

Wanted: \$10 Million Home for a Telecom That Keeps Ringing Up New Business

| By Paul Curcio

PAETEC looks hard at Camden and nearby sites to accommodate its rapid expansion

How does a company rack up an astonishing 192,701% growth rate in the struggling telecom industry? PAETEC Communications has achieved that five-year gain by offering voice and data broadband services to high-volume users like colleges and universities, government agencies and hospitals. Now the company, which is based outside Rochester, New York, is eyeing South Jersey as the site of a \$10 million regional headquarters and national training and operations center.

After scouting locations in Pennsylvania and Delaware in addition to New Jersey, PAETEC narrowed its choices to the Camden waterfront or the nearby Cherry Hill-Mt. Laurel area. The company currently employs 160 people in the Delaware Valley region, mostly in Voorhees; the workforce could grow to 500 employees in the new location within five years.

The state is working hard to persuade PAETEC, which has revenue of



more than \$420 million, to choose Camden and advance the commercial revitalization of the state's poorest city. A growing three-year-old telecom called Gestalt is already in Camden and officials hope PAETEC will join it. The state "wants to get a beachhead with a growing technology company in Camden and we're committed to growing in this region," says Brad Bono, the COO of PAETEC Communications.

Launched in 1998 by executives of a telecom that became part of AT&T, PAETEC currently has 1,100 employees

and regional offices in Irvine, California, and Voorhees. Last month the company rolled out a suite of products designed to bring Internet Protocol voice calling to securities trading floors. At its current rate of growth, the company projects revenue of \$1 billion within five years.

Bono caught some flak from PAETEC workers last November when a Kansas research outfit called the Morgan Quinto Press named Camden the most dangerous city in the country. The ranking set off a slew of employee

Rendering of the atrium of the Woodcrest Center, where Towers Perrin is a tenant.

e-mails, one of which demanded, "Tax rebates? Who cares?" Camden officials responded to the study by saying that the city has taken a number of steps to reduce the crime rate and create a hospitable working environment.

Bono, whose company ranked as the second fastest-growing U.S. telecom on the Deloitte Technology Fast 500 list for 2003, is undaunted by the prospect of a Camden location. "My



personal opinion is that the Camden waterfront is a very safe place," he says. "I've been there late at night for ball games and felt very safe." Moreover, he adds, "when your whole business is based upon getting people to change from the status quo and lead a revolution, being a pioneer in Camden is part of that for us."

That's not to say that PAETEC has picked Camden just yet. The city's sole offering is a Delaware River waterfront site being developed by Steiner & Associates of Columbus, Ohio. Another prospective location is the Woodcrest Corporate Center in Cherry Hill, an office complex developed by O'Neill Properties of King of Prussia, Pennsylvania, on a former industrial site; insurer Towers Perrin is already a tenant there. Also under consideration are three undeveloped South Jersey plots being offered, respectively, by Whitesell Construction of Delran and Pennsylv-

Sketch of a section of Camden's proposed waterfront redevelopment plan.

nia companies Liberty Property Trust and Brandywine Realty Trust.

While securing the best bid from developers and the best package of incentives will naturally be important,

"Would we like them to come to our county? Absolutely. But if they go to Camden, I think that's a plus for the whole region."

Mark Remsa

Director, Burlington County Department of Economic Development and Regional Planning

Bono says that a location that enhances PAETEC'S public image will be a crucial consideration. "Our CEO Arunas A. Chesonis likes to say this building needs to be our marketing weapon," says

Bono. "It's going to be a physical brochure" for the company.

One big plus for Camden in this location battle is the state's commitment to invest \$175 million in redevelopment projects throughout the city. Another is the state's designation of the Camden waterfront as an urban enterprise zone, which will provide handsome tax breaks to companies that locate there. The state would pick up 100% of the sales tax on PAETEC's capital outlays for switching equipment, computers and furnishings, thereby saving the company some \$500,000.

Wherever it settles, PAETEC can draw upon a rich palette of tax-rebate incentives that the state offers to attract and retain companies. PAETEC could pull down as much as \$10 million in tax breaks over the next five years through these various state programs.

These include monies available under the state's primary tool, the Business Employment Incentive Program (BEIP), which allows qualifying companies to keep up to 80% of state withholding taxes for new employees for up to 10 years. The popular program, which some critics have called a giveaway to corporate interests, has disbursed some \$650 million in grants that have helped to create an estimated

50,000 jobs in the state since 1996.

Also available to PAETEC is the new Business Retention and Relocation Assistance Grants (BRRAG) program, which provides tax relief and rebates to companies that relocate employees



Bono seeks an image-building regional site.

within New Jersey instead of moving them to another state. PAETEC can also tap into training grants in connection with its proposed national training center, which Bono says will be named PAETEC Communications University and will have its own dean.

While the Burlington County towns of Cherry Hill and Mt. Laurel are

competing for PAETEC, county officials understand the importance of a revitalized Camden, the seat of neighboring Camden County. "If a business like this goes to Camden, it's good for the whole region," says Mark Remsa, director of the Department of Economic Development and Regional Planning for Burlington County. "Would we like them to come to our county? Absolutely. But if they go to Camden I think that's a plus for the whole region."

The presence of PAETEC could help Camden offer more of the amenities that attract businesses to an area. High-end and mid-priced hotels and restaurants have helped make Burlington County an attractive location for employers like Towers Perrin, Lockheed Martin, Oki Data USA and NFL Films. At the same time, being among other high-profile companies could help PAETEC attract and retain customers and employees.

Bono says the developers' competing bids are all clustered around \$30 million for a 10-year lease, with just a few million dollars separating the high and low bids. He expects to select a site in the first quarter of 2005 and to start building shortly thereafter, with completion due by the second half of 2006. ■

| email news@njbiz.com