

Task force scrutinizes tax incentives in Camden — and Norcross

By MATT FRIEDMAN and KATHERINE LANDERGAN - 05/02/2019



The square footage the three companies said they would rent changed substantially in the letters. | AP Photo

NEWARK — The task force investigating New Jersey’s tax incentive programs presented evidence Thursday that cast doubt on whether three companies and a nonprofit that were awarded hundreds of millions of dollars in tax breaks to relocate jobs to Camden really considered sending those jobs out-of-state, as they indicated in official documents.

George Norcross, the powerful South Jersey Democratic power broker, is executive chairman of one of the companies, Conner Strong & Buckelew, and chairman of the nonprofit, Cooper Health System. The other two companies, NFI Industries and The Michaels Organization, have partnered

with Conner Strong, an insurance brokerage, to build a new headquarters they will share in Camden with the help of \$245 million in tax incentives.

The organizations' certifications that hundreds of their jobs were at risk of going to Pennsylvania were key to them being awarded the tax credits by the New Jersey Economic Development Authority, according to documents and testimony provided at Thursday's hearing at the Rutgers Law School in Newark.

The nearly seven-hour hearing also detailed how Kevin Sheehan, an attorney at Parker McCay, the law firm run by Norcross' brother, Philip, drafted language in what would become New Jersey's tax incentive law that benefited several of the firm's clients.

But while employees of the EDA, which oversees the incentive programs, saw information that raised questions about the organizations' intent, they did not ask questions about them, according to testimony.

Thursday's hearing — the second held by the task force — came as Gov. Phil Murphy and Senate President Steve Sweeney (D-Gloucester), a close friend and ally of George Norcross, grapple with the June 30 expiration of the current tax incentive programs. Murphy, a longtime critic of the programs, has called for a complete overhaul and appointed the task force. Sweeney has said he wants to leave the programs largely intact.

New Jersey has approved billions of dollars in tax credits — though only a fraction have been given out — since the state revamped the incentive in 2013, removing limits on awards and making credits especially generous for the city of Camden. A lengthy investigation by WNYC and ProPublica published Wednesday found that of the \$1.6 billion of incentives awarded to Camden, George Norcross and his associates were tied to about \$1.1 billion of them.

During Thursday's hearing, George Norcross mass emailed a statement from several Camden officials, including Mayor Frank Moran. The officials said they were "deeply appalled by Governor Phil Murphy, his administration and the blatantly political leaning task force established by him, for the relentless, unfounded and disingenuous attacks on the businesses making generational investments."

While questioning David Lawyer, who has been the EDA's managing director for underwriting since May 2017, lead task force attorney Jim Walden displayed documents indicating that Conner Strong, NFI and The Michaels Organization had obtained office space rental quotes from the city of Philadelphia and presented letters of intent outlining the rental offers. However, those letters expired and new documentation was submitted.

The square footage the three companies said they would rent changed substantially in the letters. In Conner Strong's case, the space went from more than 153,000 square feet in the first proposal to 110,000 square feet in the second. Both Conner Strong and The Michaels Organization indicated in their letters that they intended to rent space on several non-consecutive floors.

“Did you see any indication in the file that the underwriter called out the fact that the Conner Strong proposal dropped roughly 40,000 square feet in terms of the space they were getting in the second proposal?” Walden asked Lawyer, who was not at the EDA during the time of the applications, but reviewed documents from the time.

Lawyer said that, while EDA officials noted the drop in office space, there was no indication anyone asked Conner Strong or any of the other companies about the changes.

Some of the space The Michaels Organization said it might rent in Philadelphia might not have even been available, as another tenant had a right of first refusal, Walden said.

John Boyd, an expert witness on site selection, testified that in his experience, companies do not seek office space on non-consecutive floors and that it would “certainly raise an eyebrow” if they did. He also said he would not recommend that a company apply for a site in which another firm had a right of first refusal.

“That wouldn't be an attractive option,” he said.

Daniel Fee, a spokesperson for George Norcross, said in an email that “firms that want to move to or expand in Camden have to confirm that the provision of tax credits are a material factor in their decision to do so; they are not required to have an alternative out of state location.”

(Walden said that while there are two schools of thought as to whether the law requires companies that want to move to Camden show they'll otherwise move out of state, in practicality they would not qualify for the benefits if that wasn't a possibility.)

Walden also showed documents in which Cooper Health System was considering relocating its offices in Mount Laurel and Cherry Hill to one of three sites in Camden in the spring of 2014, months before it applied for tax incentives. On April 1, 2014, Cooper CFO Doug Shirley wrote an email to the then-CEO John Sheridan, telling him one of the sites was the best deal.

“I have the proposal ... and it is very rich! From a cash flow and balance sheet the L-3 [building] is the best deal by a long shot,” Shirley wrote. “No other option can touch it, so you need to be okay with this option before we go out with it.”

Months later, Cooper Health System applied for tax incentives. At first, it said there was no risk of jobs leaving the state. Asked what states New Jersey was in competition with for jobs, it wrote “tbd [to be determined].” It was only after Cooper filed its application that it told the EDA it was considering Philadelphia and was touring office space there, according to Walden.

“Do you think these documents impact your assessment of whether or not the Philadelphia location was bona fide, suitable and available?” Walden asked Lawyer.

“It does,” Lawyer said, adding that he would rate it a seven or eight out of 10 on his level of concern.

Cooper spokesperson Thomas Rubino told POLITICO in response to the hearing that it “did not state that any of its jobs were going to move out of [New Jersey].” (In awarding the \$40 million tax credit to Cooper, the EDA wrote that “the applicant has certified that the 353 New Jersey jobs listed in the application are at risk of being located outside the state.”)

“To date, Cooper has invested \$15 million into this project and the number of jobs at this facility has grown to nearly 500 employees,” Rubino said.

Walden also presented a Word document of the Economic Opportunity Act of 2013, the tax credit enabling legislation, that showed changes that were made to the bill as it was under consideration in the Legislature. The document, parts of which were first reported by The New York Times on Wednesday, showed Sheehan, the attorney who works for Parker McCay, made numerous changes to the bill that benefited his firm’s clients, including Conner Strong.

One of the changes by Sheehan specified that supermarkets in Camden and Atlantic City would be eligible for tax credits, but only if they were at least 75,000 square feet in size and in a retail complex of at least 150,000 square feet.

That change essentially killed one of the planned Camden supermarket’s eligibility for tax credits because it would not be part of a larger retail complex, Walden said.

However, another proposed Camden supermarket, which also never came to fruition, met those specifications exactly. That supermarket was a project by the developer The Goldenberg Group, which was a client of Optimus Partner — Philip Norcross’ lobbying firm. Camden is considered a “food desert,” with only one small supermarket within the city limits.

Philip Norcross’ name also came up in an email Walden read that discussed inserting language into the tax incentive law that would change the “net benefit test” for companies by allowing them to calculate the tests with something called “phantom taxes.”

“Phantom taxes” are essentially taxes from which companies were already exempt, but were counted in the net benefits test anyway, allowing them to ultimately qualify for more generous tax breaks.

Walden asked Tim Lizura, the former president and chief operating officer of the EDA, which companies took advantage of that part of the law, and Lizura said it was likely that Holtec, the Philadelphia 76ers basketball team, Subaru, American Water, Conner Strong, The Michaels Organization and NFI.

“Do you know if Parker McCay represented all those companies,” Walden asked.

“I know they had some role in most of those,” Lizura said.

Philip Norcross’ name also led to some comic relief in an otherwise dour hearing. In the email Walden referenced, Philip Norcross was only referred to as Phil. When Walden asked Lizura to clarify exactly who it was, he said “Phil Norcross.”

“I don’t understand you — what’s the last name?” the court reporter said.

“Norcross,” Lizura said. The court reporter still didn’t understand, forcing Lizura to slowly and loudly enunciate the name. “Nor-cross!”