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New Jersey In Transition:  
Growing The Economy  
in a Corzine Administration

## **New Jersey In Transition: Growing the Economy in a Corzine Administration**

**Prepared For**



**BY**

**Kate McEnroe Consulting**

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**Kate McEnroe Consulting**  
2880 Bainbridge Way  
Atlanta, GA 30339

(770) 333-6343  
fax (770) 333-7855

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## **Objectives, Scope and Methodology**

The New Jersey Chamber of Commerce engaged Kate McEnroe Consulting (KMC) to conduct a series of interviews with corporations and consultants that have recently evaluated New Jersey for site selection purposes. A primary objective of this study is to:

- Identify reasons why corporations did not choose to locate jobs and capital investment in New Jersey
- Propose recommendations that might address those factors that can be changed
- Identify reasons why companies choose the New Jersey so that those factors continue to be supported
- Identify perceptions of key decision makers and influencers about New Jersey's business climate

The findings and recommendations from the study will influence in part the Chamber's legislative agenda, and will be provided to the Governor-elect Jon Corzine's transition team.

The goal was to attempt to identify and conduct a total of 30 interviews that represented a variety of types of companies and decisions over the past two years. The interviews include both companies and third party consultants who regularly evaluate locations on behalf of corporate clients.

At the time the study was commissioned, there was no single source available to determine how many projects actually existed that might fall into the desired categories, and whether or not they could be encouraged to participate. Having a comprehensive database of companies that have evaluated New Jersey and the decisions they have made, regardless of the organization they have worked with, would in and of itself be a positive step. The following sources were used to identify potential interview prospects:

- New Jersey Governor's office project announcements
- New Jersey regional and local economic development web sites and newsletters
- New Jersey Commerce, Economic Growth, and Tourism Commission's records of companies that entered or exited the state
- Internet searches of major newspapers in New Jersey and surrounding states
- WARN act notices in New Jersey
- Project announcements from state and regional economic development organizations for major states east of the Mississippi
- Direct calls to economic development officials in counties throughout New Jersey
- Corporate layoff announcements on Internet sites such as HRlive.com

The consultants interviewed were identified by Kate McEnroe directly, and interviews were conducted via telephone and e-mail.

## Project Findings

### *General Comments*

The competitive advantages and disadvantages that are described below are those that were cited on more than one occasion by company executives and consultants who were interviewed. They are not intended to be an objective, complete comparative analysis of all of the factors that could enter into a decision. In fact, many of these perceptions are subjective, but they are nevertheless the issues that impacted these site selection decisions and overall perceptions of the state. The comments from companies reflect specific projects that caused them to evaluate the business climate, while those from consultants are drawn from their broader experience. **One of the most significant findings among consultants is that many of them only perform in-depth evaluations of New Jersey in rare circumstances because in most of their projects the state is eliminated from consideration early in the process as non-competitive.**

### *New Jersey's Competitive Advantages*

The following factors were cited by companies and consultants as those that often resulted in a decision to bring jobs and capital into New Jersey or keep jobs and expand in New Jersey.

#### More favorable business climate than New York City

A substantial proportion of companies that have moved jobs into New Jersey appear to have come from New York City. Their reasons for considering a move include being land-locked in their current location, cost-reduction, location risk diversification, and improved distribution. The companies that choose New Jersey most often have a reason to have to stay within a reasonable distance of New York City and confined their search to New Jersey, Westchester/Rockland, Stamford/Greenwich, and other outer boroughs of the City. Given these parameters, New Jersey can be relatively certain of “winning” a significant portion of these projects. Costs are generally lower, and in many cases the companies already have a substantial number of employees who are New Jersey residents.

#### Ability to interact with the pharmaceutical cluster

Some of the positive job announcements New Jersey has had recently are the result of companies that want to be close to the pharmaceutical industry that is already based in the state. Their desire to do so may be in order to have access to talent, to sell to the industry, or to create partnerships with other players in the industry. It is important to note for the future, however, that New Jersey does not have a “lock” on this industry.

## **Project Findings**

Regions of Pennsylvania and North Carolina, among other locations, remain viable options.

### Quality and skills of workforce

Generally, there is a positive impression of the skills of the New Jersey workforce, although often it is not distinguished from other parts of the tri-state area. The unique aspect of the New Jersey workforce that is often cited is the concentration of pharmaceutical talent, though even that is shared by nearby regions of Pennsylvania that are heavily promoting their own advantages.

### Business Employment Incentive Program (BEIP)

Relative to other types of assistance that are available in the Greater New York City area (i.e. outer boroughs, Connecticut, suburban New York), New Jersey's Business Employment Incentive Program (BEIP) program was cited as attractive to companies. Those that had assistance working through the application and approval process found it to be reasonably smooth, while others found the process to be somewhat intimidating and cumbersome. Some consultants, with a broader range of national experience and experience over time in New Jersey indicated that recent changes to BEIP have made it less attractive because of the commitments required by companies.

It is also important to note that while the Chamber and the administrators of incentive and financing programs in the state may be very familiar with their names, requirements, and benefits, in general companies and consultants are not as conversant as they are with programs in other states.

### Better workers' compensation environment than surrounding states

Again, for companies whose perspective is confined to the immediate four state area, the workers' compensation rates and the balance of power between employer and employee is perceived to be more business-friendly in New Jersey.

### Individual communities with a reputation for being "business friendly"

Companies did single out some communities, Jersey City in particular, as being very "business friendly." It is important to note, however, that the context of those comments is relative to their experience of these companies in New York City, rather than in comparison to a broader range of national experiences.

## Project Findings

### *New Jersey's Competitive Disadvantages*

The following factors were cited by companies and consultants as causing or contributing to New Jersey losing new or expansion project investments, and creating hurdles that prevent New Jersey from being included in project competitions.

#### High costs relative to national options

New Jersey misses opportunities to compete seriously for a number of projects because its high cost reputation causes it to be eliminated early in the process. For those companies already in New Jersey, increasing taxes, permitting fees and other costs are often cited as the motivating factor to consider other alternatives.

#### Traffic congestion and its impact on distribution and employee commutes

As in many areas, traffic congestion is a problem in many parts of New Jersey. While there is more mass transit than in many parts of the country, the perception is that most of it is oriented to move people in and out of New York rather than around New Jersey. Further, there were some comments that mass transit schedules are not sufficient for multi-shift operations.

#### Inconsistent reputation for meeting company and consultant deadlines for information and proposals

The use of the Internet by companies and site selection consultants in the early stages of the site selection process has increased dramatically in recent years. As a result, companies and consultants have much tighter timeframes and very high expectations that their requests for site proposals and community data will be met quickly.

The web-based information that is available in New Jersey is not up to the standards of other states and communities. In several cases, consultants indicated that they were not provided with the assistance that is customary in other locations, and even that they were charged substantial fees for information that is freely available elsewhere. Consultants have to adopt a different research methodology in New Jersey in order to get basic information. Companies also indicated that they were frequently sent from office to office with no one taking responsibility for managing the project through completion.

## **Project Findings**

### Permit process timing and costs

The permitting process at both state and county levels was cited as expensive, onerous, and very time consuming. Even individuals who stated that they had a very positive experience with permitting said that they recognized their experience was not the norm, and was the result of connecting with people who were able to cut through typical procedures and guarantee faster response times.

### No outreach marketing programs

While this may not be factually correct, virtually all of the companies and consultants contacted indicated that they do not now and never have received mailings, calls, or other forms of educational and marketing outreach from the State of New Jersey, and very little, if any, from localities. It is especially notable in light of the substantial increase in outreach in recent years from Pennsylvania, Connecticut, New York, and even Massachusetts. Without these types of relationships, companies can be lost to the state through lack of attention and awareness of benefits that are available to them, and consultants are less equipped to appropriately advise their clients.

## Recommendations

New Jersey is unlikely to transform itself into a low-cost state relative to its national competitors, which is one of the factors that keeps companies out of the state or drives them from the state. The study did, however, raise a number of issues that are actionable, and many of them have to do with process and attitude of the state and local organizations toward companies and their representatives. Addressing these issues is even more important now than in the past because surrounding states are all showing signs of becoming more aggressive and targeted in their recruiting and retention efforts.

Improvements in the following areas would address some of the most frequently mentioned factors that are hurdles to decisions in favor of New Jersey.

### Reduce or stabilize costs imposed on employers such as taxes and permitting fees

According to the Council on State Taxation, as of a January 2004 study, New Jersey had the sixth highest business tax burden in the United States on a per employee basis. The rate is higher than Pennsylvania and Connecticut.

Even without direct access to this information, businesses already in New Jersey feel that their taxes and permitting fees are constantly increasing the burden, especially on small businesses.

### Enhance the level of site selection information available from the state and counties

Even a cursory review of information made freely available by other states and localities highlights how little is available by comparison to people who are evaluating the state. Demographic data and information on major employers is sketchy, and site and building information is described as inconsistent. In addition to this data, it is common in other areas for economic development officials at the state and local levels to organize opportunities for companies and third parties evaluating the state to meet with other employers, which does not seem to be a role that is common in New Jersey.

### Encourage formation of regional development organizations and more public-private funding mechanisms

At present, with few exceptions, the State of New Jersey is viewed as a single homogenous entity with regard to its business climate despite its diversity. The exceptions appear to be the counties adjacent to Philadelphia, who participate in the Select Philadelphia regional marketing organization, and some of the Hudson County communities. The current statistical definition of Core Based Statistical Areas (CBSAs), which has caused data providers to lump New Jersey into the Greater New York City area, also inhibits the ability of different parts of the state to distinguish themselves from

## Recommendations

one another. On the other hand, using the county as the primary level of analysis often also shortchanges the state, and puts the burden on decision makers to aggregate their own information. Counties reflect political boundaries, but not boundaries of a labor market area, commuting zone, or customer market area.

Regional organizations, whether formal or informal, also allow private sector funders of economic development efforts to leverage their assistance and generally result in more resources being made available to support the increases in staffing and funding that may be required to implement some of the other recommendations.

### Streamline state economic development and financing organization structures to provide single point of contact and single point of responsibility for project management

Both companies and consultants indicate that they are most successful understanding and getting results from the state organizations when they essentially find a guide through the system or a way around the formal organization structure. In other words, the structures are not customer-focused and customer-friendly, and the people who have a good experience are those that work around the system rather than through it. There is a great deal of confusion regarding the missions of the New Jersey Economic Development Authority and the New Jersey Commerce and Economic Growth Commission, as well as the variety of other organizations that are involved in project assistance and financing.

### Respond to projects on the company's timeline and commit to guaranteed response times

As a general rule, state and local economic development officials throughout New Jersey do not appear to operate with the same sense of urgency that is present in other locations, nor do they appear to consistently accept as their role the single point of contact project management. While this is certainly a possible way to organize economic development organizations, it is certainly not the norm of service that is expected and experienced in other areas.

One of the concerns is inconsistency, which leads both companies and consultants to feel that there is a way to get faster, better responses, but it is unclear what levers to pull in order to get that to happen.

The mindset of economic development officials in the state should be to assume that the competition is meeting deadlines and that to miss one would eliminate the area from the project. Response time for projects should be measured in hours and days, not weeks. This is a concern that can only be addressed through consistent performance.

## Recommendations

### Increase outreach by all levels of economic development organizations to corporate and consultant communities

New Jersey is one of the few states that does not appear to engage in structured, proactive marketing initiatives to companies or consultants. When these relationships are absent, the result is that companies compare the level of attention they receive from other states and localities and, if they have no strong ties to the state, it can motivate them to move elsewhere. For consultants, it means that the state is missing an opportunity to educate a group of people who have influence over a large number of projects and are in a position to influence the image of the state's business climate as well. If they are not well informed regarding how to best work through the system, and as a result experience a lack of service or delays, it will impact their perception of the "business friendly" aspects of the state's image.

New Jersey faced a unique situation subsequent to 9/11 and chose to do everything possible to avoid being perceived as "poaching" New York City companies during a difficult time. This recommendation fully recognizes the appropriateness of that strategy, but suggests a broader outlook beyond what the approach to New York City companies may be. The objectives of enhanced outreach programs are as much to offer access to resources and services as to persuade companies to leave other areas.

### Create an ongoing project tracking database and feedback program

This recommendation is one that could be made for a number of states, and in fact was recently made to New York after a similar study. Throughout the course of this project, it became clear that identifying companies that have considered New Jersey was as great a challenge as securing their cooperation. Projects that choose New Jersey and receive incentives are relatively easy to identify since the announcements receive a great deal of coverage. While those projects are also an important source of feedback, often the best information comes from projects that do not choose the state.

The state appears far less likely to take every opportunity to announce new investments as compared to neighboring locations. Interestingly enough, in other locations newspapers are often the best source of information on companies that are leaving the state, but the topic appears to be covered far less frequently in New Jersey, which means that if this information is to be tracked in any meaningful way it must be done in another manner.

## **APPENDIX**

## CORPORATE INTERVIEWS

Corporate interviews were conducted with the understanding that the objective was to gain insights and constructive criticism for the New Jersey Chamber about perceptions by corporate decision makers and influencers of New Jersey's competitiveness. Assurances were given that comments would not be attributed to specific companies or publicly disclosed.

### Corporate Interview #1 Distribution Chose New Jersey

- Company needed to stay within ½ hour of Philadelphia due to customer issues
- Was out of room in current location and could not find a workable option to bring functions that were in two buildings together into one – was losing too much time and money transferring goods from one location to another
- Has 150 employees impacted by this project
- If the City of Philadelphia had been more helpful, probably would not have left; got the impression that his business was not large enough to get the attention of the City of Philadelphia
- New Jersey location reduced taxes
- Obvious that the state of New Jersey is eager to create jobs
- Found a building to buy, but quick resolution of a stream buffer zone issue would have been a deal killer, because the owner was not willing to wait to conclude the transaction
- DEP handled him expeditiously, but he knows this is not the norm – Commerce smoothed the way, he personally located the original engineers and drove the required documents to Trenton to get a quick approval

### Corporate Interview #2 Service Business Exited New Jersey

- Over 30 year old company that was looking for a strategy to grow to the next level
- At the time, had 19 employees, will be at 35 employees one year later in its new home in Pennsylvania
- COO has extensive experience working with economic development agencies in several parts of the Northeast, and is familiar with the kind of attention and response that is possible
- Believes that New Jersey is insensitive to small businesses and what allows them to thrive and grow

- Was “like a root canal” trying to find the right people to talk to at the county and state level and to get information
- After many phone calls to the county to try to get information, finally reached what appeared to be the right person, and they said they were at a conference, and he should call back sometime the following week
- Gave up at the county level and tried again at the state – finally connected with someone “in Trenton” (not sure which agency)
  - He had prepared his case, indicating that if he could get assistance with a \$500,000 financing package, he could add another 15 jobs to the company
  - He was told that the best the state was likely to be able to do was to come up with a \$50,000 package and was told who he should call himself to further investigate the process
- After this experience, and knowing the experiences he had had in other states, he advised the CEO that they search elsewhere, outside the state
- The alternative might have been to find private venture capital, which would have changed the nature of the company, and which they have been able to avoid
- During the time in New Jersey, company was not regularly contacted or otherwise made to feel that any part of the state was interested in helping it to grow
- Efforts to help secure assistance in helping a disabled member of the staff get transportation to and from the office through a combination of healthcare and economic development agencies were likewise frustrating and unsuccessful
- Their current location came about because a local healthcare institution working in a related field went into its own pocket to come up with financing within 30 days
- The company has received instant recognition and support in Pennsylvania, including being sent abroad by the state to showcase the work that it does
- In addition, a local congressman has sponsored a major appropriations bill that will allow the company to expand into serving the military
- Though financing to grow was more of a motivating factor than cost reduction, all costs have also gone down, and productivity, especially during inclement weather, has improved because traffic is not as much of an issue

Corporate Interview #3  
Research  
Chose New Jersey

- Pharmaceutical companies are this company’s primary customer, and it could not operate as effectively in upstate New York
- This location was not competitive – it was a foregone conclusion that the company would go to New Jersey
- The relocation of the R&D group took place at the same time the company expanded its research staff
- New Jersey offered the best opportunities to be at the center of the industry
- Some questions they had were ironed out by the EDA

Corporate Interview #4  
Headquarters  
Chose New Jersey

- Company relocated its headquarters to New Jersey from the Midwest with over 200 jobs
- The primary reason to relocate the headquarters was to be close to the company's operating entities in the Northeast
- New Jersey had a good labor force, and is close to transportation
- Company received BEIP grant as well as customized training
- Company interacted through the process with a CEO of a New Jersey company in an allied industry who advocated for New Jersey

Corporate Interview #5  
Manufacturer  
Chose New Jersey

- Company relocated headquarters and production from New York to New Jersey
- Hired 80% of its people new in New Jersey, retained 20% of previous employees
- Some of its business is centered on customers in New York City, but many others are centered farther west, which made New Jersey preferable from a transportation standpoint
- Company took over an existing facility, which reduced the cost of entry into the state
- Taxes were lower in New Jersey
- The company was not being actively recruited by New Jersey
- There was a good concentration of management talent in their industry in New Jersey, though mid-level management has been somewhat tough to hire
- New York City did not make any significant efforts to keep them – can only offer sites in depressed areas and areas undesirable for the company
- Found the incentive program to be very onerous, long, arduous
- Best incentives would provide funds that could be used for working capital needs
- Bus schedules for employees do not accommodate night shift employees
- Meadowlands area has been onerous as relates to environmental regulations; an uphill battle to renovate the facility and when old files can't be found in public offices, the burden is on them to find them or recreate them

Corporate Interview #6  
Services/Distribution  
Exited New Jersey

- Internal issues caused the company to close one of its New Jersey operations, although others remain in the state

- The decision was between existing company locations and designed to consolidate the two into one, and it was obvious early on that New Jersey would not be chosen
- The other, out-of-state location had a management team better suited to handle the core activities of the project
- Strategically, the other location was better located to distribute to a national market
- Economically, New Jersey was not even in the ballpark – far more competitive cost profile in other area
- The location chosen was in a relatively, but not extremely, depressed area, and “really jumped through hoops”
- If they had chosen New Jersey at all, it would likely have been in the South Jersey/Philadelphia area

Corporate Interview #7  
Manufacturing  
Partially Exited New Jersey

- Company filed for bankruptcy protection in 2004 and is set to emerge as a private concern in 2005; the plan was approved in July 2005
- As part of emergence from bankruptcy, company decided to shut down one facility and reduce investment in another
- Duties will be shifted to other plants in the Northeast
- The plant that was chosen had previously been operating on a part-time basis and this decision allowed the facility to be used more effectively
- Total job cuts in New Jersey will be 135
- Company indicated that there is nothing that New Jersey could have done to help the situation, which was the result of a downturn in demand for the industry’s product
- To the interviewee’s, there had been no substantial communications with the state before making the decision
- The company had invested quite a bit, in upgrading their New Jersey facility and in training; employees had a good reputation
- In hindsight, perhaps they could have been more proactive earlier in reaching out to the local and state resources for assistance

Corporate Interview #8  
Manufacturing  
Exited New Jersey

- The company had six plants, and closed two including one in New Jersey
- The driver for closing plants is industry-wide overcapacity
- The New Jersey plant had a few things working against it:
  - It was becoming increasingly difficult to recruit long-term; they offer \$12-17 for people with no particular skills, and only require a high school education
  - Their real estate was worth a lot of money for an alternative use; their site is now a car dealership

- Taxes, utilities, and shipping costs are most expensive
- Local community was generally OK, but there was no retention program he was aware of
- Ohio and Iowa have been pretty aggressive in meaningful training programs, but other states he has worked with generally offer assistance in training the “unemployable”
  - Their hit rate on these programs has been bad – only 20% of those that they train stay – so they don’t use those program any more
- The biggest determinant long-term of the company’s locations will be the availability of labor that will stay with the company

Corporate Interview #9  
High-Tech  
Chose New Jersey

- The corporate headquarters relocated from Rockland County New York to New Jersey
- There were facility reasons to leave the existing building, and the new building happened to be in New Jersey – there was no specific intent to relocate into New Jersey
- In Rockland County the company was in an old ugly building and a competitor moved in to a brand new, high profile facility across the street
- A change in management was the catalyst to decide that the company needed a better image
- The new building needed to be close by to retain staff
- Company also wanted signage, air access, and a stand alone single occupancy building
- No incentives came into play, although they were made aware of them
- New York did try to retain the project, however they had no suitable facility in an appropriate location
- The town welcomed them with open arms and worked well with them on permitting and smoothing the way for the changes they had to make to the building

Corporate Interview #10  
High-Tech  
Substantially exited New Jersey

- The company moved a number of jobs from New Jersey to Des Moines, Iowa, where they plan to add further jobs; a small sales office related to specific customer relationships remains in New Jersey
- Company is funded in large part by a California based venture capital fund
- The venture capital fund had experience with Iowa, and has other portfolio companies in Iowa
- The company received incentives from Iowa through the Iowa Values Fund, which focuses on information and technology – the company fits into both categories
- One of the drivers to relocate at all was the desire to move ASP host servers from New York City; the people who supported those servers were located in the New Jersey office
- Company's initial customer focus was pharmaceutical industry, which is concentrated in New Jersey, however it is shifting to integrated health care companies and third party administrators, who are more widely distributed
- A major client was going to be in Dallas, which made Dallas a contender for the project
- Company participated in Net Operating Loss program in 2000 and 2001, but didn't have a desire to go back into the program
- No one from the state contacted them, but it would be inaccurate to say that anything about the business climate actually drove them out of the state
- The company spent some time trying to interest New York and New Jersey venture capital sources in them, but got little interest

Corporate Interview #11  
Manufacturing  
Chose New Jersey\*

- \* This company was established in New Jersey and must stay in New Jersey for business and personal reasons, however the head of the company asked to have comments included
- The primary reasons that the company stays in New Jersey is retention of a very good workforce and personal ties
- Would certainly not recommend the state to a new company or one considering the state, though the city they are located in is a pro-business city
- New Jersey offers no financial stability or control, and no justification for increases in taxes, fees, permit costs
- Amount of corporate payroll tax, high permit fees, new permit fees makes the state unfriendly to manufacturers
- Other complaints include poor mass transit, poor north/south rail transit, and constant traffic gridlock

- Has never been approached by the state, though the company has been in the state for over 30 years; the county only tends to make approaches when someone wants money
- “Can’t get a person at the state who speaks English”
- Very cumbersome to get certified by the state as a woman-owned business

Corporate Interview #12  
Services  
Chose New Jersey

- Company was out of space in New York and also wanted to improve their business continuity plan rather than continuing to concentrate all resources in New York City
- Three choices were considered for operations and technology people – Connecticut, Jersey City, Brooklyn
- Commute analysis of existing employees favored New Jersey
- Costs were also considerably lower
- Occupied an existing building
- Had a good experience with both state and city – very friendly community

Corporate Interview #13  
Distribution  
Chose New Jersey

- Looked at tri-state area; motivated to search because their existing building in Brooklyn was not good and costs were high
- New Jersey had the best package for assistance
- Taxes, business friendly environment was much better than New York (city area)
- New Jersey is better than New York and Pennsylvania as regards workers’ compensation; in New York there is no control over employees
- Decision came down to costs
- Company had an internal search team and its first call was to the state
  - Experience with the state was very good – they were very friendly, and led the company through the process; got the definite feeling that the state wants to help
  - Local community has also been very friendly
- New Jersey needs to stay ahead of New York, Pennsylvania, Connecticut especially on workers comp
- Workforce throughout the tri-state area is very good
- New Jersey’s biggest problem is transportation – mass transit is a problem (lives in Boonton – has to go all the way into New York to get back out to Jersey City?)

Corporate Interview #14  
Distribution  
Chose New Jersey

- Company had a factory in New Jersey for over 35 years, and it is a family owned business
- Production in the company's industry had shifted to China, and the company could not remain competitive with New Jersey-level production costs; it also determined that moving to another state in the United States would not lower costs enough to be competitive

Corporate Interview #15  
Manufacturing and Distribution  
Exited New Jersey

- This company filed for bankruptcy and is not an ongoing concern; its assets have been acquired
- Doing business in New Jersey was attractive, and the company did receive some tax breaks while it was there
- Had the company stayed in business, in spite of having a good experience in New Jersey it might well have looked to relocate its distribution to the Midwest, because the East Coast is not ideal for a company such as theirs that needs to distribute its product nationally.

Corporate Interview #16  
Pharmaceutical HQ  
Exited New Jersey

- A New Jersey company merged with a company in another state – the outstate company had a much larger employee base, was more mature
- When the merger was announced, the other state called to find out what the outcome was likely to be and to offer incentives
- The company contacted New Jersey to get a response to the offer from the other state, and described New Jersey as “responsive” to their request
- The New Jersey offer and the New Jersey concentration of pharmaceutical companies were not sufficiently compelling to overcome the fact that there was a much larger employee base and a more developed company infrastructure in the other state
- The other location also had cluster of pharmaceutical companies
- There was no problem backfilling positions with strong candidates in the other location
- There is currently no remaining operation in New Jersey

Corporate Interview #17  
Service Industry  
Partially Exited New Jersey  
Did Not Choose New Jersey

- Believes that New Jersey is a very anti-business state, and it's climate is second only to California - that's how bad it is
- Lots of incremental taxes imposed
- Stated goal has been a redistribution of wealth which has resulted in substantial tax increase on "high" income individuals, including income taxes and transfer taxes on high value homes
- This company employs high end people and can't easily transfer people in when they realize how punitive the personal taxes are
- Company has acquired a large number of companies; their strategy used to be to move those companies' headquarters to New Jersey, but they no longer do so.
- The hurdle is very low to getting employees to transfer employees out of New Jersey, so that is no longer a reason that they have to keep operations in New Jersey
- Haven't gotten responses from previous governors when they have written letters on important issues – low level staffers have given standard response answers
- Connecticut's climate is better – governor has visited their office; Pataki has also been better
- "We never hear from them unless they have their hand out"

Corporate Interview #18  
Manufacturing  
Partially Exited New Jersey  
Did Not Choose New Jersey

- This business supplies goods and services to the industrial segment of the state, the success of that industry directly impacts the company; if manufacturers leave the state, this company has no reason to be there
- The company continues to have locations in Newark and New York City, but additional growth has been moved to the Philadelphia area
- The company's customers are leaving the state because they can't afford the unions, the cost of living, and overall cost of production
- Morris County tries to work with companies, but they cannot overcome the state's policies or costs
- The company can find enough employees in New Jersey, but it is increasingly difficult to grow the customer base and to be profitable.
- The company does work for municipalities, and finds that the prevailing wage laws in the state are even less competitive than at the Federal level; in most states rates for maintenance and repair work is subject to a different schedule than new construction, but in New Jersey they are the same; as a result municipalities pay a 20-30% premium on maintenance and repair work

Corporate Interview #19  
Manufacturing  
Chose New Jersey

- Company was located in New York for years, but needed a larger site with rail access and could not find an appropriate site in the boroughs
- If a site could have been found in New York, would have stayed in New York; labor force is better, although trucking is more difficult
- Spend several years reviewing sites in New Jersey
- Local government (Ridgefield Park) has been very good to work with and local approvals were not a problem
- New Jersey Commerce Economic Growth and Tourism Commission was also good to work with, showed many sites, etc.
- Last minute problem has arisen; impression was given that state would finance reactivation of an existing rail line, but 10 days before a commitment had to be made on the site, the company was informed that approval and financing would not be committed for another 6-8 months
- Company offered to “front” the money required and be reimbursed at a later date, however DOT’s initial response was that it would not be possible
- Although the company chose New Jersey because of the site, the impression of the President is that the attitude in New York is very helpful and the attitude in New Jersey is that it’s not really necessary to do anything for businesses

## CONSULTANT INTERVIEWS

The factors that influence a consultant to recommend or eliminate New Jersey will vary for any given project, depending on individual circumstances. As a result, comments by site selection consultants reflect overall trends they have seen in the characteristics of projects that choose and do not choose the state, as well as their impressions of the process of working through site selection projects in the state. They are also in the best position to comment on how that process compares to working on projects in other states and jurisdictions. As mentioned previously, many of the consultants indicated that they rarely put New Jersey on the short list and do field investigations in New Jersey, because the shortcomings are so serious that the state is eliminated very early in the process. This in and of itself is a meaningful finding, and occurs for various reasons, but the most prevalent are high costs and the absence of any compelling requirement to be in the state.

### Consultant Interview #1

- Consultant has lived and worked in New Jersey for many years and represents high-profile corporate clients in the region and nationally
- Consultants is aware of the EDA at state and local levels, but was not aware of New Jersey Commerce and Economic Growth Commission
- New Jersey is not a low-cost state and is unlikely to become one
- Compared to other states there are not a lot of incentives available to offset costs, and those that are available are at the state level without many programs available at the county level
- Industry base is more diversified and therefore healthier than in the past when the state was more highly dependent on AT&T
- Source of information used for the NJC&G Commissions “Office Space Locator” was referred to as outdated and not a reliable or widely used source of information
- There are conflicts in the sense that people want lower property taxes, but at the same time there are limits - legal, regulatory, and geological - on the ability to develop real estate
- Many people trying to understand and secure financing and incentive assistance go directly to the Treasurer’s office if they want to get answers quickly, but many others don’t know where to go and find the process to be confusing
- Processes and organizations need to be streamlined
  - Why is there an EDA in every county? (this is the consultant’s perception)
  - What is the difference in mission between the state EDA and the Commerce and Economic Growth Commission – can these be brought together?
- Someone needs to reach out to the consultant/broker community and educate them regarding programs and resources available, as well as to act as a single point of contact to that community

## Consultant Interview #2

- Local economic developers don't have to worry about national recruiting – they can “make their numbers” with local relocations from New York City area
- Had to buy a list of contacts from a county and got no cooperation in helping to set up interviews with companies for a project – very different from the experience that is typical in other locations
- Although this consultant is based in New Jersey, hasn't put anyone in New Jersey for a long time

## Consultant Interview #3

- This consultant is based in the Southeast but has worked particularly in incentive negotiations for many years
- Rarely has had an opportunity to work in New Jersey because it doesn't come up in her practice that often; it is not frequently on the short list for projects.
- Has the perception that BEIP has raised the visibility of the state, especially as compared to when New York had Empire Zones and New Jersey did not have a comparable “named” incentive
- Pharmaceuticals seems to be an exception, where New Jersey is a “location of choice” rather than a “location of necessity”, whereas most other business that go there go because they have a compelling need to be in the region

## Consultant Interview #4

- This consultant has been based in New Jersey for many years
- New Jersey is a high tax state and no one in a position to deal with that issue seems to care or pay attention
- Companies tend to go to New Jersey because the New York City area is so expensive, so losses to other states are balanced by gains from New York City
- Once a company is in the state they are disenchanted by issues such as time and cost of approvals, tax cost, real estate cost
- Time for permit approvals is a real problem, the DEP and DOT are terrible; can take 2 years to get permits
- There is little regional/county planning; can take six months just to get a case heard
- One of the best run situations from a county standpoint is the Hackensack Meadowlands area because they have regionalized, but there are still the DEP problems

## Consultant Interview #5

- There is no compelling reason to look at New Jersey if a company doesn't have a strong need to be there
- People from outside the area probably don't distinguish among the regions within New Jersey and envision that all of the state is the same as the areas closest to New York City
- It is too easy for projects to slip into Pennsylvania once you are nearby; Pennsylvania in general has a more aggressive approach, more aggressive incentives, lower real estate costs
- Has not been on the receiving end of marketing by New Jersey or New Jersey communities
- Pennsylvania is encouraging companies from New York to "skip over" New Jersey
- Local areas in New Jersey have had success getting companies out of New York, but not much success recruiting from other areas
- With the exception of pharmaceuticals, New Jersey is not really playing on the national scale
- Almost gets the feeling that economic developers are taking their situation for granted, because they do get "wins" from New York, and that is sufficient

## Consultant Interview #6

- Does not frequently have a chance to work in New Jersey because the state is often not even included in the search area
- Unless there are strong strategic reasons to need to be in New Jersey, they are not often on the list
- Had a recent very good experience with Empire State Development and the local development people in the Buffalo area
- By contrast, had another opportunity to research northern New Jersey; started his inquiries with the State and got very poor responsiveness by comparison to other states in his experience
- South Jersey does appear to have better responsiveness

## Consultant Interview #7

- The BEIP program is the most high-profile program, and made companies really pay attention to New Jersey where they might not otherwise have done so
  - BEIP is a fairly smooth process
  - New Jersey's "but for" provision can be cumbersome
  - BEIP was very good "until recently"; in the past there really weren't clawbacks (requirements to pay back incentives if commitments were not met) mandated, but the state has tightened up the program substantially
  - Companies have to commit to jobs for 1 ½ times the period of the award, which is impossible for most firms to do with any certainty

- The language has changed from “may” demand repayment to “shall” which appears to foreclose the opportunity to negotiate with the state in the event of unforeseen business circumstances
- Experience with the state economic development officials has been that while there has been turnover, they are very receptive and always have had the right people at the right meetings
- New Jersey does get to “play” for projects beyond just those with a need to be in the metropolitan New York area; BEIP in particular has raised national visibility and the pharmaceutical industry concentration has helped as well
- Some local communities are really stepping up in terms of incentives, mostly in the southern part of the state
- New Jersey used to tout their training; they used to give money to the company on the condition that the company could prove it was used for training; now the program is not as appealing and seems far more bureaucratic

#### Consultant Interview #8

- Hasn’t directed anyone to the state for quite some time, but has worked on projects where New Jersey was a pre-determined location, and the site selection was focused on where within the state the project would be
- New Jersey is a hard place to do a project; the economic development profession is not as well developed as in other places overall, though they have had good experience with some individuals
- Has had the experience of state and local developers refusing to provide information and/or charge for information
- When they have asked for information on properties and help in setting meetings to view those properties, they have at times been turned over to brokers who try to become far too involved and can become pretty overbearing and impatient with the process
- There is not a lot of follow-up, nor does there appear to be any proactive local or state outreach programs to consultants
- One of the utilities had an economic development group that was helpful, but got the impression that they were on some sort of commission or incentive
- The state should show some improvement in their site inventory and ability to respond to site inquiries; appears to be heavily dependent on brokers there is no consistency in what information is provided and how it looks from county to county or site to site
- New York and Pennsylvania have gotten a lot more aggressive and better in responding, which raises the expectations people have of areas in the region

## Consultant Interview #9

- Most of the work this consultant has done has been done outside the state, though he has been based in New York and New Jersey
- New Jersey has never had a good reputation for economic development – too political
- Recently dealt with a small company considering New York and New Jersey and was pleasantly surprised to get a good response from the state
  - Client received incentives based on maintaining minimum employment figures
  - Appeared to be few “strings attached”
  - Was able to get approval within 6 weeks
  - 18 page on-line application looks “scary” but wasn’t really that bad when they actually went to fill it out
- Also dealt with the state one year ago on a consolidation, and found that the state was not as responsive
- Pennsylvania and New York have recently gotten much more aggressive and active
- New Jersey has done no recruiting/retention outreach to consultants to his knowledge, nor is he aware of programs aimed directly at corporations
- Has recently been involved with a significant pharmaceutical company in New Jersey, but staying there was not a priority
  - Costs in New Jersey did not compare favorably in a national search
- Traditionally, New Jersey gets new jobs by taking them out of New York, particularly New York City, and still does
- New Jersey has also done pretty well as a suburban alternative to Philadelphia

## Consultant Interview #10

- Has recently worked on a project for a company that did a stay versus go analysis for two plants and a corporate headquarters – impacted over 300 employees
- Motivated in part to consider a move due to old, outdated, landlocked facility
- Retention of the workforce was an objective
- Conducted a detailed cost benchmarking, and there was an 18-20% penalty for New Jersey
- Asked for and received a meeting with Commerce (previous administration)
- “Like pulling hen’s teeth” to get information – referred to the county tax department for data – all site data was from utilities and had no consistency
- Contrast to the state that was chosen was tremendous
- No experience of outreach from the state or counties throughout his career