

Industry ROUNDTABLE


DOWNTOWN DEVELOPMENT

PRESENTED BY:  **Hodgson Russ** LLP
ATTORNEYS


Is the government's downtown revitalization competition an effective model for economic development? What are downtowns doing to attract development other than apartments? Can Schenectady's Metroplex model be duplicated in other cities? Law firm Hodgson Russ and the *Albany Business Review* hosted a discussion to answer these questions and more. Cindy Applebaum, market president and publisher of the *Albany Business Review*, moderated the discussion.




▶ MEET THE PANEL




RAY GILLEN
Title: Chair
Company: Schenectady County Metroplex Development Authority



ROBERT J. MCLAUGHLIN
Title: Attorney
Company: Hodgson Russ




JEFF MIREL
Title: Executive Vice President
Company: Rosenblum Cos.



SARAH REGINELLI
Title: Executive Director
Company: Capitalize Albany



TOM ROOHAN
Title: President
Company: Roohan Realty



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



GEORGETTE STEFFENS
Title: Executive Director
Company: Downtown Albany Business Improvement District

 **Do you think mixed-income developments assist the whole downtown?**

RAY GILLEN: Tapestry on the Hudson in Troy, a mixed-income development by The Community Builders where the Mooradians furniture store once was, did that. It's a really wild project. I think the governor and housing and community people are doing some really cutting-edge developments with housing. It's a model for a lot of places, and we certainly might do more in that area.

JEFF MIREL: The healthiest kind of development comes through three things: linear, high density and mixed income. Unfortunately, if you're concentrating on affordable housing, that concentration comes with a stigma. And it often doesn't attract the kind of supportive infrastructure and investment that you need to give folks affordable housing and equal access.

River Street in Troy is a great example of a healthy development pattern, where building out from the core, you see a combination of workforce housing, affordable housing, market-rate housing, big factory conversions, new building conversions. Tapestry and Yard House on River Street are great examples.

SARAH REGINELLI: The beauty of a downtown development, in general, is convenience – to live, work and play within walking distance of where you are day to day. You want that across-all-incomes-spectrum to be able to support retail as well as commercial outlets and cross all income levels in a downtown area. It supports healthy growth and adds to the experience of being in a diverse, dynamic downtown where you're running into people you wouldn't run into typically in your daily life.

TOM ROOHAN: Saratoga Springs has a new project called Intrada for all different income spectrums. It's on the bus route, it has parking and it's by the train. It's the first one in the city of Saratoga, and I applaud the fact that it's not just subsidized housing and Sec-

tion 8, but a mix of everything.

 **What are downtowns doing to attract development other than apartments?**

RICHARD SLEASMAN: If you look at the Charlestons, the Savannahs or Jacksonville, Florida, it's all about creating a culture in the downtown areas, and that culture involves the mix. It also involves the chicken-and-egg strategy. If you bring the bodies down too soon, you don't have the services, the amenities, the recreation. They won't stay very long because it's not a live/work place. It's the combination of bringing everything together at one time and then selling the story to the developers. But the key is capitalizing the risk when the return is futuristic versus today, and convincing developers to get to the conversation early and believe in the dream. Believing in the concept early is challenging.

GEORGETTE STEFFENS: We've even changed how we staff. We have a special events manager now because the demands of people living downtown are different than the demands of people living just elsewhere in the city. They want walkable. They want events every night. They want to hop on a bike when they see a bike. The Troy Farmers Market has really brought that vibe to downtown. It's creating those extras so it's a place people want to be. It's something that we as an organization and the city have been really focused on.

BOB MCLAUGHLIN: Millennials clearly want to be downtown. They are very concerned about the environment. They don't want to necessarily be tied to cars. They don't necessarily want to have to hop on a plane and go anywhere. They want to stay downtown. They want to live, work and play in one area, and they have to have services.

MIREL: Young people living in cities is not a new phenomenon. There are two things that are changing nationally which we're seeing the capital agencies

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take advantage of in a positive way. One, millennials are staying longer. They're staying in apartment situations longer. A lot of that is related to much higher trailing debt from college. Yes, I think they want to find alternative transportation. But they also are dealing with the inability to finance cars and find affordable parking. There's a desire, but also a need, that's driving a lot of that.

On the other end of the spectrum, you have a lot of retirees and empty nesters that are active in the workforce, starting businesses, proudly single, and are gravitating to urban centers and seeking that mixed-use lifestyle. In the Capital Region, Saratoga has been the gold standard to capture the other end of the spectrum for a long time.



Is retail the next frontier? And how do they create a self-sustaining plan?

REGINELLI: Retailers are outpacing expectations from when they opened their locations. In Albany, retail is certainly that next frontier. We systematically walked through our downtown development, from getting commercial offices back into downtown to opening up the waterfront and revitalizing our entertainment centers. Residential was that next logical push. We've got 500 units in downtown already since the start of that residential push, and now we can start introducing more new retailers.

We've used a similar strategy to start our downtown residential strategy. We're working with lenders. We are opening up new incentives. We're targeting specific storefronts to fill and working directly with the downtown BID to help provide that experience and cohort of other retailers that can share their stories and their resources, and really talk about how

it works to be in a downtown location.



Have Troy, Schenectady and Saratoga had more success in retail than Albany? What makes it different in these cities?

GILLEN: We're not in competition with each other. We're all friends, and we're different environments. I don't think it's a good idea to say it's Troy versus what's happening in Schenectady. I think that's very important. Everybody has their own plan and their own vision.

STEFFENS: All of the four cities have different characters to them. I've had restaurants that have been wildly successful in Albany go up to Saratoga and they don't work there. Each of us has our own special niche.

Retail is changing. One of my business owners, his storefront represents maybe 10 percent of his business. He does everything online. We definitely are service heavy – hair, beauty, fitness. These services, which are being provided to the growing residential base in downtown, are ones we're really looking to grow. We work very closely with Capitalize Albany. They've put together incentives and are asking the property owners to have some skin in the game. We're working with existing businesses that are successful and have a name in the region or are successful and have another idea that they might be interested in opening.

MIREL: Our cities' position on the river is so critical in the work that's being done to open up the Albany waterfront. You've got these demographics: experiential, tourists and residents. And they're different needs. Troy's an aberration because in a lot of ways, retail really led development in Troy.

One of the challenges we have here in the Capital Region is that we don't have any cities that on their own have the scale and density to be that center of gravity. But we have these amazing, disparate urban centers, each with their own developing and unique identities and histories. We can leverage that into a sense of regional identity.

There's a big infrastructure piece that we have to overcome, which is that urban renewal left these little city centers disconnected except by this concrete spaghetti. CDTA, particularly with Bus Rapid Transit, has done an incredible job of trying to connect and provide a means of alternative transportation. Now we have ride sharing, and that's going to evolve considerably with technology over the next couple of years. But we need to overcome those physical boundaries and those mental and cultural boundaries where we can only see the culture on our block and not the culture of the eight counties that we live in.

SLEASMAN: All of a sudden, in Albany's Warehouse District, we've got five, six, seven experiential food venues that are fun to go to. Wolff's Biergarten around soccer season, it's crazy to drive by and see the crowds out there. That's the experiential you're looking for. It creates the reputation for a city, where you've got to go to Albany for soccer, for World Cup, because that's where it's happening.

It's all building, but it just takes time. It's like this puzzle you can't see when it's on the table. Then all of a sudden, these pieces start coming together. And I'm thinking, wait a second, I should go downtown because there's something going on there. That's where we are now. We've brought those pieces together and it looks like something that we'd all recognize.



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ROOHAN: Saratoga's lucky because we don't have big boxes to fill downtown. Most of our space is 1,500 to 6,000 square feet. We had a Barnes and Noble that was 25,000 square feet. It was one of their top 10 stores but it's a national chain and it didn't matter. So they closed it.

We have people that are engaged and involved because they have a small store. They belong to the Downtown Business Association. We're very safe. We're small. Million-dollar houses are a short walk from Broadway. There's no undesirable area when you leave Broadway and you start walking toward the track, or you walk to Skidmore College, or even in the Arts District, which has really become the big, new food district.

Retail is tough work, just like restaurants. Some people get tired. They have some success and they're ready to move on. But we're lucky enough that there always seems to be someone in the batter's box.

MCLAUGHLIN: Albany is moving in the right direction. But the biggest challenge, which is being addressed after a lot of work and review, is the yin and the yang of Albany: The state workforce is here Monday to Friday and exponentially grows in the downtown. There's a lot of activity Monday to Friday. Then, traditionally, on Saturday and Sunday, they're gone and they don't want to be back.

That's changing now with the Warehouse District. People want come down here with Skyway, and now having access to the water. The river is there. Unfortunately, I-787 is also there now. Albany has found a way to get to that and to downtown. So, once people are here, then the retail stays here. It has taken time, but it's being addressed.

? **Is the government's downtown revitalization competition an effective model for economic development? Does it rely too much on state money?**

REGINELLI: The downtown revitalization initiative is interesting because it adds that level of competition which I think always kicks productivity up a little bit. Everybody likes to compete and put their best foot forward, so it's really forced us to be on our game and to look at our downtown area in a different way. We typically see downtown as a whole and look at the warehouse district, and see how that relates to the neighborhoods.

But this has really challenged us to look at downtown Albany the way that smaller cities would. If you look across the state, most of the winners of the competition have been very small cities. We're talking populations of 20,000. It's challenged us to look at that really connective center of Clinton Square as if it were a small city downtown in and of itself, and the power that has to connect downtown to the warehouse district to the waterfront, Arbor Hill and Sheridan Hollow. It's reframed how we've looked at development in that area.

SLEASMAN: My take on any government program that helps development is that as long as it's a sustainable contribution to the process, then it's welcomed and, in most cases, desperately needed to get over the edge. That's why there's gap financing on a project with capital. Whether it is infrastructure funding to make the hard cap in the first place or whether it's tax relief for a period, these are things that have to happen, especially in downtowns, to close gaps.

What I'm concerned about when it comes to government financing is money that's put up to sustain a budget for a year or two and then goes away and the project has to stay on its legs too early and collapses. In most cases though, after the government's a partner in the process, projects do not work any-



Standing, left, Richard Sleasman, Robert J. McLaughlin, Jeff Mirel, Sarah Reginelli and Ray Gillen. Seated, left, Tom Roohan and Georgette Steffens.

SIERRA KEHN

where near those levels.

STEFFENS: We've been successful in downtown and throughout the regional council in taking vacant buildings and putting them back on the tax rolls, and bringing and attracting new residents. It's creating jobs that are easy to get to by mass transit. The Capital Region Economic Development Council has said that downtowns are one of their top five priorities. You're seeing that across upstate New York. And so it's exciting to see our regions say our downtowns are a priority, and it's exciting to hear the governor place priorities on downtown as well.

JEFF MIREL: Projects in urban centers are incredibly challenging and very expensive. This is not greenfield development and it's not meant to be. This is in-fill. This is historic, adaptive reuse. These types of construction come with unique challenges. In Troy, there are a lot of historic buildings that are coming back online now. You have properties where new construction's going to be necessary to fill in the gaps. And you're on tight sites often bordered by very busy boulevards. Where do you lay down construction materials? How do you stage, how do you phase construction?

Then you go underground and you've got legacy environmental issues. You've got bad fill because when they demolished buildings 50, 60 years ago, they demolished these buildings right into their basements. And so not only do you have to remove that, but you also have to import expensive new fill to take its place and compact it in order to create a stable foundation to go up. The prices of steel and wood are rising. Everyone talks about labor shortage. It's impacting in construction and the trades just as much as it's impacting any other industry. Often, these are very lean balance sheets. I agree with Richard that it has to be done responsibly, and you have to take a long view on these projects. But done correctly, a lot of these are simply not possible without these subsidies.

ROOHAN: Saratoga County hasn't really been able to

attract any of that money. We're not even 250,000 people, so we play bigger than we are. But when it does happen in Amsterdam and Schenectady, that's good for everybody because we're not that large an area.

GILLEN: I respectfully disagree. The subsidies from GlobalFoundries were a billion dollars. We're not talking about the downtown district in this case, but Saratoga County has certainly benefited from state incentive programs over the years and has had some generous incentives at the local level. In fact, we've had issues with their policy of doing 10 years no taxes for manufacturing firms. They've taken manufacturing firms away from Schenectady by offering them 10 years with no taxes, which we don't think is the fair thing to do.

But I agree. Obviously, they have competed for the downtown program. But let's be very clear here that Saratoga has probably been the biggest beneficiary if you add up their tax dollars and incentive dollars on a regional basis because of the GlobalFoundries project, which has been a great success. In the matter of readapting, I think they've done very, very well.

ROOHAN: I'm the chairman of the Luther Forest Technologies Campus Board. And you're right. GlobalFoundries has been a fabulous success. It was originally 1,800 people and now we have 3,600 on-site working.

? **Do the others cities wish they had one, and how different would it be if Troy or Albany had funding like the Schenectady Metroplex?**

GILLEN: Schenectady leaders came together and said that about a half-percent of the county sales tax should go into the lockbox. What's not often talked about is that 30 percent of that goes right back out to the towns and we get the other 70 percent to invest in projects. And the investment projects create more sales tax, more jobs, more property tax. It's a revolver, and any

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community can decide that a portion of a funding stream from a project can go into development. You see this more and more around the country where people are using sales tax for development.

In Albany, event taxes are going to support the new city center or convention center. This is not as uncommon as people try to make it out to be in the region. It's taking a dedicated funding stream and using it to invest in our own capital stock. We're investing in our infrastructure. When our team came in in 2004, we had more than 25 different economic organizations. And we're the third smallest county by landmass in the state. We unified. The other benefit of Metroplex is that we have one-stop shopping for investors. A problem that plagues much of upstate is that you have literally dozens of entities. Schenectady had 25-plus entities.



Is it something that can be duplicated in other cities?

REGINELLI: Three years ago as a group, we set out to look for that recurring revenue stream because it's not something that we have in Albany for economic development. We looked around the country and at dozens of different models. It really came down to three different types of economic development organizations.

You have one that is strictly funded at a local level through the city or the county's general fund for economic development. You have another model based on private donations, so if you are lucky enough to have the headquarters for a Procter and Gamble, they contribute a couple million dollars a year to stimulate projects. The third is to use a task force, like the Schenectady Metroplex does, and bring that recurring revenue in that allows you to be flexible and creative.

For Albany, the most likely of the three is the recurring revenue streaming model for economic development. Yes, we would love to have a Metroplex model in Albany because that flexible resource is really critical to making the infrastructure that's necessary to bring in interest in creative projects. It's also that one-stop shop where you know when you go to that Metroplex Authority in Schenectady County, they're going to have answers and be able to provide quick decisions.

SLEASMAN: The single biggest value of making a Metroplex is a single point of contact—to be able to bring someone into a region and sit down and get all

the answers in a conference room, especially when they're doing the first flyover and trying to get a sense of whether they want to be in your community. Maybe they're looking at five markets in the Northeast and one in my county area. And so they come to our area, where they can sit down with somebody who will say, "We can get you infrastructure. We can get you taxes. We can get you zoning. We can get you all these things, and here's how we're going to do it." That single one-stop shop is so critical in the development world on a medium- to larger-scale basis. That's what Metroplex brings to the community.

Saratoga County has always had Saratoga Economic Development Corp. Now they have the Saratoga County Prosperity Partnership and there are a couple of mixed signals happening. They have to get back to that one voice that worked for all those years. I don't know whose voice that might be, but it's such a critical part of the due diligence of a project team: Who is going to go confidentially and get the need-to-know-now so I can decide, is this community in or out on the project? That's probably one of the bigger advantages of a Metroplex.

ROOHAN: An issue with Saratoga County is that there are some smaller IDAs. There's the county IDA, Prosperity Partnership, SEDC, and I think they would be better served if there was one organization and somebody had the political will and hard work that it took to create the Metroplex. A lot of powerful people rolled up their sleeves and got people to do things, and that's what happens.

MCLAUGHLIN: Metroplex received a lot of criticism when it was created. And incredibly, it still receives a lot of criticism in the media that is unfounded. When I went to the NYS Lottery and became counsel there in 2004 in downtown Schenectady, there was nothing to walk around for. There were a lot of empty buildings in downtown. There was nothing on Broadway. There was nothing on State Street. There was nothing on the waterfront. It was a ghost town area.

Now, the difference is like turning a light switch on. It is vibrant. Broadway is hopping. It's incredible. The downtown is hopping. The waterfront is hopping. The apartment complex in Rotterdam, the one up by the mall on Curry Road. Incredible stuff. It's insane that Metroplex still gets criticized. It's been an absolute success.

MIREL: Troy is like any city. There are multiple IDAs. To me, in any development case, it would always be easier to have one voice to go to. But the thing that would certainly expedite the process is not having to figure out who your partners are and who you need to talk to to pull a project together. The straighter the path you can take, the less complication.

I can't say we've had a bad experience in any of the cities that we've dealt with. We had to go through planning, do all the normal steps. And the idea's right here with us, having the great dialogue about where we were and what we needed to get the project done.

It's the same thing in Troy. You have the city IDA. You have a county IDA. I think the more that folks can talk with one another, the better. But it's difficult because you want to deal with the stakeholders that are the closest to it and the benefit, and also the potential issues. The ideal thing is to make sure that that stakeholder voice, for whatever organization that you're working with, is represented and that there's an honest and open-book dialogue so at the end of the day you can emerge with a project that everyone feels pretty good about.



How much does recent legislation, specifically in Albany County, impact the decision-making process for businesses moving into Albany?

STEFFENS: We've definitely heard concerns about the statewide proposal for paid family leave. But that additional cost of paid sick leave that would only be in Albany County puts the county at a disadvantage for locating a business here. We've definitely heard that. Many of our stakeholders have been part of the public hearing process in Albany County.

We haven't really heard much about the Styrofoam banning. But as we looked at our nightlife a couple years back, there was a conversation about Albany County closing at 2 a.m. versus 4 a.m., and the advantages but also the disadvantages to remaining competitive in the rest of the region that doesn't have those same restrictions to it. I think that while people are interested, they really feel it should be looked at statewide instead of locally.

SLEASMAN: Most of the opposition is based around the fracturing of the process and businesses in this community feel strongly about it. It should be New York state determining what should or shouldn't be done with these issues involving family leave. The state actually adopted its own version of it. Let's just play it out and see where it goes before the county jumps in.

There are already enough challenging issues in getting businesses to locate in the region. These folks were working in a vacuum in my opinion, and not really seeing the big picture. The county should be out there throwing detriment to the bigger-picture type process. There's no question that most of these situations are designed with a good market purpose in mind. And that's not the argument at all. The argument is, is it the right legislation from the right body at this point in time? My opinion is that it's not.

MCLAUGHLIN: I agree that these types of programs are attractive locally, but they should be done statewide, discussed statewide and handled on a statewide basis. Otherwise it sets up a "me versus them" type of conversation that's not very helpful for any community.

STEFFENS: When a lot of what we're talking about is rationalization and the way that we've been looking at the Capital Region and working together in a way that is unprecedented, when it pits one against the other, it takes away from the work that's been done over the last few years. ■■■

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