

Economic Development Authority Gatekeeper for N.J. Business Tax Incentives

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By Hugh R. Morely, Staff Writer
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Michele Brown, agency CEO, flanked by Timothy Lizura, president and chief operating officer, left, and Chairman Alfred Koeppe.

New Jersey's Economic Development Authority has awarded about \$500 million annually in corporate tax breaks over the last few years — and that figure could soon rise.

Legislation signed last week by Governor Christie to overhaul the way New Jersey awards tax breaks for job creation and stimulating local economies will remove the limit on the amount of incentives that can be awarded. Officials expect a surge in companies looking for government assistance in order to locate or expand in the state.

John Boyd, founder of Princeton-based The Boyd Co., which helps companies relocate, said the revamp will help the state overcome the negative impact of high labor, utility, property tax, real estate and other costs that scare potential corporate investors away.

"The bill is going to open up the geography, open up the target audience," he said. "It keeps [the state] in the game. Without this program, New Jersey would not even be in the game."

The "game" is the increasingly fierce competition from other states, and even countries, to attract corporate investment that will create jobs and grow the economy.

While interstate jostling for jobs has existed for years, observers say globalization, the struggling U.S. job market and improved communication systems that enable companies to operate from anywhere in the world have all helped dramatically turn up the competitive heat since the recession.

Against that backdrop, legislation to overhaul New Jersey's incentive programs — which generally award tax credits for companies that create or locate jobs in the state, or invest in development projects — won bi-partisan approval after months of delays and tinkering.

Supporters say the changes are essential to making the state competitive, given its tough business environment and high cost structure. Critics say the overhaul removes a key check on the amount of public money that can be given to corporations in the name of economic development.

The task of treading that fine line — protecting public money while awarding private companies grants of tens of millions of dollars in the hope of stimulating the state economy — now falls to the EDA, which will draft rules in line with the legislation and administer the programs.

It's an agency that is low-key, even by government standards, operating out of a nondescript Trenton office building a block from the State House, with little of the fanfare and media attention garnered by Christie when he announces a corporate decision to create jobs, or locate them, in the state.

With 135 employees, and a budget of about \$20 million, the EDA likes to call itself "the state's bank," awarding tax incentives and low-interest loans, acting as a conduit to the issue of low-interest bonds, and providing other financial assistance.

Staffers review applications, assess the applicant's strength and the project's viability, calculate the benefits to New Jersey and decide how big an incentive — often in the form of reduced business payroll tax requirements — the company should get. The proposal then goes to a vote by the EDA's 13-member volunteer board at the agency's monthly meetings, which rarely spark much discussion or public comment.

The agency's 90-minute meeting this month was typical, drawing about 50, most of them staffers or representatives of companies seeking help. Included on the agenda were two charter schools seeking multimillion-dollar, tax-exempt bond issues, and a homeowner and a former auto repair shop seeking grants of about \$30,000 each under a program to aid the removal of leaky oil tanks. West Windsor-based Berlitz, a language instruction company, sought just under \$1 million in incentives to build a new headquarters in another part of its hometown.

In an example of the EDA's broad responsibilities, another application asked the authority to be the conduit for \$550 million in tax-exempt bonds to finance replacement of the Goethals Bridge linking New Jersey with Staten Island.

All those applications were approved.

Toward the meeting's end, Chairman Al Koeppé took a moment to congratulate the agency for its successful transition to new management structure, created just over a year ago when longtime CEO Caren Franzini was replaced by President and Chief Operating Officer Timothy Lizura and CEO Michele Brown, a Christie ally.

"It's just been really seamless," Koeppé said later.

The departure of Franzini, who led the agency under six governors from both major parties, and the appointment of Brown, Christie's appointments counsel and a former prosecutor with little business experience, were seen in some quarters as a political move by Christie to more closely control an agency that is key to his goal of creating jobs and economic development.

Sen. Ray Lesniak, D-Union, who led the incentive program overhaul, said last year that he feared Brown's appointment would mean the "politicization" of the authority, and he threatened to reconsider legislation he sponsored to reshape one of the state programs.

Since then, Lesniak said, Brown has shown herself able to overcome her dearth of business experience, and defer to the agency's professionals, while providing leadership.

"The agency under her direction has not missed a beat," he acknowledged. "I was concerned that it would. But it's the professionals that are making the decisions, as it should be."

Koeppé said the EDA's ability to take on the "extraordinary" challenges of helping businesses damaged by Superstorm Sandy shows the agency's strength.

"It was all hands on deck," said Koeppé, adding that for about six months, the agency devoted about 25 percent of its time to Sandy-related issues, a task that now includes running the Stronger NJ Business Grant program, which will distribute \$260 million in federal funds to businesses affected by Sandy.

In the future, however, the changes to the state's incentive programs as a result of the overhaul will likely consume the largest chunk of the agency's time, he said.

Koeppe said he expects a "surge of applications," a view shared by the commercial real estate community. Industry insiders say companies have held off applying, waiting to see what the much-discussed program revamp would offer. Others, they say, will be drawn to the state by the more efficient, attractive, and in some cases, lucrative incentive program.

The bill dissolved three tax-break programs to encourage companies to move to New Jersey, stay or expand, and put elements of each into the two remaining programs — Grow New Jersey and Economic Redevelopment and Growth.

The changes are intended in part to streamline the programs and also to enable smaller businesses to get incentives. The revamp also is intended to spread the benefits more evenly around the state, compared to the past when most of them went to the north.

Who's on the EDA Board

The New Jersey Economic Development Authority has a \$20 million budget and a staff of about 125, steered by a 15-member board that meets monthly. Some members are appointed by statute because of their position in state government and others through nomination from the governor and confirmation by the Senate or Assembly:

Top-Paid Executives

Michele Brown — CEO. Formerly Governor Christie's appointments counsel, she helped identify, recruit and vet Cabinet officials, senior executive candidates, judicial and prosecutorial nominees, and volunteer board, commission and authority members. She spent 18 years at the United States Attorney's Office, New Jersey district, specializing in white-collar prosecutions.

Timothy J. Lizura — President and chief operating officer. Formerly director of World Trade Center Redevelopment/Deputy Director of Redevelopment at the Port Authority of New York and New Jersey. Before that, he worked in the EDA's real estate development department.

Public Members

Chairman **Alfred C. Koeppe** — Former president of Public Service Electric and Gas Co. and former CEO of Bell Atlantic-New Jersey. He worked on transition teams for Democratic Govs. Jon Corzine and Jim McGreevey and Republicans Christie and Christie Whitman. Koeppe, of Manasquan, is now president and CEO of Newark Alliance.

Vice chairman **Joseph A. McNamara** — Director of the Laborers-Employers Cooperation and Education Trust and Health & Safety trust. He previously spent 25 years at the Port Authority of New York and New Jersey, ending as managing director, Global Infrastructure Advisors.

Board Members

Laurence M. Downes — CEO of New Jersey Resources Corp. and its principal subsidiaries, New Jersey Natural Gas and NJR Energy Services.

Jerrold I. Langer — Chief commercial officer of Langer Transport Corp. of Jersey City, a trucking company. He is a former bankruptcy law attorney and served on Christie's transition team.

Brian M. Nelson, Esq. — Managing member of the Monmouth County office of a Philadelphia law firm that specializes in representing public entities, publicly traded and private companies in legal, regulatory and governmental affairs matters in New Jersey. Served on Christie's transition team and was executive director of the New Jersey Republican State Committee in 2004.

Marjorie Perry — President and CEO of MZM Construction & Management Inc. of Newark, who started out with her own public relations firm and later bought the construction company where she worked.

Charles H. Sarlo — Vice president and general counsel of DMR Architects of Hasbrouck Heights. He also has his own law practice, specializing in land use, real estate, redevelopment and environmental matters. He is the brother of Sen. Paul Sarlo, D-Wood-Ridge.

Richard Tolson — Director of the Bricklayers and Allied Craftworkers, responsible for pension, annuity and health funds.

Alternate Public Members

Raymond M. Burke III — President of Burke Motor Group, a multi-franchise automobile dealership in Cape May Court House that was founded by his grandfather in 1912. He serves on the executive committee of the New Jersey Committee of Automotive Retailers, and as director of the of the General Motors Dealer Marketing Association.

Elliot M. Kosoffsky — Chief operating officer of F. Greek Development, an East Brunswick industrial real estate development firm. He previously was chief financial officer for the Management Division of Insignia/Edward S. Gordon Company Inc., and Eastern Region USA of the Galbreath Co.

Harold Imperatore — Proprietor, The Bernards Inn of Bernardsville. In 1985, he founded Imperatore Courier Systems Inc., a messenger and courier service based in New Jersey. He is board member for the Somerset Hills YMCA and formerly served on the board of Bergen County Boy Scouts of America Council.

The board also includes **Matt McDermott**, the governor's designee, who is chief of staff in Lt. Gov. Kim Guadagno's office. By statute, the board includes **Kenneth E. Kobylowski**, acting

commissioner of the New Jersey Department of Banking & Insurance; **Bob Martin**, commissioner of the New Jersey Department of Environmental Protection; **Andrew P. Sidamon-Eristoff**, state treasurer, New Jersey Department of the Treasury; and **Harold J. Wirths**, commissioner of the Department of Labor and Workforce Development.

Sources: EDA, State Legislature

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