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Economic Development in Buffalo: Community, Change and Fragmentation

SUSAN C. TURNER*

THE city of Buffalo is in the midst of change. Many of these changes can be measured by declines in population, in jobs, and in income. The large population exodus that has occurred in Buffalo (the city lost over 32% of its residents from 1960 to 1980)¹ was a result of, and in turn has created changes in, the economic, demographic, and political composition of the city. Any resident of or visitor to Buffalo, however, can see that many aspects of the city appear to have improved in the past ten years. There is, for example, a new face for downtown, a new rapid transit system, and new housing and commercial structures can be seen along the city's waterfront.

This article will focus on how key local organizations have attempted to respond to these recent changes, and how they, in turn, have created new changes in Buffalo through economic development strategies and programs. Discussion will begin with a short overview of local demographics and economic trends in a national context, followed by a sketch of selected local programs and projects, and will then review the decision-making processes that have put these plans into place. I will end by raising questions and concerns that need to be addressed before implementing future economic development actions.

I. CHANGE IN BUFFALO: WHO COMPRISES THE BUFFALO COMMUNITY?

The absolute decline in Buffalo's population started in the 1950's, even though it began to stagnate at a much earlier time. From 1930 to

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1. CENTER FOR REGIONAL STUD., ST. U. OF N.Y. AT BUFFALO, *THE BUFFALO ECONOMY* 34 (1987).

1950, the city's population increased by only one percent. From 1960 to 1980, the population declined precipitously from 532,759 to 357,870 persons — a drop of 32.8%.² This loss is a regional phenomenon, as opposed to a simple shift of the population from the city to the suburbs. Between 1970 and 1980, the eight-county Western New York region experienced one of the most dramatic losses of population of any major industrial region in the country, dropping 5.3%.³ Recent census data predict additional regional losses.⁴

An important issue which emerges from these population changes is the characteristics of those who will remain in Buffalo. The New York State Department of Commerce predicts that Western New York will lose an additional 107,000 people in the 15-24 age group by the year 2000.⁵ These persons constitute a significant component of the labor force. It is also predicted that by the century's end, 60% of the population will be over the age of thirty; the median age will be 40 and those over age 65 will increase by 28%, to make up 16% of the region's population.⁶ Most of this demographic restructuring will occur in the city of Buffalo.⁷

Thus, a large and diverse labor pool — once a key asset of the area — is currently diminishing in size and is becoming characterized by older workers who are less able to adapt to future technologies. The aging of the population also implies an increased dependence on transfer payments in the form of social security benefits. A compelling statistic is that by the year 2000, those over the age of 65 will outnumber those between the ages of 15 and 24.⁸ In addition, Buffalo's black population has increased dramatically since 1960; the vast majority of those leaving the region have been white. The city of Buffalo's population is now over 25% black and is the home of most of the region's black residents.⁹

Another important demographic change is the percentage of city residents living below the poverty line. The number of city residents living below the poverty level was more than twice that of the surrounding region in 1979 (the Standard Metropolitan Statistical Area, or SMSA, as

2. *Id.*

3. *Id.* at 8.

4. See, e.g., Sack, *Who Stands to Lose? Political Figuring Starts*, N.Y. Times, Aug. 31, 1990, at B5, col. 5.

5. CENTER FOR REGIONAL STUD., *supra* note 1, at 9.

6. *Id.*

7. *Id.*

8. *Id.* at 10.

9. *Id.* at 11.

defined as Erie and Niagara Counties), and the percentage of these poor residents increased over 50% between 1969 and 1979, to 17% of all families.¹⁰ Furthermore, the median income of city residents (measured in constant dollars since 1967) has declined at a rate exceeding that of the SMSA median family income: the median income in the city of Buffalo in 1980 was \$15,432, compared to \$20,704 for the larger SMSA.¹¹

Influencing these poverty figures are the number of unemployed. Until 1980, the unemployment rate in Buffalo was about the same as the unemployment rate in the surrounding region. From 1970-1980, however, the unemployment rate was 3.5% higher (9.5% for the SMSA compared to 13.1% for the city).¹² In addition, the unemployment rate disproportionately affects blacks. The number of unemployed black males increased over 112% between 1960 and 1980, and the increase in unemployment for black women was 23%.¹³

The above data indicate that the city's population is declining and is structurally changing. Those residents who remain are older, poorer, less well educated, and more likely to be part of a minority group. It is my contention that successful economic development policies are to improve the standard of living for all Buffalo residents. To ensure that the city as a whole is to remain both economically and socially viable the needs of this current and future population are paramount. Past and current economic development projects, and future plans, must be assessed in the context of the needs and aspirations of Buffalo's population as it is. Successful economic development serves who is here, not some vision of a perfect population that some policy-makers hope to attract.

II. ECONOMIC CHANGES AND ECONOMIC DEVELOPMENT: BUFFALO IN A NATIONAL CONTEXT

Nationally, and increasingly internationally, determined economic policy has clear ramifications for municipalities. Cities are now in the position of being increasingly sensitive and responsive to changes in national (and international) economic trends, but are yet unable to affect national policy directly. The result has been an erosion of local self-determination and increasing competition among municipalities for both federal funds and private capital investment.¹⁴ This process has been

10. *Id.* at 11.

11. *Id.* at 47.

12. *Id.* at 11.

13. *Id.* at 12.

14. Barnekov & Rich, *Privatism and the Limits of Local Economic Development Policy*, 25 *URB.*

characterized as growing out of a federal policy which promoted the notion that "limited public resources would have the greatest impact if they were used as leverage to stimulate greater amounts of private investment."¹⁵ National policy, expressed through shrinking availability of federal dollars for urban programs, has created "'subnational mercantilism,' the establishment of a market of competing local and state governments selling their various economic development programs to American and foreign businesses."¹⁶

National economic changes and the resultant competition among cities for elusive dollars have disturbing consequences for distressed cities such as Buffalo.¹⁷ One such consequence is that scarce public resources are spent on making the city look more "attractive" to potential investors. Buffalo's city government has spent millions in federal and local funds to create a new face for downtown: a theater district and a baseball stadium were recently completed.¹⁸ Downtown's Fountain Plaza, finished in 1984, which included a new Hyatt Hotel, as well as headquarters for the locally-based Goldome and Norstar banks, was partially funded through a 22 million dollar Urban Development Action Grant ("UDAG").¹⁹ It was President Carter who initiated the UDAG program, a private-sector-led version of urban renewal that won strong support from big-city mayors and downtown business interests.²⁰

In 1989, the old Sibley's department store in downtown Buffalo was converted into high-rent office and retail space, and the new Key Bank headquarters building is now under construction with the help of multi-million dollar UDAGs.²¹ These projects, and others like them, were completed, and similar new projects are being proposed, such as the current city, state and private sector focus on attracting funding for the

AFF. Q., 212, 213 (1989); DiGaetano, *Urban Regime Formation: A Study in Contrast*, 11 J. URB. AFF., 261, 264 (1989).

15. Barnekov & Rich, *supra* note 14, at 213.

16. Fainstein & Fainstein, *The Ambivalent State: Economic Development Policy in the U.S. Federal System Under the Reagan Administration*, 25 URB. AFF. Q., 41, 42 (1989).

17. See generally Barnekov & Rich, *supra* note 14.

18. See, e.g., Grant, *Rich Stadium Costing County \$1 Million a Year*, The Buffalo News, Apr. 9, 1985, at B1, col. 2; Turner, *U.S. Approves Grant for Downtown Project*, The Buffalo News, June 1, 1985, at A1, col. 4.

19. See, e.g., Turner, *While Buffalo Dawdles, UDAG is Threatened with Extinction*, The Buffalo News, June 22, 1987, at C3, col. 2.

20. Fainstein & Fainstein, *supra* note 16, at 44.

21. See, e.g., Stouffer, *Ex-Sibley's Filled Up as Office Space*, The Buffalo News, Nov. 30, 1989, at B9, col. 2; Turner, *House, Senate Schedule Votes on Grants Eyed for Project Here*, The Buffalo News, June 22, 1988, at B1, col. 4.

World University Games in Buffalo.²² This development is being completed without any formal attempt to realistically assess whether or not such costly projects are helpful in attracting new firms or creating stable, well-paying jobs to the city of Buffalo.²³

When I worked as downtown planner for the Greater Buffalo Development Foundation ("GBDF") from 1987-1989, a private-sector funded, local economic development organization, the emphasis of the organization was on the creation of an "upscale" downtown. At one point, the key focus of a downtown retail strategy, which included the creation of a two million dollar retail loan fund, was to attract just one store to Buffalo — Brooks Brothers. Store representatives were wined, dined, and sent love letters from local holders of Brooks Brothers credit cards. It was as if new businesses would flock to downtown Buffalo if only the city sold the right suit!

Never mind the impression that persistently empty storefronts make — let them stay empty until the "right" tenant is found. Three years later, GBDF's retail loan fund has yet to make a single loan — can any interested retailer meet such standards? City-sponsored plans are still in place for the construction of an upscale waterfront "festival marketplace" (although the term is eschewed after the failures of such Boston and Baltimore-inspired projects in other very cold-climate cities), if only more funds and potential tenants can be found.

Buffalo has often looked to Baltimore as the quintessential example of how a new face for a downtown is a good thing for a city. This inspiration comes despite a number of recent studies that have shown that Baltimore's economic indicators continue to decline (they are surprisingly similar to Buffalo's), and social problems are on the rise, in the wake of the implementation of a myriad of "successful" downtown projects. The benefits of such projects are not spread throughout the local economy.²⁴

Programs to make a municipality more "attractive" as part of a new era of "municipal mercantilism," involving the figurative (and often literal) selling of a city to potential investors, means that scarce resources are used to embark on programs simply because other cities are similarly

22. See, e.g., Linstedt, *Games Panel Maps \$41 Million Funding Effort*, The Buffalo News, Oct. 4, 1989, at B5, col. 3.

23. The completion of an impartial, cost-benefit analysis may be helpful in undertaking such an assessment. See, e.g., Fairbanks, *City Development Plan Sets New Priorities: Business Coalition Puts 1990 Emphasis on Trade with Canada, World Games*, The Buffalo News, Dec. 26, 1989, at B1, col. 1.

24. Barnekov & Rich, *supra* note 14, at 228.

engaged — whether or not these programs make sense in either their original locale, or for the new city that seeks them.²⁵

Thus many cities like Buffalo, in response to national economic restructuring, often seek federal funds and investment dollars regardless of whether a particular program is appropriate for the area, or whether the ultimate local cost in securing the program exceeds the benefits that will be derived from it. In Buffalo, an excellent example of competing for and capturing federal funds for a program that far exceeds the city's ability to pay for it is Buffalo's 600 million dollar Light Rail Rapid Transit System ("LRRT"). This boondoggle recently resulted in the shutting down of the entire mass transportation system in Buffalo for lack of a source of on-going dedicated funding.²⁶ This program was implemented because the federal government was only funding transportation "demonstration" projects. Funds could only be employed for innovative uses and not for traditional mass transit (such as improving already existing bus transportation). These funds were available for start-up capital and other related planning costs; no operation or maintenance funds were forthcoming.²⁷ The present system was built with short-term criteria (it looks like something is happening, i.e., the creation of construction jobs) and without a clear analysis of long-term costs, which, as is painfully obvious now, are substantial.²⁸

In this atmosphere of "subnational mercantilism" Buffalo's local development officials fail to determine whether economic benefits are equitably distributed, or worse yet, whether there are benefits to anyone at all. Federal UDAG funds have a stated goal that they should be used to create jobs and benefit low income residents. The primary rationale for the use of such funds for the Fountain Plaza project (which utilized 22 million dollars in UDAG funds for the construction of two bank buildings and a hotel) was that not only would this development create jobs, it would, and perhaps more importantly in terms of stated objectives of this program, help develop low income housing.²⁹ The problem with this development, as well as most of our economic development ventures, is that

25. *Id.* at 216.

26. Linstedt & McCarthy, *NFTA Proposes to Shut Down Transit; Gorski Proposes Reorganization, 11-Point Plan Includes Cuts, Manager Selected by Governor*, *The Buffalo News*, Mar. 29, 1990, at A1, col. 3.

27. Staff Conclusions and Recommendations, *Evaluation of Transit Alternatives: Buffalo-Amherst Corridor* (1973) (available from the author).

28. Area Committee for Transit, *Activities Report* (April 28, 1975) (available from the author).

29. Interview with Charles Rosenow, Buffalo Economic Development Corporation (October, 1988).

there is no accountability. We do not know how many and what type of jobs were created. We do not know to whom the created jobs went. City residents? Suburban residents? And what about the appropriateness of the use of these public funds? Goldome Bank used federal funds to build its new headquarters. It then promptly leased out this space, at very high rents, instead of using the space to house its own workers, who are presently spread out in older buildings throughout the city. Even if such actions (and profits) are allowable under program guidelines, do they make sense for the residents of the city of Buffalo?

Worse yet, the loan paybacks from the entire project, intended for low income housing, went instead to the construction of Buffalo's downtown baseball stadium.³⁰ This diversion of "trickle-down" benefits is particularly compelling in light of what many urban analysts consider the Reagan administration's "most devastating action" — the elimination of new commitments for the construction of subsidized housing, a federal responsibility for almost a half century.³¹

Another disturbing aspect of local economic development is that these initiatives almost always involve great and often unexpected costs to the community. These costs occur through overruns, unanticipated consequences, and demands from developers for continued incentives such as tax abatements. Both expected and unexpected local costs for economic development programs mean that local dollars are then diverted from city coffers. These funds could go to support schools, housing, transportation, parks, infrastructure, and human service programs that are set up to truly serve all the residents of a city like Buffalo.³²

What good are the millions of dollars spent on development projects in the name of improving Buffalo's image and making it more attractive to firms? What good is any job-creation endeavor if its costs create a situation in which the city cannot provide the basic services to assure that people will be able to get to these jobs, or even to the schools that prepare our youth for these jobs? Thus, as Barnekov and Rich emphasize:

Economic development projects that focus on property enhancement have a place in the process of urban regeneration, and sometimes they have mobilized substantial private capital and produced dramatic results. But even when these projects change the physical and commercial face of a city, they do not necessarily create general benefits for the community. Proponents

30. *Id.*

31. Fainstein & Fainstein, *supra* note 16, at 48.

32. See Barnekov & Rich, *supra* note 14, at 225.

point to new jobs and increased economic activity, but even when economic growth occurs, large segments of the urban population — particularly racial minorities, the poor, and the unemployed — are often not among the beneficiaries.³³

III. WHO MAKES COMMUNITY ECONOMIC DEVELOPMENT DECISIONS?

Economic development decision-making has historically been a rather removed and undemocratic process of deal-making between local government and business interests.³⁴ National economic restructuring and the resultant competition between cities has heightened and even institutionalized this secrecy.³⁵ For example, federal funds are captured and distributed by the city through private corporations such as Downtown Development Inc. These corporations are set up as a part of city government, yet they maintain privileges reserved for private corporations; their actions are carefully protected from public scrutiny. The public has no prerogative to determine how much funds these corporations have received, how much money they have spent, who has received funds, and what criteria are used for funding allocation and to measure success. How much money does the city now have in accounts held by these corporations? No one seems to know, and no one is telling if they do.

Even a number of the key members of Buffalo's local business community do not believe economic development money is adequately distributed.³⁶ Thus Buffalo has recently witnessed the formation of the "Group of Eighteen" (now known as the "Group of Nineteen"), comprised of Buffalo's self-appointed key business players (and the president of the University at Buffalo) to create a new direction and establish priorities for this city that are often different from those espoused by the Mayor.³⁷

1988 saw the initial formulation of the Greater Buffalo Economic Development Strategy Agenda. Who participated? The Economic Development Coordinating Committee, or "gang of six," as they called themselves, was comprised of the heads of the Greater Buffalo Development Foundation, the Western New York Economic Development Cor-

33. Barnekov & Rich, *supra* note 14, at 229.

34. See generally STONE & HEYWOOD, *THE POLITICS OF URBAN DEVELOPMENT* 10 (1987).

35. Barnekov & Rich, *supra* note 14, at 223.

36. See Sullivan, 'Group of 18' Strives to Boost Economy, *The Buffalo News*, Oct. 12, 1986, at A1, col. 2.

37. *Id.*

poration, The Erie County Industrial Development Agency, the Niagara Frontier Transportation Authority, the Chamber of Commerce, and SUNY Buffalo.³⁸ The Committee then expanded to eleven members in response to strong criticism from the Buffalo community and the surrounding region regarding the composition of the committee, which was made up entirely of white males, as well as in response to the programs they espoused.³⁹ The eleven member committee now includes representatives from the City of Buffalo and the Town of Amherst.⁴⁰ Two women were appointed to the committee in 1989; the first member of a minority group was finally appointed in the spring of 1990.⁴¹

I see the creation of this strategy as an excellent first step for Buffalo. Development plans made in private between local government and business interests are now at least packaged and presented in public. The strategy exists for public comment and response; it lays the groundwork for other plans to be made. As one black leader stated:

We have to now have our own vision of what Greater Buffalo ought to look like in the year 2000 and beyond. The white community has groups to articulate their vision. If we are to succeed, we have to do the same thing.⁴²

The makers of the Greater Buffalo Economic Development Strategy Agenda are not hardhearted, but may be short-sighted. Plans made in private, by a few, are constrained by the vision and priorities of these few. The results of non-participatory decision-making, coupled with increased inter-city competition for declining resources, have encouraged decision-makers to look away from this city's unique strengths and assets, the strength and potential of our existing population, as well as its unique needs.

IV. ECONOMIC DEVELOPMENT: A COMPLEMENTARY APPROACH

There is an overwhelming belief among decision-makers and among many residents, that development — any development — is a good thing. Mayors love to see a shovel in the ground. People tend to be impressed

38. ECONOMIC DEVELOPMENT COORDINATING COMMITTEE (EDCC), *WORKING TOGETHER: 1990 GREATER BUFFALO DEVELOPMENT STRATEGY AGENDA* (1990).

39. See Fairbanks, *Agenda Slights Blacks, Niagara County, Critics Charge*, *The Buffalo News*, May 8, 1988, at A14, col. 1.

40. *Id.*

41. Panel discussion on "Community Capacity and Buffalo's Future," Buffalo Change & Community Conference (April 6, 1990) (Audio and Video tape on file at the Charles B. Sears Law Library, University at Buffalo).

42. Lacey, *Black in Buffalo 1988/ 25 Years After the Dream: Prognosis Mixes Gloom, Hope*, *The Buffalo News*, Nov. 20, 1988, at A1, col. 1.

by visible activity: homes built on the waterfront, new office buildings downtown, a high-tech corridor, a shiny rapid transportation system. It is true that Buffalo, a distressed city, like any city, needs an influx of capital to survive. It needs economic development.

Economic development, however, which improves the standard of living for the broadest possible sector of a city's population, cannot be created through glitzy image-enhancing projects, or bribes to keep businesses, or attempts to keep businesses technologically competitive. There are other ways to invest, and recent studies demonstrate that investment in our population — in our "human capital" — may prove far more beneficial to far more people over a far longer period of time than the projects discussed so far.⁴³ A well-educated and skilled workforce will do more to attract and retain firms than the development of upscale retail stores downtown. A recent research effort, which compares both "cost-minimization strategies" (approaches to minimize out-of-the-pocket expenses to existing and sought-after firms, such as UDAGs and other incentives, like tax abatements) to "human capital" strategies in 44 southern SMSA's, confirm the economic and social superiority of the latter approach.⁴⁴

Good schools, housing, transportation, and health and human services are not as striking as a baseball stadium or the World University Games, but they will do more to attract people as residents, not just as visitors, and keep people and business in Buffalo. Most importantly, increased direct investment in our existing assets — our people, as well as the programs and services they need, such as quality schools, job training, housing and transportation — will also in themselves improve this city's overall standard of living.

V. WHERE DO WE GO FROM HERE?

My conclusion is that most changes created by local development programs have not positively affected the majority of residents of the city of Buffalo. If there is a positive impact, it has benefited only a small segment of the city's population. Current strategies and plans do not adequately address the unique needs and characteristics of this city; most projects and the processes that put them in place illustrate, and perhaps even increase, fragmentation in Buffalo's community.

Economic development actions should improve the standard of liv-

43. Warner, *Alternative Strategies for Economic Development*, 25 URB. AFF. Q., 390 (1989).

44. *Id.* at 389-408.

ing for all members of Buffalo's community — black and white, young and old, rich and poor. An improved standard of living is a key determinant of how successful economic development actions are measured by a variety of indicators. Therefore, when looking at the number of jobs and people employed, one must also take into account other indicators, such as job quality, a notion which includes decent wages and benefits, and job stability. Housing quality is another measure, as is the quality of public education and transportation.

Residents of distressed cities such as Buffalo need not be helpless in the face of profound national and international economic trends and local political machinations. Residents can benefit from and continue a process of community education, which can include learning about Buffalo's particular problems and needs and how they fit into national and international trends, as well as how other groups and organizations are successfully (and unsuccessfully) addressing similar issues in comparable areas.

I'm convinced that the actors that have so far contributed to Buffalo's economic development agenda are reachable and can be persuaded to make economic changes that will positively affect *all* of Buffalo's residents. Local residents, through a process of community education, organization and participation, can cooperatively create an environment where economic development goals reflect broad input and foster a more equitable distribution of benefits. Development forces can be challenged from the bottom up — people can capture control over the places in which they live and critically judge the value of what they make and the community conditions under which they produce it.⁴⁵ An educated, organized and vocal constituency can step into Buffalo's decision-making process; it can make a difference.

45. Vogel & Swanson, *The Growth Machine Versus the Antigrowth Coalition: The Battle for our Communities*, 25 URB. AFF. Q., 65 (1989).

