NAIOP Upstate is seeking a better future for Buffalo - by Bob Richardson

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The most dangerous point in a recovery can be shortly after economic activity starts looking better. It can be tempting to think the hard work is done and that maybe the outlook will just keep improving, even without a continued focus on revitalization. This is exactly the point the Buffalo region is at right now.

After generations of languishing in the economic doldrums, the last several years have seen a noticeable uptick in economic activity in Buffalo and Western NY. Positive economic indicators and high-profile projects have put construction cranes in the skyline and people to work on the ground. Members of the NAIOP Upstate NY chapter have invested several billion dollars updating the city and region alongside the “Buffalo Billion” investment from the state.

But the improvements have not been enough. Since the last census, 15,000 people have moved out of Western NY. Even though the unemployment percentage has improved, there are 4,000 fewer people employed in Erie and Niagara Counties. Income growth isn’t keeping up either, falling 4.5% below the inflation rate. In spite of the gains, the region risks losing the battle to attract millennials and generate growth.

However, it doesn’t have to be this way. The region has a number of organic assets that can attract new residents. They include the Buffalo Niagara Medical Campus, SUNY at Buffalo, Niagara Falls, and our proximity to the Canadian market. Now we just need to implement the right policies so these assets can pay off.

To help set a better course, the Upstate NY chapter of NAIOP has published a white paper that uses hard data to explain the region’s economic status, and how it can get where it wants to be. Since it’s better to be for something than against everything, our recommendations include positive actions that state and local governments can take, and invite local leaders to co-operate with private sector developers to create a new vision for our community.

A key step would be to change local zoning regulations. Buffalo has made great strides and is now recognized as an attractive place for millennials to call home. But when it comes to designing new housing strategies, our area seems to be out of step with the new market forces. Too much property is zoned as single purpose, preventing a more complex use by residents. Single use zoning should be switched to “mixed-use” that includes housing styles attractive to millennials.

While the region makes progress revitalizing our housing stock, the city of Buffalo cannot take a step backward with a proposed “Inclusionary Zoning” policy that would set aside almost a third of new housing units for “affordable housing.” In our region, housing is, if anything, too affordable. In Erie County, housing costs have grown only $179 in the last seven years. This is an extremely low rate of rent increases, especially relative to other healthy communities during the same period. Property in the city has had even less rent growth.

The low rents and slow growth has discouraged even “value-added” redevelopment of rental units to improve quality (unless there is substantial government assistance) and virtually prohibited all new construction. Governments should encourage growth by enforcing policies that remove empty houses, by expanding thriving neighborhoods and by encouraging investment in single-family homes.

It’s also important to change our approach to industrial development. Buffalo currently has one of the lowest vacancy rates in the nation for industrial buildings, less than half the vacancy rate of many American cities when you include obsolete properties. However, in contrast to cities such as Phoenix, Atlanta and Chicago, which have hundreds of thousands of s/f of industrial space in construction, Buffalo has virtually no industrial space in development.

“Shovel-ready” sites and “build-to-suit” don’t work in the 21st Century. In today’s economic climate, companies are not looking for a shovel-ready site that would easily take 18 months to fully build-out infrastructure, complete entitlements and take possession. Rather, tenants are looking for “finish-to-suit” space that can be ready to occupy within 90 to 120 days. Builders must provide that space as a way to attract new businesses and government needs to lead in this area.

Now is the time for the region to begin mapping out a “Post-Buffalo Billion” strategy. Area leaders need to assess the economic and demographic trends that offer the best opportunities for economic and job growth, design public policies that recognize those trends and implement the right policies to continue the momentum our region is enjoying.

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