

# An Analysis of the Business Climate in the Binghamton Area

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# **I. Introduction**

Binghamton, New York has seen its share of hard times and great triumphs. Through the late nineteenth century into the late twentieth, the area flourished around the confluence of the Susquehanna and Chenango Rivers. Following the pullout of military contracting companies and several key industries, the local economy began to see very harsh times from the late 1980's onward. The local population remembers the flourishing times well, and this has led to a perpetuating sentiment of negativity towards local economics and ultimately to the region as a whole. The overall negativity has found its way into not only local hearts, but also local and outside investors, currently leaving Binghamton at a crossroads. Because of the disappointment large industries have brought to the area, many are hesitant to see them return. However, it is certain that jobs and growth are needed in this area to attract new talent and rebuild this great city.

This leaves the Binghamton community with a need for new and unique forms of economic growth and stability. A large reservoir of capital is flowing into the area, primarily from the University. A resource that is seldom recognized is the outflow of talent from the University, which is an important asset. This new intellectual talent is flowing into the area via the entering classes, but most of the talent leaves with each graduating class. Mechanisms must be put into place to (1) attract this talent to remain in the area; (2) develop a relationship with them; and (3) utilize their ingenuity as a resource to spawn new and innovative ventures. There are mechanisms in place through which this can occur, but improvements are needed. By acting as entrepreneurs to form a business plan, the inefficiencies and inconveniences in the Binghamton area start-up system were explored and analyzed. This report aims to address these issues and propose some possible solutions. The recommendations are geared to incentivize entrepreneurial spirit and harbor new intellectual talent and ideas.

# **II. Purpose of Analysis**

When deciding on which route to take for selecting a business venture, there were several paths we could go down. With the time constraints of the semester, using in-depth surveys, demand analysis, and other similar methods were unrealistic to select a business plan topic. We decided to capture a large part of the market and general tone of the area by focusing on a theme we are passionate about and the local population can relate to. Our entrepreneurial spirit led us to select a microbrewery restaurant concept to illustrate the process entrepreneurs go through to make decisions when starting up a business. By acting as new entrepreneurs and determining inefficiencies in the Binghamton area small business start-up system, this report aims to identify effective ways to create incentives for entrepreneurs, to promote small business development, and foster innovation.

### **III. Scope of Investigation**

Entrepreneurs locating in Binghamton will have to undergo the process of formulating a business plan. Step-by-step identification of a start-up venture's needs will help determine where the existing economic system needs change. The process to start a business must be as streamlined and effective as possible. A business plan has many aspects to analyze including parking, market segmentation, worker availability and costs, utility costs, property leases, zoning, and local entrepreneurial support in the form of loans and incentives to operate.

We completed a business plan analyzing each of these aspects and used it for the basis of this report. This report serves as a tool in aiding Binghamton economic development. The Binghamton Local Development Corporation (BLDC) and the Office of the Mayor can consider these findings to better understand the mindset of area entrepreneurs. Improvements to Binghamton's financial and economic incentive programs can foster an entrepreneur-friendly economy in Binghamton that is attractive to innovative minds.

### **IV. Areas of Evaluation**

#### **1. Does the area have the necessary infrastructure to support entrepreneurial businesses?**

Property values in the area make for a low cost of living. Businesses can purchase beautiful large historic buildings at a price comparable to renting in other cities. Simply put, the City of Binghamton is a steal in the real estate market. The downtown buildings do require modernization to support new age technology and basic enterprises. Several property speculators see this area as a bargain and are waiting for the right moment to sell or lease, which makes coordination between startup ventures and city officials difficult. Often, the "right moment" is difficult to convince the speculators of and they are not being offered a high enough price to part with or lease their building.

The downtown parking situation leaves plenty to be desired. Some studies will show that there is adequate parking for current capacity. However, it poses a Catch 22. Current parking capacity cannot facilitate future growth. This leaves businesses deterred from locating downtown because of an inherent lack of parking. The primary garage facilities are within three blocks of each other, discouraging businesses to branch off from the immediate State Street strip and Boscov's areas. There are no plans in the foreseeable future to increase downtown parking capacity.<sup>1</sup>

In business, external relationships are crucial. In a city setting, a supportive business community requires several related amenities. Businesses feed off each other. For example, a business based primarily on attracting people from out of the area depends on supplementary industries such as hotel accommodations, restaurants, and nightlife to compliment their travel activities. Here in Binghamton, there are many accommodations, a few restaurants, plenty of bars, several art venues, an arena and minor league sports teams that are attractive to a broad range of people. However, a majority of these activities appeal to primarily a local base and do not occur every night of the week or during daytime hours. There are daytime businesses in downtown, but

many are not geared toward an average shopper that would prefer to frequent an area with a variety of stores. Store variety sets up important relationships between businesses. As customers seek out one shop, they see others. This piques their curiosity to explore other businesses nearby and to come back when they have a need for those products or services.

While there is a vast amount of prime business locations in the downtown setting, those occupied set the tone for future establishments. Neighborhood status can be attributed to the businesses located there. Real estate is not considered prime without a significant demand. Companies associated with trendy clientele and expensive products will not wish to locate next to an establishment selling a product that puts affordability over quality. One concern for an up and coming company is they desire to associate certain themes with the brand. Consumer first impressions are extremely important when entering a market. Establishing a business with economy stores nearby will cheapen the brand image. Consumers subconsciously assume a new store is of the same nature as those around it, regardless of the product pricing and quality.

There is much human capital available in the area for the retail and service industries. Companies such as BAE Systems and Lockheed Martin have recently been fortunate to capture lucrative contracts and voice a demand for skilled labor in the community, but have not been able to fill these positions as fast as they are created. Often, employees are sought from great distances to come to the area, as much of the Binghamton University graduates prefer to relocate elsewhere. The great demand for employees, and the inability to fill the openings, points to the experiences of the students in their encounters with the local environment. While the cost of living is low, the amenities sought by younger intellectuals is sparse in the downtown area.

Overall, the downtown real estate market is superb for a business. Property can be purchased or leased for extremely discounted prices. Finding qualified workers and entrepreneurial spirit is the key to success. Both of these are in high supply right down the Vestal Parkway at Binghamton University. The lack of amenities and main street establishments geared towards this intellectual capital acts as a barrier to inviting these young minds to stay and start a new age of economic growth.

## **2. Is there a demand for such businesses?**

The aging demographics of the area create a unique situation with capturing interest in businesses. There is Binghamton University, with a huge financial impact on the region, and there is the local population, with their own financial interests and impact. It becomes an art of finding the overlaps in their interests to situate a business in the local market.

University spending habits can be defined in two categories: recreational and consumer needs. The downtown business establishments have geared themselves primarily towards the recreational spending; whereas the retail plazas in Vestal have geared themselves toward the consumer needs spending. The Court Street corridor of Binghamton is surprisingly vacant and does not cater to the average students' consumer needs. The State Street corridor is bustling several nights of the week from catering to the recreational needs of students. The gap is most significant with typical consumer needs spending such as in clothing and other retail stores.

The Oakdale Mall is home to several name brands such as American Eagle and Aeropostale. A corridor of similar name brand stores on Court Street situated around Boscov's and Sall Stearns could plant the seeds of retail clothing establishments all within walking distance of one another. As Gorgeous Washington Street is known for its art and cultural venues, creating areas of similar themed businesses is one way to draw customers.

Future businesses situating in a downtown location should identify with a relevant cross section of the local and college communities. The local population wishes to see improvement and diversity in the area after living through a large economic downturn. Simple establishments geared towards amenities, which are not expensive but have a friendly ambiance and clear signage are desired. Cultural events, such as First Friday Art Walks, do extremely well, signifying the embracing of cultural achievements and diversity in Binghamton. Businesses that are a product of this community and can identify with an aging demographic and college students should do well downtown.

Moving away from only brand names and incorporating entrepreneurial businesses is what forms a unique downtown center. The formation of a technology incubation complex in Binghamton is a great way of clustering new and innovative businesses. A similar venture should occur along Court Street. The University's students and several Binghamton residents have entrepreneurial spirit and ideas. Modernizing several spaces on Court Street and advertising these spaces to University graduates and local residents that are business oriented is a first step in attracting talented individuals. The corridor of store fronts should have a similar theme to draw customers for one type of business, but then neighboring businesses can cater to other needs. To encourage entrepreneurs to set up shop downtown, a body of knowledge that quantitatively and qualitatively identifies both local and University demands would be most helpful.

### **3. Is it economically feasible to start an entrepreneurial venture?**

Entrepreneurial ventures require investment capital that is not always readily available. Often, entrepreneurs are forced to borrow capital from relatives and use their own savings if they are unable to find prospective investors. This is usually not enough and some loans must be secured. Binghamton's low real estate prices translate into a lesser amount of necessary loans, but not by much. The city government has tried to combat this with low interest loans and other initiatives to revitalize Binghamton and attract capital.

The city government has obtained Restore New York grants to demolish dilapidated properties and restore others. The lots will then be sold for \$1 to the most promising development proposals. Binghamton is also consolidating operations and forming commissions to review and implement cost saving operation reforms. Combined, these efforts to keep city taxes reasonable represent another step towards an inviting economic climate.<sup>2</sup>

The BLDC is an entity that works with the local government to encourage economic development and sustainability. Having this organization is already a significant step in the right direction. There are three types of loans offered by the BLDC: (1) Revolving fund loans; (2) Microenterprise loans; and (3) Commercial façade improvement loans.

The revolving fund loans will finance a project at the Wall Street Journal's listed prime rate less 4% for a total of up to 40% or \$250,000 of a business project's cost. This is very generous to startups and current businesses that have to borrow money because of the low amount of interest. The use of these loans is directed towards capital expenditures such as new equipment or facilities improvement. The microenterprise loan is specifically geared to small or startup companies with five or less employees. The loan is substantially limited, though, to only \$20,000 and may only be used for inventory or other asset purchases. Depending on a company's scope, this may or may not be a reasonable amount. Finally, the commercial façade improvement loan is a great attempt to restore the historic Binghamton storefronts under a property owner's motivation. The loans will finance up to \$100,000 or 75% of the total cost. These three loan types are great incentives and do make it economically feasible for some businesses to start downtown.<sup>3</sup>

However, even with interest rates below prime, there is a shortage of grants available. Some businesses may want to improve storefronts, but often a significant amount of capital must be invested on interior renovations and will only allow for a nice window display. Grants to restore historical buildings would be an excellent incentive if a business promised to stay for an agreed period of time and proved inability to pay for façade improvements.

There are a few areas the BLDC can improve on. Loans are not supplied when financing can be secured elsewhere, for not-for-profits, and residential development. Even if other financing is available, the low interest loans should be available to new businesses interested in locating downtown. Low interest can save a company large amounts and increase its operating margin, which is attractive to any business that is opening its doors for the first time. Established not-for-profit organizations should also be considered for BLDC loans. If such an organization wishes to locate offices in Binghamton, shows an ability to pay back the loans, and creates a demand for other businesses around it, appropriate consideration should be warranted.

An often overlooked area is residential development. Local businesses sometimes complain of lack of customers. This can be largely attributed to a small number of residents living downtown. Daytime shops and the University Downtown Center bring business, but not in large droves. Referencing the census data maps in Section VII, many residents have left their residences in the downtown area. Without a core group of customers that are always there, downtown businesses are reliant primarily on traffic from beyond downtown. For these reasons, the BLDC may wish to reconsider their policy on providing low interest loans to landlords with a desire to renovate tenant spaces. Creating attractive living quarters is a missing piece of the downtown community initiatives.

The Broome County Industrial Development Agency, the United States Small Business Administration, the New York Business Development Corporation, in addition to several local and national financial institutions offer small business loans. The Southern Tier Opportunity Coalition (STOC-NY) hosts the Angel Investment Network to facilitate investments in prospective businesses and individual investors.<sup>4</sup> A host of counseling services to review entrepreneurial business plans is provided free of charge by the Greater Binghamton Chapter of SCORE.<sup>5</sup> Binghamton University and the City of Binghamton are home to the New York State Small Business Development Center (NYS SBDC), which provides counseling, management,

and technical services to local small businesses.<sup>6</sup> A large tax incentive program is in existence called Empire Zone with the goal of encouraging economic growth in New York in specifically targeted areas. Large portions of downtown Binghamton are eligible.<sup>7</sup> Businesses locating in eligible Binghamton areas have to prove they can create jobs that are compatible with Binghamton's economic development plan with a full cost-benefit analysis. These are reasonable expectations for any business seeking tax incentives. The tax incentives include wage credits for five years on newly created jobs, property tax credits, other tax credits, further low interest loan eligibility, and refunds or exemptions on state and county sales tax. The Empire Zone program even goes as far as to offer discounted electrical and phone rates through New York State Electric and Gas (NYSEG) and Verizon.<sup>8</sup>

Entrepreneurs seeking property renovation assistance can gain additional funding through the New York State Energy Research and Development Authority if they are aimed at going green. For example, the New York Energy Smart Loan Program provides low interest loans to make facilities environmentally friendly. The Solar Electric Incentive Program also offers to cover up to 45% of the cost of a project that would convert a facility to solar power.<sup>9</sup>

Entrepreneurial ventures can succeed downtown by identifying an appropriate level of demand. Financing is readily available following a standard application process with the BLDC and several other New York State organizations, but improvements that can be made in terms of grant offers and expanding the availability of low interest loans to other property owners by the BLDC. During the first years of an entrepreneurial venture, the Empire Zone tax credits can be invaluable in creating positive cash flows. The benefits of the Empire Zone Program are an excellent way to demonstrate the economic feasibility of locating a business in one of the zones in downtown Binghamton. Entrepreneurs with enough capital and foresight to go green also have grant options available as well.

## **V. Recommendations**

After reviewing the existing body of knowledge available to the general public through the Binghamton Economic Development and City of Binghamton web pages, it is obvious that a new era is upon us. In recent years, more has been done to correct the inequities in the Binghamton business system than has been done for a long time. New coalitions, administrative groups, and committees have been formed to investigate the current business climate and start to work towards a better tomorrow. However, this mission is far from over. While some programs have been created, their effects have not been realized. It is still too soon to see if some of these have caused significant changes in the area, but it is apparent that the local government is working towards improving the broken system.

Through our encounters, we identified some potential changes. Several suggestions are related to the public availability of information on the City of Binghamton webpage. The Projects and Initiatives link brings users to a list of ongoing efforts with little to no information provided. Projects such as the Main Street Initiative, the Capital Infrastructure Projects, the Small Government Reform Initiative, and others should have their own regularly updated websites. This information is not only relevant to residents, but to prospective businesses seeking

information about changes in Binghamton. Visibility of information on a well-designed webpage is paramount.

As mentioned previously, the Court Street corridor is in need of a cluster of retail businesses. The University demand for retail establishments is being met elsewhere, leaving downtown out of the financial gains. The clustering of businesses creates a cooperative environment where consumers come for one thing and will often browse through others. Several lunchtime establishments are available, but restaurant style dining often has to be sought beyond downtown. Creating a themed main street corridor that attracts business from the growing elderly community and University population is a key to future success. The lack of downtown residents is also a growing concern amongst existing businesses and presents a barrier to attracting new ones. Renovating existing housing and attracting University residents establishes a demand for new products and other retail commodities. The growing University population seeks upscale housing options, and is often finding options around the campus or on Binghamton's West Side. Although downtown housing appears to be on the rise, updated statistics documenting this are required for relevant market research that new companies search for.

Without new establishments, the vacant streets of Binghamton deter daytime shoppers and often create a sense of unease amongst people traversing at night. The lighting along the renovated bridges is an improvement, but the city streets must follow this progress as well. University students and local residents will not want to frequent or live in an area that produces feelings of anxiety. Gorgeous Washington Street is a model for downtown development façade renewal. The signage on the street is appealing, has uniformity, and goes well with the historical look of downtown. Carrying this trend down State Street and Court Street would be an excellent means of creating a theme that is distinctly Binghamton. To encourage façade renewal, the BLDC, along with city government, should investigate the option of providing grants in addition to low interest loans. To encourage businesses to start in Binghamton, a grant program could be enacted where owners apply for a loan type grant that is limited in size. If the business is unable to post profitable cash flows to pay back the loan, it can be issued loan forgiveness in the form of a grant. Of course, each business would have to be reviewed so money is not given away to unreasonable ventures.

## **VI. Conclusions**

Binghamton has a rich heritage with a promising future. The current reforms and ongoing initiatives of the administration have made progress over the past couple years, but it is still too soon to know all of the effects of these changes. However, it is certain the city is moving in a positive direction. Our recommendations don't necessarily reflect the general body of knowledge in the current business system, but simply try to simulate the mindset and process of a startup venture using logical searches for information. Any area resources for business ventures not included in this paper were not discovered. It is imperative that all relevant information be visible to the general public. Providing communication of all updated policies and programs so entrepreneurs and businesspeople alike can utilize them, help to build a robust future for Binghamton.

# VII. Appendix

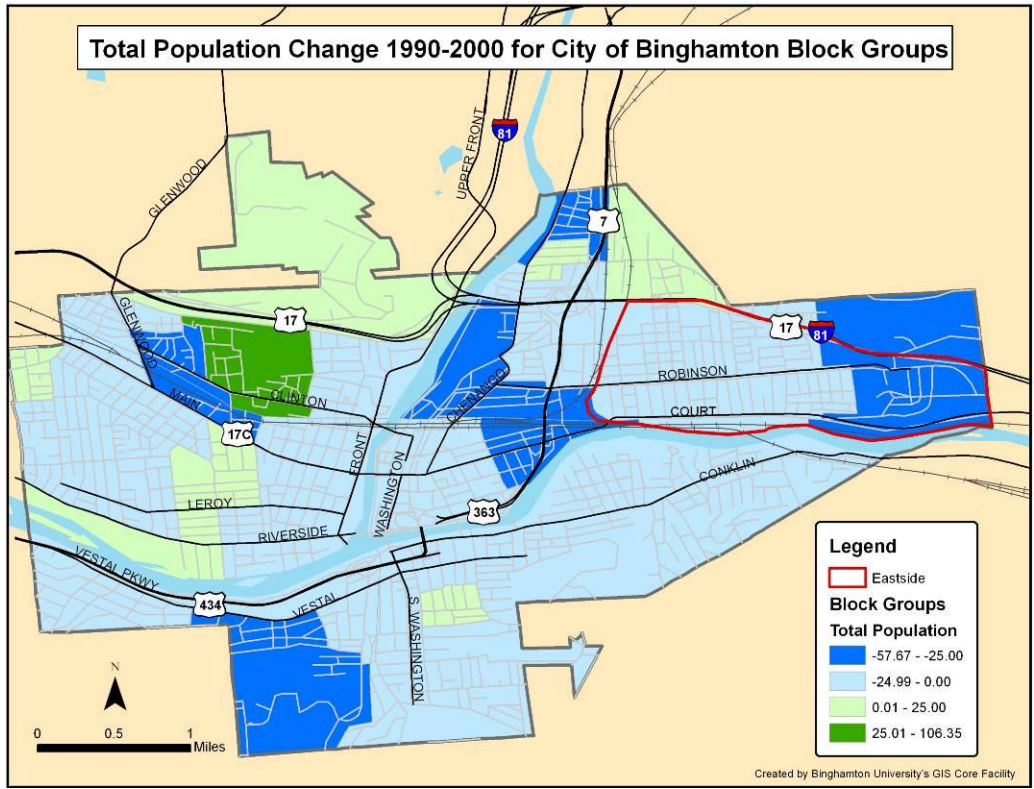


Figure 1. Total Population Change for City of Binghamton<sup>10</sup>

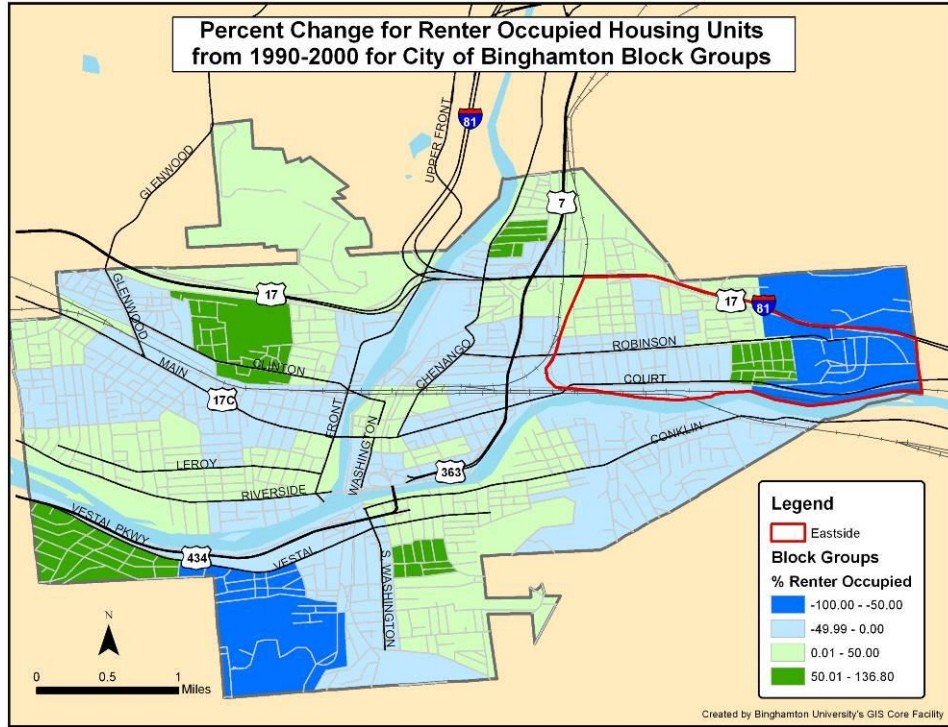


Figure 2. Percent Change for Renter Occupied Housing Units<sup>11</sup>

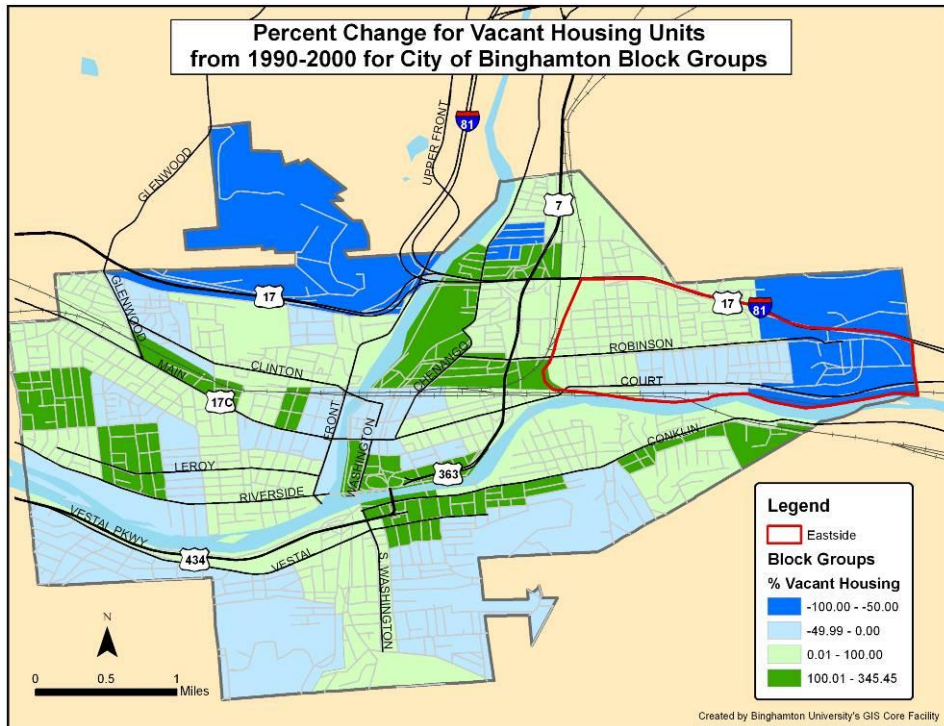


Figure 3. Percent Change for Vacant Housing Units<sup>12</sup>

## VIII. References

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- <sup>1</sup> Binghamton Metropolitan Transportation Study, <http://www.gobroomecounty.com/bmts/>
- <sup>2</sup> <http://cityofbinghamton.com/department.asp?zone=Dept-Projects-Initiatives>
- <sup>3</sup> <http://cityofbinghamton.com/department.asp?zone=Dept-Economic-Development&pid=6&pm=page>
- <sup>4</sup> <http://www.stoc-ny.com/angel-network.asp>
- <sup>5</sup> <http://www.greaterbinghamtonscore.org/>
- <sup>6</sup> <http://sbdc.binghamton.edu/>
- <sup>7</sup> <http://www.broomezone.com/ezbinghamton2006.pdf>
- <sup>8</sup> <http://alexandria66.2mhost.com/~busvcor/ecodev/resources.php>
- <sup>9</sup> <http://www.nyserda.com/incentives.asp>
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- <sup>11</sup> Reisinger, Mark E. Binghamton East Side Planning Project, Binghamton University's Department of Geography and GIS Core Facility
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