

**CNN Money**

## **Can this small town compete with Silicon Valley?**

By [Sara Ashley O'Brien](#) [@saraashleyo](#) October 9, 2014: 11:45 AM ET



Cornell engineering building Duffield Hall is named after alum David Duffield, founder of PeopleSoft and WorkDay.

### **It may not be Silicon Valley or New York City -- but Ithaca, N.Y., is working hard to position itself as a startup hub.**

The city is home to three colleges, including Cornell University, which has heavily invested in fostering bright, entrepreneurial minds.

The university offers credits for students who want to take their startups to the next level, and introduced a [new program to help students](#) turn their technology designs into licensed products for commercial use.

And two weeks ago, in a joint effort with the city and local colleges, Ithaca's first downtown incubator [Rev](#) opened.

The goal is to provide the next level of support for entrepreneurs post-graduation (though one doesn't have to be affiliated with the universities to apply). That means co-working space, resources and a sense of community. So far, Rev has signed six startups that rent space for up to \$225 a month.

"[Rev] will be very attractive to companies with four or fewer [employees]" said Tom Schryver, executive director of Cornell's Center for Regional Economic Advancement. "This would be a great outcome for real estate in downtown Ithaca,"

The growing startup scene will help fuel the city's recent growth: \$300 million in real estate development funding has poured into the city in the past three years (compared to \$150 million in the 10 years prior).

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According to Zach Shulman, director of [Entrepreneurship@Cornell](#), the goal is have people launch and grow companies locally -- as opposed to trying to attract established businesses, which can be a tougher sell.

"It's harder to move a company -- it's much easier to grow a support system, pull talent out of the university," said Shulman.



Greg Galvin, a Cornell alum, was named the 2014 Entrepreneur of the Year by Cornell.

Ithaca-based entrepreneur Greg Galvin is one of the pioneers of the Ithaca startup scene.

Galvin launched three businesses over the past 20 years, which have brought in approximately \$400 million in revenue and created 300 jobs in the city.

He came to Ithaca in 1980 as a Ph.D. student at the university. His first company, Kionix Inc., which manufactured software sensors, was based on Cornell research so he needed to remain local.

At the time, Galvin says there were about ten startups in the area. Today, it's a very different scene.

"It's alive and well," said Galvin, who serves as partner and CTO at [Incodema3D](#), a 3D printing provider.

Ithaca, a small town with only 30,000 residents, now counts roughly 100 startups.

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Like Kionix, most Ithaca-based startups are somehow affiliated with Cornell: [Roughly 80%](#) have a connection to the university through research partnerships or facility use.

But a town like Ithaca does have one major downfall for startups: access to capital.

"NYC would be a much better location from the standpoint of raising capital," said Galvin.

"[But] it would not have been an appropriate location to build a semiconductor processing facility as I did for my first two companies, given the size of those facilities and the cost of real estate in NYC."

(Not to mention the cost of living. In New York, it costs 118% more, [according to Payscale](#).)

Galvin said some venture capitalists prefer not to fund businesses that aren't within an hour radius (Ithaca is about four hours from New York City).

Ithaca brought in about \$22 million in venture-backed funding last year, according to PricewaterhouseCoopers' MoneyTree report. That's compared to \$5.3 billion in San Francisco and Berkeley.

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With his first two companies, Galvin was able to raise over \$100 million from regional venture capital firms and high net worth individuals in the area, it wasn't easy.

"[If] VC's aren't in the neighborhood, how do you get their attention? If you're in SF, the connections and networking can get you noticed," said David Silverman of PwC.

There are currently about a handful of venture capital firms in Ithaca -- and a growing need for more.

"I wish there were more venture capitalists in Ithaca," said Shulman, who is a managing partner at Cayuga Venture Fund, one of the few VC firms in the area. "I think we can easily support two or three more."

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