



The New Jersey Center of Excellence: A Magnet for Research & Development Companies, Talent and Collaboration

Live. Work. Play. All in one collaborative, mixed-use setting.

These are the chief draws that attract today's generation of young and highly educated talent as every employer knows only too well. Fittingly, the New Jersey Center of Excellence in Bridgewater Township, Somerset County, captures that ethos as it takes shape as a unique magnet on the East Coast for research and development companies and their talent pools of scientists and engineers. The 110-acre campus is packed with state-of-the-art R&D labs, self-sufficient utilities and recreational amenities. A master planned mixed-use redevelopment project across 62 acres on the campus will bring housing, retail space, a grocer, a hotel and a fitness / wellness center, transforming it into a veritable town center.



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The New Jersey Center of Excellence is a sprawling, 110-acre campus in Bridgewater Township that formerly housed the R&D operations of French pharmaceutical giant Sanofi. It is situated in the middle of the Boston-Washington, D.C. wealth corridor, and in a municipality with the highest density of life sciences companies in the state. The location boasts ready access to numerous state and national highways connecting business districts across the Northeast.



Current-generation lab facilities and related offices make up about 800,000 square feet at the campus. A Central Utility Plant (CUP), auditorium, conference facility, full-service cafeteria, fitness center, helipad and older office buildings make up the rest of the total of 1.2 million square feet of built-out space at the campus. An ambitious mixed-use redevelopment project underway will create opportunities for active engagement with the surrounding community – a departure from insular corporate campuses.

In the mixed-use development project at the site, conceptual plans call for 400 luxury apartments, retail and restaurants, a grocer, a hotel, a fitness / wellness center, community amenities, as well as areas designated for both passive and active outdoor recreation. The mixed-use project is planned on the front portion of the campus, and includes redevelopment

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Peter Kasabach
Executive Director, New Jersey Future

of about 300,000 square feet of existing office buildings. The redeveloped campus will also feature biking and walking paths and other sustainable development components.

The campus has prime access to a large and growing pool of life sciences and technology talent, an attraction made stronger by the region's upscale demographic profile. The planned mixed-use development on the site, including residential, retail and other uses, will dramatically enhance its attractiveness, especially for younger knowledge-economy workers that prefer a more urban setting. In addition, generous state incentives are well suited for current and potential corporate tenants on the campus.

At a broader level, the reinvention of the property as a welcoming and interactive community will also serve as a model for productive reuse of vacated and underutilized campuses throughout the state and potentially nationwide.

Perfect Opportunity

It was a perfect opportunity for Peter J. Coccoziello, President and CEO of Advance Realty, when he learned of Sanofi's plan to sell the campus. Advance Realty, and its partner CrossHarbor Capital Partners of Boston, Mass., bought the campus from Sanofi in April of 2013. It helped that Advance Realty had intimate knowledge of the market around the campus with its former headquarters in nearby Bedminster before relocating to the NJ Center of Excellence. Over the years, Advance has acquired and developed more than 10 million square feet of commercial, residential, mixed-use and industrial real estate.

Coccoziello recognized the value of the well-maintained lab and office space and utility infrastructure at the campus. "This is

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Peter Coccoziello
President and CEO, Advance Realty

part of the medicine chest of New Jersey, and it is a rare opportunity for a smaller pharmaceutical company to locate here and benefit from this massive amount of infrastructure," he says. A zoning amendment allowed the campus to be leased to multiple tenants.

Coccoziello also envisioned the opportunity to develop the front portion of the property into a mixed-use project "that is attractive to today's millennial workforce." There were other, equally important, advantages. In addition to its access to major interstate and state highways, it was proximate to shopping malls, high-end retail stores and upscale communities like Bedminster-Pluckemin. In addition, the size of the campus is much larger than many of the downtowns in New Jersey, allowing for the opportunity to create a mini-city within a city.

"People are looking for walkable urbanism," says Peter Kasabach, Executive Director of New Jersey Future, a nonprofit that works towards better land use in the state. "I want to know when I walk out of my front door that I can get the newspaper, get a cup of coffee, run into my neighbor, take my dog to the park and ideally go to the library or the train station." In that setting, the residential piece in the proposed mixed-use project at the NJ Center of Excellence is an important element. Kasabach says mixed-use projects that do not have a residential component tend to struggle because nobody lives there.

Neal Opper, Operating Principal at CrossHarbor Capital Partners liked the former Sanofi campus because he saw it as "a high quality asset [available] at a significant discount," compared to the higher prices in the Boston area. CrossHarbor Capital Partners has invested more than \$13 billion in commercial real estate since its founding in 1993.

"The campus has a great location, great demographics and there is a sophisticated workforce that companies can draw from in the area," Opper says. "We checked all the boxes on this one." In addition to the lab space and utility infrastructure, Sanofi also left behind a significant amount of value in terms of equipment that prospective tenants would find attractive, he

notes. He feels the timing of the campus redevelopment is ideal, and explains that the life sciences industry is at the beginning of an uptick, especially with the proliferation of smaller and midsized companies.

Location, Location, Location

A wealth of transportation options serves the campus. Along its western border runs Route 287, a major highway connecting Northern New Jersey with Westchester County, New York and New York City. Route 202/206 flanks its eastern border and Routes 22 and 28 run east and west to the south. Three miles to its north is I-78, an east/west corridor that connects Bridgewater to Manhattan and Newark Liberty International Airport with rides of 45 minutes and 30 minutes, respectively, and the Lehigh Valley in Pennsylvania.

Train stations in Raritan and Somerville are within a 10-minute ride, while others in Far Hills, Gladstone, Bridgewater and Morristown can be reached in less than 20 minutes. Somerset County-operated bus shuttles SCOOT and DASH also serve Bridgewater, connecting residents to nearby train stations and colleges. Hotels in the neighborhood include the Marriott, the Hyatt, Hilton Garden Inn and the century-old Bernards Inn. There are also several dining options nearby including the Pluckemin Inn, Ninety Acres, California Pizza Kitchen, Seasons 52, McCormick & Schmick's Seafood and The Cheesecake Factory. Upscale shopping and recreation options include the Bridgewater Commons Mall, Duke Island Park, Natirar Park, Hamilton Farm Golf Club and Trump National Golf Club. These transportation networks and quality-of-life aspects act as a major driver for access to high quality talent and housing options. The demographics of the area surrounding the campus are compelling: some 85% of the employed population has white-collar jobs and an average annual household income of nearly \$150,000, with a quarter of the households earning more than \$200,000.

The more startups you have the more chances you have of capturing the next Celgene or the next Amgen.

Timothy Lizura
President and Chief Operating Officer,
New Jersey Economic Development Authority

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Carl E. Van Horn,
Director, John J. Heldrich Center for Workforce Development

Concentration of Life Sciences Companies

There is a large concentration of pharmaceutical, life sciences and healthcare companies near the campus. The companies include Johnson & Johnson, Ashland, Amneal, Life Cell, Valeant and Sanofi in Bridgewater; and Pfizer, Merck, Allergan, Dendreon, NPS Pharmaceuticals, Celgene and Ethicon in nearby towns. Other major employers in the area include MetLife, AT&T, Verizon, Chubb and Phillips-Van Heusen.

“One of the key factors – and sometimes the only key factor – in business expansion or location decisions is the availability of a deep talent pool within a reasonable commuting distance to wherever the firm is going to locate,” says Carl E. Van Horn, Director of the John J. Heldrich Center for Workforce Development. “That is even more the case when you consider how the global marketplace has changed, where we now are not just competing with Cambridge, Mass., but we are also competing with Shanghai and Mumbai and Sao Paulo as well as Europe.”

The talent pool for life sciences companies is relatively easy to attract “because they pay so much more than other industries,” says Van Horn. However, he sees it also as a chicken-and-egg situation. “If the firms are there the talent will come but the firms won’t come unless the talent is here. So you have to have both.” According to Daniel Loughlin, International Director of Brokerage at real estate services firm Jones Lang LaSalle, the NJ Center

of Excellence offers a unique opportunity, especially for smaller, emerging companies. “It enables them to find facilities of a quality and capability that typically aren’t available to them, in a market they want to be in,” he says.

Loughlin had brokered the sale of the campus to Advance Realty/ CrossHarbor Capital Partners. However, before that sale, he signed up long-term leases at the campus totaling 350,000 square feet with Ashland Inc., a Fortune 500 specialty ingredients company and Amneal Pharmaceuticals/ Kashiv Pharma, a maker of generic and branded drugs. “Both companies saw an opportunity to leverage the significant investment that Sanofi made there and were able to plug and play into the existing infrastructure there.”

Those two leases set the stage for the third big life sciences tenant – Swiss health nutrition company Nestlé Health Science, which will occupy 180,000 square feet at the campus. The company plans capital investments of \$90 million at the campus in facilities including laboratories, a pilot manufacturing plant and offices. Over the next four years Nestlé Health Science will bring in excess of 250 jobs to New Jersey, including personnel relocated from around the world. The company expects to move into its new facilities at the campus in the second half of 2016.

“We had the opportunity to choose any location in the world as our future home,” said Anders Kaspersson, vice president and program manager for research and development, Nestlé Health Science. “One of the deciding factors was Advance Realty’s vision to reposition the campus into a 21st-century, mixed-use ‘company town’ that includes a hotel, apartments, retail, restaurants and recreational venues in a beautiful setting.”

Nestlé Health Science’s decision to expand in New Jersey at the NJ Center of Excellence is a big win for the state government’s efforts to attract and retain life sciences companies. “In the industry that Nestlé is in, it’s a door opener,” New Jersey Lieutenant Governor Kim Guadagno told NJBIZ magazine. “When Nestlé gets here and it is ready and up and running we will turn to Nestlé to be our ambassador.” The New Jersey Economic Development Authority has awarded the company an economic incentive of a 10-year, \$14.4 million tax credit.

Advance Realty’s mixed-use idea is what the marketplace needs.

Daniel Hayes
Mayor, Bridgewater Township



The mixed-use project will engage actively with the wider community, unlike older, insular campuses.

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Anders Kaspersson

Vice President and Program Manager for Research and Development,
Nestlé Health Science.

Being located in the midst of life sciences talent pools, the NJ Center of Excellence will doubtless be attractive to biotechnology and biopharmaceutical companies, says Debbie Hart, President and CEO of BioNJ, the premier trade group for the state's biotechnology industry. As of 2012, the state had 350 biotech companies, and that number is growing with the formation of new firms and relocations from other states and countries.

The biggest competitive advantage Somerset County offers life sciences and technology companies is its educated workforce, according to Michael Kerwin, President and CEO of the Somerset County Business Partnership (SCBP).

More than a half-dozen other life sciences companies have signed leases totaling over 40,000 square feet at the campus. The biggest of them is specialty pharmaceutical company Nevakar, which will occupy 26,500 square feet. The six other companies have signed leases totaling 16,300 square feet and they are:

- Enterix, a U.S.-based biotechnology company that makes a leading-edge product for colorectal cancer screening.
- GSG Scientific, which provides support for research projects in the food and healthcare industries.
- Solaris Pharma, a developer of generic and branded pharmaceutical products with a specific focus on topical and transdermal products.
- 3D Biotech
- Matinas BioPharma Holdings, a clinical-stage biopharmaceutical company focused on developing treatments for infectious diseases, and
- UnionMedTech, a biotechnology company.

Roots of the NJ Center of Excellence

The campus was a farm that American Hoechst bought in 1967 to create an R&D presence in the Greater New York metropolitan area. Through a series of M&A transactions, the company became the present-day Sanofi. Over time, the

campus supported 23 buildings (several were later demolished), where Sanofi conducted drug discovery and early development work. Sanofi's U.S. headquarters and 3,100 employees remain at another location in Bridgewater.

Sanofi decided to move that work to the Boston area to capitalize on the proximity to its biotechnology subsidiary, Genzyme, and proximity to academic institutions that suited the changing nature of its R&D activities. It vacated the Bridgewater campus in July 2012, moving its employees to its Boston operations. Advance Realty and CrossHarbor Capital Partners bought the campus in April 2013.

State-of-the Art Labs

The New Jersey Center of Excellence inherits a campus with laboratories that have the capability to take a drug all the way from an idea through scale-up, or test manufacturing, before it is handed off as a product candidate for regulatory approval and manufacturing. "Constructing this type of a campus at current costs would be prohibitively expensive," says Thomas Metcalf, Sanofi's Vice President and Head, North America Site Services.

Interconnected through bridges, the laboratories cover the gamut of functions from chemistry, biology, analytical sciences, formulations, scale-up and pharmacology. The campus also has a vivarium and a large warehouse with GMP (Good Manufacturing Practices) capabilities as required by regulators including the Food and Drug Administration. Several other campus buildings are GMP-certified, as well. The labs possess a fair degree of flexibility, according to Tom Troisi, Sanofi's North America Head of Real Estate & Facility Planning. He explains that lab benches are on wheels and utilities such as power supply, exhausts and supply of gases like methane descend from the ceiling. As lab benches are portable, they can be detached from overhead connections and reconnected at new locations. They provide plug-and-play flexibility to accommodate different kinds of life sciences companies and variations in R&D activities.

The campus has a great location, great demographics and there is a sophisticated workforce that companies can draw from the area.

Neal Opper

Operating Principal, CrossHarbor Capital Partners

Formidable Utilities Infrastructure

The campus has a strong utility infrastructure. Its Central Utility Plant provides electricity through a 4.5 Megawatt cogeneration plant, chilled water for environmental cooling, steam for heating and compressed air for HVAC control. The cogeneration plant has favorable, grandfathered fuel rates, and in 2011, it yielded cost avoidance of more than \$5 million and a significant reduction in CO2 emissions. It also has a dedicated fiber optic network, redundant backup servers, fuel oil storage capacity and abundant water feeds. The landscaped site is also certified as river-friendly. Peters Brook, a tributary of the Raritan River, runs along its borders.

“The value to the industry is to take what is a very robust infrastructure operated by a company the size of a Sanofi and give access to smaller startup and early stage pharmaceutical and life sciences companies that could never afford this level of infrastructure on their own,” says Kurt Padavano, Chief Operating Officer of Advance Realty. At full build-out, he expects the center to support a couple of thousand jobs.

Collaborative Setting

Such an infrastructure provides the perfect setting for collaborations between companies at the campus, both among themselves and with other companies across the state. For example, a pharmaceutical company on the campus with access to labs may work with a biotech firm that has “nothing more than an idea and no capabilities,” and thus help bring a drug concept to reality, says Metcalf. Loughlin says that Amneal, for example, took over the scaled-production pilot plant and clinical development facilities at the campus, but those could be provided as outside services to other companies located there. Campus tenants could also share services that support lab work, basic research, analytical and diagnostic work, he adds.

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Robert P. Bzik

Director of Planning, Somerset County

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Chief Operating Officer, Advance Realty

Liberal state economic incentives make the NJ Center of Excellence a more competitive place than other destinations, both within and outside New Jersey, according to Timothy Lizura, President and Chief Operating Officer of the New Jersey Economic Development Authority.

Lizura highlights two programs that will be attractive for companies in the NJ Center of Excellence. One is the Angel Investor Tax Credit Program that was enacted in 2013. It provides the NJEDA \$25 million annually to award angel investors tax credits equivalent to 10% of their investments in an “emerging technology business” in the first year. These credits are applied on the investors’ state income taxes, subject to a cap of \$500,000 on each qualified investment.

Lizura calls the Angel Investor Tax Credit program “a game changer” that could leverage \$250 million worth of investments in emerging technology industries. Angel investors would want to invest in New Jersey in preference to other states because they get “a guaranteed 10% return right from Day One,” he feels. “The more startups you have, the more chances you have of capturing the next Celgene or the next Amgen.” Since its launch in July 2013, the program has benefited 28 investments, representing a total of \$14 million in startup technology and biotechnology companies, according to the NJEDA.

The second incentive Lizura is excited about is a tax credit transfer program for net operating losses and R&D spends. Growth-stage life sciences firms will find it is as good as a grant, particularly in their early years of losses. The \$60 million program has been offered for several years. Last year, 54 companies availed of those tax credits, averaging more than \$1 million each, according to the NJEDA.

In addition, companies at the NJ Center of Excellence could take advantage of job creation grants under the Grow New Jersey program. Base tax credits range from \$500 to \$5,000 per job per year. Developments at the site may be eligible for

incentives under the Economic Redevelopment and Growth (ERG) program. “We have the entire continuum covered,” says Lizura – from early stage investments by the Angel Investor Tax Credit program; growth stage investments through to job creation and retention.

Opportunity Ripe for Mixed-Use, Smart Growth Uses

Somerset County’s Planning Board had identified the campus for reuse and repositioning soon after Sanofi vacated it in July 2012. The size of the property, its site configuration with multiple buildings rather than a single office tower and its good highway access were the chief attractions. “This site is a prime example of how you could redevelop it to a mixed-use smart growth scenario with a combination of office, high-tech, specialty retail and some housing opportunities,” says Robert P. Bzik, Director of Planning for Somerset County.

The NJ Center of Excellence could unleash other benefits across Somerset County. Bzik says the repositioning of the campus could be a starting point for revitalizing the aging Route 202/206 corridor. His team had also recommended an investigation of the potential transit demand at the campus to connect it with a shuttle to either the Far Hills or Somerville rail stations. That evaluation would also consider a future transit stop within the campus or on Route 202/206.

As the campus transforms, it could potentially become a national model for how older, vacated campuses could be put to productive reuse. It could reject the insular approach of older campuses in favor of one that “integrates more with the community, breaks down barriers, is more porous and connects with the assets around them,” says Kasabach.

“One of the big lessons we are all learning is that isolated campuses weren’t really the best idea and that what corporations and people are looking for, and what is better for business, is having businesses near each other,” says Kasabach.

“That is why New York City works, having lots of cascading economies and economic effects where lots of different kinds of businesses and uses are near each other.” Among the half-dozen sites Somerset County has identified for potential reuse,



The New Jersey Center of Excellence is situated in the heart of the Boston-Washington, D.C. wealth corridor.

the New Jersey Center of Excellence is a good candidate for such a transformation because of its location, he feels.

The SCBP has also been focused on reusing large, vacated campuses. In 2012-2013, with a grant from the U.S. Economic Development Administration, the SCBP prepared a “Comprehensive Economic Development Strategy,” or CEDS, that identified the reuse of the campus as a priority. “Advance Realty is helping us achieve one of the top CEDS objectives and in addition, create a model for how we can do it in other key sites in Somerset County and throughout New Jersey,” says Kerwin.

“What is important is location, location, location,” says Hart of the campus, “and it couldn’t be better.” She finds the “overall feel of the campus, the beautiful spaces and state-of-the-art labs” as the other main attractions. “When completed, it will replicate some of the best models in the country.”

Constructing this type of a campus at current cost would be prohibitively expensive.

Thomas Metcalf

Vice President and Head, North America Site Services, Sanofi



State-of-the-art labs are now within reach for small life sciences companies.

Community Engagement ... and Futuristic Visions

Historically, Advance has focused on transit-oriented development, such as in Hoboken and Harrison in New Jersey. However, in the years to come, Coccoziello does not think mass transit access will be a big factor at the NJ Center of Excellence. He points out that automobile technology is getting increasingly fuel-efficient, with battery-operated cars, for example. He visualizes car battery recharge stations at the NJ Center of Excellence that people would drive into.

Sustainable development is a big theme in Coccoziello's mind. He wants bike trails and pedestrian walkways, water conservation, rainwater harvesting and organic food harvesting, made possible by the vastness of the campus. He thinks the mixed-use development will be environmentally friendly also in that residents will not have to drive out for their shopping and dining needs, thereby reducing traffic and emissions.

In an effort to engage actively with the community outside, Coccoziello has other plans. He wants to attract a grocer. He wants the campus auditorium to be open to the public. He visualizes campus residents stepping out to a Starbucks onsite for their coffee, working out at the wellness center, going for jogs or walks and checking their emails at a cyber cafe. "Our intent is for the neighborhood community to have a boutique engagement so it would become a place they want to visit," he says. "In the end, we would have created a unique place that has long term sustainability."

Daniel Hayes, Mayor of Bridgewater Township, considers the positioning of the NJ Center of Excellence as perfect. "Bridgewater has more life sciences companies than any other municipality in New Jersey," he says. "If you want to be in the life sciences business, this is the spot to be."

Hayes says the initial response from Township residents is positive, adding, "Everyone recognizes the negative of an empty, unproductive site."

"Advance Realty's mixed-use idea is what the marketplace needs," says Hayes. Sanofi also represented a significant tax ratable. "I am not driven by obtaining the ratable. I am driven by the quality redevelopment of the site." In the long run, he expects it to be more productive in terms of taxable property.

About the author: **Shankar P.** is a business journalist with more than 30 years of experience. He has reported on U.S. commercial real estate, economic development and public policy among other subjects over a decade at NJBIZ, a business weekly in New Jersey.



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Advance Realty, headquartered in Bridgewater, New Jersey, is a privately held real estate development, investment and management company. Since its inception in 1979, Advance Realty has acquired or developed more than ten million square feet of commercial, residential, mixed-use and industrial projects. Advance continues to be one of the most active and respected commercial real estate companies in the New Jersey and Washington, D.C. markets.

Advance Realty is well positioned for smart growth in its core markets. The company's strong capital base, outstanding talent and flexibility as a privately held, fully integrated real estate company ensure continued success at the forefront of the commercial real estate industry.

CrossHarbor Capital Partners LLC is a Boston-based alternative investment management firm that invests in value-add and opportunistic commercial real estate transactions. The firm seeks short and medium duration debt and equity investments that offer a compelling case for generating high absolute returns. CrossHarbor was founded in 1993 and has invested in more than \$13 billion of commercial real estate on behalf of a diversified and highly regarded group of endowments, foundations, public and corporate pension plans, family offices and sovereign entities.