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WALL STREET WEST: ENTERPRISE ZONES AND THE "NEW" JERSEY CITY

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ABSTRACT: *In 1983 the NJ Urban Enterprise Act was enacted with the aim of providing a wide range of incentives to facilitate business relocation into depressed New Jersey cities. Jersey City, an early beneficiary of this legislation, has been touted as the most successful urban enterprise zone (UEZ) in the State. Since the mid-1980s, Jersey City has staged a remarkable comeback, with the bulk of all NJ's 1990s employment gains occurring there. Most of this boom has been due to corporations relocating back-office facilities from New York. There has also been noticeable gentrification of the downtown area. Nevertheless, this boom has been very unevenly shared, with incomes for most of the city's residents remaining well below the mean for the State. My paper critically reviews the role that the UEZ has played in promoting the redevelopment of Jersey City, and also the costs and benefits of using UEZs as a redevelopment tool.*

INTRODUCTION

Jersey City is a very good case study of an old industrial city that went through major economic decline during the 1960s and 1970s and then slowly clawed its way back as part of the new service economy - in this case mainly financial services. In the process the city, particularly the downtown area, has undergone a major renaissance as new office buildings and apartments have been erected, abandoned old factory space has been converted to condos and lofts, a major mall and marina have been constructed and new upwardly mobile professionals have moved into the area. In the local press it is not unusual to read of Jersey City referred to as "America's Golden Door", "Wall Street West", "the comeback city", "Silicon Valley East", or as the title of a new book "The Left Bank" (Lovero, 1999).

Unfortunately this comeback has been unevenly shared as poor, mainly Latino and African-American residents, are displaced from downtown and many of the poorer sections of the city remain neglected, with high crime rates and very poor social indicators. In addition to the uneven benefits of this economic comeback, much of the city's attractiveness to corporations has been due to the very generous financial incentives and tax abatements that the city has been offering. This has meant that despite the city's gleaming patina, the recent 2000 budget had a $20 million budget gap. It was only after a long battle with the State over securing additional aid to the city and the use of a number of one-time fiscal dodges, such as collecting some of the city's future tax abatement revenue as upfront prepayments, that the budget was passed (see Miller, 2000).

One of the biggest incentive programs in the city is the enterprise zone program. This program is often touted as being the most successful in the State and one of the most successful in the nation. This paper, which is the beginning of a larger research project on economic restructuring in Jersey City, provides an overview of the urban enterprise zone program in both New Jersey and Jersey City and then attempts to review what role it has played in the city's change in economic fortunes.

ENTERPRISE ZONES

The genesis of enterprise zones can be traced to the British urban scholar, Peter Hall, who based his idea for urban revitalization on what he had observed during a 1977 trip to Hong Kong and Singapore. He argued the need for British "freeports" in selected inner-city areas. These would be areas that had minimal state control and encouraged various types of business initiatives (see Wolf, 1990: 125). The core of this concept, renamed "enterprise zones," was adopted by the then Conservative party government, and was enacted into law in 1980. US scholars and policy-makers, particularly those associated with conservative think tanks, later brought this concept to the US. In 1980, Jack Kemp (a Republican congressman from Buffalo) and Robert Garcia (a South Bronx Democrat) introduced a federal proposal based on this idea - tax breaks, financing assistance and regulatory relief for businesses that located in targeted areas (Wolf, 1990: 127). At a federal level, the Enterprise Zone legislation failed to pass Congressional muster during the Reagan administrations and the legislation that contained the program within it fell victim to a presidential veto during the Bush administration. It was not until 1993, during the first Clinton administration, that the federal government adopted such a program, when the Federal Empowerment Zone and Enterprise Community Program was signed into law (see Cullingworth, 1997: 198).

While the UEZ (urban enterprise zone) concept stalled at a federal level, it was readily embraced at a state level where by the end of the 1980s more than 30 states had active UEZ programs. According to Wilder and Rubin (1996: 473) by 1995, 34 states had enterprise zone programs and with the Federal Empowerment Zone and Enterprise Community Program, the UEZ concept was extended to 106 additional communities. According to Wolf (1990: 130) while initially the main aim of the UEZ program was to foster neighborhood revitalization, this goal quickly became secondary to promoting economic development within the zones. In general the core goals of most state UEZ programs are to: leverage new investment to depressed areas through the use of incentives (particularly tax incentives such as: sales tax concessions, investment tax credits, and employer credits for hiring new workers), increase employment within the targeted zones, and to promote a more friendly business climate within the zones (by eliminating red tape, increased marketing and so forth).

URBAN ENTERPRISE ZONES IN NEW JERSEY

In August 1983 the New Jersey Legislature enacted the New Jersey Urban Enterprise Act (NJUEA) as part of a way to revitalize the state's failing cities. Distressed communities were described in the NJUEA as areas "of economic distress characterized by high unemployment, low investment of new capital, blighted conditions, obsolete or abandoned industrial and commercial structures, and deteriorating tax bases (New Jersey Statutes, 1998). The legislation further stated that "it is the responsibility of government to provide a framework within which encouragement be given to private capital investment in these areas, disincentives to investment be removed or abated, and mechanisms be provided for the coordination and cooperation of private and public agencies in restoring the economic viability and prosperity of these areas (see Response Analysis Corporation, 1998: i)."

The program became operational in 1984 and each zone was designated for a twenty-year period. From 1984 through 1986, UEZs were designated in ten municipalities. The first two UEZs designated under the 1983 UEZ Act were in Camden and Newark. Later after two competitive rounds that considered levels of distress and economic development potential of the areas proposed as zones, the following eight other municipalities were selected: Bridgeton, Elizabeth, Jersey City, Kearny, Millville/Vineland (two-municipality joint zone), Orange, Plainfield, and Trenton (Response Analysis Corporation, 1998). In 1993, an amendment to the 1983 Act authorized the designation of ten additional UEZs. Of these ten, six were designated in the legislation and four were selected through a competitive process. The ten new UEZs are: Asbury Park/Long Branch, Carteret, Lakewood, Mount Holly, Paterson, Passaic, Perth Amboy, Phillipsburg, Pleasantville, and Union City. The 1983 legislation was amended again in 1996 to add seven zones: East Orange, Guttenberg, Hillside, Irvington, North Bergen, Pemberton, and West New York. Today there are a total of 27 UEZs in NJ and all of the State's major cities are part of the program.

To be designated as a UEZ an area should: be within the qualifying municipality defined by a continuous border; by local ordinance the area should have been designated as "in need of rehabilitation;" and it should meet the criteria established by the UEZ authority (see U.S. Department of Housing and Urban Development, 1995). The NJ UEZs provide a wide variety of incentives and benefits to businesses that locate within the zones. These incentives include: qualified retailers charging 50 % of New Jersey sales tax on "in person" purchases (3% which is half of the NJ sales tax rate of 6%); sales tax exemptions for materials and for tangible personal property; a one-time corporation tax credit of $1,500 for the full-time hiring of residents of a city where a Zone is located who have been unemployed or dependent upon public assistance for at least 90 days; a Corporation tax credit of $500 for hiring a resident within the zone, within another zone or within a qualifying municipality; subsidized unemployment insurance costs, for new employees whose gross monthly income is not more than $1,500 (this tax break ranges from 50% to 10% depending on length of employment, see http://www.jcedc.com/uezprog); an eligible firm may receive priority for financial assistance from the New Jersey Local Development Financing Fund and Job Training Program (part of the NJ Department of Commerce); and an eligible firm may receive an incentive tax credit of 8% of investment in the Zone by an approved "in lieu" agreement (see http://www.state.nj.us/commerce/ uez.htm).

As was previously noted, qualified UEZ businesses engaged in retail trade are permitted to charge 50% of the New Jersey sales tax rate (this excludes automobiles, liquor and cigarettes). The 3% sales tax that is collected by UEZ retailers is deposited in the Zone Assistance Fund (ZAF). Revenues from the ZAF are returned to each UEZ in proportion to total sales tax revenues collected by qualified retail businesses in that zone. These ZAF revenues are to be used ". . .for the purpose of assisting qualifying municipalities in which enterprise zones are designated in undertaking public improvements and in upgrading eligible municipal services in designated enterprise zones." New Jersey's UEZ Program is administered by the NJ Department of Commerce and Economic Development. General oversight of the program is vested in a nine-member New Jersey Urban Enterprise Zone Authority (UEZA), four of whom are ex-officio and five are public members (Response Analysis Corporation/ Urbanomics, 1998: p.ii).

Assessments of the New Jersey UEZ Program

In 1989 Rubin and Amstrong conducted an assessment of the New Jersey Enterprise Zone Program (cited in Wilder and Rubin, 1996: 477-78). They surveyed 976 firms in the state's (then) ten enterprise zones. The major conclusions were that the UEZ program had created an additional 9,193 jobs between 1985-88 and $803 million in new private investment was reported in 1987. They argued that 32% of the surveyed firms cited zone incentives as the primary reason for location or expansion decisions, 38% saw these incentives as a secondary factor, and 30% said that they were not influenced by the incentives. The study also found that larger firms (with over 50 employees) were more likely to be influenced by the incentives than smaller firms. The study also estimated that between 1987-88 the state had spent approximately $51.6 million through tax incentives and direct program expenditures. About 80% of the lost revenue came from the state's sales tax exemptions (Walker and Rubin, 1996: 483). Rubin and Amstrong estimated that the cost-per-job ranged from $5,613 (assuming that firms were significantly influenced by the program) to $13,070 (assuming an influence only on those firms that had reported zone incentives to be their only or primary reason for business decisions.) These figures were substantially higher than those cited in similar studies in Indiana, where in a 1989 study Rubin and Wilder found an annual cost per new job in the Evansville enterprise zone of $1,045, and Papke (1987) who found a state average cost per new job of $4,100. Importantly, firms reported that sales tax exemptions were more valued than business tax credit or unemployment tax rebates (all cited in Wilder and Rubin, 1996: 483-490). This finding, as will be shown later is consistent with the experience of Jersey City, where lower sales tax gives firms a substantial advantage over their comparable Manhattan competition.

In 1995 HUD provided an update of the NJ UEZs performance (U.S. Department of Housing and Urban Development, 1995: 66). The data in this report should, however, be treated with some caution as they were directly provided from the enterprise zone offices of the specific States themselves, and these offices obviously had a vested interest in over-stating their effectiveness. According to these data, by February 1993 the NJ UEZs had created 34,278 full and part-time jobs and resulted in over $4.8 billion in private investment. As of August 1994, the states 50% sales tax of "in person" purchases had resulted in $84 million being collected. The HUD report makes no mention of how the State data were compiled, nor does it mention if the job creation data are a gross or net statistic (although it is safe to assume the former).

To date the most comprehensive study of the effectiveness of UEZs in New Jersey was conducted by the Response Analysis Corporation (a survey research firm) and Urbanomics (an economic consulting firm) who were employed by the UEZA and the NJ Department of Commerce and Economic Development to conduct an independent evaluation study of the UEZ program. Their final report (July 31, 1998) covers the 20 UEZs in the program prior to 1996. This report had a generally favorable impression of the performance of the UEZs, with some of the key findings being:

- From 1984 through June 1997, UEZ companies in the 20 zones invested $4.1 billion in their zone businesses;
- From 1984 through June 1997, UEZ businesses that were successful in meeting program requirements created 46,181 new jobs in the 20 zones designated prior to 1996;
- Part of the UEZ program's job impact has been achieved by encouraging firms that are relocating to consider and choose locations in the State's urban areas. A substantial proportion of the jobs created in the UEZs have come from start-up and move-in companies. Start-up firms are responsible for generating 26% of all new UEZ jobs among active businesses. Move-ins are responsible for generating 33% of all new UEZ jobs;
- Since 1994, 56% of the new employees hired by UEZ businesses were residents of the 20 UEZ communities included in the study, while 9% had been unemployed for at least a year;
- UEZ incentives were found to be a factor in encouraging businesses to expand, locate, or start up in distressed urban communities. The degree of this, however, differed between firms. For example, UEZ incentives were cited as the *only or primary factor* in expansion, relocation, or start-up decisions for businesses that created 12% of all new jobs in the UEZs, while UEZ incentives were cited as *one of the factors* in expansion, relocation, or start-up decisions for businesses that created 62% of all new jobs in the UEZs;
- By using ZAF monies to make public improvements and to upgrade municipal services, UEZ municipalities saved $144.7 million in local property taxes from 1987 through 1997;
- The degree of cost-effectiveness varied by benefit attribution and by zone, but in general in 1996, it cost the State $3,847 in UEZ- related expenditures for each job whose creation was attributed to the UEZ program (including direct, indirect, and induced jobs). It cost the State $8,237 for each direct job whose creation was attributed to the UEZ program (this was the most realistic assumption out of three possible scenarios). The cost effectiveness of the program had decreased slightly from 1988 when there were ten, rather than 20 zones. Nevertheless, the study concluded that increasing the number of zones did not adversely impact the statewide UEZ program, but would result in increased competition between zones. (see Response Analysis Corporation and Urbanomics, 1998).

In sum this report provides a highly positive, though not uncritical, review of the New Jersey UEZ program.

JERSEY CITY

The Rise and Fall: An Overview

Jersey City developed from four towns, which were consolidated in 1873. The oldest, Bergen, was founded in 1660 by the Dutch. Fronting New York

Bay, Bergen served as a ferry terminal, connecting passengers traveling between New York and Philadelphia (CUPR, 1992: 1). The first act of incorporation of the City of Jersey City passed the state legislature in 1820, however, it was not until 1838 that the city had a workable governing structure with a common city council and mayor (Lovero, 1999: 29). Systematic development began in the next decade, as meadows were filled in and drinking water piped in from the Passaic. (CUPR, 1992: 1). During subsequent decades various large industries located in Jersey City, among them the Joseph Dixon Crucible Company (which produced the famous yellow Ticonderoga pencils) and Colgate Palmolive.

Jersey City's location relative to New York (and Manhattan) was initially a mixed blessing as ongoing boundary disputes with New York slowed the growth of the city's economy. In 1834 the Supreme Court decided that the boundary between New York and New Jersey was the middle of the Hudson River, thereby ending jurisdictional uncertainty over the development of shore-front property in New Jersey (Lovero, 1999: 26). Nevertheless, territorial disputes over for example who has control over landfill on Ellis Island, continued well into the 1990s, and disputes between the governors of NJ and New York over spending and direction of the jointly controlled Port of New York and New Jersey Authority (formed in 1921) continue to this day. On a more positive note, the city's location meant that the area would become an important transportation conduit for people and goods entering Manhattan. To this end the first steamboat service to New York from Jersey City began in 1813. The coming of the railroad soon eclipsed steamboat service. The Central Railroad of New Jersey (Jersey Central) built a bridge across Newark Bay and a major terminal in Jersey City in the 1860s, serving a large share of the immigrants processed at Ellis Island (CUPR, 1992: 2). Many of these immigrants stayed in Jersey City working in the City's expanding manufacturing base. The population escalated from 206,433 in 1900 to 316,715 in 1930, greatly abetted by the Hudson & Manhattan Tubes. The Tubes, completed in 1908, attracted residents interested in commuting to New York, but avoiding its high housing costs (CUPR, 1992). This trend was reinforced by the completion of the Holland Tunnel in 1927 and then in the 1980s and 1990s by the expansion of the PATH (Port Authority Trans-Hudson) train service (which took over the Tubes in 1962) and the new ferry services from Newport and Downtown Jersey City to Manhattan.

After World War Two, Jersey City entered a long-period of economic decline as wealthier residents left for the suburbs, followed by many of the retail establishments and later the large industrial employers. In the 1970s American Can, Emerson, Swift and Westinghouse were among the major industries deserting Jersey City, followed by Colgate-Palmolive and Dixon Mills in the mid-1980s (see CUPR, 1992). From the 1970s, Jersey City has attempted an economic turnaround based on the redevelopment of downtown as a hub for firms tied to the new service economy and by attracting high-income residents to live in the apartments created along the Hudson River. This process gathered steam in the 1980s (until the collapse of the real estate market) and then took off again during the prolonged economic growth of the 1990s during which time the city has seen massive new office, retail and apartment construction, the conversion of old warehouses and factories into condominiums and the substantial rehabilitation of brownstones and row-houses. During the 1980s these changes saw the city experience a population upturn for the first time since 1930. This population increase continued during the 1990s, with population rising from 228,475 in 1990 to 230,458 in 2000 (2000 US Census Bureau data).

The new Jersey City Economy

Jersey City has been undergoing a major economic boom since the mid-1980s (with a brief respite between 1989-92). Between 1982 and 1995 almost 20,000 new private sector jobs were created, and in the 1992-1995 period 91% of all NJ's employment gains occurred in Jersey City (Hughs and Seneca, 1996). Between 1992 and 1999 employment in Jersey City increased from 96,948 to 103,357, a 6.6% increase (U.S. Housing and Urban Development, 2000: 9). Most of this job growth has been due to large corporations (mostly financial institutions) relocating back-office facilities from New York. According to Jersey City's Republican mayor, Brett Schundler, "We are gaining the reputation as Wall Street West and Silicon Valley East...the financial services industry is really booming here. We are also attracting a number of software and Internet companies (*Historic Downtown Quarterly*, Holidays, 1999: 5)." Since the 1980s, firms such as Dean Witter, Lehman Brothers, Merrill Lynch, Lord Abbott and Company, Cigna Healthcare, Paine Webber, Chase Manhattan Bank, CheckFree Investment and Z100 (WHTZ-FM) have established offices in Jersey City. Statistics tend to confirm Schundler's assertions, with new high-tech jobs accounting for 93% of all jobs created between 1992-1997. According to HUD, Jersey City ranks second (after Las Vegas) in the percentage of hi-tech jobs created among 114 of the nations cities (U.S. Housing and Urban Development, 2000: B20). The main reasons that these corporations give for their move to Jersey City are: proximity to Manhattan; that Jersey City commercial rental rates are around 30 % cheaper than similar space in Manhattan; the City's lower utility rates and the City's very generous package of corporate tax breaks (local companies pay no city corporate tax or commercial lease tax). Jersey City was not slow to grasp its competitive advantage over Manhattan, advertising its attractions to corporations as follows:

> The only tax is the property tax and the state sales tax. There is no sales tax on food or clothing, within a UEZ the sales tax is slashed to 3%. There is no payroll tax, city sales tax, city income tax, corporation tax, personal property tax, tax on commercial leases, or unincorporated business tax (http://www.jcedc.com).

While initially the movement to Jersey City was limited mainly to firms, in the last ten years increasing numbers of young professionals have been moving to the city, attracted because of the new hi-tech jobs, the proximity and easy access to Manhattan, and the lower rental and housing costs than in New York City. This movement has reinforced and accelerated the noticeable gentrification of the downtown area, with much of the old factory and warehouse space being converted to condos. The Jersey City waterfront, especially around Newport, has experienced phenomenal growth from the mid-1990s. This area now has over 7.4 million square feet of office space, with a vacancy rate of only 2.3%, and around 1.7 million square feet are currently either under construction or being renovated (Garbarine, 1999: 9). Between 1997 and 1999 an additional 1,500 new residential units were also added to the waterfront area. An ongoing problem in terms of attracting and retaining affluent families in Jersey City, is the very poor quality of the City's public school system (the combined SAT scores for a typical High School being just 791 - see Cheslow, 1997: 3). The recent establishment of a number of charter schools in the downtown area can be seen as a response to this problem.

Despite the City's job growth, the 1999 unemployment rate stood at 8.8%, almost twice the 4.8% US average for large cities, and well above the 4.2% recorded in Jersey City in 1970 (although down from the 1992 high of 13.7%) (U.S. Housing and Urban Development, 2000: 13). Further, the economic gains within Jersey City have been very unevenly shared, with incomes for most of the City's residents remaining well below the mean for the State. In 1997 Hudson County's per capita personal income of $24,943 was only 77.1% of the NJ mean of $32,000 (this was a decrease from 1969 when the per capita income was 86.7% of the mean) (Hughes and Seneca, 1999: 11). In 1996 there were 77 children per 1,000 persons on AFDC in Jersey City, the seventh highest total among the 27 municipalities with an UEZ (Response Analysis Corporation, 1998: 6-16 and 6-17). Particularly noticeable has been the fact that between 1989 and 1995 the estimated poverty rate in Jersey City actually increased from 18.9% to 21.8% (U.S. Housing and Urban Development, 1999:56).

THE JERSEY CITY UEZ

The UEZ in Jersey City was approved in December 1985 and the 50% Sales Tax became effective in November 1992. The zone boundaries encompass approximately 35% of Jersey City's 14.9 square miles and include all of the city's major industrial areas and all major business districts. From the time of designation in 1985 through June 1997, there were three boundary changes all of which added to the size of the zone. The Jersey City UEZ is administered by the Jersey City Economic Development Corporation (JCEDC), a not-for-profit corporation organized and incorporated in March

1980 (Response Analysis Corporation/Urbanomics, 1998). The JCEDC, under contract to the City is involved in all aspects of economic development including site location, loan packaging and job training. In addition to the UEZ, the JCEDC also administers: (1) the City's Community Development Block Grant Program which encompasses a wide range of programs including several improvement districts; and (2) other federal and state funded programs (http://www.state.nj.us/commerce/uez/appendixa.pdf). According to the JCEDC, as of July, 1997, they had 11 employees who were officially assigned to the UEZ program (9 full time and 2 part time). The salaries of the UEZ staff are paid by funds from the UEZ Zone Administration Fund (ZAF). The JCEDC has a 15 person Board of Trustees that also serves as the UEZ Board. Its members are appointed by the City administration, the Chamber of Commerce, and the Board itself. Members of the Board include representatives of the private sector, Mayoral designees and elected officials. In the 1997 financial year the total budget for UEZ was $1,000,000 (all funded from the ZAF) (http://www.state.nj.us/commerce/uez/appendixa.pdf). More than 800 businesses currently operate in the UEZ which covers 80% of Jersey City's commercial areas (http://www.jcedc .com/ resources.html). According to the EDC, most participating businesses are small in size. In 1997 of the 769 active UEZ businesses, 67% had fewer than ten employees and 80%, less than 20 employees. Three companies representing less than 0.5% of total active businesses employed more than 500 persons. Retail Trade, with 34% of active UEZ businesses, was the most significant employer in the Zone, followed by Finance, Insurance, and Real Estate (FIRE) with 17%, Manufacturing with 8%, and Transportation with 7% (http://www.state.nj.us/commerce/ uez/appendixa.pdf).

A recent study (*New Jersey Urban Enterprise Zone Authority*, 1998) argued that Jersey City has been the most successful UEZ in NJ, both in terms of urban revitalization and job creation. The JCEDC, taking credit for job creation in the area, claims that by May 1997 the Jersey City UEZ had created over 18,000 private sector jobs. This accounts for almost all job growth since 1985 and a full 27% of all private sector employment in Jersey City. Of the jobs that the JCEDC claims were created by the UEZ, 56% are in the FIRE sector reflecting the image of Jersey City as "Wall Street West." (http://www.state.nj.us/commerce/uez/appendixa.pdf). The JCEDC also claims that as of 2000, the UEZ has attracted approximately $1.3 billion in capital investment (http://www.jcedc.com/resources.htm).

According to the JCEDC the primary focus of the Jersey City zone in its early years was on revitalizing the city's manufacturing sector and it's declining commercial areas. The focus began to change with the 1988 boundary expansion that focused more specifically on expanding office employment along the waterfront and on revitalizing the city's central business district. Currently the focus is promoting development along the city's waterfront as well as redeveloping the city's main retail areas (see http://www.state.nj.us/commerce/uez/appendixa.pdf).

CONCLUSION

According to Wilder and Rubin (1996), we should ask the following key questions to judge the effectiveness of UEZs in terms of meeting their stated goals: a) Can the UEZ incentives reverse urban decline?; b) are incentives effective in terms of employment creation and in terms of cost effectiveness (including possible opportunity costs)?; and c) do UEZs provide jobs to people that live in the zones themselves and what type of jobs are they? Unfortunately, in the case of Jersey City, without more detailed empirical research (which I hope to undertake in the near future) it is impossible to definitively answer these questions. Even with detailed research, it is still notoriously difficult to attribute urban revitalization and new job growth to one causal factor. Despite the above limitations it is still possible to draw some tentative conclusions about the efficacy of the UEZ program in Jersey City.

Not surprisingly, the UEZ staff and the JCEDC argue that the Jersey City UEZ has been highly successful in creating jobs, attracting new businesses into the area and in using money from the ZAF to revitalize many of the city's older commercial areas. Further, evidence shows that there is a high level of awareness of the UEZ among Jersey City businesses, and it has been a factor in the relocation and expansion of many firms to the city (see Response Analysis Corporation/Urbanomics, 1998: Appendix J, 25-26). Nevertheless, we have to be cautious about accepting these claims at face value. In terms of job creation the JCEDC does not provide any data on net jobs created, nor on the degree to which the jobs are going to Jersey City residents. In their general study of UEZs, Wilder and Rubin (1996) found that there was great variation across zones with regard to the employment of zone residents. Some zones reported up to 90% of new jobs going to zone residents while other areas reported only approximately 2% of these jobs going to zone residents. On average they estimate that only 20-30% of new jobs go to zone residents. This was below the Urbanomics estimate of 56% of new jobs going to the residents of the NJ zones. While proponents of enterprise zones make no claim about the quality of jobs that these zones create, it is nevertheless important to note that not all job creation is equally beneficial for creating urban revitalization. In Jersey City the quality of new jobs, in terms of pay and skill level has varied remarkably. Kasinitz and Rosenberg (1993) argue that for low-wage jobs local firms are often resistant to employing local workers whom they associate with many of the social ills of the surrounding areas. My initial research, together with the Urbanomics findings, show that many (if not most) of the low-wage jobs being created in the zone (as cleaners, cashiers, sales staff) have in fact gone to local residents, while some of the well-paying high-tech jobs have attracted new residents to the burgeoning apartment complexes in the city. Nevertheless, initial research indicates that the vast majority of the highest paying jobs have gone to residents from other areas that commute into the city.

Assessing the program's success in attracting firms to Jersey City is especially difficult due to the city's very close inter-relationship with New York. Even the JCEDC credits the location of the city across the river from Wall Street and its transportation accessibility as being very important for the success of the city's redevelopment efforts. This experience is reinforced by the finding of Wilder and Rubin (1996) who found in their nationwide assessment of UEZs, that the areas that showed the most gains were those that already enjoyed some of the traditionally recognized locational advantages, such as proximity to markets and transportation access. Much of Jersey City's success in attracting new firms has as much to do with the high cost of rents in Manhattan as the types of incentives being offered by the UEZ. Further, the costs of these incentives in terms of lost revenue have been quite substantial. Strunsky (2000: 6) reports that there are currently 89 properties in Jersey City receiving tax abatements, making payment in lieu of taxes that total $48 million in revenue for the fiscal year 2001. This is an increase from the $17 million that the city collected in 1992. Nevertheless, critics argue that had these abatements not been in place, the revenue generated by the same properties in fiscal 2001 would be close to $100 million. Generally the terms for these abatements have been negotiated by the Schundler administration in private before presenting the package for approval to the City Council. Responding to vocal criticism that these abatements were no longer necessary given the city's existing competitive cost advantage over properties in Manhattan, the Schundler administration has now begun plans to revise its future abatement policy (ironically at a time when the real estate market seems to be cooling). Jersey City has also been sued by the surrounding towns of Secaucus, North Bergen and Bayonne who argue that the abatements have forced them to pay more than $4 million in extra Hudson County taxes than they would have had these properties paid their full share of taxes. The validity of the critics arguments about the abatements are difficult to judge, as there is no way of knowing how successful the City would have been in attracting firms had the incentive packages not been in place. It is most likely the case though, that once real estate prices in Manhattan started rising rapidly in the 1990s, that Jersey City, with its locational and transportation advantages, could have eased its incentive packages and still attracted a similar volume of relocating firms and new construction activity.

It must also be pointed out that much of the success that Jersey City (and the UEZ) had in attracting new retail firms must to a large degree be attributed to the low sales tax rate that attracts shoppers from New York and other parts of New Jersey. New Jersey has zero sales tax on clothing and footwear while until recently, the comparable rate in New York was 8.25%. Tired of losing a substantial amount of business to New Jersey, in late 1999 New York City eradicated the tax on all clothing costing under $110. While it is too early to tell what the effect of this will have on Jersey City, it seems safe to assume that it should result in fewer New York shoppers making the trip to the heavily trafficked Newport Mall. The development of the massive Jersey Gardens outlet center in the neighboring Elizabeth UEZ will also undoubtedly draw some retail sales away from Jersey City. This points to a deficiency in the way we often conceptualize the success of UEZs. It makes much more sense to evaluate these programs from a regional rather than a purely local perspective. If we did this we would find in the case of job growth for example, that many of the new high-tech jobs in Jersey City are jobs transferred from New York rather than new job creation. Similarly, much of the new business activity in Jersey City is being generated by firms moving from other parts of the Tri-State region (especially from Manhattan) rather than by new start-up companies.

Despite being skeptical about some the JCEDC's claims about the success of the Jersey City UEZ there is no doubt that Jersey City is a very different city than it was even ten years ago. The downward slide has been arrested and the city has successfully attracted new firms and many new high-income residents. The exact degree to which the UEZ is responsible for this change is in need of further study. It is likely though that it has been one of the factors in facilitating the redevelopment process. As Wilder and Rubin (1996) noted in their nationwide assessment of UEZs, areas such as Jersey City that had a whole package of development initiatives and agencies were more successful than areas that did not have this. In the former case this demonstrated to firms that the city was serious about promoting a favorable business climate. Jersey City has gone out of its way to welcome business, and to a large degree they have succeeded in doing this. Whether the fiscal cost of this business friendly environment has ultimately benefited the city and all its residents is debatable. Further, it is not clear how deep the redevelopment process is, and whether the city will be able to hang on to its gains should there be a major downturn economic downturn. This is especially the case given that much of the city's gains have been dependent on the high price of real estate in Manhattan and the phenomenal growth of financial service sector in Manhattan during the 1990s. It is hoped that a more emphatic evaluation of the role that the UEZ program has played in prompting economic revitalization in Jersey City will emerge as this study progresses.

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