



INSURANCE | RISK MANAGEMENT | EMPLOYEE BENEFITS

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June 18, 2019

Honorable Robert Smith, Senate Chair
Honorable Robert W. Singer, Senate Vice-Chair
Honorable Gordon M. Johnson, General Assembly Chair
Honorable Robert J. Karabinchak, General Assembly Vice-Chair

Dear Senators Smith and Singer and Assemblymen Johnson and Karabinchak:

I am writing today to request an opportunity to testify during the Senate and General Assembly's upcoming hearings on the state's tax incentive programs. I hope that testifying before your committee(s) will allow me to correct the factual inaccuracies, gross misstatements and misleading information released by the Governor's Task Force about applications submitted by my firm, Conner Strong & Buckelew, and a handful of other Camden firms during its May meeting – a meeting at which we were denied the opportunity to participate. Additionally, I would like to correct the largely erroneous and factually incorrect and misleading Report issued by the Governor's Task Force last evening. We have been, and continue to be, willing and ready to publicly discuss our application for tax incentives and our decision to move to Camden in any fair and appropriate forum, including the inquiry by the New Jersey Attorney General, just as we did with the review by the United States Attorney's office several years ago.

I want to be clear: while it has been my name that has largely been attacked, the Task Force asked the EDA to recalculate awards for Conner Strong & Buckelew as if it had never considered leaving for the Commonwealth of Pennsylvania – and the EDA concluded, even with the recalculation, that Conner Strong & Buckelew's award would have stayed the same. Allowing those of us who have been unfairly maligned to detail the truth would only be fair, but more importantly, stopping the misleading attacks and ensuring that decision makers and the public understand what is being done to rebuild Camden is critical to the city's future.

By way of background, last week, Conner Strong & Buckelew, NFI and The Michaels Organization, began moving their national headquarters to a brand new, state-of-the-art building in Camden. Collectively, we have invested close to \$250 million of private capital in the new building and our relocation will be the single largest influx of new employees to the City of Camden in at least 50 years, with over 110 of the Conner

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Strong jobs being relocated to New Jersey from out of state. While Conner Strong and its predecessor company has had dual national headquarters – one in Marlton/Cherry Hill and one in Center City Philadelphia – for at least 15 years, as those leases were expiring concurrently, we began to consider a variety of options, including to consolidate in Philadelphia. The Grow NJ incentives were a material factor in our decision to proceed with a consolidated national headquarters in Camden, where our firm was founded more than 40 years ago. The Grow NJ program, which was tailored to help rebuild the jobs and tax base in Camden, is directly responsible for the fact that more than two dozen other firms are also bringing new jobs to Camden, which has historically been one of the nation's poorest and violent cities. It has been a critical element of the city's renaissance, along with dramatic and nationally lauded improvements in public safety and education.

Unfortunately, due to the misrepresentations emanating from the Governor's Task Force, the public discussion about the Grow NJ program has been so widely distorted that it bears little resemblance to how the program works and what the criteria for being approved for credits are. As a starting point, there is misperception that a tax credit is the same thing as a grant so let us be clear: it's not. It is, in essence, a long-term incentive contract between the state and a company to invest in keeping or adding jobs in a community. Under these sort of contracts, a company must privately finance and complete its project within 4 years at its own risk – in the case of Conner Strong and its partners, we are investing close to \$250 million of private capital. If the company fails to meet key deadlines, it does not receive the incentives. Upon completion of any new construction, the qualifying company must create or maintain a required number of jobs for 15 years. In return and in consideration for that commitment, the state will issue a tax voucher for up to a maximum of 10% of the maximum incentive award for each of the 10 years following completion that can be used to offset certain state taxes or sold if not needed. All commitments by the company are subject to annual audit and verification. If the company breaches its obligations, all or part of incentive compensation can be withheld and recaptured by the state. Yet the falsehood that \$11 billion in incentives has been “wasted” because there were not controls or adequate oversight continues to be stated as fact.

The importance of the Grow NJ program to Camden is why I have always been willing and able – eager even – to discuss the program, whether in speeches or to the media. But, once again, when it came time to discuss it before the Governor's Task Force, we were not permitted. On May 1, less than 24 hours prior to the Task Force's most recent hearing, we received the attached notice that the panel would publicly discuss the tax incentives and potentially our firm's application. Also noticed were NFI, The Michaels Organization, and Cooper University Health Care. We were provided no information to

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which we could respond about our firm's application or the criteria used to select our firm for scrutiny and not any of the over 913 firms that have been approved for similar incentives, including Goldman Sachs, Teva Pharmaceutical Industries, New York Life, UPS, Siemens, Forbes, JP Morgan, Prudential, Merrill Lynch, Pfizer, Panasonic, Verizon, Ernst & Young, Barclays, Quest Diagnostics, Ralph Lauren, and Gucci. We were not allowed to participate in the hearing and we were merely told that we could respond in writing at a future date. Only after the hearing, where we were subject to insinuations, inaccuracies and direct accusations of impropriety, when we questioned the authority of the Task Force, its use of a New York lawyer unlicensed to practice in New Jersey, and the conduct of its hearings, were we offered 5 minutes to respond to their all-day hearing. Does that sound fair? The panel's high-handed response to our request left us with no option other than to file a lawsuit to stop the illegal operations of this so-called Task Force.

The decision last evening by Judge Jacobson to allow the Task Force to continue its operations despite noting the unfairness to my firm and the other plaintiffs is disappointing. But her decision does not represent the end of this process. We will continue our litigation in an aggressive manner to protect our rights. We will move quickly to schedule discovery and depositions.

Our litigation has never been about blocking an investigation, but rather to ensure that the Governor's Task Force gave each firm basic due process rights, including the opportunity to present fully the facts about their companies, their applications, and their decisions to move to Camden. Each of these companies has only ever requested a fair hearing and it is clear that was never going to happen with the Governor's Task Force. There is no other explanation why only four (all located in Camden) of the more than statewide 900 companies that have received tax incentives were named and had material information released about them during the Task Force's hearings without an equal opportunity to respond.

While many in the media have characterized the Task Force's narrow focus on Camden firms and our responses as a political struggle, it is not from my perspective – because it is clearly more important than that. I believe that tax incentives are critical to the future of cities like Camden. There are reasons why the 2013 reauthorization of the Economic Opportunity Act provided specific incentives for firms willing to move to or expand in Camden. That doesn't mean the same incentives should continue – I called for reforms to the program almost a year ago in a *Wall Street Journal* interview – but those decisions should be made by the same Legislature that initially approved the program as it considers its reauthorization, not by a Task Force focused more on generating headlines than new policy solutions.

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Accordingly, in order to lift the clouds of suspicion that has settled around all 31 firms that have moved to Camden under the same set of rules, we are asking the Legislative committees reviewing the state's incentive programs to allow us to participate in their hearings and will fully cooperate in their review just as we are already cooperating with the State Attorney General's office in its inquiry. There is a great story to tell about Camden, why these firms are moving or expanding there, and the process each followed to be approved for tax incentives. Beginning with the Legislative hearings, we will tell it.

In closing, I hope that you will allow me and others from Camden who were unfairly attacked by the Governor's Task Force to testify before the Special Committee.

Respectfully,



GEN/jmt

Attachment: Special Notice of Public Hearing Dated May 1, 2019

cc: Senator Nilsa Cruz-Perez
Senator Dawn M. Addiego
Senator Joseph A. Lagana
Senator Anthony R. Bucco
Senator Declan J. O'Scanlon
Assemblyman John Armato
Assemblyman Robert Auth
Assemblyman Anthony M. Bucco
Assemblyman Clinton Calabrese
Assemblyman Nicholas Chiaravalloti
Assemblyman John DiMaio
Assemblyman Roy Freiman
Assemblyman James J. Kennedy
Assemblyman Parker Space
Assemblyman P. Christopher Tully



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