

MARKET TREND PERSPECTIVES OF
NEW JERSEY BUSINESS AND
DEVELOPMENT LEADERSHIP

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FOREWORD

This reports on results of personal interviews that were conducted by representatives of Hammer, Siler, George Associates in January and February 1988. The firms to be interviewed and the research objectives were selected by the New Jersey Office of State Planning. However, interviewees commented on any feature of the draft State Development and Redevelopment Plan and of the planning process they wished to address.

This report is organized in four sections. The first introduces the assignment. Section II profiles the businesses, associations, and institutions whose representatives were interviewed and identifies interviewees. Section III describes the central issues interviewees identified. In Section IV prospective responses to these issues are discussed along with conclusions of this analysis. Hammer, Siler, George Associates wishes to thank the interviewees who graciously shared their time, information and ideas. The Appendix lists the questions that were ask of them.

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EXECUTIVE SUMMARY

A broad range of Interviewees were selected by the Office of State Planning (OSP) and interviewed by representatives of Hammer, Siler, George Associates (HSGA). While a questionnaire was used to assure a core group of questions were asked of all interviewees, its openendness encouraged other points to be made. Several themes emerge from the conversations:

1. Priority is needed for rebuilding and expanding infrastructure capacity. More often than not, this theme focused upon transportation facilities. However, several interviewees also mentioned municipal sewerage, water supply, public housing, and open space.
2. New Jersey growth rates must not be allowed to continue to destroy remaining open space resources. Wooded land, farm lands, sea shores, and wetlands were concerns for a land-use management system.
3. The structure of local government in New Jersey poses a significant barrier to cross acceptance or any other form of consensus on the plan. With the state plan requiring understanding and approval by thousands of local government officials, it is unlikely that cross acceptance will facilitate refinement and support of the plan documents.
4. Involvement of the political leadership was considered a mandatory element in plan acceptance. While other efforts may be underway to secure reaction to the plan, the absence of a broader base of leadership support seemed shortsighted.

While a wide range of reasons (14) were given for locating and relocating firms, four have been particularly important:

1. Availability of relatively inexpensive land.
2. Good highway access by the firm's labor force.

3. Good access to New York City and, to a lesser extent, Philadelphia by management.
4. Greater ability to compete for employing the suburban labor force.

For a number of reasons, interviewees are very knowledgeable about the state's development and redevelopment problems but do not necessarily have viable solutions to recommend. Many representatives of private businesses believe that they are better able to control their environments than public agencies. The way the proposed plan is communicated is as much, or more, of a problem than its substance. There is also a widespread feeling that bureaucratic delay is an inherent, albeit undesirable, part of the public planning process. The support for increasing infrastructure funding and with it the quality of life permeates interviewee attitudes to the point of it being a central focus of a planning process they would prescribe.

Few interviewees had given enough thought to the technical complexity of a state plan to effectively articulate responsible solutions to the issues they were familiar with. It seems that the solutions require constituents giving up something or require contradicting market trends. Few seem to acknowledge the enormity of unmet infrastructure costs or to support limiting growth in order to begin catching up with these costs. The state planning process, while widely supported, is not seen as a solution to the fundamental problems of too many public agencies providing services with inadequate funding to do so. Others saw the plan, particularly cross acceptance, as a hindrance to accommodating market demands which are expected to continue through its horizon year.

Market perceptions of the fears and inconveniences of inner city living have and will continue to reduce the competitiveness of most of those areas for real estate development, according to several interviewees. This is a common problem with some exceptions. Office and hotel uses still find some of New Jersey's inner cities competitive, especially when they have outstanding accessibility to and from New York or Philadelphia. The same holds true for high density residential uses whose environments can be controlled to reduce the likelihood of crime while increasing opportunities to select among quality educational and cultural resources.

Retailing tends to follow locations of households and, to a lesser extent, jobs. Warehousing uses are typically closely linked to locations of retail and manufacturing uses, superior highway accessibility, and relatively inexpensive land. Therefore, retail and warehouse uses are important contributors to suburban sprawl.

In order to overcome market resistance to selected cities and transportation corridors, to the extent that it exists, the proposed State Development and Redevelopment Plan can include a number of points. First, inner cities and transportation interchanges/stations can be competitive for commercial and high density development. Second, many areas of the state have the ambience and services necessary to be competitive for single-family residential development. Even though some of them are not in areas designated by the draft State Development and Redevelopment Plan for growth, the prevailing market indicators suggest people will pay the price necessary to locate within them. Local development permission obstacles could sway these market preferences but, cumulatively are unlikely to have more than a marginal affect on them. Third, New Jersey will continue to be competitive for the kinds of real estate development that New York City, and to a lesser extent, Philadelphia are less able to compete for. The state has land, high quality residential areas, good educational and cultural resources, accessibility, and a large industrial base with which to establish linkages. The market for real estate will continue to be strong and to resist increasing governmental intervention except in municipalities where there is a political willingness to intervene. This willingness tends to ebb and flow with development issues, the costs of resolving them, and the degree of risk the leadership assumes.

Section I. INTRODUCTION

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Discussion of the April 1987 draft of the New Jersey State Development and Redevelopment Plan called for an impact analysis of the plan and for a more adequate description of market trends. The OSP is preparing a fiscal impact methodology. This document is intended to respond to the request for a more adequate description of market trends.

The research methodology for this report was based on personal interviews conducted by HSGA staff members with representatives of commercial and industrial companies, higher education institutions, and real estate development-oriented associations. They were selected by OSP staff. If the prospective interviewee was not available, he or she selected an alternate. Questions of interviewees were based on:

1. A list supplied by OSP and found in Appendix B. Most interviewees received this list days in advance of the interviews.
2. Information supplied at the interviewee's initiative.
3. Supplementary questions based on the above two types of interviewee responses.

One result of interviewing a broad cross section of people and of using an open ended questionnaire is topically wide-ranging responses. The central purposes of this analysis are to seek the following types of information:

1. Locational preferences of businesses. This topic sought information on the major factors that influenced these decisions and major problems that have resulted from the decisions.
2. Recommendations to deal with these problems. Obviously emphasis was placed on issues to which the plan is likely to be able to respond.
3. Possible incentives to guide business location decisions to implement objectives of the State Planning Act.

Interviews were conducted between January 19 and February 24. A total of 43 interviews were conducted, attended by 55 interviewees. Their names and the characteristics of the organizations they represent are found in Section II, the Business Profile.

Section II. BUSINESS PROFILE

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During the course of this assignment, 55 representatives of 43 companies and organizations were interviewed by a Vice President of Hammer, Siler, George Associates. Selected characteristics of these companies and organizations are described below together with the names of interviewees.

Johnson & Johnson

The firm's world headquarters is located in New Brunswick. It has 20 separate sites in the state at which about 14,000 persons are employed, 18 percent of the firm's total employment. They are approximately equally split among its manufacturing, research and development, and administrative functions. The firm is located here because its three founders lived in New Brunswick. The firm's fiscal year 1986 sales were \$7.00 billion of which \$3.97 billion was in the United States. The firm's business is composed of three segments: consumer, professional, and pharmaceutical. The consumer segment is composed of baby care items, first aid products, and non-prescription drugs. The professional segment includes diagnostic products, wound closure products, medical equipment, and surgical dressings, apparel, and instruments. The pharmaceutical segment includes prescription drugs, anti-fungal, and veterinary products. Plans call for relocating its dental products manufacturing from Windsor Township to New Brunswick. Mr. John R. Mullen, Vice President of Government Affairs, was interviewed.

Beneficial Corporation

The firm's world headquarters is located in Peapack. It has 41 separate sites in the state at which about 1,350 persons are employed of whom about 1,000 are at the headquarters. Approximately 70 percent of the headquarters employees are women. The headquarters was relocated from Morristown, 12 miles to the northeast, in 1980 for a number of reasons:

1. The 980-acre property was available and only 25 acres was required, making most of the rest available for development for other companies.
2. It is well located for employee commutation; some 84 percent of employees live within 20 miles of the office.
3. Good highway and rail access to Manhattan.

The firm's fiscal year 1986 revenue was \$1.1 billion. The firm's principal business is consumer lending. Until recently it was also in the credit card, small business lending, insurance, and real estate industries. Plans call for the firm to expand at its headquarters site sometime in the 1990's. Mr. Finn M. W. Caspersen, Chairman of the Board and Chief Executive Officer, was interviewed.

American Cyanamid

The firm's world headquarters is located in Wayne. It has six separate sites in the state at which about 3,500 employees work, 10 percent of its total work force. The firm relocated from Manhattan in 1962 to: 1) expand office space, 2) own rather than rent its space, and 3) decrease employee commutation time. The original 400,000 square foot building was expanded by 140,000 square feet in 1977. The firm's fiscal

year 1986 sales were \$3.8 billion, of which 66 percent were in the United States. The firm is composed of its medical, agricultural, chemical, and Shulton groups. The medical group produces pharmaceuticals, vitamins, wound closure, and medical devices. The agricultural group produces pesticides, fertilizers, and animal pharmaceutical products. The chemical group produces resins, plastics, fibers, and photodetectors. The Shulton group produces consumer cleaners, fragrances, and insect control products. Mr. Gordon A. Pott, Manager of Corporate Real Estate, was interviewed.

Merck & Company

The firm's world headquarters is located in Rahway. It has three separate sites in the state at which about 4,200 people work, 14 percent of its total work force. Over 80 years ago the firm moved its headquarters from New York City to its present location. The firm's 1986 sales were \$4.1 billion of which 51 percent were in the United States. The firm manufactures prescription drugs, animal health products, and medical and specialty chemicals. . In 1992 the firm will move its administrative headquarters 25 miles west to a 464-acre site in Readington Township. Among the reasons for this move are: 1) increase space while making owned space available in Rahway for functions housed in rented space in Woodbridge, 2) good highway and helicopter service to New York and 3) still within an hour commute of most employees. The firm is also moving chemical manufacturing operations to other states as equipment wears out or becomes less competitive. Existing and prospective urban areas are not good locations for this use. Mr. Robert F. Hendrickson, Senior Vice President of Manufacturing and Technology, and Mr. James McGreevey were interviewed.

Margaretten & Company

The interviewee represented Margaretten & Company, Primerica Corporation's mortgage banker. Margaretten is headquartered in Perth Amboy and operates out of 79 branch offices located in 17 states. Of its 2,450 employees, some 850 or 35 percent work in the state and 70 percent are women. It was founded in 1909 by Perth Amboy natives. It has a \$2.5 billion mortgage portfolio with an average mortgage size of \$73,000. Mr. Angelo L. Dentamaro, Executive Vice President, was interviewed.

Campbell Soup Company

The firm's world headquarters is located in Camden. It has three separate sites in the state at which about 3,200 people work, about seven percent of its total work force. It was founded near its present location 118 years ago by a local research chemist. The firm's fiscal year 1986 sales were \$4.4 billion of which 80 percent were in the United States. The firm manufactures food products and packaging for them. A new office building is planned in Camden, a site selected for its nearness to the corporate headquarters and because of the availability of assistance from the city in acquiring and improving the site. Because the firm does not own the farmland which produces its foodstuffs, no changes can be predicted in this inventory. Mr. Bertram C. Willis, Director of Government Relations, was interviewed.

K. Hovnanian Companies

The firm is headquartered in Middletown. It is a real estate development company which provides a full range of services required to serve its residential and commercial markets. Therefore, it owns and

manages property in many areas of the state and in five other states. In fiscal year 1987 it had sales of \$287 million. The number of employees fluctuate widely with the number and sizes of projects under construction and being managed, and with the season. Mr. Ara K. Hovnanian, Executive Vice President; Mr. Wayne J. Soojian, Director of Acquisitions; and Mr. Peter S. Reinhart, General Counsel, were interviewed.

United Jersey Banks

The firm is headquartered in Princeton Township. It has 200 offices, located in 17 of the state's counties, at which about 6,000 employees work. The firm was started as a bank to serve a growing market and has expanded by increasing its market area, by acquiring other banks, and by providing discount brokerage services. In fiscal year 1986 it had assets of \$8.0 billion. The firm expects to add offices in the state as jobs and the population increase. Mr. George J. Soltys, Jr. Vice President for Financial Planning and Mr. Joseph N. Somma, Vice President for Market Research, were interviewed.

Atlantic City Casino Association

The Association represents the 12 casino hotels which have been built in Atlantic City since 1978. They employ about 41,000 persons who provide gambling, hotel, and food services. The casinos' 29.8 million annual patrons are approximately equally split among those who live in the New York City area, the Philadelphia area, and the balance of the state. Total fiscal year 1986 revenues were \$2.8 billion. Casinos are located in Atlantic City and not elsewhere in the state because they were authorized by a 1976 vote to locate there. Plans call for opening

another casino in 1988 and one more by 1991. Mr. David Gardner, Vice President of Government Affairs, was interviewed.

Atlantic City Electric Company

The firm was established 102 years ago to provide electricity and is headquartered in Pleasantville. The site was used for "back office" functions beginning in 1963. In 1974, the engineering center was added and in 1982 the administrative offices were added. The site was selected over 25 years ago because: 1) it was inexpensive land, 2) had good access via U.S. 322, 3) it was within a short commute of many employees, and, 4) it was centrally located with respect to customers, but not the service area. In fiscal year 1986 the firm had \$583 million in revenues of which 10 percent was attributed to its 15 largest customers. The firm has about 403,000 customers and 2,150 employees. Plans call for increasing facilities to serve demand. Mr. Henry K. Levari, Jr., Vice President of Corporate Planning and Performance and Mr. Fred J. Abbate, General Manager of Corporate Communications, were interviewed.

South Jersey Gas Company

The firm is headquartered in Folsom. It is part of South Jersey Industries which also includes firms that produce sand, gravel, and petroleum. The Gas Company has 625 employees serving lower Camden and Burlington counties and five other counties in the southern part of the state. The office was built in 1971, roughly in the center of the service area, and expanded in 1986. The site and permission to develop it were available at the time. In fiscal year 1986 the firm had revenues of \$251.7 million of which 88 percent were from the Gas Company, serving about 160,000 customers. Plans call for increasing

facilities to serve demand. Mr. Bruce Grossman, Manager of Commercial Sales and Ms. Kathleen A. Davis, Supervisor of Government Relations, were interviewed.

Security Savings & Loan Association

The Association is headquartered in Vineland from which it services the state's eight southern-most counties. It was franchised to operate 118 years ago, expanded with an acquisition in 1980, and traded branches with another association in 1987. There are no expansion plans for this 520-employee Association. Mr. William A. Gebhardt, Executive Vice President, was interviewed.

Squibb Corporation

The firm's world headquarters is located in Lawrence Township. It has six separate sites in the state at which about 5,300 employees work, some 29 percent of the firm's total employment. About 3,060 manufacturing employees work in East Brunswick, 170 engineering and chemical employees in West Windsor, and 130 employees at a distribution facility in Cranberry, in addition to 1,690 headquarters employees. The site was selected because of the need to consolidate operations at one location from New York City and the site was available. The then chairman had previously lived in the Princeton area. Because about 690 employees have been added at headquarters since the building was occupied in 1971, expansion permission is being sought. The firm's fiscal year 1986 sales were \$1.8 billion in pharmaceutical and medical products. Mr. Robert E. Humes, Senior Vice President for Human Resources, was interviewed.

Development East

The firm is headquartered in Voorhees and develops commercial property in New Jersey and three other states. Mr. Joe Diemer, Marketing Director, was interviewed.

Schering-Plough Corporation

The firm's headquarters is located in Madison. It has seven separate sites at which about 4,160 employees work, 18 percent of the firm's total. Some 53 percent of the firm's New Jersey employees are located at its principal administrative office in Kenilworth while a 1,000-employee manufacturing facility is located in Union. The firm moved to Madison in 1984 to put their research employees in a campus setting where they have a floor area ratio of 0.08. Mr. Edmund V.F. Schenke, staff Vice President for Engineering, was interviewed.

New Jersey Alliance for Action

An approximately 500-member organization representing a variety of industries and organizations: construction, consulting engineers, trade unions, utilities, and others. The Alliance studies infrastructure and development permission issues, seeks to influence legislation, sponsors seminars, and supports a membership communication network. Mr. Ellis S. Vieser, President, was interviewed.

Siemens USA

The firm has about 25,200 employees of whom about 1,900, or eight percent work in New Jersey. Its headquarters is located in Iselin, research office in Plainsboro, research and testing laboratories in Princetown and Wayne, and manufacturing facilities in Somerset,

Piscataway, and Cherry Hill. Its parent firm, Siemens AG, was established in West Germany in 1847 and has 359,000 employees. The U.S. firm has \$2.7 billion in annual sales. The firm manufactures telecommunications equipment, artificial intelligence technology, optical cable, elevator control, power transmission, and medical equipment. Since its 1968 selection of New Jersey for its scientific research community, most expansion has occurred as result of corporate acquisitions. The firm is increasing its New Jersey presence with the expansion of its Plainsboro research facility. Mr. Igal Schidlovsky, Manager of Technology Assessment and Liaison for the Research and Technology Laboratories, was interviewed.

First Fidelity Bancorporation

The firm has 15,000 employees of whom about 9,000, or 60 percent are located in the state. Approximately 50 percent of the employees are female. The firm has been headquartered in Newark for 176 years. Presumably this location was selected because the founders lived there. Its administrative and operations centers are located in various parts of the state, sites mostly based on existing facilities of companies acquired over the years. About 300 branches are located in the state's 21 counties. The firm is valued at \$21.1 billion. Mr. Andre E. Briod, Senior Vice President, was interviewed.

Merrill Lynch, Pierce, Fenner & Smith

The firm is located in Plainsboro. It has 4,500 employees in the state of whom 1,700 are at this location, 2,000 in Somerset, and the remaining 800 scattered across the state in sales offices. The company is worth \$53 million and had revenues of \$9.6 billion in fiscal year 1986. The firm is in the investment banking, insurance, real estate,

and financial management industries. The firm chose this location for its move from New York City because: 1) it is less expensive to operate, 2) is located near a higher quality labor force, 3) was able to increase its employees' work time by 14 percent, 4) is a prestigious community near New York City and Philadelphia, and 5) is a site large enough for existing building needs and expansion and already had appropriate zoning. The one million square foot building is about evenly split between office space and the employee training center and has been operational since 1985. A 200,000 square foot addition will open in 1990. Mr. Harry J. Ferguson, Vice President and Mr. William Henkel, Vice President for Consumer Markets, were interviewed.

Hoffman-La Roche

The firm is located in Nutley where it has 5,800 employees, 45 percent of its U.S. total. It also has facilities in Bellville and Belvedere with all three sites having 4.2 million square feet of building and 645 acres of land. The firm, which produces chemicals and ethical Pharmaceuticals, has been in Nutley for over 50 years. There are no plans to expand or relocate. Mr. Thomas A. Scales, Assistant Vice President and Director of Corporate Planning and Development and Mr. Rocco Ricciardi, Planning and Development Manager, were interviewed.

Geraldine R. Dodge Foundation

The foundation is located in Morristown. It has a staff of eight people of whom four are female. The foundation provides grants for animal welfare, secondary education, the arts, and study of public issues. The fund balance is \$122.9 million. In 1986, 259 grants valued at \$6.3 million were made. Mr. Scott McVey, Executive Director, was interviewed.

Automatic Data Processing

The firm is headquartered in Roseland. It has 22,000 employees of whom 3,800 or 17 percent are located in the state. The firm had assets valued at \$754.9 million in 1987 when it had revenues of \$1.4 billion. The firm provides automatic teller machines, brokerage quotations, and automatic data processing services. Mr. Robert Singer, attorney, was interviewed.

The Prudential Insurance Company of America

The company is headquartered in Newark. It has 19,000 employees in the state of whom 3,500 work in Newark. The firm has principal offices in six other municipalities in the state. Some 29 percent of its 65,000 employees working in the United States are located in New Jersey. The company has assets valued at \$134 billion, making it the largest insurance company in the country. Other services provided by the company include financial planning, designing computer software, venture capital stock brokerage, and mortgage servicing. It located in Newark 113 years ago because its founders were there. There are no plans for relocating major portions of the firm's work force. Mr. John J. McElvogue, Vice President of the Corporate Services and Buildings Department, and Mr. J. Joseph Frankel, Government Affairs Counsel, were interviewed.

E'Town Corporation

This company, located in Elizabeth, provides water service to all or part of 50 municipalities located near the Raritan River in the central part of the state. In 1986, the firm had assets of \$224.6 million and operating revenues of \$66.3 million. The company's state

charter and purpose fixes its location and the service that is provided. Growth of the service is a function of Increasing jobs and population. The company's 314 employees serve 160,000 customers. Mr. Chester Ring, III, President, was interviewed.

New Jersey Bell

The firm, headquartered in Newark, provides telephone service throughout the state. It has 19,700 employees who service 3.2 million customers. The firm had \$5.4 billion of assets and operating revenues of \$2.7 billion in 1986. Service growth is a function of increasing jobs and population. Mr. Richard W. Amman, Vice President of Sales, was interviewed.

New Jersey Institute of Technology

The institute is located in Newark. It has over 7,200 students in degree programs. The 330-acre campus was founded in 1985 as the technical post secondary school serving the northern part of the state. Dr. Saul Fenster, President; Dr. Henry A. Mauermeyer, Vice President for Administration and Treasurer; and Dr. Sandy Moore, Associate Professor of Architecture, were interviewed.

The Partnership for New Jersey

The association represents over 70 companies and other organizations in the state which are concerned with a wide array of public issues. The partnership is a forum for the exchange of ideas to encourage the private sector to develop and advocate enlightened innovative approaches and solutions to emerging issues. The association is located in New Brunswick where space was donated for its use. It has

a staff of fewer than 10 persons. Mr. Thomas M. O'Neill, Executive Director, was interviewed.

University of Medicine and Dentistry of New Jersey

The University, located in Newark, is the only health sciences university in the state. It has some 3,037 students plus about 1,107 residency program participants. The University selected its site because of the availability of inexpensive land and intense local and state political pressure to do so. The university has 8,857 employees and an annual budget of \$350 million. Dr. Stanley S. Bergen, Jr., President, was interviewed.

GIBA-GEIGY

The firm is located in Summit where 2,200 of its 2,650 New Jersey employees work. It manufactures agricultural chemicals, textile dyes, Pharmaceuticals, and plastics. The firm moved from Manhattan 52 years ago as one of the first exurban manufacturing/research facilities in the country. Summit's advantages included a clean environment, inexpensive land for expansion, and good utility and shipping services. Expansion plans include new office and research buildings, a manufacturing facility, and parking. Ms. Liz Moench, Executive Director of Public Affairs, was interviewed.

Exxon Research and Engineering

The firm is located in Florham Park and was founded in 1919. Together with Exxon Biomedical Sciences located in East Millstone, the firm employs 1,686 persons of whom 91 are executives, 608 scientists and engineers, and the remainder are support personnel. The firm conducts

research in oil and natural gas exploration, production, refining, marketing, and transportation. Among Us four locations in the state the oldest is in Linden and the largest is in Clinton. The two major factors in the firm's locational decisions were the availability of a highly skilled labor force and the good tax, regulatory, and public services climate. The quality of life in terms of education and recreation facilities and availability of housing was also considered important. There are not plans for expansion at existing sites or relocations. Mr. David R. Clair, President, and Mr. Barry Wood, Senior Staff Advisor for Government Relations, were interviewed.

Bell Communications Research

The firm is located in Piscataway and conducts research in telecommunications for the country's seven regional telephone companies. It has 7,652 employees plus about 1,300 persons who work for its contractors. About 57 percent of them are males, 800 have doctorate degrees, and 2,330 have master's degrees. The company's assets are valued at \$613 million and it had revenues of \$874 million in 1986. Few of its employees and assets are located outside of the state. Other sites of its 2.9 million square feet of buildings located on 360 acres of land are Livingston, Moorestown, and Navesink. These sites were chosen for their rural environments with good access to educational and cultural facilities, availability of housing, and easy access to airports. Mr. Donald S. Baker, Senior Vice President of Finance and Administration and Mr. Frank X. Haslach, Manager of Facilities Management, were interviewed.

Other Firms

Representatives of other firms and organizations were interviewed for which less information is available than those firms and organizations described above. These representatives are listed below.

- National Association of Industrial and Office Parks, New Jersey Chapter, Mr. Jeffrey A. Horn, Executive Director, Edison.
- Bellemead Development Corporation, Mr. Raymond A. Brown, Assistant Vice President, Roseland.
- Federal Business Centers, Mr. Frank D. Visciglia, Executive Vice President, Edison.
- Public Service Electric and Gas Company, Mr. Stephen J. Kukan, General Manager for Area Development, Newark.
- Iris Construction Company, Mr. Herbert M. Iris, President, Springfield.
- The Marcus Group, Mr. Alan C. Marcus, President, Secaucus.
- New Jersey Business and Industry Association, Mr. Joseph E. Gouzalez, Senior Vice President, and Mr. Jeffrey N. Stoller, Assistant Vice President, Trenton.
- Woodrow Wilson School of Public and International Affairs, Ms. Ingrid W. Reed, Assistant Dean for Planning and Administration, Princeton.
- Blank, Rome, Comisky & McCauley; Mr. Steven D. Weinstein, Attorney, Cherry Hill.
- The Grad Partnership, Mr. Lowell Brady, Newark.
- The Fund for New Jersey, Mr. Robert Corman, Executive Director, East Orange.
- Applied Housing, Mr. Joseph Barry, Executive Director, Hoboken.

Section III. DETERMINANTS OF BUSINESS LOCATION DECISIONS

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Interviewees provided insights into the most important determinants of business location decisions. They mentioned a wide range of reasons for locating in their present locations or for planning to move. Among their perceptions were:

1. Good highway access.
2. Near a quality labor force.
3. Room for additional building space and land to grow in the future.
4. Passenger rail access to New York City.
5. Avoidance of crime and noise of inner cities.
6. Founders from the area.
7. Own rather than rent space, or inexpensive rent.
8. Prestige address, or to improve corporate image.
9. At the center of, or good access to, the firm's service area.
10. Free parking.
11. Development permission had already been obtained.
12. Relatively inexpensive land.
13. Nearby cultural and educational facilities for the most highly paid employees.
14. Special utility service for research laboratories.

Among the reasons firms are planning to relocate are:

1. Keep potentially dangerous manufacturing processes away from people, except employees.
2. Expand employment into larger building space or land.
3. Reequip and rehouse part of the firm in competitive space.
4. Improve highway access.

Many responses were provided by interviewees on contemporary issues affecting business location decisions and of concern to them. All important issues from the interview guide and identified by interviewees are discussed below. Key issues of the business leadership are:

1. Passenger transportation system capacity constraints.
2. Inadequate public revenue to provide services to existing businesses and to attract new businesses to the state. Highways, water quality, and law enforcement were the most frequently mentioned public services deficits.
3. Uncertainties about the technical quality of zoning and planning efforts and about the cost of them.

Other, less frequently mentioned, issues will also be discussed if they were thought to be important by more than two interviewees.

Transportation System Capacity

The most frequently mentioned issue is inadequate roads. They affect corporate affairs in a number of ways:

1. Long commutes by management.
2. Long commutes by other employees.
3. Slower than desirable delivery of goods.

4. Cost implications of the above.

The most commonly cited reasons for locational decisions are centered on four principal factors: relatively inexpensive land, good highway access by the labor force, good access to New York City by management, and ability to compete for the suburban labor force which is typically preferred over the inner city labor force.

Almost every interviewee thought transportation system capacity is a problem. They may be classified as representatives of firms located in:

1. Urban areas through which New York City -- and Philadelphia-bound traffic clogs roads.
2. Rural areas with bucolic settings since 1960 served by the two lane roads having poor levels of service now that growth has occurred.
3. Rural settings having slower travel times than . past years because employment, population, and traffic have increased.

This issue is serious enough to have called into question many firms' locational decisions, if they were made during the past 20 years for other than family reasons.

At least one firm uses flex time to spread out commutation time and reduce congestion. The low gasoline tax, lack of planning to reserve rights-of-way, and fragmented highway decision-making reduce the likelihood that this issue will be resolved anytime soon, according to interviewees.

Inadequate Revenue

Many interviewees felt that more money has to be raised to provide infrastructure and affordable housing. At the head of the list of priorities was more highway funding in spite of the fact that recent state legislation had elevated New Jersey to 49th among the 50 states in the amount of gasoline tax charged per gallon.

Lax security and poor products of public schools reduce the attractiveness of selected inner cities. These factors work against the residential market for families with children and the employment market for females. Those interviewees having an opinion about public schools tended to lump together inner city schools as if they all shared common characteristics of failure. Representatives of firms interviewed generally have 40 to 50 percent of their jobs filled by females. They believed more money for and better management of the criminal justice and education systems is required to attract people back into the cities.

The real estate industry (broadly defined) seems ahead of the state legislature in their willingness to raise more revenue. At least one organization has linked quality of life to infrastructure standards, pointing out that raising the latter will improve the former.

Provision of affordable housing finds widespread support among interviewees. They were aware that the non-poor young and old often cannot afford new market rate housing units in spite of the high rate of female labor force participation, resulting in two earner households, and in spite of the low unemployment rate pushing up wages. One corporate solution to the housing crisis is locating corporate headquarters in rural areas and attracting the most nearby labor force. Both the

employment center and residences take advantage of rural lower priced land as compared to inner city or suburban sites. However, the result is additional sprawl. In the absence of more affordable housing in New Jersey, many interviewees and HSGA believe the labor force and therefore employment growth will be limited.

Although the need for new revenue is acknowledged, there is a sensitivity to having reasonable real property tax rates. Among the problems cited are:

1. Some municipal rates are too high.
2. Some real property reassessments have not been made in over 25 years.
3. While a circuit breaker has been proposed, it has not been adopted. (Under this approach, once a municipality's tax rate reaches a certain level, the state provides substitute revenue resulting in a cap on the real property tax.)

Greater use of user fees for public services appears to have some support among interviewees. This will reduce dependence on the real property tax by local governments and by special, purpose districts.

While multi-year budgeting was supported, use of corporate models was not recommended. Multi-year budgeting was thought to be consistent with multi-year state planning and would help respond to infrastructure problems. The corporate model is not appropriate because it has a profit-making objective, it responds to a relatively small group of stockholders, it is oriented to a limited number of product(s) or services, and it typically has a strong marketing component.

There is some support for development impact fees. They are becoming more commonly discussed in New Jersey and may be required to

raise revenue for infrastructure equitably. Legal obstacles to use of impact fees must be removed prior to their widespread adoption.

Financial incentives were mentioned as desirable to help private enterprise implement local plans. Although their form and size were not extensively discussed, they could provide revenue to achieve a local plan's objectives even if they would be a public expenditure. Privatization of selected public services was mentioned once as a way to more efficiently provide those services.

Zoning and Planning

The principal difference between the January 1988 draft plan and other New Jersey state plans produced during the past 55 years is cross acceptance. To businesses in the real estate industry, this proposed process is anathema. To businesses planning to expand their real estate holdings, or to make excess land available for development, cross acceptance is an unknown potential problem. The crux of concerns seems to be:

1. Adding a layer of review of development permission applications to local zoning and planning which is frequently already perceived as a cumbersome process that delays the conversion of vacant land to urban uses.
2. Introducing relatively remote bureaucrats into the informal part of the development permission process. By espousing contemporary technical standards, these bureaucrats may become a threat to established local personal relationships fostered by developers.
3. Interpreting the plan maps in ways that will exclude sites developers own, have options on, or intend to develop, from the types or densities of development they intend to market.
4. The mysteriousness of the unique cross acceptance process. Because it has not been implemented and because it is likely

to be poorly managed by local people who do not understand the real estate industry, it is likely to be an obstacle when compared to the way business has been done in the past.

The technical quality of public plans tended to be a concern of those who apparently have spent a lot of time reviewing and evaluating them. This objection was voiced most frequently by real estate industry representatives. The typical planning process used by this industry is generally to:

1. Use informal networking to assess market niches, receptivity of the community to projects, and the availability and cost of land.
2. Preparing a market study, preliminary building designs, and conceptual site plans and submitting them to local government agencies.
3. Preparing cost estimates and preliminary cash flow models to be used internally or as part of development permission applications.
4. Obtaining site development and building permission.
5. Acquiring the site and obtaining a construction loan.
6. Obtaining development permits.
7. Contracting construction.
8. Obtaining a permanent loan,
9. Marketing land and/or building(s).

The up-front cost implications of this process to developers are significant. But the process is a logical one for site planning purposes. To the extent that local zoning and public planning processes contradict the findings and outcomes of these kinds of processes, they may be considered inconsistent with sound market principles.

Other Business Location Issues

Issues of local government organization, labor force competition, and development Incentives, while not of paramount importance to most interviewees, were mentioned by some of them. Their perceptions are discussed below.

Local Government Organization

Virtually everyone interested in the topic views New Jersey's structure of local government as not being designed to provide systems of public services efficiently. Perhaps except for fire and rescue services, neighborhood parks, and elementary schools, municipalities are smaller than public services areas. Therefore, a lot of duplication exists, and intermunicipal coordination is often absent when it comes to sizing, locating, and funding the other services for which general purpose local governments and special purpose districts are typically responsible. However, the interviewees suggest that the enormity of rationalizing this political problem boggles the business community's mind and is seen as far beyond the ability of public planning processes to influence.

Labor Force Competition

During the period of this analysis, New Jersey's growth is rampant and its unemployment rate is low. Businesses are in keen competition for the limited qualified labor force. Businesses are therefore sensitive to employee's and prospective employee's household income and other needs. As a result, interviewees brought up a number of points that may have local planning implications:

1. Long commutes are costly and reduce employee effectiveness. It has become more difficult to attract suburban residents to inner city jobs.
2. Many office campuses do not have good restaurants or other attractive retail outlets. One partial solution to this problem has been on-site subsidized cafeterias.
3. Housing market obstacles have encouraged many companies to provide relocation assistance to certain levels of management employees. This assistance, however, typically does not extend to those most in need of affordable housing.
4. High concentrations of female employees have increased the need for on- or near-site day care. Some companies have responded to this need and others are considering it. One obstacle is the cost of liability insurance.
5. To attract and retain some rare skills, businesses have found it necessary to locate near educational and cultural facilities and services. Easy access to New York City, Princeton, or New Brunswick are desirable and have increased land values in those areas. It is alleged that some Atlantic City casinos have recruited employees from as far away as Ohio.
6. Employee turnover, up to 28 percent annually in this sample of interviewees, is a common private sector problem. It seems especially important in a place like Newark that has easy access to job opportunities and has many lower level jobs in which small pay increments are proportionately significant.
7. Employee training is relatively easily arranged because of the number of nearby educational opportunities that are available.

Reduction of commutation time, more mixed-use projects, increasing the supply of affordable housing, and increasing day care facilities would improve labor force productivity and the competitiveness of New Jersey businesses.

Development Incentives

Among the firms in the sample, the most common public program incentives they have used in making locational decisions are industrial revenue bonds and tax abatements. Most industrial revenue bonds have been phased out and will not be a significant factor in business location decisions unless federal legislation is amended. Local jurisdictions have a great deal of latitude in the form and time period of the tax abatement they authorize. Many of the locational decision factors listed on pages 18 and 19 often are more important to those decisions than development incentives. The principal exception is land and funding made available to the University of Medicine and Dentistry for New Jersey in 1968 for its Newark Campus. Without use of urban renewal powers and persuasion of public agencies, the university would have located elsewhere. This is one example of public intervention as a tipping point in a locational decision.

The relative unimportance of development incentives may reflect a number of factors. One is that few interviewees represented small, private, relatively "foot loose" industries in highly competitive fields whose continued existence may depend on public funding. Foot loose industries are those which believe they have many choices of locations which would be approximately equally competitive. A second factor is that many interviewees represent companies and institutions whose locational decisions were made many years ago without public funding or with few development permission requirements. A third factor is the elimination or reduction of the public programs which might have been helpful in making location decisions. Perhaps new, well-funded programs will be required for a long period of time to attract jobs and households to New Jersey's inner cities and high capacity transportation corridors.

Section IV. PROSPECTIVE RESPONSES TO ISSUES

Section IV. PROSPECTIVE RESPONSES TO ISSUES

The central issues described in Section III are ones repeatedly mentioned by interviewees. However, this does not mean there was uniform support of them. Many interviewees suggested prospective responses or remedies that are, in their view, needed. Yet, interviewees are long on acknowledging problems and short on offering viable solutions to them. You might expect this from people whose attention is focused primarily on manufacturing products, selling personal services, keeping association members happy, or educating students. Responses are organized below in terms of a market overview, communication, administrative response, and funding implications. These responses reinforce the points that business location decisions are very complex, typically take many factors into account, and are highly dispersed among many people and institutions. Particularly in recent years this complexity is compounded by the sometimes multi-national and sometimes multistate characteristics of these decisions.

Market Overview

Market forces have had an important role to play in generating and compounding the issues described in Section III. Immigration of jobs and people to New York City occurred at such a scale in the past 100 or more years that it overloaded the capacity of the city to absorb them at ever increasing land and building construction standards and costs. With land values, pollution, congestion, and crime increasing, the city became less competitive as a place to accommodate growth which did not

have to be located within its boundary. To a lesser scale, the same thing was happening in the Metropolitan Philadelphia Area.

With less expensive land, congestion, pollution, and crime, New Jersey was a nearby competitive location for growth to occur. Farmland was converted to residential uses to attract people from nearby big cities. Later, starting in the 1930's farms were converted to somewhat isolated employment centers where a company's environment could be controlled much more than in a central city and where land was cheap enough to acquire surplus property for prospective expansion. Firms in growing sectors of the economy that control insufficient land for expansion or for protection against neighboring uses generally regret it.

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To private businesses, controlling their environment -- whether it's their physical, personnel, security, or other environments -- is important to achieving corporate objectives. Often, they feel that they are better able to control their environments than public agencies are, because businesses are required to in order to realize profits, and they are not required to have open management processes like public agencies. Thus, many of the solutions to public issues offered by businesspersons often require greater control of public decision-making environments than is politically possible for public agencies. Yet, it is this control, they feel, that may be required to effectively manage and resolve the development issues described in Section III.

Communication

A relatively common suggestion of the business community to resolve most growth issues is for the state to identify a more certain future, whatever its physical development ramifications. No suggestions were

stick by it. One general solution upon which there seemed to be widespread agreement was to improve the quality of the public school and criminal justice systems in urban centers in order to increase the competitiveness of cities for private investment. Most interviewees felt that if this is not understood by planners, the products of their work will be considered naive by representatives of business and laypersons.

Administrative Response

Streamlining development regulations is a common theme. At the state level, it is targeted at environmental regulations which are perceived as costly stumbling blocks to real estate development. It is felt that, at the local level, the State Planning Commission will have little leverage to influence growth except by promulgating standards, as it has done, and by funding local staffs. However, deliberate administration of development regulations is sometimes one of the most effective ways a municipality has of slowing growth and of communicating this policy to prospective land speculators and to developers. For example, the lack of local planning and funding responses to sewer moratoria typically retards development.

Several interviewees said that the county is a more logical unit of government to deliver services than the municipality or small special purpose district. However, the political dilemma of how to substitute regional service delivery for a municipality's or special purpose district's delivery, while acknowledged as necessary, seemed too big and hypothetical to discuss. Achieving a more rational public services delivery system is thought by many interviewees to require, as a prerequisite, several mini-crises. Multiple crises are necessary, they

feel, to stimulate the political willingness to design and implement radical but needed solutions.

Funding Implications

Many interviewees are aware of the nexus among site improvements, growth, and raising public revenue for capital projects. Some representatives of the development industry refer to this nexus as quality of life. Without more of each of these factors, it is thought, New Jersey's economy may suffer. Some people also feel that the state legislature is far behind "the curve" of public willingness to pay to improve the infrastructure. User fees came up from time to time as the most equitable and easiest way to raise funds, short of impact fees imposed on developers. An advantage of user fees is that they come closer to requiring beneficiaries to pay for services received than when costs are spread among the public at-large.

In response to the lack of adequate transportation system capacity issues, several interviewees suggested more funding for this purpose. As is often the case, emphasis was placed on more public transportation service, perhaps in hopes of relieving congestion so that the respondents would have shorter travel times. Added capacity in an east-west direction was considered especially important, particularly as development proceeds along more-or-less north-south highway corridors.

The attitude surfaced that land owners have a vested right in the market value of their property that should be reimbursed if this value is infringed upon. Guarantees of payments for transferable development rights and compensation of land owners for unrealized profits attributable to the draft State Development and Redevelopment Plan were suggested. No precedents for these ideas were offered.

Conclusion

Few interviewees had given enough thought to the technical complexity of a state plan to effectively articulate responsible solutions to the issues they were familiar with. It seems that the solutions require constituents giving up something or require contradicting market trends. Few seem to acknowledge the enormity of unmet infrastructure costs or to support limiting growth in order to begin catching up with these costs. The state planning process, while widely supported, is not seen as a solution to the fundamental problems of too many public agencies providing services with inadequate funding to do so. Others saw the plan, particularly cross acceptance, as a hindrance to accommodating market demands which are expected to continue through its horizon year.

Market perceptions of the public's fears and of the inconveniences of inner city living have and will continue to have a dampening effect on the competitiveness of most of those areas for real estate development, according to several interviewees. This is a common problem with some exceptions. Office and hotel uses still find some of New Jersey's inner cities competitive, especially when they have outstanding accessibility to and from New York or Philadelphia. The same holds true for high density residential uses whose environments can be controlled to reduce the likelihood of crime while increasing opportunities to select among quality educational and cultural resources. Warehousing and retailing uses tend to follow locations of industrial, commercial, and residential uses.

In order to overcome market resistance to cities and transportation corridors, to the extent that it exists, the proposed State Development and Redevelopment Plan can include a number of points. First, inner

cities and transportation interchanges/stations can be competitive for commercial and high density development. Second, many areas of the state have the ambience and services necessary to be competitive for single-family residential development. Even though some of them are not in areas designated for growth by the Draft State Development and Redevelopment Plan, the prevailing market indicators suggest people will pay the price necessary to locate within them. Local development permission obstacles could sway these market preferences. However, cumulatively they are unlikely to have more than a marginal affect on them. Third, New Jersey will continue to be competitive for the kinds of real estate development that New York City, and to a lesser extent, Philadelphia are less able to compete for. The state has sufficient developable land, high quality residential areas, good educational and cultural resources, market accessibility, and a large industrial base with which to establish linkages. The market for real estate will continue to be strong and will resist increasing governmental intervention (e.g., the plan) except where this intervention clearly resolves consensus growth problems equitably and reasonably and is backed with the political leadership necessary to carry through with the intervention.

APPENDIX

APPENDIX SURVEY OF NEW JERSEY

BUSINESS LEADERS

- A. Business Profile. The following questions address specific characteristics of your business (if this information can be available in written form at the time of the interview, it would be very helpful and time saving):
1. Type of business?
 2. Number of employees?
 3. Employee mix/range of incomes?
 4. Company worth?
 5. Square footage of property and built space?
 6. Type of tenancy?
 7. How long at present location?
 8. Where support services are located/needed?
 9. Where employees live and how they travel to work?
 10. Future plans?
- B. Determinants of Business Location Decisions. These questions address general areas of interest:
1. Major factors in business location decisions?
 2. Relative importance of factors?
 3. What determined current location?
 4. What would induce you to relocate?
- C. Existing Conditions/Problem Recommendations. We would like to address both public and private initiatives for the following areas:
1. What are problems/satisfactions with present location?
 2. Recommendations to deal with problems?
- D. Implementing the State Development Plan. A plan objective is to concentrate new development in cities or in new centers along transportation corridors. Given this objective, we wish to discuss with you the following areas:
1. Incentives for business leaders' cooperation?
 2. Incentives affecting location decisions?

Source: State of New Jersey, Office of State Planning.