently of one another, their spatial proximity is now pushing city officials to connect the two spaces.



Better Buffalo Fund Target Investment Areas, from Empire State Development<sup>xiii</sup>

## Adaptive Reuse

Adaptive reuse projects—in which developers convert old, unused, mostly commercial or formerly industrial spaces into majority-residential buildings with active first-floor uses—have comprised one of the primary strategies of downtown revitalization in Buffalo. The Buffalo Urban Development Corporation, the city’s not-for-profit development agency, has played a central role in coordinating and



managing these projects since they were designated as the lead agency for downtown real estate development in 2012. Although private developers typically provide the capital to transform these buildings, a number of public financing mechanisms are necessary to make the projects viable.

Perhaps the most important financing tool for adaptive reuse projects in Buffalo has been historic tax credits, available at both the state and federal levels (the federal government will match state historic tax credits, in many cases). Historic tax credits have enabled the Buffalo Urban Development Corporation and its partner developers to purchase and renovate empty buildings downtown so long as they preserve the buildings' historic character. Without such tax credits, purchasing and restoring old and often decrepit buildings would not be financially feasible.

A combination of public and private agencies and funding has made the adaptive reuse projects possible, although the initial public investment was particularly important to demonstrate a few early successes and build confidence from private investors. Agencies operating at the county as well as municipal levels have partnered on these projects and learned how to effectively leverage state financing mechanisms.

Some additional programs have been important for success. For example, the Buffalo Urban Development Corporation administers the Buffalo Building Reuse Program, a gap-loan financing program that loans money to developers to bridge the time between when they need money for the project until the time when they receive the money from historic tax credits. The money for the loan financing program comes from the \$10 million that the Buffalo Niagara partnership raised from area banks (described previously). The loan term can last up to 54 months and has a maximum loan amount of \$750,000. However, the gap financing can also be used for lease stabilization purposes: for example, to help compensate developers for the time between the completion of construction and the time when a newly renovated apartment building is completely leased.

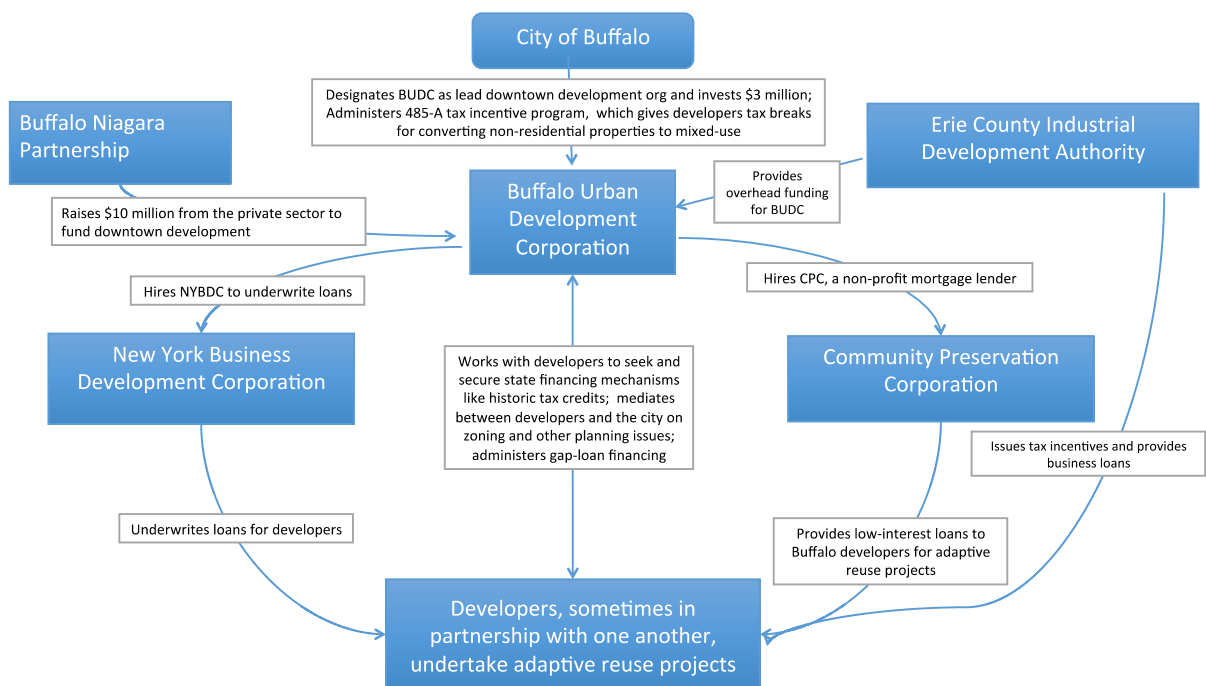
Today, the success of Buffalo's adaptive reuse strategy is evident: Prior to 2000, only 409 units of housing existed in downtown Buffalo. Since the state investment in 2012, redevelopment had added 643 new apartment units as of February 2016, with an additional 294 under construction as well as 520 planned units.<sup>xiv</sup> Invest Buffalo Niagara, the region's nonprofit economic development agency focused on job creation, has leveraged these adaptive reuse projects as a way to market Buffalo to potential businesses, attracting companies by advertising not only new office spaces but also new downtown residential opportunities.

### **Public Private Partnerships in Action**

The money for the Buffalo Building Reuse Program came from the initial \$3 million investment from the City, which was given to the Buffalo Urban Development Corporation to administer, as well as the \$10 million that was subsequently raised by the Buffalo Niagara Partnership from the private sector. Meanwhile, the Buffalo Urban Development Corporation hired the New York Business Development Corporation to underwrite their loans, as this exceeded in-house capabilities and further boosted the

confidence of outside investors. Additionally, the Community Preservation Corporation, a non-profit mortgage lender that serves most of New York State, has made a \$50 million commitment to provide loans at low-interest rates to Buffalo developers for adaptive reuse.

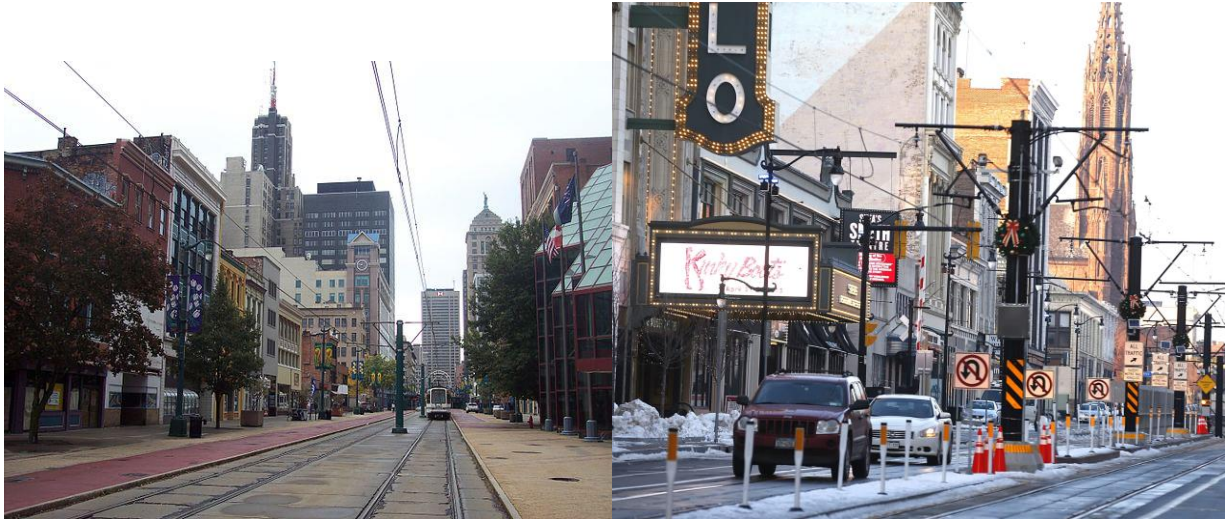
The Erie County Industrial Development Authority also administers special tax programs that incentivize developers to undertake adaptive reuse projects by providing mortgage, sales tax, and property tax reductions. Similarly, the “485A program”—a New York State tax incentive program that the City of Buffalo has opted into—provides a 12-year partial exemption from real estate taxes for non-residential properties converted to a mix of commercial and residential uses. Such special tax incentives have successfully enticed developers to increase the amount of housing downtown. Meanwhile, the Erie County Industrial Development Authority also provides funding directly to the Buffalo Urban Development Corporation—for example, for staff salaries.



The local utilities companies—National Grid and National Fuel—have also helped fund infrastructure improvements downtown, by sponsoring streetscape enhancements and funding the surveys that went into creating the Buffalo Urban Development Corporation’s “Downtown Development Guide”—the tool that the city uses to identify properties for development as well as describe available financial tools and incentives. These surveys helped the utilities with their normal service provision, so this was a fruitful partnership for the City as well as the utilities.

Similarly, reuse projects in Buffalo have been made possible in some instances by seemingly unlikely partnerships between otherwise-competing developers. In these cases, two or more developers have partnered to invest jointly in a building project, thereby defraying the risk. The majority of these developers are private, family-owned developers based in Buffalo.

## Main Street



Main Street before and after being reopened to auto traffic<sup>xv</sup>

The redevelopment of Main Street has been a central strategy of the revitalization of downtown Buffalo. In the 1980s, city planners closed Main Street to cars, hoping to make the street into a pedestrian mall complete with a light rail train. However, as the city's population declined and more potential customers came from the suburbs rather than the city proper, this well-intentioned plan made Main Street too difficult to access for customers who needed a place to park. As a result, many of the small businesses on Main Street closed.

Under Mayor Brown, the City has begun to reopen sections of Main Street to cars, improving automobile accessibility block by block, while still striving to keep downtown walkable and pedestrian-friendly. Today, downtown Buffalo is serviced by Buffalo Place, a business improvement district responsible for everything from removing snow in the winter to coordinating event programming. The Buffalo Urban Development Corporation, Buffalo Place, and their corporate partners like the utilities companies have upgraded downtown infrastructure to improve street crossings, furniture (e.g. benches), and lighting. Buffalo Place is a nonprofit governed by a board comprised of eight representatives from the private sector and seven elected officials. As such, decisions generally reflect the values of the private sector, but local officials have a voice.

Like the adaptive reuse projects, Main Street improvement has been financed by a variety of agencies and through a mix of strategies. To date, Buffalo Place has won about \$500,000 in New York State Main Street grants and has also worked with the City of Buffalo to obtain federal Transportation Investment Generating Economic Recovery (a.k.a. “TIGER”) grants amounting to \$40 million.

To attract retailers into downtown, the Buffalo Urban Development Corporation administers a program called the Queen City Pop-Up, in which they partner with property owners who have vacancies on Main Street and are willing to donate their space for a 3-month period. The Buffalo Urban Development Corporation then issues a request for proposals for retailers and selects retailers who are allowed to set up shop for free for a 3-month trial period. The goal is for retailers to take permanent residence on Main Street and fill downtown’s empty storefronts. This program is inexpensive to administer and has been successful partly because of a partnership with Buffalo State College, whose fashion and technology students get a chance to try their hand at business, as well as Buffalo Place, which markets and promotes the program.

By opening downtown to car traffic, improving the streetscape, and incentivizing businesses to move in, the City and its organizational partners have been successful at restoring vibrancy to downtown Buffalo. Today, downtown is at full residential occupancy, with more housing being added, while a number of new restaurants and shops are making the neighborhood a desirable place to live and visit.

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*“Your downtown is the heartbeat of the region. . . . It’s also your welcoming mat to the world. That’s why we’ve worked so hard; if you don’t have a downtown, you don’t have community spirit.” -Michael Schmand, Executive Director, Buffalo Place*

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## **The Waterfront**

Just a mile from downtown Buffalo, the waterfront is a recreational district comprised of three areas: The Inner Harbor (also known as Canalside), the Outer Harbor, and the River. Once a booming trade node, Buffalo’s waterfront had become an environmentally contaminated former industrial site. Today, the waterfront has benefited from approximately \$50 million in public funds, which have spurred around \$300 million in private investments.



In the 2000s, the City of Buffalo began preparing a site near the waterfront for construction of a large Bass Pro store. When negotiations with the chain eventually fell through, the City instead partnered with Buffalo Place, Empire State Development, and a local congressman to envision Canalside as a multi-use indoor/outdoor public space hosting year-round activities.

Canalside is the most significant public development on the waterfront to date. It hosts everything from concerts and food trucks to outdoor sports and fitness classes. Immediately adjacent to the park are several related, privately-owned spaces: The Harbor Center, a hockey rink with attached hotel and restaurants, as well as The KeyBank Center, a multi-purpose indoor arena that houses the Buffalo Sabres hockey team. Finally, the One Canalside complex houses a new Courtyard Marriott Hotel and the offices of Phillips Lytle, a law firm.

Like downtown development projects, funding for Canalside has come from a mix of public and private sources. On the public side, brownfield remediation tax credits have provided a major funding source for the development that has taken place at the waterfront. While the City of Buffalo still owns the land by the waterfront (some of which was gifted from the State), the site's development is planned and coordinated by the nonprofit Erie Canal Harbor Development Corporation, an offshoot of the public agency Empire State Development. The Erie Canal Harbor Development Corporation must continually raise funds to pay the City for use of the land. Their funding comes from a mixture of sources: the New York Power Authority pays for power generated from the nearby waterfalls, the Erie Canal Harbor Development Corporation received a New York State Blueprint grant, and there is leftover money for projects planned in the 2000s that never materialized. Meanwhile, Buffalo's waterfront has received major funding from two private investors in particular: Benderson Development, which built One Canalside, and Terrence Pegula, the owner of the Buffalo Sabres and the Buffalo Bills, who invested a reported \$200 million to build Harbor Center.

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*“It’s all about connecting and expanding the community to connect to the waterfront, and to bring people from not only the city but also the suburbs of the city to downtown Buffalo to generate a central social and commercial district.”—Robert Gioia, President of the Oishei Foundation and Chairman of the Board of Erie Canal Harbor Development Corporation*

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To develop plans for the waterfront, Erie Canal Harbor Development Corporation looked to best practices from other cities and established a set of guiding principles for the site. Their board is comprised mostly of individuals from the private sector, although the Mayor and County Executive serve as ex-officio members. They hired a third-party contractor to manage the site instead of Buffalo Place (The first company hired was Spectra, a Philadelphia-based company, which will be replaced by Be Our Guest as of April 2017). Erie Canal Harbor Development Corporation coordinates with the City about zoning and other processes taking place at the waterfront, such as environmental review.

They also act as the point of contact for other organizations wanting to plan activities at the waterfront—such as the Arts Services Initiative—helping them to navigate the necessary review processes. In addition to their year-round outdoor public programming, they also have plans to build a \$30 million children’s museum.

### **Timeline of Economic Development Initiatives<sup>xvi</sup>**

- November 1996:.....City creates Inner Harbor Master Plan
- October 1997:.....Empire State Development meets to form the Erie Canal Project
- August 1998:.....Empire State Development drafts Master Plan for Erie Canal Project
- November 2004:.....Bass Pro plans announced
- November 2005:.....Byron Brown is elected Mayor of Buffalo, running on a platform of downtown redevelopment
- February 2006:.....Erie Canal Harbor Development Corporation operations begin at the waterfront
- July 2008:.....Erie Canal Harbor officially opens to the public
- January 2009:.....Erie Canal Harbor Development Corporation unveils Master Plan for Canalside
- 2012:.....Governor Cuomo promises \$1 billion investment in Buffalo (“Buffalo Billion”)
- 2012:.....Buffalo Urban Development Corporation designated as lead agency for downtown development
- 2012:.....City issues RFP for Harbor Center
- March 2013:.....Construction begins on Canalside
- November 2014:.....Harbor Center opens

### **Reasons to Celebrate**

Overall, Buffalo has made remarkable progress towards downtown revitalization in recent years, as indicated by:

- Over \$3 billion invested in downtown, in addition to the \$100 million streetscape and infrastructure enhancements that are recently completed or planned for the future<sup>xvii</sup>
- The addition of over 1,000 units of housing downtown—created mainly through adaptive reuse projects—with a near-100% occupancy rate<sup>xviii</sup>
- The completion of the \$53 million Erie Canal Harbor Redevelopment Project, resulting in the transformation of the waterfront into a multi-use park that hosted over 1,000 events in 2016<sup>xix</sup>
- The construction of Harbor Center and One Canalside, marking approximately \$300 million in private investment by the waterfront<sup>xx</sup>

Additionally, recent years have seen the creation of successful incubator programs like the Queen City Pop-up, which support Buffalo-based businesses. Overall, the city expects an additional 12,000 new

jobs to be created within the next three years from a combination of sources: namely, the Buffalo-Niagara Medical Campus, the University at Buffalo, Harbor Center, and IBM.<sup>xxi</sup>

Clearly, there is much to celebrate about the progress made in Buffalo in recent years: downtown is growing residentially and commercially, events at the waterfront now regularly attract 5,000-10,000 visitors at a time, and new businesses and outside investors increasingly see Buffalo as a place with opportunities for them. Planners and developers from the public and private sectors have successfully united to implement a number of projects around the city and plan even more for the future.

### **Lessons for Downtown Revitalization**

While each city faces its own unique set of challenges and opportunities, Buffalo has many lessons to offer comparable cities looking to revitalize historic downtown neighborhoods.

We summarize here some of the key factors reported by stakeholders as significant drivers of success or challenges to implementation. Often, a single factor represented both a boon and a challenge—a fact that underscores the nuanced and complex nature of urban redevelopment projects.

### **Public Private Partnerships**

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*“It’s a big community with a lot of opinions and there’s a lot of self-interest groups. I don’t think that’s any different than most projects.”—Thomas Dee, President, Erie Canal Harbor Development Corporation*

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Collaboration between public and private sector actors was key to the success of both downtown revitalization and the waterfront redevelopment in Buffalo. There was, however, no blueprint for the design of these partnerships. Instead, relationships between public and private sector agencies took time to develop, particularly as the goals of these two sectors are occasionally in conflict. For example, much of the onus to manage funding and regulatory processes necessarily falls on the City. Meanwhile, the private sector expects the City to guarantee services such as security, street cleaning, and infrastructure improvements that they are not always able to provide at the desired level given budget and personnel limitations. City planners have been stretched thin as development projects have proliferated.

Projects were often difficult to complete on time. Typical reasons for delay include: the large bureaucratic burden incurred by New York State’s regulatory procedures; delays in coordinating or receiving financing for projects, particularly State financing; and the need for developers to prove due process and provide ample opportunities for public participation prior to construction. Public funds come with numerous requirements that are designed to offer transparency and accountability, but levy a high administrative burden on those actors who wish to utilize them.

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*“We want to make sure all members of our community . . . feel that Canalside is a benefit to them.”—Rebecca Gandour, Director of Development, Office of Strategic Planning, City of Buffalo*

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These processes can be onerous for many reasons, one of which is attempting to meet expectations of diverse groups of community stakeholders. Economic development often does not benefit all urban citizens equally—sometimes creating opportunities for the ascendance of poor neighborhoods and sometimes exacerbating existing economic inequalities. Various planning agencies report the difficulties of creating public spaces that effectively balance the demands of varied interest groups. Similarly, building effective feedback systems to gauge community approval takes time and effort on the part of already-busy planners. Inevitably, not everyone in Buffalo will be satisfied with a particular development project.

Additionally, local organizations often felt they were competing over a limited pot of funding for development projects, thus hindering collaboration. There was political pressure to distribute resources evenly between organizations and initiatives. However, larger projects require larger investments up front, so distributing funding evenly could lead to major funding shortages for those larger and potentially more impactful projects.

While some synergy between disparate initiatives has developed organically, local agencies report a desire for more cohesion and central planning when it comes to urban redevelopment. Local organizations report that Buffalo’s revitalization projects have happened in a somewhat piecemeal fashion, often at the whim of for-profit developers. In other words, some groups feel that development could have been even more cohesive—or could be more cohesive in the future—if the City took on a stronger coordinating role, proactively selecting projects.

To mitigate some of these challenges, agencies report that having a shared vision between collaborating organizations has been crucial to the success of public-private partnerships in these development projects. To foster a common vision, participating organizations also stress the importance of not reinventing the wheel: When looking to plan a public or quasi-public space, they cite the importance of looking to Buffalo’s history and learning from past models and plans, as well as learning from the best practices of other cities. This involves getting community input early so that the vision reflects—at least to the greatest extent possible—the needs and wishes of the public. It also requires an effective system for communicating between agencies as projects are planned and implemented. When everyone is clear on their organization’s role in a project and is working towards the same overarching goals, collaboration goes more smoothly.



Additionally, designating one agency as the lead development organization for each neighborhood—Buffalo Urban Development Corporation for downtown development and Erie Canal Harbor Development Corporation for the waterfront—has allowed for successful coordination between a number of actors and organizations working in these areas. These two agencies are responsible for overseeing planning projects in each of their respective neighborhoods. They work with the City to help developers assemble a financial toolkit for projects, meet city and state building regulations, and pass environmental reviews.

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*“I think we all [at the different entities] share the same vision for downtown: creating that vibrant and active 24/7 downtown. . . . Even if you’re not the lead downtown development agency, the value in having a strong urban core, having a strong downtown, those economics kind of trickle throughout the city and throughout the region. Everyone realizes the importance of having a vibrant downtown area.”—Brandy Merriweather, Vice President, Downtown Development, Buffalo Urban Development Corporation*

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The combination of public and private sector funding has been crucial to ensuring the viability and sustainability of a number of development projects around Buffalo. Once the City or a developer can demonstrate success, private investors are more likely to invest. Buffalo has already witnessed this snowball effect, to some extent. By involving members of the business community as well as local politicians and bureaucrats, these projects have successfully generated buy-in from large swaths of the Buffalo community. Additionally, as we have seen, revitalization in one area fuels revitalization in other, proximate areas, and makes adjacent areas feel relatively closer as they attract the same visitors.

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*“What’s so nice about what we’re doing [at Larkin Development Group] is, because it’s privately owned, we have a high motivation to maintain our property. . . . to be sustainable. So funding makes a difference.”—Leslie Zemsky, Larkin Development Group*

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### **Buffalo’s Small Size**

Because Buffalo is a relatively small city geographically, developers have little incentive to invest in revitalizing abandoned downtown buildings when they could build a brand new building just a short drive away. For adaptive reuse projects in particular, the presence of environmental and health hazards like asbestos may make projects costlier to undertake than the appraised value of the completed project. This can make it difficult to attract investors to downtown projects. In many cases, building outside the

city limits will also be cheaper, and will likely come with fewer environmental and infrastructure problems to remediate as well as fewer approval processes to undergo.

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*“It’s hard to get people to do smart growth when you’re talking about getting people to take on a building with asbestos, with [brownfields] . . . when people could go 20 minutes out and build a brand new building.”—Laura Smith, Vice President, Economic Development, Buffalo Niagara Partnership*

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These challenges have been addressed to some extent through state and federal programs. As a city with many former industrial sites, developers in Buffalo have ample opportunity to make use of brownfield tax credits for environmental remediation and redevelopment. Along with the presence of historic properties, which benefit from historic tax credits, developers report that brownfield tax credits are one of the most important financing mechanisms available to make development projects viable in Buffalo. Ironically, environmental damage has thus created an opportunity for redevelopment.

On the positive side, Buffalo’s relatively small size has allowed for strong relationships and easier communication amongst agencies. Prior to the creation of regional economic councils, decisions about economic development were handled from a distance in Albany. Today, the state-directed but locally run councils allow for more local input and control over development plans. Many organizations reported that these councils have facilitated more effective and relevant decision-making for Buffalo.

Representatives from different organizations in Buffalo are familiar with one another and inherently understand their agency’s role in the city’s development efforts. Representatives from these agencies report that staff at different organizations know each other well and are in frequent communication: even high-ranking officials and organizational leaders are easily accessible.

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*“The regional councils . . . get everyone together from divergent opinions and ways of life, get them to sit together.”—Tom Kucharski, President and CEO, Invest Buffalo Niagara*

*“At the staff level there’s no political affiliations, we just all work together. In this town it’s very easy for us to call someone in the Mayor’s office. I’m the CEO here but if any of the staff people call I’m happy to take their call.”—Steve Weathers, CEO, Erie County Industrial Development Authority*

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## Leveraging Local Institutions

Buffalo is blessed with an abundance of academic institutions that were founded during periods of economic growth and vitality many decades ago: University at Buffalo, Buffalo State College, Erie Community College, Bryant and Stratton College, Canisius College, D’Youville College, Medaille College, and Trocaire College to name a few. Not only do these colleges and universities attract invaluable human capital to the community and provide a steady supply of jobs, they can also serve as engines of innovation and entrepreneurship. Cities often reinvent themselves through the creation of new industries, many of which are nurtured by entrepreneurial faculty or university partnerships in research and development activities. Additionally, many of the economic development initiatives in Buffalo were invented or supported by university faculty.

While the presence of these institutions benefits the City in many ways, the density of educational institutions has the drawback that nonprofit and state institutions do not pay taxes. The growth of university hospitals and research parks has contributed to the erosion of Buffalo’s tax base. Despite the disadvantages of development occurring on university-owned land, the constant presence of students, professors, and staff provides a strong economic base in Buffalo that is lacking or less stable in other sectors.

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*“It’s been such a mix [of financing tools] and maybe that’s the answer: that it hasn’t been any one specific program, it’s been how you can put together and leverage the different tools together.”—Christina Orsi, Vice President for Research and Economic Development, University at Buffalo and former Regional Director of Western New York Empire State Development*

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## Governance Challenges

As we have seen, the availability of public funds has been crucial for kick-starting redevelopment in Buffalo. However, public investment at a large scale does not come without challenges. In September 2016, two of Governor Cuomo’s former aides and a state official involved in administering the Buffalo Billion were charged with corruption for enriching themselves through bribes and arranging state contracts with a few favored developers.<sup>xxii</sup> The extent of fraud, bribery, and tax evasion charges levied against those involved in the scandal led U.S. Attorney Preet Bharara to rename the Buffalo Billion the “Buffalo Billion Fraud and Bribery Scheme.”<sup>xxiii</sup> Overall, the corruption charges have irrevocably tarnished the reputation of the Buffalo Billion plan. In this way, the pay-to-play culture of New York State government can fundamentally undermine local projects—in reputation or otherwise.

## Looking Ahead

As Buffalo's planners look to the future and as their efforts potentially serve as a model for other cities seeking to catalyze change in downtowns or neighborhoods, several key questions remain:

*To what extent have projects in Buffalo been made possible by private investments that may not be available in other cities? What are the potential pitfalls of private development?*

The large investments made by Terrence Pegula at the waterfront have provided a huge boon to Buffalo, but not every city can expect a multi-billionaire to invest \$200 million. Similarly, in the Larkinville neighborhood, the Larkin Development Group, under the ownership of the Zemsky family, has voluntarily invested in upgrading the neighborhood, often at their own expense. While the family has made a number of strategic decisions that have changed the neighborhood for the better, this model relies on private families making decisions for the good of the community, and not necessarily for their own benefit. When "public" spaces are privately owned, they are subject to less regulation and therefore may or may not be responsive to public needs and demands.

Larkin-style development similarly relies on private families understanding best practices of urban planning: so long as the land remains privately-owned, this means that development decisions will be privately controlled and not necessarily subject to public input or the advice of planning experts. Additionally, when development is primarily controlled by the private sector, projects may be more subject to market volatility.

Finally, when private developers undertake the work of creating new "public" urban spaces, those spaces are public in name only: the land is still privately owned and privately controlled, and serves as a means to generate private profit. In Larkin Square, the entire space is secured via 24/7 surveillance by security cameras as well as private security guards hired by Larkin Development Group. Thus, the proliferation of privately owned "public" spaces around Buffalo and other American cities leads to questions about access and openness.

*Will the redevelopment projects in downtown and the waterfront have spillover effects that will benefit the many impoverished areas of the city, some of which neighbor these developments? Are Buffalo's poorer residents seeing the benefits of these investments in their own lives?*

So far, development has focused on particular areas and the benefits of these programs beyond their immediate neighborhoods can be difficult to quantify. Therefore, it is not yet possible to say whether residents of other city neighborhoods, particularly Buffalo's most distressed neighborhoods like the East Side, have experienced any tangible benefits from downtown revitalization or the developments at the waterfront.

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*“We have a high level of poverty in our city and folks aren’t seeing the million dollar investments translated into any improvement in their lives from day to day.”—Laura Smith, Vice President, Economic Development, Buffalo Niagara Partnership*

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Hopefully, by employing a mix of the tools and strategies listed above, other cities facing similar struggles can learn from Buffalo’s example to successfully revitalize urban cores and bring new life into formerly industrial areas. However, these and other questions must be answered if urban development is to be truly inclusive and sustainable.

## Appendices: Helpful Primary Source Documents

### Appendix A: The Buffalo Billion Investment Development Plan (64 pages)

Appendix A1: “Introduction: A Call to Action” (2 pages)

Appendix A2: “Revitalization: Better Buffalo Fund” (5 pages)

Appendix A3: “What Will It Take to Execute This Plan?” (2 pages)

The “Buffalo Billion Investment Development Plan,” authored by the Western New York Regional Economic Development Council, outlines the strategic plan for the Buffalo Billion Fund. Appendix A1 introduces the fund, the Buffalo region, and the goals of the investment. Appendix A2 describes the Better Buffalo Fund specifically, and highlights the key geographic areas for investment in Buffalo. Appendix A3 includes a proposed organizational chart and outlines an implementation plan.

### Appendix B: Queen City Hub Plan, Vol. 1 (44 pages)

Appendix B1: “Strategic Investment Areas” (3 pages)

The “Queen City Hub Plan,” published in 2003, is a comprehensive action plan for downtown Buffalo. The plan was released by the city, but produced in collaboration with the University at Buffalo School of Architecture and Planning, as well as Buffalo Place. Appendix B1 highlights strategic investment areas downtown, including the Financial District and Government Center, the Theatre District, and the Buffalo Niagara Medical Campus.

### Appendix C: Downtown Development Guide (BUDC) (12 pages)

Appendix C1: “Downtown Development Sites” (1 page)

Authored by Buffalo Urban Development Corporation, the “2016 Downtown Development Guide” summarizes current and ongoing development projects in Buffalo’s downtown. Appendix C1 contains a map of key development sites within the Central Business District, Buffalo Niagara Medical Campus, Canalside, Larkin District, and Cobblestone District, with projected investment amounts indicated for each area.

Appendix D: Buffalo Building Reuse Program Guide (BUDC) (32 pages)

Appendix D1: “Executive Summary” and “Project Recommendations and Review”

(2 pages)

The “Buffalo Building Reuse Program Guide” was published in 2012 publication by the Buffalo Niagara Partnership. Produced at the request of the mayor, the report outlines for revitalizing downtown and encouraging investment in Buffalo. Appendix D1 contains the report’s Executive Summary and key Project Recommendations.

Appendix E: Guiding Principles (ECHDC) (2 pages)

This brief appendix contains the Erie Canal Harbor Development Corporation’s list of guiding principles, accessed from their website. The four principles listed provide a values-based framework for development at Canalside.

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- <sup>i</sup> Buffalo Urban Development Corporation, “Downtown Buffalo, NY, 2016 Development Guide,” 3 (see Appendix C).
- <sup>ii</sup> City of Buffalo, “Buffalo’s Comprehensive Plan,” Accessed February 2017, [https://www.ci.buffalo.ny.us/files/1\\_2\\_1/mayor/cob\\_comprehensive\\_plan/index.html](https://www.ci.buffalo.ny.us/files/1_2_1/mayor/cob_comprehensive_plan/index.html).
- <sup>iii</sup> City of Buffalo, “Queen City Hub Plan,” Accessed August 2016, <http://regional-institute.buffalo.edu/wp-content/uploads/sites/3/2014/06/Queen-City-Hub-A-Regional-Action-Plan-for-Downtown-Buffalo-Volume-1-Overview1.pdf>, 3.
- <sup>iv</sup> Invest Buffalo Niagara, “Perfectly Positioned for Success,” Accessed August 2016, [http://www.buffaloniagara.org/RESOURCES-MAPS/BROCHURES/ExamplePDF-\(11\).aspx](http://www.buffaloniagara.org/RESOURCES-MAPS/BROCHURES/ExamplePDF-(11).aspx), 3.
- <sup>v</sup> See Appendix A.
- <sup>vi</sup> Note that the median *regional* household income is somewhat higher, at \$65,176 (see [http://www.buffaloniagara.org/RESOURCES-MAPS/BROCHURES/ExamplePDF-\(11\).aspx](http://www.buffaloniagara.org/RESOURCES-MAPS/BROCHURES/ExamplePDF-(11).aspx), 5).
- <sup>vii</sup> Data USA: Buffalo, NY, “Economy,” Accessed August 2016, <http://datausa.io/profile/geo/buffalo-ny/#economy>.
- <sup>viii</sup> *Ibid.*
- <sup>ix</sup> Besecker, Aaron, “Cars return to 500 block of Main Street in Downtown Buffalo,” December 15, 2015, accessed August 2016, <http://www.buffalonews.com/city-region/buffalo/cars-return-to-500-block-of-main-street-in-downtown-buffalo-20151215>.
- <sup>x</sup> As an example of one such initiative, the Buffalo Billion has encouraged job growth via innovative strategies like the 43 North competition for tech start-up companies, in which the winner is awarded \$1 million to start their own Buffalo-based business.
- <sup>xi</sup> See Appendix A, 51.
- <sup>xii</sup> *Ibid.*, 53.
- <sup>xiii</sup> Empire State Development, “Better Buffalo Fund Target Investment Areas,” Accessed August 2016, [https://cdn.esd.ny.gov/BusinessPrograms/Data/BetterBuffaloFund/2016/BBF\\_2016Map.pdf](https://cdn.esd.ny.gov/BusinessPrograms/Data/BetterBuffaloFund/2016/BBF_2016Map.pdf).
- <sup>xiv</sup> Sommer, Mark, “Surge of downtown renters buoys Buffalo’s apartment market,” February 22, 2016, accessed August 2016, <http://www.buffalonews.com/city-region/development/surge-of-downtown-renters-buoys-buffalos-apartment-market-20160222>.
- <sup>xv</sup> Left photo from Creative Commons. Right photo from Besecker, Aaron, “After three decades, traffic - and excitement - returns to a section of Main Street,” The Buffalo News, Accessed January 2017, <http://buffalonews.com/2015/01/23/after-three-decades-traffic-and-excitement-returns-to-a-section-of-main-street/>.
- <sup>xvi</sup> Drawn from Erie Canal Harbor Development Corporation, <http://www.eriecanalharbor.com/timeline.asp>.
- <sup>xvii</sup> <http://www.buffalourbandevelopment.com/budc-downtown-development>
- <sup>xviii</sup> See Appendix C, 2, 6.
- <sup>xix</sup> Erie Canal Harbor Development Corporation, accessed August 2016, <http://www.eriecanalharbor.com/>.
- <sup>xx</sup> Erie Canal Harbor Development Corporation, accessed August 2016, <http://www.eriecanalharbor.com/pdf/brochure.pdf>.
- <sup>xxi</sup> See Appendix C, 7.
- <sup>xxii</sup> Weiser, Benjamin, William Rashbaum and Vivian Yee. “Ex-Cuomo Aides Charged in Federal Corruption Inquiry.” *New York Times*, September 22, 2016, <http://www.nytimes.com/2016/09/23/nyregion/cuomo-former-aides-charges.html>.
- <sup>xxiii</sup> Precious, Tom. “Bombshell criminal charges lay out ‘pay-to-play’ culture in New York.” *Buffalo News*, September 23, 2016, <http://buffalonews.com/2016/09/22/nine-charged-bombshell-state-corruption-case/>.