PLACES THAT WORK: Changing Economy, Changing Land Use
Mission
PlanSmart NJ is an independent, non-profit planning and research organization committed to improving the quality of community life through the advancement of sound land use planning and regional cooperation. With over four decades of experience shaping land use policy in the state, PlanSmart NJ balances expertise and real-world contexts in framing issues to find constructive solutions, create innovative tools, and strategies to better inform land-use decision-making in NJ.

Our Vision
PlanSmart NJ aims to revitalize New Jersey’s landscape so that our state’s citizens benefit from a sustainable economy and environment, based on resource efficiency and social equity.

What We Believe
PlanSmart NJ believes that thoughtful land use planning can strengthen our economy and environment to make New Jersey a better place to live, work, and play for all. We work with state, county and local officials who are struggling with land use decisions and how best to optimize the use of New Jersey’s scarce resources.

We help refocus the debate away from whether New Jersey should grow, to how best we can grow. We believe growth must balance both the environmental and economic needs of the state.

Become a Member Today
By becoming a member you will support PlanSmart NJ’s work to reform New Jersey’s land use regulations to stimulate the economy and encourage vibrant communities with a variety of housing types and access to transportation options, open space, and opportunities. Your membership will give you access to information and discounts on PlanSmart NJ’s Regional Planning Summit and Policy Briefings.

Visit our website at www.plansmartnj.org and follow us on Facebook and Twitter @PlanSmartNJ to become a member and learn about our events.
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Summit Overview

Since PlanSmart NJ’s Annual Summit was started, this spring conference has brought together key stakeholders in planning, redevelopment, equity, and sustainability to gather around common goals and address complex issues affecting New Jersey.

The 2014 Summit, *Places That Work: Changing Economy, Changing Land Use* was about evaluating how New Jersey’s regulatory system is keeping pace with the 21st Century economy. Innovation in healthcare, telecommunications, and energy advancements has deep roots in New Jersey. In order for this legacy of innovation to continue, New Jersey’s regulatory system and infrastructure investment priorities need to change so the State does not lose the industries that provide jobs, clean up brownfields, and contribute to New Jersey’s tax base.

The Summit was part of PlanSmart NJ’s *Better Land Use for an Innovation Economy* project, designed to build consensus for regulatory reform that stimulates New Jersey’s economy. The project was kicked-off by a series of roundtables with industry leaders and decision makers to get their perspective on how current land use regulations impact economic development, housing, and environmental quality.

The roundtable discussions culminated in the *Places That Work: Changing Economy, Changing Land Use* Summit that brought together over 150 local and state stakeholders. Jeffrey Otteau explored the dynamics of the land use and regulatory constraints holding back New Jersey and leading experts in housing, infrastructure, development, community engagement, and resiliency discussed the practical innovations in regulatory reform that can be made. Stephen Ezell closed the summit by revealing how New Jersey can regain its competitive edge in the global innovation economy.

The following pages summarize the panels from the *Places That Work: Changing Economy, Changing Land Use* Summit.
What Will It Take To Support New Jersey’s Regional Innovation Clusters?

In 2013, PlanSmart NJ partnered with the New Jersey Chamber of Commerce to explore the concept of Regional Innovation Clusters (RICs), a theory that is explicitly promoted as a means to achieve targeted economic growth in various state level economic development initiatives. To be successful, the appropriate infrastructure and investment priorities to support these growth industries must be available. The report documents the relationship between New Jersey’s industry clusters and the state’s existing infrastructure to evaluate how infrastructure investment and economic development align.

An Advisory Committee of industry leaders and infrastructure experts, chaired by Ted Zangari of Sills Cummis and Gross and Peter Cocoziello of Advance Realty, shared their insight into economic growth challenges and opportunities in New Jersey to inform the project and ground it in real world experience. The report is available at www.plansmartnj.org.

This report generated the following findings:
- All identified growth industries exhibit a clustering.
- The Life Science, Healthcare, Finance, Technology, and Transportation, Logistics, and Distribution are more concentrated in New Jersey than the rest of the country.
- The Life Sciences and Healthcare are considered strong and growing industries within the state.
- Research shows that infrastructure plays a critical role in the development and prosperity of industry clusters.
- A relationship exists between the location of employment density and the state’s existing infrastructure as evidenced by the report’s unique cluster maps.

The knowledge gained from this analysis sparked PlanSmart NJ’s Better Land Use for an Innovation Economy project and the Places That Work: Changing Economy, Changing Land Use Summit. We hope it will inspire meaningful discussion and policy ideas that can further the goals of state level initiatives for regional innovation clusters, economic development incentives, and future state planning efforts.

The RIC Report was made possible thanks to the generous support of NJ Natural Gas, NJ Chamber of Commerce, and Princeton University.
Does Our Regulatory System Support an Innovation Economy?

Jeffrey Otteau, President, Otteau Valuation Group

Land use obstacles are holding back New Jersey’s economic recovery from the recession despite New Jersey being home to many assets. Today’s constrained growth in the economy and real estate markets, unchanging unemployment rate, and lack of housing choices that match housing need are rooted not in the recent recession, but in a series of long-term structural changes that have been decades in the making.

New Jersey retains a number of substantial advantages, including its location between New York City and Philadelphia, its diverse and highly educated workforce, high student achievement, and an economy led by logistics, life sciences and pharmaceuticals.

Median household income growth in NJ is outpaced by income growth in the rest of the country. NJ has only recovered one-third of the jobs lost during the recession. Home prices dropped double the level of price drops in the United States and they have not yet recovered to pre-recession values. NJ now has one of the highest
rates of non-current mortgages. Net absorption of office space just reached normal levels in 2013, but there is an overabundance of inventory that could accommodate the market for the next 50 years. Meanwhile, NJ’s government has not been able to keep up with needed maintenance and investments in infrastructure. The State’s high quality of life is not strong enough to retain residents, so there are high rates of outmigration.

Why is New Jersey underperforming? The answers are in higher living costs, increased regulatory burdens, restrictive land use policies, and higher taxes, all in an era of global competition that constrains prices and punishes high costs with lower profit margins.

How can NJ increase its competitiveness under these conditions? Smaller, lower-cost housing located close to work and public transit is required to match constrained incomes. Changing demographics among baby boomers and millennials indicate rising demand for better transportation options, walkable communities, and housing that will allow aging in place. These factors are becoming high priorities for where people choose to live.

Market demand is shifting toward a European development model of high density multifamily and small-lot single family housing that is more urban with a diverse landscape of mixed uses and less isolated suburban subdivisions. Restrictive municipal zoning biased toward large lots and against families is a significant obstacle to vibrant economic growth, particularly in suburban and rural municipalities, where pent up demand for denser housing types is driving up prices and rents. Meanwhile, there is an oversupply of aging, large lot suburban housing ill-suited to today’s households.

Higher housing costs can be viewed as a tax on employers, as employers need to pay higher salaries and wages for their workforce than elsewhere in the nation. Municipalities must relax their land use controls and embrace redevelopment and adaptive re-use of vacant commercial space to increase housing that will support existing non-

“No company wants to create jobs in places that do not permit the lifestyles that millennials want. New Jersey is largely a suburban state and we have to change our policies to bring a slice of urbanity to the suburbs.”

- Jeffrey Otteau
residential ratables. Otherwise, property owners will demolish vacant structures and remove them from the local tax base entirely.

While government must seek new efficiencies and limit tax increases, it must also focus on the revenue “top line” by facilitating land development and investing in infrastructure through public-private partnerships and regional land use planning and regulation.

Businesses are now beginning to move jobs out of suburbs to the vibrant places with the housing and lifestyles that people want. A diverse landscape of mixed land uses will act as a magnet for people, retail spending, and job creation.
Response Panel: Overcoming New Jersey’s Regulatory Hurdles

**Moderator:** Jorge Berkowitz, Ph.D., *Senior Associate, Langan Engineering*
Raymond Ferrara, Ph.D., *Vice President, Kleinfelder*
Tim Touhey, *Senior Vice President, Investors Bank*
Ralph Zucker, *President, Somerset Development*

Panelists concurred with Mr. Otteau’s statements that Home Rule and onerous regulations are preventing New Jersey from adapting to demographic changes and new market demands. People want to live, work, and play in the places they choose to live. However, obsolete zoning, layers of multiple regulations, and a lack transit connectivity beyond Northern New Jersey are preventing the efficient reuse of stranded assets and extending the time frame of redevelopment to financially unsustainable levels for developers. The development mindset needs to change so that there is an emphasis on building consensus between the community, municipalities, and the private sector. The key is to build trust among the community with consistent leadership and clear education about planned redevelopments that will engage even the most vocal dissenters.
Community Development to Support an Innovation Economy

**Moderator:** Henry Kent-Smith, Esq., *Partner, Fox Rothschild, LLP*

Sandy Batty, *Executive Director, Association of New Jersey Environmental Commissions*

David Fisher, *Vice President, K. Hovnanian Homes*

Hon. Patrick Impreveduto, *Mayor, Holmdel Township*

An innovation economy is more than clustering like businesses and linking to academic institutions. An innovation economy needs workforce housing, healthy communities, and cultural and natural resources. There need to be zoning opportunities and incentives for mixed use and higher density housing near jobs because it is more cost effective than extending road, sewer, and water infrastructure for isolated large lot development that is not in demand. All potential development should be considered with environmental concerns and resiliency in order to encourage redevelopment where it is appropriate. Buy in from communities is key for advancing plans and making them suitable to local demand. Regional planning and the big picture perspective are needed to integrate environmental, economic, and transportation elements while creating a uniform planning and review process for the state.
Infrastructure Investment: The Foundation of an Innovation Economy

Moderator: Pamela Frank, Vice President, Gabel Associates
Sam Crane, Principal, CraneConsulting LLC
Michael McGuinness, CEO, NAIOP New Jersey
Ruby Siegel, Vice President/Senior Project Manager, AECOM
David Zimmer, Executive Director, New Jersey Environmental Infrastructure Trust

Infrastructure is the backbone that breathes life into any innovation economy by connecting jobs, education, resources, and people. New Jersey’s infrastructure is aging and at various degrees of failing, even without the added stress of extreme weather events like Superstorm Sandy. New Jersey needs multiple and varied sustainable strategies for financing infrastructure maintenance and improvements. Action needs to be taken before transportation, water, and energy infrastructure use reaches capacity because the cost of repair is exponentially greater than the cost of maintenance and upgrading. Investing in infrastructure is a quality of life issue and NJ cannot afford to not invest in its infrastructure.
Innovation economics is a new field that challenges neo-classical economic theories in which economics is about allocating resources, by claiming that society, i.e. government policy, can improve “dynamic efficiency” through public-private partnerships to drive sustainable economic growth. Key systems supporting an Innovation Economy are Technology, Talent, Tax, and Trade.

Innovation drives long-term economic growth. Two-thirds of economic growth in the United States since World War II is attributable to innovation. Innovation also accounts for 90 percent of per capita income growth worldwide. But this is not news. Today, every nation and region in the world competes for innovation. All countries are no longer price makers, but price takers. Since 2000, foreign investment per dollar invested by manufacturers in the United States has more than doubled from 33 cents per dollar to 71 cents per dollar.

Innovation is not just about new products. It is about new ways of doing business and customer experience.
While the United States still ranks high among nations for global competitiveness and innovation, this may be short lived as the US is ranked near the bottom in improving capacity for innovation. Five key areas best capture what is new about the New Economy: knowledge jobs, globalization, economic dynamism, the digital economy, and innovation capacity.

Based on the Information Technology and Innovation Foundation’s newly released 2014 State New Economy Index, New Jersey scores high in Foreign Direct Investment (5th), Fast-Growing Firms (5th), Number of Inventor Patents (6th), Broadband Telecommunications Adoption (6th), and Industry Investment in R&D (7th).

New Jersey scores weakest at Non-industry Investment in R&D (40th), Manufacturing Value Added (39th), Entrepreneurial Activity (37th), Health IT (37th), and E-government (31st).

Overall, New Jersey ranks 10th among states nationwide but has lost ground since earlier rankings in 2010 (4th) and 2007 (2nd).

To improve, New Jersey should embrace policies that support public-private partnerships spurring higher productivity and greater innovation, adopt innovation policies based on investment, incentives, and institutions among other factors, and finally balance business, regulatory, and innovation policy in an innovation ecosystem.

“The best way to predict the future is to create it.”

- Stephen Ezell

In addition to entrepreneurship training, incentive programs, and other policies, regulations that are stable, certain, predictable, and transparent are critical to supporting innovation. Development applications that are fully compliant with regulations yet take months or even years to approve undermine New Jersey’s ability to compete. The long time frame to register a new business in New Jersey in comparison to other states and nations discourages entrepreneurship.

The six regulatory principles for an innovation economy include anticipating innovation in production processes and product mixes, embracing transparency to avoid major missteps, trusting the
consumer, emphasizing the **removal of overregulating** that inhibits beneficial innovation, adhering to **cost-benefit analysis** that forces agencies to explicitly state their assumptions and reasoning in a way that other parties can respond to, and concentrating on **facilitating metagoals** instead of micromanagement.

Manufacturing remains important in an innovation economy. New Jersey has a high potential based on its industrial history together with its strong logistics and education sectors. Policies such as New Jersey’s transit hub tax credit are helpful. New Jersey has its greatest opportunities to improve its innovation economy by expanding its deployment of information and communications technologies through systems such as e-government (including zoning ordinances and permit processes) and health IT.

In today’s innovation economy, collaboration at the regional level is essential and more important than competition in advancing economic growth. The competition is less likely to be in the next town or city, but half a world away. PlanSmart NJ is an invaluable asset for this region in its ability to bring together key stakeholders to collaborate and put together concrete solutions to drive innovation-based economic growth in New Jersey.
Workshop: How to Innovate Through Policy

A key component of the Summit was to identify solutions that can help New Jersey build vibrant, sustainable, and resilient communities and share these ideas among planners, lawyers, engineers, developers, and municipalities to build consensus for planning in an innovation economy. Attendees broke into groups and discussed strategies to improve New Jersey’s regulatory and investment priority system. The following ideas emerged as keys to creating innovative policies that can be nimble in adjusting to changing demographics and economic markets.

Streamlined Development Process
- Reduce uncertainty and increase transparency in regulatory and development approvals
- Establish one-stop permitting to avoid redundant, excessive review
- Manage the role of the judicial system to limit protracted litigation

Increased Regional Oversight
- Reform New Jersey’s reliance on municipal property taxes to encourage regionalization
- Elevate the role of counties in shared services and regional planning
**Strong Leadership**
- Provide training to public leaders on decision making that builds accountability and trust
- Increase accountability of elected officials for their regulatory and infrastructure investment decisions
- Increase the expertise of county planning and engineering personnel with professional training and continuing education
- Educate local officials and their constituents about market demand and existing conditions

**Reliable Infrastructure Funding**
- Fund infrastructure projects
- Establish smarter capital planning systems that take advantage of synergies between transportation, energy, and water infrastructure
- Have a statewide private bank that processes tax dollars and uses profits to fund regional needs

**Consistent Community Engagement**
- Make plans, regulations, and data easily accessible in electronic formats
- Share information with the public about the cost of infrastructure investments, including no action
- Increase civic education and community engagement in land use and infrastructure decision making

**Create Livable Communities**
- Ensure equity is incorporated in all land use decisions
- Focus on creating great mixed-use places that attract the creative class
- Repurpose stranded assets including vacant office and retail space
- Redevelop state and municipal land to provide training centers and amenities
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