
Committee Meeting

of

SENATE SELECT COMMITTEE ON ECONOMIC GROWTH STRATEGIES

“The Select Committee will take testimony from invited representatives of businesses directly impacted by New Jersey Economic Development Authority tax incentives and experts in economic development. Invited guests will testify concerning the impact of delayed tax incentive awards, the expiration of existing tax incentive programs, and the overall impact of tax incentives on the economy”

LOCATION: Committee Room 4
State House Annex
Trenton, New Jersey

DATE: September 23, 2019
12:00 p.m.

MEMBERS OF COMMITTEE PRESENT:

Senator Joseph Pennacchio, Vice Chair
Senator Dawn Marie Addiego
Senator Nilsa Cruz-Perez
Senator Joseph A. Lagana
Senator Declan J. O’Scanlon, Jr.

ALSO PRESENT:

Jenny Kramer, Esq.
Leon J. Sokol, Esq.
Counsels to Senate Majority

Patrick Brennan
Erin H. Clark
Andrew J. Ward
*Office of Legislative Services
Committee Aides*

Eugene Lepore
*Senate Majority
Committee Aide*

Christopher Emigholz
*Senate Republican
Committee Aide*



***Meeting Recorded and Transcribed by
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BOB SMITH
Chair
JOSEPH PENNACCHIO
Vice-Chair

NILSA CRUZ-PEREZ
DAWN ADDIEGO
JOSEPH LAGANA
ANTHONY R. BUCCO
DECLAN J. O'SCANLON

PATRICK BRENNAN
ANDREW WARD
ERIN CLARK
Office of Legislative Services
Co-Committee Aides
(609) 847-3840
(609) 292-0561 fax

New Jersey State Legislature
**SENATE SELECT COMMITTEE ON ECONOMIC
GROWTH STRATEGIES**
STATE HOUSE ANNEX
PO BOX 068
TRENTON NJ 08625-0068

**REVISED
COMMITTEE NOTICE**

TO: MEMBERS OF THE SENATE SELECT COMMITTEE ON ECONOMIC GROWTH STRATEGIES

FROM: SENATOR BOB SMITH, CHAIRMAN

SUBJECT: COMMITTEE MEETING - SEPTEMBER 23, 2019

The public may address comments and questions to Patrick Brennan, Andrew Ward, Erin Clark, Committee Aide, or make bill status and scheduling inquiries to Kimberly Johnson, Secretary, at 609-847-3840, fax (609)292-0561, or e-mail: OLSAideSEGS@njleg.org. Written and electronic comments, questions and testimony submitted to the committee by the public, as well as recordings and transcripts, if any, of oral testimony, are government records and will be available to the public upon request.

The Senate Select Committee on Economic Growth Strategies will meet on Monday, September 23, 2019 at *12:00 PM in Committee Room 4, 1st Floor, State House Annex, Trenton, New Jersey.

The select committee will take testimony from invited representatives of businesses directly impacted by New Jersey Economic Development Authority tax incentives and experts in economic development. Invited guests will testify concerning the impact of delayed tax incentive awards, the expiration of existing tax incentive programs, and the overall impact of tax incentives on the economy.

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SENATOR JOSEPH PENNACCHIO: (Vice Chair): Good afternoon, everybody.

I'd like to welcome everybody to the Senate Select Committee on Economic Growth Strategies.

Before we begin, I'd like us to all stand up and just recognize and give Senator Bucco a moment of silence. He was a member of this Committee, he was a friend. God called him home last week, and he will be missed. (moment of silence)

Okay; first up on the hit parade -- we have Camden leadership here, a former colleague, Dana Redd; Tom Doll, who is the Chief Executive Officer -- who we spoke with before -- with Subaru.

Please take a seat, along with the Mayor.

And Susan Story, the President and CEO of American Water Works.

Forgive me; you guys can sit.

We have to take the roll call, I am reminded.

I haven't done this in 20 years. (laughter)

Roll call, please.

MS. CLARK (Committee Aide): Senator O'Scanlon.

SENATOR O'SCANLON: Here.

MS. CLARK: Senator Lagana.

SENATOR LAGANA: Here.

MS. CLARK: Senator Cruz-Perez.

SENATOR CRUZ-PEREZ: Present.

MS. CLARK: Senator Pennacchio.

SENATOR PENNACCHIO: Here.

MS. CLARK: Senator Addiego.

SENATOR ADDIEGO: Here.

MS. CLARK: Senator Smith. (no response)

We have a quorum.

SENATOR PENNACCHIO: Thank you.

Mayor, you have the floor.

DANA L. REDD: Good afternoon, Mr. Chairman and members of the Committee.

It is a great honor to be back in this chamber; and to be with you, my former colleagues.

This hearing, and others that you are holding on the Economic Opportunity Act, are important because you need to know how and whether the Act worked in places like Camden.

My friends on this panel and I are here to give you our perspective on why the EOA not only was successful in Camden, but how the ability to attract new businesses back into the City was part of a larger strategy to improve our K-12 education system and to make our City safer.

For over 10 months we have heard about how the EOA did not produce the desired effect in Camden. I do find it ironic that for years when other cities in the state saw companies getting tax credits it was called *progress*. But when Camden was given the opportunity to do the same, it was called *a waste*.

Since the controversy about the tax credit started, I've often wondered why it was okay for Gucci and Ralph Lauren to get incentives to move to Jersey City and Lyndhurst, and not companies like EMR or Contemporary Graphics that chose Camden. Camden's effort with regards

to tax credits was part of a five-year strategy to determine the effectiveness of our economic development strategy, with tax credits as the foundation.

Because of the EOA, we have now seen the largest influx of companies moving to Camden since the turn of the 20th century. I want to say at the outset -- just as Tom Doll and Susan Story will reinforce -- none of the companies that have come to Camden -- like Subaru, American Water, CSB, NFI, and Michaels -- needed to come to Camden. In fact, they could have chosen other places, like Pennsylvania. But they chose New Jersey, they chose Camden, and they chose because of the tax incentives that are unmistakable and undeniable.

Whether I was in the Senate or in City Hall -- and many of you remember the time that I served with you on this Committee -- all I ever wanted for the City was to make a difference in the lives of children, youth, and families. Secondly, I wanted Camden to no longer be the poster child for everything wrong in urban America. And finally, I wanted to demonstrate what the power of collaborations could produce, and that was real change.

At the turn of the century, even at the beginning of this decade, the odds of realizing the enormous potential that our City held seemed insurmountable. Some individuals had described Camden as a car with no engine; some questioned why I would leave the Senate and go back to serve as Mayor of the city of my birth. We were written off as the most dangerous and the poorest city in America, a city with no hope.

It was all true, except for the last part. Mr. Chairman, I can tell you that we never lost hope, we never lost our will to believe in ourselves and in our great City. We knew then that we could no longer afford to

target one problem, but we had to work on all the problems at the same time. It was a daunting thought, I can tell you from personal experience; and a huge undertaking. It would take multiple Governors, hundreds of residents, elected officials, business leaders, and nonprofits to put Camden on the course to success. It was not easy then, and it is still a work in progress now; but the results are undeniable.

During my first term, we worked hard to get Camden's finances in order. When I became Mayor, the finances were in such disarray that our auditors would either give Camden a "negative" or "no opinion" at all. In two short years, we were finally able to get our fiscal house in order. Camden received its first positive audit.

Then the impossible happened. After 15 years of negative or junk bond status, Camden received its first investment grade rating of BBB+ in 2014.

While getting our finances in order was important, improving public safety and education were critical to pulling the City out of a socioeconomic nose dive. No company was going to come to Camden if we could not objectively demonstrate the City is safe for residents and for its businesses.

After years of struggling to contain the violence, in 2013, and in partnership with the State of New Jersey and the County of Camden, we officially stood up a new police department under the leadership of Chief John Scott Thomson. Under his leadership, and through the hard work of residents and faith leaders, Camden is the safest it has been in 50 years. I'm grateful that the Chief is here, and he will provide this Committee with his perspective.

We also tackled a failing school system. In 2012 -- just to give context to my testimony -- the City of Camden School District was known for having the lowest performing schools in the State of New Jersey. With the leadership of our elected officials and Superintendent Paymon Rouhanifard, along with the community, we were able to improve our K-12 education system through competition among public and charter schools; and then the newly developed idea of Renaissance Schools.

Bryan Morton, who is here with us today, is one of the most important thought leader parents in the city. He will share his view about the improvements in our K-12 education system, which I believe you will all find to be remarkable.

Mr. Chairman and members of the Committee, I will tell you, with respect to our education system, graduation rates are up and dropout rates are down, and investment in school facilities are at their highest levels.

Through the Chair, we would like the members of the Committee to have two charts that demonstrate the progress that the City has made in K-12 education, as well as public safety; and that information will be presented to you today.

A successful implementation of our financial, public safety, and K-12 education strategy gave us the confidence and the standing, and laid the foundation upon which we approached the State to ask to give us the legislative tools to build a sustainable economic development platform. Since 2015, Camden has witnessed unprecedented economic investment, growth, and development; and that is the direct result of the Economic Opportunity Act of 2013.

With the arrival of 26 companies to Camden, the City is on a steady pace to becoming a meaningful contributor to the region and the state. Economic growth has led to the creation of jobs for our residents both in the construction industry, as well as through permanent positions in the companies that have relocated to Camden.

I know that Freeholder Jon Young will discuss the impact these companies have had on the job market, and our ongoing effort to engage and place Camden residents in these companies.

Mr. Chairman, I know from a distance it is hard to imagine, let alone comprehend, how socially and economically isolated Camden was for 50 years. Deep and negative perceptions about Camden were built over a long period of time. And as I have often given many tours to my colleagues in the past, I invite every one of you to visit Camden and to see the changes that have taken place; and to see for yourselves how caricatures and portrayals of Camden, and the progress that we have made, are misplaced at best, and harmful at worst. Without question, we have many more challenges to overcome; but to dismiss out of hand the progress that has been made does a disservice to the people of Camden.

I cannot speak for the other cities, but the EOA was a critical part of ensuring that our holistic strategy of rebuilding Camden was effective and beneficial for the City and its residents. In less than a decade we have seen Camden make great strides in education, public safety, and job creation, all the while attracting some of the largest companies in the country and in the world to move to Camden, New Jersey.

I have often said that with space and time, Camden will be viewed as a case study of how a struggling urban center can be revived.

I am grateful, Mr. Chairman, for the opportunity to share my views and perspective with this panel, and I thank you for your consideration.

SENATOR PENNACCHIO: Susan Story, would you like to follow that? And then we'll ask questions.

S U S A N N. S T O R Y: Yes, thank you, Mr. Chairman and Senators of the Committee.

I really appreciate the opportunity to talk with you a little bit today.

I'd like to spend just a few minutes on the importance of true partnerships between businesses and communities, as well as the criticality of business investments in economically distressed cities throughout the State of New Jersey for the future.

I want to begin by providing you a broad overview of American Water. We are the largest and most geographically diverse water and wastewater utility in the United States, and we've been a company since 1886. Our regulated utility subsidiaries provide water and wastewater services to 14 million people, in 1,600 communities, in 16 states across the country. We deliver over a billion gallons of water every day, from the East Coast to the West Coast. Our non-utility subsidiaries serve 14 military bases, and we provide home warranty services for customers in almost every state in the United States.

We are proud, as a company, to be publicly recognized for our commitment to the ESG principles of environmental, social, and governance. Within the past two years, we've been named to Barron's top 100 *Most Sustainable Companies*; the 2019 Bloomberg *Gender-Equality Index*;

the NAACP's inaugural *Equity and Inclusion Index*; the *Disability Equity Index's Best Places to Work*, with a perfect 100 percent score; and the Top 100 *Best for Vets Employers* by *Military Times* magazine.

We were also named by the *Philadelphia Inquirer* as the top-ranked company on Diversity, Governance, and Transparency in 2018.

Our two largest utility subsidiaries are in New Jersey and Pennsylvania. We're proud to deliver clean and safe water to about 2.7 million people in New Jersey and 2.4 million people in Pennsylvania.

In our 133-year history, our corporate headquarters has been located, on two different occasions, in Pennsylvania; once in New York City; and twice in New Jersey. Our national headquarters in Camden houses employees who work in our parent company, our service company -- which serves our national subsidiaries -- and our non-utility subsidiaries.

We're here today presenting, Tom Doll and I, as just two of the businesses that call Camden our home. As President Barack Obama said, during his 2015 visit to Camden, and I'll quote, "It is on to something and is recognized as a symbol of promise for the nation." We totally agree.

One of the keys to strong thriving communities is a vibrant and engaged business community. As a case in point, businesses and their employees play an important role in the support structure for education and students. In fact, businesses that contribute to an environment where young people can find jobs without leaving home aren't just doing it because it's the right thing to do; we're cultivating the workforce for our future.

Let me share just a few examples of how my company is investing in education and the future of Camden.

Let me first touch on education, something that is very personal to me. I grew up in a low-income family in rural Alabama. I was the first person in my family to ever go to college; so I'm the American dream. And American Water and I personally believe that all kids deserve a shot at the American dream; and we're putting our time, and our money, and our resources to try to make that happen in Camden.

One of the ways we're making progress is in-kind contributions of computers, monitors, and equipment. We especially focus on science, technology, engineering, and math -- or the STEM areas -- because we know that students who excel in these areas will get good jobs. In fact, our company hires almost a thousand people across the country every year; most of them have grounding in the critical STEM areas.

At the grand opening of our corporate headquarters in Camden last year, we donated \$200,000 to the Camden City School District for a STEM lab so that we can promote STEM education more fully.

But we know that human interactions are what are most important to students. Dozens of our employees are serving as coaches, as mentors, and facilitators of education initiatives throughout Camden. One example of this is when we hosted 20 middle school girls for a *STEMinist Day*. We had our female engineers and scientists -- some of them actually went out and set up a water quality lab, we brought in samples; and we brought these little schoolgirls in to show them how fun science could be. And they actually did water quality testing right there in our headquarters in Camden, and they're excited about science now.

These are just a few of the examples of what we're doing for education in Camden.

So let me talk a minute about jobs. A vibrant community must have good jobs. Camden is currently experiencing her lowest annual unemployment rate in 28 years. While this is encouraging, as the Mayor said, we have much more to do. We're committed to providing jobs and opportunities to the citizens of Camden through training programs, internships, supplier and vendor qualification efforts, and career days and open houses.

Training is a key element; so let me talk about one organization, Hopeworks, which we've donated already \$900,000 to. It's a Camden nonprofit that's teaching students to use technology. We've brought these students in to digitize water lines and other assets, while they build tech-savvy skills and they're basically growing to be our future workforce. We not only support them financially, but we also provide equipment and technology to this organization, regardless of who they're doing work for -- laptops, iPads, and other equipment.

But the biggest value is they work alongside our people, our American Water and New Jersey American Water employees, to build mentorships and to build relationships.

I'd like to quote from a recent letter to Jersey Water Works for American Water, from Hopeworks' Executive Director Dan Rhoton.

"At Hopeworks, we often cite our partnership with American Water as a model. This nomination is, we hope, one opportunity to bring recognition to an innovative industry partner who is truly transforming lives in Camden. On average, youth entered the program with an average annual income of under \$900. The average annual wage for those same young people now averages over \$33,000 a year."

We most recently hired Pabel Arizaga and Chris Newbill, former full-time interns and Camden residents, in one of our departments at New Jersey American Water. They join the four other hires we have made from this program. Hopeworks, as an organization, has placed 96 students with tech skills from Camden into jobs.

In addition to these and other internships, we are also doing something that most people don't think about in terms of getting students ready for jobs. We're conducting interview preparedness training in our corporate headquarters. We're trying to help students improve their résumé writing skills; and we're focusing on soft skills like how to shake hands, how to make eye contact. We're talking about how to dress appropriately for interviewing, how to build and project confidence; because this is what's going to have these young people get jobs. And we're participating in the Camden jobs pipeline portal, allowing citizens of Camden a one-stop shop for the companies in Camden, so that they can see the jobs first that are right there in their community.

And finally, supporting community jobs is also about offering opportunities for Camden's own local small businesses to grow. American Water hosted our first annual Supplier Diversity Summit at our headquarters earlier this year. We had 247 attendees, most of whom were from the City of Camden. The purpose of the summit was to educate and pre-qualify women- and minority-owned businesses so that they could compete for all kinds of work at American Water. Not just work at our Camden headquarters, but they could compete for work across the entire U.S. at American Water facilities.

Twenty-seven different Camden-based suppliers and the Camden Chamber of Commerce were at our Supplier Diversity conference. We currently have 15 contracts-- The written testimony you will see says six; we validated -- as a Friday, we have 15 contracts with Camden businesses, because we recognize supporting suppliers in our communities is important for those communities.

I'll last talk about community strength. When it comes to community involvement, it has to be personal; it's not just about donating money or equipment. Our employees have participated in 35 volunteer events in Camden just in the past year, and we believe that employee volunteerism is the biggest benefit that companies can have in these economically distressed communities.

As an example, I just want to talk a moment about an incredible organization in Camden that's become one of our employees' favorite organizations to partner with -- the *LUCY*, L-U-C-Y, Outreach, which stands for *Lifting Up Camden's Youth*. This amazing organization provides afterschool and weekend activities for kindergarten through 12th graders. Their Director, Kristin Rose, in 2008, began this program with 20 students; and now LUCY serves over 800 young people in Camden. More than 100 American Water volunteers have volunteered over 700 hours painting, landscaping, clearing fields, cleaning, organizing, and decorating the 100-year-old historic home that they call home, and we've donated \$27,000 in cash.

We were honored to host LUCY's inaugural Spring Gala this year, which raised over \$50,000, and where they awarded scholarships to

many of the dedicated young people who they help there. They're now building an addition; their goal is to serve over 1,000 Camden youth.

Another example of our employees actually being in Camden, in the community -- our company recognizes the Dr. King holiday as a day off. This past Dr. King Day, over 125 of our employees -- many of whom brought their kids and their spouses -- came to our corporate headquarters in Camden on their day off to assemble over 400 comfort kits for the homeless in Camden.

And shortly after moving into our headquarters, our national American Water Charitable Foundation established the Camden Community Grant Program to place particular emphasis on supporting Camden.

The City of Camden and American Water have a Community Investment Agreement that establishes and memorializes a comprehensive plan of community outreach, job training, and hiring initiatives. And we're very excited about future events, such as having Olympic gold medalist Jackie Joyner-Kersey -- who will come to our corporate headquarters, at our request, on October 7 -- to talk to 300 middle schoolers in Camden in a new program we call *Hope in Heroes*. So people in this Camden community can hear from people who grew up in economically distressed communities and found a way to be highly successful in their chosen field.

So in closing, Camden truly is a city on the rise. It's due to many factors and to many incredible people and organizations who have invested time, and money, and resources through the years: the amazing police officers, the great schools, the universities, exceptional government leaders at all levels, community leaders, nonprofits, and yes, caring business

leaders. To their credit, long-standing Camden institutions, like Cooper Hospital, Virtua, Coriell Institute, and Rutgers-Camden, just to name a few, have worked hard to make Camden an *Eds and Meds* center.

Campbell's, and others that are iconic, have done a great job through the years; but the City of Camden needed even more to take our rightful place as a leader in jobs, not just for New Jersey, but for our entire region.

According to the Cooper's Ferry Partnership Survey Data, of the companies that are already receiving tax incentives, 4,600 jobs have come to Camden, with 1,260 Camden residents working in facilities of these companies; and we plan on hiring many more.

Incentives are and should be smart investments for the future of underserved and economically distressed cities throughout New Jersey. They should, however, also be carefully designed, implemented, and tracked to ensure they're doing what they were proposed to do. Metrics and monitoring are good, and recipients should be accountable for the agreements that we have made. It's a smart way to run government, and it's a smart way to run our business.

Businesses also must be full partners with the communities, not just because it's the right thing to do, but it's a smart business decision. We must get involved in schools to ensure the workforce of our future. We must dedicate ourselves to ensuring the communities in which we live, and work, and play are strong and vibrant, and take care of the most fragile of our citizens.

We must create good jobs, and offer opportunities to accomplish their dreams while making our company successful.

There's an old Navajo proverb that says, "Give a man a fish, and you feed him for a day; teach a man to fish, and you feed him for a lifetime." We as business leaders are committed to a lifetime of building education, jobs, and community strength for Camden and her citizens, today and for the future. It's simply too important to us not to do it.

So thank you, Mr. Chairman and Senators, for the opportunity to share that.

SENATOR PENNACCHIO: Thank you, Ms. Story.

Tom Doll.

T O M D O L L: Good afternoon.

I'm Tom Doll, the President and CEO Subaru of America.

Subaru of America is proudly headquartered in the City of Camden, and is a wholly owned subsidiary of Subaru Corporation of Japan, one of *Fortune Magazine's* Global 500 largest companies in the world.

Our company markets and distributes Subaru vehicles, parts, and accessories through a network of more than 630 retailers across the United States.

First, I want to thank Senate President Sweeney, Chairman Pennacchio, and Vice Chair Singer (*sic*) on the importance of economic investment and participation in economically challenged communities in New Jersey.

I'd also like to thank Governor Murphy, who has visited and toured our new facilities, and met with our employees at Subaru in Camden on more than one occasion.

I also want to acknowledge the many State, local, and City officials, past and present, who have been supportive of our company and its move to Camden.

I would also like to take a moment to express my sincere condolences to the family, friends, and colleagues of the late Senator Tony Bucco, who passed away last week.

This Committee has been tasked with helping chart a new course for New Jersey's economic growth, including recommendations for future incentive packages. Part of that clearly is to review past programs through which economic growth was achieved, through the enticement of new investment into the state; as well as the incentivization of businesses already based and operating in New Jersey in order for them to remain in the state.

Subaru was one of those businesses in the latter category. Subaru had major business interests already located in the state, and was at risk of leaving New Jersey, along with the associated economic and community benefits, as well as approximately our 900 jobs.

That is why I want to be clear and forthright to the Committee. Let there be no mistake in understanding what I'm saying here today. Were it not for the New Jersey Economic Development Authority's direct engagement of Subaru and the proposal they presented approximately five years ago, I would not be sitting here today before you as the CEO of a New Jersey-based company. In fact, Subaru would likely have been located in another state other than New Jersey.

I'm not the first to tell you that New Jersey is a high-cost state in which to live and in which to operate a business. Several years ago, upon

examining our operating costs, that fact of life was not anticipated to change. In fact, we assumed that those costs would only increase, given the State's fiscal situation.

Despite our long tenure in Camden County and in New Jersey, as a business operating in intensely competitive markets, our loyalty to this state cannot, by itself, be reason enough to remain in any particular location. We needed compelling business reasons to stay in New Jersey and to keep our nearly 900 jobs here. In fact, our parent company suggested that we consider moving to Indiana, a logical step since our headquarters offices would be located closer to our manufacturing facility already in that state.

We had sincere offers on the table from states such as Pennsylvania, through their Keystone Opportunity Grant Program, and very seriously considered relocating to multiple locations in Philadelphia and its western suburbs; including the Naval Yard, which is just across the river from our current location.

However, by working directly with the New Jersey EDA on a package that provided appropriate incentives for Subaru and its shareholders, it allowed us to go back to our parent company and make the business case for remaining in New Jersey and moving to the City of Camden instead.

In all, that plan allowed Subaru of America to maintain its headquarters in New Jersey and keep almost 900 jobs in the state. Note that 70 percent of our employees, accounting for \$71 million in annual payroll, also live in New Jersey. For those of you doing the math, that's an average salary of \$88,396 per job.

And I need to underscore that Subaru of America has lived up to its side of the agreement that we made with the State of New Jersey, and we intend to meet all of our obligations each and every year of our agreement.

Mr. Chairman, I can tell you that companies, such as Subaru, American Water, and the other 23 businesses that have moved to Camden, could have similarly located elsewhere outside of New Jersey; but they chose Camden because the tax incentives made the overall cost of doing business as good as moving to another state.

Now, let me tell you what New Jersey has received in addition to keeping those 900 job.

From the start of planning and construction of our new headquarters in Camden, we have strived to hire local residents; and many have helped us build our new facilities and are now employed in our offices and through our support services. There were 35 Camden residents employed during the construction of our headquarters campus. Our project alone exceeded the reporting last week which said that all the Camden construction projects combined only hired 27 people.

We also agreed to and are on course to hire 100 new employees. In fact, it's going to likely be many more than that, given our current rate of growth.

In addition, we use local contractors and businesses wherever we can, and contribute to indirect employment. Our vendors in service areas, such as security, janitorial, landscaping, and food service actively employ 15 Camden residents.

We have invested more than a \$140 million dollars -- exceeding our incentive award amount of \$117.8 million by more than \$22 million -- into our new Camden campus, which consists of a 250,000-square-foot headquarters building and a 107,000-square-foot facility known as our *National Service Training Center*. Our National Service Training Center houses our service training operations, engineering shop, and regional sales teams. Previously our corporate trainers and engineers would fly around the country, and even the world, to train our workforce where they lived and work. Now, because of our state-of-the-art building and equipment at our National Service Training Center, that business comes to Camden.

Hundreds of Subaru employees, from around the United States and the world, now fly into our region; along with our retailers, technicians, students, suppliers, and distributors. We host hundreds of visitors and community organizations a month in Camden, the same people who patronize establishments in Camden and the surrounding area. Subaru is invested in Camden City and its mission to revitalize.

Now, one of the core missions of Subaru of America is to be a positive force and an active member of the communities in which we serve. And we are proud to have been a strong partner in Camden County for more than 50 years. We believe in giving back, simply because it's the right thing to do. Our relationship with the City of Camden began more than 30 years ago, and these activities evolved into what we call the *Subaru Love Promise*. It's our commitment to improving the lives of those around us, not just with donations, but with actions that bring us closer to the community and encourage others to get involved in order to increase the cumulative impact.

If you've ever been to the City Hall in downtown Camden, you will see this quote on the south facade of the building from Walt Whitman's poem "I Dream'd in a Dream." It reads, "In a dream, I saw a city invincible."

It's a quote that perfectly honors the resiliency and the character of our City.

While we do benefit from the tax incentive programs offered to us, we give back a great deal to the community. As Susan said, in addition to having a Community Investment Agreement with the City of Camden, Subaru of America has also committed over \$5 million dollars to Camden-based charitable organizations and initiatives since 2016. We continue to expand our already-broad community support through nonprofit partnerships, local grants, community volunteer opportunities, job training, and more. The goals of these investments are to help establish an environment for growth and success, increase additional educational opportunities, enhance job readiness, and create a healthier environment for residents.

I myself, and hundreds of Subaru employees, are very active in charitable and volunteer programs in our community. I feel it's very important that we give back, and I personally take a great deal of satisfaction in visiting local elementary schools and connecting with the community. This isn't just talk; we back it up.

Since January of 2018, Subaru employees have donated more than 3,300 volunteer hours at 82 events in support of the Camden community. We have witnessed the incredible resiliency of our residents

firsthand, and we are dedicated to working with the community to restore the City to its former glory.

When Subaru officially announced its relocation from Cherry Hill to Camden, it was important for us to hit the ground running and begin showing our support in helping to drive positive changes from the start. We established *Subaru Empower Camden* in 2016, to support our new home by getting involved with community programs which improve the vitality of our neighborhoods and enhance the quality of life for all residents.

Subaru supported and partnered with over 40 community-based organizations and nonprofits in the Camden area. In 2018 alone, we provided over \$1.1 million in grants, and are on target for an even greater contribution this year.

I want to take a few moments to describe some of the groups that we are working with, to show the breadth and the scope of these endeavors.

First, is Joseph's House of Camden. It's a homeless shelter, committed to providing shelter and support to those in need, which recently started construction on the renovation and expansion of their facilities. Subaru provided a grant of \$150,000 in support of Joseph's House's expansion project, as well as \$200,000 to help fund its general operations.

In addition, we have provided grants of nearly \$80,000 to assist in the hiring of a mental health social worker and day services, bringing our total contribution to \$430,000.

Habitat for Humanity of Camden County and Subaru have partnered in community building for over 20 years, and our contributions

over the last five years have exceeded \$1.5 million. We've sponsored and built five homes in Camden in recent years, and donated furniture and equipment from our former Cherry Hill headquarters to Habitat's ReStore donation center for resale. This nearly two tons of office equipment and gently-used furnishings helped raise funds to build additional affordable housing, while also reinforcing our commitment to recycling and minimizing our environmental impact.

Girl's Inc. is a nonprofit focused on inspiring girls between the ages of 6 and 18 to be strong, smart, and bold. We helped launch a pilot program in Camden with a one-year grant of \$20,000 from Subaru of America. The response to the Girl's Inc. program from the girls, their families, and school partners was so immediate and positive that it exceeded our expectations; and we've awarded Girls Inc. an additional \$95,000 grant to help expand their efforts.

Subaru donated 5,000 award-winning science books to Camden schools in 2018. And by the end of this year that total will grow to 15,000 books, an investment of \$150,000, to provide the younger generations in Camden the tools they need to be inspired to explore and prepare for the many opportunities a passion for science can lead to.

Our employees partnered with the Food Bank of South Jersey to donate and pack a record-breaking 6,600 KidzPacks, containing items that can produce up to four nutritionally balanced meals and snacks for a child. Currently, more than 160 children in Camden receive weekly food donation packs. Through our event and corresponding donation, Subaru made great strides in combating weekend hunger for Camden youth by

supplying enough packs for the impacted children to last an entire school year.

This year we've made it our goal to assemble 15,000 KidzPacks for the food insecure youth of Camden, an investment of more than \$118,000 and a collective volunteer effort from all of our area employees.

I'm proud of the commitment of Subaru of America and our people to giving back to our new community and our neighbors in Camden. I'm also very pleased that we are part of a vibrant and growing business sector in Camden that is doing everything that they can do to help spur the local economy, investment, lower unemployment, improve schools, and enhance the quality of life for Camden residents.

Another inscription on Camden City Hall reads, "Where there is no vision, the people perish." That quote comes from The Book of Proverbs, chapter 29, verse 18. The New Jersey Economic Development Authority and Camden City officials -- such as Mayor Redd and the current Mayor Moran -- have created a vision for the City and the state, and it's important that that vision be realized to its fullest.

Incentives are an important part in helping economically challenged cities, such as Camden, in attracting and retaining companies. As the Committee knows, tax incentives can be a useful tool in the toolbox for states to compete for private investment.

As I stated at the beginning of my testimony, when Subaru of America was seeking a new U.S. headquarters, we wanted to stay in New Jersey. But our wanting to stay wasn't enough; as a growing company, we needed to make the right choices from a business perspective. The

competitive package of location, costs, and amenities offered by the New Jersey EDA made the difference and resulted in our decision to stay local.

Incentives should be tied to an investment in the community, with an eye towards its long-term growth and the improvement of the quality of life for its residents. The creation, implementation, metrics, and oversight of incentives must ensure that they address the specific and evolving needs of the community, and that the companies involved meet their commitments and obligations. In our case, the cost of Subaru's tax incentives will be more than offset by the economic contributions that we are making in the community in terms of jobs created and retained, capital investment, community philanthropy, and spending in the surrounding community at restaurants, hotels, bars, and shopping malls, etc.

We understand -- from speaking with various companies in New Jersey that were awarded tax incentives -- that, so far, the EDA has not paid out any incentives related to 2018. We would hope that the State and the EDA would not delay in the payment of those tax incentives for those companies that have honored their commitment to New Jersey.

Subaru's values, as demonstrated by our move to Camden, are focused on being a good corporate citizen, helping drive positive change, and giving back to our communities. I'm excited about what I see happening in Camden, the prospects for our new home, and a dedication of the expanding business community to our City. I know that Subaru of America will be a big part of the future growth of Camden for decades to come. We can see great things happening already in Camden, and we are proud to be part of that change.

Please come to Camden; and if you do, I want to personally invite you to visit our new headquarters and our National Service Training Center, to see for yourselves, firsthand, the results of your investment.

Also, if you come to visit, take a look at all the revitalization activities going on throughout *The City Invincible*, and be proud of the role that you and the EDA have provided in making this revitalization possible.

Thank you again for the opportunity to participate in today's hearing, and we welcome any questions that you might have.

Thank you.

SENATOR PENNACCHIO: Thank you, Mr. Doll, as well as the all the speakers.

First, I want to recognize the Mayor for all the good work that she has done; for the strong advocacy that she has done for Camden. They pay you the big bucks to do that.

But let me tell you, they don't pay financial institutions the big bucks to do that. If anything, they pay them to be vicious, to scrutinize, and to give you the type of transparency to see exactly what the finances are like -- if they're improving or not. The fact that I didn't know that you went from junk bonds to actually graded investments is a testament to the hard work that not only you're doing; but, quite frankly, I'd like to thank all the taxpayers in the State of New Jersey for also kicking in, because somebody has to make up for that difference. So I'd publicly like to thank you.

A question for Tom.

Tom, you had said that you have still not gotten your tax credit money for this year. But we had spoken previously -- side bar -- you said you only applied for it when?

MR. DOLL: We just applied for it in July. So to be fair, I was speaking for--

SENATOR PENNACCHIO: Okay.

MR. DOLL: --other companies that are based in Camden that I've heard from, who haven't received their tax incentives for 2018. But we just applied for ours this past July.

SENATOR PENNACCHIO: All right; so we haven't screwed you yet. (laughter)

MR. DOLL: Well, I hope that's not -- I hope that doesn't happen.

SENATOR PENNACCHIO: Okay; the check's in the mail.

MR. DOLL: And by the way, Chairman, I just want to say, we are in Camden because of Mayor Redd; let me say that.

MS. REDD: Thank you; thank you, Tom.

SENATOR PENNACCHIO: Okay; now, just a question, actually, for Ms. Story and Tom -- for both of you.

We know why you came here -- because of the tax incentives, okay? Could you tell us what the pushback was? Tom, you had mentioned that Subaru Corporate was trying to convince you to go to Indiana; that way you could merge -- or keep the manufacturing and the executives together.

What is the biggest pushback that you get when you tell people that you want to start or expand a business in New Jersey?

I'll leave it up to the panel.

MR. DOLL: Okay, I'll go first, and then Susan can kind of chime in here.

I mean, honestly, as you know, and as I said in my testimony, the costs of doing business in New Jersey are quite high. When you look at the property tax situation, when you look at the income tax situation, and so forth, it's quite high when compared to other states. Personal income taxes are high, as you know.

So when you combine the entire package of costs of what it takes to do business in New Jersey compared with other states -- such as in Indiana, for example; or even Pennsylvania, just across the river -- it's a sizable difference in order to do business here. And so when we were having these discussions with our parent company in Japan, they said, "Well, why don't you go to Indiana? It makes sense. We have a huge production factory in Lafayette, Indiana, about 60 miles north-northwest of Indianapolis. Indianapolis is an easy city to get in and out of; so why don't you go there?"

But because we've been based in New Jersey for so long and we've had such great success here -- many of our employees are from here -- our Japanese parent company realized the importance of staying here. And when the New Jersey EDA came through with their package -- that was the deciding factor.

MS. STORY: And the same story.

So when we-- In 2013, we looked at the six locations we were basically occupying in suburban New Jersey, and we only owned one of the

buildings. So we decided we were going to move the corporate headquarters somewhere.

So we looked in three states, originally; we looked at our three largest states that we work in -- New Jersey and Pennsylvania, which are pretty close in terms of size; and Missouri is our third-largest state, and the St. Louis area had a very low cost structure in the state of Missouri. We did a detailed analysis, looking at all of our employees, and realized that moving that far away would have a significant cost.

So we narrowed it down between Pennsylvania and New Jersey; and we looked at several suburbs in Philadelphia, just as Subaru did. We looked in both suburban New Jersey, as well as what we called *urban* New Jersey, which was predominantly Camden. And we did a detailed analysis; and when you looked at incentives -- there were incentives in Pennsylvania; there was a tax structure in Pennsylvania -- but the incentives that we were able to get-- And then we compared, just in New Jersey, from suburban to Camden, and there was a significant difference because of the tax incentive program.

And the first thing we did -- and former Chief Thomson is behind us -- when we first talked to our employees about our thoughts, there was a real concern from security, from different things. And the police -- Chief Thomson and others came, they had Town Halls with our employees. And I'm proud to say that by the time we moved in, the top concern was traffic going into Philadelphia, not security. And security was number four or five, which I thought was tremendous.

But it was an economic look; and for us, Pennsylvania and New Jersey were pretty even, because we have a customer base that's almost equal in Pennsylvania as we do in New Jersey.

SENATOR PENNACCHIO: Thank you.

Any questions?

MS. REDD: And Chairman, if I could just add to Tom and Susan's comments.

SENATOR PENNACCHIO: I'm sorry.

MS. REDD: As a former Mayor, in trying to revitalize a City such as Camden, it is important that there are tax incentive tools in order to be able to compete in our region. For us, Camden was in the backdrop of Philadelphia for many years; and without an aggressive business tax incentive tool, as provided by this New Jersey Legislature, we would not have attracted the companies to Camden that we've been able to attract. And I'm sure that other mayors will probably share that with you who are in the process of trying to rebuild their distressed communities. Again, that legislative tool was very instrumental in all that we've been able to accomplish to date.

And I also want to mention that because the State of New Jersey partnered with the City of Camden, we were able to leverage additional Federal dollars and designations that have helped us, in Camden, to build capacity -- the human capital: workforce development initiatives, education initiatives; some of which were highlighted here today.

And those Federal designations, for the record, I want to mention, were the *Promise Zone*, under the previous president, President Barack Obama. And in the *Promise Zone*, we have five stated goals. One is

-- to improve public safety -- increase educational outcomes; increase economic opportunity -- and that's where the EOA factors into our ability to increase economic opportunity, not just in terms of job creation in the construction industry, but also those permanent jobs, but also local sourcing. And you heard that here today, by both Susan and Tom, about how they've connected with the community on jobs, on education, and local sourcing.

The other stated goals in our Promise Zone include increasing access or improving access for our health and wellness, and then building affordable housing. So those were our stated goals in that one designation.

The other designations that we were able to draw down included the *Promise Neighborhood*, which is out of the U.S. Department of Education; the *National Forum for Youth Violence Reduction*; and also the *VRN* -- which the Chief may talk about a little bit again today -- the *Violence Reduction Network*.

Again, the Obama Administration and Federal government leaders paid attention to what we were doing in Camden because of the strong partnership we had with the State of New Jersey, and with both houses -- both the Senate and the Assembly.

So I just want to make that a matter of record -- for the impact that the EOA has leveraged in the City of Camden.

SENATOR PENNACCHIO: Thank you.

Senator Cruz-Perez.

SENATOR CRUZ-PEREZ:

Thank you, Mr. Chairman.

Good morning, Mayor Redd, Mr. Doll, Ms. Story; it is a pleasure to have you. Thank you for your testimony.

Mayor Redd, you were the serving Mayor when we were trying to attract these companies to Camden City. And did the businesses need convincing that Camden was a viable option to relocate their companies? And how instrumental were the tax incentives, and what would be Camden with (*sic*) the New Jersey Grow program?

MS. REDD: Thank you, Senator Cruz-Perez; and thank you for your leadership of my District. You are my Senator.

And so you know the Camden story probably better than I. But in terms of leading Camden, back in 2010, and working with companies to market the City as a place to grow and to invest your business -- yes, they definitely needed convincing.

And first and foremost, I knew the importance of getting our fiscal house in order and building confidence in the market; because Camden had been known for mismanagement in the past. The importance of addressing the challenges with public safety, and working with Chief John Scott Thomson to do what others thought was impossible -- and that was standing up a new County-led Police Department, which put more boots on the ground in our neighborhoods and throughout our business quarters. Again, emphasizing and lifting up a community policing model that engaged the community. And that was an arduous task, but we got it done.

Next, we stepped to education, K-12 education in Camden. We were noted, back in 2012, as being one of the lowest-performing school districts in the State of New Jersey, performing in the lowest 5 percent.

So until the tough decisions were made, no business was going to look at Camden until we got our house in order.

So we started that effort, back in the first term.

Then the Legislature passed the tool of the Economic Opportunity Act, which was a business incentive program not just for Camden, but let me say for the State of New Jersey, so that we could keep jobs in the state and not lose them to New York or lose them to Pennsylvania. So it was an aggressive business tool -- investment tool for New Jersey across the state -- North, Central, and South. Camden-- Once that legislation was put into an Act, and once it was enacted, rather, we looked at how to utilize that tool to market Camden and to let businesses know that, "Listen, here is a program being offered by the State of New Jersey. We think you should take a look, and possibly take advantage of it."

Prior to that, we would take businesses around the City-- As I mentioned here earlier today, I invite you all to come down and tour, to see for yourself the improvements that have happened in the City -- not just on the waterfront, but throughout the City of Camden, throughout our neighborhoods. We just featured two businesses today, but there are other businesses, like PCM, Contemporary Graphics, that have been anchors in neighborhoods in the core of the City. And I want to make that known to those of you who are on this Committee, and as you are deliberating the effectiveness of this program.

But again, without the legislative tool of the EOA and the Grow New Jersey program, Camden would not have landed these businesses in the City. We had built the foundation for economic development to

transpire or to occur, but without the tool no businesses would have come to Camden, as you've heard here today.

SENATOR CRUZ-PEREZ: Thank you, Mayor Redd.

And to the businesses sitting in front of me, if New Jersey wouldn't have had this type of incentive, where would you be today?

MS. STORY: As we earlier commented, I think that there is a lot of strong, aggressive moves by Pennsylvania; and good for them, that they're doing this.

Philadelphia is growing, the suburbs are growing. The Navy Yard -- which was one of the sites that was in our finalist area -- it is a beautiful location to build a building. And when our team went out there and came back, they said that. So there were a lot of opportunities.

And with that said, while the incentives were the biggest part of us locating, I do want to say, for the record, that our employees love it there. Any concerns they had -- that they love the community, they love the people in the community.

And there's an excitement in Camden right now -- whether it's the business leaders, the communities, the schools -- that I think it's just going to continue to grow. We have a ways to go, but I think we have a coalition of elected leaders, and business leaders, and nonprofits, and organizations that are really coming together to make a difference. And that's what creates strong communities, and that's what I'm most proud of -- that we made the decision to go to Camden.

MR. DOLL: In our case, Senator Cruz-Perez -- and thank you very much for that question; it's a good one -- I really don't know where we would have ended up. We would have ended up either in one of two

places. We would have ended up either in Indiana, which is where our Japanese parent company wanted us to go to, because we would be much, much closer to our factory, and with sales, and production, and so forth. It would have been a lot easier, potentially, for us to take a car ride up to the factory, versus now we have to get on a plane and fly out there. Or, probably, either Philadelphia or the western suburbs. We had looked at a couple of locations out in the Great Valley area that we were considering.

And to Susan's point -- any concerns that we had about safety and whatnot -- they were gone after the first week. And our employees love the community, they love Camden, they love being part of it. You've been to our location; you know what it's like. We can't say enough about the job that the City officials have done -- and former Chief Thomson -- in assuring us. Because we did the same thing; we went and took the tour of the Command Center in Camden, and he came and spoke with our employees and reassured everybody, "You have nothing to worry about, and nothing to be concerned about," in terms of safety. And it's true; we've had less incidences in Camden than we did in our Cherry Hill location.

But it's a good question to determine-- Firstly, we never got to that point, right? We got to the point where we were able to get a competitive package of tax incentives, and so forth, that made it acceptable for us to make the decision to stay in New Jersey and, more importantly, to move to Camden.

MS. STORY: And Senator, if I might, and the rest of the Senators, I want to distinguish between American Water and New Jersey American Water. New Jersey American Water would never leave the State of New Jersey, and that's why we didn't include them. This is just the

parent company, the service company that serves nationally in our non-utility businesses. New Jersey American is separate. So I just want to make sure, as a utility, you understand they were never in question; they weren't part of this. It was just the American Water parent and service company, and non-utility, just for the record.

SENATOR CRUZ-PEREZ: How much money did you invest to build a new building in Camden City?

MS. STORY: So the cost of our building was around \$165 million, \$166 million.

MR. DOLL: Our investment is about -- a little bit north of \$140 million right now, and it is continuing to grow.

SENATOR CRUZ-PEREZ: Thank you so much; and thank you, Mayor Redd, for what you have done for Camden City and the whole State of New Jersey -- for what you did and what you continue to do. Thank you for your service.

And to the companies, thank you for not only relocating and not leaving the State of New Jersey, but also investing in our communities.

Thanks.

MR. DOLL: Thank you.

SENATOR PENNACCHIO: Senator O'Scanlon.

SENATOR O'SCANLON: Thank you, Chairman; and thank you all for being here.

I can hear the genuine passion in your voices for this community. I know what that's like. Camden is a little out of my geographic wheelhouse, but Asbury Park and Long Branch have been down the road -- sort of like Camden -- hopefully now it is travelling.

But I know what it's like to develop a passion for a place and a community; and it's pretty cool. It can be very distressing as well, because these places challenge us.

But to see Asbury Park and Long Branch -- it really is a wonderful thing in Monmouth County. And I'm happy that Camden seems to be doing well, as well.

We are here to talk about, though, New Jersey's policies and our ability to impact, positively, the rebirth of these more distressed areas of the state.

Mr. Doll, you said something that will come as a stunning revelation to our Governor, I think. I think you actually had the audacity to say that our tax policy has an impact on decisions that corporations make. Am I interpreting that accurately?

MR. DOLL: Well, of course.

SENATOR O'SCANLON: Okay.

MR. DOLL: I mean, when the State passes a surtax on income tax, for example, and other states don't have it; and the corporate income tax rate in New Jersey is -- what -- the second highest in the country, does that have an impact? Sure it does. I mean, because in our business -- we are a very capital-intensive business. I mean, autonomous vehicles, and electrification, and so forth, don't come cheaply, right? I mean, it costs money, and we need the earnings and cash flow to be able to make those investments.

And that's where the combined taxes -- whether it's Federal taxes, State taxes, property taxes, whatever they happen to be -- take away from the amount of resources that we have to be able to plow back and to

make these new technologies that are going to be demanded of us within the next three to five years.

SENATOR O'SCANLON: I appreciate that.

MR. DOLL: So, yes.

SENATOR O'SCANLON: And look, it seems obvious to us here, but it is a legitimate debate within New Jersey -- about how dollars and cents impact corporate decisions. Obviously they do to us, but not to everybody here in New Jersey. So we need to have that on the record.

And you said -- both, I think, our CEOs said that it was a dollars and cents analysis, plus some of the passion, plus some of these other things that kept you here. Without the incentive programs you'd be gone, pretty sure, I think; 90 percent, maybe north of that? You tell me.

MR. DOLL: You would be correct.

SENATOR O'SCANLON: Okay. And the cost of the incentives that you have absorbed, and that you're now accruing against the State budget in dollars and cents, outweighs the value of the cost of the incentives? Have you done that calculation?

MR. DOLL: Well, we believe, obviously, with the payroll that we have, and the investments that we're going to be making, and the effect of bringing all of these other positions into Camden, for hotels and -- the multiplier effect, if you will, from all the people who are coming. We just had a group of people from China; I had about 100 people from China here, about two weeks ago, at our headquarters. They would have been somewhere else, if-- So they used hotel rooms, they used restaurants, they did all of the things that people do when they come into an area.

And so we think the multiplier effect to the State is going to be much greater than the investment and the tax incentives that we had. And you'll get those back much faster. Remember, we don't get the tax incentives upfront; we earn them, we earn them over 10 years. So far we--

SENATOR O'SCANLON: Wait a minute. You don't have that \$11 billion in your pocket that we could be using for something else?
(laughter)

MR. DOLL: I wish.

SENATOR O'SCANLON: Another stunning revelation; this is incredible. Someone has to-- I hope the Governor is listening.

But thank you.

And I get that; I get-- We have cold, hard dollars and cents analyses that we have to do as policymakers too. And we need to be convinced that the investment we're making -- which is the value of these tax incentives -- is more than offset by the benefit, economically, to New Jersey; economically, and from a community rehabilitation as well -- there's value there for all of us, whether you live in Camden or not. We all need to care about all these places in the state.

But we also have to do the cold, hard calculations as to whether these investments are worth it. So your perspective is one I appreciate.

I cut you off; you were ready to say something, I think? Okay.

MS. STORY: No, I was-- You asked about the benefits.

So as American Water -- totally, we pay about \$125 million a year in taxes. The corporate, and all, is a little less than half of that. So the tax credits, over a 10-year period -- not looking at the time value of money -- is about \$16 million.

SENATOR O'SCANLON: Thank you.

Mayor, I stand as an admirer for a long time.

Getting back to passion for a place -- it was obvious, from the moment I first heard your name, that you really care about Camden. It's a special place for you. Did you grow up there?

MS. REDD: Yes Senator; yes.

SENATOR O'SCANLON: I thought I read that, and was aware of that.

So I'm an admirer; and what you've done there is pretty amazing. Aside from what we've done with our aid, without competent leadership it could have gone nowhere. And we've seen that; we've all been working very hard, for a long time, in many distressed cities in New Jersey, and only recently have we seen some progress. So it's about leadership as much as anything else, and yours is appreciated.

So there is a particular area of the EOA that has gotten a lot of press; it's dealing with the supermarkets. And I was outspoken; if someone used our law, or lawmaking process, to insert language specifically helping someone, well, that needs to be transparent. But we do that; that's what economic incentives are about, as long as it's a level playing field and everybody has a shot at that.

What most troubled me were reports that it seemed as if some of the language didn't just incentivize projects, but was meant to thwart competition for a particular project. And that was the Fresh Grocer project; I'll name it.

Did we screw up; did that happen -- and that's not you, that's the Legislature -- or was there a reason for seeming to draw a line where we

excluded-- And look, we all want to see-- The concept of a food desert -- I hadn't heard about it until a few years ago, but I get it.

Did we screw up and thwart the bringing of a supermarket to Camden -- it could have happened?

MS. REDD: So Senator, thank you for raising the question.

As I recall, among many challenges, Camden had been without a viable supermarket for decades. And during that period of time -- it was my first term -- I remember Pathmark, which was the last supermarket that was in Camden, had closed while we were in the process of luring and attracting a ShopRite.

We ended up working with the Ravitz family to remediate a situation that we had not anticipated -- which was Pathmark closing. And they worked with the City of Camden, at that time, to place a PriceRite in the space so that there would be some fresh food options and grocery options available to Camden residents, albeit in the Fairview neighborhood. So if you think of Camden, from North Camden to Fairview, that supermarket is located at the lowest quadrant of the City.

To my recollection, there was no intention to block any competition of a Fresh Grocer, or any other entity that would want to move to Camden with a supermarket. We were working very aggressively to get a supermarket to Camden -- whether it was Fresh Grocer, ShopRite, Whole Foods -- those were some of the entities we were just deliberating in my conference room.

So I don't think the Legislature got anything wrong. I think what happened was market conditions dictated whether or not the PriceRite or the ShopRite would come to Camden. And so that was decided by the

Wakefern Corporation -- that they were not going to come because of market conditions.

So some of what was reported, and some of those individuals who went on record to say that there was a deliberate attempt to block them from coming -- I would dispute that, and I'll leave it there. I'm not sure that that entity had the capital at the time to really bring to force, or bear out, a supermarket coming to Camden. Again, the market conditions sort of dictated what happened with the supermarket.

SENATOR O'SCANLON: Okay; I appreciate that. But would you-- I mean, the language did seem to -- it did, actually, draw the line at being able to provide incentives for some smaller operators. Would you suggest -- we're going to redo incentives, where we have none now-- Would you suggest we leave that provision in, or would you suggest we take that out and maybe provide incentives for some smaller operators as well, going forward?

MS. REDD: I would like to see you come up with language that gives options for supermarkets to come to urban communities that are distressed, such as Camden. So I think that there's room for more than one player to come to a city such as Camden, particularly in the Eds and Meds quarter that is starting to build a critical mass.

There is a location in the center of Camden that would give access -- greater access, in my opinion, to residents throughout the City who may or may not have transportation.

So I don't think it's one-size-fits-all; I think there is a combination of a number of large- and mid-sized grocery providers that should be permitted to come to cities such as Camden.

SENATOR O'SCANLON: Okay, thank you.

So with the benefit of hindsight, you would suggest we alter that language to make sure that we broaden the opportunity for all players to come in.

MS. REDD: Absolutely.

SENATOR O'SCANLON: Not just supermarkets, but--

Great; again, thank you all for being here.

MS. REDD: Thank you, Senator.

SENATOR O'SCANLON: Thanks for your time.

MR. DOLL: Thank you, Senator.

SENATOR PENNACCHIO: Just one little bit of housekeeping. Mr. Doll and Ms. Story, you mentioned all the outreach and the good things that you've done within the community. Was there an actual Community Benefit Agreement that both of you had signed? That way, the famous, "trust, but verify" that we could hold to, going forward?

MS. STORY: Yes, sir. There's actually a City of Camden Community Reinvestment Agreement that outlines-- It's several pages long. We have exceeded the requirements of that. But yes, it is actually memorialized.

SENATOR PENNACCHIO: Okay, thank you.

MR. DOLL: Same with us.

SENATOR PENNACCHIO: Thank you.

MS. REDD: And Senator, if I can make it a matter of record.

It was my Law Department that developed the *Community Investment Agreement*, also known as a *Community Benefit Agreement*. And again, the components included local hiring, community investment in arts

education, recreation, and green programs, sustainability programs -- which you heard here today -- local sourcing, and certainly reporting and tracking.

And so we knew the importance of developing this *CIA* -- as we called it; a *Community Investment Agreement* -- to work in tandem with the EOA Act.

SENATOR PENNACCHIO: Senator Lagana.

SENATOR LAGANA: Thank you, Chairman.

Thank you for your testimony.

Much of the discussion nowadays is, not only did the tax incentives work, but did they provide benefit; and what should we be doing going forward?

So obviously we'll say, to your testimony, it appears that the City of Camden -- the tax incentives worked; but for those incentives, you would not be here. You're thriving in the City; the City is a much different place than it was years ago because of not only local leadership, but things that were offered through the State to entice businesses to come here.

The discussion, again, is about what do we do going forward? Now, do we continue what we did in the past? Do we adopt something different? Just as local leaders and members of the business community, what are your thoughts on that?

MS. REDD: So as a former Mayor and a former State Senator, I know the importance of evaluating the impact of programs -- right? -- initiatives that are rolled out, and there's always room for modification.

So, one, I would say that the legislative tool for municipalities in the State of New Jersey -- whether urban, or rural, or suburban -- that you need to have an aggressive business incentive program in the State of

New Jersey in order to compete, again, against states such as New York, and also Pennsylvania, so that we don't lose jobs to other states, or even as far as Indiana. You've heard that here today. So we want to be able to compete in this region, in this market.

I think that you look at -- based on the experience of implementing -- the Grow New Jersey program, the ERG program, and other business incentive initiatives that are administered by the EDA, and see where there is room or areas for tweaking. There's always an opportunity to, maybe, make modifications to programs so that they can be even more far-reaching, more effective. And again, keeping in mind that we want to make sure that we're not only retaining jobs in New Jersey and attracting public-private investment to distressed communities -- whether it's Camden, Paterson, Trenton, or Atlantic City -- at this juncture, I think keep in mind those areas that are really struggling to build themselves up and to be a contributor -- a meaningful contributor to the State of New Jersey.

So I don't think this is a program that you cast aside and throw out the baby with the water. I think you take a really close look and a deep dive, and you make the legislative adjustments where there is room to make the adjustments, and within reason; and understanding the needs of the business community, but also understanding the needs of localities throughout the state.

MS. STORY: And Senator, I agree with the Mayor.

Whether you're a government or business, you never stand still. And there's always an opportunity to learn the best lessons -- what worked,

what could be done better -- and to recraft what will work for today and going forward for the State of New Jersey.

MR. DOLL: And I think the only thing-- That's a great question, Senator. I really haven't given it much thought until you raised the question.

But I guess I would look at what the competing states around-- Like, where does New Jersey lose business to? New York, Pennsylvania locally; and maybe other states. And kind of do a -- kind of work it backwards. Okay, here's the cost of doing business in those states, compared to doing business in the State of New Jersey; and kind of work backwards -- the types of incentives that would be needed in order to keep companies within the state, or to attract companies to the state.

SENATOR LAGANA: Thank you; thank you for your answers.

Because I think it's important to ask the business community what their opinion is on the issue. We hear, oftentimes, from elected officials, we hear from economists. But I think sometimes you need to speak to the business leaders to say, "What are you looking for exactly?" because I think you probably want to tailor your tax incentive program around what their needs are, and where you're looking to attract a certain business group.

So I appreciate, again, you being here to testify and your answers today.

Thank you.

MR. DOLL: Thank you.

SENATOR PENNACCHIO: Again, I'd like to thank the panel for your hard work and your testimony today. Hopefully, going forward, we

could use what we learned today and craft something maybe a little bit better.

Thank you.

MS. REDD: Thank you, Chairman Pennacchio; thank you for allowing us to come before your Committee.

MR. DOLL: Thank you very much.

SENATOR PENNACCHIO: I understand that Campbell Soup Company has testimony that they would like read into the record; so we can have OLS do that right now.

Go ahead.

MS. CLARK: The testimony is addressed to the members of the Senate Select Committee on Economic Growth Strategies, from Mark Clouse, President and CEO of Campbell Soup Company.

“Thank you for the opportunity to provide written testimony today.

“Campbell Soup Company is a multi-national food company headquartered in Camden, N.J., with annual sales of approximately \$8.1 billion and 19,000 employees. We make a range of high-quality soups, and simple meals, beverages, and snacks. Our company is driven and inspired by our purpose: Real food that matters for life’s moments. For generations, people have trusted us to provide authentic, flavorful, and readily available foods and beverages that connect them to each other, to warm memories, and to what’s important today.

“This year marks an important milestone in our company history, as we celebrate our 150th anniversary. We’ve been proud to call Camden our home since our founding in 1869. Joseph Campbell, a fruit

merchant, and Abraham Anderson, an icebox manufacturer, formed a fruit preserve business and opened their first plant in the City of Camden along the Delaware River. At the end of the 19th century, John T. Dorrance, a chemist at the company and nephew of then-president Arthur Dorrance, invented the recipe for condensed soup. As the popularity of soup continued to grow, the company officially changed its name to Campbell Soup Company in 1922.

“Today, led by our iconic Campbell’s brand, our portfolio extends beyond soup to foods such as Pepperidge Farm cookies, including Milano and Farmhouse; Goldfish crackers; Snyder’s of Hanover pretzels; Lance sandwich crackers; Kettle Brand and Cape Cod potato chips; Late July snacks; Snack Factory Pretzel Crisps; V8 beverages; Plum baby food; Swanson broths; Prego pasta sauces; Pace Mexican sauce; and Pacific Foods broths, soups and non-dairy beverages.

“Over the last 150 years, we’ve seen significant changes to our industry, to our company, and to our hometown. In the mid-20th century, we watched as many businesses left Camden and moved out of the City with the development and growth of suburban communities. We remained and continued to call Camden home. In the early 2000s, as we looked to our future and the need to renovate our existing campus in the Gateway District, we explored all available options, including relocation. In 2007, we announced plans to remain in Camden and invested over \$132 million in renovating and expanding our world headquarters.

“Working in partnership with the State of New Jersey, we qualified for the Urban Transit Hub tax credit program and received \$6.8 million in HUB credits. The State agreed to invest \$26 million for

infrastructure improvements to support the Gateway redevelopment. State-funded improvements included enhancing nearby roads, relocating sewer lines, and improving the appearance of government-owned buildings in the immediate area.

“As part of our decision to further invest in Camden, we took on the additional responsibility as master redeveloper of the Gateway section of the City. When we announced our plans in 2007, we also committed to improving the area around our campus. We purchased and remediated vacant lots and abandoned sites around our campus, readying them for redevelopment. We supported the Economic Opportunity Act, and the incentives it provided, to encourage businesses to expand and grow in Camden. In April 2018, we were thrilled to welcome Subaru to the neighborhood.

“Beyond our investment in our facilities, our agreement to develop the area surrounding our headquarters, and the property taxes we pay, Campbell and our employees make a difference in the community in many ways, from supporting various nonprofit organizations through the Campbell Soup Foundation, and our employees regularly volunteering in the community. We contribute approximately \$1.5 million in direct grants each year to organizations across the City.

“Additionally, in February 2011, we launched the Campbell’s Healthy Communities Program, a commitment of time, talent, and \$10 million over 10 years to measurably improve the health of the young people in our hometown communities by reducing childhood obesity and hunger by 50 percent. In just the last year, we funded 2 million minutes of

nutrition education and physical activity, and reached over 30,000 participants through funded programming.

“As a long-time Camden business, we support continued investment in the City of Camden’s revitalization, and the attraction and retention of businesses to the City. We believe public-private partnerships are essential to driving economic development in Camden. Together, we will have a greater collective impact on the City.

“We are proud to call the City of Camden home our first 150 years; and we look forward to the next 150 years of continued growth and prosperity for our company, our employees, and our hometown.”

SENATOR PENNACCHIO: Thank you.

Next up, we’re going to have some Camden community leaders, involved also in safety; and County government officials.

So Jonathan Young is a Camden County Freeholder; Mr. Thomson is a former Camden County Chief. Is he here? And Bryan Morton is the Founder and Executive Director of Parents for Great Camden Schools; and President of North Camden Little League. Is he here?

UNIDENTIFIED MEMBER OF COMMITTEE: Yes, they’re all here.

SENATOR PENNACCHIO: All here.

UNIDENTIFIED MEMBER OF COMMITTEE: Yes.

SENATOR PENNACCHIO: You have the floor.

Just state your name, please, when you talk. I guess we can go from-- Actually, I’m sorry; Freeholder, you have the floor.

F R E E H O L D E R J O N A T H A N L. Y O U N G, Sr.: Thank you, Mr. Chair.

Freeholder Jonathan L. Young, Senior.

Good afternoon, Mr. Chairman and members of the Committee. I appreciate the invitation to testify before your Committee.

As a Freeholder Liaison to the Camden County Workforce Development Board, a Council Representative for the Keystone Mountain Lakes Regional Council of Carpenters, and a previous instructor of a pre-apprenticeship program called ACP, and also involved with a pre-apprenticeship program that's running now called UOSS in the City of Camden, I've had to watch as able-bodied and eager Camden residents sat jobless for months or years at a time because of an absolute lack of new jobs coming into the City.

That changed since the passage of the EOA.

Since the passage of the EOA, we have seen the largest influx and expansion of companies since the turn of the 20th century. The companies that have moved into Camden could have moved anywhere, including Pennsylvania, as you heard from our previous speakers. And the companies -- they chose Camden. They did it because of tax credits; also because they believed in the promise of a revived City.

I cannot speak of tax incentives of other Jersey cities, but certainly Camden has created -- because of the EOA, Camden has created and supported thousands of new jobs.

Context is important, and so is history, Mr. Chairman.

In May 2013, the unemployment rate in Camden was over 16 percent. High unemployment was the norm for our residents. It started in the 1960s, when the City lost almost 50 percent of its employment base. Companies either moved out or closed down their operations entirely.

From that point until recently, the residents have always watched by as the State and the country experience periods of historic economic growth, and they took it on the chin disproportionately during the down economic cycles.

When the EOA was signed into law, I had faith in the program. The most recent data released finally reaffirms that faith, with objective measurements to back it up.

According to Governor Murphy's own Department of Labor, Camden's unemployment rate has reached a 30-year low. In 2017, the City also had the highest employment-to-population ratio for 25- to 54-year-olds since 2009.

I want to be clear that we have just started the process of hiring residents, and we will not rest until we have a fully operational pipeline of training and placement, with wraparound services. So in other words, we're not saying that we are here and this is the end of it. We're letting you know this is the beginning of it, and we have to start somewhere. And this program, here, really gives us a good jumpstart on making sure that our City residents have a fighting chance to survive in this world.

We know the process of training and employment is going to be a challenge, but we are convinced that with the cooperation of existing and new businesses we can build an employment base that will help Camden residents build and sustain successful lives.

Some, including the Murphy Administration, have questioned whether jobs have been created. Let me set the record straight. A few days ago, the Chairman of the New Jersey Economic Development Authority saw fit to leak an incomplete report that said fewer than 30 construction jobs

were created for Camden residents by companies receiving tax credits. The Chairman of this most powerful entity had the statutory authority to get complete data, but choose not to obtain it.

Think about that. You have a guy who's in charge of the most powerful entity that we have in this State right here. He's got all the data in his hands, and he chose -- he chose to put out an incomplete report. That's an issue I think is well worth looking into, as well.

He got the headline he wanted from the newspaper, which was all too eager to print a negative story about Camden. Within hours of the story being published, Mayor Frank Moran of Camden sent Chairman Quinn, and the newspaper, payroll data from the four entities. In just these four companies, we were able to factually prove that 174 jobs were created for Camden residents. Since then, we provided reports from two more companies that show an additional 24 construction jobs that were created for Camden residents. This is in addition to hundreds of construction jobs that have been created for New Jersey union workers across our County.

That's not all, Mr. Chairman. According to a preliminary analysis conducted by Cooper's Ferry Partnership, a nonprofit based in Camden, a total of 1,250-plus Camden residents are working in facilities that received tax credits.

Through the Chair, I would ask two letters, sent by Mayor Moran to Chairman Quinn, be entered into the record. These letters outline how Camden's economic trajectory has changed over the last several years. And you will have that in your inbox -- in your e-mail, Mr. Chairman.

As I said earlier, Camden companies, government agencies, and nonprofits are working together to develop a robust pipeline of employment. Cooper's Ferry Partnership recently announced a jobs portal of all jobs in Camden companies; almost 2,000 job openings. So we've created a pipeline that shows County jobs, private jobs, everything; one portal. So you don't have to go reaching and looking all over the place to find a job. You want to know where the jobs are? You go to one place, and everything's listed right there at that one portal.

We are also working hard to unveil a new unified, one-stop training, placement, and social services employment platform called *Camden Works*.

I want to readily admit that a lot more needs to be done. It took decades for Camden to come out of this economic depression, and it will take some time for us to bring the City back. However, no amount of second-guessing is going to change the fact that the Economic Opportunity Act fundamentally led to the transformation of this great City.

Thank you for your time, Mr. Chairman and Committee.

SENATOR PENNACCHIO: Thank you, Freeholder.

Chief.

J O H N S C O T T T H O M S O N: Good afternoon, Chairman Pennacchio and members of the Committee.

I am honored by the invitation to testify before you today.

My name is John Scott Thomson. I worked as a police officer in the City of Camden for 25 years, and spent the last 11 of my career as the Chief of Police of both the City and the Camden County Police Department.

Over the course of my career I have served at every level of the Department, and worked side-by-side with some of the most dedicated public servants in the state.

In 2008, when I was appointed by Attorney General Anne Milgrim, the City had significant challenges and was under State control. I worked the streets for years and saw, up close, the systemic, bone-crushing poverty in Camden, along with the violent crime that pervaded nearly every neighborhood and seemingly got worse every year.

A strategy to alter the course of these intractable issues was something no one or level of government had been able to determine.

By this time, Camden had seen some of the most extreme economic disinvestment of any city in the nation. Based on this and the tremendous level of violent crime, there was little hope or energy in Camden or its future. The situation was so egregious that national media outlets, such as NBC Nightly News, *Nightline*, and others had featured Camden as a primetime news story. Even *Rolling Stone* magazine featured a lengthy article on Camden entitled, "Apocalypse, New Jersey."

As far as crime was concerned, in 2012, someone was being shot every 32 hours in our City. Stray bullets were frequently finding unintended targets. Thousands of good people were forced to abandon public space for fear of their own personal safety.

Unfortunately, the violence in the City knew no boundaries, and was striking and killing even the youngest, most innocent members of our community. Every year a child was killed or severely maimed in Camden from the endemic violence on the streets that did not discriminate who it impacted. Parents could not let their children play on the first floor

of their homes, let alone let them venture outside to play in front of their house. It just wasn't a reality.

If that wasn't bad enough, for a City of nine square miles, Camden had 175 open-air drug markets operating with impunity almost 24 hours a day. The dangers of this business negatively defined the lives of all those within its proximity. In fact, I would like to underscore my point by showing you a scene that occurred right in front of the soon-to-open Rowan-Rutgers Joint Board building in the 200 block of Broadway, in the heart of our City.

(shows video)

You're going to see a fight that quickly escalates into a shooting.

And the gentleman with no shirt on -- this gentleman is going to receive a gunshot from this individual; he just pulled out a gun. They're arguing; he raises the gun and he shoots him, and he's hit.

That's in the heart of our City, 2011.

In that same year, on that same block, a police officer was critically injured when he was stabbed in the chest breaking up a street fight. He was fortunate to survive, but his injuries were so severe it ended his career as a police officer.

That same location, in 2012, experienced 29 victims of crime, from January 1 to August 31, including a murder and five robberies. During that same time frame, in this past year, 2019, zero violent crimes.

This began to subside when the County created and started to operate the Camden County Police Department in 2013, under the visionary leadership of Mayor Dana L. Redd and Freeholder Director Louis

Cappelli. It stands today that we have the lowest crime numbers in 50 years, and homicides have been reduced by almost 67 percent since 2012.

Violent crime is on the decline by almost 40 percent; open-air drug markets have been reduced by 90 percent; and today, for the first time in decades, Camden children can safely ride their bicycles in front of their own homes and the elderly can walk to the corner store to get a loaf of bread.

Digressing back to the video for a moment -- there are several significant reasons for the turnaround in the Camden. One is the significant investment made by private and public entities over the last six years, thanks to the Economic Opportunity Act. The scene of this shooting and where a brave police officer nearly lost his life is no longer a seedy, 24-hour fast food takeout shop surrounded by abandoned buildings. But it is now a beacon for innovation and research, shared by three institutions of higher learning.

Today it is the Joint Health Sciences Center, which was built with EOA funding. But just a few years ago, people feared to visit this location. It's now a net benefit to a City, and to the Eds and Meds corridor in Camden. It's a towering presence over what used to be a danger zone.

Throughout the City I've facilitated crime plans and dedicated resources to sites that now stand as edifices of progress. Places that were dens of inequity that threatened public safety and negatively defined a City and its people, are now home to Fortune 500 companies. There are no longer calls for the National Guard or urgent deployments of State troopers to secure our streets.

But even after we started to make incremental progress in public safety, it was still a hard sell to the business community. As you heard here this afternoon, moving forward I had met with several corporate leaders who, if not for the EDA incentives, they would have never considered investing in a city that was perennially labeled as the *nation's most dangerous*.

There are more than 35 EDA sites in Camden that were once both public safety and public health challenges; and like MLK and Broadway, have since been cleaned up. Steel, brick, and mortar have been the foundational investments in areas that were polluted and shuttered for more than a generation.

Although I consider myself an eternal optimist for the City of my roots, I also know its existing challenges better than most. That which has been achieved needs to be cautiously categorized as *progress* and not *success*, as much more work is still left to be done. My concern is if Camden's momentum ceases she will slide back into the days of old. We finally have fewer mothers burying their children, and we all have a moral obligation to ensure this doesn't reverse.

In May 2015, I had the extreme honor to host President Barack Obama at my police administration building to discuss how we were making Camden safer through community policing, during a time in which most cities were experiencing civil unrest because of strained relations with law enforcement, post-Ferguson. The President and I continued our conversation as his motorcade drove us through the streets of Camden.

By the conclusion of our discussion the President, as a policymaker, and I, as practitioner, agreed there was no silver-bullet

solution for challenged communities like Camden. Rather, there is an interdependence that inextricably links public safety, education, and economic opportunity. Nothing stops a bullet like a job, and nothing secures a job like an education.

And when these disciplines begin to harmonize, the synergy is powerful and places can begin to actualize President Kennedy's axiomatic advice that "a rising tide lifts all boats."

I know this is what has finally reversed Camden's five-decade downward trajectory. I beseech you to strongly reconsider anything that may alter the formula that's produced 50-year lows in crime, highs in education, and unprecedented development. Even with all of its challenges, Camden now has a reputation for progress, rather than crime and decay.

Thank you, Mr. Chairman and members of the Committee.

I look forward to your questions.

SENATOR PENNACCHIO: Chief, thank you for your testimony, and thank you for your service.

Mr. Morton.

BRYAN MORTON: Good afternoon, Chairman, panel.

I'd like to thank you for the opportunity of speaking here today, and would like to really thank you for your taking the time, in spite of the political climate, to set this hearing up to get greater insights into the impacts and benefits of the EOA on Camden.

And I, like my friend and colleague Chief John Scott Thomson, would like to take this opportunity to help to put a human face on the benefits of the Economic Opportunity Act in the City of Camden.

I'm the proud son of an African American mother and a Puerto Rican father, both of whom migrated to Camden -- one from Virginia and one from the island of Puerto Rico -- both in the late 1950s -- when Camden was the hub of opportunity, and we had great manufacturing and job opportunities in Campbell's Soup and RCA, shipbuilding, Bostitch Pencil, Knox Gelatin. And contrary to Trenton's motto of what it makes the world takes, it was actually Camden -- because not a school-age child could go through school without holding Camden in his hand in the form of a No. 2 pencil. Everything from drive-ins to recorded sound came out of my City. So it's a place not only of opportunity, but of excitement, and someplace where you could be proud to call your home.

And being born in 1971, my early childhood was much different from my adult years. I've spent 39 years -- I'll be 49 this coming year -- and 39 of my years on this earth was spent during the decline. I've witnessed demographic flight, I've witnessed intellectual flight, I have witnessed economic flight; and, in turn, I have seen my City go through some of the harshest times imaginable anywhere.

And I often now understand that some of that was, in part, due to some misguided policy changes, both at the Federal and local level, where we incentivized the blighting of urban areas. And so it was more incentive to promulgate or promote the negative assets of a community, versus its benefits. And so we saw the entire bulldozing of neighborhoods, we saw our waterfront become home to a prison. Now, imagine Asbury Park or Jersey City relocating Kearny to its waterfront, versus what it is today. And that's what we were seeing being developed in Camden. Even policies such as the Mount Laurel decision, that said every community --

residents in every community should have access to low-income housing -- Camden, because of our economic position, would take on the obligation of other communities to try to plug certain budgetary and fiscal gaps.

And so that was the Camden of my adult -- young adult life. And in turn, I remember walking into my high school, in my freshman year, and feeling safer on the street corner, on 5th and York, than I felt in my high school. And I would go on to lose almost a decade of my life to being incarcerated. I faced homelessness, I've won battles against addiction; I was able to go back and return from being a high school dropout to being a college graduate and holding my graduate degree in Sustainable Community Development.

I'm very proud today that my wife and I are able to have a very different conversation with our daughters. When we were going through college everyone would always ask, "Once you graduate, where are you going?" because there was no opportunity. Less than 6 percent of our entire City holds college degrees; and an even smaller percentage, advanced degrees. So it was always about, "Where would you go?"

And as a consequence, suburban areas and communities surrounding Camden City have benefited from those of us who have gone on to graduate, because there were opportunities. We could see the viability of raising families.

And today, when we speak to our children, it is really about, "Where are you going to go to school?" and "Which job are you going to take?" in one of these companies that are now here in front of us.

The EOA has really allowed Camden to undo decades of poor policy decisions in the State of New Jersey that saw other communities

benefit from incentives. And we have recognized that a city, such as Camden, in its position as the Gateway to Southern New Jersey, cannot fail; that we can no longer overlook this City that sits in this position and allow the citizens to go unserved.

And so the incentive has not only attracted businesses and saved jobs in the State of New Jersey; it is creating the real viability for the future of Camden. And a future of Camden where black and brown children will have an opportunity -- when they come back with their law degrees, with their economic degrees, with their marketing degrees, with their communication degrees -- to have a job in the City that they love, to raise a family in the City that they love, to attend great schools in a City that they love, and to be safe in the City that they love.

As the Chief pointed out, families couldn't, at one time, feel safe with allowing their children to play outside. And that may sound anecdotal, but it is an absolute reality. Our parks had seen some of the most gruesome murders anywhere in this country. And as a result, our parks had become hubs for everything but children playing. When I started the North Camden Little League in 2011, my primary partner was this man sitting right here (indicates). And a fun fact -- the Chief and I once sat in the same classrooms at Rutgers University. He would go on to become Chief, and I would go on to become a number in the State DOC.

And that really comes back to a community lacking the social supports for its residents. However, when I came back out, he was one of the first people to greet me and say, "All right, how are we going to work together?" And he made sure, when the Police Department was going through its transition, that there were officers stationed at our practices and

at our games; that they would do walkthroughs prior to each, and that they would displace the drug dealing and the gang members who were congregating there. And as a result, today my Little League serves over 750 youth annually; we have over 42 teams with children playing between the ages of 5 and 19 across the City. And so that's an amazing thing, and it's something to give you context. Imagine if, in your city, there was no soccer, there was no football, there was no baseball in your parks; none. And that's what North Camden looked like; and in the summertime, that was the case in point in all of our parks. It was just absent.

And so today, being able to have partnerships with these companies that are coming in-- And they all say one thing; I don't know if it resonated. They all said *my City*. They all recognize that they now have a place in Camden City, where they are now anchored and they have an obligation to the community. And while they have formal Community Benefits Agreements, the longer that they are there the more they are able to build relationships with residents and community organizations. And so even outside and beyond their benefits agreements, they are investing.

And so when we're looking at has there been a benefit under the EOA, there are the direct benefits: job creations and investments by companies. There are the secondary investments under the EOA, where we are now seeing other companies relocating and locating in the City of Camden; and then there is the tertiary benefit of -- now there are opportunities for the future in the City of Camden.

And I'll end with this point. In 2020, we will have our first hotel in the City of Camden in almost three decades; our first hotel. So no longer will the business that happens be transient business; we're going to

be able to host and hold conferences. All those individuals who are coming into these headquarters -- because that's what they are -- will now be able to have the opportunity to stay in the City of Camden, which will help grow and feed our restaurant development, which will help grow and feed our shopping corridors. And Camden will once again become the vibrant hub that it once was, and absolutely become The City Invincible that we all believe in.

So I'd like to thank you again for the opportunity. I'd like to thank you again for wanting to sharpen the policy, and not do away with the policy. Because it is increasing opportunity; and in that reality, it is saving lives.

SENATOR PENNACCHIO: Thank you, Mr. Morton.

And I just want to thank the whole panel. If we take a look, this is a microcosm of what we need and how we need it to work, not only in Camden, but throughout the State of New Jersey.

I have just one question for the Freeholder.

I'm a big proponent of matching grants. First of all, I think you can leverage the benefits, especially if somebody else chips in. But more importantly, in my view, you get more local eyes on it. The closer you get to the project -- whatever it is that that grant money is going to -- the better you can scrutinize it, because you know where the dead bodies are buried, you know where the weeds are. (laughter)

So are there any State EDA programs, to your knowledge, that have those matching grants? Or, if you can just give us an opinion of how would you feel about something like that -- where the County could actually partner with the State on some of these programs?

FREEHOLDER YOUNG: Well, listen, a partnership is always right. I mean, we look at -- when you look at how things operate and how they go, Camden, as it is right now, couldn't stand on its own without help, right? So the County couldn't stand on its own without help from a higher agency. The State couldn't stand on its own without the Federal, right?

So when you start to look at these matching grants, and how can we partner, and what's the effect of it -- I think the partnership is definitely wanted, right? So we agree that a unified partnership with us and the State, or with us and a grant writer, with us and the City, to make these things match and make the ends meet, I think, is very wanted.

SENATOR PENNACCHIO: Thank you.

Senator Cruz-Perez.

SENATOR CRUZ-PEREZ: Thank you; thank you, Mr. Chairman.

And it is good to see you, Freeholder Young; Chief Thomson, it is good to see you without the uniform on. (laughter) I'm not used to that; I don't like it. And Bryan, for your testimony.

Freeholder, New Jersey incentive programs were crucial for attracting investment into Camden City. How does that translate to the rest of the County, and how many jobs do you think have been created because of what happened in Camden?

FREEHOLDER YOUNG: So when you look at it -- and Bryan said it the best -- we believe that Camden County is the Gateway to South Jersey; we believe that all things that happen-- So let me back up. Camden City is the Gateway to Camden County; the County is the Gateway to South Jersey. That's the perspective of it.

So when you start to look at the effects of how this EOA has affected it -- we have the Gloucester Premium Outlets; we never had it before. That's up there; it created jobs, it created a lot of jobs. You're having spurring development through Cherry Hill, through Collingswood; you're having development that is -- it's a jumpstart for everything, right?

So as the liaison to the Workforce Development, it's really great for us. And what we do at the Workforce Development is, we do a needs assessment; meaning we'll go out and we will find out what our market is: Who are we, as Camden County? Who are our residents? Are we blue collar, are we white collar, are we lawyers, are we doctors? What is the workforce?

So we find that workforce, and then we develop programs to train those individuals. The County is a -- the Workforce Development is a County agency, but most of our customers are Camden City residents. So when we go out and we're doing needs assessments, or we're going in, these individuals -- they might not be working just in Camden. But because what's going on in the City of Camden is developing the rest of the County, therefore we are putting Camden City residents to work, period. That's what we really need to worry about. Are we going to worry about if--

Listen, I'm a union carpenter; I've been a union carpenter for 25 years, right? I live in West Berlin, and I grew up-- I started my -- when I moved to New Jersey, in Lindenwold. I cannot remember a time where I worked five minutes from my house. I worked all over South Jersey. That's just the-- And I get it. I get it. We're bringing these businesses in, and we're having residents who are working at these businesses.

But the bottom line is that we are employing Camden City residents because of what's happening in the City. And I think that's the most important thing about it. We're changing lives; we're making it better for them. They're getting -- just through the construction portion of it, we're making individuals, who were getting unemployment or who were making nothing -- I can speak for the carpenters' union alone -- they're going from making nothing to making \$25 an hour. That's a game changer for some. They'll finish an apprenticeship program -- a five-year apprenticeship program with 34 college credits, making \$50 an hour in their pocket, with benefits. That's a game changer.

So when we talk about the effects of this here, it's true, and it's real, and it's changing lives. Whether they're working in the City, whether they're working in the County-- We have a resident who was on the construction side; they came in, he started working for LF Driscoll down on the waterfront. They liked him so much, they took him with them over to Philadelphia. Now, if I get another job that opens up in Camden, am I going to take that individual from Philadelphia and say, "Hey, listen, I know you're making a lot of money over there, but I'm going to pull you back and bring you back over here where you might not make as much." I don't think that's fair.

I think the important part of it is that we are employing individuals, and we are changing lives because of what's happening.

SENATOR CRUZ-PEREZ: Thank you, Freeholder.

As new employers are locating into Camden City, what are the roles of Camden County College, vo-techs, the One-Stop in addressing the workforce development needs?

FREEHOLDER YOUNG: What we've done is -- again, we do a needs assessment; we find out what's out there. Prime example: EMR, Holtec -- looking for welders. So what we did is -- we're not going to reinvent the wheel; we're not going to say, "Hey, I need to find me-- How do I get involved in a welding program? Oh, you know what? The college has a welding program." So let's partner up with the college; let's figure out what the needs are, who needs to get-- What are the wraparound services that they need? And then what we do is, we send them to the college to get their welding certification, then they get employed.

And just like we do with any other-- The hotel that's coming in. We're going to do a needs assessment for them, find out what they need. They need housekeeping, they're going to need cooks for their restaurant that's going to-- They're going to need wait staff, they're going to need management staff.

So how do we do that? How do we guarantee that our Camden residents are going to be in those jobs? We're going to sit down with Hilton Gardens; we're going to find out exactly what they're going to need, and we're going to find out how do we devise a program to train our residents to make sure that they are part of that job.

SENATOR CRUZ-PEREZ: Thank you, Freeholder.

FREEHOLDER YOUNG: Yes.

SENATOR CRUZ-PEREZ: Chief Thomson, from the law enforcement perspective, how do new buildings and development impact the crimes in Camden City?

CHIEF THOMSON: Senator, thank you for that question.

The best example I could give you is the video that I showed you. If any of you come down for that opening in the very near future, you wouldn't even recognize it from that video. The displacement of buildings that were abandoned, buildings that facilitated the criminal element -- they're no longer there, and they're now being replaced by entities and businesses that perpetuate activity; that have students, that have families, that have people who are occupying public space. And it's almost like a chemical equation; like there is just a completely different environment there now; it's one that's positive as opposed to a negative one.

SENATOR CRUZ-PEREZ: I know; I remember that corner and now we have that beautiful building.

Bryan, as a parent who has kids in the school district, have you seen any impact from the presence of new businesses into the City?

MR. MORTON: Yes, and I think two of the speakers earlier pointed out how they're making direct contributions into the schools.

And to your question, also, around the vocational schools and the County -- their investment has been in developing or supporting advanced math programs, computer literacy, and implementing, as with Hopeworks, direct internship programs for students in the City of Camden to be able to get hands-on experience in their corporation.

So there's the fiscal investment that will support the academic side, but then there's also the practical experience with interning in the corporations. And each of them will ultimately lead into real, meaningful job opportunities for Camden City residents. So without those companies they wouldn't have had those opportunities, both in terms of economics or

investments in school books, and to new technologies into classrooms, or into the opportunities for job shadowing and internship opportunities.

SENATOR CRUZ-PEREZ: Thank you, Bryan.

SENATOR PENNACCHIO: Senator Addiego.

SENATOR ADDIEGO: Thank you.

So I grew up in Pennsauken (laughter), and I practiced law in the City of Camden in the late 1980s, early 1990s -- I'm not giving my age away -- and I also was a mentor for the inner city schools. So I'm very familiar with that Camden.

Recently my husband had an accident, and Virtua, in the middle of the night, had to transport him to Cooper. So my daughter and I had to drive there. And as I got in to take the turn off Admiral Wilson Boulevard, to head to the hospital, I was, like, "Where the heck am I?" What a difference; bravo.

We were in the middle of the night; we did not have fear. There were not people on the corners of the streets. There was a police officer parked nearby. So what a difference.

So my question is -- or actually, another statement here. A hotel; wow. Wow, a hotel.

So back then, the idea was to get out of Camden. Residents were looking to move to where I now live, in Burlington County. Do you find, now, that that's changed?

FREEHOLDER YOUNG: So, real quick.

As I stated in my testimony, I taught a program called ACP; it was American Community Partnership. And the purpose of that program

was to take individuals from the City of Camden and give them a second chance.

And what I would tell them -- and I'm going back 15 years, maybe -- and what I would tell them is, this is what you need to do. Once you get out, you get into a trade; get a trade, find a nice woman, if you don't already have one. (laughter) Have kids; get married, if you're not already married; and get out of the City.

That was the storyline to them. That's what I told them, because that's where we were.

Today, the same programs that are being run -- and not apprenticeship, not pre-apprenticeship programs -- when I go and talk to individuals at schools in Camden, I tell them just the opposite. I say, "Your City is starting to come alive. You're starting to feel something; your City needs you to do it."

And I want to make one statement about the future and where we are. When we start talking about the progress of Camden and what we're doing, we are very much in tune to the individuals who are ready to go to work right now. But more so, I believe it's our responsibility, as elected officials, to not only worry about today, but to worry about what's going to happen 20 and 30 years down the road. So if we are only worrying about how we're going to fix this problem today, and the effects that it has today -- which we should be, and we do-- But my responsibility, I believe, as an elected official is that when I leave this post, I want to leave it better than when I found it; and, two, that I've set it up for the future. And I think that's what we're doing right now -- is we're letting this City be able to stand-- It's a fractured foundation; there's no doubt about it. All we can

do right now is, while we're here, shore that foundation up, get it re-poured -- I'm talking construction terms, of course, right? -- get it re-poured, get a nice and solid base going, and then you build from there. It's all we can do; it's our responsibility.

MR. MORTON: I would answer that question-- I would love to invite you to North Camden, right? So the Chief would let you know that North Camden was-- If you had a student who went to Rutgers-Camden, they literally told them, "Don't go past the bridge;" past the bridge is North Camden. In North Camden alone we're seeing private market-rate development in housing. And that is something that people told me I wouldn't see in my lifetime.

So I would implore this panel, as we're looking at the benefits of the EOA, to perhaps reach out to the City of Camden and say, "Hey, can you give us a number on permits, or applications for permits, or purchases of land in the City of Camden that have taken place since the EOA?" Because we are -- people are now buying in the City of Camden, people are developing in the City of Camden, people are redeveloping in the City of Camden; because they now recognize the real reality -- and not the potential. I say *potential* is like, you know, almost equivalent to manure. Either it can stink, or it can really help to fertilize something. And what we're seeing is, like, the growth. So we absolutely are seeing a shift and a change, where people are believing that they should stay in the City, where people are purchasing homes in the City of Camden, and where people are investing their private dollars in the City of Camden without incentives. So the incentives have spurred other economic investments into Camden City as a result of it.

SENATOR ADDIEGO: Thank you.

SENATOR PENNACCHIO: Thank you.

Senator O'Scanlon.

SENATOR O'SCANLON: Thank you.

Just very quickly.

First, thank you all for being here. You actually answered most of my questions during your testimony -- most of you.

But I do want to acknowledge the passion that you also bring. The three of you and I were chatting a little earlier, and it's come through here as well.

Freeholder, thank you for being here; Mr. Morton, your story is inspiring.

So in the name of time I'll ask you not to answer this now, unless there's something really glaring.

But taking all the politics, the back-and-forth, over what's gone on about tax incentives -- and it's been both sides; the politics have kind of infected the debate.

Take that away, and maybe through the Chair let us know what we really can do better. There's almost no New Jersey policy that is without fault or room for improvement. We know some of the area, but your perspective on the ground would be really valuable. You may have shared some of that, but I'm really interested in how we can do it better, and what flaws we can all agree on, rather than some folks on one side are saying the whole program is a disaster, other folks saying it's perfect. Neither one of those things is true.

So I'd like your perspective; it would help the whole Committee if, in the next day or so -- or as quick as possible -- you can get us some input on what we can do better, from your perspective.

FREEHOLDER YOUNG: Absolutely.

SENATOR O'SCANLON: Thank you.

SENATOR PENNACCHIO: Thank you, gentlemen.

Next up, we have Chris Paladino, President, New Brunswick Development Corporation.

Chris, are you here?

CHRISTOPHER J. PALADINO: (off mike) I am.

SENATOR PENNACCHIO: There you are.

And Chris, and anybody else who is going to be speaking, just-- That way the transcriber knows who you are when you begin speaking -- just tell us who you are; that way it goes through to the microphone.

MR. PALADINO: Sure.

SENATOR PENNACCHIO: Thank you.

MR. PALADINO: Mr. Chairman, members of the Committee, my name is Christopher Paladino. I'm the President and CEO of the New Brunswick Development Corporation, commonly known as *DEVCO*.

I'm pleased to have the opportunity to participate in today's session, and for the opportunity to share with you some of DEVCO's experiences with the State's recent tax credit incentive programs; and, most importantly, to share with you the impact these programs have had on DEVCO'S ability to deliver large-scale, mixed-use projects that truly have impacted economic activity in New Brunswick, Atlantic City, and Newark.

DEVCO is a not-for-profit real estate development corporation, established in 1976 -- I was only 16 years old, so I had nothing to do with the beginnings -- by a coalition of civic, business, and leaders of the city's anchor institutions.

Since 1976, DEVCO has been responsible for over \$2.2 billion in development projects. Since 2013 alone, our projects have been the catalyst for over \$820 million being invested in New Brunswick, Atlantic City, and Newark.

Cities are fragile places; and we believe if you're not cutting a ribbon on a project, in construction on another, breaking ground on a third, in pre-development on a fourth, and dreaming and planning about the next three, you run the risk of losing momentum. And momentum is critical to sustaining and moving the cities forward.

We are on track to be in the ground with four projects over the next 18 months that will continue to change the landscape in New Brunswick, Paterson, and Atlantic City, and realize over \$1.1 billion in investment.

We operate using three simple principles. All of our projects seek to address an unmet public policy goal; we seek to address real estate development challenges by seeking to create critical mass, build towards density, and develop mixed-use projects whenever possible; and we utilize real public-private partnerships.

We've been uniquely positioned to deploy and efficiently use the State's tax credit incentive programs. Often we take on projects that, quite frankly, others may have given up on; or that we have just the staying

power, the patience, or sometimes stubbornness to hang onto a great idea and tackle a public policy challenge.

We've been the recipient of three residential ERG allocations, and each are examples of how incentives work and why they are essential to the success of certain development projects.

In Newark, we breathed new life into one of Newark's architectural treasures, 15 Washington Street. This 21-story building, built in 1930, served as the headquarters of the American Insurance Company and was donated by the Fireman's Fund Insurance Company to Rutgers University in 1979. It served as the S.I. Newhouse Center for Law and Justice from 1979 to 2000; but for the next 14 years, it remained vacant, the building was vandalized, it deteriorated, and became a financial burden on the University.

On at least two occasions, Rutgers chose developers to convert the building to housing and then to a hotel, and each time developers could not complete the project.

Finally, the University asked DEVCO to try to make the renovation work as student housing, academic space, and an apartment for their new Chancellor.

We created three different condominium estates to isolate specific spaces to correlate with available funding options; applied and was awarded, by the NJEDA, \$23 million in earned tax credits. We sold the tax credits to Citibank with a 10-year contract at 90 percent, and used the tax credit revenue to raise \$20.8 million in financial support for the project. The ERG proceeds represented approximately 21 percent of the total cost of

the project. We completed the \$92.8 million dollar project in just 11 months.

Today, the 211,000-square-foot building houses 337 Rutgers graduate and undergraduate students; 52,000 square feet of offices, classrooms, and performance spaces; and an apartment for Chancellor Nancy Cantor. The building has helped change the tempo of the street -- Washington Street, by bringing hundreds of students, faculty, and staff to the neighborhood. The street is also home to the Newark Public Library; and since we opened the project, Audible has opened the Audible Cathedral, and now 400 tech workers have joined the Washington Street ecosystem.

In Atlantic City, as Stockton University was working itself out of a misstep of buying a boardwalk casino hotel as a college campus, the new University administration approached us looking for an alternative site and a fresh way to approach their expansion into Atlantic City that appropriately weaved the University into the fabric of the city. We retained architects, interviewed faculty and staff, conducted focus groups with students, and completed a housing feasibility study. We recommended a master plan to the new Stockton University President that focused on three vacant parcels in the Chelsea neighborhood. We purchased the site from a partnership of Goldman Sachs and Ares investments that had shelved plans for a new casino hotel.

The Atlantic City Gateway project is the largest public-private partnership in Atlantic City history. Built on five acres totaling 700,000 square feet, representing just over \$220 million in investment, the project was awarded \$38 million in residential ERG credits and \$29 million in

parking ERG credits. These were the first parking ERG credits awarded by the NJEDA. They were incentives that were only available for parking projects in Garden State Growth Zone municipalities, such as Atlantic City.

Atlantic County and the Atlantic County Improvement Authority played a key role in monetizing our tax credits. The ACIA issued 10-year debt that used the proceeds from the sale of the tax credits to fund debt service. Atlantic County guaranteed the debt, ensuring that we maximized the value of the tax credits for the project. The monetized proceeds represented approximately 20 percent of the residential development of the project. This is a project that has truly had a holistic impact on the City of Atlantic City and the Chelsea neighborhood.

The entire City Gateway project generated a 1,000 construction jobs over its 24-month period; 8 percent of the vendors, suppliers, and subcontractors were from Atlantic City; and 21 percent of the contracts went to providers located in Atlantic County municipalities.

With respect to labor hours worked, 3 percent were worked by Atlantic City residents and 27 percent of the hours worked were by residents from other Atlantic County municipalities.

With our partner JJS -- Jingoli construction company -- we deployed our training-to-work program in partnership with a number of faith-based and nonprofit organizations, and trained 15 members of the community who had not worked in the industry before.

The project is currently generating \$1.6 million in property taxes for the City; before, it had only generated about \$200,000 before the development was completed.

Maybe the most important impact of the project is, today, in the Chelsea neighborhood, 533 students live full-time; nearly 2,000 attend classes; 200 South Jersey Gas employees come to work, along with a significant number of faculty and staff of Stockton and AtlantiCare. They buy coffee, eat lunch, frequent local establishments, are visited by their parents, are mentoring Atlantic City children and volunteering throughout the city. They are starting to change the tempo of the streets, and the social and economic dynamic of the Chelsea neighborhood.

The third project, the New Brunswick Performing Arts Center, which opened earlier this month, is a transformative project that has propelled the New Brunswick Arts District into the spotlight as one of the region's most dynamic performing arts centers. It may be the greatest example of how public-private partnerships -- true public-private partnerships, density, the principles of mixed-use development, and the assistance of targeted and well-leveraged tax incentives can have an extraordinary impact on a New Jersey city.

The half-a-million square feet of NBPAC features two state-of-the-art theater venues, dedicated rehearsal spaces, and collaborative workspaces for our resident companies and arts organizations across Middlesex County. The project also includes 207 market-rate and affordable rental apartments, and public parking.

With the investment of more than \$173 million from nine funding sources, and the participation of 11 partners -- from the City, and the County, to four resident arts organizations, to Rutgers University, to the AFL-CIO Housing Trust, to Citibank, to Bank of America -- we cobbled together a structure that worked. The ERG tax incentives were critical to

our success. They allowed us to fill the last \$8.4 million hole in the \$64 million arts component of the project, and make the apartment component viable. By making the apartment component viable, we were able to issue RAB bonds, enabling the City to contribute \$16 million to the theater project. We were able to build an art center with no debt.

So what was the result? A thousand construction jobs over the last two years; we anticipate 375 new permanent residents, consumers living in downtown New Brunswick; 340 performances are scheduled for the 2019-2020 season, drawing more than 85,000 new visitors to downtown New Brunswick. We estimate an economic impact to the city, excluding the cost of the admission, of \$20 million annually.

The NBPAC project is probably the most illustrative of why residential ERG is critical. Construction costs in Jersey City, Hoboken Newark, New Brunswick, and Atlantic City are very similar, particularly with respect to high-rise construction and union labor. Rents are not.

The differential between a Jersey City rent, a Newark rent, and a New Brunswick rent is still fairly significant. The ERG helped us bridge that divide, and it affords the opportunity for projects to be built in places like Newark and New Brunswick.

The next question, then, is what needs to be done to bridge the disparity in rents between New Brunswick, Trenton, Paterson, and Atlantic City?

We're working on a project right now in Paterson that will include the Alexander Hamilton Visitor Center at the Great Falls National Park, a parking garage, retail, and a community center. And we could not make a housing component work under the current rules and present costs.

The ability to create a broad spectrum of housing opportunities in an urban setting may be the most important tool to breathe life into a city's downtown.

Future programs that support residential housing must be flexible and insist on creative solutions that create density and help move a neighborhood toward achieving critical mass. It's important to remember that a Starbucks alone does not make a residential project mixed-use.

DEVCO is currently working on SciTech Scity in Jersey City, and the New Jersey Technology and Innovation Hub in New Brunswick. Both are innovation initiatives, since it's fairly widely accepted that the innovation economy is the best way to create economic expansion. Both of these projects have the ability to help drive the New Jersey economy with new jobs in life science, artificial intelligence, medical devices, big data, and a variety of other tech fields; but they will need smart, targeted incentives to help level the playing field with our competitors. Next to the ability to attract talent and to provide employees with an attractive quality of life, the cost of occupancy is a determining factor.

So thank you for the opportunity to share some of our very positive experiences with the programs. The support of the State of New Jersey, both the Executive Branch and the Legislative Branch, have been central to our success and the cities where we work.

SENATOR PENNACCHIO: Thank you, Chris.

Any questions?

Senator Cruz-Perez.

SENATOR CRUZ-PEREZ: Thank you for your testimony, Mr. Paladino.

How many projects were you involved in that have received tax incentives?

MR. PALADINO: How many projects have we been involved in?

Well, if I go back to the Urban Transit Hub Tax Credits, we did the 650,000-square-foot Gateway project in New Brunswick, which was condominiums. It was rental, both market and affordable housing; it was parking; it was transportation infrastructure, because it connected to the New Brunswick train station; it was the Rutgers bookstore; it was three other retail establishments -- about 80,000 square feet of office space.

We also were able to use Urban Transit Hub Tax Credits to build the Wellness Center in New Brunswick. Probably the most important component of that -- besides 1,200 parking spaces -- was that, in partnership with Robert Wood Johnson University Hospital, we built a Fitness and Wellness Center; 60,000 square feet. The Mayor had tried for years to figure out a way how to do a community-based fitness and wellness program. He understood he could build it, he didn't figure out how he could pay for it on an ongoing basis.

We lost our YM and YWCAs years ago. So what we did is we used those tax credits to help build a rent structure and a structure that allowed New Brunswick residents to get memberships at half-price. I think we currently have about 3,500 New Brunswick residents who are members. And probably the most important thing -- every 3rd grader in New Brunswick learns to swim. We didn't have a swimming pool in New Brunswick until we built this. And we put them in a bus, we give them towels and bathing suits, and it's part of their PE program.

So it's something that really has-- Those were two -- going back to UTHTC. Since then we have done three residential ERG programs; and on the periphery we were evolved, obviously, as the Gateway project in Atlantic City. South Jersey Gas was a recipient of Grow credits.

SENATOR CRUZ-PEREZ: Would any of those programs have moved forward without incentives?

MR. PALADINO: No.

SENATOR CRUZ-PEREZ: Thank you.

SENATOR PENNACCHIO: Senator O'Scanlon.

SENATOR O'SCANLON: Thanks.

I'll ask you the same question we asked our previous panel.

Actually, first -- because you're the logical person for someone to have already reached out to about how -- what we could do better. We have a clean slate here; so you're right on the ground, you're respected in the field -- well-deserved. And you don't have to answer this now-- Well, actually, you do.

And the first question -- has anyone reached out to you to say, "Help us reformulate, and give us your experience and inform our policymaking now, going forward, in how to do this better"?

MR. PALADINO: You know, over the last six or seven months, I've had conversations with Speaker Coughlin's office; Speaker Coughlin -- folks who work for the Senate Majority Office here. Also I've have continuing dialogue with the EDA -- Tim Sullivan at the EDA, and individuals in the Governor's Office.

SENATOR O'SCANLON: This is encouraging. I've spoken to a lot of folks; I haven't spoken directly to you, so that's encouraging.

Because that-- Again, our goal here is to get this right and forget the politics. So I appreciate your input, very much, and being here today. Thank you.

SENATOR PENNACCHIO: Senator Addiego.

SENATOR ADDIEGO: Thank you.

Recently our Lieutenant Governor said at the Governor's Conference on Housing and Economic Development that we have to go back to going into neighborhoods.

In addition, Charles Richman, who's the Executive Director of the Housing and Mortgage Finance Agency, said that areas with anchor institutions -- like colleges, universities, regional medical centers, government complexes -- are more attractive to developers. How does all that jibe with what you're trying to do in Atlantic City?

MR. PALADINO: Well, I will tell you that anchor institutions -- and I need to amend my other question -- we used the last component of the Urban Transit Hub Tax Credit, where there was a competition, and we did a major redevelopment at Rutgers University -- the College Avenue Redevelopment Initiative, which was \$330 million. We built a residential Honors College -- the first classroom building that was built since 1960 -- and a student housing component that has 18,000 square feet of retail. So that was not only extraordinarily successful, but one of the more meaningful projects that I have been involved with, since it is my alma mater. And it kind of like warms my heart when folks I went to school with come back and say they don't recognize the place.

But getting to Atlantic City-- *Anchor institutions* -- that's the new buzzword, and I'm glad someone finally has identified it. Because in

New Brunswick, they've been doing this for decades. You know, Rutgers -- we have two teaching hospitals, a medical school, a major corporation, an extraordinarily high-functioning municipal government. They all have been partners. I think if we had time to go through the PAC project and talk about what did the city do, what did the county do, what did Rutgers do, what did our arts organizations do to make that happen -- you'd be amazed.

In Atlantic City, we have, in this first initiative -- I think we have been very successful in using -- establishing Stockton as an anchor institution. You know, you're not an anchor institution because you say you are; you have to behave like one. And for a school like Stockton to say, "I'm going to make this commitment--" Like South Jersey Gas, this is, "I'm going to make a commitment to return to Atlantic City," where they had been in the early part of the 1960s, and say, "We are going to make a difference here."

So Stockton not only was the vehicle by which we were able to invest tax credits, but they put up a significant amount of their own capital. They're putting up a significant amount of continuing capital in debt services; they receive rents from the students. But they have kind of walked the walk; they are engaged in the school system.

And look, you know what? Sometimes it just happens because, you know, 19- and 20-year-olds are actually incredible human beings, sometimes. I've had a couple of my own; sometimes they are, sometimes they aren't. But they go out and they walk the streets, they go to the restaurants, they go to the bodegas. They actually volunteer in the schools.

So I think without-- And Atlantic City hasn't had that. You know, I think what's happened is there has almost been a new awakening.

AtlantiCare said, "We want to be part of your project," and they opened clinics on the ground floor of the parking garage. Recently, there was a house tour that the local CDC and ACDEVCO actually sponsored. And about 50 or 60 people who work for AtlantiCare, South Jersey Gas, and Stockton took a tour of available homes in the Chelsea neighborhood.

So anchor institutions are important. I think we have to be careful, much like people have done for, kind of, a generation -- talked about public-private partnerships -- is that they have to be real, and they have to be meaningful, and they can be an extraordinary asset.

SENATOR ADDIEGO: Thank you.

SENATOR PENNACCHIO: Thank you, Chris.

MR. PALADINO: Thank you, sir.

Did you want to ask a question, Senator Lagana?

All right; I'm sorry.

SENATOR LAGANA: Yes; forgive me if I -- I'm sorry, Mr. Chairman; forgive me if Senator O'Scanlon already asked this question -- I think you were kind of getting to it -- and that's-- The question I had earlier, with the other panel, about what your recommendations would be, going forward. I know you had some discussions with the Administration, and with the SMO, and with the Speaker, but-- Because much of the discussion is centered around -- is it a continuance of what we've been doing, or is it something new?

I mean, if you have an opinion on the matter now we'd love to hear it.

MR. PALADINO: No, you know-- Look, I think -- and I think someone has used the word *tweak* before. I think there are things that need to be tweaked in some of the existing programs.

One thing that I think is clear is that the resources are going to be limited in the future. Either they're going to be limited by caps, or the caps will be -- or we just have to be careful of what we do with State revenue going forward.

So I think you need to invest in projects that have the biggest impact. I think you'd want to be flexible and be able to talk to CEOs, be able to talk to developers who are doing projects, to anchor institutions, and say, "This is the project; how can we make it better? How can we make it bigger? What do you really need?"

You know, we're working on innovation projects right now, and the Hub in New Brunswick is a perfect example. You know, the Grow program just wouldn't work. You can't say to four young techies who are working on a new idea that we're going to, kind of, count your jobs, and if your jobs go away, you have to pay us the money back. Look, in startups, companies -- some fail and some of them do really well. What you really need to do, in that instance, I believe, is invest in the ecosystem; is that you need to invest in the physical spaces where you're going to attract startups, you're going to attract young talent, and get them in at a cost that they can afford. So maybe instead of giving money to companies in that respect, that you're putting it into an anchor institution's initiative. I mean, in New Brunswick we're working with Rutgers, we're working with two hospital systems, with the EDA, to make that work.

So I think we have to think about the value of public spaces, the way that we can make, kind of, creative collisions work. We have to think about ways to help people be more collaborative. We have to think about how we fund makerspace. You know, everybody doesn't need to have a centrifuge, everybody doesn't need to have, you know, the best new microscope -- but they need it available.

So I think we need to be creative and flexible, and I think we need -- when projects come into the EDA, or some of the other agencies, is that you sit down and say, "Okay, what do we need to make this work?" as opposed to, "We have an online application."

SENATOR LAGANA: Thank you.

SENATOR PENNACCHIO: Thank you, once again, Chris.

MR. PALADINO: Thank you, sir.

SENATOR PENNACCHIO: Okay, next up we're going to hear from organized labor.

We have Megan Chambers with the SEIU; and Charles Hall with Wholesale and Department Store Union.

We're a little bit out of turn here, so I would ask -- because you are time constrained, just constrict your testimony. And we want everybody to be able to speak; so as you give your testimony please state who you are, that way the transcriber knows.

You're up.

MEGAN CHAMBERS: Well, good afternoon.

I'm Megan Chambers; I'm the Co-Manager of the Laundry, Distribution, and Food Service Joint Board of Workers United SEIU.

And I'm here today with Tamara Clay, who's a warehouse worker, lives in Camden, and has worked in a number of warehouses in South Jersey.

And I want to thank the Committee and the Chair today for having us here.

We're labor union; we represent 8,500 workers in warehouses, industrial laundries, and other sectors. And we are part of a coalition called *Warehouse Workers Stand Up*, that exists to raise standards for warehouse workers in New Jersey. It's a diverse coalition of unions and community groups.

And with the Grow New Jersey, and Economic Redevelopment and Growth programs now expired, the Legislature has a really important opportunity to reform our incentive programs to ensure that taxpayer subsidies create permanent full-time warehouse jobs, and other jobs, with living wages, affordable health care, and adequate safety protections for folks in New Jersey.

And the Legislature also has a really important opportunity to put in the necessary protections for taxpayers. I mean, there are best practices around the country that the Legislature can draw on.

As you probably know, the warehouse sector is booming in New Jersey. It's expanding rapidly, and it's projected to continue to expand rapidly. And it doesn't need any incentives to do that. It's expanding rapidly because of e-commerce, which requires a lot of warehouse work, and it requires that work to be as close as possible to consumers.

And so we are in the perfect location. We have the Port of Newark, the Port of Elizabeth, the Port of Bayonne; and we have one of the

biggest consumer markets on the planet right around here. So we're in the perfect location; the sector has grown by 25,000 jobs in the last four years, and it's slated to just keep going like this (indicates). And the question is, really, what kind of jobs will these be? And that's really what we think the Legislature needs to be thinking about; if we're going to forego tax revenue, what are we getting out of it for New Jersey families and communities?

You have in your packets not only my testimony, but also a report that we issued last December about, frankly, really bad conditions in New Jersey warehouses: poverty wages, use of temp workers instead of creating permanent jobs, worker deaths and injuries.

So we need to improve this sector, and you all are in a great position to do that right now in how you handle these tax incentives.

You should know that while New Jersey is a leader in employment of warehouse workers, we have some of the lowest wages in the country for the sector. We're 40th out of the 50 states in what folks are paid in these jobs. In fact, the median pay for warehouse workers in New Jersey fell from \$13.03 an hour in 2017, to \$12.93 an hour in 2018.

Last year, a warehouse worker in Edison, at a Macy's warehouse, died falling 30 feet from a cargo lift where he should have been secured, but wasn't. And of course, there's the widely known incident in Robbinsville in the Amazon facility in Robbinsville, New Jersey, last December, where a can of bear repellent exploded, sickening dozens of people, sending dozens to the hospital for evaluation.

So obviously, this is a sector that doesn't pay well, doesn't provide good jobs, is expanding rapidly, and really needs to improve.

Over the last five years, the NJEDA has awarded \$230 million in this sector in Grow NJ tax credits. But, you know, no requirement for good jobs; and we have to change that. We shouldn't be forgoing tax revenue to subsidize an industry that doesn't need it; and unless they're really going to do something worthwhile for us: good jobs, safe jobs, permanent jobs, with predictable schedules and protections for the right to organize.

We've even seen that NJEDA awarded tens of millions to warehouse developers who were concealing wage and hour violations, employee misclassification -- which is really just a fancy term for *wage and hour violations*. GoPuff in Gloucester County was awarded \$39 million to open a new warehouse, but failed to disclose wage and hour violations.

NFI Industries was awarded about \$80 million in Grow NJ credits, in 2017, and failed to disclose its wage and hour violations, and even criminal convictions.

So this makes no sense, and it's really wrong. Companies should not receive generous subsidies if they exploit their workers; they shouldn't receive generous subsidies if they violate the law; and, you know, we need this to be better.

Our coalition, Warehouse Workers Stand Up, is advocating to place enforceable standards on incentives in the warehouse sector so that we can get permanent, full-time jobs out of our investment as a State. And I know, last June, Governor Murphy made some proposals, and there is a lot of good in those proposals. We see that they require an immediate \$15 minimum wage, improved oversight, clawback language, on-site safety and health consultation with the State Department of Health, and increased

oversight by the State Department of Labor and Workforce Development. And also, you know, protections for taxpayers, which are important, like a \$300 million annual hard cap on how much tax revenue we're going to forego.

And these reforms are important, and they're a step in the right direction. They should definitely be included in reforms for the NJEDA subsidies. And frankly, we think we should go further. When you think about the warehouse sector -- again, a booming sector, that's coming in, hand over fist, no matter what we do -- we need to make sure these are full-time jobs with fair wages of at least \$15 an hour, affordable health care, safe working conditions. We think that these folks should be required to provide a written injury and illness prevention program, and have mandatory health and safety committees, and, of course, respect for the workers' rights to organize.

And where we're giving subsidies to warehouse distribution centers where the State has an actual proprietary interest, the State can and should go farther; and I imagine that my colleague in the movement, Tamara, will be speaking more about this. But where there's a proprietary State interest, we should be requiring labor harmony so that workers can really organize and raise their standards. We know that nothing raises standards for workers like organizing and being able to stand up for themselves, and speak for themselves through an organization -- a labor union.

And where that's done, it should be done in a way that really builds power for workers and raises standards. So we feel strongly it should be done with unions that represent, at least, some substantial number of

workers in the industry -- 1,500 -- who represent other workers nearby so that folks can have common cause. And you'll see that that is in our testimony to you.

So in short, business is booming in the New Jersey warehouse sector. And the question is, what kind of jobs will these be? And if we're going to take our tax dollars and invest them in this sector, let's be glad, 10 or 20 years from now, that we did that. Let's see that we provided safe jobs, decent jobs, with a real path to family self-sufficiency that will build our local economies.

And Tamara Clay is a warehouse worker, and she has walked many -- well, you can say many miles in those shoes. And when you work in a warehouse, you really do walk many, many miles, often in one day.

So Ms. Clay.

TAMARA CLAY: Good afternoon.

My name is Tamara Clay; I'm a resident of Camden. I'm a warehouse worker, and I'm a proud member of the Laundry, Distribution, and Food Service Joint Board Workers United SEIU.

I've worked at union and non-union warehouses in Burlington and Florence. I can tell you firsthand that warehouse work is demanding and dangerous. In a warehouse, you have to lift heavy objects; you often have to work as high as 30 or 40 feet in the air on a cargo lift; and you are constantly under pressure to work faster, especially at in e-commerce warehouses. If you do not have the proper training and safety protection, you can get seriously injured or even die.

This is what happened to Jose Caba, a warehouse worker who died after falling 35 feet at a warehouse in Edison this past October.

Many warehouses do not even hire a consistent workforce; instead, they depend on temp workers. I'm lucky to work at my current warehouse, where we have a voice on the job because we have a union. Unfortunately, most warehouse workers in the state do not have the same protection as me. This is why it is important to establish strong standards for all warehouses, especially warehouses that receive taxpayer money.

Standards keep workers safe. In Camden, we need good jobs with living wages of at least \$15 an hour, affordable health care, and real safety protection. We should not give subsidies to companies that perpetrate poverty, that exploit their workers, and undercut the protection I have as a union member.

We should not give money to warehouse operators like GoPuff, who misclassified their workers and violated minimum wage and overtime laws.

By attaching strong labor standards to subsidies for warehouses, we can create the kind of good jobs that my community, Camden, needs. As a resident of Camden, a taxpayer, and a union member, I urge you to reform these subsidy programs so they can truly benefit my community.

Thank you.

SENATOR PENNACCHIO: Thank you.

Mr. Hall.

C H A R L E S H A L L: Good afternoon, Senators, and thank you for your time today.

My name is Charles Hall; I'm the President of Local 108 RWDSU -- Retail, Wholesale, and Department Store Union -- here in New Jersey.

RWDSU is here today proposing the implementation of two economic strategies as they relate to tax incentive programs.

The purpose of these policy proposals is to ensure quality job creation throughout New Jersey, but particularly in the health care, retail, and warehousing industries; as well as creating additional accountability and transparency for economic development and spending in the State.

First, RWDSU proposes formation and implementation of Key Performance Indicators -- abbreviated KPIs -- for any project that receives economic development and subsidies from the State. By tying the outcome of Key Performance Indicators to subsidies, the State has purview over the quality of jobs offered by each project, the timeliness of the project, and the measurable standard of success for all projects across the state. As data is collected and analyzed, it can also be used to reduce inefficiencies in program spending while ensuring workers have access to safe, quality jobs.

The following are suggested KPIs that would be used to measure the success of each subsidized project.

The number of local jobs created in both the construction and permanent job sectors; the quality of the jobs created; the degree in which workforce development programs are engaged; the degree to which environmental factors, such as the impact of the project on climate change and smart growth, are considered.

The second proposal we are recommending is requiring labor harmony for all subsidized projects. All subsidized projects that utilize employees in permanent jobs should be required to contribute to labor harmony. To be clear, *labor harmony* is not the same as *prevailing wage*. While construction workers are often protected by prevailing wage projects

and project labor agreements, permanent workers do not have similar protections, even when the project is publicly funded. This means that many of the permanent jobs funded through New Jersey's economic development system are low-wage, non-union jobs. As a result, New Jersey taxpayers often pay twice for these projects -- once for the subsidy, and again for public assistance programs non-protected workers are forced to utilize. By requiring labor harmony prior to the start of a project, the chance of disruptions in the workplace and strikes are reduced. Workers still must organize and vote to join a union, but the employer will simply remain neutral throughout the process.

In conclusion, the proposals of mandating KPIs and labor harmony as a part of all subsidized projects would ensure quality jobs are created when these are publicly funded projects.

Thank you, Senators, for your time and consideration to these important issues.

SENATOR PENNACCHIO: Thank you, Mr. Hall.

Senator Cruz-Perez.

SENATOR CRUZ-PEREZ: Thank you so much for your testimony.

How do labor harmony agreements and the payment of living wages benefit the State as a whole?

MR. HALL: When you talk about labor harmony and the labor movement -- when workers attempt to organize -- there's a lot of pressure put on them that generally scares them away, tries to discourage them. And when employers are successful in doing that, then there is no union and

these sometimes become low-wage jobs without benefits that depend heavily on the State for public assistance; minimum wage jobs.

We recently, here-- We're on track for \$15 an hour now, and that's a great achievement. But the reason is these workers were left behind. And so we want to make sure they have a union; that the jobs that come here are good jobs, with benefits, that the workers could provide for their families and not depend on State subsidies.

SENATOR CRUZ-PEREZ: Can I ask you how much money does an entry-level warehouse worker make right now?

MR. HALL: Well, you're talking different industries. I'll use the ones that I mentioned in my address to you: retail, warehousing and nursing homes.

Well, typically you could find these jobs at minimum wage, slightly above minimum wage; and sometimes with limited paid time off. When there's a union contract involved, of course that means that we're above the minimum wage, and we look at the standard of the other employers in the business and try to lift a whole standard up -- of workers working in whatever the industry is.

But typically, it could be very, very low without unionization.

MS. CHAMBERS: Yes, and I just want to add that -- and Tamara, you may want to add -- that wages in warehouses, as you heard, are actually going slightly down, on the whole, in the state. And there are some big actors who are paying \$15, but there are folks who are hiring at \$10. And even the big actors who are paying \$15 are also using temps, who are making \$12; and they are also outsourcing to other warehouses that are paying \$10 and \$11.

So there's a whole world of -- there's a really complex web of warehouse work in New Jersey, where there are warehouses shipping to retailers, warehouses shipping to individual customers, and warehouses shipping to other warehouses. Because it really is its own-- As e-commerce has grown, it's really become a big and complex world of employment.

And even some of the big actors that are starting at \$15 -- we've been investigating, and where they're non-union -- which, in many cases, they are non-union, so there's no job protections -- turnover can be as high as -- they could lose a quarter of the workforce every three months. People quit, people are terminated, or people are just hired as seasonals and let go, and never even see anything like a health plan because they're just not there long enough.

So what does it really mean, even-- To make \$15 an hour is a great thing; it's a great thing that we aspire to, and we want, and we need. But when you do not have an organized workforce that is protected from being treated as disposable, it can undermine the whole point.

SENATOR CRUZ-PEREZ: And you're absolutely right. They get hired as a seasonal. So they hire these people for three to six months, with no benefits, very minimum wages. And if they get hurt, they have absolutely no obligation to these workers, which is completely unfair.

Can I ask you what kind of training you got when you started working in your warehouse?

MS. CLAY: I didn't have-- Now I'm a forklift driver; so when I first started, I was a picker. I didn't have any training previously, before I started becoming a forklift driver. I got that training at that job site, at that moment.

SENATOR CRUZ-PEREZ: Ms. Clay, they didn't provide you with any safety training or anything? I mean, obviously you have to go to training to become a forklift operator, or not?

MS. CLAY: Yes.

SENATOR CRUZ-PEREZ: Yes; but how about safety? How about protecting yourself from getting injured on the job?

MS. CLAY: Yes, they do safety, but I just think it could be a whole lot better. Because we're in a warehouse, so anything-- You could get hurt every 5, 10 minutes -- whether you trip over a pallet or someone just left something you didn't see. But I just think it could be a whole lot of better, as far as the warehouse environment, for us workers.

SENATOR CRUZ-PEREZ: And this is something we really need to do as legislators -- we need to look at what these workers are exposed to. Because I have seen many people from Camden, and other places, who work in a warehouse, and they're completely unprotected. And when they get hurt, goodbye; that's all they get.

Thank you so much for your testimony.

MS. CHAMBERS: Thank you.

MS. CLAY: Thank you.

MR. HALL: Thank you, Senators.

SENATOR PENNACCHIO: Senator Lagana.

SENATOR LAGANA: Thank you, Chairman.

I just want to piggyback on the last statement from Senator Cruz-Perez.

I, first of all, want to let you know I agree wholeheartedly with labor harmony agreements, and minimum wage payments, and that these

workers should be protected fully. And I know much of what we're talking about today is tied to the EDA reform, or potential reform, and some proposals going forward.

But it seems to me that-- And again, on that last issue, some of these things are -- maybe we should be looking at them separate and apart from the tax incentive program; meaning, if there are issues with safety, if there are things happening in this industry that are -- maybe we're not up-to-date on them, if there are safety rules that we need to consider -- again, separate and apart from tax incentives. Because if we're going to say, as a State, "If you're receiving a tax incentive, you should do this." But everybody should be doing it anyway, even without a tax incentive. When we're talking safety and when we're talking about the health and lives of these employees, then I think we should act, again, separate and apart. And I would love to hear your position on that. I'm sure, as a Legislature, that's of utmost priority to us -- to make sure that these workers are protected.

MS. CHAMBERS: So I think that-- Look, that's a very -- that's an excellent point; we completely agree, we wholeheartedly agree. We did not launch the Warehouse Workers Stand Up campaign just to focus on the EDA; I mean, far from it. It's really about raising standards for the whole sector.

But in looking at how the tax incentives are handled, you have a really important opportunity, number one, not to spend money foolishly on a sector that's raking it in hand over fist; but number two, it's an incredibly important message to this sector. The State has an opportunity, through how it handles the tax incentives, to send a message to the sector about what the State expects to see, and what the State values, and what

the State thinks is worthy of being held up as good and worth investing in. So both are true, but very true.

MR. HALL: So I agree with my colleague, and I agree with you.

You could approach it separately; however, as my colleague indicated, I mean, this is a great opportunity to put it out there now, "You want to be in the warehouse business here? We expect a certain standard of safety." As when we look at other countries and their warehousing, we're telling them, "You need to lift your standards, and we want you to lift your standards, whether the kids are here or there."

But it's a great opportunity to make the statement, "Hey, bottom line is, we want a safe warehouse; here are some basic principles of a safe warehouse."

And then you could also look at it separately.

Thank you.

SENATOR PENNACCHIO: Thank you, once again, to the group.

MS. CHAMBERS: Thank you.

Our final panel will be Brian Levine, Somerset County Freeholder Director; Mike Kerwin, President and CEO of Somerset Business Partnership; and John Maddocks, Vice President, Somerset County Business Partnership.

And Brian, we all know who you are, but every time you speak, please just re-enforce that into the microphone, that way the transcriber will know who's talking.

Well, just when you announce yourself for the first time.

You're up, Freeholder.

FREEHOLDER DIRECTOR BRIAN D. LEVINE:

Hi, Mr. Chairman, Senators; and my regards, please, to Senator Smith, who happens to represent Franklin, where I live.

So I'm Brian Levine; I'm the Freeholder Director in Somerset County, and I appreciate being here with you.

I'm also on the Executive Board of the Somerset County Business Partnership, as well, with my colleagues here.

So on behalf of my colleagues on the Somerset County Freeholder Board, thanks for inviting us to appear before your Committee. Your work is critically important to job creation and private sector economic investment in our state.

Through our appearance today we hope to further inform your discussions on structuring State business assistance programs. Somerset County Freeholders, over the years, have worked hard at building partnerships that enable us to creatively address challenges and take advantage of opportunities. The partnerships are an effective and efficient investment of public funds to improve our communities.

Our analysis of the Grow New Jersey program, and its impact on our County, is just one of many examples. As a matter of competitiveness, we support statewide business assistance programs that reduce barriers to entry for companies wishing to create jobs and make capital investments in our communities.

As you'll hear from my colleagues, our recommendations for statewide business assistance programs are based on the principles of local land use planning, treating all 565 municipalities in our state fairly and

equally, and basing business assistance on job creation and private sector economic investment.

We provided to the Committee copies of our complete report, entitled *The Suburban Disadvantage -- The Grow New Jersey Program*. To our knowledge, we're the only entity in the state to actually analyze the local impacts of Grow New Jersey on our communities.

So my colleagues and I appreciate the opportunity to share our findings and recommendations with you.

And I'm going to ask John Maddocks, of Somerset County and Somerset County Business Partnership, to present our experience with Grow New Jersey and the impact it has had on our region.

JOHN P. MADDOCKS: Thank you, Freeholder.

Thank you, Chairman, members of the Committee.

Again, my name is John Maddocks; I serve as Somerset County's Economic Development Officer and Vice President of the Somerset County Business Partnership.

Prior to the expiration of the Economic Opportunity Act, of which Grow NJ is a part, Somerset County conducted an in-depth analysis of the impacts of the program on our region.

I'd like digress from my notes for a minute. Last week we gave a presentation to some visitors; we were focused on Bound Brook and the impacts of Hurricane Floyd on Bound Brook some 20 years ago this week -- last week.

What's striking there is that today has had a decidedly urban group of presenters, whether that's New Brunswick, Atlantic City, or Camden; and we fully support our partners in those communities. But to

put Bound Brook in context: In September of 1999, Bound Brook suffered \$77 million in business-related losses; \$77 million in business-related losses due to Hurricane Floyd. The next-highest community, dollars in losses -- the next-highest -- was the City of Passaic at \$17 million. So eight times the amount of business-related losses in Bound Brook. And Bound Brook, in Somerset County, New Jersey, has spent the last 20 years attempting to recover from Hurricane Floyd without the benefit of the Economic Opportunity Act or the Grow New Jersey program.

So back to my prepared remarks.

As the Freeholder mentioned, we have submitted our full report and summary presentation to the Committee. So I'd like to just take a few minutes and review, in detail, for you, some of those findings.

First, certain provisions of Grow New Jersey placed nearly 90 percent of New Jersey municipalities at a competitive disadvantage; that's 20 of 21 municipalities in Somerset County.

Second, the business retention provisions of Grow New Jersey had a significant positive impact on our economy.

And third, there seems to be little nexus between the Grow New Jersey program and solid local land use planning, particularly at the county level.

Five hundred of 565 municipalities in New Jersey were disadvantaged under the Grow New Jersey program. We note this finding to reinforce that while Somerset County funded a local analysis, our recommendations will benefit the vast majority of communities throughout our state. Statewide business incentive programs should have statewide benefit. While it may be prudent to provide a slight competitive advantage

to certain municipalities in our state, we can find no reasonable explanation as to why a business assistance incentive in Jersey City should be nearly four times the amount of a business incentive award in the Borough of Somerville or Bound Brook, for that matter; or, I might add, Piscataway, Hainesport, Saddle Brook, Deptford, or Parsippany.

To put a fine point on this finding, our analysis documents that under Grow New Jersey, a 200-person financial services firm, making a \$2 million capital investment and occupying 20,000 square feet of space, would receive a Grow New Jersey award of \$15.5 million if they located in Jersey City; yet they would receive only a \$4.1 million award if they located in Somerville, Bound Brook, or any of those other municipalities I mentioned.

In addition to the inequitable calculation of assistance awards under Grow New Jersey, we are also concerned with discussions on eliminating job retention aspects of that program. Job retention was the only component of Grow New Jersey that had any significant impact on our communities. In fact, as we have reported to our local partners -- the Freeholders and the Board at the Business Partnership included -- if it were not for the 4,800 jobs retained under Grow New Jersey, we would be having an entirely different economic discussion on the future of Somerset County.

What is striking about the job retention data, as we analyzed it, was that Jersey City had nearly the same number of retained jobs as Somerset County did. And I want to pause there and say we're not picking on Jersey City; we use Jersey City because the commercial office market is nearly identical to that of Somerset County. There are roughly 1,000, 1,100 buildings, office buildings in Jersey City; a little under 1,000 in

Somerset County. Almost nearly the identical same number of square feet of office. And again, we found that Jersey City matched us, is reflective of us -- 4,400 jobs retained; but yet when it came to business attraction, there were only 50 jobs attracted to Somerset County over the entire course of the Grow New Jersey program.

So we're not picking on Jersey City; it's just that it's a similar market.

Our final finding relates to land use planning and county master planning, both of which are matters of public policy established under New Jersey Municipal Land Use law, and the County Enabling Act, as well as New Jersey Housing and Redevelopment Law and the New Jersey State Development and Redevelopment Plan.

Somerset County -- my Planning partner, Walter Lane is here, from Somerset County Planning Division -- and our municipalities have worked hard in proper planning. We found that statewide business assistance programs have fallen short in supporting established statewide policies, and lack provisions to reinforce sound local land use planning.

The most striking example we found was a lack of recognition for locally designated areas in need of redevelopment. These areas, by definition, are transformative in nature, or meant to be transformative in nature.

The future vision for the community has been established through a vibrant public process, with designation occurring by a vote of the municipal governing body. It seems disconnected that statewide business assistance programs would not emphasize these locally designated areas as being of the highest importance.

Lastly, I'd like to observe some of the conversation regarding workforce. We did not examine this as part of our analysis of Grow New Jersey, but we do believe that we can bring some value to further discussions by the Committee on more fully integrated workforce incentives, particularly from a business retention perspective, in any new legislation that you consider.

Our findings have helped us develop four principles that we believe should guide statewide business assistance programs going forward.

And with that, I would like to have Mike Kerwin review those for you.

MICHAEL V. KERWIN: Thank you, John.

My name is Mike Kerwin; Somerset County Business Partnership.

We are a public-private partnership; we represent 800 companies in Somerset County. We are unique in New Jersey. We also partner with the Somerset County Freeholders to provide economic development services.

I want to emphasize that, thanks to the support of the Freeholders, we are, to our knowledge, the only organization that actually investigated, through a report, as to how the New Jersey economic incentive programs are operating in the real world. As John indicated, the report confirms there's a severe suburban disadvantage that is affecting 500 municipalities in the state. We're using Jersey City as an example, for the reasons John indicated. We are identical size, in terms of office buildings. I should note, however, that the average rent of an office building in Jersey City is higher and the vacancy rate is lower. So despite the fact that they

are a healthier real estate market, they get four times the amount of incentives for an identical project.

So we've heard, many times today, the request for specific recommendations.

Based on our analysis of how the report (*sic*) is really working; and what we think could work effectively -- at least from a suburban perspective -- we're going to offer you four recommendations.

One: Business assistance programs should be linked directly to job creation, and retention, and private-sector investment. These metrics reflect directly the goals of the business assistance programs; and they're specific, easily measurable, and relevant, while also producing indirect economic benefits

Two: Business assistance programs should be available in every municipality in New Jersey seeking a better economic environment for its residents. Under the current program, nearly 500 of 565 New Jersey communities are greatly limited in their ability to utilize the Grow New Jersey programs in attempt to attract new businesses. This provision should be eliminated. Doing so will enable our state, our communities, and businesses of all sizes to achieve our full potential.

Three: As John indicated, business assistance programs should be tied to our State and local planning policies. The New Jersey State Development and Redevelopment Plan identifies areas where much of the new development and redevelopment can occur. The municipalities have the ability to designate areas in need of redevelopment or rehabilitation. Some of our communities have established special improvement districts. State policies and local planning and redevelopment efforts should be

strongly supported in business assistance programs, with a focus on smaller Main Street communities.

And finally, number four: There should be rigorous oversight and efficient administration of the business assistance programs. By focusing on job creation and private-sector investment, you are focusing on something that's easy to measure, therefore, increasing accountability. These metrics can be applied easily. Where performance has been documented, the transfer of benefits can be administered efficiently and without delay.

We look forward to continuing to be part of this conversation, and we're happy to answer any questions.

SENATOR PENNACCHIO: Thank you, gentlemen.

As I'm listening to the testimony, I see a parallel between these economic development tax incentives and our school funding. And, you know, should we wait and give an advantage to some distressed areas? I think we should, to the extent that it should be four times the amount compared to Jersey City to Somerset County? I have a hard time -- it would be hard for me to justify something like that.

It's also hard for me to justify-- Because it gets worse than that. Some of these incentivized programs in these development areas now -- they're off the tax map. They become pilots -- payment in lieu of taxes. And what makes it even worse is that they're not calculated into the school funding formula.

MR. KERWIN: Right.

SENATOR PENNACCHIO: So one of the things that I would ask is that, going forward, maybe one of the recommendations that we

could have is that whatever we do to incentivize can't be gamed later by saying, "That's part of a pilot." So it has to be-- I mean, the taxpayers are already on the hook for paying for -- making up for the tax credits that we're paying. And the last thing we want to do is put the entire State on the hook again for allowing the rest of the State taxpayers to make up for the tax burden, because then that counts as part of the formula.

So I feel your pain. (laughter) Unfortunately, I would hope-- In the very, very beginning, when I made my preamble before this Committee started, I said that I would hope that none of these tax incentives ever are given away by political consideration. So I'm hoping that's not the case here; but hopefully we should get some explanations in the future, especially when these things are being written and they're being given out -- that if you're going to go forward with one -- Jersey City versus places in Somerset County -- you better have a real good explanation for it.

So any questions?

Senator O'Scanlon.

SENATOR O'SCANLON: Thank you; you make a really compelling case, where we're going to advocate.

And you're contrasting Bound Brook and Jersey City is fascinating. I read a little bit about it; I think you may have written -- I know I read something in the past month or so. You may have written something somewhere; I can't remember whether it was you guys or someone else.

But you're absolutely right that there needs to be an objective assessment of distressed cities, and more dynamic. As cities progress we

should have the flexibility to steer some of our economic development incentives to other now-more-distressed cities or areas.

So thank you, and we're going to fight to incorporate some of your recommendations into what we produce out of this Committee.

FREEHOLDER DIRECTOR LEVINE: Thanks, Senator.

And one thing we did put forward, too -- at least we tried -- is-- And we all know things can be incentivized, invest in programs-- What we tried to do is say not just throw money at an issue -- I've been in elected office, like you, and we've heard that from numerous places -- but to say-- We're suggesting put the money this way, measure it this way, because you can really get results, not some esoteric, "I'll spend money, and maybe something good will happen." We tried to be very specific, "Do this, and this should be the results." And these have been the results.

SENATOR PENNACCHIO: Gentlemen, thank you.

MR. MADDOCKS: Okay, thank you.

SENATOR PENNACCHIO: The hour is late; thank you for waiting--

FREEHOLDER DIRECTOR LEVINE: Thanks so much.

SENATOR PENNACCHIO: -- and thank you very much for your testimony.

FREEHOLDER DIRECTOR LEVINE: We appreciate the time, Senator; a pleasure.

SENATOR PENNACCHIO: Safe trip back home.

With that, I gave up my mantle. (laughter)

(MEETING CONCLUDED)