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# Development Requires Strong Local Leadership, Incentives

By Steve Lubetkin | New Jersey

RUTHERFORD, NJ — Successful urban development requires a combination of strong local leadership, effective financial incentives, and an understanding of the new ways in which people go to work, say panelists at the 2015RealShare New Jersey conference.

"People no longer work the way they used to work," says panelist Ralph Zucker, president of Somerset Development. "In some suburban locations, you would almost have to pay people to go to suburban office parks, for what most people think would be a mind-numbing experience."

Businesses need to have confidence in local leadership, says Timothy Lizura, president and chief operating officer of the New Jersey Economic Development Authority. "Once a municipality shows leadership, provides adequate safety, and supports an educational system that can attract new residents, then the business community can have a conversation and make a compelling argument."

New Jersey is providing significant tax incentives to encourage businesses to locate in urban areas, like Camden, says Lizura, citing the effective leadership of Mayor Dana Redd. At the same time, the state's tax incentives carry stringent capital investment requirements. So far, he says, the state has only certified $650,000 in credits under the program, although a significant number of credits issued this year will come up for certification review next year and beyond.

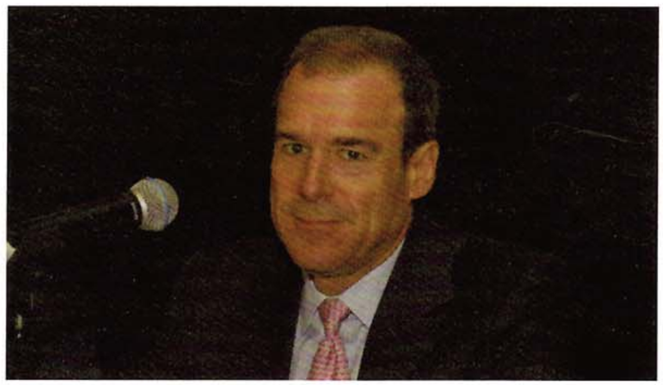
"There is a strong demand for urban life in cities like Newark," says Carmelo Garcia, executive vice president and chief real estate officer, Newark CEDC. "There are 3000 residential units in the pipeline. The keys are mass transit and proximity to the rivers."

Somerset's Zucker agrees. "Tech companies in particular, are motivated to be in that street life scene," he says.

Fred Schmidt, president and chief operating officer of Coldwell Banker Commercial Affiliates, described the company's search for a new corporate headquarters for Realogy, which included evaluating Charlotte and Atlanta. Although both cities were attractive because of their proximity to major airports, and the cost of living in Charlotte was lower, the company concluded that lower high school graduation rates and college entrance compared with New Jersey added costs to the overall equation. Such factors are often overlooked by companies comparing relocation costs in various locations, he says.

Supply and demand are both gradually increasing across all property types, Schmidt says. With vacancy rates at 21.7 percent in office, 9.7 percent in industrial, 2.5 percent in apartment/multifamily, and 5.5 percent in retail, it is a relatively healthy market, he says.

Dramatic changes in the way property types are developed will continue to have an impact, he adds. For example, in offices, the average space allocated to each employee is now down to between 150 and 175 square feet per person, one of the lowest levels in years, he says.


Lee Winter, director, Grant Thornton

"Retail generally has a smaller footprint, which correlates directly with industrial," Schmidt says. "Retailers are reducing the amount of stock they keep in stores and using the industrial properties to store the inventory and deliver it on very rapid schedules, even the same day."

Developers need to look for a wide range of incentives to make developments make economic sense, Zucker says. He noted that Somerset Development was able to get the Bell Laboratories property, which his firm is redeveloping as Bell Works, listed on the National Register of Historic Places. The listing provided $.20 on the dollar in federal tax incentives. For a property the size of Bell Works, it represented about $40 million of federal contribution to the redevelopment, he says. As previously reported by GlobeSt.com, Somerset Development is reimagining the historic 472-acre technology research laboratory for a mixed-use development.

Nevertheless, it is difficult to gauge the effectiveness of incentives at retaining companies, as many states are now providing incentives that compete with those offered in the garden state, says Lee Winter, director, Grant Thornton. "New Jersey studied what was done in the past in other incentive programs in other areas, and took the best elements for its program," he says.

"Companies like Somerset benefit from the high barrier to entry of the New Jersey market," Zucker says.

The panel was moderated by David B. Wolfe, Esq., partner, Skoloff & Wolfe.