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N.Y. / REGION

Yogurt Plant's Closing Prompts Questions on Cuomo's Economic Growth Plans

By JESSE McKINLEY and VIVIAN YEE JULY 25, 2016

BATAVIA, N.Y. — It was meant to be the Colosseum of yogurt plants: a sprawling $200 million testament to the popularity and economic potential of fermented milk, nearly the size of five football fields and no less patriotic, with an American flag and one of New York State.

Those flags are now about the only thing moving at the Müller Quaker Dairy plant here, a gleaming and currently inert factory that opened with a splash in 2013, but was unceremoniously shut down less than three years later.

The dairy had sought to capitalize on the popularity of Greek yogurt, which helped fuel an uncommon growth sector in economically struggling areas of upstate New York. The plant has instead become the target of scorn for some here who view it as another example of corporate opportunism and government gullibility.

"They promise you the world," said Patricia O'Geen, a lifetime Batavian who said she considered herself fortunate to have a good job at a local pumping company. "And they never come through."

State and local officials are confident that the plant will reopen soon with a new owner and new hiring. Still, more than 100 people lost their jobs in December — just before Christmas — despite a generous raft of state and county tax credits given to the plant, which Gov. Andrew M. Cuomo, a Democrat, had trumpeted as "another strong boost to the region's growing dairy industry."

The Müller Quaker Dairy plant was supported through the state's Excelsior Jobs Program, which was the subject of a critical audit this month by the office of Thomas P. DiNapoli, the state comptroller. The audit said that the dairy project received more than $500,000 in unjustified tax credits, though the Cuomo administration disputes that characterization.

The comptroller's office concluded that the Empire State Development Corporation, the state's chief economic development agency that administers the Excelsior program, had lowered the job-creation threshold — to 127 from 186 — so the company could qualify for the tax breaks in 2013 and 2014.

But the yogurt plant was hardly the only project to prompt questions from auditors, who cited several other instances in which the development agency adjusted job creation requirements for tax breaks, as hiring proved less robust than expected.

The comptroller's report came on the heels of another unflattering summary of a newer job-development program known as Start-Up New York, which the state has spent more than $50 million to promote over two years, but which has created only 408 jobs to date. The seemingly meager return on investment has prompted questions about whether the program should be ended; Mr. Cuomo has repeatedly defended Start-Up even as Empire State has stood by its broader economic policy.

"This administration's multiprong economic development strategy," namely Excelsior and Start-Up NY, will eventually produce 50,000 new jobs and more than $4 billion in private investment statewide, said Jason Conwall, a spokesman for Empire State.

He characterized the comptroller's Excelsior report as "flawed and inaccurate."

"The comptroller is entitled to his own opinions, which are all over the report, but not his own facts," Mr. Conwall said.

The agency points out that it is within its legal rights to lower the job-creation goals under the program as approved by the State Legislature.

But the comptroller's office argues that the manner in which the credits were applied — retroactively and internally — was not transparent, and that such lowering of job-creation goals defeats the central tenet of the program, a carrot-and-stick approach meant to reward companies only after they fulfill their job promises.

The comptroller's report did little to shake development officials' confidence in the program: Last Tuesday, the governor announced another Excelsior deal, with the state offering tax breaks to Dick's Sporting Goods to move more than 400 jobs to the state's economically troubled Southern Tier.

Still, the back-to-back critiques of Start-Up New York and Excelsior have resurrected longstanding questions about whether government subsidies for businesses in general — and Mr. Cuomo's in particular — are a good way to spend taxpayer money.

"It's Groundhog Day in terms of the recurring problems surfacing there," said Greg LeRoy, the executive director of Good Jobs First, a nonprofit that tracks state tax-break programs.

Indeed, many who recall the tax-incentive programs that came before Start-Up and Excelsior, including the Empire Zones program created in the late 1980s, said the latest generation of subsidies has replicated some of the old issues, including favoritism and a lack of accountability.

"Over all, we have concerns that economic development programs don't really see a return on investment, that many of these businesses would've relocated or expanded in these locations regardless," said David Friedfel, the director of state studies at the Citizens Budget Commission, a nonprofit that tracks government spending.

No one is suggesting that Mr. Cuomo has not focused on the sluggish state of the upstate economy. And while Excelsior is in its sixth year, slightly predating Mr. Cuomo's administration, some say that Start-Up New York may deserve more time to prove itself.

"One of my criticisms is that short-term thinking in politics is the same pathological thinking as in business," said Gerald Benjamin, a professor of political science at the State University of New York at New Paltz. "Long-term thinking is a good idea, and it's important to encourage it. Now, how much time is enough time, I don't know."

Mr. DiNapoli agrees that it may be too early to judge Start-Up New York, but said he was frustrated by the way his recommendations for the Excelsior program had been received by Empire State.

"When an agency response is like 'You're all wet, you don't know what you're doing,' they are certainly not taking the suggestions in the instructive way in which they are intended," Mr. DiNapoli said.

In Batavia, signs of longstanding economic struggles are evident. In decades past, the city had been a commuter hub for major employers like Xerox and Kodak in Rochester, about 35 miles to the northeast; those companies are now much diminished. The city's main drag is still holding on to its small shops, restaurants and at least two employment agencies.

But inside Batavia's main civic building, which includes its city hall, several businesses have closed their doors, leaving vacancies and hints of healthier times. "There is no problem," one sign at an empty shop says, "a plate of warm cookies can't solve."

Agriculture has always been the primary engine of the economy here, and milk production is a big part of that, said Jay A. Gsell, the Genesee County manager and budget officer, who added that he hoped the new owner of the plant — Dairy Farmers of America — will soon reopen it. The company, based in Kansas City, Mo., said in a statement that it is "evaluating future uses" for the plant and will share details "once it's been determined."

And while the sudden closing of the plant was an unpleasant surprise, Mr. Gsell said local leaders still believed in the underlying idea of capitalizing on local dairy farmers to build a yogurt industry here, in part because of an ample natural resource.

"We've got a lot of land," he said.

Mr. Conwall echoed this in justifying the use of tax credits. "At the end of the day, the state invested $560,000 to support the construction of a privately funded $210 million facility, which, while this company made the decision to no longer operate, will continue to employ New Yorkers under a new owner," he said. "Without the state's support, this plant — and the jobs created to build and staff it — would not be here."

As for what happened to the high hopes and tax breaks that accompanied the opening of Müller Quaker, Mr. Gsell said its demise was still a mystery.

"For whatever reason," he said, "they just decided it wasn't working."

Jesse McKinley reported from Batavia, and Vivian Yee from New York.

A version of this article appears in print on July 26, 2016, on page A23 of the New York edition with the headline: Yogurt Plant's Closing Prompts Questions on Cuomo's Economic Growth Plans.