

Border battles likely to intensify

N.J.'s lucrative incentives have Pa., N.Y. retooling business attraction efforts

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It took a low-interest loan, job training grants and even help from a Pennsylvania water utility to help lure **Ocean Spray Cranberries Inc.** across the Delaware River from Bordentown.

By September 2013, the cranberry-growing cooperative will open its new bottling plant in Lehigh County, bringing 165 jobs to the Keystone State.

Ocean Spray, which has spent some 70 years in South Jersey, is one of many companies that have considered multiple states when mulling their expansion needs in recent years. For New Jersey and neighboring states, it highlights the competition among governments that is inherent in economic development efforts.

The officials responsible for luring companies are reluctant to discuss how they compete with their neighbors, but border wars could become increasingly fierce — as New Jersey builds its reputation as a business destination, other states are ramping up their own economic development programs to attract and retain businesses.

In Pennsylvania, lawmakers in February expanded the Keystone Opportunity Zone program, which offers at least 10 years of tax exemptions to businesses that invest and create jobs in underserved areas. The expansion increased the number of zones eligible for the incentive, said **Steven Kratz**, a spokesman for the state's Department of Community and Economic Development.

More than 37,000 jobs have been created in the zones since the program's inception in 1999, which has helped it become one of the state's top incentives, Kratz said. And activity has intensified in recent years: Private investment in the zones totaled \$1.785 billion in 2008, but had more than doubled by 2010, to \$3.724 billion, he said.

The program has mainly been used to grow the state from within, Kratz said, but incentives like grants, tax

credits and low-interest loans have attracted New Jersey companies in recent years. Among them is Ocean Spray, which will get a \$4.5 million incentive package to build a \$110 million bottling plant in Upper Macungie, Pa., despite efforts by New Jersey to retain the company.

Incentives also have helped Pennsylvania lure **MIQ Distribution**, a logistics firm; **Avantor Performance Materials Inc.**, a chemicals maker; and **United Bank Card Inc.**, from New Jersey, according to information supplied by Kratz.

But New Jersey is not without its own economic incentives, which have helped it fend off suitors for companies like **Church & Dwight**, the maker of Arm & Hammer products, and medical device **manufacturer Replication Medical Inc.**

In New York, Gov. **Andrew M. Cuomo** is trying to phase out a longstanding tax-break program for regions known as Empire Zones, said **John Boyd**, principal of **The Boyd Co. Inc.**, a Princeton-based relocation consultant. Economic development officials from the state and from New York City did not return calls for this story.

Instead, Cuomo's office has been awarding tax credits and incentives on a case-by-case basis, part of a bid to "promote more scrutiny and demand more accountability" among firms receiving the awards, Boyd said. The strategy is now allowing New York state officials to target specific industries — like research and development, technology and health care — using cash and other "very generous incentive programs."

"The idea of a company relocating to a tax-free zone in New York state, like they could have a decade ago — those days are over," Boyd said. "The incentives are really reliant upon developing a relationship with the governor."

Companies with leverage haven't been shy about pitting states against each other, either. Online grocer Fresh Direct, of Queens, N.Y., will build a new facility in the Bronx after state and city officials in February stepped in with a \$130 million offer of grants, tax breaks and tax credits for the project. But the company had also considered a Garden State address, and had formally applied to the robust Urban Transit Hub tax credit program, administered by the Economic Development Authority.

Still, incentives like Urban Transit Hub have put New Jersey on the map among competing states, Boyd said. And the new Grow New Jersey Assistance Program — carved out of Urban Transit Hub — has taken it to another level. New Jersey officials have said major companies like **Panasonic Corp.** and **Pearson Education** were at risk of leaving the state but for the transit hub program.

Grow New Jersey, meanwhile, already has drawn the attention of out-of-state companies since being signed into law in January. Ascena Retail Group Inc. would receive a \$32.4 million tax credit under the program if it moves Dress Barn's corporate headquarters, and some 400 jobs, to Mahwah from Suffern, N.Y.

For firms that are out of state or that might consider leaving, New Jersey relies to some extent on the Business Action Center and the nonprofit Choose New Jersey, which join the EDA to make up the state's Partnership for Action.

The agencies have played key roles in cases where incentives are not on the table. The Business Action Center assisted LG Electronics in its decision to build a new corporate headquarters in Englewood Cliffs, its current home.

LG spokesman **John Taylor** said the company also considered a site in Rockland County, N.Y., among others.

"I think there's lots of competition nationwide, particularly in today's world, to attract businesses and find big corporate clients like LG," he said, noting the firm found broad support in New Jersey. "We've had lots of communication from the governor's office on down."

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