



The Warren Economic & Community Development Plan
Building Communities of Opportunity for All of Rochester

Lovely
for Mayor

Friends of Lovely Warren
Rochester, NY
www.lovelyformayor.com

July, 2013

“[Rochester’s] unemployment rate was 9.8 percent in November 2012... significantly higher than the statewide rate.”

-NYS Comptroller Thomas Dinapoli, *2013 Fiscal Profile of Rochester*

July, 2013

Dear Rochester Residents,

Like most Rochesterians, my story is inexorably connected to Kodak’s. I am the daughter of a Kodak line worker, I grew up in Southwest Rochester, in a neighborhood of Kodak families. In those days, it was impossible to fathom that the imaging giant wouldn’t always anchor our great city. More than 50,000 were employed at Kodak back then, many of whom owned homes and paid taxes in Rochester. Our city’s population was almost a third larger than it is today, boasting an average income per job that exceeded state and national averages.

My daughter’s Rochester is a very different place than the one from my childhood. By 2010, the year Taylor was born, nine out of the ten Kodak jobs in Rochester were gone. Our city’s population is declining faster than any other city in the state, while our percentage of families living in poverty has climbed to the highest in the state. Once above average, our annual salaries now lag behind the state average, as does our home ownership rate and median home value. By 2012, Rochester’s unemployment rate had climbed to 9.8%--significantly higher than the state average. In too many of our neighborhoods, fewer than one in three residents is employed.

Rochester is in crisis.

As much as I want my daughter to grow up in a city that is prosperous and safe, I know that there are no quick fixes for Rochester’s problems. Our transition from a Kodak town to a thriving city in today’s knowledge economy will be, by definition, painful and uncertain. Rochester’s resurgence will depend on our ability to reach deep into our history of innovation, to adapt to changing conditions and to collaborate across sectors. Above all, it will require a new economic development culture at City Hall, one keenly focused on permanent job growth and renewing our entrepreneurial spirit.

My vision of economic development is a marked departure from Rochester’s current course, which has narrowly focused spending on developing housing and related infrastructure. We should be proud of Rochester’s work to revitalize our downtown and neighborhoods, but we should also be honest that the \$1.7 billion in public and private investments over these last four years have created few, if any, permanent jobs for city residents.

It’s tempting to want to measure our economic growth in terms of the number of ribbon cuttings a year. But doing so has given our city a false sense of prosperity and diverted our attention from our most critical economic challenge: our burgeoning unemployment. This unemployment is at the heart of most of what ails our city: from child poverty, to crime, to our decaying neighborhoods and declining tax base.

Rochester’s crisis

From 1950 to 2010, Rochester’s population has declined by 37%, compared to 25% for other cities in New York State

Rochester’s 2012 unemployment rate was 9.8%, significantly higher than the state-wide rate of 7.9%; Unemployment rates for black and latino residents in some City neighborhoods is higher than 40%.

At 25.8%, Rochester has the highest percentage of families living in poverty in the State and the 7th highest child poverty rate in the United States. 54% of Rochester children under 18 live in poverty.

Rochester’s rate of home ownership is 11.8% lower than that of the state’s median city; median home value is \$22,400 less than for all cities excluding NYC.

Source: U.S. Census and 2013 Rochester Fiscal Profile. Office of the New York State Comptroller. All state-wide statistics exclude NYC.

My economic development plan is shaped by my public service with both the New York State legislature and Rochester City Council, the combination of which has given me a unique perspective on how money is both allocated to cities and spent by them. It is naïve to think that Rochester can address our economic challenges by simply asking Albany for more money. It is irresponsible for city leaders to promise it. Like it or not, cities across the country are grappling with a new funding paradigm, one that is increasingly competitive, performance-based and pushes government to operate differently and with less. Rochester must innovate if we are to do more than just survive.

Addressing Rochester's unemployment crisis in this demanding funding context will require a new mindset and a broader economic development toolkit than City Hall currently uses. This toolkit must include new public policy that explicitly links public spending with job growth goals. It must include new incentives and supports for small businesses, the engines of growth in cities across this country. It must also include new strategies to address Rochester's long-overlooked skills deficit that leaves countless jobs unfilled and burdens employers with training costs each year.

Perhaps most importantly, our economic development toolkit must include new tools for the public to hold City Hall accountable for its spending. Increased public scrutiny and transparency will ensure the greatest return on our expenditures and tax breaks and keep the interest of Rochester's citizens first and foremost.

Conventional political wisdom says that candidates should avoid specific plans and difficult topics while on the campaign trail. I strongly disagree. This campaign is the perfect opportunity to take a hard look at Rochester's economic crisis and to jumpstart an informed discussion about our post-Kodak future. Like my education plan released earlier, this economic development plan proposes concrete solutions and reforms developed with input of our community's experts and citizens. I welcome the chance to discuss it with you further in the coming weeks, months and years.

My plan is founded on the principles of innovation, good government and justice—principles I have strongly advocated for throughout my career. The strategies outlined here build on City Council's work to hire more minority and women-owned businesses and local labor. It expands on the work of Operation Transformation, an organization I co-founded to address the disabling unemployment among young black men who've dropped out of high school. It builds on the success of the redevelopment of the Genesee Brew House, which shows the promise of incentives to create jobs for city residents.

These are just a few examples of what is possible if we are willing to acknowledge our challenges and invest in our people. I believe that a Rochester resurgence is possible. With the right leadership, our city can once again be a beacon of hope for the hopeless, a place of opportunity and prosperity for all who call Rochester home, and a destination for the world's best and brightest minds. We must strive to make Rochester a city where all our people can thrive, where all people feel there is hope for them and their children and where we all feel that we have an equal stake in the future.

This is the Rochester that I want for my child, and for yours.

Sincerely,

A handwritten signature in cursive script that reads "Lovely".

Lovely A. Warren

TWO ROCHESTERS. ONE FUTURE.

In the 2013 Fiscal Profile of Rochester, the New York State Comptroller paints a sobering picture of our city, one rarely—if ever—mentioned in the many glossy magazine articles ranking the metro region for its high standard of living.¹ On most indicators, Rochester lags behind other cities in the state, showing signs of serious fiscal distress.² Rochester's unemployment rate has climbed to 9.8%—significantly higher than the state average. At 25.5%, Rochester's percentage of families living in poverty is the highest in the state, more than double the average of New York's cities. Our home ownership rate is significantly lower than the state's median city and we report more vacant lots. Our property tax base is more than 5% smaller than the state's "Big 4" cities, our reliance on the frequently volatile sales tax much greater than other cities.

As troubling as these city-wide statistics are, as averages, they mask great disparity between what many have dubbed "the two Rochesters." One Rochester is growing, prosperous and has a bright future. The other, often invisible Rochester is characterized by high rates of unemployment, crime, poverty and despair. While neighborhoods like Park Avenue and Charlotte have enjoyed sustained economic prosperity, unemployment in Rochester's Crescent ranges from 15% to 75% and median family income rarely exceeds \$20,000.³ In some of the city's most vulnerable neighborhoods, fewer than 15% of residents have a high school diploma and none have a college degree.

The Warren administration will re-focus economic and community development efforts on the city's most pressing challenge: reducing Rochester's unemployment rate and expanding its tax base. This challenge will be addressed through an innovative mix of strategies including new public policy that explicitly links spending and incentives with job growth goals; new incentives and assistance to spur small business and green economy growth; and new collaborative programs to build a skilled workforce for the future. Greater transparency and public-private collaboration will be key to the successful implementation.⁴

Key Reforms & Policy Changes to Support Growth & Prosperity.

1. Increased transparency and accountability

Rochester—like cities everywhere—is facing extremely difficult choices as we balance community needs and aspirations with increasingly limited resources. Our spending is the most tangible declaration of our priorities and yet, in too many cases, it happens far from public view. For example, a Rochester citizen seeking information about a public works project would need to visit several different City web pages, cull through a mountain of City Council resolutions in PDF form and likely still have to file a Freedom of Information request for a full understanding of how much was spent and by whom. This is especially true of projects involving tax subsidies, which are even less transparent.

According to a new study on city financial practices, cities across the country are increasingly recognizing the benefits of greater financial transparency.⁵ From reducing fraud and waste, to ensuring greater administrative efficiency, to creating a more competitive bidding process, the cost savings created by web-based transparency efforts are many. In addition, these "open checkbooks" offer less quantifiable, but equally important, benefits like promoting fiscal responsibility,

bolstering public confidence in government programs and increasing citizen participation in budget discussions.

Adopting best practices recently outlined by the U.S. Public Interest Group, the Warren administration will build a one-stop, one-click searchable "open checkbook" web site to give the public unprecedented access to information about city finances, including:

Revenues. Revenue to be posted by type; taxes, fees, grants, intergovernmental aid.

Expenditures. To include detailed reporting on all City spending by type and vendor.

All Contract and Grant Spending. Regardless of amount, all spending will be reported in a timely manner. Disclosure will include all contracts and grants, as well as unsuccessful proposals/bids and expenditures from prior years.

Tax subsidies. To include the type of subsidy (tax credit, exemption, incentive-based abatement, tax-increment financing, etc.), value and purpose/impact will also be reported. For example, if the goal of a subsidy is jobs, the City will post online the number of jobs projected to be created and actually created.

Budgets & Comprehensive Annual Financial Reports (CAFR). Current and prior years, allowing for comparisons.

MWBE Scorecard. Spending by certified M/WBE contractors.

2. New policy explicitly linking spending with job creation

Form the Rochester Industrial Development Agency.

An industrial development agency (IDA) is a powerful economic development tool for government to advance job growth and general prosperity of a region. Among other services, an IDA negotiates tax abatement agreements and provides bond financing for development and business expansions projects, typically in exchange for local job creation. In New York State, there are over 100 IDAs, 56 of which are affiliated with cities, villages or towns, allowing them to target job creation to their local municipalities. In contrast, Rochester projects are financed by the County of Monroe Industrial Development Agency (COMIDA), which defines “local labor” as a worker residing within a nine county area. The result is that, despite significant city tax abatement and other incentives, few, if any, COMIDA-funded city projects have actually created jobs for City of Rochester residents.⁶

The formation of a Rochester IDA, which would require action by the NYS Legislature, would allow the City of Rochester to boldly address the city’s unemployment. Based on financial reporting by COMIDA, it is anticipated that the fees and interest generated by a Rochester IDA will cover operating costs in full. It is the intention of a Warren administration to include Rochester IDA projects in the City’s Open Checkbook and fully report the type, purpose and terms of any RIDA project.

Support Minority- and Women-Owned Businesses M/WBE.

In 2010, Governor Paterson commissioned a study of the state of minority and women-owned business, finding “strong evidence of large, adverse, and frequently statistically significant disparities.”⁷ In addition to adopting the goals of the NYS disparity study, the Warren administration will create a website to track city spending with M/WBEs. The new Rochester M/WBE Scorecard, patterned after a similar effort in New York City, will provide current spending information with certified M/WBE firms at the click of a mouse. By adopting the findings of the state’s disparity study and by being transparent with our M/WBE spending, Rochester can accelerate the development of, expand opportunities for and increase the success rate of M/WBEs.

Explore the creation of the Rochester Community Workforce Agreement.

Supported by leading city governments across the country and the national AFL-CIO, Community Workforce Agreements (CWAs) are a critical tool for ensuring that major construction projects create opportunities for local residents and disadvantaged workers, while at the same time ensuring a steady supply of highly-qualified workers. Building on the Midtown Rising’s Project Labor Agreement, the Warren administration will seek to standardize the way that Rochester public work projects are executed and monitored, linking a

Residents Preference Program and a referral system to high-quality training programs.⁸ An independent compliance officer will be hired to ensure labor compliance on all public works projects.

5 Initiatives to Spur Economic & Community Vitality.

1. Rochester Opportunity Agenda

The Rochester Opportunity Agenda is a new public-private effort that will create a sustained focus on the problem of Rochester’s unemployment and provide a path out of poverty. Modeled after a successful initiative in Milwaukee, the Rochester Opportunity Agenda will build a coordinated, city-wide workforce system aimed at both providing city residents with the skills they need for gainful employment and employers with a pool of well-qualified and motivated employees. Led by the Office of the Mayor, the partnership will coordinate the city’s PRIME program and Workforce Investment Act activities with the work of local workforce providers, developing common metrics and mutually-reinforcing strategies.⁹ The Opportunity Agenda includes the following key components:

Rochester Social Impact Bonds. Social impact bonds are an innovative financial tool that allow governments grappling with serious social problems to make significant investments in preventative services, even in times of shrinking budgets. Also known as “pay for success,” these bonds use private capital, from both commercial and philanthropic funds, to pay upfront program operating expenses, reimbursed by taxpayers only when agreed upon targets are met and verified.

A Warren administration will pursue social impact bonds to fund Rochester Opportunity Agenda activities. The administration’s first priority will be to offset youth employment stipends and employer expenses associated with expanding and sustaining the new Rochester Youth Works Program, detailed below.

Real-time Labor Market Dashboard. At the heart of the Opportunity Agenda is a new city service that will use emerging artificial intelligence technology to enable real-time tracking and analysis of Rochester’s job market and skills deficit.¹⁰ To be housed on the city’s web site, the dashboard will provide all workforce players—students, workers, employers, educators and trainers—with key information on demand levels, job description, and requirements. The dashboard will help students and workers identify a career path, as well as help educators and trainers better understand the local labor market in order to deliver relevant, targeted workforce development programming. In addition, the system will provide city leaders with critical labor market analysis currently missing from policy discussions.

Launch the Rochester Youth Works Program. Research has consistently shown that teens who have had positive high school work experiences are more likely to graduate and are less likely to get in trouble with the law or become single parents.¹¹ These employment opportunities are particularly critical for poor Black and Hispanic teens, whose employment rate is four times lower than upper middle-income white teens.¹²

Although a city-wide focus on strengthening the school-to-work pipeline offers great promise for Rochester at-risk youth, the city's summer-only youth program (Summer of Opportunity Program) has steadily decreased over the last three years. In 2013, only 385 summer jobs were offered, of which only 17 were in the private sector. This is in striking contrast to the City of Buffalo, whose Mayor's Summer Youth Internship Program has offered an average of 2,500 summer employment opportunities to city youth each summer since 2006.

The Warren administration will expand the city's Summer of Opportunity program to a year-round initiative by partnering with local and national organizations with proven success in the youth employment area. A new employer recruitment and recognition effort is planned to increase the visibility of the program and increase private sector employer participation. Youth job opportunities will be shared with students, parents and educators via the city's new **Internship & Scholarship Bank**, proposed in the Warren Education Plan, available at www.lovelyformayor.com.

2. Small Business & Entrepreneur Development

Rochester is a city with a rich history of innovation and creativity that in years past produced companies that became some of the most recognized firms in the world, among them Kodak. According to a 2011 report by the *Wall Street Journal*, more than half of Rochester was employed by Kodak or one of its suppliers during the 1980s. With this flourishing came low unemployment and higher than average salaries, but also resulted in what the *Journal* described as a fading of Rochester's "spirit of small-scale entrepreneurship"¹³

Restoring this entrepreneurial spirit and investing in small business development is central to growing a diverse and resilient Rochester economy. According to the U.S. Small Business Administration, small businesses have generated 64% of net new jobs over the past 15 years and represent 99.7% of all employers in the country. Small businesses are major players in the knowledge economy, hiring 40% of high tech workers, and producing 13 times more patents per employee than large firms. Firms owned by Latinos, African Americans, Asian Americans and Native Americans represent the fastest-growing segment of small firms.

The Rochester Small Business and Entrepreneur Development initiative is aimed at attracting and nurturing a new generation of Rochester entrepreneurs and business innovators. The City

will work with local partners like Monroe Community College and RIT's Center for Urban Entrepreneurship to increase the number and scale of Rochester small businesses and remove unnecessary barriers to this growth. The partnership will work to take full advantage of the Governor Cuomo's new initiative, StartUp-NY.

Rochester Small Business Center. At the heart of this initiative will be a full service facility located within Rochester's Federal Community Renewal Zone. The plan is to convert a vacant/surplus property into a Center with individual offices and shared facilities. The Center will provide tenants with fully-functional workspaces, conference facilities, and access to business opportunities. In addition, Center services include assistance with financing, business advising and sourcing facilities for expanding businesses. The rents will be flexible and will depend on the space requirements of the individual firm.

Small Business Rapid Finance Program. Designed to both remove small-business barriers to capital and incentivize local hiring, the City will create a \$3 million revolving fund for city-based small- and medium-sized businesses. The fund will provide working capital to companies that qualify and meet their targeted job creation goals. Funding for the revolving loan will be pursued from New York State Regional Economic Development Council.

Mayor's Challenge. The Mayor's Challenge is a celebration of local problem-solving and innovation. Starting in 2014, the Mayor will award a total of \$100,000 in competitive grants to a local business or community-based organization with a promising economic development idea that shows bold and innovative thinking, a solid strategy for implementation, and the potential to generate measurable impact. The Challenge includes two categories: 1) new Rochester-based business venture and 2) Gateway business corridor development venture. Successful initiatives would be those with measurable impact, particularly in the area of job growth for city residents.

3. Green Rochester 2.0

In 2009, Rochester City Council passed the Climate and Environment Protection Resolution committing to the long-range goal of reducing the city's greenhouse gas emissions.¹⁴ Among other things, the resolution charged the mayor with developing green policies and procedures as well as conducting a greenhouse gas inventory and local Climate Action Plan. As of June 2013, implementation of this resolution has been stalled and the city's Green Initiatives program has eroded into a fragmented list of largely symbolic and out-dated activities, without measurable impact.

The Warren administration will launch Green Rochester 2.0—an effort to both re-commit the City of Rochester to its 2009 pledge to protect the environment, as well as position Rochester as a leader in the green economy.

Rochester “Greenprint.” Driving the Green Rochester strategy will be a study and action plan to position Rochester as a leader in the green economy. The Greenprint will employ a data-rich analytic approach to determine Rochester’s local specialization and how to accelerate home-grown green growth. It will outline “bottom-up” regional action, including strategies to address hurdles to growth and leverage the city’s vast manufacturing infrastructure and academic and research capabilities, most notably the Golisano Institute for Sustainability at RIT. In addition, the Greenprint will include specific strategies to put Rochester on a carbon-neutral path by 2050 and fulfill the charge of the 2009 resolution made by City Council. Funding for the action plan will be pursued through the Finger Lakes Regional Economic Development Corp.

Green Procurement. The Warren Administration will use the buying power of the City of Rochester to stimulate local demand for green products and services. The City will adopt the principles outlined in the US Environmental Protection Agency’s Environmentally Preferred Purchasing guidelines.¹⁵

Reclaiming Rochester. The City of Rochester owns and maintains more than 2,100 vacant lots and the list is growing. There is also a growing list of vacant and tax delinquent structures. The Warren administration will use two tools to revitalize neighborhoods and return these vacant properties to the tax rolls:

First, the Adopt-a-Lot program will be revived to give individuals and groups the opportunity to renew their neighborhood by beautifying and maintaining green spaces. This program will repurpose these vacant lots into community assets that spark new economic and educational opportunities. The second tool is the Rochester Land Bank program sponsored by Empire State Development. When appropriate, the Warren administration will use this newly created mechanism to acquire vacant land and buildings for future development.

Rochester Green Corps. According to the New York State Department of Labor, construction, professional services and component manufacturing industries are all experiencing difficulty filling their “green” jobs in the Western NY/Finger Lakes Region.¹⁶ The Rochester Green Corps initiative will utilize CDBG funding, City demolition funds and matching private funds to train out-of-work citizens in green demolition, landscaping, forestry and environmental remediation. Modeled after similar efforts in Milwaukee and Chicago, the City will partner with local workforce service providers, Monroe Community College and the Rochester Educational Opportunity Center to develop the training and credentialing program.

4. Aging In Place

According to Partners for Livable Communities, “America is growing older at an unprecedented rate. Today, there are more than 35 million Americans age 65 and older, and that number is expected to rise to nearly 55 million by the year 2020—a 65% increase. Most importantly, however, is the fact that these older adults are overwhelmingly choosing to stay in their own homes and communities as they age. Just last year, AARP surveyed Americans over 50 and discovered that 89 percent wanted to stay in their own homes as long as possible.” Partners for Livable Communities looks beyond the fields of healthcare and social security and explores housing options, economic development, community support systems, and civic engagement; grounded in a philosophy that when older adults age in place, communities benefit.¹⁷

In order to make Rochester a comfortable place for elders to age in place, the Warren administration will establish the **Mayor’s Aging in Place Planning Initiative**. Drawing on the expertise of local leaders with national reputations in the field of serving elders, the City will actively engage with Partners for Livable Communities, City Leaders Institute and other cities that have adopted Aging in Place strategies to facilitate livability (programmatic and structural) for their aging populations including Kansas City, MO, Salt Lake City, UT, Louisville, KY and Phoenix, AZ. The goal of the Aging in Place Planning Initiative will be to create a set of recommendations which may involve adjusting some of our current initiatives at no additional cost (such as adding texture to sidewalks for greater traction in snowy weather) to larger programs that may require grant support to implement. Possible funders for Aging in Place Initiatives include Partners for Livable Communities Jump Start the Conversation grants and MetLife Foundation. Another possible initiative to support aging in place may come in the form of a dedicated fund to help low-income elders with housing repairs, created through a social impact bond fund. (See Housing)

5. Housing

Housing is a key city concern because it is critical to maintaining stable neighborhoods, a stable tax base and stable families. Housing builds both neighborhood and personal equity and will be a major priority for a Warren Administration.

Historically, affordable housing in Rochester has been clustered in specific neighborhoods. In some cases, new affordable developments are sited side by side with deteriorating existing housing and/or high crime areas which is clearly not ideal for either the families whose housing options are otherwise limited, or for the neighborhood in the long run.

Instead of focusing on the concept of “affordable housing” – a term that stigmatizes both the residents as well as the neighborhoods with affordable housing clusters – the Warren

Administration will focus on housing choices, with an emphasis on more mixed-use housing development that serves to decentralize clusters of poverty and increases housing choices. The City has started to make strides in this direction – the inclusion of subsidized housing at College Town at Councilwoman Warren’s instigation, for example – but this approach needs to be more fully integrated into our approach and language around housing. A Warren administration will continue to promote options for first-time homebuyers and will support programs to assist current low-income homeowners with housing repairs. (see Aging in Place)

In addition, a Warren administration will look to innovative housing programs across the country, for example a project supported by The Enterprise Foundation in Baltimore, MD, that is paving the way for neighborhood redevelopment by coupling housing choices with other community assets such as schools and recreation centers.

From an economic standpoint, promoting and facilitating home ownership in every sector of the City is critical. Currently, residential tax assessments in more affluent neighborhoods of Rochester, including the South East of Rochester and Charlotte, in many ways subsidize other neighborhoods in the City of Rochester and this is simply unfair.

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Rochester Workforce Alliance.

The Alliance will be comprised of experts and external stakeholders (volunteers) who share the Mayor’s vision and strategic focus on job growth. The Alliance will coordinate city-based workforce development efforts and align public and private funding toward mutually-agreed upon workforce development goals. The Alliance will collectively pursue new funding sources, advise city policy makers and serve as the liaison to the County Workforce Investment Board, Rochester Economic Development Corporation and the planned Rochester Industrial Development Agency.

Small Business Advisory Council.

Comprised of local experts and small business leaders (volunteers), the Advisory Council will advocate for the interests of small businesses and entrepreneurs and advise the Mayor on growing and sustaining entrepreneurship in Rochester. The Council will recommend strategies to overcoming barriers to small business growth.

Green Rochester Advisory Council.

Comprised of experts and external stakeholders (volunteers) who share the Mayor’s vision for sustainable economic development, the council will advise the mayor on critical issues and work to create political will for a sustained Green strategy in the city.

Faith-based Advisory Council.

The Faith-based Advisory Council will build on the City’s faith community outreach spearheaded by Lovely Warren to recruit minorities to the police and fire departments. The council will work to increase participation and successful completion of disadvantaged workers in city workforce development and poverty prevention activities and advise the Mayor on critical issues plaguing our city.

Adapting to the New Funding Paradigm.

Cities across the country are grappling with a new funding paradigm, one that is increasingly competitive, performance-based and pushes government to operate differently and with less. To adapt, the Warren administration will create two new grant-writer positions charged with pursuing new funding sources—public and private—and forging critical public-private partnerships necessary to deliver constituent services in an strategic and impactful way.

A preliminary review of current grant offerings suggests that a more innovative approach to fundraising would allow the city to tap these and other new funding opportunities: the National Fund for Workforce Solutions; the U.S. Department of Labor’s Pathways out of Poverty and Green Jobs programs; the Corporation for National and Community Service Social Innovation Fund; NYS Main Street Program; the Knight Foundation.

In addition to pursuing non-traditional funding, a Warren administration will explore the use of an innovative financial tool known as social impact bonds (SIBs) to finance its Rochester Opportunity Agenda programs. These “pay for success bonds” offer cash-strapped governments a risk-free way of pursuing creative prevention programs that may take years to yield results. SIBs mark a radical shift in thinking where government contracts for social outcomes rather than the services themselves, paying only when agreed upon targets are met. Private investors—both commercial and philanthropic—provide the upfront operating capital and an independent third-party provides rigorous program evaluation.

For more information on SIBs, see the Harvard Kennedy Business School SIB Technical Assistance Lab at <http://hks-siblab.org/>.

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