

## **10 RECOMMENDATIONS TO SPUR ECONOMIC DEVELOPMENT IN NEW JERSEY**

By Ted Zangari & Tim Carden

**1) Reorganize the State's Economic Development Structure** -- Economic development is comprised of three main objectives: business retention/business attraction, real estate development and tourism. Presently, two divisions of state government pursue these objectives at various levels: the Commerce, Economic Growth & Tourism Commission ("Commerce") and the Economic Development Authority ("NJEDA").

**RECOMMENDATION:** Abolish Commerce and expand NJEDA's charter to include those functions of Commerce that are not already duplicated at NJEDA. This will not only save the State money but will also streamline efforts to attract jobs, development projects and tourists.

**2) Establish the Office of Business Ombudsman within the Office of the Governor** -- Businesses, brokers as well as county and local economic development officials should be able to call a facilitator or "ombudsman" to avoid lost economic development opportunities .

**RECOMMENDATION:** The Office of the Treasurer, under Treasurer John McCormac and Deputy Treasurer Dan Levine, has from time to time assumed the task of "ombudsman" for the larger economic development opportunities. Move the "ombudsman" role played by McCormac and Levine into the Governor's Office, where economic development opportunities of *all sizes* can be evaluated, pursued and coordinated in a business-friendly manner.

**3) Actively Recruit Out-of-State Companies** -- Other states are actively recruiting New Jersey-based firms to relocate. For example, Governor Jeb Bush of Florida is said to make four "economic development" phone calls per day; two to existing companies, two to out-of-state companies.

**RECOMMENDATION:** It is time for New Jersey to implement a pro-active recruitment strategy that includes: (1) hosting a New Jersey pavilion at at least two key national/international economic development conferences: CoreNet (corporate real estate executives/site selectors) and Bio (global biotechnology showcase), personally attended by Governor Corzine; (2) reopening trade offices around the globe; and (3) inventorying and maintaining a real-time database of the State's available commercial real estate including specific niches such as available wet and dry lab space. These endeavors can be underwritten, at no expense to taxpayers, by private sector companies such as real estate brokerage firms, venture capital firms, and real estate development companies.

**4) Expand and Broaden the State's Stem Cell Initiative** -- Over \$4 billion has already been committed by other states to stem cell research. In addition, stem cell research is but a narrow methodology which comprises merely one aspect of the more general discipline of regenerative medicine, and many researchers contend that utilizing embryonic, placental, umbilical cord, blood or other cells that are not yet fully committed to a specific function or tissue type may have practical limitations.

**RECOMMENDATION:** Expand New Jersey's stem cell initiative to include not only stem cell research but also a broader biomedical research effort that focuses on understanding the differential aging of various cell types in the body.

Although New Jersey is home to about 80 percent of the world's pharmaceutical industry, the State is quickly losing its leadership reputation in biomedical research. Recently, some of these pharmaceutical giants have moved their scientists and established new research centers elsewhere, particularly in Boston, which offers access to scientists and clinicians at multiple medical research institutions. Therefore, in addition to the need to expand New Jersey's biomedical research initiative beyond stem cells, there are concerns about the State's intention to concentrate such effort at a single institution. Even assuming UMDNJ has the scientific breadth and depth to truly become a center of excellence for stem cell research or the broader regenerative medicine research initiative we propose, shouldn't the goal be to make the State of New Jersey -- rather than a single State facility -- the center of excellence in biomedicine?

**RECOMMENDATION:** While UMDNJ should play a key role, the State should diversify its research initiative to include public and private research centers, hospitals and young companies throughout New Jersey.

**5) Increase New Jersey's Share of NIH Dollars** -- Grants to New Jersey from the National Institutes of Health (NIH), the major source of federal dollars for biomedical research, has been the lowest of all the states in the northeastern US over the last ten years. In 2004, NIH funds to New Jersey equaled \$274 million versus approximately \$2.3 billion to Massachusetts, \$2.0 billion to New York, \$1.4 billion to Pennsylvania, and \$445 million to Connecticut.

**RECOMMENDATION:** Spur competition among public and private research centers, hospitals and young biotech companies throughout New Jersey through peer-review to evaluate scientific research projects and by funding laboratories in relation to their success in competing for federal grants.

**6) Launch an Emerging Technology Initiative Outside of Biomedicine** -- To complement the State's stem cell initiative, New Jersey should identify an equally promising emerging technology area outside of biomedicine and harness the same sorts of incentives and grants associated with the proposed stem cell initiative.

**RECOMMENDATION:** One promising tech sector that is a natural fit for the State's R&D community is nanotechnology, particularly in the area of energy storage and conversion. Another possible initiative, in which Cook College at Rutgers University could play a key role, is bioenergy – specifically the development of biorefineries that can lower the cost of producing renewable fuels such as ethanol and generate other bio products such as lubricants made from soybeans and clothing made from polymers derived from corn.

**7) Take a Leadership Role in the Redevelopment of Fort Monmouth** -- Fort Monmouth presents perhaps the single most promising location for a Tech Village on the eastern seaboard. Hundreds if not thousands of tech-related jobs will be at risk when this base is closed.

**RECOMMENDATION:** While due deference must be paid to the several municipalities and county in which this base is located, it is essential that a site of this magnitude be coordinated by a state agency which takes a broader view toward transportation, environmental, labor and other regional concerns. The Meadowlands Commission, Pinelands Commission and most recently the Highlands Council remind us that regional planning has been used by the State when larger policy issues are at stake. This approach will also reduce or eliminate the kinds of turf battles that have bogged down the base closure process elsewhere such as at the George Air Force Base in California, which has seen the filing of more than 100 lawsuits between various local and county agencies, or at the Myrtle Beach Air Force Base in South Carolina where a long-running feud between the county and local governments has stymied re-use efforts.

**8) Give Manufacturing Companies a Break --** As evidenced by Delphi's recent bankruptcy filing, manufacturing firms in the U.S. are experiencing an overwhelming cost disadvantage against foreign competitors.

**RECOMMENDATION:** Eliminate energy taxes for manufacturing facilities (legislation eliminating such taxes was introduced in 2004). In addition, clarify the local property tax exemption for business equipment and machinery; the State Legislature has been trying to fix this taxation issue since the enactment of the Business Retention Act (BRA) of 1992 (legislation implementing this fix was introduced in both 2003 and 2004).

**9) Put Some of the State's Pension Money Behind In-State Companies --** The New Jersey State Investment Council recently decided to invest \$1.75 billion of state pension funds into private equity investments and made its first investment of \$325 million in three funds.

**RECOMMENDATION:** Encourage New Jersey's public pension system to continue to invest in the State's private equity companies, particularly those in targeted industries. Accomplishing this goal will send a strong signal to New Jersey members to continue to invest here and encourage non-New Jersey companies to consider locating facilities in the State.

**10) Create Additional International Free Trade Zones --** The major advantage of an international free trade zone is that it is treated as though it were located outside the United States for customs purposes. As a result, a company can import goods or components into a free trade zone and defer (or avoid, in the case of foreign shipments) the payment of duties until the finished products are shipped out. In the meantime, the State and host municipality enjoy the benefits of the jobs and revenue flowing from the warehousing, assembly, manufacture, packaging, testing, grading, cleaning, mixing and processing of the goods and products involved.

**RECOMMENDATION:** Establish one or more foreign trade zones similar to the International Trade Center in Mount Olive. The Ports of Camden, Newark and Elizabeth are ideal candidates.