

NJ  
10  
E19  
1987g

COMMITTEE MEETING

before

ASSEMBLY ECONOMIC DEVELOPMENT AND AGRICULTURE COMMITTEE

ASSEMBLY BILL 4170

Authorizes the Establishment of  
Small Business Incubators,  
Appropriates \$500,000

October 13, 1987  
Alumni Student Center  
N.J. Institute of Technology  
Newark, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Assemblyman Joseph Azzolina, Chairman  
Assemblyman John E. Rooney  
Assemblyman George Hudak

ALSO PRESENT:

Assemblywoman Maureen Ogden  
District 22  
Assemblyman John V. Kelly  
District 30

Gregory L. Williams  
Office of Legislative Services  
Aide, Assembly Economic Development and  
Agriculture Committee

\* \* \* \* \*

Meeting Recorded and Transcribed by  
Office of Legislative Services  
Public Information Office  
Hearing Unit  
State House Annex  
CN 068  
Trenton, New Jersey 08625

New Jersey State Library





JOSEPH AZZOLINA  
Chairman  
JACK COLLINS  
Vice-Chairman  
JOHN T. HENDRICKSON, JR.  
JOHN E. ROONEY  
  
GEORGE HUDAK  
ANTHONY S. MARSELLA

**New Jersey State Legislature**  
**ASSEMBLY ECONOMIC DEVELOPMENT**  
**AND AGRICULTURE COMMITTEE**  
STATE HOUSE ANNEX, CN-068  
TRENTON, NEW JERSEY 08625  
TELEPHONE: (609) 984-0445

**M E M O R A N D U M**

September 23, 1987

TO: MEMBERS OF THE ASSEMBLY ECONOMIC DEVELOPMENT AND  
AGRICULTURE COMMITTEE

FROM: Assemblyman Joseph Azzolina,  
Committee Chairman

SUBJECT: COMMITTEE MEETING - October 13, 1987

(Address comments and questions to Gregory L. Williams,  
Committee Aide, (609) 984-0445)

---

The Assembly Economic Development and Agriculture Committee will meet on Tuesday, October 13, 1987 at 10:00 a.m. at the Alumni Student Center of the New Jersey Institute of Technology, 323 Dr. Martin Luther King, Jr. Boulevard, Newark, New Jersey on the following bill:

A-4170 Authorizes the establishment of small business  
Rooney incubators, appropriates \$500,000.



[OFFICIAL COPY REPRINT]  
ASSEMBLY, No. 4170  
STATE OF NEW JERSEY

INTRODUCED MAY 28, 1987

By Assemblymen ROONEY, Catrillo, Gargiulo, Dario, Kern,  
Palaia, Kavanaugh and Azzolina

AN ACT authorizing the establishment of, and providing for State aid to, small business incubators, supplementing Title 52 of the Revised Statutes and making an appropriation.

1 BE IT ENACTED by the Senate and General Assembly of the State  
2 of New Jersey:

1 1. This act shall be known and may be cited as the "Small  
2 Business Incubator Act".

1 2. Definitions. As used in this act:

2 a. "Small business incubator" or "incubator" means a building  
3 or site designated by the department as an incubator at the request  
4 of a sponsor, and which supplies to small businesses some or all of  
5 the benefits set out in section 3 of this act.

6 b. "[Community]" "State Small Business Incubator" Advisory  
7 Board" or "board" means "[a]" "the" board created pursuant to  
7A section "[4]" "14" of this act.

8 c. "Department" means the Department of Commerce and  
9 Economic Development.

10 d. "Educational institution" means a local school district, a  
11 private college or university, or a State supported college or uni-  
12 versity.

13 e. "Local governmental unit" means a county or municipality.

14 f. "Non-profit organization" means a local chamber of com-  
15 merce, or a non-profit corporation organized to promote business  
16 and economic development within the State, and such similar  
17 organizations designated by the department.

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill  
is not enacted and is intended to be omitted in the law.

Matter printed in italics thus is new matter.

Matter enclosed in asterisks or stars has been adopted as follows:

\*—Assembly committee amendments adopted November 23, 1987.

18 g. "Sponsor" means an educational institution, local govern-  
 19 mental unit\*, *for-profit corporation*\* or non-profit \***[corporation]**\*  
 20 \*organization\* which *seeks or* receives department funds under  
 20a this act.

21 h. "Costs of establishment" means the actual costs of acqui-  
 22 sition, whether by lease, purchase or other devices, and of construc-  
 23 tion and renovation of the incubator.

24 i. "Costs of administration" means the costs of wages or salary  
 25 for the incubator manager and related clerical and administrative  
 26 costs.

27 \*j. "Economically distressed municipality" means a munici-  
 28 pality which meets three of the following criteria:

29 (1) *The municipality has an unemployment rate higher than the*  
 30 *average unemployment rate for the State during the three most*  
 31 *recent years for which data is available;*

32 (2) *The municipality has an adjusted income per capita which is*  
 33 *lower than the average adjusted income per capita for the State*  
 34 *during the three most recent years for which data is available;*

35 (3) *The municipality has ratables per capita which are less than*  
 36 *the average ratables per capita for the State during the three most*  
 37 *recent years for which data is available;*

38 (4) *The municipality has 1,000 or more unemployed during the*  
 39 *most recent year for which data is available.*

40 k. "Economically distressed urban municipality" means:

41 (1) *A municipality which is eligible to receive State aid under*  
 42 *P. L. 1977, c. 260 (C. 52:27D-162 et seq.);*

43 (2) *A municipality which in any year subsequent to the enactment*  
 44 *of P. L. 1978, c. 14 (C. 52:27D-178 et seq.), was eligible to receive*  
 45 *State aid pursuant to that act; or*

46 (3) *A municipality which has:*

47 (a) *A population of 15,000 or less, according to the most recent*  
 48 *federal decennial census;*

49 (b) *A population density of 5,000 or more per square mile;*

50 (c) *100 or more children enrolled in the Aid to Families with*  
 51 *Dependent Children Program, according to the data used to deter-*  
 52 *mine eligibility for State aid under the provisions of P. L. 1978,*  
 53 *c. 14 (C. 52:27D-178 et seq.);*

54 (d) *An equalized tax rate which exceeds the State equalized tax*  
 55 *rate; and*

56 (e) *An equalized valuation per capita which is less than the*  
 57 *State equalized valuation per capita.*

58 l. "Qualified municipality" means a municipality which is an  
 59 economically distressed municipality or an economically distressed  
 60 urban municipality.\*

1 3. Incubator Benefits. A small business incubator shall provide  
2 the following benefits to its tenants, subject to the agreement of the  
3 sponsor and the department:

4 a. Physical space within the incubator;

5 b. Business and management assistance, which may include  
6 access to local experts in professional areas such as bookkeeping,  
7 legal services accounting, financing, product marketing, engineer-  
8 ing and other business support services;

9 c. Facility services, which may include but not be limited to typ-  
10 ing and reception; cleaning and building security; conference  
11 laboratory and library facilities; and duplicating machines, com-  
12 puters and other electronic equipment; and

13 d. Professional services, as determined by the sponsor, which  
14 focus on but shall not be limited to: information on government  
15 small business regulations; basic management skills; detailed  
16 advertising, promotion, marketing and sales information; control  
17 of inventory levels; recruitment of employees; labor relations; and  
18 financial counseling in areas such as venture capital, risk manage-  
19 ment, taxes, insurance and qualifying for government small busi-  
20 ness loans.

1 \*4. Community Advisory Board. a. A sponsor that desires to  
2 have an unoccupied or nearly unoccupied building or site desig-  
3 nated, in whole or in part, as a small business incubator shall  
4 appoint, in conjunction with local governmental units, educational  
5 institutions, private individuals or organizations or other entities  
6 that agree to contribute monetarily or in-kind to the incubator, a  
7 Community Advisory Board to perform the duties required of the  
8 board by this act.

9 b. A sponsor may designate the board of an existing, consenting  
10 economic development entity, such as a chamber of commerce, as  
11 the Community Advisory Board.

12 c. The Community Advisory Board shall be the size that the  
13 appointing body determines to be appropriate. The members of the  
14 Community Advisory Board shall consist of representatives from  
15 key segments of the community, including but not limited to govern-  
16 ment, finance, business, labor and education. The board shall elect  
17 from its members a chairperson.

18 d. An existing board of an economic development entity desig-  
19 nated as a Community Advisory Board pursuant to subsection b.  
20 of this section must meet the composition requirements of subsec-  
21 tion c. of this section.

22 e. Community Advisory Board members shall serve without  
23 compensation and shall serve at the pleasure of the appointing



body or until the Community Advisory Board's task is completed, whichever occurs first.]\*

1 \***[5. Board duties.** a. Upon appointment, the Community Advisory Board]\* \*4. *Preliminary evaluations.* a. *A sponsor of a proposed incubator facility shall conduct a preliminary evaluation of the proposed incubator facility. In conducting the preliminary evaluation, the sponsor\* shall:*

3 (1) Identify the property under consideration for designation as a small business incubator;

5 (2) Market the concept of a small business incubator in the surrounding area;

7 (3) Solicit the views of the community concerning the designation of the property under consideration as a small business incubator;

10 (4) Identify probable tenants for the small business incubator; and

12 (5) \***[Obtain]**\* *Assess the likelihood of obtaining\* commitments from persons, organizations, businesses, local governmental units or other sources for a share of those costs not covered by rental fees or grants and for other types of incubator support.*

16 b. If, after performing the duties required by subsection a. of this section, the \***[board]**\* *sponsor\* determines that a designation of the property under consideration as a small business incubator is desirable and possible, the \***[board]**\* *sponsor\* shall notify the department of its intent to conduct a feasibility study.**

21 *\*c. If the sponsor submits to the department, with the notification made pursuant to subsection b. of this section, an application for a grant to conduct the feasibility study, the department may, in its discretion, provide a grant of not more than \$25,000.00 for the feasibility study if the site of the proposed incubator is in an economically distressed municipality or a grant of \$35,000.00 if the site is an economically distressed urban municipality.\**

1 \***[6.]**\* \*5.\* *Feasibility Study and Petition.* a. After filing a notice with the department pursuant to subsection b. of section \***[5]**\* \*4,\* of this act the \***[Community Advisory Board]**\* *sponsor\*, with the advice of the department, shall conduct, complete and deliver to the department, within 180 calendar days, an in-depth incubator feasibility study. The study shall include but not be limited to the following:*

6 (1) Costs of establishment of the incubator, such as necessary lease, purchase, renovation or construction costs associated with the site and structures;

9 (2) Estimated costs of maintenance of the site and structures including utility costs and costs of financing;



11 (3) Estimated wage and salary rates for the incubator manager  
12 and related administrative costs;

13 (4) Estimated costs of providing incubator benefits identified in  
14 section 3 of this act;

15 (5) "[Estimated income from the incubator including the esti-  
16 mated rental fees collected from lessees within the incubator, the  
17 estimated annual local cash subsidies, the value of in-kind services,  
18 the value of anticipated grants from other sources and]" *"A finan-*  
19 *cial statement estimating prospective revenue and expenditures as*  
19A *well as* the amount of department funds requested;

20 (6) Prospects of attracting suitable businesses to the incubator  
21 and the ability of the community to develop and market the in-  
22 cubator; and

23 (7) The ability of the community to provide necessary support  
24 for the incubator, including but not limited to technical assistance  
25 in business start-up financing.

26 b. If, after performing the duties required by subsection a. of  
27 this section, the "[board]" *"sponsor"* determines that a designation  
28 of the property under consideration as a small business incubator is  
29 desirable, the "[board]" *"sponsor"* shall transmit a completed copy  
30 of the feasibility study to the department along with the petition  
31 from the sponsor requesting designation of the incubator.

1 "[7. Government or Non-Profit Organization Sponsored In-  
2 cubator.]" *"6. Priorities for Designating Small Business Incuba-*  
3 *tors."* a. In designating small business incubators "[sponsored by  
4 a unit of local government or non-profit organization]", priority  
5 shall be given to "[those proposals that]" *"any proposed small*  
6 *business incubator which* the department determines:

7 (1) "[Are]" *"Is"* sponsored by a "[local governmental unit or  
8 non-profit organization]" *"sponsor"* which agrees to contribute  
9 monetarily or in-kind;

10 (2) "[Consist of an unoccupied or nearly unoccupied building or  
11 group of buildings on a contiguous site and]" *"Is"* located in a  
12 *"qualified"* municipality "[with an unemployment rate higher than  
13 the State average]";

14 (3) "[Have]" *"Has"* a financial commitment of at least 50% of  
15 the projected costs for the establishment and administration of  
16 "[a building]" *"the incubator"* in a manner suitable for occupancy  
17 by small firms;

18 "[4] Have a financial commitment for the projected unreim-  
19 bursed costs of maintenance of the incubator for the first three  
20 years, "unreimbursed costs of maintenance" meaning total operat-  
21 ing costs, excluding costs of administration, less rental receipts:]"

22 \*[(5) Are]\* \*(4) Is\* supported by local representatives of busi-  
 23 ness, labor and education;

24 \*[(6) Will generate a significant number of jobs:]\* \*(5) Will  
 25 obtain, as needed to maintain a reasonable rate of occupancy for  
 26 the incubator, small businesses to locate in the incubator, each of  
 27 which:

28 (a) Is certified to be a new start-up business;

29 (b) Is certified to be a business which has not been relocated to  
 30 the incubator from another site, unless the relocation is necessary  
 31 for substantial employment expansion or retention; and

32 (c) Is likely to:

33 (i) Be profitable;

34 (ii) Produce new or improved goods or services;

35 (iii) Produce goods or services for a broad market;

36 (iv) Produce a significant number of new jobs and not elimi-  
 37 nate existing jobs in the local area; and

38 (v) Be substantially aided by being located in the incubator;\*

39 \*[(7)]\* \*(6)\* Will provide the benefits and services identified in  
 40 section 3 of this act, including mechanisms to provide detailed  
 41 management assistance to start-up firms; and

42 \*[(8) Include]\* \*(7) Has\* local funding commitments to assist in  
 43 the financing of start-up firms.

44 h. During the first three years of operation of an incubator  
 45 designated pursuant to subsection a. of this section, the depart-  
 46 ment may provide funding, subject to appropriation, for no more  
 47 than 50% of the costs of establishment \*[(and administration)]\*  
 48 \*of the incubator. Not more than 50% of the costs of establishing  
 49 the incubator may be provided from State funds\*.

1 \*[(8. Educational Institution Sponsored Incubator. a. In designat-  
 2 ing small business incubators sponsored by an educational institu-  
 3 tion, priority shall be given to those proposals the department  
 4 determines:

5 (1) Are sponsored by an educational institution which agrees to  
 6 contribute monetarily or in kind;

7 (2) Consist of an unoccupied or nearly unoccupied property or  
 8 unimproved or partially improved site in close proximity to the  
 9 sponsoring educational institution;

10 (3) Have a financial commitment of at least 25% of the projected  
 11 costs for the establishment and administration of a site in a manner  
 12 appropriate for commercial or industrial use by advanced tech-  
 13 nology firms, including the costs of necessary laboratory structures  
 14 and establishing a structure suitable for occupancy by small and  
 15 medium sized advanced technology firms;

16 (4) Have a financial commitment for the unreimbursed costs of  
 17 maintenance of the incubator for the first three years, "unreim-  
 18 bursed costs of maintenance" meaning total operating costs, ex-  
 19 cluding costs of administration, less rental receipts;

20 (5) Are supported by local representatives of business, labor  
 21 and government;

22 (6) Will generate a significant number of jobs;

23 (7) Will provide the benefits and services identified in section 3  
 24 of this act, including mechanisms to provide detailed management  
 25 assistance to start-up firms; and

26 (8) Include local funding commitments to assist in the financing  
 27 of start-up firms.

28 h. During the first three years of operation of an incubator  
 29 designated pursuant to subsection a. of this section, the department  
 30 may provide funding subject to appropriation, for not more than  
 31 75% of the costs of establishment and administration.]\*

1 \***[9.]**\* \*7.\* Department Decision. a. The department may desig-  
 2 nate \***[unoccupied or nearly unoccupied]**\* properties as small  
 3 business incubators for the purpose of encouraging and assisting  
 4 the establishment and expansion of small businesses within the  
 5 State. Designation of properties as small business incubators shall  
 6 be made only upon department receipt of a petition and feasibility  
 6A study pursuant to this act *\*and upon review of the petition and*  
 6B *study by the board*.\*

7 b. Within 45 calendar days after receipt of the feasibility study  
 8 and petition, the department shall notify the \***[board]**\* \*sponsor\*  
 9 of its decision to designate or withhold designation based upon the  
 10 study and criteria set forth in this act. If the department does not  
 11 designate the property as a small business incubator, the depart-  
 12 ment shall set forth the reasons for its decision in its notification  
 13 to the \***[board]**\* \*sponsor\*. A \***[board]**\* \*sponsor\* receiving a  
 14 negative response may reapply for designation of the property  
 15 when circumstances which led to its initial rejection have been  
 15A remedied.

16 c. \***[The]**\* *\*Except as otherwise provided in this subsection, the\**  
 17 department shall administer State funding for the incubators it  
 18 designates. The funding may be provided in the form of a grant or  
 19 an interest free or below market rate loan. *\*If the funding is to be*  
 20 *provided in the form of a loan, the New Jersey Economic Develop-*  
 21 *ment Authority, on behalf of the department, shall evaluate the*  
 22 *credit worthiness of the applicant prior to the loan being made,*  
 23 *determining the ability and willingness to secure the loan, and service*  
 24 *the loan.* The repayment of a loan may be deferred by the \***[de-**

25 partment] "authority" so long as the incubator continues to  
 26 operate. The department shall provide no State "[funding]"  
 27 "grants or loans" under this act to a designated small business  
 28 incubator after the incubator's first three years of operation.

29 d. The level of funding provided to a designated incubator shall  
 30 be based in part on the ability of the incubator to generate adequate  
 31 financing for small businesses entering the incubator, on the poten-  
 32 tial of the incubator to create new jobs, on the amount of matching  
 33 community resources provided to support the incubator and on  
 34 related factors.

35 e. The total amount of principal and interest due on any depart-  
 36 ment loan to an incubator shall be amortized over the life of the  
 37 incubator or a maximum of 15 years\*, *whichever is shorter. The*  
 38 *department may permit the sponsor to not make payments during*  
 39 *the first year in which case the interest shall accrue\*.*

40 \*f. The department may provide businesses in the incubator with  
 41 technical and other kinds of assistance as it deems appropriate.\*

1 \*"[10. Community Funding. A local governmental unit, educa-  
 2 tional institution or other community organization, public or  
 3 private, singly or cooperatively, shall participate in the initial fund-  
 4 ing and in the maintenance of any facility that a sponsor requests  
 5 to have designated a small business incubator. The funding shall  
 6 be in an amount sufficient to cover the costs of establishment,  
 7 administration and maintenance that are not covered by rental  
 8 fees or department funds. Funding assistance shall be provided to  
 9 the incubator as long as the facility needs such assistance to operate  
 10 properly.]"

1 \*"[11.] \*8.\* Operation of the Incubator. a. The sponsor of a small  
 2 business incubator or its agent may hold title to the incubator  
 3 facility or may lease the property from the titleholder.

4 b. Except as provided in subsection c. of this section, designation  
 5 of a building or site as a small business incubator shall remain in  
 6 effect for 15 years unless otherwise agreed to at any time during  
 7 the period of designation by the department and the sponsor.

8 c. The titleholder of a building or site designated as a small  
 9 business incubator who desires to have the building or site returned  
 10 to its previous use before the expiration of the 15-year designation  
 11 shall notify the sponsor five years before the time the building  
 12 will be needed. The sponsor shall notify the department and shall  
 13 publicize the closing date of the incubator to the lessees of the in-  
 14 cubator and to the community.

15 d. The sponsor providing the feasibility study and petition to  
 16 create an incubator shall provide for the continual operation of the

17 incubator and may enter into agreements with public or private  
 18 entities "[or with the Community Advisory Board]" to recommend  
 19 potential applicants pursuant to sections "[12]" "9" and "[13]"  
 20 "10" of this act or to provide small business incubator services pur-  
 21 suant to section 3 of this act.

22 e. The sponsor shall report in writing at least annually to the  
 23 department on the activities of the small business incubator. The  
 24 report shall include the balance sheet and profit and loss statement  
 25 of the incubator; the name of each applicant it rejects and the  
 26 reasons of the rejection; the name of each applicant it favorably  
 27 evaluates, a description of the applicant's business and the number  
 28 and types of jobs created; and the types of services provided within  
 29 the incubator and other economic benefits.

1 "[12]" "9." Small Business Applications. When a building is  
 2 designated as a small business "incubator", the incubator sponsor  
 3 may begin accepting applications from persons desiring to start  
 4 or expand a small business and to locate that business within a  
 5 small business incubator. The application form, subject to the  
 6 approval of the department, shall request information pertaining  
 6A to:

7 a. The type of business that the applicant wishes to start or  
 8 expand;

9 b. An estimate of the number of employees the applicant will  
 10 need in order to start or expand the business and a two year pro-  
 11 jection of future emploment;

12 c. The skill and educational level of the employees that the appli-  
 13 cant plans to hire;

14 d. The ability of the applicant to start or operate a successful  
 15 business;

16 e. A general statement as to why the applicant wishes to be  
 17 accepted into the small business incubator;

18 f. A signed statement by the applicant that he understands and  
 19 accepts the obligations placed upon him under section "[14]" "11"  
 20 of this act.

1 "[13]" "10." Evaluation of Applicants. a. The sponsor shall  
 2 evaluate all applicants who want to start or expand a small business  
 4 and to locate within the small business incubator. The evaluation  
 4A of "[applicants shall]" "an applicant may" be based upon, but not  
 4B be limited to, the following:

5 (1) The likelihood that the business will be profitable;

6 "[2] Whether the product to be manufactured or the service to  
 7 be rendered would be new or improved;



8 (3) Whether the potential market for the product or service is  
9 regional, Statewide or national;]\*

9A \*(2) The business is likely to produce new or improved goods or  
9B services;

9C (3) The business is likely to produce goods or services for a broad  
9D market;\*

10 (4) The likelihood that the business will generate a significant  
11 number of new jobs and not eliminate existing community or area  
11A jobs;

12 (5) Certification that the business is a new \*[plant]\* start-up  
13 \*[or new venture opportunity]\* \*business\* and is not an area or  
14 regional relocation of an existing business, unless that relocation  
15 \*[results in]\* \*is necessary for\* substantial \*employment\* growth  
15A \*[of the business]\* \*or retention\*;

16 (6) The likelihood that the business will be substantially aided  
17 by its location in the small business incubator.

18 b. The sponsor shall forward to each local governmental unit,  
19 educational institution or other agency that has agreed to con-  
20 tribute monetarily or in-kind to the incubator, and to each applicant  
21 for incubator space that it favorably evaluates, notification of its  
22 decision and whether space exists.

23 c. The sponsor shall notify each applicant it rejects and shall  
24 provide the reasons for the rejection.

1 \*[14.]\* \*11.\* Lessee Responsibilities. A business which leases  
2 space within a designated incubator shall do all of the following:

3 a. Pay rent determined by the sponsor. The sponsor may agree  
4 to have the rent for a predetermined number of months payable at  
5 a later date by which time the business is expected to have received  
6 committed starting capital.

7 b. Pay utilities and other associated costs determined by the  
8 sponsor.

9 c. Make every effort to relocate to a permanent location not later  
10 than 36 months after entering a small business incubator. A  
11 business may request suspension of this requirement for periods  
12 of not more than 12 months at a time. The sponsor may suspend  
13 the requirement for 12 months at a time upon a determination that  
14 a business still requires the services of the incubator.

15 \*[15.]\* \*12.\* Department Responsibilities. The department shall  
2 work closely with the designated small business incubators, offering  
3 advice and assistance when possible, and shall promote, through  
4 advertising and other appropriate means, the concept, benefits and  
5 availability of small business incubators. The department shall  
6 cooperate with \*[the Community Advisory Boards,]\* local govern-

7 mental units, non-profit organizations\*, for-profit corporations\*  
 8 and educational institutions to effectuate the purposes of this act.  
 9 The department, if it finds that a \***[Community Advisory Board**  
 10 **or]**\* sponsor of an incubator is not operating in compliance with  
 11 this act, may withdraw State funding from the incubator. The  
 12 department shall report each January 1 to the Governor and the  
 13 committees of the Senate and General Assembly responsible for  
 14 economic development as to the operations of the preceding fiscal  
 15 year and the implementation of this act. This report shall include  
 16 information relating to the number of applicants accepted into  
 17 small business incubators, the number of small businesses in opera-  
 18 tion *\*in incubators\** at the time of the report, and the structure and  
 19 operations characteristics of each incubator.

1 *\*13. Any business which no longer requires the services of the*  
 2 *incubator and relocates to a site in a qualified municipality may be*  
 3 *eligible for reimbursement from the department of not more than*  
 4 *50% of the total moving costs.*

1 *14. a. There is established in the Department of Commerce and*  
 2 *Economic Development, a State Small Business Incubator Advisory*  
 3 *Board. The board shall have nine members as follows: the Commis-*  
 4 *sioner of Commerce and Economic Development, the Executive*  
 5 *Director of the New Jersey Economic Development Authority and*  
 6 *the Director of the New Jersey Urban Development Corporation,*  
 7 *each of whom shall serve ex officio; and six members appointed by*  
 8 *the Governor with the advice and consent of the Senate for terms*  
 9 *of three years, except that of the six members first appointed by*  
 10 *the Governor, two shall be appointed for three years, two shall be*  
 11 *appointed for two years, and two shall be appointed for one year.*  
 12 *Not more than three of the members appointed by the Governor*  
 13 *shall be of the same political party. Each member shall hold office*  
 14 *for the term of appointment and until his successor is appointed*  
 15 *and qualified. A member appointed to fill a vacancy occurring in*  
 16 *the membership of the board for any reason other than the expira-*  
 17 *tion of the term shall have a term of appointment for the unexpired*  
 18 *term only. All vacancies shall be filled in the same manner as the*  
 19 *original appointment. Any member may be removed from office*  
 20 *by the Governor, for cause, after a hearing and may be suspended*  
 21 *by the Governor pending the completion of the hearing. Members*  
 22 *of the board shall serve without compensation, but shall be reim-*  
 23 *bursed for necessary expenses incurred in the performance of their*  
 24 *duties as members. Action may be taken and motions and resolu-*  
 25 *tions may be adopted by the board at a board meeting by an affir-*  
 26 *mative vote of not less than five members. As soon as practicable,*



27 the members of the board shall select from among themselves a  
28 chairman, vice-chairman and treasurer.

29 b. It shall be the duty of the board to:

30 (1) Review any feasibility study and petition submitted to the  
31 department under the provisions of section 5 of this act and advise  
32 the department concerning the study and petition; and

33 (2) Study and make recommendations concerning activities of  
34 the department which are undertaken to implement the purposes  
35 of this act.

1 15. a. Except as provided in subsection b. of this section, the  
2 funds appropriated pursuant to this act shall be expended solely  
3 to provide:

4 (1) Grants to sponsors for feasibility studies conducted pursuant  
5 to section 4 of this act;

6 (2) Grants or loans made to fund small business incubators pur-  
7 suant to section 7 of this act; and

8 (3) Reimbursements for moving costs made pursuant to section  
9 13 of this act.

10 b. An amount not to exceed 5% of the funds appropriated pur-  
11 suant to this act may be expended during any fiscal year as is  
12 necessary to defray the administrative costs of implementing this  
13 act.\*

1 16. Federal Programs. The department is authorized to accept  
2 and expend federal monies pursuant to this act except that the  
3 terms and conditions hereunder which are inconsistent with or  
4 prohibited by the federal authorization under which such monies  
5 are made available shall not apply with respect to the expenditures  
6 of such monies.

1 17. There is appropriated from the General Fund to the Depart-  
2 ment of Commerce and Economic Development the sum of  
3 \*["\$500,000.00"]\* \*\$2,000,000.00\* to carry out the purposes of this act.

1 18. This act shall take effect immediately.

---

#### ECONOMIC DEVELOPMENT

Authorizes assistance for small business incubators, appropriates  
\$2 million.

---

## TABLE OF CONTENTS

	<u>Page</u>
Patrick R. Brannigan Director of Government Affairs New Jersey Institute of Technology	1
Henry T. Bleicki Assistant Commissioner Department of Commerce and Economic Development	3
Michael Newman Manager Job Creation Services Control Data Corporation Minneapolis, Minnesota	12
Donald Scarry, Ph.D., Esq. Assistant Vice President Economic Research New Jersey Business & Industry Association	25
Jeffrey N. Stoller Assistant Vice President Regulatory Affairs New Jersey Business & Industry Association	27
Loren Schultz Technology Centers International Montgomeryville, Pennsylvania	34
Michael Kelly, Ph.D. Director Computer Integrated Manufacturing Center	41
James J. Hughes, Jr. Executive Director New Jersey Economic Development Authority	43
David Listokin Center for Urban Policy Research Rutgers, the State University	49
Leland McGee, Esq. McGee and Jacobs	50



APPENDIX:

Page

Statement submitted by  
Assemblyman John V. Kelly  
District 30 1x

Statement submitted by  
Assemblywoman Maureen Ogden  
District 22 2x

Incubator list submitted by  
Michael Newman  
Manager  
Job Creation Services  
Control Data Corporation 3x

Copy of a page from "New Tools for  
Economic Development: The Enterprise  
Zone, Development Bank, and RFC"  
submitted by  
David Listokin  
Rutgers, the State University 6x

Statement submitted by  
Saul K. Fenster  
President  
New Jersey Institute of Technology 9x

Newsletter submitted by  
Loren Schultz  
Technology Centers International  
Montgomeryville, Pennsylvania 15x

\* \* \* \* \*



ASSEMBLYMAN JOSEPH AZZOLINA (Chairman): Good morning. I'm Joe Azzolina, Chairman of the Economic Development and Agriculture Committee. I want to welcome everyone here today. But first before we start, I'd like to introduce our members of the Assembly and staff: Assemblyman Hudak from Linden -- former Mayor of Linden, Mr. Williams is from Legislative Services, Deb Smarth is a member of my staff, and John Rooney, or Jack. Yeah, John.

ASSEMBLYMAN ROONEY: Whatever his name is. (laughter)

ASSEMBLYMAN AZZOLINA: The Assemblyman from Bergen County. Jack Kelly and Maureen Ogden are coming also. I'd like to call on Mike Brannigan, Director of Government Affairs of the New Jersey Institute of Technology for a few remarks.

PATRICK R. BRANNIGAN: Thank you. President Fenster regrets that he'll be unable to be with you today, but he sends his welcome and also has submitted a prepared statement to you which I have given to Greg Williams.

We welcome you to NJIT and also to the city of Newark. These are very important days and for the city and for the University. The city is about to have a rebirth that includes the University community as well as the business community. We at NJIT hope to play a part in that, and we think that your coming here today is a good sign for the University and the city. So, welcome and we hope that it's enjoyable. We invite the members of the Committee and any of the speakers and guests after the meeting to stay for lunch, and also we'd like to take you on a short tour of the campus so that you can visit our environmental air pollution lab, our biotechnology lab, and our robotics lab.

ASSEMBLYMAN AZZOLINA: Mike, I want you to know, I was born down the street from here.

MR. BRANNIGAN: St. Michael's. (laughter)

ASSEMBLYMAN AZZOLINA: I was born at the hospital there, is a safe tip. Newark, whatever the name of the hospital is in Newark. St. Michael's, I guess.

MR. BRANNIGAN: I'd also like to make a statement that my son who's a senior in high school was at the college last night. And on his list of colleges that he is interested in is NJIT.

ASSEMBLYMAN AZZOLINA: Before I proceed with my opening remarks, I'd like to express a special thanks to all of you who have traveled from out of state to share your insights and firsthand experience about the creation and subsequent operation of incubator facilities. In addition, I would like to extend my thanks to the administration and faculty of the New Jersey Institute of Technology for hosting this Committee meeting, the luncheon, and laboratory tour which will follow. This kind of communication with the private sector and higher education institutions allows this Assembly Committee to remain on top of important developments, thereby facilitating the formulation of legislative initiatives which reflect real situations.

There's no doubt that small businesses are the backbone of the Garden State. Notably, about 97% of all businesses reporting to the New Jersey Labor Department with 100 or fewer employees are small businesses. Ninety-five percent of such companies have ten or fewer employees. So, launching initiatives that offer business growth opportunities is a key component of business retention and development.

Today, we will not only discuss in general terms the use of incubator facilities as a tool for economic development, but we will also take a look at Assembly Bill 4170 sponsored by Assemblyman John Rooney. I know John has been working on some amendments to the bill which will further improve the bill's aims and goals.

I want to thank both Assemblyman Jack Kelly of the 30th Legislative District and Assemblywoman Maureen Ogden of the 22nd Legislative District for filling in for Assemblyman Jack Collins and Assemblyman Jack Hendrickson who serve on this



committee but who could not be here today At this time I want to call on Assemblyman Rooney.

ASSEMBLYMAN ROONEY: I'll postpone that.

ASSEMBLYMAN AZZOLINA: We have Assistant Commissioner Henry Blekicki from the Department of Commerce and Economic Development. He has to go to another meeting after this, which I can't go to. I'm suppose to go, too.

A S S T. C O M M. H E N R Y T. B L E K I C K I: Good morning, Mr. Chairman and members of the Committee. I wish to thank you for this opportunity to speak on behalf of this incubator bill. As you, the Chairman, have mentioned, the incubator concept has been an important economic development tool across the nation. More than 50% of all new employment created during the last decade has been created by the small business community.

Therefore, considering the fact that the small business community is creating jobs in ever increasing numbers, that they are also involved in creating new products and new inventions which help society, the Department of Commerce, has directed a great deal of its resources to the small business community. We have a Division of Small Minority and Women-Owned Business designed to help the small business community. The Governor, in his State of the State Message in January indicated his strong support for the incubator concept, especially with incubators being developed in the distressed communities.

We've had the pleasure of working with Assemblyman Rooney in developing this bill, and of course, our insights have been of some value to Assemblyman Rooney, and therefore, we believe that a bill funding to the tune of \$2 million -- funding incubators in distressed communities -- would go a long way in increasing job opportunities for those portions of the State that are still experiencing relatively high unemployment. We think that somewhere in the neighborhood of 100 to 150 communities still need assistance from State

government in creating jobs. And we believe that the incubator program, perhaps targeted to those communities would help in a significant way as a long-term effort to create new jobs which are so important to the vitality of this economy.

So with those brief remarks, I think we can support unequivocally this bill as being a strong new initiative on behalf of job creation in the State of New Jersey. If you'd like, I can be available to answer any questions that you may have.

ASSEMBLYMAN AZZOLINA: Assemblywoman Maureen Ogden just arrived. Thank you Maureen for joining us. Any questions? (negative response) Okay, thank you very much.

ASST. COMM. BLECKICKI: Thank you.

ASSEMBLYMAN AZZOLINA: Okay. Now I'd like to call on Assemblyman John Rooney to comment on his legislation which encourages and promotes the establishment of incubator facilities.

ASSEMBLYMAN ROONEY: Thank you, Mr. Chairman. As we all know, small businesses face many problems in their earlier years of existence. Studies have found that 50% to 80% of new small businesses fail within the first five to seven years. The major causes of failure are lack of capital, inadequate management, and lack of manpower. Given this fact, many state policy makers across the nation have sought to increase the chances that firms will survive and, therefore, provide jobs to strengthen a state's economic base.

At least 11 states have enacted incubator facility legislation to achieve these goals. They include Arkansas, Illinois, Iowa, Kansas, Louisiana, Michigan, Mississippi, Missouri, North Carolina, Ohio, and Pennsylvania. New Jersey will soon be added to this list as I work for the passage of my legislation, A-4170.

The New Jersey Commission on Science and Technology is working hard at promoting high technology to make New Jersey

competitive with other states in its creation of advanced technology centers to further product development and other technological-innovative processes. While our State has undergone a major transformation from a manufacturing based economy to a high tech and service oriented economy, more needs to be done to bring back our manufacturing sector which remains our second leading employment center, despite the fact that since 1979, we have lost about 1000 manufacturing plants costing the State some 100,000 jobs.

This bill which promotes a public/private sector partnership, encourages entrepreneurialship, and provides incentives to further tap the talents and ingenuity of our State's citizens, educational institutions, local governments, and businesses. By providing for State low-interest loans or grants up to 50% of an incubator's establishment costs as well as grants for the preparation of feasibility studies, we can rationally direct and encourage business development and growth and job creation in our State. At the same time, we give local community residents a stake in the matter and an opportunity to shape their own future.

An incubator infrastructure reduces the many obstacles that small businesses confront when they first start operations such as cash flow and personnel resources. This strategy reduces the latter obstacles. In offering low cost rental office space, shared administrative personnel and consulting services, and an environment privy to technical assistance, the chances for small business survival and subsequent growth increase.

Let's use this legislation as a tool to promote revitalization of the State's troubled areas with the active cooperation of State, local community, and private sectors. I am confident that the Department of Commerce and Economic Development will chart the proper course for the implementation of this legislation. I personally want to thank the Department

and the New Jersey Business and Industry Association their your input and am looking forward to hearing from some experts out in the field.

Assemblywoman Maureen Ogden has been following this issue closely and has been a pioneer, introducing legislation in this area. So I have asked her to become a prime co-sponsor of this initiative. I would also like to thank Assemblyman Jack Kelly when he arrives for coming here today to help with this legislation.

Two additional thank yous I'd like to extend on a personal level is not in this prepared statement, is to Don Scarry of the Business and Industry community who has worked very hard to make sure that this initiative is a partnership, a real partnership. The amendments that were prepared were through his efforts and also through the Department's efforts. Another personal thank you that I'd like to make is to Deb Smarth, our partisan Committee Aide, who has done an enormous job in really developing this legislation. I couldn't have done it without her. I really want to thank her personally. We will be talking about it and working for this in the very near future. Thank you again.

ASSEMBLYMAN AZZOLINA: And you're not going to thank me for fighting the traffic coming north?

ASSEMBLYMAN ROONEY: And anyone who fought the traffic, and I commend anyone who made it here without a problem.

ASSEMBLYMAN AZZOLINA: Greg Williams will read some of the amendments.

MR. WILLIAMS (Committee Aide): Okay. I'll go over the provisions of the bill and then discuss the exact amendments. There are several amendments that have been made since the time that this was typed up -- that's to say late Friday -- so I'd like to make sure that everybody knows exactly what those are in terms of what's being voted on.

To start out with the provisions of the bill, they'll authorize the Department of Commerce and Economic Development to provide assistance to local governments, educational institutions, nonprofit organizations, and for-profit corporations which sponsor small business incubator facilities. The bill defines the small business incubator as a building or site used to house small businesses attempting to establish themselves as viable enterprises.

To be eligible for assistance, the incubator is required to provide businesses with space facilities and technical assistance. The incubator must also be located in either a distressed urban municipality or a municipality which meets certain standards of unemployment, income levels, and ratables. I'll get back to that later. The bill requires the sponsor of a proposed incubator to conduct a preliminary evaluation of the incubator, prior to notifying the Department of the sponsor's intent to conduct the feasibility study.

The Department is authorized by the bill to provide funds for the feasibility study which would include a detailed estimate of the cost of establishing and operating the incubator and its likely income. If the proposed incubator is to be located in an economically distressed urban community, the Department would be permitted to provide a maximum of \$35,000 in assistance for the study, otherwise the maximum would be \$25,000.

The Department is directed in choosing which incubators are to be assisted, to give priority to incubators which have strong community support and adequate commitments for financial support and will create net increases in employment. In making the choice, the Department is required to consult with the State's Small Business Incubator Advisory Board which is established by the bill. The bill requires that at least 50% of the cost of the incubator's funding come from non-State sources. Department funding may be provided as a

grant or a below market rate loan with a term of not more than fifteen years. If the funding is in the form of a loan, the New Jersey Economic Development Authority is required to evaluate the soundness of the loan after servicing the loan.

The Department may give the option to the sponsor of not making payments during the first year of the loan. The bill establishes procedures for persons to start or expand a small business within a Department assisted incubator. The Department is permitted to provide reimbursement of 50% of the moving costs of an incubator tenant which relocates to a distressed urban municipality which meets the UIR standards that I'll describe.

As amended, the bill appropriates \$2 million and limits to five percent the portion of those funds which may be used during each fiscal year for administrative purposes. The proposed amendments which are before you, do the following things: They add for-profit corporations to the entities eligible to sponsor small business incubators under the bill. They delete the requirement that each incubator have a community advisory board and turn over the functions of the community advisory board in the earlier draft of the bill to the sponsors themselves. They establish a Small Business Incubator Advisory Board which advises the Department in the functions of the bill.

They authorize the Department to provide funds for feasibility studies. They delete the separate set of criteria for incubators which are sponsored by educational institutions. They require that every Department assisted incubator have commitments of at least 50% funding from non-State sources. They require every Department assisted incubator to be located in distressed urban municipality or in a municipality which meets certain standards of unemployment, income, and ratables, and what those standards are. This is not in the amendment that is before you, so I'll described this right now.

These standards would follow the present Economic Development Authority standards for distressed economic communities. What they are -- UIR -- the "U" stands for unemployment, above average unemployment rate in the municipality, the "I" is for income, and that would be a below average income per capita in the municipality, and then "R" is ratable and that would be a below average ratables per capita in the municipality, and then finally the fourth standard is 1000 or more unemployed-- What's required is that you meet three of those four standards, for a community to be eligible to have an incubator located in it. The alternative would be an urban aid community. Urban aid communities have about 35% of the population of the State in them. The UIR standard covers a somewhat broader selection of about 45% of the State's population.

Continuing with the amendments, they also permit the Department to give sponsors the option of not making payments during the first year of the loan from the Department. They permit the Department to provide a reimbursement of 50% of the moving cost to a business which relocates from an incubator into an eligible community, a distressed urban municipality, or one that meets the UIR standards, after they move out of the incubator. The appropriations under the amendments has increased from half a million dollars to two million dollars and a cap of five percent is put on the portion of those funds which may be used during each fiscal year for administrative purposes.

Now, point, by point on the amendments that were made, beyond what's in front of you, as I mentioned, replacing the standard of above average unemployment with the UIR standard, that would be throughout the bill. On page five of the amendments, a clarification that, not only that half of the money can't come from the Department, but that half of the money for establishing the incubator can't come from any State source whatsoever.



On page six, it makes it clear that the Department may permit the sponsor to not make payments during the first year rather than the sponsor having that option, whether or not the Department approves. And the rest of it is technical clarification, except that finally as the bills are printed here, a four percent cap on administrative costs, that's been adjusted to a five percent cap. So, that's all the changes beyond what's in front of you.

ASSEMBLYMAN AZZOLINA: Are you done?

MR. WILLIAMS: Yes.

ASSEMBLYMAN AZZOLINA: Okay. We're done with the real dry portion. You know, today is not a very exciting day for us here. There's no press here. We're competing with the President at two locations. I'm sure the press corps must be out there at Somerset Hilton and up to where the President is going to be later.

The last time I was in Newark -- this is not exciting legislation, I guess -- but the last time I was in Newark, I visited a dog pound with pit bulls and I had the whole press corps there. I should have had a pit bull here. (laughter) That's all right, we'll get the message out anyway.

Before I call the other speakers, first I'd like to call on Maureen Ogden has a statement to make, I believe.

ASSEMBLYWOMAN MAUREEN OGDEN: Thank you very much Chairman Azzolina for asking me to be part of the panel today and for my comments on Assemblyman Rooney's bill, A-4170. As many of you know, I have sponsored an incubator study bill. This I proposed three years ago, A-1134. The reason I had asked for a study to be done, was that I had attended a panel discussion on this whole subject with people from private industry, and people from State, and one of the recommendations was that before a state becomes involved with its own program, that it really should assess what the needs are, and then go forth in terms of where the economic opportunities are. For

instance, some states have said -- like Pennsylvania -- that they only want to be involved in incubators as far as industry is concerned, because of the loss of jobs in industrial endeavors.

Others have provided venture capital. So which way would we go? I thought that the best way was to just take, quickly, a study to evaluate where our needs are here in the State of New Jersey. Well, this study, unfortunately has not started as I say. I introduced that bill three years ago. To me, it was a very uncontroversial bill, probably not even written up in the press at all, but it is totally stuck because of disagreement between the Senate President and the Governor as to whether there should be advice and consent of the appointments.

So, at this point, I believe we have passed the time to do studies on that. It is time to go forward and provide the very affirmative program that is in this bill that Assemblyman Rooney has presented. When we realize that since 1980 more than 3 million new jobs have been created by new business and more than 2 million have been lost by the Fortune 500 companies; when we talk about the new creation of jobs, there's no doubt of where the creation of jobs comes from.

I believe in addition that the amendments to this bill are going to greatly strengthen this legislation, particularly increasing from the \$500,000 to the \$2 million. Including for-profit corporations as potential incubator sponsors, I believe, is a very good amendment. I have always believed strongly in public/private partnership and for me, this sets the stage for that which is an excellent amendment. In addition, the last thing that I think is very good are the incentives for businesses that have started and have outgrown the need for the incubator services to have special incentives so that they can stay in the urban areas.

All in all, I would just like to congratulate you, Assemblyman Rooney for sponsoring this bill, for having the

hearing today Assemblyman Azzolina, and for everyone who has helped. Because in spite of the fact that the press is not here, and they don't think it's as exciting as the pit bulls or whatever-- (laughter) They're out at Newark Airport, I guess is the answer. In the long run, I think it's a very significant bill, and is an exciting bill. So, I just compliment everyone who has been involved with it.

ASSEMBLYMAN AZZOLINA: Okay. Thank you. Jack Kelly has a statement to make. I'd like to introduce Jack Kelly who just arrived.

ASSEMBLYMAN KELLY: Thank you, Chairman. I'm very optimistic about the prospects of this incubator facility program. In fact, several communities in my district -- Belleville, Bloomfield, and Montclair, and educational institutions like Bloomfield College and Montclair State -- could get together and tap their resources to initiate such a program. I'm sure with the right kind of educational outreach about this incubator, sponsors will welcome the opportunity to commit private resources knowing that up to 50% of an incubator's established cost could be matched by the State. I'm not going to say any more. I think it's a great bill. I congratulate you, Mr. Rooney. And I'm certain that the Legislature will support it.

ASSEMBLYMAN ROONEY: Thank you.

ASSEMBLYMAN AZZOLINA: Thank you very much, Jack. I'd like to now call on Mike Newman, Manager of Job Creation Services, Control Data Corporation. You're the one who traveled from where?

M I C H A E L N E W M A N: Minnesota. Thank you. I am very pleased to be here. Business incubators have been an important part of my life for about the last -- well, since 1978. My experience in business incubators basically comes from being the manager of one. In 1978, Control Data Corporation started its first business incubator in St. Paul, Minnesota, and

since that time, it has gone on to develop, or be involved with communities in 42 business incubators all across the United States, Canada, and a couple in Europe.

I have a list here where Control Data incubators are located, and I'll be happy to share that with you if I may.

ASSEMBLYMAN AZZOLINA: Why does Control Data get involved? This is a computer company, right?

MR. NEWMAN: Yeah.

ASSEMBLYMAN AZZOLINA: And this is another company?

MR. NEWMAN: No. This is a computer company, and a very good one too, I might add.

ASSEMBLYMAN AZZOLINA: I thought you were. I'm just curious in how you got involved in this?

MR. NEWMAN: I guess that is probably the number one question that I've always been asked.

ASSEMBLYMAN AZZOLINA: I thought you sold computers.

MR. NEWMAN: We do. We don't sell small computers, we sell big computers. People think, right away, because we're dealing with small business, we must sell small computers. We do not.

Control Data got into this business basically because of the Chairman of the Board and the founder of Control Data, Mr. William C. Norris. To know Mr. Norris is to understand why Control Data is in this thing. His basic philosophy was that he could put together a public/private partnership that would go a long way towards helping small businesses succeed. Control Data was itself a small business in 1957 -- four guys in the basement of a building in downtown Minneapolis were trying to put together a computer business. So, he understood the problems and the fights that small business has.

Plus, Control Data has worked very long and very hard on training education products that are currently used in a number of areas, from schools to industries. So, Control Data basically felt that it had the tools to meet a societal need

which was job creation. Control Data is also a very large company, and Mr. Norris basically saw that new jobs and new growth was not going to come out of a large corporation like Control Data. You have to go back a long way to Mr. Norris's ideas of meeting society's unmet needs with job creation. There are millions of stories about Control Data building plants in very depressed areas, passing the rule, so to speak, that we only hire from the neighbor, and making programs work.

I'll give you a quick example if it doesn't take up too much of the 10 minutes I've been promised -- to talk about incubators rather than Control Data.

ASSEMBLYMAN AZZOLINA: We'll give you that extra.

MR. NEWMAN: Thank you. Back in 1967, there was a great deal of social unrest in north Minneapolis with riots, and while other companies were moving out of that area as fast as they could, Control Data moved in and built a plant there, and passed a rule that it would only hire from the neighborhood and got involved with people that have had difficult times finding jobs, or had never been employed before. He made a commitment work, and that commitment was that he would only hire from the neighborhood and live with it. Now, he didn't just make some unimportant computer component there, he made the most computer important component there, and lived through all kinds of problems with people that have never held jobs before, he had an awful lot of difficulty -- dealt with people problems in terms of not having proper day-care. As a result, Control Data started the Northside Child Care Development Center which took care of the employees' children.

Another problem was that unwed mothers had to be home before their children went to school, and had to be home when their children came home from school, so Control Data started flexible hours. There was the number of problems that employees had with chemical dependency, etc., etc. So, Control Data started a group called EAR which is Employee Advisory

Resource, that dealt 24 hours a day with employees problem. They made the program work.

Control Data felt that it could do something about the high failure rate of small businesses. Now, I don't have to quote those statistics, but the bottom line was 80% of all small businesses fail after five years. He felt that his experience in starting Control Data Corporation, the tools they had in education, and his deep concern for giving back to society-- There's no rule that says a big corporation can't have a heart. It's really hard to explain Control Data's motivation in this. You have to really understand the man.

Now, we approach the incubator program as a for-profit business. One of the points I'm going to make today to you is that an incubator -- whether it be a for-profit or a nonprofit -- it needs to be run as a business. I will point out too, that in our eight years experience in managing, staffing the facility, and operating these small business programs, we have worked very hard and have developed a number of programs. We have a very hard working R & D staff.

Over our eight years experience, we have a 90% success rate under the small businesses that are located in our centers. So as opposed to an 80% failure rate after five years, we have a 90% success rate amongst the small businesses that are located in our centers. We have created over 11,000 new jobs and that number is starting to grow quite rapidly because most of our incubators are less than two years old. So, there's a number of them that are quite old, but it's growing quite rapidly. Our network grew from 26 incubators to 42 in the last year.

I would like to comment quickly on what I feel makes an incubator successful. The number one thing that I think makes incubators successful is that when a community goes to put an incubator together, that they have a clear mission

statement, and that statement be one that everybody can buy into. I'm going to talk a little bit about community networks. I think that becomes very important.

The true potential of a business incubator comes through the incubator admitting a variety of tenants -- high tech, low tech, no tech, service businesses, manufacturing businesses. When we first started our incubator in St. Paul, at the Business and Technology Center, we hoped to create a lot of high tech kinds of jobs. It came as a bit of a surprise to us that we didn't draw an overwhelming amount of high tech companies -- only about 40%. As it turns out, what we hadn't realized was that the majority -- and this still holds true today -- the majority of all business starts are service businesses. Now what we've learned is that a number of those service businesses do develop a product eventually, or you can apply technology to those products to make them more successful.

So, I would point out that when having a selection criteria, be generous. It's much easier to grow winners than it is to select them. It's very difficult to do that. I would also suggest that the incubators serve as a focal point for community development supporting entrepreneurship so that the incubator becomes a resource that allows everyone interested in starting a small business, or everyone interested in becoming self-employed.

A number of people that I've talked to in town have suffered from plant closures. There's a terrific opportunity for those people to get involved in self-employment. There are machinists, and people with skills. Every community has potential entrepreneurs or people with ideas. We have a program called the Self-Employment Training Program for two years and we've been developing this. It's had a terrific success rate in terms of dealing with people who have lost their farms, dealing with people who simply want to start a small business, dealing with people who have never held a job



before, dealing with people who have a very difficult time finding a job. Everybody has some sort of skills, and it's a question of developing that, and turning that into self-employment.

Another thing that makes an incubator work is that the incubator needs to be perceived as successful. The small business person who's out there trying to make a buck selling their product, has a tough time when going in front of purchasing agents or potential customers. They have an image problem. Because they are a small business, the purchasing agent, or potential customer wonders will they be around tomorrow? will they be able to satisfy the contract? Do they have a quality product? If the incubator is perceived as successful -- and that's done a number of ways -- but if it's perceived as successful, a small business person can ride that perception. They can take advantage of the reputation that the incubator has. Plus, if there's any doubt in a customer's mind as to whether the small business can do the job, the incubator tenant can bring that prospect to the incubator and show the resources that it has -- the phone answering, the receptionist, the maintenance staff, the library, the computers, on and on and on.

Another important aspect of a business incubator is the educational process. So often, I would run into people who were very good at one thing, because education teaches people to be good at one thing these days. Let's say, for example, the person's a good engineer, and that engineer knows everything there is to know about their product. But in order to run a small business, they have to be smarter than that. They have to know how to sell; they have to know how to do the books; they have to know how to hire the right people, etc., etc., etc. So, I suggest to you that an incubator needs to have a heavy emphasis on education, because small businesses that can travel the education route from A to Z the quickest, are the ones that are going to be successful.

The manager of an incubator. I don't think I've ever had anyone argue with me. All the money, all the best plans, all the community support in the world, will not take the place of a bad manager. A bad manager will kill a project faster than anything. Training of the incubator manager is key selection. An incubator manager needs to keep the network alive, in fact, most incubator managers spend a very large percentage of their time keeping their network alive. That network includes tenant to tenant, incubator to community, resource to resource, and most recently, incubator to incubator. An incubator manager needs to be able to operate the incubator efficiently in order to keep costs down and rental affordable.

I would also say not to let the real estate be the only focus. I would suggest the focus be job re-creation, entrepreneurship, training, etc., etc. I salute you for your financial commitment to the incubators here in you bill. I think that that's an outstanding move. Incubators suffer-- Pardon me?

ASSEMBLYMAN AZZOLINA: Do you think it's enough money?

MR. NEWMAN: Yes. Incubators suffer from having resources as a rule spread too thin. I'll tell you a little story about our experience in Illinois. The Illinois Department of Commerce and Community Affairs, through Build Illinois funds, from 1986 to 1987, gave money to and started something like 15 incubators -- an incredible amount. What they learned was that, they needed to maximized their investment as best they could.

A number of incubators were coming back for additional funds. They learned that with fifteen centers out there all starting at the same time, there was a great deal of reinventing the wheel. They were all stuck on different things. So, what they did was is they wanted to have all their incubator managers trained so that they weren't constantly

reinventing the wheel. There weren't fifteen different leases, fifteen different policies and procedures. There was some consistency. Plus, they had lost their head -- experienced a little turnover in incubator managers. So, every time an incubator manager left, a new manager came in and as a rule, the program would change.

I think it's very important -- back to training the incubator manager -- that there be a set standard for all your incubators that are started, that they all be trained consistently, and that they all have the same basic policies and procedures so that each community that starts one, doesn't start from zero. They can take advantage of somebody's experience in the field so as not to make the same mistakes that Control Data made. And we've got a long list of things to avoid, because when we started, there wasn't anybody to copy from.

The networking power of an incubator I talked about is the very key. I know in Illinois, they wanted to make sure that their incubators could take advantage of a broad incubator network. We electronically link incubators together, so that the small businesses in the incubators can take advantage of the successes, the expanded markets. So, a small business in San Antonio could talk to a small business in Minnesota, could talk to a small business in Philadelphia or New Jersey, or wherever.

Plus the fact that we've worked on developing replicable businesses. If a small business idea works wonderful in San Antonio, Texas, for example, or in Canada, or even in the U.K., why won't it work anywhere else? So, we're working very hard to develop this replicable business concept. Plus, a small business has a difficult time and has very few resources to market beyond its geographic area, where within the incubator they can make connections with people who have similar or compatible products and can talk to one another via

the computer or whatever, to expand their market to broader areas. This becomes very important, especially in small towns where resources are limited. This gives them the ability to expand their markets to just about anywhere they want to go.

I'm sure I've used up all of my time, but may I answer any questions quickly?

ASSEMBLYMAN AZZOLINA: I have one question. What size building do you think is enough? Will 20,000 square feet be enough, or do you need a lot more than that? I know you can go really big, but what is the smallest do you think will work?

MR. NEWMAN: Our smallest incubator, I think, is sitting in about 6000 square feet and that's a relatively small town of about 10,000 people. I think that you have to--

ASSEMBLYMAN AZZOLINA: That's not too effective though, is it?

MR. NEWMAN: No. Anything smaller than 40,000 or 50,000 square feet with the amount of services that you want to put into that incubator is going to be difficult to make the numbers work.

ASSEMBLYMAN AZZOLINA: Can you also have, say -- in one group-- We had a meeting the other night in one of my towns, Keansburg-- There's a 20,000 square feet building and there's a 15,000 square feet-- They are separated. Can you combine that into one incubator concept? That would give you 35,000 feet.

MR. NEWMAN: Yeah. We've done that. That's right. And that works. The one thing that I'd like to point out that I mentioned earlier, is that in the incubator that I manage in Minneapolis we had about a 220,000 square foot incubator. We had a hundred and twenty tenants at a part-time office program. We had probably 200 clients. People who had never rented a square foot in the incubator and came in and used it as a resource. We had a number of other people who belonged to an entrepreneurs' club, for example, which is a club we started for people who are thinking about starting small businesses.

So, my point here is that your incubator could be a very small incubator. In fact, you'll hear stories now of incubators without walls; which basically is that it's a focal point for community economic development; in some cases, most certainly for small business development. The goal for every incubator manager and every incubator program is to make this incubator known as the place to go if you want to start a small business. And small businesses appreciate that.

The number one thing I hear from small businesses when managing the center is that, "I'm not lonely any more." You know a lot of people go home and start their small businesses. If I was to walk away from Control Data Corporation and start a small business, I walk away from the ability to walk down the hall and talk to an attorney, an advertising agent, a purchasing agent, or whatever. I'll walk away from all of my group insurance and all of my benefits and I'd go to start my own business and I'd probably go home to do that where there would be very few, if any resources. Plus, it would require a great deal of discipline not to turn on the ballgame, or to go cut the grass because it rained all weekend. I'd be lonely. And that's the number one thing that I hear from people when they come into the incubator -- is that now they are not alone any more.

There are 120 presidents. And that's a terribly exciting thing and we work very, very hard so that in the incubator they know each other. They're not just another person down on the fourth floor or another person over on the second floor, or whatever. We work very hard through tenant clubs, tenant breakfasts, newsletters, so that they all come to know each other. It become a very exciting atmosphere. They sell to one another, they certainly are bartering with one another, and the community is there. There are lawyers there, there are advertising people there, etc., etc., etc., so that the lunchroom becomes one of the most exciting places in the

incubator. You go in and have a cup of coffee, there's an attorney, here's somebody over here that's in marketing and whatever, and marriages are made. I've seen them joint venture with one another. I've certainly seen them share resources with one another. But the number one thing is that they are not alone, and there's nobody saying that they are crazy.

ASSEMBLYMAN HUDAK: Mr. Newman, you described what sounds like a very successful incubator program. Just how much contribution was made by some governmental agency, other than Control Data? Did you work hand-in-hand, or did you begin this on your own -- the inception? How did this come about?

MR. NEWMAN: Most of my experience come from managing the incubator, so what I will share with you is not firsthand, but what I understand from some of the development people. Control Data has a very large staff of people that are implementing incubators -- some people that go out and talk to communities. I'm fairly new to this. This is an experience for me.

But to answer your question, the first eight incubators that Control Data did, they did 100% by themselves. They might have gotten some UDAG money for rehabing the old buildings because they parked -- as in the case of Charleston, South Carolina -- they parked right in the middle of a depressed area. They went on to do a number of public/private partnerships and a number of real estate deals. Now Control Data is more involved with helping communities develop business incubators and transferring the technology, and not so much in the real estate aspect of it any more.

But basically, they did it with their own money, but did on occasion, get help with UDAG funds for building--

ASSEMBLYMAN HUDAK: In comparison, the \$2 million that we're asking to provide, is that a fairly substantial number? Does it have a good degree of being successful with that kind of money -- in your experience as you started out?

MR. NEWMAN: That's real hard for me to say. I don't have a real good answer for you on the exact numbers. It depends so much on the community. In some cases the cost of the building was basically a dollar -- an old school building in Baltimore, the one in Minneapolis was \$10,000 new construction and a good \$100,000 worth of services were put in. So, it's real hard for me to gear that up and give you a real good number. Maybe Mr. Schultz could--

ASSEMBLYMAN HUDAK: Okay. I think basically, you answered the question.

ASSEMBLYMAN AZZOLINA: Maureen, I understand that you have a question?

ASSEMBLYWOMAN OGDEN: Yeah. Since Control Data is a for-profit corporation, what sort of an arrangement do you have in terms of receiving return on your investments -- in other words, a percentage of what the companies earn? You know, I assume there's some way that you're in this business to make money. So, what kind of relationship do you have with the incubators -- with the companies? After they leave the incubators, do you have certain interest in their corporation, or how does that work?

MR. NEWMAN: We don't have a relationship with the tenants. I shouldn't say that. We certainly do have a relationship with the tenants, but we don't have any financial relationship with them. In my experience in both St. Paul and Minneapolis in eight years, I think there was only two or three companies out of hundreds that Control Data had invested any money in. And when they invested the money-- In Minnesota, Control Data was involved with 25 other companies that started a Minnesota seed capital fund. And with the funds of the Minnesota seed capital fund they sort of -- what's a nice way to put it? It's sort of like a high risk venture capital -- had invested some money, seed money -- to start those small businesses. But a number of those businesses-- Not very many

of them were located within the incubator because they started out much bigger in their own facilities and in a lot of cases they used incubators as a resources.

But how Control Data operates at a for profit is that they run it on a two P & Ls. Our real estate sells at for-market rates or below market rates. So, we operate at one P & L; the real estate being one P & L, and the service side being another P & L. So, in our case, if we had a service that wasn't pulling its weight, we didn't have subsidies to keep it going. We either had to make it work or get rid of it.

ASSEMBLYMAN AZZOLINA: Okay. Thank you, Mike. We appreciate you coming all this way.

MR. NEWMAN: Thank you very much.

ASSEMBLYMAN HUDAK: Mr. Chairman, before we hear our next speaker, I'd like to ask a question of the sponsor of this legislation. Mr. Rooney, I guess the best way that I can describe it, if I describe the actual case, there's a gentlemen in my home town of Linden, a minority, who would like to go into business. At the present time, he's making dentures, for at least one dentist, perhaps for even two. He looks-- (members hold discussion amongst themselves)

ASSEMBLYMAN AZZOLINA: I'm sorry to interrupt you.

ASSEMBLYMAN HUDAK: I don't want to take too much time. I know that time is of the essence.

ASSEMBLYMAN ROONEY: We just don't want to lose our quorum.

ASSEMBLYMAN HUDAK: All right. Well, the point that I'm trying to bring out is that here's a gentleman who happens to be a minority and he has an idea for a business. He lives in the city of Linden. I have a great deal of confidence that he can be very successful. He knows what he's doing. And yet, our community is not an urban aid community. I don't know if



it meets any of the criteria -- the three or four that are in the bill anyway. How would we address that if this gentleman wants to go into business for himself? What if he goes into the incubator program, but decided to establish his business in an area that's pretty well run-down in our city? The city is providing a million dollars of UDAG funds to rebuild that area of the city. I want to know if we can help him establish a business that would help, not only himself and employ people that are living within and around the area, but also contribute to making that a viable business district in the city of Linden.

ASSEMBLYMAN ROONEY: Well, within the city of Linden, before the amendment was made this morning, which I just approved this morning, Linden was eligible under the UIR criteria. I believe they're still eligible under that.

ASSEMBLYMAN HUDAK: They are?

ASSEMBLYMAN ROONEY: They are. So, Linden could very well qualify as an incubator facility. I think we were talking about 45% still qualifying under this, even though geographically we've cut down on quite a bit.

MR. WILLIAMS: Linden would qualify entirely.

ASSEMBLYMAN HUDAK: Okay. I wasn't sure of that because we were talking about urban aid communities and being denied that.

ASSEMBLYMAN AZZOLINA: Usually the larger cities do qualify though. Okay let's move along. We have some people who have to leave. Donald Scarry and Jeff Stoller. Now, are you both speaking?

D R. D O N A L D S C A R R Y: Yes, we will both be brief.

ASSEMBLYMAN AZZOLINA: Okay, good. Either one of you take whatever shot you want first.

DR. SCARRY: Good morning. My name is Donald Scarry. I represent the New Jersey Business and Industry Association, and my colleague at the table is Mr. Jeffrey Stoller, who is our Assistant Vice President for Regulatory Affairs.

First, I'd like to compliment the sponsor on this bill. We're extremely happy and give it our strongest endorsement. And on a personal note, I'd like you to be aware that he is one of the most reasonable people to deal with in terms of deflecting my crazy ideas and picking up on the good ones. I want to thank you very much for getting this far. I also want to thank the Committee for considering this bill.

What I would like to do, is I would like to talk for a minute or two about why we need to help the cities in this particular way, and then turn the balance of our time over to my colleague, Mr. Stoller to talk about incubators as such.

What is particularly interesting in this bill anyway is its urban targeting -- the extra \$10,000 assistance that one would get for feasibility studies in urban centers, the inclusion of the for-profit sector, and particularly the moving costs for incubator graduates to remain in cities. I personally would like that to be 110% or 150% of their moving costs, but I'm quite happy that it's 50%.

One of things that I've been doing at the Association for the past five years is tracking the economy of New Jersey. This will not come as a surprise to anyone here that we have had a strong recovery, one of the strongest recoveries in the nation. However, our urban centers are not yet full participants in our economic recovery. Labor force growth in our urban centers are lower than it should be. There has been a net decline in employment in our cities during the decades of the sixties and the seventies with particular emphasis on the manufacturing. During the decades of the sixties and the seventies, manufacturing in the State actually increased by 40,000 jobs, but there was a net decline in the cities of at least 75,000, or maybe 100,000 manufacturing jobs -- a particularly hard hit sector, garments.

So, that while the northeast and New Jersey continues to grow and probably will grow for another year, that's really a suburban phenomenon. That's really a phenomenon of communities that exist at the intersections of interstate highways outside of New York City and outside of Philadelphia. Our cities have been -- "abandoned" is too strong a word -- but they are not the place of choice for businesses. What the Business and Industry Association actually hopes comes from this bill is a rebirth of the kind of generation of small, vital businesses in our urban centers. That's why we're particularly interested in the bill and that's why we gave it our strongest recommendation. I'll keep quiet and I'll let Mr. Stoller talk.

J E F F R E Y   N .   S T O L L E R: I have a written statement and in the interest of time, maybe I'll just simply read it through and then if you have other questions, we'd be glad to answer them.

As Don mentioned, I am Assistant Vice President for Regulatory Affairs at BIA. In that capacity, I work closely with many of the small businesses which make up a large share of our 11,000 corporate members. Given the significant number of new jobs which are generated by small businesses here and nationwide, it is no surprise that the Legislature is interested in ways to help start-up enterprises get off the ground. The challenge, of course, is to create an environment for the new company which increases its chances for success during its vulnerable early years. Based on recent experience, it is clear that small business incubators can provide that kind of environment with substantial payoffs for both the incubator's sponsors and the individual firms.

My remarks today will focus first on certain characteristics of incubators in general which may enhance their effectiveness, and secondly, on the specific details of A-4170. Again some of these same points may have been already covered. They'll sound familiar.

To begin, there are now over 200 incubators projects in the U.S. to serve as models for their New Jersey counterpart. Some of the best known include New Haven Science Park, Chicago's Fulton-Carroll Center for Industry, and Ohio's Thomas Edison Program. They offer start-up firms low rents substantially below market rates, support services, the opportunity to mix with other entrepreneurs, and flexible short-term leases for space. In exchange, the incubators provide their communities with new jobs, new tax revenues, and new opportunity for local workers. They can be used to revitalize vacant industrial properties, or give students and faculty the chance to work closely with commercial interests on real world problems.

A review of the recent experiences of small business incubators around the country leads to several conclusions about what makes for a successful project. Briefly:

Shared services reduce individual risk. Start-up firms have a better survival rate when they are able to share the cost of basic business services with other firms, instead of absorbing them directly. Shared costs translate into reduced risk for each participating company. Services can include banking, accounting, telephone installation, answering services, shipping, reception, conference space, furniture, equipment rental, and photocopying. The more flexible these services can be, the better. Georgetown Business Center in Washington, D.C., for example, rents office space on a daily and even hourly basis. Every dollar saved as a result brings the new firm a step closer to self-sufficiency.

Assistance is the key. Most business failures are a result of an entrepreneur's poor management skills or lack of experience. In other words, providing low rents or even venture capital may not be enough to save a new company in the absence of basic management training. The incubator program

should therefore give top priority to educating both the business owners and their employees.

~~Focus on~~ Focus on Business success, not just phones and copiers. Moreover, don't leave this kind of training to chance. Portland College's program, for example, has established a formal two-year curricula for its incubator participants.

Consider specialization. With the number of incubators nationwide projected to hit 1000 by 1990, there is a need for new projects to distinguish themselves in some way. One approach is to create incubators designed to host businesses from a specific industry, such as food processing, biomedical products, or aerospace.

Research support is critical. Universities, which operate about 20% of the existing incubators, can offer access to laboratories, computers, and equipment which would normally require a prohibitive investment by the individual biotech firm. New Jersey has already launched several university-based ventures such as Rutgers' \$6 million Advanced Food Technology Program and other projects tied to the Science and Technology Commission. Precautions should be taken, however, to assure that universities do not get so caught up in commercial enterprises that they lose sight of their original mission.

Incubators should be large enough to weather setbacks. Having too few business can jeopardize an incubator when the occupants either fail, or succeed sufficiently to move out. The most successful incubators tend to have dozens of enterprises under, way at any one time.

Don't overlook a site which can be donated. Many cities have empty manufacturing facilities which either companies or local governments are eager to have occupied again.

Be patient. Like any business, an incubator may need some time to prove its viability. The sponsors must be willing to focus on long-term results.

Don't go overboard, however, on subsidizing business financing. We believe that you should resist the temptation to provide direct funding for incubator firms. If an enterprise is viable for the long run, it should be able to attract sufficient capital after an initial period. The incubator will be doing its clients a greater favor by giving these entrepreneurs the skills they need to obtain financing from conventional sources -- skills which will serve them throughout their business careers.

Ask for something in return. If the sponsor of the incubator is a government or nonprofit organization, it should not be bashful about setting some conditions for the businesses it assists. Participants in Ohio's Thomas Edison Program, for instance, have benefited from that state's investment of \$69 million since 1983. The state, in turn, has required that the incubator firms match their public monies with private funds, work cooperatively with Ohio universities and technical experts, and do business in Ohio once the business is launched.

Finally, know when to quit. Understand that some ventures will simply not succeed and set out some clear time limits on when to suspend incubator assistance. Don't devote years of time and limited resources to projects demonstrating little promise, when they could be invested in start-ups with greater potential.

Many of these ideas have already been incorporated in A-4170. The May 28, 1987, draft which I reviewed, sets out a solid foundation for an incubator program with a commendable amount of community input included in the overall scheme. There are, however, several provisions in the bill which the Committee may wish to discuss and perhaps strengthen.

Just briefly, just as each proposed incubator must undergo an in-depth feasibility study before being approved, so should individual firms applying for participation in the program be required to submit a detailed plan, estimating its costs and needs.

Second, in addition to limiting State funding to three years for any business, the bill should set a clear limit on how much of this program's budget can be directed to any one incubator. It is not clear that the information provided in the Small Business Applications, section 12, will be sufficient to answer the questions regarding eligibility outlined in Section 13's evaluation criteria. Perhaps section 12(d) should set out more explicit standards for demonstrating "the ability of the applicant to start or operate a successful business."

Thought should be given to what kind of resources will be necessary for an incubator sponsor to evaluate applicants' chances for success. Also, section 113(a)(6) asks the sponsor to determine whether the business would be substantially aided by its location in the incubator. That's somewhat beside the point, since almost any venture could expect to be aided by this kind of program. The real question to be asked by section 13 is, should a business be granted that aid?

And finally, under section 14's lessee responsibilities, subsection (c)'s 12-month extensions following three years of support seem overly generous and open-ended. Perhaps a single extension should be permitted, but no more. If a business isn't off the ground after four years, it may be time to invest in other prospects.

On behalf of NJBIA and its membership, I congratulate the Committee on taking this initiative seriously, and would like to offer our assistance in promoting the proposal. Please call on us anytime. Thank you very much.

DR. SCARRY: Mr. Chairman, thank you for your time. If anyone has any hard questions, Mr. Stoller will answer them.

MR. STOLLER: Dr. Scarry has the higher degree.

ASSEMBLYMAN ROONEY: Just one quick question. You recommended a ceiling for any one particular business in the incubator.

MR. STOLLER: Well, I was concerned when I saw it. Now it's been moved from \$500,000 to up to \$2 million. It was just the general sense that if--- You really can't launch that many ventures, even with the \$2 million. You don't want 78% of this budget apportioned. And again, we don't have any preconceived notion as to what that cap would be. It's just a sense that you may want to try at least a handful of different settings throughout New Jersey -- this program.

ASSEMBLYMAN ROONEY: That's the idea.

MR. STOLLER: And the idea is that, again, I didn't see anything that would indicate that that was a real danger so much that it seemed a little unclear, and it just seems that if you want to put all of your chips on, you know, if you want to put all your betting on one particular project in deciding whether this is a worthwhile program on that one.

ASSEMBLYMAN ROONEY: I think the language allows the Department to decide on that particular aspect.

MR. WILLIAMS: There never was a cap on that. You mean cap on the amount on that goes, "per incubator," not the amount per--

MR. STOLLER: What I had in was--

MR. WILLIAMS: I thought I heard you say, "the amount per business in each incubator."

MR. STOLLER: I'm saying whether it's \$500,000 or \$2 million, or whatever your budget is, don't let 98% all go to one project and tell the other guys, "Well, there's \$3000 left." I'm just saying that there ought to be some criteria for spreading it out whether it ends up being four projects, six projects, two projects, whatever. That was the only concern that we had.

DR. SCARRY: As I understood the Department of Commerce this morning, what they indicated was that they thought they should have some more money for administration. But, they weren't talking about limiting the participation and



funds to any particular project. All we're saying is that someone should think about it either in the legislative sense or in the regulatory sense, of spreading this public money across a couple of projects rather than putting it all in one incubator. Whether you think that should be done in a regulatory manner or in the legislative manner, we're open to your guidance.

MR. STOLLER: Oh sure.

ASSEMBLYMAN ROONEY: It's a good point. I think what we want to do is to afford as many incubators as possible, and not limit it to just one. I think that message should get across to the Department. I don't want to limit it to the point where if they might have maybe two, or they might have a major project that they are looking at that might be very worthwhile.

MR. WILLIAMS: Not more than 50% on any one incubator? That's a million dollar cap, and they've got to come up with private money too.

ASSEMBLYMAN ROONEY: That's still too high.

MR. WILLIAMS: Forty percent, 30%, 20% you go down to \$400,000.

ASSEMBLYMAN ROONEY: Yeah, it might be a good idea to listen to some more testimony to get some ideas on that. If any of the other people could give us some idea on what the incubators might--

MR. WILLIAMS: Could I ask if any of the members are interested in any of the other recommendations they are making? There's are questions about the feasibility study -- on having the firms do their own feasibility studies before being tenants in the incubator. Is anybody interested? I just want to get the language right.

MR. STOLLER: I've got written copies of this if you want to use it for any purpose.

ASSEMBLYMAN ROONEY: Don, I thought you gave us all of those crazy amendments before.

ASSEMBLYMAN AZZOLINA: All right. I'd like to call the next speaker. Mr. Loren Shultz, from the Technology Centers International Pennsylvania, owner and operator of an incubator. I want to thank you for coming from Pennsylvania. That's a long haul coming through that traffic.

L O R E N S C H U L T Z: Not too bad.

ASSEMBLYMAN AZZOLINA: Did you fly?

MR. SHULTZ: No, I drove down this time.

ASSEMBLYMAN AZZOLINA: I hope you didn't take Route 1.

MR. SCHULTZ: Fortunately, I'm in the eastern part of Pennsylvania. Thank you for having me. I'd like to share some of my experiences, since I think probably I have the oldest incubator in the country, so we have a pretty good understanding. I'm an entrepreneur. I came out of the computer industry, and I ended up starting my own business in my basement. Today, it's a \$200,000 business. And I feel that we have a very precious system in this country -- the free enterprise system -- and we must encourage it.

If we really think about the importance of the small business, we've heard about the job creation and all, but in reality, if we realize that every business in New Jersey were started by something, if you think about it, every job in this country except for institutions and government were the result of an entrepreneur starting in business.

So, we know what makes for an exciting business community. All you have to do is look in your own back yard to find that. And what we're really trying to do is to create an environment which encourages more people to take the risk. I hear comments like some people this morning and you would think there's a big waiting list and everybody out there wants to start their own business. They may have the dream, but most of them aren't willing and they are hard to find.

Incubators do work. They do improve the probability of success of companies. In our incubator, for example, the oldest has a 93% success ratio, and I'll give you a newsletter if you'd like to go through the analysis of the time of businesses that started. The incubator is an environment. Buildings do not build companies. It's an environment. It's a program, and you have to realize that that's what we're going to do. We're going to create an environment to make it easier for people to be successful.

You see, I have no interest in creating jobs. You cannot show me a successful business that was formed to make jobs. Every business I see that is successful was there to make some money, to make profits, to build and build and grow. So, if our objectives are for jobs, I don't think we'll make it. If our objectives are to build successful businesses, which in turn create jobs, create a better environment, then we'll have a chance. And that's what we have to focus on. And I think far too often, we get the wrong focus.

I think your goal ought to be to make New Jersey the best place that there is in this country to start businesses. Why do people have to feel like it's easier to do a business Massachusetts or in California, or in Minnesota? Why not here? I think the answer is that we don't have a positive environment or a positive attitude about our own communities. I think that ought to be your objective and I think the incubator program is just part of that type of program.

People are going to start a business where they want to live. They don't want to go miles away to start their business. They want to start where they want to live. I don't think you should mix totally, economic development with redevelopment. I think your best prospect of building an exciting New Jersey are all in the base of technology people in the community, and they are not all in the negative communities. So, I think what we need to do is to create the

environment for people to start businesses and then we will help all of these communities. I have no problem giving priorities and some help to the communities that need more, but let's not lose sight of what we're trying to do. And that is, to build businesses.

And if these businesses are going to come from the Johnson & Johnsons and people like this, then let's create environments in those communities as well. I've been asked in the Houston area, for example, to go in and build an incubator near the medical center, but in a very negative community. It won't work. I can't get the doctors and the experts to go there. But if I build it on the right side, if I build it right outside that area, then I'm helping both communities, because the key is to find the entrepreneurs to build these businesses.

I think we ought to have the goal in the area of having dozens and dozens, maybe 100 incubators. If we run them like businesses, we aren't really sacrificing anything. I don't encourage giving money away. I have yet to see a major success story that's been free. As soon as you say we're going to give grants and all of this, we'll have everybody coming forward, and I think you'll have a poor program. I think where there are matching funds, where people have to borrow money and put money on the line to make it work, it works.

The Pennsylvania program, for example, I think is one of the best in the country. It requires matching funds. It started without grant programs. Now there are a few special purposes.

ASSEMBLYMAN AZZOLINA: Matching with who?

MR. SCHULTZ: With any source, private, non-government money. The Pennsylvania incubator program is a \$19 million program. It's for buildings and improvements. It's not for working capital. They have a low interest loan program which really doesn't cost them because it's the interest rate of

their bond. They have a cap. It think it's about \$600,000 per project, but you have to have the other 600 as matching dollar funds. They have, of course, a lot of incubator programs.

Now the problem with the incubator when setting one up is the funding, even if we look at it from a business standpoint. If you set up a project and you have a good financial plan and you take it to the bank, the bank will say, "Well, who are the tenants? Who's going to support the cash flow of this incubator?" And they'll say, "Oh, you mean, you don't have an IBM in? If you have an IBM in, I'll finance it." But if I have all small businesses, no balance sheet, no track record, they're all the people banks do not lend money to. So the bank say, "Well, why should I fund part of this incubator when you have all of these tenants that don't qualify?" that's the problem and that's where incubator programs need help. That's what the Pennsylvania program addressed. We will provide some matching funds and we'll take a second position behind the banks so that the banks are looking at a first position and you can do normal financing. I think that works.

Business incubators should be financially viable. Yes, we have some incubators that we've obtained for a dollar. We have a network of them, but we've used the building then to borrow money and use that leverage funding to make it a working project. There are no two incubators that are exactly alike. None of our two are, anyway. We have incubators in small communities, we have them in high tech communities, we have them in negative communities, and in very positive communities, and I think the key is that you tune an incubator to meet the needs of that community, and the programs are varied.

I believe a program of loans and matching funds are far better then a program of grants. If the incubator is worth doing, it's worth doing, and if it's not worth doing, free money is not going to make it any better.

Now, there are some exceptions, and I'll be the first to apply for some funds if you're going to make them as grants. But I think from a taxpayers' standpoint, you can do better by making funds available where there's a real interest in the community to do something and to match.

The incubator program is a business. It should be run as a business and it can be. One of the questions that I have is that the previous speaker commented about all of the rules and the regulations for a company coming into this center. It won't work. In fact, I would not show my plan very often to an incubator manager to come into the building. My plan is confidential. It's secret. And most incubator management or community committees don't understand businesses. If they were so good, they'd be running their own businesses. They don't know what a good business plan necessarily is, and a business plan is very confidential.

If people are willing to give up paychecks, to take their life savings, to mortgage their home to start the business, why not give them the benefits of the incubator to be successful? I'm not in the numbers business. I'm interested in building successful businesses and with that I could still achieve success ratios of companies in excess of 90%.

You do not have a waiting list. You don't even know who the entrepreneurs are. In fact, we don't know how to define them. So, what we need to do is to encourage people to take risks to start their own businesses. Some are going to make it, some are going to fail. If everybody made it, our system wouldn't work. But we can improve those probabilities of success and build successful businesses.

That's really the key; and I think we should do it all over. I think you ought to make New Jersey exciting. We are interested in helping. We have one incubator in a community in Cumberland County. They are doing quite well. In fact, they are putting an expansion on the building, and it was

not an old empty building. It was a new building. There's nothing wrong with the new building.

ASSEMBLYMAN AZZOLINA: How many square feet is it?

MR. SCHULTZ: It's about, I think, 50,000. To answer somebody's question earlier, the ideal incubator is 40,000 to 60,000 feet. If you get it too big, you lose the spirit. Our largest is 300,000, but we operate a 60,000 incubator within that, and the rest is permanent outgrowth areas. We cycle people through.

ASSEMBLYMAN AZZOLINA: You cycle them out beyond the 60,000?

MR. SCHULTZ: Right. An incubator is a temporary home. Don't get all rapped up with the three years as the absolute fact, and one more renewal, or one period. Entrepreneurs have an ego. They can't wait to get out and get their own building with their name on the front of it. I've yet to kick an incubator tenant out. When they're ready, they'll go. The faster they grow, the shorter they'll be in the incubator. The slower they grow, the longer they'll probably stay. I mean, it can't be permanent, and you have to be able to get them out, and that's easy to control. Just don't give them more space, raise their rents, and the like.

ASSEMBLYMAN HUDAK: What is the average stay?

MR. SCHULTZ: Three years. The average is three years. But I would hate to put somebody out at the fourth year when they need another six months to make it.

ASSEMBLYMAN AZZOLINA: Yeah, but if you don't fill it up in between when somebody goes, don't you start losing money on the deal, or you have people waiting in line?

MR. SCHULTZ: That's the real point. You have to run the incubator full of people. An empty building is not an incubator. The most important benefit of this incubator are the 40 or 50 presidents. You can tell me all the formal things you are going to do. You're going to tell me how much

universities are going to help. Hogwash. What they need help with is the day-to-day things. We need to take and make it less lonely, less risky. And the best help is somebody who did it yesterday -- those presidents in there pulling somebody along on a bad day. Success breeds success. Create that successful environment, and you'll have a successful program in the community. But don't try to over manage this.

ASSEMBLYMAN AZZOLINA: Are your incubators in rough unemployment areas? Or can they be in any--

MR. SCHULTZ: I have some in communities that are falling apart and I have some in very high--

ASSEMBLYMAN AZZOLINA: Well, you don't get any state assistance in the towns that are affluent, do you?

MR. SCHULTZ: Sure.

ASSEMBLYMAN AZZOLINA: You still do?

MR. SCHULTZ: Why? Because we're creating companies that are the future employers. We have minority companies in very nice areas. They come out, they get started, they'll go back. There's nothing wrong with this. But who do you want to start companies? What kind of companies do you want? Do you want somebody-- We had the tenth fastest growing company in the country a few years ago out of the center. Do we want people like that, or do we want people who are going to be one person employees forever? That's all we're going to have. I mean, if you want to get-- Eighty-seven percent of businesses come out of companies. Where are you going to find these people? You're going to find them where there are companies; where there are resource centers in this State.

I think you have one of the most exciting states there is. You have Bell Labs, you have the Johnson & Johnsons, and all of the pharmaceuticals. What a resource. And now you're talking about, "Well, we're going to ignore that resource and we're only going to do this." That won't work. Get them going in all of the areas. Why have a restriction on the community?



Why not have money that you can lend to these people at your cost rate so that it really doesn't cost the taxpayers anything? And it's subordinated to bank that.

ASSEMBLYMAN AZZOLINA: Okay. Any questions? (negative response) We have three more speakers, I believe.

ASSEMBLYMAN ROONEY: Thank you very much.

MR. SCHULTZ: Thank you.

ASSEMBLYMAN AZZOLINA: Thank you for coming from Pennsylvania too. Okay, I have three more and I have to get done before noon because Maureen Ogden has to see the President. He's waiting for her and you're going too, and I'm not going. I blew it. Okay. Dr. Michael Kelly, Director of the Computer Integrated Manufacturing Center. That's was a mouthful. Where's that located?

D R. M I C H A E L K E L L Y: Here.

ASSEMBLYMAN AZZOLINA: Oh, right here.

DR. KELLY: I walked here, unlike my predecessors.

ASSEMBLYMAN AZZOLINA: Do you have a problem getting to work in the morning?

DR. KELLY: Actually, I do. I live in New York; I work in New Jersey.

ASSEMBLYMAN AZZOLINA: Oh, gee.

DR. KELLY: And I just joined the staff at NJIT. Part of my responsibilities are that I'm the Director of Technology Transfer. So, I interface with industry in the State and with the University.

My background is a mix between the academic and the industrial. As far as incubators are concerned, I think that incubators are to large degree a mechanism for our future success in industry. We have had success in the academic environment in educating people in specific disciplines. We produce outstanding electrical engineers, outstanding mechanical engineers, outstanding businessmen.

If you look at industry, larger industries create the environment for entrepreneurs -- people that can make that business successful. There are specializations on both sides of the fence. In large industries, if I want to be an entrepreneur, I know there is a lawyer to talk to, I know there is a marketer to talk to, I know there is all the support mechanisms that I need. I never have to worry about whether there's space available, whether the heat is on, whether there's sufficient light, whether there's a secretary to support me. That resource is there so I really don't think about it.

One of the problems I believe that we have is providing an environment for that person in the academic environment who does very well with creation, in terms of invention, but not very well in terms of innovation. The innovation comes as a result of taking that creative idea and producing something which is a value to society or contributes to the bottom line in terms of a business enterprise.

If you look at the other side of the coin in terms of the industrial environment, those people who are secure in that environment recognize that if they leave that environment, they lose much of that security. The incubator provided the opportunity to use the incubator as a mechanism to bring the academic people into an environment where they can get the interdisciplinary type of support that they need.

It also provides an environment where people support one another. Most of us learn best from our peers. If we work with people who complement us, we grow. And the whole grows in the process. The objective of what we're trying to do in the academic environment is to move the people from that environment into a business environment. An incubator provides that opportunity. To move from that environment into their own personal business, is something that requires that they get the support mechanism to move them from the creation of an idea

whether it be in an laboratory or a garage, to move that idea into an innovative type of business, and then to support that business to the point where it is recognized that they have the capability of running a business to the degree that it can be economically feasible.

So, I would encourage from the point of view of NJIT's interest as an academic environment the creation of these type of incubators which uses the University as a resource and provides the opportunity for us to further educate our people by association with what we were doing. So, I laud you in terms of what you are doing, and I would offer whatever encouragement and support we can give you through time. Thank you very much.

ASSEMBLYMAN AZZOLINA: Thank you. Jim, I'd like to put you on next -- the Executive Director of the New Jersey Economic Development Authority. And then the last speaker will be -- unless someone else wants to talk -- David Listokin. He'll be after Mr. Hughes. Okay, Jim.

J A M E S J. H U G H E S, J R.: I'd like to start by complimenting myself on finding you. I walked over from the train with your instructions. I don't understand those things because as I kept getting closer and closer, I kept seeing more and more Essex County Community College and I kept dragging out my instructions.

ASSEMBLYMAN AZZOLINA: You walked?

MR. HUGHES: Yes, from the train. Uphill it was tough. It'll be easier going back.

ASSEMBLYMAN AZZOLINA: If I'd known, I'd have picked you up. I went right by the train station about ten o'clock.

MR. HUGHES: Now you tell me, but I'm going back at one o'clock. (laughter) Well, thank you for asking me to share our thoughts on A-4170 with you. The subject of incubators are one in which the Authority has a considerable degree of interest and some familiarity. Our degree of

interest stems from the confluence of the basic purposes of the work of the Authority and the objectives of incubators. The Authority's mandate, as you know, which is achieved through assistance and financing and consoling, and real estate development; is number one -- to create jobs. I heard the gentlemen a few minutes ago say that should not be the prime purpose. Well, I respect what he's saying, but the prime purpose of what we do and I think what the incubator program should do is to create jobs. In fact, that's probably the prime purpose of what we both do.

Secondly, to increase ratables and the benefits to communities in which the Authority's assistance in incubators success is achieved, will directly bear on what we are about.

And finally -- the first two flow of the natural beneficial by-product -- the third objective is to increase the economy and improve the economy of this State and enhance the local and State business environment. Any program that would facilitate the work of the Authority in its efforts to fulfill its mandate is one that we welcome. It seems to us the concept of incubators is one program that's in the right place at the right time.

Furthermore, although the work of the Authority is not restricted to small businesses per se, nor solely to distressed communities, these have always been among the highest priorities among the Authority. We therefore have great empathy with the incubator thrust in that direction.

In fact, let's talk for just a moment about how some of our -- after they came about. As I said in my opening comments, incubators is a subject that is not new at the Authority. In fact, we have discussed the subject internally on many occasions. In particular our real estate division, which has been so successful in developing urban industrial parks in New Jersey, has already been approached by communities and/or developments with specific sites in mind. At one particular site, we've conducted considerable investigation in becoming the developer of an incubator facility. We were

seriously considering proceeding, but before final negotiations were completed, the question became mute when a private developer assumed the project and we deferred, which is our custom.

Several other sites have been discussed informally within the Authority. I would suspect, given the right set of circumstances, that a selected incubator project would be undertaken by the Authority in the not too distant future. The Authority gained further familiarity with incubators from having assisted and financed at least one successful project. In September 1985, the Authority received an application from the developer which stated, "The project we are presently undertaking is to construct an incubator facility named the Cumberland Technology Enterprise Center, which would allow small and new businesses the opportunity to establish offices and distribution facilities at as low a cost as possible with the necessary building and services that all businesses need. If the project is approved, it would give the entrepreneurs of southern New Jersey the opportunity to establish themselves in businesses of their own and give them the environment that is required to stack the deck of cards in their favor, so that success is more easily obtained.

If we do not receive Authority funding, the cost of the project would increase and the money that these people would have to pay for space to house their business, would be increased, therefore diminishing the chances for success. This application from a company called Galeto (phonetic spelling) Realty was received at the Authority in September. In November we gave it approval, and in December the project closed -- 90 days; start to finish. That's not finishing the building, but financing the project.

It was a million dollar project. Most of the money was to construct a new building. It was financed by the Minotola National Bank at Vineland at a 15-year maturity at 70% of prime through industrial development program of the

Authority. It involved 7.5 acres of land and the construction of a 30,000 square foot building for lease to industrial and office tenants.

Has it worked? Well as of the last time we checked, which was just a couple of months ago, this company did indeed construct a 30,000 square foot building on 7.5 acres of land for lease to office and industrial tenants on an incubator concept. Most of the space was devoted to non industrial users, such as accounting, consulting, design, communication, medical, and job training firms.

Under the program, the sponsor provides free of charge telephone answering services, conference room facilities, and shipping and receiving space. On a fee basis, the sponsor provides Xerox copying, pool typing, computer and program services, and van and furniture rental. In addition, the business administrator conducts monthly seminars acquainting the various businesses in the center with SBA and other financial services that companies can avail themselves of in developing future business plans and seeking financial needs. He also intends to establish sources of venture capital funding for some of the new companies.

Today -- this is just a couple of months ago -- 81% of the facility has been rented in less than 12 months. The owner presently intends to expand the facility from the existing 30,000 square feet to 54,000 square feet. Most of the space will be designated for manufacturing and industrial users.

We also gave preliminary approval, shortly before that, to a project in Atlantic City called Innovative Results. This project was to purchase approximately three-quarter acres of land and a vacant four-story building, totaling 30,000 square feet for renovation at least to tenants. Unfortunately, this latter project was unable to obtain and confirm final commitments for its private funding source by the year-end 1986. And it's no longer eligible for industrial development

bond financing. And this should be something of concern to all of us.

As you know, the Tax Reform Act of 1986 is severely restricting the use of industrial development bonds which have been a most beneficial form of financing fixed assets for small businesses. At the present time, and only until the end of 1989, IDBs can be use solely for projects engaged in manufacturing. Naturally, this would preclude many worthwhile projects from receiving this much needed assistance. However, do not despair. In spite of this restriction, the Authority continues on as an innovative and aggressive supplier of private assistance and public funds to eligible applicants.

This Committee has been thoroughly briefed several times in the Authority's many and various forms of finance. Up-to-date brochures were distributed at your recent hearing in Salem County and therefore, I will not belabor the subject here.

Suffice it to say, however, the Authority's long guarantee direct loan related financing programs, as well as its expertise in real estate development and trade adjustment assistance where we assist companies impacted by imports, are all alive, well, and eager to assist incubator projects. I might say that those projects at the present time are approximately \$100 million. This is State and Authority, mostly Authority money, which we are responsible for. That's separate and distinct from our \$7 billion in IDB financing which is privately funded. We are well aware of the needs and we have done many projects which would qualify for incubators. We're prepared to do more with or without A-4170.

In closing, I assume you're interested in any comments I may have to improve A-4170. They will be few, because we've had many discussions with staff preceding this particular meeting. We reviewed the legislation, and recent amendments have taken care of most of our concerns. As in most legislation of this type, the Authority is less concerned with

where our program is assigned then we are with how the actual financing is achieved through the programs.

Specifically, the loan evaluation and servicing functions -- in whatever form the incubator program finally appears, we hope the full resources of the New Jersey Economic Development Authority can be brought to bear in order to achieve optimum results from the program.

Finally, and speaking selfishly, the Authority is always eager to seek constructive new programs that could capitaliz in what we do best; that is to make money happen. It looks to us that the incubator program is the sort of thing that could do this and thereby be good for the Authority. And as we all know, what's good for the New Jersey Economic Development Authority is good for the State of New Jersey.

Now just to prevent any misunderstanding and future embarrassment to myself in case I ever decide to run for public office, which I most emphatically do not intend to do, let me emphasize that this little analogy is a figurative, but a very flagrant plagiarism from "Engine" Charlie Wilson. (laughter) When "Engine" Charlie Wilson was head of General Motors, you will recall he said, "What's good for GM is good for the country." Thank you again for inviting me.

ASSEMBLYMAN AZZOLINA: Tell the Commissioner I watched him on Sunday morning on Channel 7, I think it was. Tell him he was very good.

MR. HUGHES: I won't tell him that. He'll ask my why I didn't. (laughter)

ASSEMBLYMAN AZZOLINA: I accidentally was listening.

MR. HUGHES: I'll tell him that.

ASSEMBLYMAN AZZOLINA: Okay. The next to the last speaker, unless there is anyone else-- We want to get done before noon. David. You're from the Center for Urban Policy Research, the great University of Rutgers. Right? God, you don't think I'm going to read that book, do you? (referring to Mr. Listokin's book)



DAVID LISTOKIN: I don't want to carry them back. My name is David Listokin and I work at the Center for Urban Policy Research at Rutgers in New Brunswick. I'll keep my comments very brief. The bottom line is that I commend the Assembly for the bill. I think it makes a lot of sense. It's in the forefront of a leverage type of economic development type of activity. It's looking forward. If I could just take you very briefly backward on seeing where we're coming from, if you can briefly turn to page 188 and 189--

This was a summary of a study that we were involved in a number of years ago. Again, it was a study done for the U.S. Department of Housing and Urban Development. Looking at a variety of economic development activities in the State of New Jersey funded by the Federal government -- again this is on page 188 and 189 -- some of the major grants are coming from HUD were Urban Development Action Grants which was a small UDAG to Salem, New Jersey.

If you look at the extreme right that lists some the cities and some of the amounts. A number of the larger UDAGs to Newark, quite a large UDAG -- a \$4 million to Paterson. Also, were a number of rather large grants and loans from the -- this is the Federal -- the Economic Development Administration; \$12 million guarantee to Perth Amboy, this is for a steel manufacturing plant; another large loan to Paterson under a public works grant -- a large one -- over \$2 million; A grant to Lakewood to foster an industrial campus under Title IX which was an adjustment assistance program from the EDA; a \$11 million to the Great Falls Historic District; and finally we look at a number of programs from the Farmers Home Administration. Much of New Jersey falls under an area that's rural that can be assisted by the Farmers Home.

Now this is really history. These type of amounts are no longer available from the Federal government. And somewhat filling the breach, when you look nationally, are states.

Unfortunately, states, unlike the Federal government, cannot run on a deficit budget. So these types of amounts, these multimillion-dollar -- \$11 million grant and so on from Paterson, are no longer available. What states have to do is look for a leverage type of activity. How can you get the maximum bang from every dollar invested? I think the incubator project and fostering is just that.

Secondly, when you look back on the various types of Federal economic activity programs and what was done, you often had a lot of dollars invested and not necessarily many jobs being created. So, for example, Perth Amboy and the steel project, you want to improve the efficiency in the steel industry so that nationally, that makes sense. But, you really do not generating many jobs that way. And the direction now, nationally, is for state activity. Again, you no longer have the big Federal dollars that once were available -- and also an emphasis on job creation.

The bottom line, I guess it's going to turn into a pumpkin in a moment or so, the incubation program is really in the forefront of economic development activity nationally. Thank you.

ASSEMBLYMAN AZZOLINA: Thank you very much. Any questions?

MR. LISTOKIN: And since this monograph was labeled, "New Tools for Economic Development," if you look on the cover, the State already has an enterprise. The Development Bank is sort of passe, so I guess we'll have to add the incubation.

ASSEMBLYMAN AZZOLINA: Thank you. Is Phil Rowen here? (negative response) Okay. Is Mr. Jacobs here?

L E L A N D M c G E E, E S Q.: McGee.

ASSEMBLYMAN AZZOLINA: McGee. I'm sorry. Oh, McGee and Jacobs. Okay.

MR. MCGEE: Thank you. I'm going to make history this morning because I'm going to be one of the few attorneys to promise to be brief and do so. (laughter)

ASSEMBLYMAN AZZOLINA: Wow. You got my vote.

MR. McGEE: My name is Leland McGee. I own my own firm, as the card indicates, and as such, I'm also a small business owner. I work with NJIT's Tech Center which provides services to small businesses, the Chamber of Commerce, the Small Business Council, and a variety of other small business related organizations. My experience, and about 70% of my practice -- my side of the practice -- is with small businesses and nonprofits.

My experience with those small businesses is that they have a lot of difficulty with getting working capital. And I know working capital had been mentioned a little bit earlier, and there was some suggestion against giving working capital funds. But that's what a lot of small businesses need. Particularly when you look at service oriented businesses, that's all of what they need because they don't have a lot of fixed assets means. So, I'd like to suggest that as a focus for the legislation. Also, note that I just became aware of this hearing yesterday and did not have the opportunity to read the bill, so many of the things that I may say, might be addressed in there.

Feasibility studies were suggested earlier in terms of trying to determine who's going to become a member of an incubator I would just like to suggest that, as opposed to a feasibility study, that you require business plans from small businesses. There are loads of services around that can assist a small business in developing a business plan. That serves more purposes than one. And I think that would be a much better and much more productive way of weeding out those businesses that should be in and should be out. It is also a good service to the business itself.

Mention was also made of the amount of money to be allocated. That's a tough subject to pinpoint or narrow down because it really depends on not only the location of the

incubator, how many physical incubators you intend to construct, what types of businesses you intend to service, what size of businesses you intend to service, and I think a lot of consideration needs to be given to how you intend, in addition to allocating a dollar figure, how you intend to disseminate or distribute that money into a different geographic area in the state; and whether you have a focus or an emphasis on particular types of businesses?

I'd also like to suggest that in developing the regulations for the dissemination of the money that you be very conscious of the political nature of the distribution of money locally. Quite often, you find business people who are tied into the network in a particular area and they're the ones who most benefit from the funds and resources that are available. There are a lot of business people who are not necessarily as well connected, but who are equally viable as business people and should have equal access to that information as well as resources.

With the issue of resources, my work and travels have taken me around the State in terms of availability, and I found that there are several sources available to small businesses that people don't know about. There is a void in terms of how information reaches the public and reaches the community. Again, it reaches those people who might otherwise be successful business people anyway without the services, and doesn't necessarily reach those people who with a little push or a little assistance would be equally viable as business people. So, I'm suggesting that some consideration be given to how you publicize the availability of the money for the incubators, where you publicize it, and the types of people that you attract to it.

I'd also like to raise the issue of successful incubator climate. From a business standpoint, if I were managing an incubator, I would look for a business that has a

predisposition to success, because again, from a business standpoint, I need to be sure that whoever I bring in does well so that I can do well and so that I can prosper and so that I can go into the marketplace and show a good work product.

I'd just like to wave a red flag of caution, because what that often means is again, both businesses that might otherwise be successful anyway without the assistance of an incubator, be drawn in much more readily than other businesses. And there are a lot of businesses that will be successful, given the opportunity and given the proper training.

A gentleman mentioned Innovation Results, and I happen to be familiar with Marsha Allen Collins (phonetic spelling), the Director of that. And one of the programs that she does here in Newark through the collaboration group is a training program showing people how to prepare business plans; given some people some ideas on how to go into business and the things they need to do to prepare themselves. Not everybody should be in private business on their own, although there are loads of people with talents. If they have the support system, they'd be very capable of going into business.

And the last point that I would like to make, is with respect to the guidelines that you set up for servicing small businesses. The definition of small business has got to be an issue. I think the standard right about now is 500 employees, but that's a large business. That is a very large business and that definition needs to be modified in all areas of small business service, but particularly here because when you talk about the number of small businesses that you serve, it is directly related to the size of the business. I think we need to more narrowly define what a small business is and be careful when you make that definition. Thank you.

ASSEMBLYMAN AZZOLINA: Thank you very much.

ASSEMBLYMAN ROONEY: Just to comment, you brought back some memories for me -- talking about the management

assistance, I went to Rutgers here in Newark and was a graduate student here. I graduated from Rutgers with a B.S. in management, and one of the things that we had done -- speaking about the Small Business Administration -- at one point the SBA had some businesses that were marginal businesses and failing. They used to have SCORE, the Service Corps of Retired Executives, assist by coming in as a free management consultant. So, what had happened was that they couldn't get enough volunteers from SCORE so they supplemented it with the management students at Rutgers here. That was one of the things that probably was one of the most interesting things that I had ever done in my education and it was the most educational thing that I could have done, because I went out and sat down with a business that was a marginal business and assisted them in doing management plans and just the things that you are talking about, and it's interesting what a student can do.

It's an educational process for both of us -- for the student and for the person that's running that business -- educational for me as a student because then I can see the actual workings of a small business and interest myself in whether I wanted to go that way or not. I always look back on that with a lot of good feelings and the fact that I was able to help a small business out of a bad situation. So, this legislation is very near and dear to me and it brings back those fond memories, and it's an excellent point. I hadn't even associated it until now. I really feel that the Education Department, including the students, can get very much involved in this and make it work.

This is a program that I think is good for all of us. So, just to make that comment in closing, I appreciate the Chairman having a special meeting for this bill here at New Jersey Institute of Technology where a lot of it is going to happen, I feel, in the future. So, again thank you Mr. Chairman and Assemblywomen Ogden for her co-sponsorship and the

original idea of incubator facilities -- having that study commission.

... Unfortunately, it never got off the ground, but let's go ahead and do the job. We don't need a study commission. This bill will go the Appropriations Committee from here. I would like to ask all of you who are here today in support of the bill, particularly the business community, to get on Doc Villane and make sure that Doc Villane posts the bill for an immediate hearing soon as we get back; and to pass it on, and to get it a full vote in the Assembly. I'm sure this is good legislation that everyone will support. So, again thank you to the business community and thank you to all of you who supported the bill today.

ASSEMBLYMAN AZZOLINA: Okay, I understand that there's a recommendations for some changes in the bill. I would recommend that we consider the bill today and if we have any additional changes, do floor amendments at the time of the--

ASSEMBLYWOMAN OGDEN: And Appropriations Committee.

ASSEMBLYMAN AZZOLINA: That's right. It has to go there. So, do any members want to discuss the bill so that we can get out of here?

ASSEMBLYMAN ROONEY: We apologize for the rush. We didn't know when the scheduling occurred that--

ASSEMBLYMAN AZZOLINA: You had to go pick the day that the President is here.

ASSEMBLYMAN ROONEY: Right. The President is in today and it's very difficult for us. We appreciate those of you who came, and we'll miss the various luncheons or whatever are going on today. I make a motion for the amendments. I think that the amendments are appropriate.

ASSEMBLYMAN AZZOLINA: Yeah.

ASSEMBLYMAN HUDAK: I second it.

ASSEMBLYMAN AZZOLINA: Okay. Move the amendments.

MR. WILLIAMS: Assemblyman Hudak?

ASSEMBLYMAN HUDAK: Yes.

MR. WILLIAMS: Assemblywoman Ogden?

ASSEMBLYWOMAN OGDEN: Yes.

MR. WILLIAMS: Assemblyman Rooney?

ASSEMBLYMAN ROONEY: Yes.

MR. WILLIAMS: Assemblyman Azzolina?

ASSEMBLYMAN AZZOLINA: Yes.

MR. WILLIAMS: Motion released?

ASSEMBLYMAN AZZOLINA: Who's going to move to release?

ASSEMBLYWOMAN OGDEN: I move.

ASSEMBLYMAN ROONEY: Second.

MR. WILLIAMS: Assemblyman Hudak?

ASSEMBLYMAN HUDAK: Yes.

MR. WILLIAMS: Assemblywoman Ogden?

ASSEMBLYWOMAN OGDEN: Yes.

MR. WILLIAMS: Assemblyman Rooney?

ASSEMBLYMAN ROONEY: Yes.

MR. WILLIAMS: Assemblyman Azzolina?

ASSEMBLYMAN AZZOLINA: Yes.

ASSEMBLYMAN ROONEY: And a special note to my aide, Suzy Chichester, who has been working very, very closely with all of the people here today. Thank you again, Suzy. She did most of the buffering when the crazy ideas had gone scary.

ASSEMBLYMAN AZZOLINA: I understand that. I want to thank everyone. A number of people have been invited to lunch and we'll go there immediately. Just follow the man in the brown jacket.

(MEETING CONCLUDED)



## **APPENDIX**

REMARKS BY ASSEMBLYMAN JACK KELLY

Assembly Economic Development and Agriculture Committee

October 13, 1987

Thank you for asking me to participate in today's public hearing. I am very optimistic about the prospects of this incubator facility program. Several localities in my legislative district would be eligible for business incubator designations including the towns of Belleville, Bloomfield and Montclair and educational institutions like Bloomfield College and Montclair State could tap their resources to initiate such a project.

I'm sure that with the right kind of educational outreach about this incubator program, incubator sponsors would welcome the opportunity to commit private resources knowing that up to 50% of an incubator's establishment costs could be matched with State dollars.

While the bill still has to proceed through the legislative process, I think that the Department of Commerce and individual legislators should work together in disseminating information to educate the business community, local government, educational sector of the opportunities this legislation will provide in the distressed areas of our State. More importantly, I think this kind of measure gives individual citizens, socially responsible organizations an active role in improving the quality of life in their own communities. It provides a tool for economic development from the bottom up and I think that's the right kind of strategy.

REMARKS BY ASSEMBLYWOMAN MAUREEN OGDEN

Assembly Economic Development and Agriculture Committee

October 13, 1987

Thank you Chairman Azzolina for asking me to be part of the panel today and for asking for my comments on A-4170.

I would like to focus on the opportunities that this legislation provides. It presents to the State an opportunity to help sustain its unparalleled economic performance.

I think that the amendments which are being proposed strengthen the legislation. Increasing the appropriation from \$500,000 to \$2,000,000 will enlarge the scope of the program and provide more start-up firms with the chance of establishing a track record to succeed and flourish. Including "for-profit corporations" as potential incubator sponsors will go a long way at bolstering public-private sector cooperation in revitalizing our cities and other depressed areas. Incentives to keep businesses that have outgrown the need for incubator services in urban centers also appears to be another tool in business retention and job growth potential.

Thank you Assemblyman Rooney for allowing me to sign on as co-sponsor. I am glad I can be here today to provide input.

**42 CONTROL DATA INCUBATOR  
NETWORK MEMBERS  
JUNE, 1987**

**PUEBLO, COLORADO  
CHAMPAIGN, ILLINOIS  
MONMOUTH, ILLINOIS  
MACOMB, ILLINOIS  
GALESBURG, ILLINOIS  
QUINCEY, ILLINOIS  
DECATUR, ILLINOIS  
BRADLEY, ILLINOIS  
STERLING, ILLINOIS  
CEDCO - CHICAGO, ILLINOIS  
SOUTH SHORE BANK - CHICAGO, ILLINOIS  
EAST ST. LOUIS, ILLINOIS  
MOLINE, ILLINOIS  
UNIVERSITY OF ILLINOIS - CHAMPAIGN, ILLINOIS**

# **42 CONTROL DATA INCUBATOR NETWORK MEMBERS (CONTINUED)**

**NORTHWESTERN UNIVERSITY - EVANSTON, ILLINOIS**

**SOUTHERN ILLINOIS UNIV. - CARBONDALE, ILLINOIS**

**SOUTH BEND, INDIANA**

**HUTCHINSON, KANSAS**

**BATON ROUGE, LOUISIANA**

**BALTIMORE, MARYLAND**

**ST. PAUL, MINNESOTA**

**MINNEAPOLIS, MINNESOTA**

**BEMIDJI, MINNESOTA**

**ST. PAUL ETC, MINNESOTA**

**OMAHA, NEBRASKA**

**WINSTON-SALEM, NORTH CAROLINA**

**TOLEDO, OHIO**

**PHILADELPHIA, PENNSYLVANIA**

# **42 CONTROL DATA INCUBATOR NETWORK MEMBERS (CONTINUED)**

**CHARLESTON, SOUTH CAROLINA  
FLORENCE, SOUTH CAROLINA  
ROCK HILL, SOUTH CAROLINA  
NORTH AUGUSTA, SOUTH CAROLINA  
SPARTANBURG, SOUTH CAROLINA  
CHATTANOOGA, TENNESSEE  
SAN ANTONIO, TEXAS  
STEVENAGE, UNITED KINGDOM  
QUEBEC CITY, CANADA  
VANCOUVER, CANADA  
TORONTO, CANADA  
WINNIPEG, CANADA  
ST. JOHNS NEWFOUNDLAND  
SYDNEY, NOVA SCOTIA**

## EXHIBIT 19

**EXAMPLES AND CASE SELECTIONS OF FEDERAL  
(HUD, EDA, FmHA) ECONOMIC-DEVELOPMENT ACTIVITIES**

EXAMPLES				CASE SELECTIONS			
Agency/Program	Program Partition	Type of Project	Average Grant/Loan/Guarantee	Agency/Program	City/Size	Type of Project	Grant/Loan/Guarantee
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)</u>				<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)</u>			
<u>URBAN DEVELOPMENT ACTION GRANTS</u>				<u>URBAN DEVELOPMENT ACTION GRANTS</u>			
	Small City	Industrial (Manufacturing)	\$ 818,000- 844,000	Small City	Salem, N.J. (7,000)	Wire-Pro Inc. (Industrial-Electronic Parts)	\$ 170,000
	Metro City	Commercial, Neighborhood Industrial	\$2,083,000-2,257,000	Metro City	Newark, N.J. (310,000)	Schnoll Poultry (Commercial-Wholesale)	\$1,000,000
					Newark, N.J. (310,000)	Balco-RAR Properties (Industrial Park)	\$1,000,000
					Paterson (145,000)	Marshall St. and Bale Avenue Industrial Park (Neighborhood-Industrial-Residential-Commercial)	\$4,200,000
<u>ECONOMIC DEVELOPMENT ADMINISTRATION (EDA)</u>				<u>ECONOMIC DEVELOPMENT ADMINISTRATION (EDA)</u>			
<u>BUSINESS DEVELOPMENT LOANS AND GUARANTEES</u>				<u>BUSINESS DEVELOPMENT LOANS AND GUARANTEES</u>			

**EXAMPLES AND CASE SELECTIONS OF FEDERAL  
(HUD, EDA, FmHA) ECONOMIC-DEVELOPMENT ACTIVITIES**

	Guarantees	Primary Metals	\$40,000,000	Guarantees	Perth Amboy (35,000)	Raritan River Steel Co. (Manufacturing—Primary Metal)	\$12,000,000
	Loans	Textile Mill/Products	\$700,000	Loans	Paterson, N.J. (145,000)	ATP Processors, Inc. (Textile Printers)	\$1,900,000 \$1,900,000
<u>PUBLIC WORKS GRANTS</u>				<u>PUBLIC WORKS GRANTS</u>			
	Grant	Industrial Development—Industrial Parks	\$700,000		Lakewood, N.J. (30,000)	Lakewood Township Industrial Campus	\$2,176,000
<u>TITLE IX—ADJUSTMENT ASSISTANCE</u>				<u>TITLE IX—ADJUSTMENT ASSISTANCE</u>			
	Grant	Common Industrial/Communication	\$ 580,000		Paterson, N.J. (145,000)	Great Falls Historic District	\$11,112,200
<u>FARMERS HOME ADMINISTRATION (FmHA)</u>				<u>FARMERS HOME ADMINISTRATION (FmHA)</u>			
<u>BUSINESS AND INDUSTRIAL LOAN PROGRAM (GUARANTEE)</u>				<u>BUSINESS AND INDUSTRIAL LOAN PROGRAM (GUARANTEE)</u>			
	10,000-12,000 Population	Commercial (Service)	\$ 800,000	10,000-12,000 Population	Hopewell Twp. (11,500)	Tencor, Inc. (Tennis Facility)	\$ 625,000
	5,000-10,000 Population	Industrial (Manufacturing)	\$1,000,000	5,000-10,000 Population	Salem, N.J. (7,000)	Fosterglass (Industrial Glass Production)	\$3,100,000
	Less than 5,000 Population	Industrial (Manufacturing)	\$ 60,000	Less than 5,000 Population	West Amwell, N.J. (2,500)	Breen Color, Inc. (Industrial Color Dyes)	\$ 300,000

6x

# **NEW TOOLS FOR ECONOMIC DEVELOPMENT: THE ENTERPRISE ZONE, DEVELOPMENT BANK, AND RFC**

edited by  
**George Sternlieb**  
**David Listokin**



RUTGERS UNIVERSITY • P.O. Box 489  
PISCATAWAY • NEW JERSEY • 08854

7x



Copyright © 1981, Rutgers, The State University of New Jersey  
All rights reserved

Published in the United States of America by the  
Center for Urban Policy Research  
Building 4051-Kilmer Campus  
New Brunswick, New Jersey 08903

Grateful acknowledgment is made to the following for permission to reprint their articles:

Sir Geoffrey Howe for his speech entitled *A Zone of Enterprise to Make All Systems "Go,"* presented to the Bow Group, June 26, 1981.

Stuart M. Butler for *Enterprise Zones in the Inner City*, Heritage Foundation, Washington, D.C., 1980.

George Richard Meadows and John Mitrising for *A National Development Bank: Survey and Discussion of the Literature on Capital Shortages and Employment Changes in Distressed Areas*, Economics Division, Congressional Research Service, Library of Congress, April 1979. Reprinted in *Fund for Public Policy Research, Studies in Taxation, Public Finance and Related Subjects - A Compendium*, Vol. 3, Washington, D.C., 1979.

James M. Bickley for *An Evaluation of the Reconstruction Finance Corporation with Implications for Current Capital Needs of the Steel Industry*, Economics Division, Congressional Research Service, Library of Congress, Feb. 26, 1980. Reprinted in *Fund for Public Policy Research, Studies in Taxation, Public Finance and Related Subjects - A Compendium*, Vol. 4, Washington, D.C., 1980.

The papers by George Sternlieb, Robert W. Burchell and David Listokin were funded by the U.S. Department of Housing and Urban Development.

*The statements and conclusions contained therein are those of the authors and do not necessarily reflect the views of the U.S. Government in general nor the U.S. Department of Housing and Urban Development. Neither the Federal Government nor the Department of Housing and Urban Development makes any warranty, expressed or implied, or assumes responsibility for the accuracy or completeness of the information therein.*

#### Library of Congress Cataloging in Publication Data

Sternlieb, George.

New tools for economic development.

Bibliography: p.

Includes index.

1. Economic assistance, Domestic—United States—Addresses, essays, lectures. 2. Urban renewal—United States—Addresses, essays, lectures. 3. National Development Bank (United States)—Addresses, essays, lectures. 4. Reconstruction Finance Corporation—Addresses, essays, lectures. I. Listokin, David.

II. Title.

HC110.P63S72

338.973

81-10087

ISBN 0-88285-074-1 (pbk.)

AACR2

Cover Design by Francis G. Mullen

8X

ASSEMBLY ECONOMIC DEVELOPMENT AND AGRICULTURE COMMITTEE

OCTOBER 13, 1987

TESTIMONY:

SAUL K. FENSTER  
PRESIDENT

NEW JERSEY INSTITUTE OF TECHNOLOGY

323 Dr. Martin Luther King Blvd.  
Newark, New Jersey 07102  
201-596-3102

I am pleased to have the opportunity to welcome the Assembly Economic Development and Agriculture Committee to the City of Newark. The work of this Committee is important to the future of Newark. As you drove to the campus this morning, I hope that you noticed the many signs of Newark's progress. Your committee visits Newark during an eventful period that holds much promise for the City.

I also welcome the Committee to New Jersey Institute of Technology (NJIT), the State's Comprehensive Technological University. Since its founding in 1881, NJIT has seen America move from the Industrial Revolution to the Information Age. Over the years, the university has anticipated and responded to change, as evidenced by an expanding mission. NJIT has evolved from a technical school, to an engineering college, to a comprehensive technological university. Over 25% of the engineers currently practicing in New Jersey are NJIT graduates. We are proud that for 106 years, NJIT has been preparing students to provide leadership and support to New Jersey's businesses and communities.

Today more than ever, that leadership is needed. The critical nature of the problems confronting our cities, our State and our nation call for creativity and bold initiatives. We need to continue the alliance of higher

education, government, industry and the community which is attempting to deal with a host of challenges intimately related to science and technology. Thanks to the fine support provided by the Legislature and the Governor, NJIT has taken important steps to address these problems. We have focused our research activities, in large measure, on the application of science and technology to the analysis and solution of problems affecting the quality of life and the economic base of our State.

I testify today in support of Assembly Bill Number 4170, an Act authorizing the establishment of, and providing for State aid to, small business incubators. The creation of small business incubators is one of a number of interventions which the State should make to stimulate the economic development of our cities and urban communities.

NJIT recognizes the importance of incubators and other support systems for small businesses. The university has established a number of programs and centers to nurture small businesses. These university initiatives include the Technology Extension Center (TEX) in Information Services, the Government Procurement Technical Assistance Center, the Computer Integrated Manufacturing (CIM) Center and the Business Incubation and Technology Transfer Center.

11x

The TEX Center in Information Services, established in 1986 with funding from the New Jersey Commission on Science and Technology, is jointly operated with Stevens Institute of Technology. The TEX Center assists small and medium sized businesses to apply information technologies in areas such as financial management, inventory control, payroll and office automation. The Tex Center has a 24-hour hotline which provides emergency technical assistance and problem solving. In addition, the center offers hands-on workshops and on-site technical assistance and training.

NJIT established the Government Procurement Technical Assistance Center in 1986 under a cooperative agreement with the U.S. Department of Defense. The Center assists small businesses to respond to Department of Defense and other procurement opportunities. In the past year, the Center helped to generate over \$3.9 million in government contracts to small businesses in Bergen, Essex, Hudson, Middlesex, Morris, Passiac, Somerset and Union Counties.

NJIT has been involved in a number of activities directly related to Assembly Bill Number 4170. In 1986, NJIT conducted a study on the feasibility of initiating and operating small business incubator facilities which could benefit from the university's resources. As part of the study, TEC-NEC, a Pennsylvania based consulting firm with experience in the incubator field, surveyed NJIT faculty. The survey indentified widespread activity among NJIT

faculty in all areas of research and consulting.

Additionally, the TEC-NEC survey found strong faculty entrepreneurial activity in several appropriate research areas, such as advanced manufacturing, software engineering, environmental engineering and biomedical engineering.

Almost 40% of the respondents indicated a desire to be involved in a small business start-up with the predominant choices for a facility being a small office or a lab/workshop located near NJIT.

The university is also developing a Business Incubation and Technology Transfer Center to nurture technology-based business start-ups. The Center's primary objective will be to support recently established firms which might benefit from close ties to NJIT's resources and to serve technology transfer and labor training objectives. The Center will be located in a 40,000 square foot building located two blocks from the campus. A building inventory determined that the structure is sound, but in need of some rehabilitation and cosmetic work. The university already has renovated approximately one half of the building. The initial tenants in the building are the Government Procurement Technical Assistance Center and the New Jersey Tooling and Machine Institute (TMI), the training arm of the New Jersey Tooling and Machining Association. Both are potential service providers to future "incubator" tenants.

The passage and enactment of Assembly Bill Number 4170 could greatly facilitate NJIT's efforts to develop the Business Incubation and Technology Transfer Center and the university's other small business initiatives. I urge the Assembly Economic Development and Agriculture Committee to release A-4170 for consideration by the General Assembly. I believe that A-4170 would foster economic development in our community.



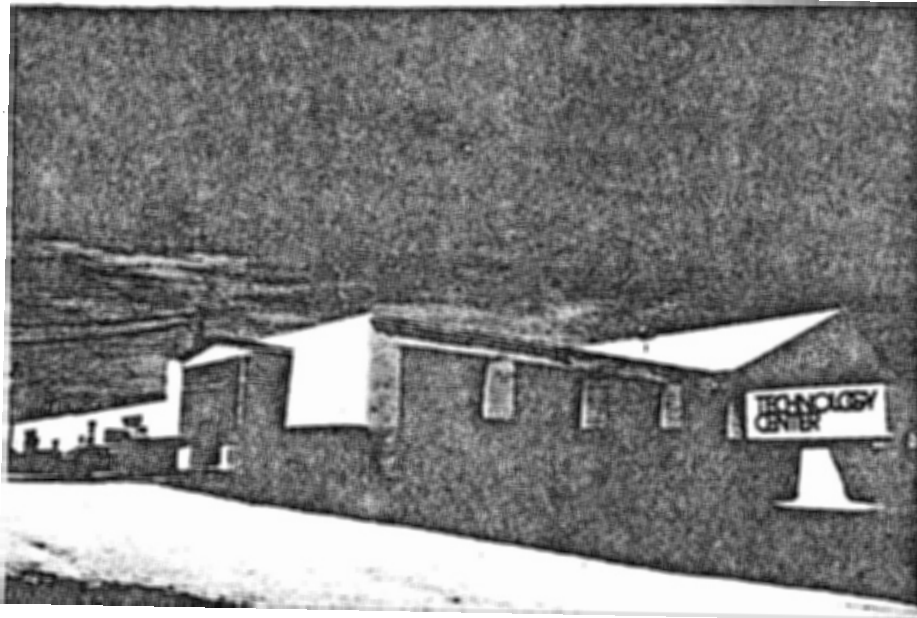


# TECHNOLOGY ENTERPRISE NEWS

TECHNOLOGY CENTERS INTERNATIONAL  
1060 ROUTE 309 • MONTGOMERYVILLE, PA 18936 • 215-646-7800

MAY, 1987  
VOL. 3 No. 1

## Technology Center Celebrates 10 Years of Success



The Montgomeryville Center, now in operation for more than ten years, has been home for 80 companies.

Ten years ago the Technology Center in Montgomeryville, Pa., opened its doors for business. This marked the start of what has become a growing network of Technology Enterprise Centers, a variety of support and development companies and a host of individuals all concerned with helping businesses start and grow.

This special tenth anniversary issue is devoted largely to examining the history, development and future of this network.

A creator of business dreams: this is how Loren A. Schultz likes to think of himself.

"I always wanted to do my own thing. Most entrepreneurs are mavericks. The opportunities are there and you have to take advantage of them," he explains.

Like most entrepreneurs, Schultz has never been afraid to take risks. Seventeen years ago, along with three partners and a product idea, he founded a new company, starting in his basement. The company was Decision Data Computer Corporation.

Within five years, the company was grossing \$40 million in annual sales. Today it is listed on the New York Stock Exchange and has revenues of almost \$200 million. Schultz realized that his talents and interests were in ideas and starting companies, not in managing them.

### First Center

He recognized what was needed for his and other new start-up companies. From this came about the first Technology Center, a business incubator providing a supportive environment for beginning entrepreneurs.

Continued on page 4

## Center Set for Chicago Area Business Campus

The latest and largest project was just started in the Suburban South section of Chicago. TCI, through its real estate management firm TEC Properties has taken on the old Arco Research Center, a 40 acre site including several buildings totaling over 300,000 sq. ft.

This property is being developed as the Suburban South Business Campus providing facilities and services to a variety of small and expanding companies.

Eric Friedman the Midwest regional manager is establishing a 60,000 sq. ft. Technology Enterprise Center for the development of new companies in the area. This is part of TEC Properties plan to take larger complexes utilizing a business incubator as the core for business development and growth.

Since the program includes training and support it not only benefits the incubator companies it also helps the other small businesses. Of course these businesses also provide a valuable service to the very new incubator companies. This program is a catalyst for the entire community toward business growth.

## Success TV Series Slated

Large red, white and blue letters flash on the television screen and a seductive voice whispers...Success.

Thus begins Success Stories, a new hour television special to be launched nationally this June.

Success Stories, a production of Success Motivations, Inc. (SMI), a new venture of Technology Centers International was born through the collaboration

Continued on page 5

15X  
-1-

New Jersey State Library

# TECHNOLOGY ENTERPRISE NEWS

Published by

Technology Centers International  
1060 Route 309 • Montgomeryville, PA 18936  
215-646-7800

— Helping Businesses Start and Grow —

Copyright 1985

## Technology Center Companies Survive and Thrive

The Montgomeryville Technology Enterprise Center is probably the oldest business incubator in the country. Its 10 years have yielded some very interesting company start-ups.

Some grow to large companies while others reach a lesser level of growth. Size may depend on the desires as well as the skills of the entrepreneur.

In analyzing the 80 companies who are or have been tenants in the Montgomeryville Center, we see some interesting results. Approximately 30 percent of the companies are product oriented, while 70 percent are service companies. About 70 percent of the companies are technology related and 30 percent are non-technical business companies. None are retail companies as they are not allowed in the Center.

Of these, 73 companies are still in business or were in business at least one year after they left the Center. Five companies did not survive. Two of these were start-up companies that did not finalize their seed funding in a reasonable period and never really got started.

One determined after only a few months that a major premise of the business plan was wrong and therefore the company would run out of funds in about nine months. They decided to quit early. (That's what a good business plan can do.)

Some of these companies are more exciting than others. Robec (now Robec Distributors) started in the Montgomeryville Center with no office using only the phone answering service and address while they were planning. They then moved into a room in the Center for the two principals and its been growth ever since.

In 1984, they were listed number 10 on Inc. magazine's list of the 500 fastest growing companies in the country. Currently they are 131 on the 1986 list.

There are other Center graduates such as Vilsmeier Auction Co., Radio Data Systems, and Transaction Management, Inc., that have reached significant growth levels, employing 50 to 150 people. Others, with a slower growth rate, may also be considered exciting and satisfying from their personal objective standpoint.

These success stories of this Center are the results of those who took the risk and made it.

They are not the results of the Center. However, the Center environment encouraged and helped these people through their rough and rocky start up periods. This very simple concept of "success breeds success" is the most important element of the program. Coupled with shared cost-effective services and facilities, the tenants association with the Center staff, champion (successful entrepreneur) and, of course, their fellow entrepreneurs only helped improve their chance for success.

Innovation is Key  
To TCI Operations

Tried and true. Time honored. Proven. Withstood the test of time. Well established.

These are all admirable qualities, but they have a negative side. They imply that things will not, nor should not be better.

Innovation, experimentation, risk, taking a chance, a long shot. These indicate a lack of security, but they imply excitement, improvement and things can and should be better.

The Technology Centers program is a lot like that.

With all of today's emphasis on planning and setting goals which are indeed important, sometimes overlook the fact that innovation and experimentation are often the keys to success.

Adaptability and flexibility have been and will continue to be the key words in the Technology Center success story.

In the early years, the Technology Centers were established as a hobby by a small group of successful entrepreneurs. A short while it became apparent that this was a meaningful needed program.

### Individual Entities

The majority of the Technology Centers were financed as individual entities. Each time a building became available at the new Center, a partnership was formed to negotiate a lease as secure the necessary funds to purchase the building. It became obvious that this approach would not be effective if the program were to be successfully expanded.

Technology Centers International, Inc., was created to organize and coordinate the work of Technology Enterprise Centers that would provide an environment of support and access for entrepreneurs and start-up companies.

Policies and procedures for operating a successful Center were developed and formalized. Development of new Centers at new locations became a full time activity of TCI.

Technology Management was established to be

Continued on

16X

# Innovation is Key to Technology Center's International Operation

continued from page 2

financial arm of the Technology Center program, and to assist deserving companies in planning and obtaining needed funding.

Headed by former bank chairman Robert W. Hutton, this organization assists companies in all phases of financial planning, and also structures and manages a venture capital seed funding program.

TEC Properties, Inc., headed by John Sower, a former National Development Counsel executive, serves to secure real estate suitable for development into Technology Enterprise Centers. It became the real estate management arm that would buy and lease properties for TCI development.

At present another organization is in the process of

being set up, Technology Business Development Associates. TBD, a non-profit organization, will become the latest branch of the growing TCI family. Its purpose will be to develop motivational and educational programs to encourage technology business development.

TBD is organizing a training program of business people helping business people. Successful business people are almost always willing to share their business experience with new and small businesses just starting and growing. Plans are being made to hold a series of workshops that will train and motivate beginning entrepreneurs and small business people.

And the story isn't over yet. Success Motivations, Inc. has been formed as a joint venture

of TCI to produce the Success television shows and develop other related programs.

In its first ten years of existence, the Technology Center concept has grown and evolved from a single building housing a handful of entrepreneurs to a major network of Centers and a team of development and support companies with the common goal of helping businesses start and grow.

We are not sure where we will be or what we will look like in five or ten years. But that is the very vitality of our organization, our ability to evolve and grow, to meet the demands of different times and places, always keeping in mind our ultimate goal of helping businesses start and grow. When they are successful, so are we.

## Hopewell, Va., Center Opens

One of the newest Technology Centers opened this fall in an old school building in Hopewell, Va. The following is an excerpt from The Hopewell News, Oct. 16, 1986:

"What a perfect ending. A new beginning. An old building has ended its life as a school and begun a new life in another community role.

Tuesday night council decided to convey the old school facility to the Hopewell Technology Enterprise Center, a new business incubator. With four tenants already under its wing, the center expects to be home to 20 new enterprises.

Incubation is a new and long needed business trend. Hopewell's center is a private firm whose business is helping new ventures get off to a good start.

Schools and new business incubators have a lot in common. Both are places where learners develop new skills...where they gain confidence...where they eventually outgrow the need for special attention. Just as the Harry E. James School has graduated youths through so many years, the Hopewell Technology Enterprise Center will graduate businesses."



Technology Products, Inc., a tenant of the Montgomeryville Center, manufactures devices that control and meter copying machine usage. Cindy Kile is shown preparing cases for the units.

## Book to Aid Business Plan Writing Published

The Arthur Young Business Planning Guide is a newly published, step-by-step guide to planning, developing and writing a winning business plan.

It includes a realistic sample business plan, provides advice on formatting and presenting the plan and explains ways to

tailor the plan to meet the needs and expectations of its target audience.

It is written by a team of top new-business experts, including TCI's Eric Siegal and Loren Schultz, and Arthur Young's Brian Ford. Published by John Wiley and Sons, \$22.95.



# Ten Years Experience Proves Technology Center Works

continued from page 1

When what was to be the first of many Centers put out a sign saying "space available," it offered not just office space but many of necessary but expensive auxiliary business services and facilities needed by small companies with limited budgets.

Within months the building had twenty tenants. Soon the individual tenants were not only sharing physical resources, but were tapping each other's as well as Schultz's wealth of experience and helping each other and sharing their own particular expertise. The Technology Center concept was alive and operating.

In the ten years since that Center opened in a 20,000 square foot facility in Montgomeryville, Pa., the Technology Center concept has grown into a national network of Centers offering over 400,000 square feet

of start-up space to more than 200 companies.

Experience has shown that there is no standard blueprint for establishing a successful Center.

Physical facilities have ranged from old schools and factories to completely new buildings.

They vary from the new Hopewell, Va., Center tucked into an old elementary school, to the Minneapolis Center, where a 175,000 square foot former high school building serves as a combined Technology Center and a community arts center just one block from the University of Minnesota.

Centers house as few as 20 or as many as 80 new and small enterprises.

This flexibility of concept and execution allow Technology Centers International, the company formed to develop new Cen-

ters, the freedom and responsiveness needed to adapt and tune to each situation and meet the needs of the local community.

Just a little over ten years ago the modest little (20,000 sq. ft.) white building at 10 Route 309 Montgomeryville was empty. Today it houses about 20 small businesses. During the last ten years about 100 different companies have spent varying periods of time here in their conquest of growth and success. This facility has had many uses in the past. Prior to being the Technology Center was the research and manufacturing facility for high technology miniature batteries.

The center is full of room having a wide range of tenants including companies specializing in software, electronic systems, mechanical design, technical writing, custom testing, a major auction company and more.

## Flexibility is the Key for First Center Manager Spiese

Eleanor Spiese joined the original Technology Center almost ten years ago. Today, as director of administration of Technology Center International, Inc., she and her staff are the ones that run the day to day operations, the ones who make it all happen.

Walk through the doors of the TCI home in the Montgomeryville Center and one of the most frequent answers to questions is "ask Eleanor."

When Eleanor first came to work at the Montgomeryville Center, the TEC concept was well underway.

"I was in charge of everything on a day to day basis: accounts receivable, payroll, renting space, handling the problems of the tenants."

For many of the tenants, this was their first foray into the world of business, and Eleanor was the personal symbol of the Center's philosophy of helping businesses start and grow.

"One of the tenants was always needing help hiring personnel, filling out tax forms, purchasing supplies. We have some people just starting out who don't know what to do. We have

to try and guide them," she explained in a recent interview.

In just ten years as the Technology Center concept has grown from its original roots in the unassuming one story building located on Route 309, a busy highway in Montgomeryville, Pa., to a national network of centers, Eleanor has assumed the responsibilities of assisting in

hiring and training new general managers. She runs regular training sessions in Montgomeryville to demonstrate a work center, as well as traveling new Centers to assist them start up.

What's her philosophy for success? "The key word is flexibility. You have to learn to bend with the willow."



The staff of the Montgomeryville Technology Enterprise Center, (left to right) Phyllis Hoffman, Eleanor Spiese and Susan Luber, keep the Center operations flowing smoothly.

# Would you invest?

## Taking a chance proves the difference between success and failure

How often is the difference between failure and success a question of taking a risk? How much of life is making the right decision, the right move at that right time?

Consider the case of Mr. X.

As a young man, he was shy, suffered from asthma, had a slight stutter, had no outside interests or hobbies and was known for his quick and fiery temper.

Academically his record was mediocre. He had taken a few courses at a local business school.

He worked as a bookkeeper for a local grocer. He quit after two weeks. He was bored.

Next, he became a traveling sales representative. He quit after two years. He felt he was underpaid.

He became a salesman for a sewing machine company and was fired after a few days.

Then he worked as a bonds

salesman for a building and loan association. The company folded. The stocks were phony and his partner ran off with the money.

As a salesman for a large company, he brought a dying territory back to life by driving the competition out of the area. He was accused of having overly aggressive tactics. He excused himself by saying he was doing what it took to get ahead.

He remained at this job for the next 17 years, securing over 95 percent of the market in that product line.

### Best Paid Executive

At age 38, he was one of the best paid executives in the country, but his business tactics came under the scrutiny of the United States government. Along with 28 executives of the company, he was brought to trial and convicted by the United States government on three counts of criminal conspiracy

for engaging in illegal anti-trust business activity.

His employer fired him.

He was hired as a manager of a new holding company, made up of three financially shaky enterprises.

Within a year, he was named president. With \$40,000 of borrowed capital, he set up a research lab to do independent product research and a training program for salesmen. Would you have invested any of your savings in him or his company?

If you had, you would have become very rich.

Ten years later, his organization had doubled in size and had expanded to overseas markets. In 1924, the organization was renamed. Now Mr. X, Thomas J. Watson, had assumed full control of the renamed company, IBM.

Many people rebound from adversity to achieve success. Its there for the taking if we believe in ourselves. There have never been more opportunities.

## TV Series to Highlight Entrepreneurs' Success Stories

continued from page 1

of Loren Schultz, president of Technology Centers International and Sue Ann Taylor, an independent television producer.

SMI hopes that Success Stories will become the basis for a future weekly half hour television series. The show is designed to be a motivational tool to inspire beginning entrepreneurs to achieve their own success by featuring the stories of people who have made it.

The initial pilot was filmed coast to coast from New York to Hawaii in explosive colors, dynamic visuals and all the glitz and glamour that characterize success.

It focuses on all types of success stories like Sam Walton, president of Walmart stores and industrialist Peter Grace founder of W.R. Grace and Co., as well as leaders in the growing specialty industries like David Leiderman of David's Cookies.

The program discusses entrepreneurship with John Naisbitt, author of Megatrends, as well as interviews with Victor Kiam, of Remington shaver fame and the author of Going For It, both successful entrepreneurs.

### Great Feeling

"Success: it's a great feeling and a great show," announces the program's host, Bruce Jenner. Jenner, Olympic decathlon gold medalist, was chosen by producer Taylor as an example of a man who overcame many challenges training for the Olympics.

"Training for the Decathlon takes endurance and perseverance, just like starting any venture, and since winning his gold medal he has continued to achieve a variety of successes in his life.

"Today, Jenner is an entrepreneur who owns restaurants, a

magazine, has produced an exercise video, is a race car driver and has been very successful in his investments. He has also marketed himself well, being the second most recognized Olympic winner in history (Jesse Owens was first)," Taylor explains.

Taylor expressed excitement about the positive response she has received from syndicators, stations and potential sponsors. She has commitments from Estee Lauder and Federal Express to participate in future shows.

This is Taylor's second venture as a television producer. She had owned her own advertising and public relations agency in Philadelphia before deciding to branch out into television. She is a real entrepreneur.

"We are very confident that this show will make television history as a new program highlighting achievers across America, and maybe the world," Taylor said confidently.

LGX

Starting a new business is difficult and fraught with pitfalls. Most new businesses fail in their early years. By providing the proper environment of encouragement and support, Technology Enterprise Centers help assure the success of fledgling companies.

New companies typically are short of both capital and cash, so the shared resources and no frills facilities of the Center help ease financial burdens. But there is more to it than this.

The intangible benefits offered by the Centers greatly outweigh all others.

Instead of struggling in isolation, a new business works in an environment of dozens of other businesses, each with its own product or service, but all striving for the same goal: success.

The entrepreneur starting a company in a Center gets to see the full spectrum of small business experiences, from the individual just moving operations from garage or basement to the expanding corporation outgrowing the Center and moving into its own facilities.

The tenants of the Centers provide a rich and varied pool of technical and business experience. A casual conversation in the hallway may solve a tough technical problem; a few words over a cup of coffee may steer an entrepreneur from disaster to success.

Sometimes the intangible benefit comes as nothing more than a word of encouragement at the end of a bad day, or from seeing someone else succeed when you are ready to throw in the towel.

Starting a new business is often a lonely, thankless task

## Success is Measured by Satisfaction, Not Dollars

In a recent newspaper article describing the characteristics of successful entrepreneurs, the author stated that "creativity, chutzpah and courage" were three musts for upcoming millionaires. Throughout the article it was assumed that becoming a millionaire was the standard of success. If that were the only criteria for success, then few in the business world would qualify, and the market place would be strewn with failure.

### Center Managers Meet

TEC managers and regional managers attended a two day meeting to review operations and exchange management and program ideas.

The meeting was held November 18 and 19 at the Montgomeryville and Paoli, Pa., Centers.

The meeting was cited as a good example of networking in action and illustrates the value and importance of business people helping each other by sharing successes and failures.

These meetings are held on a semi-annual basis.

While profits are what makes a business succeed, making money should not be the only consideration in the drive for success. The dictionary defines success as "the favorable or prosperous termination of endeavors." In other words, the achievement of goals.

In talking to successful business people, they frequently discuss the challenges of the market place and the excitement of providing new services and products.

How do you measure success? Success is a personal commodity. One person's success can be considered another person's failure. A person who only wants to run a small business and does it well is as much of a success as a person who is the head of a large corporation. Like beauty, success is in the eye of the beholder.

At Technology Centers there is no standard measure to determine success. Each entrepreneur must establish his or her own objectives and create his or her own future.

---

*Ideas breed ideas.  
Success breeds success.  
These are the real reasons  
the Centers work.*

---

**TECHNOLOGY  
CENTERS  
INTERNATIONAL**

HELPING BUSINESSES START AND GROW

1060 ROUTE 309  
MONTGOMERYVILLE, PA 18936



