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Cash vs. cachet: N.J. eager to lure NYC firms

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Two days after JPMorgan Chase said it had dropped plans to build two new office towers for $6.5 billion in midtown Manhattan, reportedly because New York City refused the company's request for tax breaks, New Jersey's economic development team sprang into action.

A letter from Lt. Gov. Kim Guadagno, Governor Christie's jobs czar, went out to 275 financial services companies in New York and Philadelphia, touting the "benefits of investing in New Jersey."

Listing 16 companies that have invested in the state, among them Goldman Sachs, Merrill Lynch, and UBS, the letter asked, "What do companies like [these] know that you do not?"

Answering her own question, Guadagno cited New Jersey's "highly educated workforce," communications infrastructure, and "new, game-changing tax incentives aimed at attracting and growing businesses."

The mailing included a copy of a Wall Street Journal article quoting New York City Mayor Bill de Blasio saying that the amount of incentives JPMorgan had requested from the city — which news reports put somewhere between hundreds of millions of dollars and $1 billion — was a "non-starter." It added that on the campaign trail, de Blasio "took a strong stand against subsidies for larger corporations." The letter helpfully provided Guadagno's cellphone number.

The swift offensive reflected a growing belief among the New Jersey development community and state officials that the New York City mayor's apparent reluctance to lure or keep companies with tax breaks presents a golden opportunity.

To be sure, de Blasio is operating from a position of strength. While New Jersey has recovered only half the jobs lost after the Great Recession, New York City recovered all the jobs lost by March 2012 and since added 225,000 more. And despite its sky-high rents, the financial capital of the world continues to attract top corporations.

Still, New Jersey real estate experts believe that the combination of New Jersey's revamped and far more generous incentive programs, and de Blasio's resistance to helping corporations with taxpayer money, could steer New York-based companies, or those looking to come there, across the Hudson River.

Gil Medina, a former state commerce commissioner who is executive vice president of commercial real estate's CBRE Group, said he is

Medina described the cross-Hudson competition as the "cachet of New York City verses the cash flow of New Jersey." But he said it's unclear whether New Jersey's largess will tip the balance in its favor, or even whether de Blasio will hold firm on his pledge not to go that route himself.

"Mayor de Blasio has given the impression, he has given a very strong perception among decision makers, that business retention and attraction is not a priority of his administration," Medina said. "I am not sure how much of this is fact, or if it's perception. But that perception exists."

Others have no doubt about de Blasio's position.

"At first folks thought that the de Blasio anti-incentives talk was just rhetoric on the campaign trail," said Ted Zangari, who heads real estate department at the Newark law firm of Sills Cummis & Gross and handles many corporate relocations. "But many of us are surprised now that he has been in office an entire year that the rhetoric has actually realized into reality. He is against incentives. And his philosophy is New Jersey's gain."

De Blasio's office did not return phone calls seeking comment.

Hold and create jobs

Guadagno said her Oct. 30 letter was indeed prompted by de Blasio's remarks about the JP Morgan proposal, coming soon after New Jersey had persuaded the company to invest heavily in upgrading and expanding its back-office operation in Jersey City. The bank accepted a New Jersey tax break of $224 million, awarded in May, to retain 2,600 jobs in the state and add another 1,000 jobs over 10 years.

"We have been very aggressive in trying to woo financial services companies," Guadagno said, explaining the letter. "We just wanted to draw attention to the tax incentives that the governor recently signed, and some of the incentives that existed anyway, and how successful they were in bringing some of the companies listed across the river."

Guadagno recently told business leaders in a meeting with Christie's Cabinet members that de Blasio was the state's best campaigner for the idea that businesses should move to New Jersey.

The perception was initially shaped on the campaign trail last fall, when de Blasio denounced his predecessors' award of large corporate tax breaks to ensure corporations stayed in the city. In May, de Blasio's deputy mayor said the city would not seek to match the incentive's New Jersey was offering, saying "we are not going to be in a position of negotiating against other states to retain these kinds of jobs," the Daily News reported.

Most recently, de Blasio, explaining the collapse of the JPMorgan Chase deal, said the city is "moving away from the historic focus on government subsidies, which I think has been proven to be often ineffective," Capital New York, a political website, reported.

John H. Boyd, founder of the Princeton-based Boyd Co., which helps companies relocate, said de Blasio's attitude has instilled in his clients a "jaundiced" view of the financial help — or lack of it — they can expect if they consider moving to New York.

"They have very low expectations in terms of incentives," said Boyd, who added that he sees a trend of companies avoiding New York. "It comes at a time when incentives are the rule rather than the exception. ... They look elsewhere, they go to Jersey City, or Newark."

Supporters of incentives say they are essential in luring jobs and development because most other states offer them. Critics call such incentives "corporate welfare," and say they waste taxpayer money by paying businesses to expand or locate where they likely would anyway.

De Blasio's election coincided with the final stages of the enactment of New Jersey's Economic Opportunity Act, which took effect in December and made it easier for smaller businesses to get awards. It also sought to bolster certain parts of the state and industries with targeted incentives and significantly raised the volume and size of the incentives awarded.

Since the law passed, the New Jersey Economic Development Authority, which administers the state's incentive programs, has awarded grants totaling more than $1.8 billion. That's about 60 percent higher than the $1.1 billion awarded over similar period a year earlier. The grants are paid in the form of annual credits that the company can use to reduce its state taxes, usually dependent on its meeting agreed targets for job creation and investment.

City transplants

The awards under the revamped program included several to companies with New York ties, among them JPMorgan, and a $27 million grant to Forbes, the New York-based business magazine, to move to Jersey City. The state awarded another $79 million to RBC Capital Markets to stay in Jersey City and add 900 new jobs as its leases expired for two New York offices.

The state also awarded $1.6 million to Sony to help the company bring 50 jobs from Manhattan to Rutherford and $630,000 to the New York jewelry company David Yurman Enterprises to move 120 jobs to Lyndhurst.

By comparison, the incentive packages awarded in the last year to keep New York City companies from moving have been relatively few and modest, and mostly awarded by agencies controlled by New York Gov. Andrew Cuomo, a supporter of incentives, and not de Blasio.

They included a $10 million award to Time Inc. to move from midtown Manhattan to downtown — instead of New Jersey — and $15

The largest recent award, $127 million to the online grocer Fresh Direct to set up a distribution center in the South Bronx instead of New Jersey, was part of a deal struck by de Blasio's predecessor, Michael Bloomberg, according to Good Jobs New York, a non-profit organization that tracks corporate incentives.

De Blasio may be helped by social changes that favor his city, as corporations abandon suburban campuses to set up offices in cities that offer better transportation links and a more-convenient urban lifestyle that is favored by many of the younger workers employers seek. That could mean New Jersey would have to offer more incentives to attract companies to a predominantly suburban state.

New York's lure for employers, even with record-high rents for office space that can be 30 percent to 40 percent more expensive than in New Jersey, is perhaps stronger than ever. So incentives are less necessary than in the past, when high crime, poor government services and a diminished quality of life prompted workers and employers alike to flee the city.

Focus on investment

Seth Pinsky, a critic of New Jersey's tax breaks who was president of the New York City Economic Development Corp. under Bloomberg, said de Blasio's predecessor did award corporate incentives but was more focused on investing in infrastructure, education and other improvements that would attract companies to the city.

Pinsky said that while de Blasio has been "more black and white" in his opposition to awarding incentives, there isn't a huge gap between his attitude and Bloomberg's. Pinsky added that New York's strong economy "is a testament to the efficacy of that strategy."

"I think it's a little too early to divine a trend from the de Blasio administration," said Pinsky.

"We will have to see, as the economic cycle plays out, as opportunities present themselves, whether the de Blasio administration is going to truly have a zero-tolerance policy or there will be some room to maneuver on their part."

N.J. credits for jobs, investing

New Jersey's two main corporate incentive programs offer eligible companies the chance to reduce future corporate taxes through credits awarded for creating jobs or investing in the state.

The size of the credit is increased if a company creates a facility in a place where the state wants to stimulate growth, mostly urban areas or those with good transportation links. The award is also increased for investment in industry sectors that the state wants to promote, like science and technology.

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