

Friends of Local Government
Policy Paper Series

**Practical Lessons from the Front Line:
An Economic Development Tool Box for Mayors and Community Leaders**

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NJLM
EDUCATIONAL FOUNDATION, INC

Volume 6, Number 3
September 2014

Preface

This is the 23rd paper in NJLM Foundation's "Friends of Local Government" Policy Paper series. This paper is entitled "Practical Lessons from the Frontline: An Economic Development Tool Box for Mayors and Community Leaders." This paper is authored by Jun Choi, the former Mayor of Edison Township and Vice President of the League's Foundation.

These papers are available on the Foundation's website at www.njlmef.org

On behalf of the Board of the NJLM Educational Foundation, we thank Mr. Choi for these contributions, and believe you will find this paper informative.

We would also like to note the support of the Foundation's Board for this project, as well as staff from the New Jersey State League of Municipalities.

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About the Author:

Jun Choi is the former Mayor of Edison and a Director at Cushman & Wakefield of New Jersey, Inc. As Mayor of Edison, NJ's 5th largest municipality, his administration formed the Edison Redevelopment Agency and planned, negotiated and approved Edison Towne Square, the largest redevelopment project (1.2 million square feet) in Edison's history. Partnering with business and civic leaders, he helped create thousands of new jobs by redeveloping older properties and by attracting new businesses and retaining existing ones. He currently focuses on real estate solutions (industrial, redevelopment and office) for large and mid-size companies at Cushman & Wakefield, the largest privately held real estate service firm in the world. He also serves on several boards including the NJ League of Municipalities Educational Foundation and NJ Policy Perspective. He earned his BS in Engineering from MIT and Master's in Public Policy and Administration from Columbia University.

Practical Lessons from the Front Line:

An Economic Development Tool Box for Mayors and Community Leaders

Introduction

The United States has made significant progress over the past 4 years recovering all of the Great Recession job losses and exhibiting strong job growth in 2014¹. National GDP has grown 3.5% or more in three of the last four quarters². And job growth is accelerating across a broad segment of the economy and geographic regions. Metropolitan areas such as Austin, San Jose, Nashville, Houston, San Francisco, Charlotte, Raleigh, Denver, Dallas, Seattle and even Detroit have seen annual job growth between 2.3% to 3.9% from 2010 to 2013³.

New Jersey, on the other hand, faces continued economic challenges. The State has only recovered 54% of the private-sector jobs lost in the recession through May, 2014. In terms of total employment (private and public), NJ has recovered only 38% during the same period.

There are several potential explanations including the after-effects of Hurricane Sandy, mergers and acquisitions in the pharmaceutical industry which led to reduced employees and the large number of home foreclosures and near foreclosures delaying the recovery of the housing market.⁴

Despite all these challenges, much of the public and media attention has been focused on the Christie Administration's efforts to accelerate economic growth, including the debate on state incentives (Grow NJ – corporate tax and credit program). While State efforts are critical to turn around the key levers of economic growth, what hasn't been discussed nearly as much are the enormous opportunity for Mayors and business / civic leaders to turn around their community or local economy. Jobs don't just magically appear...there is usually a key leader or small group of leaders that make it happen.

This policy paper is an attempt to provide Mayors and business / civic leaders – in short, community leaders -- a simple guide of practical tools and best practices for how to lead and build an economic development program in their own community.

The benefits include:

- the creation of quality jobs;
- increasing your tax base;
- creating a healthier, more vibrant community with a stronger sense of place.

¹ The Unexpected Economic Soft Patch, Hughes & Seneca, NJLM Education Foundation's Friends of Local Government Policy Paper, June 2014. US Economy: Finally Running on All Cylinders, Cushman & Wakefield Research, July 2014.

² US Regional Economic Overview: A More Balanced Recovery, Cushman & Wakefield Research, September 2014.

³ US Regional Economic Overview: A More Balanced Recovery, Cushman & Wakefield Research, September 2014.

⁴ The Unexpected Economic Soft Patch, Hughes & Seneca, NJLM Education Foundation's Friends of Local Government Policy Paper, June 2014.

The reasons I hear most often for why towns and cities struggle to implement a strong economic development program are:

1. We need more money or resources.
2. We don't have the right expertise on staff or in our community.
3. The economy isn't strong enough. There isn't enough business interest in my community.
4. The state agencies create too many barriers.
5. Some of my constituents don't support any type of development and political opponents will try to sabotage the effort.
6. Businesses and developers are too self-interested to make this project good for our community.
7. Project is too hard and will take too long.

The challenges are numerous, but they can be overcome as there are remarkable stories of success throughout the State.

As Margaret Meade, the cultural anthropologist, famously said, "Never doubt that a small group of thoughtful, committed citizens can change the world; indeed, it's the only thing that ever has."

Develop a Vision / Establish Goals:

The first step is to develop your own community vision and establish goals to make it a reality. Do you envision a bustling mix-use retail, office, residential complex with good public transportation access and a pedestrian-friendly design for your community? Or do you hope to attract a few tech companies to occupy a vacant building? Or do you want to gain some revenues for your mostly rural community with a 10 acre solar farm on municipal land? It begins by understanding where you are now. Then imagining where you want to be. And aligning this vision with market conditions so the dream can become reality.

Begin by asking a broad range of stakeholders – constituents, neighbors, planning and economic experts, non-experts, landscapers, real estate brokers, business owners/investors, entrepreneurs, developers, students and young professionals, etc. – what they think. Solicit ideas from those who don't necessarily agree with you on other issues. The potential ideas are endless.

The Urban Land Institute, a well-respected nonprofit that "provides leadership in the responsible use of land and in creating and sustaining thriving communities," is a good place to start for ideas. Check out their case studies on innovative approaches, best practices and for gathering new ideas and concepts. Each of the case studies provide "detailed information about the ideas, plans, process, performance, and lessons learned" including the concepts behind a project, the designers and developers involved, and the financing and economics of a project: <http://uli.org/publications/case-studies/>.

Consider these questions as you mull through the possibilities:

- 1) What's unique about your community?

- 2) What assets can you take advantage of? These are some of the likely competitive advantages when developing an economic development plan in NJ:
 - a. Location to New York City or Philadelphia;
 - b. Skilled or adaptable workforce;
 - c. Are you in an industry cluster – pharma/life sciences, telecom, finance, logistics/transportation, tourism, aerospace/defense, manufacturing, information technology, energy, etc.?
 - d. Transportation access and infrastructure - airports, ports, rail access, power and utility lines, etc.;
 - e. Innovative & entrepreneurial companies locally;
 - f. Immigrant communities (NJ is 3rd highest percentage after Texas and California);
 - g. Unique talent or leadership locally;
 - h. Access to capital – local foundation, corporation, etc.;
 - i. Access to a higher education institution or knowledge center - local university, community college, think tank, etc.;
- 3) Who are you competing with when trying to recruit a company or formulating an economic development/redevelopment plan?
- 4) What are the key economic and real estate trends your community faces?
- 5) Is your vision flexible enough if the national or regional economies change? Can certain industries retool into other industries? What are the future job prospects for the most promising industries in NJ -- life sciences, information technology, finance, clean energy, logistics/international trade, high value manufacturing, aerospace/defense, tourism, etc. – in 10, 25 or 50 years?
- 6) Do you have a diverse and balanced economy?
- 7) How do you define success for your economic development plan?

All of this early exploration doesn't cost much...just your time, interest and a few bucks for gas and meetings. Or you can invest a nominal amount to attend a few state or regional conferences where planning, development/redevelopment, business and real estate professionals congregate. A couple examples include NJ Future's Redevelopment Forum – Spring Conference or Urban Land Institute's Spring or Fall Meetings.

Practical Tip: Seek out the advice of a few different real estate professionals (investors, developers, brokers). Ask them what they think is possible for your community. The leading ones will give you a sense of what type of companies have been looking in your area and what the market would support. Leading brokers may even share a list of current companies / tenants looking for space.

If funding is available, consider hiring a planner to conduct a community charrette or design charrette, a collaborative session to draft a solution to a planning or design problem or organize one yourself through a series of Town Hall meetings which covers various concepts you are testing out.

You should also consider one or more alternative plans if your primary vision does not work out for economic, political or other practical considerations. It's important to be flexible as market forces change or as other practical challenges arise.

Leading this process is easiest if you are the elected leader – Mayor or Council – of your community. However, if you are a business or civic leader, it's also possible to achieve the same goals if you establish a close working relationship with the Mayor and Council and they entrust you to represent the community on economic development issues.

Finally, once you have a proposed vision in mind and a set of goals to make the dream a reality, figure out a compelling story that will sell the dream and motivate action among the stakeholders.

Other Resources for Developing a Vision:

The Redevelopment Handbook: A Guide to Rebuilding New Jersey's Communities (2003), Slachetka and Roberts, NJ Department of Community Affairs and NJ Chapter of the American Planning Association. Though some of the laws have been updated, this is the classic guide to redevelopment in New Jersey.

NJ Future's *Smart Growth 101* (<http://www.njfuture.org/smart-growth-101/>). NJ Future is a nonprofit organization that brings together concerned citizens, businesses, environmentalists and foundations to promote responsible land-use policies.

For urban development, consider the Initiative for a Competitive Inner City (<http://www.icic.org/urban-economic-development/insights-and-strategies>)'s *Strategies and Best Practices for Growing Inner City Economies and Creating Jobs*.

Communicate and Collaborate

I cannot stress enough the importance of communicating effectively and regularly when leading an economic development (ED) program. When you sound like a broken record to yourself, you know you are on the right track.

Practical Tip: One of the most efficient ways of communicating your vision and building support is to host an economic development (ED) summit or forum...

...or a series of events with key stakeholders. Smaller municipalities could partner with neighboring municipalities to develop a shared regional plan. More ideas will surface during these summits and the consensus building can begin. Some of the key stakeholders you should consider inviting are:

- Your constituents and neighbors
- Business leaders
 - Representatives from key industry clusters
 - Business associations – NJ Chamber of Commerce / NJ Business and Industry Association / local Chamber
 - Representatives from small businesses and entrepreneurs
 - Real estate developers / investors / brokers / site selection consultants
- Government leaders – establish relationships with key government leaders who can help get your project completed. Get all levels of government rowing in the same direction:

- Local Governing Body, Planning Board, Redevelopment Agency Members, Etc.
- NJ Business Action Center, NJ Department of Transportation (NJ DOT), Department of Environmental Protection (NJ DEP), Economic Development Authority (NJ EDA), Redevelopment Authority (NJ RA), NJ Transit, etc.
- US Environmental Protection Agency (US EPA), US Department of Transportation (US DOT), Congressman/woman, Staff of Senator Menendez or Booker
- Nonprofit / Foundation / Civic leaders who can provide technical and financial assistance

During this ED summit or forum, it is absolutely critical to articulate a clear vision and to convey your commitment to realizing the dream. You may not have all the answers and that is quite okay, but you should convey your commitment and passion. To the degree that you have this information, providing an estimate of the project timeline and your commitment to build the right team to support and approve projects. The predictability of a project will be important to any company, developer or investor.

In addition, if you can provide companies, developers, investors with a list of priority sites for ED / redevelopment in your community, it would be ideal. List the benefits of each site and Town Hall's willingness to support certain types of developments.

Practical Tip: Update your Master Plan and rezone priority sites in advance of new projects to fit your community vision while maintaining flexibility to meet changing market conditions.

During this summit, answer questions directly. Without adequate public engagement and support, especially for the larger projects, your effort will probably not succeed.

Build the Team:

Start to build your team early. Recruit an economic development czar, planner, land use/redevelopment attorney, engineer, grant writer and/or financial consultant. In fact, you may want to consider retaining one or more of these professionals as you are developing the vision as they may provide invaluable advice and contacts for you. For smaller municipalities with limited budgets, you could share the team with your neighboring Town Hall for a more regional approach.

An attorney that specializes in land use or redevelopment law will be critical to help you determine the legal approach and tools you decide to adopt. For example, they will advise you on the right approach including rezonings, special improvement districts (SIDS) / business improvement districts (BIDS), rehabilitation areas, redevelopment areas, etc.

The financial consultant is important to give you independent financial analysis so you are equipped to negotiate effectively with sometimes very sophisticated companies, investors and developers.

The process is not overwhelming if you recruit the right team to handle the technical matters. Set clear goals and standards for your team and hold them accountable to perform.

Within Town Hall, establish a streamlined ED program across the key departments – economic development, zoning/planning, building department, engineering, health, etc. One point person, usually the head of economic development or economic development czar, should work with businesses and developers directly and coordinate a response and clear timeline across the departments. The Mayor should stress that ED is a priority within the administration and that collaboration is essential.

Practical Tip: The planning/zoning, building/code enforcement departments should provide relevant contact information, create an easy to follow process flowchart, set timelines for permit approvals and a clear fee schedule for priority projects and routine applications. All this information should be clearly posted on the municipal website.

The straightforward goal of professionalizing the planning/zoning and building/code enforcement departments and setting clear standards for their work would immediately distinguish your Town Hall.

Unfortunately, we live in a cynical time. Most companies and developers will assume that your government won't act competently or within an agreed upon timeline. It's our job to prove otherwise by exceeding their expectations.

If you are a community leader, build strong ties to the Mayor and administration. If the Mayor is personally involved, this process would go more smoothly. If the Mayor has limited time, it's important to establish trust and share credit with the Mayor as often as possible. Businesses and developers want to also see that, as a community leader (and not elected leader), you have been designated as the representative of the Mayor or Mayor/Council.

Identify Available Tools and Funding / Determine Which Tools Are Feasible:

Understanding which tools are available and determining which of these you are willing to employ will inform the strategy when pursuing an ED program. Your attorney and economic development czar should play a key role in helping determine this strategy. They include:

- Local Incentives
 - Grants and loans in Rehabilitation or Redevelopment Areas
 - Payment-in-lieu-of taxes (PILOTS)
 - Redevelopment Area Bonds
 - Municipal Land
 - Zoning
- State Incentives
 - Grow NJ, NJ Business Action Center
 - Grants / Low Interest Loans

NJ DOT, NJ RA, NJ EDA, NJ DEP Assistance

Economic Recovery Grant (ERGS)

- Federal Grants
- Nonprofits / Foundations

Practical Tip: Determining which tool is most feasible or politically palatable is one of the most important decisions to be made during the entire process.

It requires an understanding of your community, the political landscape of who may support or oppose the project and the legal impacts to your plan. It also requires some scenario planning to ensure that your corporate/developer/investor partner is prepared and willing to support the project in both good and challenging circumstances. Some of the challenging circumstances may include intense media scrutiny or a long legal battle.

Other Resource for Identifying Available Tools and Funding:

New Legal Tools for Redevelopment (2014), Maraziti, Lendor, Slachetka, Friends of Local Government Policy Paper Series, NJ League of Municipalities' Education Foundation.

Negotiate and Close the Deal:

Choosing the right company, developer or partner is arguably the second most important decision after determining the vision / plan for your community. Pick an experienced partner who has a strong track record for completing similar types of projects and who shares your vision for your community. You can choose to go through a Request for Qualifications (RFQ), Request for Proposal (RFP) or Direct Negotiations process to select the partner.

Remember, partners won't invest unless the project is economically viable and marketable under current market conditions.

Practical Tip: It's typical that developers will want to earn an Internal Rate of Return (IRR) of 8 to 20% or more for their investment. If they don't achieve this return, they may choose to invest in another project.

After the financials of a project, the partner wants to reduce risk and know how predictable a project will be. When all the pieces come together in the puzzle, it usually boils down to a set of negotiations which can be exciting, challenging and risky. The credibility of the negotiators is paramount at this stage. The Mayor's personal involvement would send the right signal that the community is serious about this project. Or the Mayor's designee or economic development czar, who has already established trust with the partner, should be closely involved in the final negotiations.

Perseverance, More Communication and Final Thoughts:

Economic development projects in NJ are a marathon, or more accurately, they are a series of sprints within a marathon. They are challenging because they could take so much time. On larger, more complicated deals, projects could take 3-10 years or more once a plan is established as you wait for state permits, funding sources to be realized and transportation systems to be constructed. You may have to wait a full market downturn or two before all the components are in place.

Public agencies are inherently slow, but they are especially slow in NJ's decentralized, fragmented form of government. I won't get into necessary reforms at the State level to expedite economic development projects here – it would require another paper to adequately cover. However, there are amazing examples of Mayors and community leaders accomplishing great feats of economic development through sheer hard work, focus and perseverance.

Keep communicating your vision throughout the length of the project. You are beyond sounding like a broken record at this point. However, providing updates to the community is critically important. The perception of behind the scene development deals is pervasive in NJ. Even though there is no merit to them, you will be accused of non-transparent deals at some point during the economic development/redevelopment process. So, frequent and consistent communication is necessary.

One of my favorite parts of serving as mayor was to attend ground breaking and grand opening ceremonies and seeing the fruits of my administration's efforts come to life. Good policies and hard work are translated directly into new jobs, the construction of new buildings and a healthier community. Whether it was the new Edison Public Safety Center or a new supermarket expanding into Edison or a new tech start up or a modern warehouse opening, there was always excitement in the air when employees start their new jobs and a brighter future is created for a community. Despite all the sacrifices one needs to make to realize this vision, I can personally tell you it was worth it!

I hope some of these practical lessons will be helpful for realizing your own economic development dreams in your own community.

Other Recommended Resources:

American Planning Association - NJ Chapter

Choose New Jersey

Kislak Real Estate Institute at Monmouth University

NAIOP - NJ Chapter

NJ Builders Association

NJ Business Action Center

NJ Business & Industry Association

NJ Chamber of Commerce

NJ Economic Development Authority

Regional Plan Association

Rutgers School of Continuing Professional Education

Rutgers' Bloustein School of Planning and Public Policy

US Green Building Council – NJ Chapter

Acknowledgements:

The author would like to thank the NJ League of Municipalities Educational Foundation, especially Michael Cerra, Michael Darcy and Bill Dressel, for supporting the publication of this paper. He would also like to thank Joe Morris, Chairman of the Morris Companies and Joe Baumann, Chairman of McManimon, Scotland & Baumann, LLC who reviewed and helped improve the substance of this paper.

Thanks!