

**Ellicott Development Company:
A Family Enterprise Case Study of Uncommon Vision
and Relentless Execution**

By Carol B. Wittmeyer Ed.D. and John G. Watson Ph.D. (1943-2011)

Dedication

This paper is dedicated to my esteemed mentor and colleague, Dr. John G. Watson, who helped develop the concept for this case study and conducted early research.

It also honors the memory of Patrick J. Paladino, whose early assistance with interviews, tours and photos gave momentum to this project. His tragic death in 2009 at age 29 inspired his father, Carl P. Paladino, to pursue his passions for public service.

Background

Business students at St. Bonaventure University complete their coursework with an interdisciplinary capstone project. Drawing from their analyses of business cases, they synthesize what they have learned about developing business strategies and execution tactics.

Most often, the companies studied are public, as extensive information about such companies is readily available. However, public companies do not represent the primary engine of business; most of the world's enterprises are in fact private and family-controlled.

To reflect this reality, we set out to write case studies for St. Bonaventure students that focus on family-controlled firms. We also looked to study local enterprises that had special relationships with the university. We were delighted when Carl Paladino '68, family business executive in residence, agreed to assist us in writing a case study on his firm: Ellicott Development Co. A real estate leasing, management and development firm, EDC manages more than 5 million square feet of office, retail, hotel and residential space, and is the largest private landlord in downtown Buffalo. EDC pioneers strategic mixed-use developments, often in economically depressed areas.

Paladino is chairman of Ellicott Development, which employs 519 — 2% of whom are family members. Son William A. Paladino, 43, joined the company at age 16, moved up to leasing agent in 1993, and

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became CEO in 2010. Carl's brother-in-law, Joseph Hannon, president of EDC, also has been with the company since high school. Carl's daughter, Danielle Paladino Jacobs, now 40, is corporate secretary; until she had her first child in 2005, she was marketing and administrative director at EDC. Carl's brother, Joseph Paladino, served as a vice president but left the company a few years ago.

The company also employs two more of Paladino's brothers-in-law — Thomas and Dennis Hannon — in key positions in property management.

(For a complete description of EDC and photos and descriptions of EDC properties, visit <http://www.ellicottdevelopment.com>.)

Introduction

"I am the master of my fate, I am the captain of my soul."

— From "Invictus," by W.E. Henley (1849–1903)

Carl Paladino '68 sits in his office in the Ellicott Square Building, discussing a recent *Business Week* article that cites poor strategy execution in most business failures.

To Paladino, execution means hiring the right people, motivating them with a sense of ownership, treating them like family, and executing zealously. His employees all comment on his attention to details and his ability to anticipate problems well before they occur. Paladino is known for relentlessly ensuring employees are meeting their responsibilities.

Paladino calls himself a "composite of mentors," with the most important being his father. Belesario Paladino taught his son to set a direction rather than a goal, and to be ready to adapt to meet the opportunities that arise.

Paladino's passion for and intimate attachment to the business are evident. Threads of his family life are woven throughout the Paladino Family Enterprises — which consist of more than 100 organizations — with businesses named after his ancestors or the towns in Italy from which they emigrated. Where numbers are used in firm names, they often reflect key dates such as his children's birthdays.

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Paladino believes employee loyalty, competency and longevity should be rewarded. Therefore, many of his employees have ownership in various companies, which has resulted in their being motivated and wealthy employees.

Carl and Bill Paladino share an instinct for real estate development, an ability to look at a vacant parcel or a decaying building and envision an innovative project that will mesh with local demand. But the Paladinos rely on other assets as well — a relentless focus and a study of the facts, deep thinking and analysis, and a commitment to building trusting, long-term relationships. That formula enables EDC to move on an idea or a deal quickly and fearlessly.

Mission and Distinctive Competencies

Ellicott Development Co. describes itself as a multifaceted, fully integrated property management, leasing and development firm with the in-house capacity to provide the following services: legal, administrative, financial, management, accounting, development, site selection, site assemblage, architectural design and drafting, construction, leasing, maintenance, janitorial and security. Founded in 1973, EDC and its 100-plus subsidiaries manage more than 1.5 million square feet of office space in downtown Buffalo; more than 1 million square feet of retail space throughout New York and western Pennsylvania; six major hotels in Western New York; and more than 550,000 square feet of residential apartments, condominiums and townhomes.

In addition to property management, leasing and development, EDC has developed a fourth core, in operations — running hotels as well as convenience stores and a car rental agency.

Paladino cites the importance of understanding mission — what his enterprise does, why and how.

“Every time that we’ve drifted from our core mission of investment in real estate, I got beat up,” he reflects. “If I went and got involved in stocks, the stock market would turn into a nightmare. We’ve rarely made mistakes in our real estate stuff. ... Most of them have come out as we’ve expected; few have turned bad.”

Paladino notes the difference between new builds and renovation. “(With) new builds, you can predict numbers a lot easier than renovations,” he says. “(When) renovating properties and upgrading them, you run into so many unknowns and unforeseens that it becomes difficult.”

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He cites challenges in the operations portion of the business. “Running an operating company is very difficult,” Paladino says. “Even operating parking lots is headaches.”

We asked Paladino, “Is there something that you do that is distinctive, that differentiates you from others in your business?”

He responds: “We’re the largest landlord in the state of New York, in Western New York. We’re the largest landlord of the county of Erie. I have more state tenancy in our properties, which are very diverse. There are probably 30 different leases with the state. And why? Number one, we’re competitive when it comes to dollars. Number two, we will get the space ready for them before they’ve gone through all the nonsense of getting their lease signed and approved. I’ll take that risk. Why? Because I’ve done it for so long and I know darn well I’m going to eventually get the lease. Sometimes it takes them six to nine months just to process the thing. It’s such a cumbersome, stupid process that they have, and OGS (Office of General Services) knows that.”

Paladino enjoys telling the story of John Signorelli, longtime head of OGS, who referred to Paladino as “the best landlord in the state of New York.” He elaborates: “... (N)ot only do we get them in on time and keep our promises on what we were going to build and do the job right, but then we hold their hands, too.”

Strategy

Building and maintaining long-term relationships with customers — including acting on their needs more quickly than other developers, who want deals in writing before beginning any agreed-upon work — is a distinctive competency, Paladino says. This willingness to move forward on a handshake has won his companies many deals and much loyalty, particularly with Rite Aid and New York State.

Paladino also keeps a close handle on operations, which is not easy as the firm grows. (In 2013, EDC acquired 17 properties in Erie County totaling \$13.1 million, according to published reports. As of mid-2014, Paladino says, EDC was on track to make purchases of \$100 million in one year.) He or Bill signs every purchase requisition as well as every check, which are presented to them in batches.

Like many family firms, EDC runs lean — with a \$350,000 weekly payroll — and agile. And, thanks to Carl’s experience and knowledge of the facts, and the crystal-clear lines of authority, he and Bill can

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move quickly and with confidence. Negotiations typically take place in secret, and when Carl or Bill is ready to act, a check may be cut the same day.

Also like many family businesses, EDC manages a lot of functions in-house. EDC also collaborates with other developers, and goes where the momentum is building. Creating partnerships — relying on other people's money, a strategy that Paladino first employed when buying the Ellicott Square Building in 1973 — spreads the risk and boosts cash flow.

Paladino's style involves solving one problem at a time, and quickly. EDC retains an analyst whose role is to identify potential difficulties — ensuring that Bill and Carl know the downside as well as the upside. Lawsuits are a normal part of business and do not derail him, Paladino says. He also believes in owning up to mistakes, no matter the cost.

The Paladino Family Enterprises — an umbrella for EDC, several trusts and scores of businesses — is complex by design. When establishing a new line of business and set of partners, Paladino typically creates a new organization — a strategy he favors for minimizing liability and taxes, and keeping responsibilities, ownership and stewardship issues clear.

With partners, Paladino insists on being the final decision-maker, with partners allowed to challenge him only for cause or negligence. For every company, Paladino reviews financials monthly before distributing to partners. Partners get paid back before he does.

With employees, Paladino insists that every revenue and expense be accounted for and allocated properly to the correct business and project. In an effort to further professionalize the company and support Bill's leadership, EDC recently restructured the accounting division. Gretchen Humiston, an experienced CPA and attorney (and non-family member) is now CFO.

Another key to EDC's strategy is the company's investment in understanding customers' businesses and supporting them at every step. Paladino cites EDC's longtime relationship with Rite Aid Corp., for whom the company has built 175 stores — 80 of which EDC owns. Both Carl and Bill Paladino describe the relationship as trusting — a remarkable circumstance given Carl's reputation as a hard-nosed attorney.

Paladino's reliance on leverage — his staff jokes about the high levels of debt he carries — makes effective cash-flow management crucial. On days when Paladino announces he needs a check cut to buy a property, the staff must quickly revisit accounts payable or take other steps in order to support the deal.

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EDC's strategy also hinges on the Paladinos' instincts and passion for making great deals. Both Carl and Bill love to make tough, visionary deals that only they can execute, deals that customers and bankers can say "yes" to, deals that continue building EDC's strong reputation for innovative development vision and long-term trust with stakeholders.

Should the day come when neither Carl nor Bill is at the helm, the company may no longer be able to excel in real estate development, Paladino says. EDC may instead become a property management company, since the skills necessary for those functions are easier to find and develop.

Typically, EDC takes on only the projects for which it has a tenant or specific economic development vision, according to a 2013 article in *Buffalo Business First*. For example, EDC was among the first to buy a "white elephant" on Main Street — the vacant eight-story former L.L. Berger department store — and convert it into a 29-unit apartment building, redubbed the Belesario. As well, EDC recently converted the Greystone, a late 1800s former hotel on Johnson Park, into a 43-unit apartment building.

"(The Paladinos) know existing buildings," James Dentinger, president of McGuire Development Co., told *Business First*: "They have a good, internal process of finding the right buildings but not overspending on them." EDC and McGuire are working together to convert the closed Holy Angels Academy campus on Hertel Avenue, for which EDC bid more than \$3 million, into an educational center.

Other local experts concur. "Carl and Billy have very good instincts," Alan Hastings of Hastings Cohn Real Estate told *Business First*. "Very few people know the community as well as they do."

In addition to assessing the potential of the building itself, for example, EDC looks at the neighborhood and demographics to see whether conversion to residential will work.

EDC often concentrates its efforts where other momentum is building — in the downtown Cobblestone and Canalside districts, for example, where the Buffalo Sabres' HarborCenter project and the permanent Seneca Buffalo Creek Casino are taking shape.

Business First quotes another real estate broker summing up the role that EDC plays. "You want to see how things are going?" asks Gunner Tronolone of M.J. Peterson Corp. "Then watch what Ellicott Development is up to. They really lay the groundwork for a lot of deals around here."

Unique Instincts for Hospitality Projects

EDC's knack for developing successful hospitality properties is undeniable. President Joe Hannon cites an example: "Carl wanted to buy a small, unattractive lot (near the Thruway in West Seneca) and put a hotel there, and many of us thought he was nuts." But Paladino prevailed, and the Hampton Inn opened on the site in 2001. "Now it's a money-making machine," Hannon says. "The two hotels we added nearby (the Staybridge Suites in 2009 and the Country Inn & Suites in 2012) are adding nicely to the portfolio."

In 2004, Paladino paid \$1 for the long-vacant, 20-story art deco Giamoco Hotel / United Office Building in Niagara Falls. Though the circa-1929 building was a mess, Hannon says, Paladino saw the potential — transforming the aging structure into 27 upscale apartments, 38 luxury boutique rooms and several floors of office space. The renovated Giacomo Hotel opened in 2010; it enjoys a position on the National Register of Historic Places.

Most recently, EDC has executed a strategy popular in large cities: combining hotels with apartments and amenities such as underground parking, cleaning and laundry services for tenants, and a restaurant.

In identifying great locations, Paladino tells students, he relies on experience and instincts regarding market niches. He can spot a property, for example, that would appeal to busy, wealthy professionals who need the convenience of hotel-type services but who are divorced and also need extra bedrooms for children.

"Know the need," he tells students. "Don't put a round peg in a square hole."

Other hospitality / residential projects include the Antonio (opened in 2011 in the old Meldrum-Edwards Building downtown), the award-winning Wyndham Garden Buffalo Williamsville / Residences at the Mosey (2013), and the Staybridge Suites in Amherst (2013).

So how does Paladino execute? His employees will tell you that his focus is unparalleled; he knows the details of every single project. An assistant helps him ensure that staff is pursuing agreed-upon actions. She contacts employees twice a month; any who are unable to follow through must report back a plan to address any problems.

Paladino's competitors also share stories of his focus. Paul Lamparelli, president of Lamparelli Construction Co. Inc., recalls Paladino calling him to ask about filing a complaint over economic development advantages going to another competitor that Paladino considered unfair. Lamparelli says

that, while Paladino was on the phone with him, he was simultaneously dictating a letter to his assistant. The letter went out the next day.

Competition

Other regional developers who operate in the same space as EDC include Benderson Development Co. LLC, TM Montante Development, Ciminelli Real Estate Corp., Iskalo Development Corp., Rocco Termini / Signature Development, David Sweet / Main Seneca Corp., Patrick Hotung / Main Place Liberty Group, Ron Alsheimer / Plaza One, and William Huntress. Paladino has collegial relationships, even some formal partnerships, with most of them.

Paladino declines to call the other developers competitors. “We are not in a race to be the biggest,” he says. “We will grow at our own pace.” While other developers may bid on the same jobs, Paladino sees EDC’s niche as unique and sustainable.

Passing the Reins to Bill Paladino

Paladino tells MBA candidates that his employees consider him a “benevolent dictator.” While he values and trusts them, he insists that either he or Bill make the final decisions. He is not willing to delegate to a committee the responsibility for guaranteeing the company’s tens of millions of dollars of leverage, necessary to remain competitive in the market.

Carl and Bill function as a unit. If one of them makes a decision, they both stick by it. Any disagreements are kept between them.

Because their competencies in real estate development are so integral to the company’s success as it’s currently structured — and so difficult to instill in others — the Paladinos have committed to never flying on the same airplane. Should the day come when neither is running the company, Carl suggests it may need to become a smaller, property-management firm.

The differences in Bill’s leadership and execution styles have helped him to negotiate the dilemmas that occur when family successors supervise older, longer-tenured employees.

Like his father, Bill earned a bachelor’s degree at St. Bonaventure; unlike his father, he majored in business. When Bill graduated in 1993, he became a leasing agent at EDC. In 2010, he was named CEO.

Bill is highly regarded by EDC employees. He holds more regular meetings than his father does, and those have helped him in long-term planning and execution. He engages in discussions that help staff feel consulted.

Most employees work on the same floor as Carl and Bill's offices, and they make use of both men's open-door policies. Bill likes to avoid triangulation; if a staff member begins to discuss his or her supervisor with Bill, he is quick to invite that supervisor into the meeting.

Bill's style is consistent with his sister Danielle's, who worked in EDC's real estate development area for several years until her children were born. At one point, she suggested that the company remove the time clocks for employees, in order to help them feel more motivated and empowered. Paladino discussed this with her but did not agree to the suggestion, and the electronic time clocks remain.

Where It All Started: The Ellicott Square Building

Paladino's ability to be receptive to opportunities rather than follow a rigid plan was key to his first big break in business.

After his law school graduation in 1971, he and his new wife, Cathy, went to Fort Bliss, Texas, to fulfill his ROTC obligation; he entered advanced training as a first lieutenant. That experience helped him formulate the management strategies he still employs at EDC. Soon, he was promoted to deputy class commander in the Army, managing up to 250 people. By 1972, with his unit preparing to go to Vietnam, the conflict ended; the unit was offered an early release after one year's additional service, which Paladino accepted.

He enjoyed his military service and could have made a career there, he reflects. But with the arrival of their first child, Billy, and the recent, unexpected death of his father-in-law, Dan Hannon, at age 51, he decided to return to Buffalo to provide family support and stability.

Property manager for the Ellicott Square Building, Hannon had suffered a heart attack in his office in 1971. Paladino assisted with Hannon's complicated estate plan by joining J.B. Walsh, the law firm of Hannon's attorney, and taking on Hannon's job as property manager, a responsibility he'd never before considered. With Walsh spending most weekdays in Albany — he was a lobbyist for the city of Buffalo

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— Paladino was on his own to learn property management. In 1973, he founded 10 Ellicott Square Corp d/b/a Ellicott Development Co.

In 1975, Walsh accepted an invitation to become a partner at Jaeckle Fleischmann, a large Buffalo law firm, and Paladino was invited to join as an associate. He thought it over and discussed the opportunity with a few mentors, all of whom suggested he would not fit a large-firm culture. Paladino concurred, staying the course with his own small law firm. Later, he partnered with Joe R. Cavan and Patrick J. Quinlivan to form their own firm, of which Paladino remains senior managing partner. Today, Paladino, Cavan & Quinlivan has 10 lawyers, six of whom work exclusively with EDC. The others run the general practice, handling estate, matrimonial and criminal law matters.

Ellicott Square was owned by Moses Spatt of New York City, who, as owner of the Short Line Railroad serving warehouses in the Brooklyn Navy Yard, amassed a fortune during World War II. After the war, Spatt bought buildings in several cities and eventually turned over all of them to his son. Milton Spatt planned to use his political connections to Mayor John Lindsay to win contracts for installing air-conditioning in all of New York City's buses, and invested in manufacturing facilities. But when the city bought new buses instead, Milton Spatt lost a fortune. That and other disastrous ventures forced Milton into bankruptcy in 1975, and the deed to Ellicott Square ended up with JP Morgan Interfunding Corp.

JP Morgan sent a team to Buffalo to meet with Paladino and review the books and property. After a few weeks of analysis, they asked Paladino how he took care of business, such as providing cash to building inspectors, since they'd been unable to find a slush fund. Paladino, who had a reputation to uphold, told them that he didn't pay anyone off. They then offered to hire him as manager, and would provide him the resources and authority to make business decisions. Paladino agreed.

From 1975 to 1978, Paladino and Cathy's brother, Daniel F. Hannon III (Danny), developed and executed strategies to increase tenancy from 60% to about 95% — the success of which earned them an exceptional opportunity. On June 26, 1978, Paladino received a call from Dave McKay at JP Morgan, who offered to sell him Ellicott Square. JP Morgan already had a deal to sell the building to a Montreal firm for \$3.5 million. But, before taking that step, Morgan's Werner Stein had instructed McKay to go to "that guy in Buffalo that managed the building for us and made us \$1 million and see if he wants to buy (it)."

A stunned Paladino asked McKay if he was joking; he was raising two children and driving a used car, and his only access to financing was a \$500 line of credit on his Master Charge. McKay said Morgan would help him with financing. The building was a hidden gem, Paladino knew — with low rents

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promising future profitability — so he agreed. By October 2 that year, he and Morgan had negotiated a deal. Morgan would put up \$3.15 million — 90% of the purchase price — and Paladino was to line up \$350,000 in cash.

Paladino persuaded Danny Hannon and five other partners — Bill and Joyce Bearss, Richard Talty, Peter Collard and Clark Goetzmann — to invest \$64,300 each. Since neither Paladino nor Hannon had the \$64,300 for his share, JP Morgan Bank extended them five-year, interest-free loans. The \$450,000 that Paladino raised covered the purchase price and left \$100,000 for the partnership's working capital.

“That’s how far Werner Stein and Dave McKay went for us all to buy the building,” Paladino reflects. “They knew I worked my ass off for them, and they gave me an opportunity.” The deal also illustrated the practicality of creating partnerships to spread risk and ensure cash flow.

He continues: “That was a very big moment in my life when we took that on.” Today, only Paladino and Bill Bearss remain as partners, having bought out the others. Danny Hannon died in 2007.

“It was a nice partnership,” Paladino recalls. “They were good people; a couple of them were tenants in the building, and all of them had great affection for the building, to keep it alive and to keep it strong. Until recently, it was probably the largest thing that we had ever developed.”

More Development Ventures

With Ellicott Square in its portfolio, Paladino's development firm took hold.

Subsequent purchases were smaller in physical size and required smaller financial investments. One was the Hens & Kelly building on Main Street, which EDC purchased in 1982 and renovated for the Erie County Department of Social Services for its headquarters. DSS continues to run several programs at the site.

In 1983, EDC purchased the Mohawk Building for \$1.25 million, and in 1989 bought the Swan Building for \$4.31 million.

Acquiring buildings and parcels of historic significance has been important to EDC's strategy; some of those have been repurposed, and others have been demolished or remain at risk. The website www.PreservationReady.org notes the status of these and more EDC sites: the Baker Shoes Building, Jansen Brothers Harness Shop, and Neisner's.

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Real estate development satisfies the restlessness that he had experienced in the legal field, Paladino says. He loves being able to point to a building and “say that I helped to create or rebuild it.”

Rite Aid Partnership

In 1985, Paladino received a call from Joe Jacobi, whose father had done most of EDC’s contracting work. Jacobi proposed to Paladino that they partner to buy the former Park Edge property at the intersection of Abbott Road and McKinley Parkway, where CVS reportedly wanted a store. Paladino was intrigued though had no experience in similar deals.

Jacobi invited Paladino to meet with him and the CVS representative at the location. In Paladino’s car, the representative confirmed CVS’s desire to put a store there. Jacobi had already contacted the property’s owner, Shelly Benatovich, and knew the asking price.

Jacobi and Paladino developed construction estimates and proposed a lease cost to the CVS rep, who told them that they had a deal but that it needed his boss’s approval. Paladino moved immediately to sign a contract to buy the property, and he and Jacobi hired an architect to work on designs.

A few weeks later, CVS informed Paladino that, because the corner was tangent to a one-way street that would impair access to the property, they no longer wanted the site.

“Mad as hell” that CVS had backed out, Paladino devised a new strategy. He wrote letters to other drugstore chains including Fay’s (now Eckerd’s), Revco and Rite Aid. Within weeks, Peter Poses of Rite Aid had responded, asking to see the site. Paladino took him there and described how the store would be developed, but Poses immediately noted the problem of the one-way street.

Being entrepreneurial, Paladino asked Poses if Rite Aid had any other Buffalo locations in mind. In fact, Rite Aid was already interested in a site at French and Transit roads, but had had difficulty negotiating with the current owner, who ran the Sport and Customs Shop there. Paladino realized the owner was Richard Talty, one of his partners in Ellicott Square.

Paladino’s success in negotiating a deal with Talty launched a 25-year relationship with Rite Aid. As a preferred developer for Rite Aid, EDC has built 175 stores from Albany to Pittsburgh, 80 of which EDC owns. The account generates more than 30% of EDC’s revenues, and Rite Aid considers EDC its most productive developer.

EDC also managed to survive a tumultuous period at Rite Aid. Paladino had developed an excellent working relationship with Martin Grass, Rite Aid's CEO and son of the chain's founder. In the early 2000s, however, Grass and other top executives were convicted in an accounting scandal. While the Rite Aid upheaval tested EDC, Paladino has since developed a rapport with the new team.

Dealing with Government Regulation

Having so many state agencies as tenants has given Paladino considerable insight into the waste and inefficiency that too often characterize government operations. State regulations and political realities also challenge the effective operation of EDC and other others doing business in Buffalo. Paladino cites the state's cumbersome regulations on asbestos, for example.

Federal regulations regarding asbestos removal also have vexed Paladino. In 1999, when one of EDC's companies was renovating a Syracuse bowling alley, the company was charged with a felony and fined \$500,000 for failure to detect asbestos. Paladino attributed the incident to an "overzealous federal prosecutor" overreacting to a mistake by a licensed inspector, according to the [Syracuse Media Group](#). The EDC subsidiary pleaded guilty in 2001 to the fine and two years' probation.

Going Forward: Development Projects, Internal Strategies, Employment Practices, and Succession Plans

EDC's real estate development work continues to flourish, with a particular emphasis on the hospitality sector. The company is building the \$75 million, mixed-use Carlo project in Buffalo's Waterfront Village. At 14 stories, the Carlo will include residences, a hotel, Class A office space, restaurants and storefronts. EDC also has developed the Pasquale at Waterfront Village, with 49 luxury residences in an 11-story tower.

The eight-story Fairmont Creamery project on Scott Street debuted in late 2014. What once was vacant industrial space in the 1920 former Arctic Freezer Co. building is now 30 apartments with industrial touches, a restaurant, artwork, and office and retail space. The project received signature tax abatement status through the Start-Up NY plan.

EDC recently began work on a \$10 million mixed-use project for the blighted Elmwood and West Delevan corner. Another mixed-use project has been approved for a 1911 building in Kenmore that EDC

bought last year for \$725,000; it once housed the George Washington Elementary School and later the Heritage Center.

And, in Paladino's first international venture, he and a consortium acquired the Fort Erie Race Track in Ontario in August 2014.

Internally, the company is working on the following:

- **Internet marketing.** Using online resources such as LinkedIn and Facebook to market residential and commercial space has worked well for EDC.
- **Employment and HR strategies.** EDC also uses Internet marketing for posting job openings. For top-level jobs, the company likes to bring prospects on board as contractors before committing. The ability to "try each other out" works well for both parties, Paladino says.

He encourages SBU students to embrace their MBA studies, noting his companies' need for employees with such skills.

- **Estate planning and succession.** Paladino began crafting his personal estate and business succession plan in 1990, when he was 44, and created the Paladino Family Trust. At age 68, however, he is still going strong and has named no retirement date.

For Bill, the transition to CEO has been a "dream come true"; when his father was busy running for governor, Bill enjoyed plenty of latitude to run the company his way. He enjoys his father's support and collaboration, but doesn't have to deal with the meddling so common in family business when the founder is aging but refuses to let go.

Simultaneously, Carl and Bill are professionalizing the team supporting the CEO. The hiring of Gretchen Humiston, Esq., CPA, as CFO was an important step. Nevertheless, Bill and Carl remain the only family members with the vision and skills to capably direct the real estate development portion of EDC.

APPENDIX I. Personal History

The oldest of three, Carl grew up on Buffalo's East Side. His father, Belesario (Bill), an immigrant from Italy, was a city water inspector and medical-equipment repairman. A humble, devoted father who taught his children perseverance, Bill and his wife, Sarah, worked hard to send Carl to parochial schools and then college — luxuries by neighborhood standards.

In addition to his brother, Joseph, a onetime vice president at EDC, Carl has a sister, Mary Lou, a teacher.

Carl Paladino has never taken a business course. He earned a B.A. in English from St. Bonaventure University in 1968 and then, with his father's encouragement, went on to Syracuse University Law School. He helped pay for his education through his Army ROTC commitment, working as a resident director at Syracuse during the week, and commuting 300 miles each weekend to work at the *Courier-Express* in Buffalo.

In his last year of law school, he married Mary Catherine (Cathy) Hannon, the eldest of 10 children. Her teaching job supported them financially.

It was during Paladino's stint at Fort Bliss that his father-in-law died suddenly, drawing the young couple back to Buffalo and Carl to the Ellicott Square management job. In 1972, he formed the Walsh & Paladino law firm, and the next year created 10 Ellicott Square Corp d/b/a Ellicott Development Co. A few years later, Paladino turned down an offer to join a large law firm, instead partnering with Joe R. Cavan and Patrick J. Quinlivan to form their own firm, of which Paladino remains senior managing partner.

Appendix II. Children and Grandchildren

In addition to Bill and Danielle, Carl and Cathy Paladino had another child, Patrick, who died at age 29 in 2009 after an auto accident. It was Patrick's death, in fact, that prompted several watershed decisions for Carl — deciding to run for governor of New York and admitting to his wife that he'd fathered a child several years earlier. Sarah Paladino, now 15, is welcomed by family members and is provided for in Paladino's trust.

Bill Paladino has one child, Carl William (Billy), now 11. Danielle has four children age 9 and younger — Grace, Claire, Nolan Lawrence and Lincoln Patrick.

Appendix III. Buffalo Pride

The history of Buffalo is filled with stories of other native sons — Tim Russert, Wolf Blitzer, Robert Rich — who, like Paladino, used their gifts to make Buffalo proud.

Paladino credits his success to his parents and the ancestors who emigrated from Santa Croce di Magliano, Italy — sacrificing so much so that he and future generations could seize vast opportunities and do what they love. Paladino feels a responsibility to continue their tradition of hard work, sacrifices and support to anyone in need of help.

Paladino's commitment to improving Buffalo is admired even by his harshest critics. In the mid-2000s, he helped lead a campaign to remove the toll barriers on I-190. Citing a state law requiring removal of the tolls once the bonds for that portion of the Thruway had been paid off (which was accomplished in 1996), Paladino threatened to sue. The Thruway Authority removed the tolls.

In 1991, the city of Buffalo named him Buffalonian of the Year. In 1993, St. Bonaventure honored him as Alumnus of the Year.

Appendix IV. Race for Governor

Formerly a registered Democrat, and long an advocate for fiscal and educational reform, Paladino in April 2010 entered the Republican primary race for governor of New York. He pledged to spend \$10 million of his personal fortune. With Tea Party and Western New York support, he upset Rick Lazio in the September primary, but went on to lose to Andrew Cuomo in the general election.

Paladino remains vocal about problems in Albany. When asked by SBU students who should replace ineffective politicians in Albany, Paladino declines to be specific but says that new ideas and perspectives are necessary. He tells students that entrepreneurs who start successful companies in Buffalo must be encouraged.

Appendix V. Buffalo School Board

Paladino's outspoken advocacy for education reform led to a seat on the Buffalo School Board in 2013. He notes that more than 40% of students in Buffalo public schools fail to earn a high school diploma, despite the \$25,000 spent annually per child. He argues that spending \$15,000 per student for an

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education at Nichols School, considered the top private high school in Buffalo, would leave substantial funds to be reallocated toward those students' college expenses.

His opposition to local school leadership intensified in 2012 when Pamela Brown was hired as superintendent; in a lawsuit that was promptly dismissed, Paladino cried foul over the process, according to published reports. He joined the board the following year and succeeded in achieving Brown's removal; she accepted a buyout in June 2014.

Paladino notes the progress that Michele Rhee has made in public schools in Washington, D.C. He insists that the talent is available to help solve Buffalo's education crisis, which is at the core of Buffalo's economic problems.