

## **Interview Summary**

### **City of Fulton Brownfield Opportunity Area Nomination Study OSWEGO COUNTY, NEW YORK**

**March 2009**

**Prepared by**



## **Introduction**

E.M. Pemrick and Company conducted a series of interviews with stakeholders to obtain information on economic development and market conditions in the City of Fulton and Oswego County and solicit feedback on potential opportunities for the proposed Fulton Brownfield Opportunity Area. Those interviewed included Linda Dickerson Hartsock, Central New York Regional Director, Empire State Development Corporation; Austin Wheelock, Economic Development Specialist, Operation Oswego County; Jennifer Hill, Director, Greater Oswego-Fulton Chamber of Commerce; and Roger Evans, Central New York Labor Market Analyst, NYS Department of Labor.<sup>1</sup>

Interview questions were structured around the business climate in the City of Fulton and Oswego County; types of businesses expanding or contracting; the need for additional sites and buildings to support commercial or industrial development; significant economic development projects recently completed or underway; the markets served by area retail establishments and types of amenities, stores, or services needed in Fulton; the potential for additional recreational amenities or attractions serving visitors to Oswego County; and other topics.

## **General Overview**

The City of Fulton and Oswego County are part of the Syracuse, NY Metropolitan Statistical Area (MSA). The regional labor market analyst indicated that Oswego County's economy is dominated by three industry sectors: manufacturing; utilities, including several nuclear power and hydro-electric plants; and educational services, led by SUNY Oswego. (See Data Profile for a quantitative analysis of the local economy.)

Assets for economic development in Oswego County identified by the interview participants included:

- Good rail facilities
- Access to Interstates 81 and 90
- The Port of Oswego
- Availability of discounted power
- Abundant industrial facilities available for sale or lease
- A skilled labor force

According to the staff person at Operation Oswego County, the City of Fulton's economy is more diverse today than ten or fifteen years ago. In the early 1990s, Fulton was dominated by large manufacturers, including the Miller Brewing Co. and Nestle; when those plants closed, the City experienced high rates of unemployment as related businesses such as machine shops also closed or laid off workers. The gaps have been filled, however, by mid-sized companies employing 100 to 200 people. In addition, some of the companies that survived the 1990s by cutting jobs are now leaner and more competitive. With a skilled manufacturing workforce and low-cost power, the City of Fulton shows promise for the future, particularly in the renewable energy sector.

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<sup>1</sup> All of the interviews were conducted in October and November 2008 except Austin Wheelock of Operation Oswego County, who was interviewed in March 2009.

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## Industrial Development

Despite decreasing employment over the years, manufacturing remains an important sector of the Oswego County economy. The area's reliance on manufacturing, according to the NYS Department of Labor, is in part because Oswego is a very rural county, and unlike, say, Onondaga County, it lacks the population base necessary to support a larger service sector.

One of the County's largest manufacturing companies, Huhtamaki Packaging, is in the Fulton Empire Zone. In 2007, Huhtamaki invested \$5.7 million in capital improvement projects, including new production equipment, equipment upgrades, and building improvements. According to one stakeholder, Huhtamaki is not actively involved in the community, but it remains a major employer and continues to thrive.

A current bright spot in the manufacturing sector is the Northeast Biofuels plant, which started to produce ethanol in 2008. Renewable energy is a strategic industry cluster for this area. An ESDC briefing for Oswego County dated November 24, 2008 describes the project:

*In August 2008, Northeast Biofuels made its first shipment from the Northeast US's first corn to ethanol plant. The \$150 million project will create 51 jobs in 350,000 sq. ft. of the 1.3 million sq. ft. former Miller Brewing plant. In November 2006, ESD approved a total of \$4 million in non-discretionary funds for the project. Empire Zone benefits were also cited as an important incentive. The principal owner/lead equity partner and operator is Permolex International, LP, a Canadian-based ethanol producer and grains processor.*

Unfortunately, an engineering problem caused in a dramatic reduction in the plant's efficiency, and ethanol production subsequently ceased. Economic development professionals are confident that Northeast Biofuels will reopen once these issues are addressed, however, as indicated in this update from the director of Operation Oswego County:

*Although Northeast Biofuels (NEB) recently filed for Chapter 11 bankruptcy protection, I am confident that the plant will be fully operational and resume ethanol production in the near future. Brian Roach, plant manager of NEB, has noted that bankruptcy protection was not due to fluctuations in the market, but rather because the company needs sufficient time to address plant design issues. In fact, Roach said that when NEB is back online, it will become a leader in the ethanol market.<sup>2</sup>*

Northeast Biofuels is one of several projects at the Riverview Business Park, which County and private developers hope to transform into the nation's largest renewable and alternative energy park. Other companies at the Riverview Business Park include GS Fulton Biodiesel and BOC Gases. The latter is constructing a \$15 million plant to collect carbon dioxide from Northeast Biofuels' ethanol fermentation process (Co2 liquefaction); the Co2 will be sold to food and beverage industry customers. It is likely that other ancillary businesses will be developed in the park to handle the by-products of ethanol production. A Master Plan for energy asset management will develop future strategies to attract other industries to the site.

In the meantime, ESDC continues to receive inquiries from out-of-state companies about space available in the park, which has one of the largest on-site rail yards in the northeast. Operation Oswego County reports that Northeast Biofuels has generated a lot of interest by companies in the renewable energy

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<sup>2</sup> "January 26, 2009: Economic Development Progress in Oswego County," by L. Michael Treadwell, Executive Director, Operation Oswego County, accessed at <http://oswegocounty.org/news%20archives/09/012609-1.htm>.

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sector; in fact, a solar power manufacturer is currently considering a site at Riverview. There is potential for the development of a multi-tenanted industrial “mall” at the Riverview Business Park. The economic development specialist at the organization said that he would like to see Oswego County marketed as the “energy capital of the northeast,” perhaps with a museum featuring the diverse methods of power production in the region.

Another recent industrial development project involves the North Syracuse-based Riccelli Enterprises, the largest hauler of bulk commodities and waste transfer in the Northeast. Riccelli will create 35 jobs with a \$2.5 million project to purchase and renovate the former Crysteel building in the Town of Volney. The company will use the location as a transportation center to handle trucking and warehousing for clients in the adjacent Riverview Business Park and the North Country.

The Port of Oswego has tremendous potential for economic development, according to ESDC’s Central NY Regional Director, with the capacity to become a major port of entry into the United States. In 2007, the Port completed several expansion projects including a \$1.1 million reconstruction of the barrel building for bulk storage, a \$175,000 rehabilitation of the West Wharf for salt storage, and secured new high-profile customers Cargill and Interstate Commodities. A \$2.7 million project is planned to improve the overall efficiency of the facilities at the Port. As described in the ESDC briefing:

*The most pressing priority is a connector project that would link the east terminal to Port property (FitzGibbons site) located to the east of Fort Ontario. This would nearly double the size of the available storage area and would serve to remove a significant portion of truck traffic destined for that remote site from residential neighborhoods, thus improving safety in the community. There is also a need to upgrade the railroad tracks leading from the east terminal and through the FitzGibbons site, construct a road adjacent to the rail, cut back the road site to allow for a retaining wall to be constructed, and finally grade and pave the property to allow for loading of the terminal...*

*In February 2008, Senator Schumer announced that legislation providing \$650,000 needed for the Oswego port dredging project had cleared crucial hurdles in both the Senate and the House.*

The Port of Oswego has also requested funds from the Renew and Rebuild New York Transportation Bond Act to help pay the \$4.5 million cost of building a container port.

## **Commercial Development**

Until recently, the County’s sparse population base and relatively easy access to shopping centers and malls in Syracuse limited retail development in Oswego County. A 180,000 square foot Super Wal-Mart opened in the Town of Granby in March 2008, however, and other retail development is expected to follow once the national economic situation improves. The Wal-Mart is connected to Fulton’s water and sewer systems.

The director of the Greater Oswego-Fulton Chamber of Commerce indicated that there is interest in preventing the “leakage” of retail sales dollars by providing more retail opportunities locally. This does not necessarily mean large-scale, “big-box” retail, however. Downtown Oswego, she noted, has attracted some niche establishments – a bookstore, an eclectic clothing store, cafes – serving college students and local residents. SUNY Oswego has approximately 8,000 students and 1,500 faculty and staff; this is essentially a captive market that helps downtown specialty stores. The City of Oswego has also been the location for many of the special events produced by the Chamber, which will be hosting its first-ever jazz festival in Oswego next summer.

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The Chamber director believes that the City of Fulton could benefit from similar activities, that Fulton residents would welcome small specialty stores and restaurants. Although Fulton does not have the “captive market” of SUNY Oswego, there is a campus of Cayuga Community College in Fulton that has over 1,000 students, and there are other major employers located in the City. A couple of new businesses have opened downtown in the last year. Of note is the Tavern on the Lock, a new restaurant developed through the acquisition and remodeling of the former Lock III Restaurant. The \$424,000 project created 20 jobs and financing was provided by the Oswego County Industrial Development and the Fulton Community Development Agency. Asked about barriers to commercial development in Fulton, the Chamber director suggested that the City needs more “cleaned up” locations and better incentives to attract entrepreneurs.

She is confident that Fulton’s business climate is improving. In 2006, the former Goldberg’s Furniture building at 129 Cayuga Street was purchased by Douglas Caster, a local property developer. With support and assistance from the Fulton Community Development Agency, Oswego County Industrial Development Agency, Operation Oswego County and Fulton Savings Bank, Caster renovated the three-story structure for mixed use. Now known as 129 Cayuga Condominiums, Inc., the building features eight one- and two-bedroom condominiums, three commercial/retail spaces on the first floor, and a private underground parking garage. A public open house to unveil the completed project took place in October 2008.

Municipal leaders hope that the redevelopment project will stimulate additional interest in downtown. The block in which 129 Cayuga is located has recently undergone revitalization, with new lighting and brick crosswalks. There is a need to extend these improvements outward. The Chamber director suggested that there could be a market for office development to support professional services in Fulton if the downtown environment continues to improve.

## **Tourism and Recreational Development**

According to the Northern New York Travel and Tourism Research Center, an estimated 2,600 jobs in Oswego County were supported by direct and indirect tourist expenditures in 2006. Wages and salaries earned by residents, as well as income earned by business owners due to tourist expenditures, were estimated at over \$44 million. Total visitor expenditures in the County were more than \$123 million, of which \$35.4 million (29%) was spent on recreation; \$30.1 million (24%) was spent on shopping, \$29.8 million on food, and \$14.6 million (12%) on lodging in Oswego County. Nearly two-thirds of visitor expenditures are made between May and September.<sup>3</sup>

Fishing is perhaps the largest segment of the tourism industry in Oswego County. The Greater Oswego-Fulton Chamber of Commerce operates a visitor center near SUNY Oswego during the summer months, and the Chamber director noted the center sees many international visitors travelling into the area via Routes 81, 481, and 104. She believes that the County has much more to offer than just fishing, and would like to see more amenities provided for recreational boating and cycling, for example. Kayak and boat rentals could be provided. She cited the excellent bike trails on the canal system in DeWitt and Fayetteville in Onondaga County as an amenity that could be developed in the City of Fulton.

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<sup>3</sup> 2006 *Economic Impact of Expenditures by Tourists on Northern New York State*. Prepared for the Northern New York Travel and Tourism Research Center, SUNY Potsdam by Davidson-Peterson Associates, Kennebunk, ME.

There is only one major hotel in Fulton, suggesting an opportunity for additional lodging. Apparently the demand for quality hotels in the area is strong, but many older, outdated properties still exist.

Asked about other potential waterfront opportunities in Fulton, interview participants acknowledged some obstacles. The Oswego River is not as scenic as, for example, the Niagara River in western New York, and in Fulton in particular, the river is “not as accommodating,” with strong waves.

Moreover, the City of Oswego has already made significant efforts toward revitalization. In July 2007, the City announced plans to extend its Westside Riverwalk trail to link the city's Maritime District, Wright's Landing and Breitbeck Park with the help of a \$600,000 federal highway grant. Building a pedestrian trail along Oswego's western waterfront is part of the City's efforts to capitalize on its lakefront, port, and canal. In January 2008, New York State selected the City of Oswego as a recipient of \$2.5 million in Restore NY funding for Oswego Harbor Revitalization. The funds will be used towards the remediation of brownfield sites, resulting in the construction of a 36,680 square foot building with 24 loft-style apartments, six retail stores and underground parking on the west side of the harbor, as well as the construction of an addition to the Best Western Hotel with a conference center, luxury hotel suites, a waterfront restaurant, and an expanded wellness center on the east side of the river. It is not clear whether Fulton could pursue a similar revitalization strategy given the scarcity of resources for waterfront development.

## **Health Care Services**

According to the labor market analyst for the region, health care is “a job booster for central New York, but not a vehicle for growth.” He notes that most health care employment is based in Syracuse, which has four hospitals and a dense population base. Oswego County, on the other hand, has had difficulty recruiting physicians and other medical professionals.

The 2006 report of the Commission on Health Care Facilities in the 21<sup>st</sup> Century, known as the Berger Commission report, recommended that Fulton's A.L. Lee Memorial Hospital, a 67-bed acute care facility, be converted to an outpatient/urgent care center. The report questioned A.L. Lee's long-term financial viability given the declining population in Fulton and the existence of a larger, more modern hospital in the City of Oswego. A.L. Lee Memorial Hospital received a one-year reprieve from compliance with the Berger Commission's recommendation; however, the hospital recently announced that it will cease operations in April 2009. Current fiscal constraints suggest that institutional health care is not a major growth opportunity for the City of Fulton at this time.