

Syracuse's Empty Film Hub

The New York Times carried an article, ["Cuomo's \\$15 Million High-Tech Film Studio? It's a Flop,"](#)[1] on August 22nd. The article points out that the Central New York Hub for Emerging Nano Industries, owned by the Fort Schuyler Management Corporation (FSMC), a non-profit subsidiary of the SUNY Research Foundation, is largely vacant, and has housed only two as yet unreleased film projects creating several hundred temporary jobs. Currently, the facility employs only two workers, according to the Times.

When the film studio was initially announced, the press release claimed it would create at least 350 high technology jobs. The release stated, the Hub "will specialize in providing advanced visual production research and education to support Upstate New York's rapidly growing film and television industry... The film industry of tomorrow is being born today in Central New York."[2]

In an earlier post, concerning the Solar City solar panel factory now being constructed in Buffalo,[3] I pointed out that the economic development model employed by SUNY carried significant risks, and questionable benefits. Among the most significant problems with the Solar City project are:

- The fact that the SUNY created Fort Schuyler Management Corporation retained ownership of the solar panel factory, and leased it to Solar City, instead of providing a grant to Solar City for construction of the facility.
- Because a state created entity retains ownership, it carries the risk that if Solar City discontinues operations in Buffalo, FSMC would be stuck with a specialized facility that would have little market value, and significant costs associated with redevelopment.

- The project also suffers from inflated job creation claims, and enforcement responsibilities for job creation requirements are unclear.
- FSMC has never disclosed decision processes or benchmarks used in structuring the project.

The Absence of a Lead Organization and Local Partners

The Central New York Hub poses some of the same problems as the Solar City development, along with others. First, although the release claimed that the Hub would be a research and education center for advanced film production, it never identified the entities that would do research and provide education there. Instead, it identified a film production company that would do post-production work at the facility, and though that company produced a film there, the use of the site was associated with only one project that was undertaken in the area. In essence, the Hub was real estate development, without a well-developed business plan to utilize it. Today, no film production is underway, and there is no employment at the site by tenants.

A Convoluted Economic Development Model

The Central New York Nano Hub employs an economic development model used by the SUNY Research Foundation and FSMC that involves developing, and in some cases equipping, facilities for the use of real or potential tenants. Tenants lease the facilities, in some cases for virtually no cost, with the expectation that they will create jobs. Because a non-profit (FSMC) that is the child of the State University develops the facility, a state related intermediary (Empire State Development) is required to impose and enforce contract requirements on FSMC, and to disburse money to it. But, because of the convoluted funding and ownership structure, Empire State Development has no direct relationship with the entities expected to create and retain jobs, complicating enforcement of any job requirements associated with the

projects.

In contrast, in the past, economic development entities at the State and local levels provide funding subsidies to entities creating and retaining jobs themselves – manufacturers and service companies – not real estate developers. Because of this direct relationship, enforcement of job requirements, by withholding or recapturing subsidies, is relatively simple.

The development of the Central New York Nano Hub was speculative. As a result, the SUNY related entity FSMC has created a white elephant – a facility with no real likelihood that it will be used as intended. Consequently, at this point there is no real expectation of job creation, let alone enforcement of job creation requirements.

A Project without an Economic Development Strategy

Because the Syracuse Hub did not build on the strengths of existing area institutions, such as Syracuse University, or local businesses with expertise in the field, it lacked the essential organizational capital needed to succeed. This is in sharp contrast to the state supported development of nanotechnology and semiconductor manufacturing in the Albany area, which had strong leadership from Dr. Alan Kaloyeros at SUNY Albany, and relationships with significant technology leaders, including IBM and AMD, as well as semiconductor equipment manufacturers.

The Governor established a process of regional competitions for economic development funding that required the development of regional strategic plans. The Central New York Regional Economic Development Council developed such a plan, "[Central New York Regional Economic Development Council: Five Year Strategic Plan: 2012 – 2016](#)," [4] and has updated it yearly. The plan identifies the region's economic characteristics, and develops a strategy to build on area strengths, and remedy weaknesses. But the development of the Syracuse Nano Hub was

done without reference to the plan or the area's capacity to support film production research, education, or related businesses. In effect, the project was dropped on the region by the State University, without involvement of local partners.

Implications

Without a disciplined approach to spending state dollars for economic development or for other purposes, taxpayer dollars are likely to be wasted. Because SUNY, through the Fuller Road Management Corporation, has declined to provide information about how it makes funding decisions, or justification for acting as project developer and facility owner, taxpayers cannot be assured that their money is being used wisely. Because the Central New York Nano Hub was developed without regard to existing regional economic development strategies, it did not build on regional strengths or remedy weaknesses. And, because the project was developed without local organizational commitments and partners, it had no real chance of succeeding.

In the end, the State, through SUNY or Empire State Development, might find a tenant outside the film industry to create jobs in the region by providing additional financial incentives. But if it does, the Hub will be a government funded facility, paid for by taxpayers, competing with locations developed by area private sector developers.

[\[1\]](#)

http://www.nytimes.com/2016/08/23/nyregion/in-cuomos-film-hub-vacant-studios-lawsuits-and-little-action.html?hp&action=click&pgtype=Homepage&clickSource=story-heading&module=second-column-region®ion=top-news&WT.nav=top-news&_r=0

[\[2\]](#)

<https://www.governor.ny.gov/news/governor-cuomo-announces-start-construction-new-central-new-york-film-hub>

[\[3\]](#)

<http://policybynumbers.com/solar-city-the-risk-embedded-in-buffalos-billion>

[\[4\]](#)

<http://regionalcouncils.ny.gov/themes/nyopenrc/rc-files/centralny/final%20CNY%20REDC%20plan%20single%20pages.pdf>