

NEW JERSEY & COMPANYSM

Real Estate | Law | Finance | Economic Development



JANUARY/FEBRUARY 2010 ISSUE | VOLUME THREE • NUMBER FOUR | NJAND.COM | NEW JERSEY & COMPANY IS A PUBLICATION OF SCHEIN MEDIA

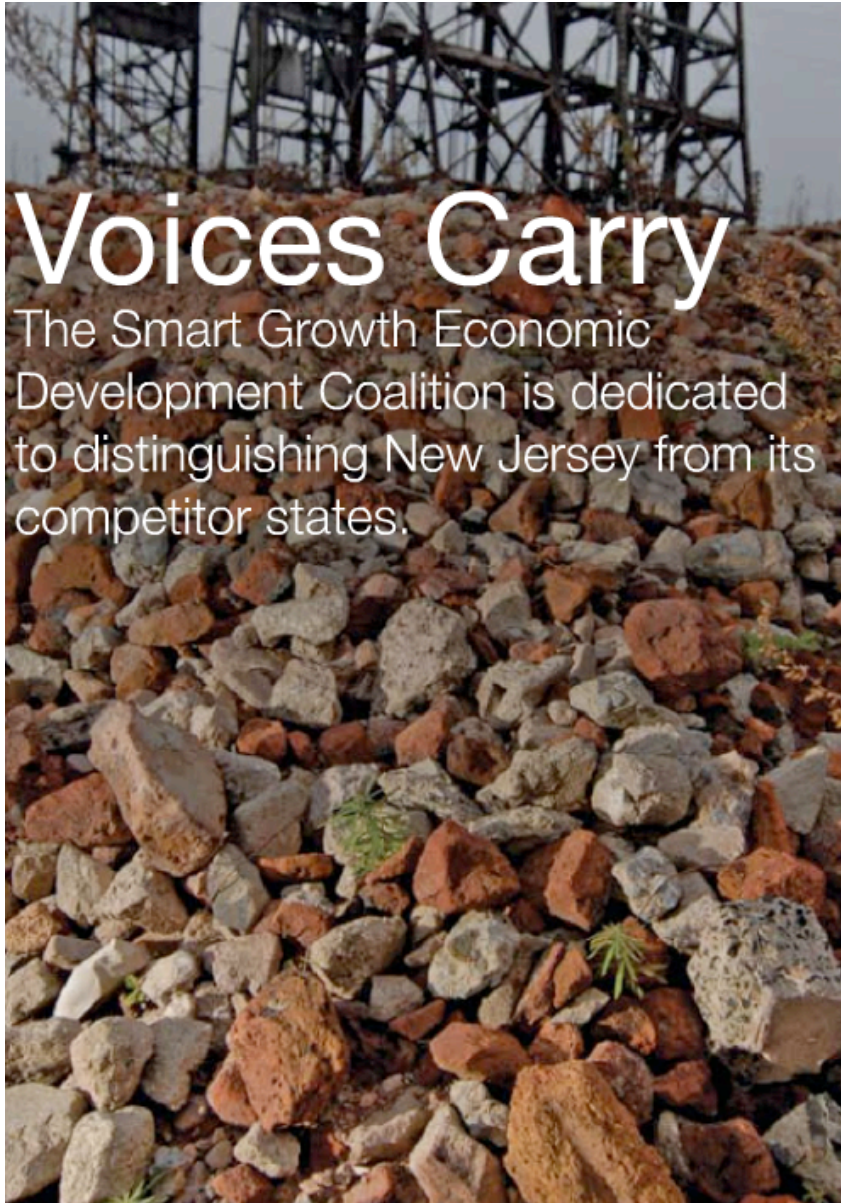
POWERPLAY

The Smart Growth Economic Development Coalition works to distinguish NJ from its competitors

Learning how LSRP impacts lending p26

Through teamwork, JLL earns LEED Silver for its new retrofit p30

New Jersey Calling: Attracting outside investors p32



Voices Carry

The Smart Growth Economic Development Coalition is dedicated to distinguishing New Jersey from its competitor states.

In September 2007, a prescient New Jersey lawyer decided it was time to unify the voices of various real estate and trade group interests into an organization called the Smart Growth Economic Development Coalition. His timing couldn't have been more serendipitous. The lawyer, Ted Zangari, a member of Sills Cummis & Gross P.C. in Newark, who concentrates on the development and leasing of commercial real estate, held the first retreat of the coalition while the national economy was still thriving. The coalition, which soon grew to encompass labor and land-use planning groups along with business and industry groups, quickly resolved to take action in the form of a proposed package of 12 legislative bills known as the "Smart Growth Economic Development Stimulus Act of 2008."

As the national economy tanked in 2008, worried lawmakers in Trenton took notice of the coalition and its proposals, and urged Gov. Jon Corzine to sign five of the proposed bills, in some form or another, into law.

New Jersey & Company magazine talked to six of the 20-member group coalition: Ted Zangari, representing the International Council of Shopping Centers; Timothy J. Touhey, CEO and EVP of the New Jersey Builders Association; Diane R. Brake, the president of Plansmart NJ; Arthur Maurice, first vice president of the New Jersey Business & Industry Association; Joseph A. McNamara, director of New Jersey Laborers'-Employers' Cooperation and Education Trust; and Michael G. McGuinness, CEO of the National Association of Industrial and Office Properties (NAIOP) Commercial Real Estate Development Association in New Jersey.

Why was this coalition formed?

Ted Zangari: In the past, real estate has spoken with a powerful voice, but not a uniform, organized, or strategic voice. When real estate did present its message, it was oftentimes divided from labor by groups that had an agenda. What's made this coalition very powerful is that labor and real estate and business interests and land-use planning groups are aligned with a singular purpose.

There were a couple of alarming instances that brought our group together—twin crises. First, in the short run, we're losing businesses

and residents to neighboring states and beyond. That's because of the tax structure here, but also because of the lack of certainty and predictability, and the great amount of red tape in government. There are states that are much more agile and lower-cost. We can't do a whole lot about lower costs at the moment, because so many of our tax burdens are fixed costs, but we need to rethink our incentives. To keep companies here, re-incentivize them financially, but also incentivize them with things that don't cost money.

The second crisis was a longer-term supply crisis. That is, once we stop the outflow of people and jobs, and we start bringing people and jobs in again, where do we put them? We have a state that is

almost fully built out, because so much of what's left of the state in terms of developable land is now off limits [due] to preservation. What this means is the land on which New Jersey's economy is going to continue to be fed will be the redevelopable areas: brownfields, grayfields, waterfronts, train stations, suburban downtowns. These properties carry unique costs and burdens, and the sites are not shovel-ready. If we don't start taking advantage of all that New Jersey has to offer, including its brownfields, companies will continue to find a new way somewhere else.

Arthur Maurice: The power of this coalition is the fact that we



Clockwise from left: Diane Brake, Arthur Maurice, Michael McGuinness, Joseph McNamara, and Ted Zangari at One Riverfront Plaza, Newark.

SMART GROWTH ECONOMIC DEVELOPMENT COALITION MEMBERSHIP

Building Contractors Association of NJ

- Jack Kocsis, Jr. – CEO

CoreNet Global - NJ Chapter

- Timothy Comerford – Member Rep (PSE&G)

Counselors of Real Estate - NJ Chapter

- David Houston – Member Rep (Colliers Houston)

Downtown New Jersey

- Kathleen Miller Prunty – President (Cranford Downtown Management Corp.)

Economic Development Association of NJ

- Rosalin Petrucci – President (J.G. Petrucci Co., Inc.)

SMART GROWTH ECONOMIC DEVELOPMENT COALITION MEMBERSHIP

Industrial & Office Real Estate Brokers Association

- Charles Logan – President (Aztec Corp.)

International Council of Shopping Centers - NJ

- Michael Semeraro – State Chair (Langan Engineering)

National Association of Industrial and Office Properties - NJ Chapter

- Michael McGuinness – CEO

New Jersey Apartment Association

- Conor Fennessy – VP, Government Affairs

New Jersey Association of REALTORS

- Jarrod Grasso – Executive VP

New Jersey Builders Association

- Timothy Touhey – CEO

NJ Business & Industry Association

- Arthur J. Maurice – First VP, Economic Development & Taxation

NJ Laborers-Employers Cooperation and Education Trust

- Joseph McNamara – Director NJ Society for Environmental, Economic Development
- James Morford – Executive Director

New Jersey State Chamber of Commerce

- Jim Leonard – Senior VP

Newark Real Estate Board

- Ron Beit (RBH Group)

each have our own constituencies. We have 23,000 employers in the New Jersey Business & Industry Association. We have our own lobbying agenda, and yet, like these other groups, we've all taken our own lobbying forces and combined them. I can't think in my 30 years in Trenton of any time when you had so many diverse groups all lobbying for the same agenda. It's very powerful.

Michael G. McGuinness: I represent the commercial real estate mixed-use industry. We represent, probably close to 20 percent of the state GDP. But we felt that battling the same issues as other groups, but all independently, wasn't making much of an impact. Then, once we started getting together, we were able to convince the policymakers in Trenton that it wasn't just a selfish interest. It was the collective good of the public interest.

Joe A. McNamara: For the purposes of the coalition, I basically use this to speak for the union construction industry in New Jersey. We do share the same issues and sometimes work together on some issues, but we've never really worked together on a common agenda, though we have the same common goals. The reason the construction industry, particularly the union construction industry, is in this is because our interest is to stimulate the economy, so we can create jobs.

Tim J. Touhey: The coalition was looking at issues I thought were important and had an impact on our industry, and I also felt very strongly that housing doesn't stand alone. We're all connected. With either business development or economic development, housing is usually the second piece.

Diane R. Brake: We joined as a result of a project we worked on in 2004, the "Smart Growth Economy

Project," where we felt that smart growth was missing any interest in the economy. We began to see back in 2004, before the global crisis, that New Jersey was already in serious trouble. And so we began to say that planning had to worry about jobs, and then connect those to workforce housing, and then locate the jobs and housing in such a way that promotes transit and reduces the concentration of poverty and protects the environment. That's what smart growth is.

[Is that why the coalition preceded the federal government's national stimulus plan with its own for the state of New Jersey?](#)

Zangari: We held a seven-hour retreat to identify the different problem areas and walked away with a commitment to develop, not another blue-ribbon commission report to collect dust on the shelves in Trenton, but a package of legislation. A month before the Dow hit its all-time high, 40 of us were meeting to talk about the need for a stimulus act in New Jersey. And Diane, even earlier, was a sentry on these issues. A month after our work, the economy began to fall apart, and the first bill in our stimulus package became a natural: permit extension. We wanted to freeze permits that were about to expire and give them an extended shelf life. It really was, in retrospect, the best bill we could have had to launch this group, because it got a lot of attention in Trenton and put us on the radar.

Touhey: I think the instincts of the group were correct.

Brake: We changed our position on the permit extension act. There have been previous permit extension acts, and we have not supported them. We supported [this one] primarily because it doesn't



actually change anything. Because we had been doing the work on the economy, we recognized that the times required a change of position, and that we needed to do everything we could to make the recession as short as possible.

McNamara: My group was not part of that original retreat, in fact, I don't think anyone here was, but in a way, the climate in Trenton that allowed this coalition's initiatives to move forward, starting with permit extension, was the economic climate. Because of that, the economy became a priority and focus of attention, so we had strong bipartisan support. If the Dow had stayed at 14,000, I'm not sure there would have been.

What have been your biggest achievements thus far?

Zangari: Five [bills] are now the law of the land. We passed bills on permit extension, licensed site professionals, tax increment financing, the urban transit hub tax credit program, and higher education. We can say this now, because he's leaving office, but three of our bills were subsumed within Gov. Corzine's stimulus act. Meaning three of our bills were introduced as separate bills by legislators and then halfway through the process, they were folded into a single bill called the Stimulus Act of 2009. So it's been quite an achievement.

Speaking of the governor, now you're going to be working with Gov. Christie, so do you anticipate any changes?

Touhey: I'm excited about the new change. One, I



From top: Ted Zangari; Michael McGuinness.

think that Governor-elect Christie has made it perfectly clear that he is willing to make a complete evaluation of the regulatory environment and business climate that we face as an industry. Two, he's made it clear that he wants to make New Jersey affordable and competitive. He will have a balanced, pro-business agenda.

Zangari: I think the strategy will be the same. We have a proven recipe for success, and an agenda that, even with new bills, will be along the same theme. Governor-elect Christie has already sent out a positive signal. He declared that his first executive order will be to impose a 90-day moratorium on [new] regulations. That is perfectly aligned with what we've been saying, which is, we have enough regulations on the books. Before more regulations and more unfunded mandates are imposed upon the people, we really need to take a step back and think about where the state is headed.

Tell us a little about the white paper that the Coalition drafted for Governor-elect Chris Christie's transition team.

Zangari: The white paper took the coalition beyond our original mission of crafting a stimulus package of legislation into the more global policy realm of reshaping government as it pertains to economic development and land use.

The coalition's original mission was to craft a "stimulus package" of bills, but as we approached the end of the two-year legislative session that saw half our bill concepts become law, it was time to think about global issues beyond the problems that require legislation. The change in administrations provided an added impetus to quickly reduce those concepts to paper.

We testified in early December for roughly 90

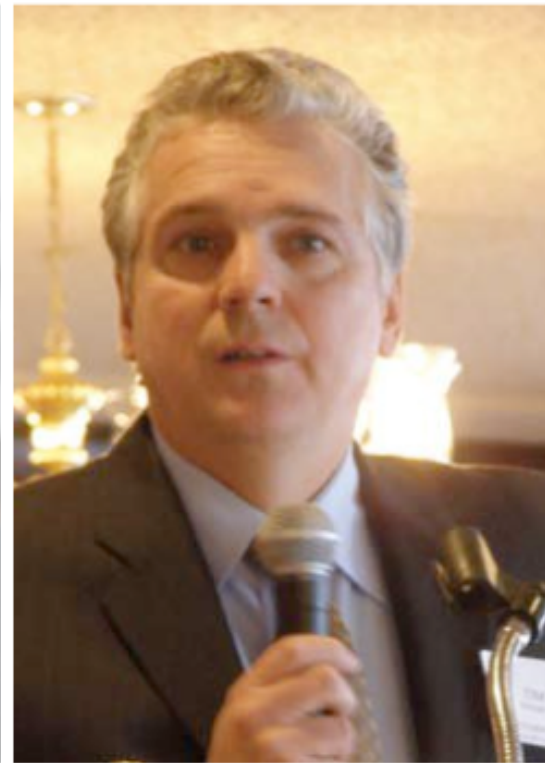


minutes before the Governor-elect's transition team, and the following week we held a press conference at which we circulated the white paper to all legislators and policymakers in New Jersey. Committee members [on the transition team] had lots of questions. They were eager to hear solutions, ready to recommend meaningful change. Our theme of adapting government to business's need for speed struck a chord, as did our call for predictability, certainty, and transparency in government.

What are your goals going forward?

Zangari: We have seven bills left to go. We're trying to get as many of those bills passed in lame duck, the remainder of the legislative two-year term. But more likely than not, we'll be pre-filing a lot of those bills for the new two-year session that starts in January, along with additional legislative ideas for what we're now calling "Stimulus 2.0." I count five or six additional ideas on top of the seven bills.

Maurice: We've taken the legislature and really refocused them, educated them on the issues, and now there's very fertile ground there for these types of bills—particularly when you compare them to the federal initiatives on stimulus, which are throwing money out there. While I'm not saying that's bad, our legislative package only spends money if there's investment.



Zangari: The good news for the Governor-elect is that most of "Stimulus 2.0" costs the state very little in the way of money. "Stimulus 1.0" from this group included the tax increment financing, the urban transit hub tax credit—those pieces of legislation cost money, albeit, as Art rightly points out, very little, because it's not lost revenue. It's incremental revenue that the state wouldn't have had anyway. Nevertheless, it's still revenue. The bills coming out in "Stimulus 2.0" require just a mindset change.

McGuinness: I think a lot of what we're seeking in these various proposals is timeliness, predictability, finality. The business community and real estate community cannot function in an environment where you're always having a moving target.

Zangari: That's probably a good segue for us to talk about what we're calling our "legacy bill." Our state planning act legislation will overhaul the State Planning Commission and the state planning process in New Jersey, to create a master plan, pursuant to which all regulations in the future would flow. With Governor-elect Christie saying, let's take a time-out on [new] regulations, it's the perfect precursor to a state plan saying that all future regulation needs to be aligned with a master plan directing future growth in New Jersey.



Brake: This really is the smart growth part, because what the coalition wants is to make sure the state agencies work together towards a shared vision of the future—and not work as they have been at counter purposes to each other. For example, you might have economic development initiatives going forward, and then you have the Department of Environmental Protection with some really obstructive regulations that are not compatible with redevelopment. Twenty years ago, state planning was sort of a nice idea, and it had an environmental take on it. Now, I think we see it as an opportunity to strategically align the different state agencies.

Speaking of environmentalists, are they some of your strongest opponents?

Brake: Environmentalists were extremely angry with our position on the permit extension act. They see it as weakening environmental law, even though it doesn't change anything, it just extends what was already approved. But they're always looking to change [environmental law] and make it stronger.

Above: Joseph McNamara, and Tim Touhey.
Opposite: Arthur Maurice; Diane Brake

Zangari: I would agree that the environmentalists were—and 'were' is the operative word—our primary obstacle in the early days of this coalition. What's happened since is, we've gained an enormous amount of credibility in Trenton, in large part, by some of the proof in the pudding. It became abundantly clear to many legislators and policymakers that the environmental activists were not smart growth advocates, but were in fact no-growth advocates.

Might you one day have an environmental group as a coalition member?

Brake: I certainly hope so, because redevelopment is supposedly what they should be interested in.

Zangari: If an environmental trade association is being intellectually honest, it would embrace a lot of the bills in our package. The Urban Land Institute predicted that New Jersey would have the distinction of becoming the first state in the nation to be fully built out, sometime in 2020 or 2030. The reality is we're pretty darn close to full build-out today...That puts a heavy burden on New Jersey to figure out smart growth for everyone, because wherever a rust belt state like New Jersey is headed, the rest of the country will get there someday. ■

SMART GROWTH ECONOMIC DEVELOPMENT COALITION MEMBERSHIP

Newark Regional Business Partnership

- Chip Hallock – President & CEO

PlanSmart NJ

- Dianne Brake – President

Regional Plan Association/NJ

- Carlos Rodrigues – VP/NJ Director

Sills Cummis & Gross P.C.

- Ted Zangari – Member

Society of Industrial and Office Realtors - NJ

- Kenneth Lundberg – President (NAI James E. Hanson)