

MEET THE PANEL

**BETH BEshaw**

Title: Market President
Company: M&T Bank

**JEFF BUELL**

Title: Principal
Company: Redburn Development

**TODD CURLEY**

Title: Partner
Company: Prime Cos.

**ANDREW KENNEDY**

Title: President & CEO
Company: Center for Economic Growth

**HEIDI KNOBLAUCH**

Title: Owner/
Chairperson
Company: Plumb Oyster Bar,
ReceiptHQ/Troy IDA

**A. JOSEPH SCOTT**

Title: Partner, Project Finance Leader
Company: Hodgson Russ, LLP

**MICHAEL YEVOli**

Title: Regional Director
Company: Empire State Development

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Industry ROUNDTABLE

ECONOMIC DEVELOPMENT

PRESENTED BY:



What industries should we focus on growing? How important is state funding in economic development? Why do we struggle marketing ourselves as a region? Hodgson Russ and the *Albany Business Review* hosted a discussion with local experts to help find answers. Melissa Mangini, editor of the *Albany Business Review*, moderated the discussion.

What industry should we be focused on growing in the Albany region? What are we doing well and what are we missing?

ANDREW KENNEDY: We continue focusing on marketing the region based on our regional assets. We see opportunities through research and commercialization in the areas of life sciences, digital gaming, technology, especially in the clean tech, and taking advantage of the opportunities with offshore wind. And also in the areas of advanced manufacturing/semiconductor because of the partnerships we have here with SUNY Poly, RPI and local founders.

HEIDI KNOBLAUCH: It's so crucial to have those larger fish. We need these larger industries so we can have people who are employed and raise the median income. There's also an argument to made that we need to fill Main Street and really have a creative economy that's robust so that we have tourism. So you see that Alliance for the Creative Economy is working on that. And what they're doing is really doing a grassroots movement. Everything from bringing people here with just a #GetCaptivated. So from owning a restaurant, filling in those holes in our downtown, and having small businesses that employ maybe ten or twenty people along side the businesses that employ 100 or 200 people is really important.

JEFF BUELL: The two have a symbiotic relationship. Cultural vibrancy, walkability, those are the ingredients in the soup we're trying to cook. The attention that has been on our urban areas over the last 10 years is monumentally important in how do we attract anything. Not even industry, but how do you attract anything to come here? You need to have a core, and our core can't be a suburb.

KNOBLAUCH: There are some situations in which you could do both. Take gaming, for instance. Downtown Troy was the birthplace of Guitar Hero – Vicarious Visions. You have companies that are able to support really high wages in a creative sector, and I think that will keep continuing with the work of CEG and ACE.

MICHAEL YEVOli: Strategy and implementation is a lot of what we're doing cohesively with the regional council process. We're focusing on making those investments in our infrastructure for attracting the right kind of companies, and R&D to commercialization is a big piece of what we focus on. We're investing in our universities. We're investing in the companies that are implementing that. Even statewide initiatives like the Wadsworth Center Lab have built into them the idea that there's going to be a commercialization of that state asset.

TODD CURLEY: We already have strong edu-

cation, strong medical, strong government sectors. We have three strong sectors that we can grow on. That gives us the flexibility to go find the next leg of the stool, and there's a lot of great opportunities, whether it be tech, manufacturing, distribution. It's taking advantage of the infrastructure already been laid for us.

BETH BEshaw: The eds and meds have always been a driver in this market. As a percentage of our GDP, I think we are above other metro markets in the health care and education sectors.

We have a great quality of life and we talk about this a lot, but why do we do such a bad job marketing ourselves? We've made strides, but what more can be done?

BUELL: We do a bad job because so many people don't care about it. It's hard to get a unified front to promote something as a benefit or a good quality of life when so many people genuinely don't believe it. So, when we talk about regional branding and how we're marketing ourselves, there is no solution. It doesn't happen when there's a new logo or a new name and then all of a sudden, everybody's in rainbow and gumdrop land. It's not what's going to happen. We have to just continue to fight and focus on those small areas because those smaller areas are where you can improve the quality of life dramatically.

About 15 years ago, the city of Troy did an improvement project in South Troy where for about six blocks they took out all the sidewalks and put in new sidewalks and new street lighting. I think it was paid through a federal grant program, and it changed the neighborhood overnight. Just this suddenly, ok, we care.

KNOBLAUCH: Amsterdam was big into cor-

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porate manufacturing, and when those companies left it really decimated the community. What I try and advocate for in my small role in economic development is that there can be this new type of economic development where you have companies that employ 25 people, 50 people. And you can have a lot of them. And if you support them in the right way, they can pay very good wages.

CURLEY: As a region, we've done a better job over the last 10 years of making sure we're getting that message out there. And it's definitely working because we're attracting a lot of investment to this area that could go elsewhere. And that's bringing in people. The video game companies. The digital gaming companies. They have to attract talent from the West Coast regularly to lead projects, and it's a sell, and we're doing a better job each and every time.

It's just going back to how we sell the region. Some of us might have been here for a long time and don't realize all the great opportunities we have right here in our backyard. When I first started in real estate 20-plus years ago, our marketing scheme was always how close we were to New York City, Boston, Montreal. As opposed to saying how great this area is. In the last 10 years, we've pivoted from there.

YEVOLI: Over the last nine years, we've seen almost a 9% growth in the age group of 25 to 34. In the previous ten years, while our population did grow, that cohort was actually reduced, declining by 3.6%.

BESHAW: I grew up outside of Boston. I lived in D.C. And so I've lived in bigger metro areas and now been here 22 years for all the reasons that we all know. This is a great place to live. But I think what we need to do as business people is tell our

customers and clients in other markets how great this area is.

KNOBLAUCH: Tulsa has a great program for remote workers. It's an application. You get \$10,000 in three tranche payments. One is for relocating to Tulsa. You get a housing stipend, and if you stay there for a year, you round out with \$10,000 in cash. When you see this changing workforce, I think again how economic development has changed. Twenty years ago, our economic development was how do we get the 200-person company to locate in our region?

That's just not a good strategy anymore for a whole host of reasons. I think it should be how do we make very robust, 50-person companies, where they pay \$65,000 or more a year, and how do we attract remote workers who are getting paid by somebody else?

BUELL: We actually are doing this on a really insane level. We gave two apartments free to the people who run Two Buttons Deep. They have 18,000 followers. It's mostly Troy based, but I know their Albany metrics as well. So, I said, "All right. I'll give you two apartments. I'll announce that we're doing it for free so there's no shenanigans here, and you're not going to get that revenue. You move to downtown Albany and you show people what downtown Albany is about."

KENNEDY: We see that through research and commercialization opportunities. Whether or not it's the gaming cluster and the talent that's being brought in for that, it's based on those academic assets in the existing industry that we have. Same thing with GlobalFoundries. You think about SUNY Poly and RPI, and the companies that are spinning out of Albany Med's back facility. Those are opportunities that are creating ways in which we get those new entrepreneurs and the smaller companies

here that are truly changing the fabric of the community. We need to do a better job of helping, supporting and developing entrepreneurs. How do we find other programs in the state that can help us support in Buffalo, Syracuse, and Rochester, where they're helping attract those next-generation entrepreneurs or new businesses here to the area?

YEVOLI: Hudson is a prime example of people relocating there strictly to be able to work remotely. They live a better lifestyle. They have changed the demographic of the community significantly economically. It continues to happen. In fact, we're running into infrastructure problems. We need to make sure there's the right kind of telecommunication structure to continue to attract more, and focus on making sure those investments are put into place.

KNOBLAUCH: In Troy, for example, when you create an economy that is homegrown like that, you become a little bit more recession-proof.

How do we better encourage business leaders to step up so we can actually execute what we all have been saying needs to happen?

CURLEY: More support has to come from the private sector. We've got the public sector out there trying to enhance and entice other companies to come here, but even if it's a competitor, we've got to get out there and support them. It's going to build up the community, which might be better for everybody. We have to get behind everybody.

BESHAW: If Troy's got a huge success, the rest of the region has to celebrate Troy's success as a regional victory. Instead of, well, Troy won and Albany didn't, or Sar-

HODGSON'S TAKE



"A constant irritant for our IDA clients is the use in the market of the term "tax breaks" – as opposed to "incentives" and "inducements".

There is a public/private partnership at work here. Business, in order to make the investment, needs to have a return, and our IDA clients have become much more sophisticated on reviewing that level of return."

A. JOSEPH SCOTT, Partner, project finance practice leader, Hodgson Russ. Joe has practiced exclusively in the areas of industrial development agency finance, public authority finance, and municipal and school district finance since graduating from law school in 1983.

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toga has this and Schenectady doesn't, I think we must view our obstacles as common and partner together. In some cases, real estate in particular, the focus is on moving a tenant from one place to another. Let's not focus so much on that. This is a regional success, and we should celebrate it and also look at our obstacles as regional.

KENNEDY: Having the business community's leaders become ambassadors for the region is the key piece that helps move that "something" there. CEG's been challenging its board members and members over the last two years to get out and talk about what we have as a region.

There's also this issue of what can we do to invest in our existing facilities and infrastructure to continue to have those assets via the unique spaces, so that talent and individuals want to come? We are trying to do things that are helping to partner with unique projects. We have this opportunity with our New Life Science Center that's going to be built in Wadsworth. We've seen this with investments that Regeneron is doing. ILUM Health Solutions, a subsidiary of Merck, came here to the area to do this and to partner with the state Department of Health and potentially grow their workforce. I think they're at 10 and they're over at the Bull Moose Club. And they're going to be growing to over a hundred if they're successful and if the projects come there.

BUELL: We need to expand the concept of what thought leaders are in this area. No matter what we do, 90% of this area is not paying attention to the things that we're talking about in this room. The people that are doing the things in this

room, that are actually pushing initiatives forward, need to coalesce around one another and encourage more people to talk to more people.

KNOBLAUCH: Oftentimes in the Capital Region, people say they want something but they don't know what to do to make it sustainable. Perfect example: Everybody wants Plum Oyster Bar to be open on Sunday. We are open on Sunday now. We did horrible sales on Sunday, and we probably will continue to, because people say, "Oh my gosh, I'm so happy you're open on Sunday!" as they walk on by. And so if they don't come out on Sundays, we can't stay open on Sundays.

BUELL: The reason that the downtowns are working again is because the people in the community are actually supporting them. Even if it's still a minority, they are actually supporting them. Schenectady is incredible when it comes from people in Niskayuna, Duanesburg, Scotia and Glenville going to Schenectady. I've witnessed it for four years now having lived there, and my mind is blown at how busy that city can get.

How necessary is the state's support and investments for this area's growth?

A. JOSEPH SCOTT: It's very necessary. From the local perspective, from the IDA perspective that I look at, state contribution is very important. It's the public private partnership aspect. Business, in order to make the investment, needs to make money. And in order to make money, they need to sometimes have a gap filled and the state plays

a major role there.

KENNEDY: Some of those investments help offset some of those development costs. Whether it's infrastructure that's out there, rehabbing some of these existing facilities, making sure there's adequate gas and utility, electric, broadbands being brought to the site – those are key things that help drive that.

It also helps address certain issues that deal with the high cost of doing business in New York – whether it's refundable tax credits through Excelsior or not paying taxes if you're in that startup community. That's an attractive piece that's helped not only the Troy business community get developed, but we're seeing it as well within Albany through some of our coworking spaces.

CURLEY: Public-private partnership is going to be key to the growth of our communities. It's necessary for people to take the risk, to take an adventure, knowing that they have some support behind you. But I think the key is being able to streamline the process and make it predictable, mostly. Time kills all deals, as they say.

BESHAW: A big success has been the Downtown Revitalization in the city of Albany. A lot of financing that we do has a state tax-credit component or an IDA pilot, and those are important pieces to make the financing of some of these projects that generate construction jobs and apartment jobs, and to bring people downtown.

KNOBLAUCH: Up until now, a lot of the money

Development Drives the Economy



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- A multibillion-dollar campus expansion
- An IDA in the siting of a \$120 million manufacturing facility
- An academic health sciences center working with an IDA and local development corporation in the redevelopment of an urban neighborhood involving more than \$100 million in financing.

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for startups and economic development has resided in universities. I'm a former academic and it's probably the worst place for it reside because academics are not in the business community and they most likely never have been.

YEVOLI: It's critical we make sure our state dollars are invested in the public assets that are going to help private sector companies grow. Like investing in our ports. We've invested tens of millions of dollars in the Port of Albany, which has seen a lot of growth in what they're handling cargo-wise. They're seeing direct growth at the Port of Albany. But it's also critical in maintaining whatever presence we do have here with the power systems industry and how GE operates because if we don't have those investments, GE's going to think, "Why not Poland where I have direct port access, where I don't have to ship it overseas for \$2 million more to the customer?"

BESHAW: A product that gets a little less coverage in the media is the low-income housing tax credit projects that are so critically important. A lot of our low-income housing projects are so dated. They're not energy efficient at all. And without those low-income housing tax credits, we've done a dozen of them in the market, these projects don't get a lot of play. Those are quieter projects, but it's so critically important to have the support for those. Otherwise, the housing stock would just continue to deteriorate.

**Is the state investing enough in the Capital Region?**

KENNEDY: From our perspective, what you've seen through the large-scale projects, is that the state has to put those incentives in place to make the deals work. Where we run the risk for some of those smaller industries and some of those things that help with the place-making, quality of life, we're not seeing as much investment from the state as other regions are. Whether it's in the entrepreneurship space or with programs to help on revitalizing the urban floors of those cities, we're not seeing those types of programs that areas like Syracuse, Buffalo and Rochester do.

BUELL: This is an incredibly complicated question, because what the state should be doing versus what the state is doing, is one part of that. I think our experience has been the state is very consistent at listening to ideas, and if they believe that it'll go, they'll be supportive. But that's easier when you've had a bit of a run and you can point to, we did that and we did that. It's a little harder when you're the guy on the ground who also needs the same amount of support because that's just the way the economy is here.

SCOTT: We talk about the word choice – tax breaks – as opposed to incentives and inducements. But I think there needs to be some education on the fact that there is a focus on the idea that many of our clients have become much more sophisticated on financial analysis and looking at the num-



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bers. And there's also enforceability. The state now forces all IDAs to have call-back requirements, so there's enforceability with these inducements. With these incentives, that's another part of the education that we need to get out there.

**How are the economic development councils working? What are your observations of the process and how can we continue to keep those fresh?**

YEVOLI: I have seen a big change in how we interact regionally, and there's so many examples of how different groups that didn't interact previously, interact now. Connecting the folks in Hudson with Albany, for example, was something that strictly came out of this regional council process.

The CFA process itself, in making sure that the agency funding is cohesively looked at by a local group, is very important. It helps us make better investments that leverage better dollars from the private sector. We have great numbers of leverage there. It exceeds five to one. And it's really helping create this regional identity. That interaction between the board members and then the communities, and almost forcing them to work with us in many different ways, has brought about this true regional strategy that's being implemented. It's something that I don't think we've had here before. Ever.

KNOBLAUCH: What the regional councils do really well is open up public-private partnership in a way that makes sense for private partners. There are just some things that government cannot do itself, which is why it needs private partners.

**Are we hitting an apartment bubble?**

BUELL: No.

CURLEY: Our market studies say we are so underserved, and we've been so underserved for so long in the marketplace. We can't build fast enough to be able to keep up with the demand that's going to continue to grow in our area. Another sector that's important, Beth touched on earlier, is the lower-income housing. That's a sector that's so underserved in our area, especially with quality housing. It's certainly something that we all have to work together on because they're not your conventional deals.

**What effect do you think automation and AI will have on this region?**

KENNEDY: In the short term, we see the opportunities with the ability to attract people wanting to do research and development in that space with both RPI and SUNY Poly, through the partnerships with IBM. From that perspective, it allows us to lead the way, like we did in the semiconductor space for the last 20 years. What remains to be known is, what actually is AI and how does it impact automation? But I think we're poised for trying to lead the way on this.

BESHAW: It's certainly a place that we're investing a lot of time and energy. Not to necessarily replace employees, but cyber security is top of mind for every bank. I can't tell you how many times a day we have fraudulent executive impersonation coming in. The brazenness is beyond belief of criminals that are trying to steal money. In Buffalo, we have a new innovation hub where we're hiring over 1,000 people, all technologists. I'd love for it to be in Albany, but M&T's headquarters is in Buffalo. ■■■

COMING UP

Industry Roundtable is an ongoing series of discussions with business leaders sponsored by Hodgson Russ. Look for the next Industry Roundtable discussion in the **November 15** edition on Energy.

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Energy

November 13
Health Care

January 15
Gaming

February 12
Labor & Employment

March 18
Restrictive Covenants

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Construction