

Executive Summary

INTRODUCTION

This I-86 Economic Development Benefits study evaluates and communicates the economic impact of the designation and upgrading of New York State Route 17 to Interstate 86. This ongoing interstate upgrade will involve roadway improvements and the addition of Interstate signage to Route 17 from the New York-Pennsylvania state line in the west to its intersection with I-87 in Orange County—381 miles in length. Approximately 177 miles of the western portion have already been marked with signage indicating that Route 17 has been designated as the future I-86.

The purpose of the study is to compute and communicate the economic impacts that may be expected to occur with the improvement and official upgrade from Route 17 to I-86, and to further examine what is at stake in regard to the crucial matter of the timing of construction.

Route 17/I-86 Background

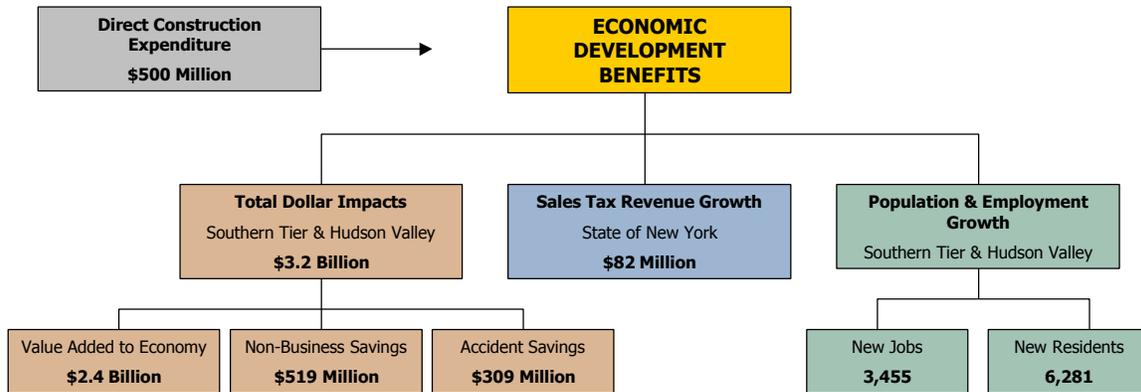
Route 17 was originally a two-lane road from the 1930's through the 1960's, when it was converted to a four-lane highway. The final segment, from Chautauqua Lake west to the Pennsylvania border was expanded to four lanes in late 1997. As far back as 1955, when the original National Interstate Highway System was being planned and developed, New York state officials hoped to have Route 17 serve as the region's primary east-west interstate.

But when the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) was passed, Route 17 was still not designated for interstate status. ISTEA did bring renewed interest in high-priority corridors, and helped call attention to transportation needs in the region. Eventually, as ISTEA gave way to the Transportation Equity Act for the 21st Century (TEA-21), Route 17 received due attention. And in 1998, when TEA-21 was passed, Interstate 86 became part of High Priority Corridor 36.

Since then, progress has been made—the western portion of I-86 is very near completion. Nonetheless, there remains quite a bit of work to be done. The eastern portion of I-86—roughly from Exit 49 east to I-87 in Orange County—will require construction to alleviate problems with at-grade crossings, exit spacing, horizontal curvature and other improvements necessary to attain interstate status. As far as the economies of the Southern Tier and Hudson Valley are concerned, the sooner this work occurs, the sooner the much needed economic development impacts will accrue to the businesses, residents, and other users of I-86 as these final changes take place.

The economic benefits estimation is important in that it examines the potential overall impact on the Southern Tier and Hudson Valley economies of the upgrade to I-86 over the 2000-2020 time period. Assuming that the improvements can be completed in a span of eight years, these economies could realize total dollar impacts of about \$3.2 billion (all estimates are in 1999 dollars). Moreover, the State of New York, by way of increased state sales tax revenue, stands to gain about \$82 million.

EXHIBIT 1
Total 2000-2020 Economic Development
Benefits of I-86 Upgrade
Assumed 8 Year Construction Period



Definition of Economic Development

For purposes of this study, economic development is defined as "an increase in the prosperity and incomes of people and institutions." Economic development of this nature in a given area occurs when the income and production generated in the area are caused to increase. Such increases occur in either of two ways:

1. **More Resources** - If output increases in the area, the increased output will require more resources (land, labor, materials, capital) which means more people are employed, more incomes are earned and more profits are made. If the improvement enables the attraction of additional business in the corridor (new firms, or expansion of existing firms), then the highway has aided the economic development process to the benefit of the corridor area.
2. **Efficiency** - Even if the highway does not help to create increased output, it can still help economic development by causing the area's output to be achieved at less total cost. Reduced transportation costs due to the highway improvement in this way yield increased prosperity and income.

This study suggests that the upgrade of NY State Route 17 to Interstate 86 will do both: it will enable the attraction of "more resources" and it will create greater "efficiency." As a result, the highway improvement will have very definite "economic development" roles to play. The issues addressed in this study are the magnitude of the economic development, how the benefits might occur, and what's at stake with regard to the timing of construction.

Comparisons With Optional Cases - To calculate the I-86 upgrade's benefits, the "improved case" (completion of the upgrade to I-86) is compared with the "base case" (the base case is the existing road, as NY State Route 17). The benefits for the upgrade are calculated by comparing the corridor's "improved case" with the corridor's "base case." In this manner, the upgrade's "benefits" are determined—implicitly, the cases can be compared one with the other.

Construction Now or Later - Additionally, we consider two "improved cases": 1) An "assumed" upgrade construction period, in which all the necessary improvements occur over eight years and 2) A "delayed" construction period, in which the improvements occur over 21 years. These two cases provide realistic options for comparison of a relatively aggressive building option and a more conservative option.

Ways in Which the I-86 Region Economy Will Benefit

The study investigated ways the local corridor economy could benefit from the improved roadway. These benefit types include the following:

- **Act of Highway Construction** - Money spent in the corridor region to upgrade the highway to interstate standards is of economic value to the corridor region since wages are paid, gravel is purchased, etc. NYSDOT estimates have placed this figure in the \$500 million range (1999 dollars) for the remainder of the I-86 upgrades.

Direct Construction Expenditure \$500 Million
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- **Travel Efficiency** - Vehicle users will benefit due to faster average travel speeds (time savings), reduced accident rates (safety), and improved traffic flow (vehicle operating costs). Truck travel may similarly be faster, cheaper, safer and more reliable.
- **Improved Competitive Position** - Such transportation improvements will remove one impediment to economic activity attraction and growth. Improved transportation should enable the corridor area to better compete for economic activities, meaning that business activity will be expanded in, or otherwise attracted to, the local economy.
- **Visitor/Tourism Attraction** - The improved highway will help to attract additional tourists to the area, which will improve the local economy and the economy of the state.

ECONOMIC IMPACT RESULTS

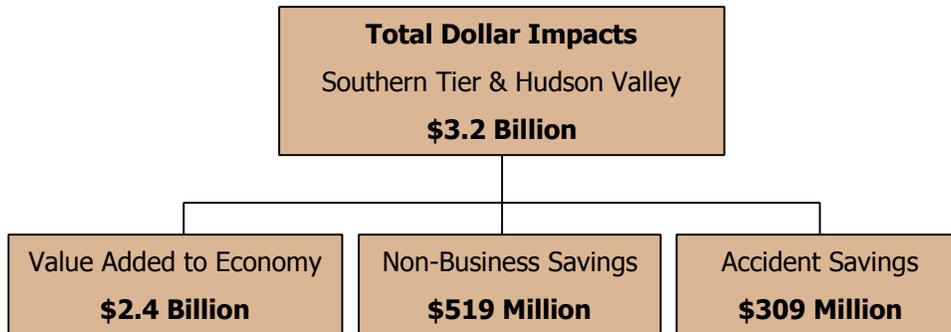
The Route 17/I-86 upgrade will yield many different forms of benefit to local economies. In order to recognize these diverse impacts in a consistent fashion, a set of "indicators of impact" and a set of definitions was used throughout the economic impact calculations. The economic impacts were expressed in terms of "indicators" of economic impact.

Value Added - The value of the corridor area's firms' output minus the value of the inputs they purchase from other firms. In the corridor study it is the value added by firms located in the defined corridor impact areas.

Accident Cost Savings - Because highway standards will be improved, the I-86 upgrade can be expected to reduce overall accident risk and severity in the corridor. Monetary values were assigned to accidents depending on type (fatal, injury, property damage).

Non-Business Savings - The proposed NY Route 17 upgrade to I-86 will save car travel time, some of which is non-business related. This is the value of time saved to non-business travelers.

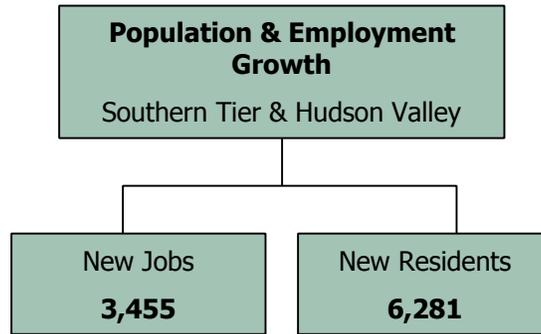
EXHIBIT 2
Breakdown of Total \$ Benefits, 2000-2020
Assumed 8 Year Construction Period



Employment – This is the number of new, permanent jobs that may be created and sustained as a result of the upgrade.

Population - Total population dependent on the new jobs created by the interstate upgrade.

EXHIBIT 3
Increase in Number of Jobs & Residents 2000-2020
Assumed 8 Year Construction Period



Increased State Sales Tax Revenue - One more quantifiable economic benefit to the state is the increase in state sales tax revenue that may be collected as tourism and other final demand trade growth occurs. The State of New York levies a 4% State Sales Tax on each dollar of all final demand transactions. Therefore, as final demand transactions increase, the amount of state sales tax revenue grows.

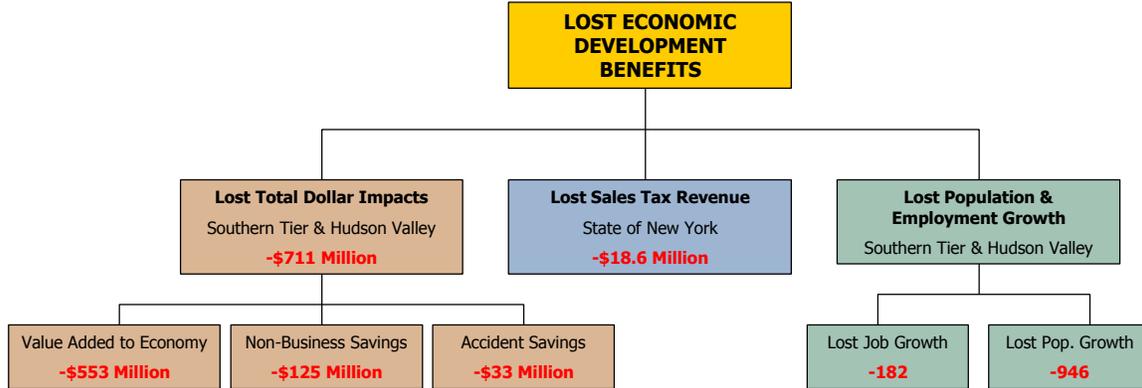
EXHIBIT 4
State Benefits, 2000-2020
Assumed 8 Year Construction Period



The Costs of the Delayed Construction Period

Thus far, the economic benefits associated with an assumed physical upgrade period of eight years (2000-2007) have been presented. What would happen if the upgrades were to require a period of 21 years (2000-2020) instead? These results estimate that the Southern Tier and Hudson Valley stand to lose \$711 million in economic development growth, and the State of New York will lose \$18.6 million in potential sales tax revenue growth, if the construction takes place over a delayed period as opposed to the assumed period.

EXHIBIT 5
Potential Lost Benefits of I-86 Upgrade
Total, 2000-2020
Delayed 21 Year Construction Period



The I-86 Upgrade’s Impact on Regional Access and Profile

The impacts of the I-86 upgrade upon the Southern Tier and Hudson Valley areas may be broken into three broad categories:

1. The effects upon physical access to the area.
2. Logistical improvements related to conducting business.
3. Enhancement of the region’s profile in the minds of current and future industry and citizens.

Physical Access – Before anything can happen in an area—including settlement by citizens and development of industry—barriers to physical access must be overcome. Clearly, NY State Route 17 already provides reasonable physical access to the communities along its path. But the growth of its economy could be spurred by improvements to this access. Challenges to navigating through southern New York State do exist, and overcoming them may be pivotal in kick-starting its economy.

Physical access to markets and production inputs is an essential element to a region's economy, as is the presence of logistics and distribution facilities. Included in this physical access impact are linkages with:

- Route 15 (eventually to be I-99) and I-390 that will be facilitated by the Appalachia Development Highway System's Corridor U (the Elmira North-South Arterial, Clemens Center Parkway)
- I-81 and I-88 in Binghamton
- I-84 and I-87 in the Hudson Valley

Logistics & Distribution – Another distinct advantage that an area with direct Interstate access has over an area with only a four-lane highway or road has is its attractiveness for the purpose of developing or locating logistics and distribution type facilities. Currently, the vast majority of the I-86 Economic Benefits study area receives little consideration for logistics and distribution because of the absence of an Interstate. Consequently, only a handful of these facilities are currently located in the region. The upgrade to I-86 would make the region substantially more attractive to such activity.

Profile & Visibility – The elevation of the Southern Tier and Hudson Valley in the minds of tourists, transportation companies, and others from outside the area may be dramatic. This impact includes not only a psychological element but also a practical one well-known to industrial recruiters and other economic development professionals. This is the “Blue-Line” concept, which refers to the color of Interstates on most maps. Comparing the maps in Exhibits 6 and 7 illustrates how this difference might appear to an individual choosing a travel route through the Northeastern U.S.

Organizations such as travel agencies and associations, transportation companies, and industrial recruiters consider the proximity to an Interstate as a major criterion in choosing travel plans and in selecting locations for businesses. This results from the fact that when people look at a map of the U.S.—or some region of the country—for the purpose of planning a trip or locating a business the most noticeable roads are part of the Interstate System. The reasoning is that Interstate quality is consistent virtually throughout the nation, so these roads are most often chosen for travel.

STUDY FINDINGS

The residents and businesses of the corridor area will benefit economically as the upgrade from New York State Route 17 to Interstate 86 is completed. There will be greater travel efficiency, and the area will be better able to attract tourists and business investors both within New York and nationally once the upgrade is complete.

The enhanced competitive position, along with the improvement of the area's profile and visibility, will provide a significant boost to the economy. Businesses will find that production costs will be lower, the labor pool will be expanded, and the location will be more accessible to suppliers and consumers. In particular, the tourism industry will enjoy greater exposure to national and international travelers.

In sum, the Southern Tier and Hudson Valley regions—as well as New York State as a whole—stand to realize significant additional economic development as a result of the timely completion of I-86.

EXHIBIT 6 MAP HERE

EXHIBIT 7 MAP HERE