

# **BUSINESS AND LABOR**

*State Planning Advisory Committee*

*Report #1*

**April 1992**

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# **BUSINESS AND LABOR STATE PLANNING ADVISORY COMMITTEE**

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Additional Input from Committee Members (continued)

Two other Committee members elaborated upon the issue of how the adopted State Development and Redevelopment Plan should be interpreted. One Committee member held that the State Plan should be interpreted as a strategic planning document – not a set of regulations; and that the final Plan should be clear and concise enough to be interpreted consistently by all State, county and local agencies. Another Committee member indicated that the State Plan is advisory only, and should not be used by State agencies to establish policy (i.e., to make decisions on permits).

On the matter of infrastructure priorities, one Committee member found that the entire State would benefit from the application of tests of economic efficiency to the expenditure of public funds. This member held that to set priorities solely on the untested premise that investment in urban centers is more beneficial to the residents of New Jersey than investment in lower density areas would lead to the inefficient use of limited funds.

Proposed amendments to the State Plan were offered by one Committee member; language specific to the utility industry, as indicated below, should be included in the State Plan.

Interim Plan, p. 75, Insert new paragraph after second paragraph, right column:

"Economic growth in New Jersey has required utilities and other in the private sector to finance, site and build generating plants, transmission lines, substations and other facilities. Utilities have an obligation to serve all consumers in their service territories, and generally are driven by economic growth. Energy plans that are intertwined with other infrastructure plans will insure efficient use of the State's resources and ability to service the people and businesses of New Jersey. The Plan will offer greater certainty and stability in energy plans and forecasts. The Plan's strategies, policies and standards should not be interpreted to require new levels of regulatory approval over current siting procedures."

And, one Committee member raised the issue of the cost of urban revitalization if development is limited in rural or other areas. This Committee member held that the benefits of urban revitalization may be mitigated by the potential costs associated with purchasing "density bonuses" in urban areas to reimburse landowners in undeveloped areas.

Issue #7: Promoting "Communities of Place" (Implementation Report, State Planning Commission Task #7, p. 7).

Findings;

1. The "Communities of Place" concept is beneficial, in that it highlights the interconnectedness of the State's places.
2. The "Communities of Place" concept is vague and may not be clear to many people.
3. Suburbia has changed, and is no longer a monolithic environment; these areas have become diverse and rich places.

Recommendations;

1. In promoting the "Communities of Place" concept, the State Planning Commission should be careful not to be overly critical of suburbia, or they will create many enemies.
2. The SPC should undertake education efforts to highlight exactly what a "Community of Place" looks like.

Additional Input from Committee Members

The following comments were received after the conclusion of the three Business and Labor State Planning Advisory Committee meetings held during the extended period of Negotiations. They are offered without Committee consensus to provide additional input, and may be further discussed during the Issue Resolution phase of Cross-acceptance.

One Committee member cited agriculture as one of New Jersey's major businesses or industries, and requested that a number of items be included in this report. Recognizing that the issue of compensation for the losses of landowner equity resulting from the State Plan is generally discussed in other parts of the State Plan, this member found no specifications as to how this will be done or funded. Citing the Impact Assessment, this member held that the loss of farmland equity of such a magnitude would have a significant negative effect on the viability of many farm businesses across the State. This member recommended that specific protections of land equity need to be incorporated into the Plan itself; and that the mapping of agricultural areas should not be completed until the "equity" issue is specifically addressed.

A second issue raised by this Committee member concerned incentives, both tax and business, for agri-businesses to either remain or return to agricultural areas. Food processors, food distribution, and marketing businesses need to be located in non-urban areas which are close to production; and this Committee member recommended that tax incentives to agricultural business (farm and non-farm) would encourage both development and redevelopment of production, processing, and marketing facilities and services.

Recommendations (continued);

10. The State Plan and Implementation Report should encourage privatization opportunities, as an urban revitalization effort, in urban centers.

Issue #6; Redevelopment in urban areas and the tax structure.

Findings;

1. The property tax system is the biggest impediment to planning and redevelopment.
2. Urban areas would benefit greatly from a reduction in reliance on the property tax system.
3. Urban revitalization efforts can reduce the need to fund distressed cities. These efforts should be flexible and creative.
4. In lieu of property tax reform, tax abatements are critical to urban redevelopment. Tax abatements, however, should be viewed only as a band-aide approach to urban redevelopment.
5. Redevelopment tax incentives (e.g., Fox-Lance) while helpful in bringing about redevelopment does not address the whole of the investment needs of the cities. Sometimes such tax incentive programs can result in the emptying of one building and the building of a new one within the same city to take advantage of the tax incentives. Also, housing is not generated by these programs. Another problem is that developers will pass payments in lieu of taxes on to their tenants. In the case of corporate headquarters, offices may not be developed in the cities due to the uncertainty of tax rates that will be levied after the abatement is expired.
6. Allowing Chapter 12 tax abatements as an incentive to development in an area deemed by any municipality to be "in need of redevelopment" may hinder the efforts of those distressed urban areas seeking to attract redevelopment projects.
7. The lack of certainty regarding the amount charged for property taxes after an abatement ends skews locational decisions against redevelopment in urban areas.

Recommendations;

1. The recommendations made in the SLERP report should be reexamined in light of the State Plan, including an examination of how the State Plan's implementation would be effected in the absence of property tax reform.

Findings (continued);

8. It is presently unclear what constitutes a clean site under ECRA regulations. This issue is complicated by the effect of adjacent, contaminated areas on sites which have been "cleaned-up".
9. An inventory of ECRA sites would be beneficial for revitalization efforts. Targeting revitalization efforts to sites that may be contaminated will be difficult and will require private owners to identify their clean-up needs.

Recommendations;

1. The State Plan and its accompanying documents should persuasively advance urban revitalization as a critical need to be addressed.
2. Prioritization for urban revitalization should be made clear. The State Plan should include, under its priority system section, language stating in terms of cost efficiency why some discretionary funds are better spent in urban areas. A rational case for why to ensure development in urban centers needs to be made up-front.
3. The State Plan should address manufacturing as an industry and target urban revitalization efforts toward "market-oriented" manufacturing.
4. ECRA clean-ups should be viewed as a component of infrastructure improvement in urban areas.
5. Regarding ECRA, incentives are needed for cleaning-up urban areas in order for urban redevelopment to occur. This should be addressed in the "Public Investment Priorities" section of the State Plan and the Implementation Report. The following mechanisms should be considered:
  - a. Economic Development Authority funds should be available for ECRA-related urban site clean-up; and
  - b. Urban Development Corporation funds plus federal matching loans should be available to aid in ECRA-related site clean-up.
6. Legislative reform of ECRA, beyond the provision of incentives, may be needed to ensure that the program is made more functional and balanced.
7. Economic development and urban revitalization programs should be coordinated on the local and State levels. Coordination of efforts regarding ECRA-related clean-up of contaminated sites is one area which would benefit from such coordination.
8. Major private stakeholders in urban areas should participate in urban revitalization planning and implementation.
9. The State Plan should consider the external effects of employment on infrastructure and services in urban centers (whereby the population of cities increases 2-3 times during the week).

### Recommendations;

1. The SPC should focus on the infrastructure planning processes at DOT, and the Port Authority with the aim of influencing these big budget planning efforts.
2. If possible, public trust funds should be refocused to support SDRP goals and objectives (e.g., Resources of the Wastewater Treatment Trust Fund should be available for use in ways that prevent treatment problems from occurring, not only for use in remedial fixes after problems occur.

Issue #5; Urban Revitalization. (Also see "Issue #6: Redevelopment in urban areas and the tax structure,)

### Findings:

1. The Interim State Plan does not clearly state why urban revitalization is a critical need. Expectations regarding the timing and results of revitalization efforts are not indicated in the Interim Plan or its accompanying documents.
2. Although the State Planning Act requires that the State Plan revitalize urban centers and areas, this citation does not necessarily guarantee that this goal will be supported.
3. Potential cost and other efficiencies of urban redevelopment may make development in these areas an attractive alternative to development outside centers. However, the current tax and regulatory environments, as well as the costly inherent difficulty associated with clearing and getting urban sites ready for development are deterrents to urban redevelopment.
4. Since cities are often listed on relative scales by private sources according to "livability", economic development opportunities, etc., New Jersey cannot afford to continue to have distressed cities as a negative drag on the State's economy.
5. The "Industry of the future" is back-office commercial enterprises. Urban areas are prime places for this industry.
6. The absence of discussion of manufacturing in the Interim State Plan is striking. Urban revitalization efforts could be boosted by strategically targeting manufacturing opportunities appropriate to the urban area and its regional market. The "Unified State Plan for New Jersey's Workforce Readiness" (N.J. Department of Labor, March 1992) analyzes manufacturing trends and proposes policies that should be considered.
7. The Interim State Plan and the Interim Report on Implementation Issues do not adequately address the importance of ECRA in urban revitalization efforts.

## Recommendations (continued U

2. The State Plan should include an infrastructure priority/planning system that can be injected into the federal process for infrastructure funding. The State Planning Commission should be in communication with the federal government and the Governor's Office regarding this issue.
3. Priority for infrastructure investment should be linked to comprehensive urban policy. The investment of infrastructure dollars should not simply "patch-up" urban infrastructure.
4. Regarding investment of infrastructure dollars in urban areas, there should be an "action plan" for provision of infrastructure that focuses on the goal of economic viability. Economic viability issues should address the following: land assembly for development, satisfying ECRA requirements, and provision of water and sewer service. Case studies should be done in these areas.
5. Public-private partnerships should be further discussed in the State Plan, including the potential for privatization of services as revenue-raising or revenue-saving opportunities.
6. The State should advocate- the purchase or upgrading of capacity in various infrastructure systems by the private sector for the use or sale of such capacity to stimulate beneficial economic development (e.g., a corporation contributes funds to upgrade a wastewater treatment plant, and either uses this capacity or sells it to other users as a means of generating development).

Issue #4: Financial Support for the Construction, Maintenance and Repair of Infrastructure (Implementation Report Legislative Issue #6, p. 32).

## Findings;

1. The Department of Transportation (DOT) and the Port Authority spend billions of dollars on infrastructure, at times inconsistent with planning from a regional perspective.
2. The current pattern of infrastructure investment goes against metropolitan areas in favor of suburban areas.
3. Key infrastructure investments (e.g., connections linking Newark Airport and the City of Newark) can have a substantial impact on revitalization efforts in the State's cities.
4. It is likely that the adopted State Development and Redevelopment Plan will put the State at an advantage when federal infrastructure dollars are allocated, because the federal government will see that N.J. has a plan for spending such dollars wisely.



Findings (continued):

4. Trend projections (in the absence of a State Plan) may produce results that are insufficient or unacceptable. The Impact Assessment of the New Jersey Interim State Development Plan should provide information on projections for Trend and Plan scenarios. The Plan needs to address these situations, and refine its projections.

Recommendations:

1. Quantitative targets that support a clear vision and rationale should be established in the State Plan. The Plan should solidify "Trend" projections, and establish "Plan" projections for expected results throughout the timeframe of the Plan. The Plan should also include an awareness of market demand/forces.
2. Existing planning bodies and agencies should be utilized to evaluate and monitor the goals and policies addressed in the SDRP (e.g.. State Departments and agencies; North Jersey Transportation Coordination Council, etc.).

Issue #3; Infrastructure funding and priorities.

Findings;

1. The infrastructure planning process needs to be improved in New Jersey, especially in urban areas.
2. The State Development and Redevelopment Plan does not provide dollars for the provision of infrastructure; rather, it is a philosophical and policy-oriented document.
3. Some of the infrastructure items included in the Infrastructure Needs Assessment are hard to quantify and analyze; priorities for these items could be skewed for various reasons.
4. A recent report by the National Conference of Mayors highlights the need for additional infrastructure and funding, especially in urban areas. The State Plan could be utilized to ensure that New Jersey benefits from federally-funded infrastructure programs.
5. Privatization of infrastructure and other services needs to be further explored as a source of revenue generation and savings.

Recommendations;

1. State Agencies should provide guidance to municipalities in regard to infrastructure needs and capital planning.

Issue #1; Business community's concerns.

Findings;

1. A major concern is how will the adopted State Development and Redevelopment Plan be interpreted by the various State agencies, and counties and municipal governments Also, how will the multiple goals of the State Plan be achieved? How will competing policies be reconciled?
2. It is not clear how the development siting process (within a municipality; urban vs. rural areas; northern vs. southern New Jersey) will change as a result of the State Plan.
3. It is not clear how the availability of labor will be effected by State Plan implementation.
4. The State Plan could be interpreted by State agencies in such a way as to become "another ECRA", where policies are subject to interpretation by various State agencies.

Recommendations;

1. Case studies examining how the development siting process and labor availability will change as a result of SCKP implementation should be performed.
2. The State Plan should be made clear in order to minimize problems related to State agency interpretation.

Issue #2; Evaluation & Monitoring System (Implementation Report, State Planning Commission Task #3, p. 4).

Findings;

1. Targets are needed to measure how all of the goals are of benefit or detriment to the entire State. Without quantitative measurements, the State Planning Commission will not have the ability to measure the assets and liabilities of the State Plan, which is a strategic growth and maintenance plan.
2. The cross-acceptance and monitoring and evaluation processes are similar to private sector strategic planning. Private industry utilizes trends and projections to strategically plan for growth. Revisions are made after annual monitoring and evaluation of the plan's effects.
3. The Impact Assessment may assist the State Planning Commission in developing "sign posts" for expected results throughout the 20 year planning period. Models used in the assessment may be utilized in evaluations throughout this period. Some targets will have to be exogenous (that is, they should not be related to the models utilized).

## Discussion

During the course of its deliberations, the Committee considered a number of items of interest to business and labor experts, as found in the Interim Plan and the Interim Implementation Report. A consensus process was used to reach agreements on the major findings and recommendations.

The Business & Labor SPAC reviewed the economic development, urban revitalization and public investment priority sections of the Interim State Plan; the tasks, and administrative and legislative recommendations related to economic development found in the Interim Implementation Report; infrastructure issues contained in the Infrastructure Needs Assessment; and some key findings in the Impact Assessment. Also, State tax policy and its effects on planning and development decisions was discussed, referencing the report of the State and Local Expenditure and Revenue Policy Commission (SLERP Commission).

## Overview

The Business & Labor State Planning Advisory Committee discussed 7 areas of interest as related to the Interim Plan and its accompanying documents. They included:

- \* general concerns of the business community;
- \* a monitoring and evaluation system;
- \* infrastructure funding and priorities;
- \* financial support for the construction, maintenance and repair of infrastructure;
- \* urban revitalization;
- \* redevelopment in urban areas and the tax structure; and,
- \* promoting "communities of place."

Its findings and recommendations are contained within this report. This report also includes comments received following the conclusion of these meetings, and are being offered without Committee consensus for further discussion.

The Committee focused its discussions on the Interim Report of the State Planning Commission on Implementation Issues. The findings and recommendations listed below mostly relate to this report. However, the Committee did review the Interim State Development and Redevelopment Plan and have provided some findings and recommendations to assist the State Planning Commission in its deliberations.

## Preface

•The mission of the Business and Labor State Planning Advisory Committee (Business & Labor SPAC) is to advise the Office of State Planning and the State Planning Commission on a range of economic development issues in the proposed State Development and Redevelopment Plan. This Committee was organized by the Office of State Planning in accordance with the State Planning Act (N.J.S.A. 52:18A-204), and pursuant to a resolution by the State Planning Commission (SPC Resolution 88-014) to contribute to the formulation of an effective State Development and Redevelopment Plan through a multi-disciplinary, structured dialogue.

As another vehicle for public participation in the State Planning process (see State Planning Rules, N.J.A.C. 17:32-4.6), the Business & Labor SPAC met three times during the extended Cross-acceptance period of Negotiations to discuss and report findings and recommendations to the Office of State Planning. Comprised of individuals with varying backgrounds and wide expertise, the Business & Labor SPAC represented a balance of interests to review the Interim State Development and Redevelopment Plan and accompanying documents; major issues arising from the negotiations phase of cross-acceptance, and any other matters referred by the State Planning Commission and OSP.

## Committee Acknowledgments

In addition to the members of the Business and Labor State Planning Advisory Committee who have generously contributed their time and efforts in order to produce this report, the Committee benefited from the input of Erica Schiffman (representing Mr. Beecham), Richard Franklin (representing Mr. Kukan), Richard Perniciaro (representing Mr. Levari), and Gerald Hall (representing Mr. Faherty). Others who contributed to the dialogue include: Christy Van Horn, New Jersey Future; Lisa Verniero, Building Contractors Association of New Jersey; and Paul Suda, N.J. Department of Labor.

## Meetings

The Business & Labor SPAC convened on January 28, February 25, and March 24, 1992 in Newark, Freehold Township and Edison Township to organize, engage in discussions on economic development and infrastructure issues in the Interim State Development and Redevelopment Plan and the Interim Report of the New Jersey State Planning Commission on Implementation Issues, and identify the boundaries of debate and the areas of consensus. "Findings" and "Recommendations" were identified during each of these meetings and were noted in summaries produced after each meeting. This report represents the Business & Labor SPAC's contribution to the State planning discussion during the Negotiations phase of Cross-Acceptance. (Editor's note: This Committee met, but did not produce a report during the Comparison phase of Cross-Acceptance.)

# **BUSINESS AND LABOR**

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