

Industry ROUNDTABLE

ECONOMIC DEVELOPMENT & DEVELOPERS

PRESENTED BY:



Is 2016 shaping up to be stronger, weaker or the same as last year? What does the pipeline look like for the next 12 to 18 months? Has the investment in Park South been spurring a redevelopment in the surrounding neighborhood? Law firm Hodgson Russ and Albany Business Review recently convened a panel of seven leaders in economic development to answer these questions and others. Michael DeMasi, senior reporter at the Albany Business Review, moderated the discussion.

▶ MEET THE PANEL



J. ERIC KING
Title: President
Company: Equinox Cos.



SARAH REGINELLI
Title: President
Company: Capitalize Albany Corporation



RICH ROSEN
Title: Vice President and Partner
Company: Columbia Development



SETH ROSENBLUM
Title: Chief Executive Officer
Company: The Rosenblum Cos.



RICHARD SLEASMAN
Title: President/Managing Director
Company: CBRE | Albany



MARTY VANAGS
Title: President
Company: Saratoga County Prosperity Partnership



MICHAEL YEVOLI
Title: Regional Director
Company: Empire State Development



We're three-quarters of the way through 2016, how do you assess the region's development activity and dealmaking so far? Is it shaping up to be a stronger year compared to last year, weaker, or relatively the same?

RICHARD SLEASMAN: I look at '16 as being a transformational year. You look west at all the Schenectady transformation, the plan they put together is now reaching fruition, and the casino. The Mohawk Harbor project speaks for itself in terms of the word transformational. And then you come over to the Albany area and what's happening in downtown Albany with the convention center. We thought the office park recovery would have to leave downtown Albany. The reality is that it's bringing bodies back here with the apartment renovation and what's happening in that sector. We're hoping that the office will follow behind it. Regeneration across the river, if they were in a vacuum by itself, would be the lead story in the paper every day, but it's lost in the overall activity out here. Saratoga County, office, industrial, there's no space left up there.

RICH ROSEN: 2016 has been a very strong year for redevelopment throughout the Capital District. A lot of large projects are either three-quarters of the way complete or coming to completion. And what gets lost is a lot of these projects have been over a decade in the making. When you have these transformative projects, you need the cooperation between the public sector and the private sector. Through the grants that have been issued for some of these larger projects, the participation of local development corporations representing their municipalities, you're seeing very large, grand scale projects finishing up such as the casino, the convention center, Park South. What's next in the market is always the question. And we've been fortunate enough to work in this area where it's been a fairly stable market. We do have some fluctuations up and down, but we're not like some of the southern states and bigger cities that are grow-

ing exponentially when the markets get superhot, and then one year for some reason, there's a 10- or 20-percent swing the other way.

MICHAEL YEVOLI: We've had a comparable number of applications this year as last year. We have some really strong applications and we're able to put together a competitive plan. We're very, very busy on the deal-making side of things. And I think, as pointed out by everybody, the focus, especially this year, of the Regional Councils on downtowns and urban cores, is going on with what we're seeing in this region. So we're there to support those projects and continue to see those grow.

SARAH REGINELLI: I was really fortunate to have my predecessors 10 years ago and before really start to see these trends of urbanism happening on the horizon and put us in a position where, for 2016, we were poised to take advantage of that growth and momentum. We've been putting foundational blocks in place. We've been converting abandoned buildings. We have more than a dozen developers working in the city of Albany right now on the projects. I see the shift toward regionalism. We've been, over the past several years through the Regional Council, really starting to build an identity as a region, really working collaboratively as opposed to competing downtown to downtown.

SETH ROSENBLUM: Just looking at it from the experiences we have as a family-owned real estate development company in the area, obviously, it's been a banner year for us. We've tripled in size. I think we've probably scaled a little more quickly than the typical real estate company in the area. But I think it is a little bit of an indicator that business confidence is growing here in the region. I think what may confine us in a way is we're already past the low hanging fruit. Where is the medium hanging fruit? Where is the next set of opportunities? I think it's going to get ever more challenging to come up with those projects that work given the inflation that's going on in some of the key locations.

ROSEN: Seth's right on point. Everyone's chasing yield right now. So with the stock market being fairly flat, real estate's getting a lot of attention. Getting money and finding capital to invest is not the issue. There's not enough product out there. People want to buy real estate. And especially if it's a very stable, creditworthy tenant or if it's a great location or if it's just a fantastic piece of property, the issue is do you hold it? Do you want to sell it? Do you want to get out? Are you long term? Which are great problems to have, but it shows the trend that there isn't a lot

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of new stuff coming on the market. We keep redeveloping areas and we keep moving people and we keep accommodating expansions for companies in this area. Where's the new blood? As a developer, that's what I'm always looking for.



It's been eight years since the region had an advocate at the State Capitol with the power of Joe Bruno to boost the economy.

Two questions. First, to what extent has the private sector been hurt by this? Second, has the Regional Economic Development Council process been a good substitute considering the bulk of the funds every year flow to other regions in the state?

YEVOLI: Well, first of all, we have had an advocate for the last five years and that's Governor Cuomo. I think the difference is his advocacy is for all of upstate New York and focusing on where the need is greatest. We have all the resources we've needed to build upon all the good things we just talked about in the last question. And we have a group of business and government leaders that sit around the table on a regular basis and determine what's the best strategy for the region and what's the best way to implement that strategy with the resources that the state has available. That has led to 479 projects and over \$350 million in funding to our region. It's led to great programs that we recently just had with the downtown revitalization initiative going to Glens Falls for \$10 million, and a lot of different focus areas that the council has brought to topics like opportunity agenda within our communities to assisting veterans. So I think it's a very aggressive approach at a local level to bring those resources to

bear. Again, I'll let somebody answer how it's different than it was in the past because I'm dealing with the present. And it's a very holistic approach. The state agencies work together with the local municipalities, work as a region, and we fund projects that are going to lift the entire region up.

SLEASMAN: The first question you asked there, what to me is exciting about the region these days is that we've matured as a market, as an economy. ... It's broad-based in the industries, there's health care, industrial, education, everything's really matured. And the next best things – you know, in my comments, Park South, which again, in vacuum what happened to Park South there, as an Albany native, is unbelievable. Basically they built a city within a city there. In fact, so much is happening, I don't think any one or two items are going to change us for the worse or for the better.

J. ERICKING: I think, from my standpoint, the Global-Foundries project, no question about it, for the last several years has been such a tremendous influence on our economy, not just in Saratoga County, but even down. Many people have come down here and bought homes or at least rented apartments or homes. ... And we're hopeful that that will happen again for a whole community in Saratoga County, because even though they're not building new buildings, the equipment is going to require many, many new people coming into the community. And those people in many cases are six-figure salary people with a lot of free time. They work 50, 60 hours. They're off weekends. They have expendable income. They go to the malls and buy and they spend money. So talk about a benefit to our community and the apartment community and that particular area.

ROSEN: I mean, just to echo what Eric and Richard said, Senator Bruno, there will be several chapters in the upstate New York history books as far as economic development. What happened up in Malta, it's amazing. He was definitely an icon. But it's tough today to be an icon. You're seeing the icons go away and you're seeing more of a group approach, if you will, on trying to get things done. And I think the state might try to localize economic development to organizations like the Regional Council. You can get quicker feedback. You can organize collectively on certain projects.

MARTY VANAGS: With any big economic development project, there's always many people that participate. It's a team sport. There's a lot of different organizations and people who either worked on it or like to at least claim some credit for making that project happen. But there's always usually that one person that kind of was really the catalyst in pulling it all together, and my understanding is that was Senator Bruno.

REGINELLI: I think you can't really look at the Capital Region in a vacuum. You're talking about the Regional Councils and growth here. There was another story this morning about how the Capital Region is outpacing other upstate communities. So while top performer is a really nice title to have as the Regional Council awards come out every year, we've done phenomenally well in getting projects funded. ... When you look at the Capital Region, we are succeeding. We're doing incredibly well. There's a long way to go, but some of the other communities in upstate New York face a lot deeper challenges than we have here. We're ahead of the curve. So we've been able to really raise our focus on those key projects every year which will continue that trajectory.

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It's a great segue to my next question, because, you know, in talking about state funding and the discussion earlier about we don't know where the next big project will be, there will be \$50 million in state funding allocated to the Capital Region. So even though we don't know the details of how or when the 50 million will be allocated, what do you consider to be priority projects for downtown? Basically, where would you like to see that money spent?

REGINELLI: I think we've got a great blueprint for it. The Capital 20.20 strategy that they put together, we're in a great place because the region was able to focus, so they focused on downtown as being a top priority for that plan. So while we have the downtown Albany strategy, really, it's the private-sector community coming together and saying this is what we're looking at for our downtown. I think I'd be remiss if I didn't start with the convention center site. Clearly, that's an opportunity that is a once-in-a-lifetime opportunity in the downtown core that's built out. In total, there's roughly eight acres there that's ready and primed for development. We're eager to be working with the state on that site now that the convention center is up and ready for opening.



Mike, since you're at the table, can you shed any light on this \$50 million?

YEVOLI: I can neither confirm nor deny -- well, to clarify, there's \$50 million available to the Capital Region through the are Upstate Revitalization Initiative. So far this year, we're rolling out round six of the CFA process, which is going to have over \$750 million worth of competitive funding statewide. We have the Restore New York program. And we have the DRI process. So to roll out URI at the same time I think would have been overload on many of the people like in Sarah's position who have to be competitive -- or Marty -- who have to be competitive in their municipalities and try to bring in resources. So we have the process in draft form. We're going to be reviewing it at the Regional Council level, and I will say that it's going to be an integrative process with the regional office, the Regional Council, working with state agencies to ensure that the money goes to projects. So there will be an application process that we'll take in and we'll be probably having more details on that in the very near future.



Just to clarify, it will not overlap the upcoming CFA process, is that what I'm hearing?

YEVOLI: No. I mean, it's going to work throughout the year. That is the design we see. In other words, the CFA process is an application deadline of July -- you know, whatever the July date is. We review those applications. There's deadlines and milestones along the way ultimately leading to an announcement globally across upstate and all the programs in the late fall, usually December. This, I believe, would be something that would take place throughout the year.



Throughout 2017?

YEVOLI: Right. So if Rich Sleasman comes in with an application, we'll do our review and we will go through that process. And if the process is done in April, the project could be announced in April. I think that will be the process that follows. It isn't going to



Left to right: (back row) Richard Sleasman, Seth Rosenblum, Marty Vanags, Rich Rosen, (front row) J. Eric King, Sarah Reginelli, Michael Yevoli

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be timed specifically.

REGINELLI: To be able to recognize that economic development happens throughout the year, being able to look at that funding as projects need it and as projects come up that will help that time crunch of the application deadline.

SLEASMAN: \$50 million is a lot of money, but for a region as big as Albany and looking at the infrastructure needs, it's not a lot of money. So you don't want to apply Monday morning for that money.

SLEASMAN: I think the one area that we didn't keep part of our focus on is that it's a very competitive world out for the jobs. And we, several times a year there are multistate projects. Those projects don't have time to wait for the CFA process. We need to say: 'Hey, we're competing against Massachusetts or Connecticut or New Jersey for a project. We're not going to wait six months to compete against Buffalo, Rochester or Syracuse. We need action now by the state.' So it's a parallel world and some moneys are needed there as well.

YEVOLI: We do a whole heck of a lot of economic development out of the CFA process. It's not something that we have to wait for an application. They're for the more strategic processes, projects meeting a need. I think what we've seen with the Regional Council process is it's opened up coordinated state funding to support some of these transformational real estate projects that sometimes really didn't fit the mold of typical ESD funding. But through the Regional Council process, there's more flexibility to fund those mixed use projects.



Any specific ideas or a wish list for that \$50 million?

ROSEN: The next big thing is going to be market-driven, and with that being said, focusing on the convention center site, which is a prime piece of real estate in downtown Albany, to get that as shovel-ready as possible, to be able to react quickly to opportunities that come through. I think when the next big thing does come to the Albany, having that site ready to go

will be a huge advantage for the entire region.

VANAGS: Some of the \$50 million could go towards infrastructure. And an investment the state has already made is towards the technology campus. This campus has got land, but it lacks some utilities. If those utilities weren't on site, then property wouldn't sell. There are plenty of companies who are interested in seeing what Global's going to do in the next several years. And if they do, these won't be transformation projects, these will be projects that require shovel-ready sites. The best thing government can do is to make sure that those utilities and those sites and the environment -- whether it's tax, regulatory, and/or pure sites -- are there and ready to go.

ROSENBLUM: I think it's really important that the state truly partner with the private sector in terms of figuring out: 'Can you get from point A to point B?' When, as a developer, we download and read the RFP, and we look at it and we say, 'Okay, we would love to make a play. We'd love to work with others in the region to make a play at a key property like this.' But I can tell in the first 15 minutes of reading it that I don't have an opportunity here because the plan that's laid out doesn't align with the market.



So apartment complexes and hotels continue to be the most active part of the commercial real estate sector in the area. What does the pipeline look like for the next 12 to 18 months? Do you anticipate a slowdown as interest rates rise? And are we reaching a tipping point in supply versus demand?

KING: I think the hotel market, absolutely, we are definitely maxed-out as far as any opportunities. Saratoga has so much new property, I can't imagine there's going to be any more need there. But unfortunately, it doesn't go by need. It's the same as shopping centers. If there's money available, sometimes they get built in good times, and then later on you find out the economy's changed back, and all of a sudden you have a new story with fallout bankruptcies and so on.

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ROSEN: I think you always have to be careful. You know, the convention center is new and exciting and I know there's been a lot of projections on numbers as it relates to room nights for hotels and things like that. But history's the best teacher. If you look at some of the other markets that have put in convention centers, they typically seem to overshoot the hotel room night requirements.

SLEASMAN: Nationally, we're seeing a slow down in hotels. In Albany, it's the same thing here, and a selling out point is going to occur there. The apartments, though, I think are a different animal. I think there's a lot more cultural impacts on apartments. A hotel's more of a commercial venture. We've got the whole trending with millennials. They're buying homes later. They're staying in apartments longer. You've got a lot of young retirees who are getting out of the house and now renting apartments as early empty nesters. They want that high-end nicer product of apartments out there. I think that market's still very strong.



Seth, you have not built a hotel. Would you?

ROSENBLUM: At this point, definitely not. I think apartments, though, are a different animal. Even with all the success that Albany has had and is going to continue to have, and the success that we expect to see with Troy continuing to move forward and Schenectady and everywhere else I didn't mention, there's really a cap and a limit just imposed by the availability of land and the regulations around it. So I don't think we're going to see that bubble and that pace of pipeline growth of projects. I do think there's going to be an emphasis, though, on the quality sites. So you see when a Crisafulli Associates delivers a 44-unit building with something like 39 of them occupied before they even have a certificate of occupancy, or are ready for occupancy that tells you something about why people want to be in and around the Wolf Road area. When you see rents continuing to sustain in downtown Albany despite all the new construction, it tells you something about where people want to be.



Sarah, last spring, Capitalize Albany had two grant programs that provided \$400,000 to help new retail businesses downtown and for new promotional events in any of the city's commercial districts. Can you give us a status report on the program?

REGINELLI: We developed those programs as an outgrowth of the success we're seeing on the residential conversion side, because we haven't seen that market slow down and because we know that we've got a market for that moving forward. Those two programs, the Amplify Albany program is a fun program that we rolled out specifically focused on driving foot traffic to those commercial districts, but also sort of our corporate way to help fund grassroots endeavors that speak to the identity of the community. We've had conversations with more than a dozen different groups that are looking to work through this. We've helped to host free yoga in the park over the summer in downtown. We've got zombies coming to the Madison Avenue Theater in October. You might not be going to the zombie show, but driving past and seeing zombies walking down the street, you feel like you're in an active, vibrant community. The magic of them is that sometimes it's \$500 that can get those things off the ground, but the ripple effect and the impact is much, much wider. The first announcement that we're making on that is with Stacks Espresso coming into the Arcade Building on Broadway. When we were looking at our tactical plan for downtown, the num-



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ber one business that was really a gap was what we'll call a third-place coffeehouse. It's somewhere that provides a place with Wi-Fi you can use as an alternative to your office and be able to network with people.



Marty, you started the job May 15. What's the most surprising thing you've learned about the needs of large and small businesses in the county? And second, how often do you have to explain the difference between Saratoga County Prosperity Partnership and Saratoga Economic Development Corp.?

VANAGS: When I look at large and small businesses here versus elsewhere I've worked, I don't think there's a difference in terms of what their needs are. The biggest need right now is workforce. They're looking for people that can do the work they need to have done. It's really the quality of the worker that's important. That seems to be an issue across the United States.

The structure of local government's a little bit different here than in the Midwest. The county, what we would call a township in Illinois or Indiana, is the predominant actor when it comes to development, when it comes to zoning and planning. You'd find the city or the village or the town being the predominant provider of services: sewer, water. The second question. We are not an agency or department of Saratoga County. We consider ourselves a public-private partnership. We have more private-sector board members on our board than we do public-sector supervisors. Across the country, the places I've worked, there are very few models where you have a purely private-sector economic development agency that works well. You always have to have that relationship with the public sector.

When I'm asked what the difference is, I don't have a lot of insight into SEDC other than what I can read on a website and what I've heard. I do know what we plan to do, which is economic development in a professional, proactive, assertive way. And the marketplace will bear out the successes of each of the organizations.



Rich, give us an update on Park South, and tell us, to what extent have you seen any indication that the investment so far is spurring a redevelopment in the surrounding neighborhood?

ROSEN: The two blocks that we developed along with Albany Medical Center and Troy City, it's about 60 percent done. There's still what I'll call the second block, which is between Morris and Dana, under construction. The parking structure is complete. The 135,000-square-foot medical office building is complete and fully occu-

ried. And it also has two floors of private physicians paying taxes. Then in July, we started turning over residential units. Roughly 90 units are available. And of those 90, I would say about 65 of them are rented. The lease up is going well. It's not as hot a market as some of the downtown product because that area is just establishing its identity. It's attracting residents and people that work at the hospital to live there. It's pretty cool to see someone in their scrubs walk across the street, walk to the hospital, and then walk back to their apartment. As far as the impact on the neighborhood, I still go back to the Park South Neighborhood Association meetings, and I'm very well received finally. The neighborhood is very excited about it.



Eric, how concerned are you about the continued shift away from traditional retail shopping to online? You've got your Crossing Shopping Center and Half Moon. Is there any chance that way of buying products is going to become obsolete in the next two decades?

KING: I don't think so at all. People are always going to want to get together in a community. People are always changing. What are our needs today? They're no longer the same needs. There's no question that we're going to have to stay ahead of the curve. People are buying online, but they are still going to want to go to Macy's and look at their clothing. The retailers are also getting smarter because they have tremendous investments in the stores. From our standpoint, yes, I am concerned. I have lost several tenants through basically bankruptcy. But you have to stay ahead of the curve and find out what are we going to put in there now.



Mike, during your career, you've worn a few different hats in economic development. You've worked for municipalities, you've worked for a private developer, Columbia, and now you work for the state. What have you learned so far on the job, and what do you know now that you wish you knew before you started at ESD?

YEVOLI: I went in thinking I knew quite a bit in the regional office because I've had such a great amount of involvement with ESD. I really didn't realize how deeply they are involved in the development of the projects and the origination of projects. We're very proactive. And we're going out and making sure we're meeting with the companies, working with our colleagues in other divisions of ESD to make sure that we're aggressively going out and marketing those programs, not only locally but nationally. ■