TOGETHER NORTH JERSEY.

Housing Baseline Topic Report

March 2013

Alan Mallach
Housing & Community Development Network of New Jersey
145 W Hanover Street
Trenton, NJ 08618
e: amallach@comcast.net
p: 609-448-5614

INTERIM WORK PRODUCT: DRAFT FOR DISCUSSION ONLY

This interim work product is not intended for broad circulation. This document is intended for members of the Together North Jersey Standing Committees and others as appropriate for review and comment. It is anticipated that these reports posted may be significantly revised to address reviewer comments.

At this time, these reports have not been approved or endorsed by the Together North Jersey Steering Committee or its individual members. The work that provided the basis for these reports was supported by funding under an award with the U.S. Department of Housing and Urban Development. The substance and findings of the work are dedicated to the public. The authors of the reports are solely responsible for the accuracy of the data, statements and interpretations contained in the documents. Such interpretations do not necessarily reflect the views the Together North Jersey Steering Committee or its individual members or any other agency of instrumentality of Government.

Connecting People, Places, and Potential

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

Introduction

This report is one of a series of baseline reports which seek to "characterize existing conditions, regional needs, patterns, trends, challenges and opportunities" with respect to a particular issue in the thirteen-county northern New Jersey region, as a resource for development of the Regional Plan for Sustainable Development. While the subject of housing cuts across many different issues facing the region, it is in itself one of the most challenging. Central challenges facing the region are not only to improve housing conditions for the lower income population, but to address the geographic imbalance between that population and the areas of greatest opportunity within the region, and their concentration in the region's core.

The report is in three sections. The first describes the existing conditions and key trends with respect to housing in the region. It includes overviews of existing housing and demographic conditions, as well as housing market conditions and trends, and then takes a closer look at deficiencies in housing and neighborhood conditions, and at the geographic distribution of housing affordability and occupancy.

The second section focuses on the policy, planning and resource environment for housing in the region. We look at public and private actors, state and regional plans and policies affecting housing, the resource climate, and finally the challenges and opportunities likely to influence the course of the housing market and housing policy in the coming years.

The final section identifies – within the context of the livability principles of the sustainable communities initiative – desirable outcomes for changing the dynamics of the housing system in the region. It then examines the availability and quality of indicators that can be used going forward to determine how, and to what extent, those outcomes are actually taking place.

One difficulty in preparing this report was finding the balance between too much and not enough detail, particularly with respect to the geographic scale at which to present information. Northern New Jersey contains some of the poorest as well as some of the most affluent municipalities of any major metropolitan area in the United States, often located in close proximity to one another. As a result, simply providing regional or countywide data is inadequate to bring out these variations; a study that provided data for each of the more than 300 separate municipalities in the region, however, would be unwieldy and all but impossible for any user to absorb.

To address this, while providing data at the regional and county level, I have also tried to provide illustrative rather than comprehensive local data, in many cases highlighting information for urban centers like Newark, Paterson or Elizabeth, and in others providing selected examples to show the diversity or variation between communities. I am hopeful that this will provide enough detail to realistically reflect the characteristics of the region without overwhelming the reader.

Finally, I should stress that this is a descriptive, rather than policy report. While many of the topics addressed contain significant policy implications, the purpose of the report is to describe those topics; although those implications may potentially be inferred from the materials presented, I have avoided presenting any overt policy recommendations. That said, even the presentation of information is not a mechanical procedure; it is impossible to address issues of such social and economic significance, and often controversy, without assessing and interpreting the information presented. In each case, I have tried to ground my assessments firmly in the factual information presented, so that each reader can judge for him or herself the soundness of these interpretations. Any interpretations or assessments are mine alone, and do not represent positions taken by the Together North Jersey consortium.

I would like to thank Andrew Kay, for his invaluable assistance compiling and organizing the data for this report, and David Kinsey of Kinsey & Hand, Adam Gordon of the Fair Share Housing Center and Arnold Cohen of the Housing & Community Development Network of New Jersey for their valuable comments on the initial draft of this report.

Highlights of the Report

- Housing problems continue to be pervasive throughout northern New Jersey, with the greatest problem being one of housing affordability, followed – at some remove – by overcrowding. Although nearly all homes and apartments contain adequate heating, plumbing and kitchen facilities, a significant percentage of northern New Jersey households still suffer from inadequate housing and neighborhood conditions, with renters much more likely to experience such conditions than homeowners.

- Over half of all renters spend more than 30% of their income for shelter, with 2 out of 9 spending over 50% of their income for shelter. These cost-burdened renters are overwhelmingly low and very low income households.

- While Housing Choice Vouchers are somewhat more widely distributed around the region, 30 years after the *Mt. Laurel II* decision, subsidized affordable housing is still overwhelmingly concentrated in the region's older central cities.

- While housing prices rose throughout the region during the boom years prior to 2006-2007, and have fallen since, both the rise and in particular the fall have been more pronounced in the region's older central cities. While the region as a whole appears to be recovering strongly from the housing bust, many older cities – particularly in the Newark area – are still suffering from seriously impaired market conditions. Jersey City and New Brunswick, however, are recovering better than other older cities.

- Foreclosures have had a powerful destabilizing effect in the region, particularly in the region's older cities and inner ring suburbs. The Newark area has been hardest hit overall, with the two hardest hit municipalities being Irvington and Plainfield, both of which have seen foreclosure filings on over 30% of their 1 to 4 family properties.

- Geographic disparities in terms of the distribution of the region's population by race, ethnicity and economic condition are severe; low income households and people of color continue to be heavily concentrated in the region's central cities and selected inner ring suburbs such as Irvington or Roselle.

- The federal role in housing in the region has diminished sharply in recent years; although in dollar terms, federal funding for housing still represents the lion's share of all public funds, almost all of these funds are provided in the form of block grants or allocations that are administered at the state or local level.

- While the state role in housing has grown in recent decades, in recent years the amount of state resources going to affordable housing – particularly construction and rehabilitation of affordable housing – has dropped dramatically.
- While many individual state and regional activities and policies affect housing, from the regional policies in the Highlands and Pinelands to the regulations of the Department of Environmental Protection, the state lacks any overall housing plan or strategy; moreover, such plans and policies as exist tend to focus

on where housing should *not* be developed, rather than encouraging appropriate housing in appropriate locations.

- Provision of affordable housing in the region faces severe challenges in the coming years, including limited public resources, political opposition, a tax system that discourages affordable housing, and an uncertain economic and housing market climate.

- Demographic and cultural change represent both challenges and opportunities; key changes affecting the region include the aging of the Baby Boom generation, changes in the distribution of households by type, continued immigration into the region, and potential shifts in consumer preferences toward more walkable and mixed-use communities.

1. Existing Conditions and Trends

The purpose of this section is to describe existing conditions and key trends in housing in the northern New Jersey region and its component parts. Existing conditions fall into a number of separate categories. In this section we begin with an overview of the basic features of the regional housing stock, highlighting important differences between different parts of the region. That overview is followed by an assessment of four key features of the housing and neighborhood environment:

- Deficiencies in housing and neighborhood conditions
- Availability of subsidized housing
- Housing market and housing production trends
- The geographic distribution of housing by affordability and occupancy;

Rather than try to categorize the geographic distribution of housing for the entire region, the last section uses Essex and Union counties to illustrate the disparities between the different communities of the region.

This section is not designed to provide an exhaustive or detailed picture of these features, a task that would take many volumes; instead, we try to provide a broad sense of the housing characteristics of the region, in order to enable a reader first, to gain a clear picture of the region from a housing standpoint, and second, to understand the extent to which two central housing issues or concerns are present in the region:

- Unmet housing needs, with respect to basic housing condition, overcrowding, or affordability.
- Geographic disparities in the distribution of housing by race/ethnicity and income

These two conditions form the starting point for the presentation of the desired long-term outcomes for the region's housing, which are presented in the closing section of this report, and suggest the extent to which these outcomes are being achieved, or – as is more often the case – still remain challenges for the region.

1.1 Overview of the region's housing

1.1.1. Basic housing and demographic characteristics

Table 1.1(a) illustrates some of the principal features of the region's housing stock county by county, with national figures added for comparison purposes. The data illustrate the pronounced variation from one county to the next with respect to the character of its housing stock. While the most widely-recognized variation is that between 'urban' counties[1] such as Essex, Hudson and Union and 'suburban' counties such as Morris, Middlesex or Somerset, there are important variations even among those clusters. Although Bergen County is widely seen as a 'suburban' county, its housing stock is among the oldest in the region, and it contains a relatively small percentage of single family housing. It is, however, the county with the highest overall housing costs in the region. Some key features of the housing stock and variations between counties in the region include:

[1] With the possible exception of Hudson County, no county is wholly urban, while, again with the possible exception of Sussex County, no county can be considered wholly suburban or rural. Still, there are marked variations in the extent to which some counties such as Essex and Passaic are heavily urban, and some at the other end of the continuum such as Hunterdon or Morris contain only small areas that can be considered urban.

Table 1.1(a) Basic Characteristics of the Housing Stock by county

County	Percentage Homeowners	Age of housing stock				Housing type (see note 1)			Vacancy rate		Housing cost	
		Owner-Occupied		Rental								
		Built after 1980	Built before 1960	Built after 1980	Built before 1960	Single family	2-4 family	5+ family	Year- round	Seasonal	Median gross rent	Median house value
BERGEN	66.1%	16.7%	62.1%	19.4%	49.6%	58.8%	19.6%	21.3%	4.1%	12.6%	$1,236	$482,300
ESSEX	45.2	14.0	69.7	18.7	54.0	39.3	31.6	29.0	9.0	3.1	$ 977	$395,700
HUDSON	49.9	19.6	62.0	21.3	60.0	16.2	37.9	45.7	8.3	5.6	$1,071	$383,900
HUNTERDON	83.9	48.7	24.1	26.9	50.5	85.4	6.6	7.7	3.7	22.1	$1,154	$446,700
MIDDLESEX	66.6	35.0	38.4	34.3	33.8	64.8	13.5	20.9	4.2	9.1	$1,187	$356,000
MONMOUTH	74.9	40.0	27.5	27.0	37.9	73.5	7.7	17.5	5.2	45.5	$1,137	$424,800
MORRIS	75.0	33.2	37.2	28.5	34.6	74.7	6.9	18.1	3.9	21.0	$1,221	$474,700
OCEAN	81.1	47.5	15.8	39.2	22.3	84.6	5.8	7.2	5.4	73.9	$1,258	$294,100
PASSAIC	55.1	16.9	59.4	11.6	66.8	46.5	32.3	20.9	4.7	9.4	$1,080	$382,600
SOMERSET	76.8	48.7	26.8	48.0	31.7	74.3	9.4	16.3	3.8	13.6	$1,295	$431,200
SUSSEX	84.3	36.3	30.0	24.8	41.5	85.3	5.3	9.2	5.1	56.7	$1,111	$322,400
UNION	60.0	10.3	70.3	15.0	53.4	56.2	24.6	18.9	5.4	4.8	$1,084	$397,200
WARREN	74.7	39.5	37.6	18.2	51.1	78.9	8.0	11.8	6.7	13.3	$ 941	$307,300
UNITED STATES	66.6	43.4	30.0	36.7	32.8	67.3	8.4	17.6	8.6	29.6	$ 841	$188,400

Note 1: difference between row totals and 100% is made up principally by mobile homes

SOURCE: American Community Survey 2010 Five-Year Estimates

- Homeownership

Reflecting both their relatively urban character and their housing stock, homeownership rates in the region's more urbanized counties tend to be substantially below the national average, with fewer than half of the households in Essex and Hudson owning their homes.[2] Conversely, many of the region's suburban counties have exceptionally high homeownership rates, particularly Hunterdon and Sussex counties.

- 'New' counties and 'old' counties.

In five counties the housing stock is predominately more than 50 years old – Bergen, Essex, Hudson, Passaic and Union. In Hunterdon, Ocean and Somerset, by contrast, nearly half of the housing stock has been built since 1980. This may have important implications in terms of maintenance costs, and the demand for rehabilitation resources in the older counties. It is notable that in a few suburban counties – most notably Hunterdon, Monmouth, Sussex and Warren – the rental housing stock is significantly older than the owner-occupied stock, reflecting the effects of increasingly stringent land use regulations.

- Diverse housing type

The older and more urban counties contain more multifamily housing, and, reflecting a distinctive feature of the northern New Jersey housing stock,[3] large numbers of two and three family houses.[4] By contrast, most of the housing stock in the region's suburban counties is single-family housing, which makes up over 80 percent of the stock in Hunterdon, Ocean and Sussex counties.

- Low vacancy rates

Vacancy rates throughout the region are generally lower than in the United States as a whole, with only Essex and Hudson showing evidence of any excess of housing supply over demand. As Table 1.1(b) shows, however, 2010 Census data found that rental vacancy rates were at least moderately high in many of the region's counties, although that may have been elevated in shore and mountain counties by including units being rented for seasonal use.[5] Although no more recent reliable data exists, widespread

---

[2] The large number of two and three family houses in these counties' stock tends to constrain homeownership rates; even if *all* of these properties were owner-occupied, the resulting homeownership rate within that stock would be in the vicinity of 40 to 45%.

[3] Urban northern New Jersey represents the southernmost edge of a belt of free-standing urban 2 and 3 family housing extending through much of urban New England (most famously, Boston's 'triple-deckers') and including some parts of New York City. While scattered examples of this housing type are found in some other urban areas, including parts of Chicago, it is rare elsewhere in the United States.

[4] The breakdown by units in structure in the American Community Survey provides data for 2 family and 3-4 family structures, making it impossible to pin down the precise number of 3 family structures. In cities such as Newark, Elizabeth or Paterson, three family structures are far more common than 4 family buildings, so that can be assumed that the great majority of the units shown in the 2-4 unit column in Table I-1 are in 2-3 family structures.

[5] While there is no official definition of what is considered a 'healthy' vacancy rate, which provides for a reasonable balance between consumer choice and housing market strength, experts generally agree that, at least in ballpark terms, rental vacancy rates between 5% and 8%, and homeowner vacancy rates between 1.5% and 2.5%, are reasonable.

anecdotal information suggests that rental markets in much of the region have become tighter in the past two years. Three counties in particular – Monmouth, Ocean and Sussex – have particularly large numbers of seasonally vacant units.

Table 1.1(b) Vacancy rates by tenure 2010

	RENTAL VACANCY	OWNER VACANCY
BERGEN	6.0%	1.2%
ESSEX	10.6	2.5
HUDSON	7.1	4.8
HUNTERDON	6.3	1.2
MIDDLESEX	5.6	1.5
MONMOUTH	9.0	1.6
MORRIS	7.2	1.3
OCEAN	11.6	2.5
PASSAIC	5.1	1.4
SOMERSET	6.5	1.1
SUSSEX	9.5	1.9
UNION	6.6	1.8
WARREN	11.6	1.9
UNITED STATES	9.2	2.4

SOURCE: 2010 Census

- High housing costs

Northern New Jersey is an expensive area in which to live. Median rental prices tend to be 12% to 50% above the national median gross rent, while median home values in most parts of the region are more than double the national median value, a far greater disparity than the disparity in rent levels.[6] Since the region is characterized by high property taxes and utility costs, the disparity in homeownership costs is even greater than the disparity in house values. Median values range from over $400,000 in five counties to a low of just under $300,000 in Ocean County, a county with a large stock of modest, relatively recently-built, houses, including many in retirement communities.

Table 1.2 shows basic demographic features of the population by county for the northern New Jersey region, including race/ethnicity, income/poverty and foreign born population. The table highlights important disparities between counties, many of which parallel the 'new' and 'old' variation noted above.

Five of the thirteen counties are 'majority-minority' counties, in the sense that non-Latino white individuals make up less than half of the county's population. These include the three lowest income counties, Essex, Hudson, and Passaic. While household incomes are almost as low in Ocean County as in those three counties, that datum reflects the high concentration of elderly residents in that county. 21% of Ocean County residents are over 65, compared to 15% in Bergen County, and far fewer in the rest of the region.

Northern New Jersey, as is well known, is a diverse region; in five counties, in addition to being majority-minority, 25% or more of their residents are foreign-born. At the same time, while two other suburban counties – Bergen and Somerset – are increasingly racially and ethnically diverse, the three outer ring counties of Hunterdon, Sussex and Warren continue to be close to 90% non-Latino white in composition.

The ethnic comparison between 2000 and 2010 in Table 1.2 points out the shifting nature of the regional population; the African-American population has remained fairly static, declining in four counties, particularly in Hudson and Passaic counties, where their population share declined by roughly 10%. At the same time, Latino and Asian populations are growing rapidly, with the Latino population share increasing significantly in every county. The Asian population, which is significantly more affluent and more suburban than other ethnic minority communities, now represents over 10% of the total population in Bergen, Hudson and Somerset counties, and over 20% in Middlesex County.

1.1.2 Housing conditions in the region

Analysts generally distinguish between three distinct housing deficiencies or problems, all of which largely affect lower income households:

- Substandard physical conditions, such as the absence of an indoor bathroom or central heating

[6] The data on rents and home values is based on self-reported data; while most tenants have a very clear idea of what they pay in rent (with the exception of voucher holders, which may skew reported rents downward for areas with relatively high concentrations of vouchers), homeowners often have only a rough and often unreliable sense of the current value of their homes, so that this information should be seen as little more than order-of-magnitude data. Data on house values based on current real estate transactions is presented in a later part of this section; a comparison between the two would appear to suggest, not surprisingly, that respondents tend to overestimate the value of their homes.

- Overcrowding, generally defined as more than 1 person per rental room; e.g., 5 or more people in a two bedroom apartment; and
- Housing cost burden, generally defined as households spending more than 30% of gross income for shelter.

The incidence of these conditions varies widely within the region.

- Substandard housing and neighborhood conditions

The overwhelming majority of the households in the northern New Jersey region are adequately housed, in neighborhoods that they consider desirable, or at least acceptable. At the same time, a non-negligible percentage, particular renters, still have significant housing and neighborhood condition problems. Although limitations on the data, which comes from the 2009 American Housing Survey (AHS), make it impossible to pinpoint the geographic distribution of housing problems within the region,[7] it does make it possible to assess the overall incidence of housing and neighborhood problems within the region.

[7] The only source for most measures of housing and neighborhood condition is the American Housing Survey, which is a relatively small sample survey of the region conducted every five years. Although the AHS offers data for three subareas within the region (Bergen and Middlesex Counties, and the city of Newark), the reliability of that data is questionable. Indeed, the overall regional data should be seen as providing not precise figures, but at best ballpark estimates.

Table 1.2 Basic Demographic Characteristics by County

	AFRICAN-AMERICAN %		LATINO %		ASIAN %	% BELOW POVERTY LEVEL	% 65+	MEDIAN HOUSEHOLD INCOME	% FOREIGN BORN
	2000	2010	2000	2010	2010	2011	2010	2011	2011
BERGEN	5.0%	5.8%	10.3%	16.1%	14.4	6.6	15.1%	$81,228	29.3%
ESSSEX	40.3	39.3	15.4	20.3	4.5	16.0	11.5	$54,661	25.1
HUDSON	12.2	11.2	39.8	42.2	13.2	15.8	10.4	$58,060	40.4
HUNTERDON	2.2	2.5	2.8	5.2	3.2	4.0	12.7	$100,499	8.6
MIDDELSEX	8.6	8.8	13.6	18.4	21.3	8.2	12.3	$77,311	30.8
MONMOUTH	7.8	7.0	6.2	9.7	4.9	6.7	13.8	$83,071	13.2
MORRIS	2.7	2.9	7.8	11.5	8.9	4.4	13.8	$95,085	18.4
OCEAN	2.8	2.9	5.0	8.3	1.7	10.1	21.0	$59,430	7.8
PASSAIC	12.4	11.1	30.0	37.0	4.9	16.2	12.0	$54,265	28.0
SOMERSET	7.3	8.5	8.7	13.0	14.1	4.5	12.4	$96,145	23.4
SUSSEX	1.0	1.6	3.3	6.4	1.7	5.4	12.0	$84,344	7.2
UNION	20.1	20.8	19.7	27.3	4.6	10.5	12.6	$67,988	29.3
WARREN	1.8	3.3	3.7	7.0	2.4	7.2	14.1	$70,628	8.8

SOURCE: 2010 Census, Three-year 2011 ACS. “Majority-minority” counties are highlighted.

Table 1.3 compares the percentage of households with housing deficiencies for owners and renters in the region. While in both cases, the share of households with deficiencies is small, it is notably greater for renters than for owners – one out of 10 renters indicated that their home had either moderate or severe physical problems, while 5% or more of renters identified other problems, including heating equipment breakdowns, open cracks and holes, and signs of mice or rats.[8] 92,000 renter households and 45,000 homeowner households in the region indicated that their homes had moderate or severe physical problems, while 40,000 renter households and 16,000 homeowner households indicated the presence of severe problems. While a small share of all renters, and only a rough estimate, it suggests that these problems affect a significant number of households.

Table 1.3 Percentage of Households with Housing Deficiencies by Tenure (2009)

	OWNERS	RENTERS
Severe physical problems (note 1)	1.0%	4.4%
Moderate physical problems	1.9	5.8
TOTAL	2.9	10.2
Lacks complete kitchen	1.3	4.7
Inadequate or no heat	0.2	0.9
Lacks some or all plumbing	0.7	1.6
Primary water source is unsafe (note 2)	7.6	19.1
No working smoke detectors	1.9	6.7
Heating equipment breakdown last winter	3.1	5.7
Signs of mice or rats in past 3 months	3.4	10.8
Broken plaster or peeling paint	1.6	3.9
Exposed wiring	0.3	0.8
Open interior cracks or holes	2.7	5.7
Leaks from exterior (roof, walls, window frames)	8.2	6.1

SOURCE: 2009 American Housing Survey for Northern New Jersey
(1) This includes sub-categories of plumbing, heating, electrical and upkeep

[8] The survey did not ask about signs of insect infestation.

(2) Inasmuch as virtually the entire region is served by public water companies subject to fairly strict regulation, this result seems open to question.

Table 1.4 Neighborhood Conditions by Tenure (2009)

	OWNERS	RENTERS
Neighborhood ranking (from 1 to 10 with 10 being best):		
1-4	1.7%	6.2%
5-7	20.6	34.1
8-10	77.7	59.7
Serious crime in past 12 months	12.8	19.2
Other serious neighborhood problems (noise, litter, poor public services, deteriorated housing, etc.)	12.9	14.8
Elementary schools are satisfactory (note 1)	94.3	91.0
Public transportation is available within 10 minutes of home (note 2)	64.3	82.3
Satisfactory grocery or drug store within 15 minutes of home	94.9	95.6
Satisfied with level of police protection	96.4	90.4
1 or more house vandalized or with interior exposed within 300 feet of home	1.2	9.2

SOURCE: 2009 American Housing Survey for Northern New Jersey
(1) Question asked only of respondents with children aged 0 through 13
(2) Question only specified 10 minutes 'travel time' and did not specify means of travel; i.e., whether on foot or by car, etc.

The AHS also provides data on neighborhood conditions (Table 1.4). The picture is similar to that of housing condition: the great majority of households appear to be satisfied with their neighborhood conditions, but a non-negligible number identify neighborhood problems including crime. The differences between owners and renters are not as pronounced as with housing condition; the two categories in which they vary most, proximity to public transportation and proximity to abandoned houses, both reflect the concentration of rental housing in higher-density areas where public transportation – as well as abandoned properties – are disproportionately concentrated.

- Overcrowding

Overcrowding is defined as more than 1 person per room, with severe overcrowding defined as more than 1.5 persons. A four room apartment, typically containing a kitchen, living/dining room, and two bedrooms[9] would be considered overcrowded if it contained 5 or more residents, or severely overcrowded if it contained 7 or more. This definition is a movable target, and has become increasingly

[9] Bathrooms, foyers and the like are not considered rooms for these calculations.

stringent over the past century as housing standards have generally improved.[10] It is also a culturally-variable concept, as there is strong research evidence that given levels of overcrowding as officially defined are perceived differently in different cultures (Myers, Baer and Choi 1996; Myers and Choi 1996).

As shown in Table 1.5(a), overcrowding is disproportionately experienced by renters, and disproportionately concentrated in the more heavily urban counties and the cities. While only 4% of renters in Bergen County live in overcrowded conditions, the same is true of nearly 14% in Passaic County and nearly 16% in Union County. 22% of renters in the city of Elizabeth live in overcrowded conditions, and nearly 30% in the city of Passaic, which has the highest level of overcrowding of any major city in the region (or in the state).

Latino households are significantly more likely to live in overcrowded housing than non-Latino white households, with African-American households roughly in the middle. This reflects not only the lower incomes of Latino households and their larger average household size, but also the greater extent to which overcrowding among non-Latino white and African-American households declines with increases in household income. This is shown in Table 1.5(b).

A comparison of the 2009[11] data with 2000 Census data shows a decline in the number of households in overcrowded conditions, in most cases a substantial one, in almost all of the jurisdictions encompassed by the northern New Jersey region.[12] Overcrowding among owner-occupants declined in all counties with the sole exception of Union, where the total remained the same but severe overcrowding increased. Overcrowding among renters dropped similarly, with particularly large declines in Essex and Hudson counties. While the total number of renters in overcrowded conditions stayed roughly the same in Passaic and Union counties, the number living in severe overcrowding increased in both counties.

While overcrowding affects only a small percentage of the region's population, and may be declining, it remains a serious concern. Roughly 15,000 owner-occupant households and nearly 63,000 renter households suffer from overcrowding, with the affected households disproportionately made up of lower income households and concentrated in central cities.

- Cost burden

Although the number of households in the region affected by overcrowding or by unsatisfactory physical or neighborhood conditions is not insignificant, it is a small number compared to those affected by

---

[10] Prior to 1940 there was no official definition of overcrowding. In 1940, the federal government defined overcrowding as more than 2 people per rental room, a definition which was reduced to 1.5 persons in 1950, and 1 person in 1960, where it has remained since.

[11] This is actually five-year 2005-2009 data, which cannot, strictly speaking, be associated with a single year. We refer to it here as 2009 data for convenience. Unfortunately, we are not comfortable using one-year 2009 data at this geographic level because of the high margin of error.

[12] This is also true for the state as a whole. A comparison between 2000 Census data and the 2009 five-year ACS data shows rental overcrowding dropping sharply from 9.4% to 6.9%, and overcrowding among homeowners from 1.7% to 1.1%, statewide. This is hard to explain, since census data showed a steady increase in overcrowding between 1980 and 2000 (after a long-term decline from 1950 to 1980), the definition used by the two sources is identical, and no obvious substantive reason can be identified for this decline. This is but one illustration of the many discrepancies between Census and ACS data.

housing costs that absorb a disproportionate share of their limited incomes, referred to as cost burden. Households are generally considered cost burdened if their housing costs exceed 30% of their gross income, and severely cost burdened if those costs exceed 50% of their gross income.[13]

Table 1.5(a) Percentage of Households in Overcrowded Conditions by County and City in 2009

COUNTY/CITY	OWNER-OCCUPANT		RENTER	
	All overcrowded	Severely overcrowded	All overcrowded	Severely overcrowded
BERGEN	0.9%	0.2	4.0	0.9
ESSEX	1.5	0.5	7.6	3.3
HUDSON	3.9	0.9	8.3	2.7
HUNTERDON	0.4	<0.1	3.7	0.7
MIDDLESEX	1.2	0.2	7.5	1.5
MONMOUTH	0.4	<0.1	4.7	1.4
MORRIS	0.7	0.2	4.2	0.8
OCEAN	0.7	0.1	11.6	2.7
PASSAIC	2.6	1.1	13.6	8.6
SOMERSET	0.6	<0.1	5.0	1.9
SUSSEX	0.4	0	3.1	<0.1
UNION	2.4	1.2	15.5	9.3
WARREN	0.3	<0.1	2.3	0.5
East Orange	2.1	0.2	13.6	6.3
Elizabeth	10.4	7.0	21.5	15.9
Irvington	3.3	0.5	9.4	2.4
Jersey City	4.3	0.9	8.4	2.6
Newark	3.4	1.2	7.8	2.8
New Brunswick	7.1	0.6	17.2	5.5
Paterson	7.0	2.4	11.6	6.2

Source: 2005-2009 five-year American Community Survey

Table 1.5(b) Percentage of Households in Overcrowded Conditions by Race/Ethnicity for Selected Jurisdictions in 2009

	LATINO	NON-LATINO WHITE	AFRICAN-AMERICAN
HUDSON	10.5%	3.1%	5.3%
PASSAIC	17.6	1.9	6.3
UNION	18.8	1.4	8.5
Elizabeth	22.9	6.9	17.2
Paterson	13.6	5.3	4.8

Source: 2005-2009 five-year American Community Survey

[13] As with the definition of overcrowding, this definition has also been changed – but in this case upward – over the years. The initial standard established under the public housing program in 1940, was that households should not spend more than 20% of gross income for housing costs. The cost burden standard was increased to 25% in 1969, and again to 30% in 1981.

According to AHS data, 22% of all renters in the northern New Jersey region are severely cost burdened. Table 1.6(a) shows the overall distribution of renters by cost burden, as well as the cost burdens for African-American and Latino renters. Cost burdens are notably higher for Latino households than for other renters in the region.

Table 1-6(a) Renter Cost Burden in Northern New Jersey (2009)[14]

Percentage of income for housing costs	All renters	African-American renters	Latino renters
Under 20%	21.9%	15.9%	12.9%
20-29%	22.6	25.5	19.2
30-39%	21.6	28.4	25.6
40-49%	11.8	6.4	13.2
50% or more	22.1	23.9	29.1
MEDIAN	32%	31%	36%

SOURCE: American Housing Survey

Table 1.6(b) shows the distribution of renters by income, and the percentage of renters who are cost burdened, by county. As a very rough approximation, the first two income categories (under $20,000 and $20,000 to $34,999) correspond to low income households, while the third ($35,000 to $50,000) corresponds to moderate income households.[15] The overall pattern of cost burden is reasonably consistent from one county to the next. Almost all low income households – roughly 90% - are cost burdened. Between one-half and two-thirds of moderate income households are cost burdened, while only a small percentage of more prosperous renter households are cost burdened. In contrast to owner cost burden, which will be discussed below, cost burden among renters predominately affects low and moderate income households. It is worth noting that in many counties the incidence of cost burden is slightly lower among the very lowest income group than among the next lowest, most probably reflecting the larger use of housing vouchers among the lowest income households in the region.

For purposes of comparison, Table 1.6(b) also shows the national distribution of renter households by income and cost burden. While cost burdens are consistently high for the lowest income category throughout the United States, the comparison shows that cost burden for other low and moderate income households – those earning more than 30% but less than 80% of AMI – is much more severe in New Jersey than in most other parts of the country.

[14] This may slightly understand the severity of cost burdens, since those households reporting that their rent exceeded 100% of gross income have been excluded based on the AHS conclusion that much of this category represents response error. The fact remains, however, rents can sometimes exceed 100% of gross income, at least for some period of time, as the household draws upon savings or borrowings to cover housing costs.

[15] The median household income for the region as a whole (not adjusted for household size) as reported in the 2009 AHS was $60,300.

While cost burden for low income households does not vary significantly among the counties in the region, there are significant variations from county to county with respect to cost burden for moderate and even middle ($50,000 to $74,999) income households. Cost burden for moderate income households is generally lower in the more urban counties – 52% of moderate income households are cost burdened in Hudson County, and 49% in Essex County – compared to the more affluent suburban counties. 77% of moderate income renters in Somerset County are cost burdened, as are 71% in Bergen County. Ocean County renters are also particularly heavily cost burdened – 75% of moderate income and 42% of middle income households in that county are cost burdened. All in all, some 285,000 low income renter households and 74,000 moderate income renter households across the region suffer from cost burden; of these households, between 140,000 and 150,000 suffer from severe cost burdens, over half of whom are either African-American or Latino.

Table 1.6(b) Distribution of Renters and Extent of Cost Burden by Income by County

	<$20,000		$20,000-$34,999		$35,000-$49,999		$50,000-$74,999		$75,000+	
	% of all renters	% cost burdened	% of all renters	% cost burdened	% of all renters	% cost burdened	% of all renters	% cost burdened	% of all renters	% cost burdened
BERGEN	16.8%	88.8%	14.8%	90.5%	13.6%	70.5%	20.1%	30.6%	29.1%	6.1%
ESSEX	27.8	83.1	19.4	83.2	15.6	49.1	16.5	15.3	16.6	2.3
HUDSON	23.5	85.8	16.4	81.7	13.2	52.2	16.6	21.0	26.4	4.9
HUNTERDON	18.2	91.6	18.7	92.1	14.1	64.2	20.7	23.9	20.1	6.7
MIDDLESEX	17.0	87.3	14.8	90.3	13.2	66.1	19.8	22.9	30.7	2.7
MONMOUTH	23.4	85.1	18.7	88.9	14.6	62.5	17.0	31.9	20.5	5.7
MORRIS	14.1	85.8	13.6	93.0	14.8	69.7	20.7	24.6	31.5	6.1
OCEAN	22.9	90.1	18.6	89.0	16.2	74.9	17.6	42.2	16.2	8.8
PASSAIC	27.1	91.5	21.8	89.1	15.7	63.9	15.5	23.9	14.3	2.5
SOMERSET	13.4	89.7	15.7	91.8	15.9	76.6	17.7	34.3	33.0	6.0
SUSSEX	22.1	92.5	17.5	90.4	15.9	56.9	18.7	28.1	17.5	2.4
UNION	21.9	91.7	19.1	87.6	16.3	58.7	19.0	20.1	19.6	3.4
WARREN	22.1	81.5	21.2	81.7	16.2	51.6	20.1	21.0	12.9	1.4
UNITED STATES		87.7%		67.2%		34.8%		16.2%		4.6%

SOURCE: 2006-2010 five-year American Community Survey

Cost burden also affects large numbers of homeowners. It is much more difficult, however, to assess the significance of cost burden among homeowners than it is among renters, for many different reasons. In contrast to renters, who tend to be much more transient and tend to give great weight to price in their decision-making, home buyers are much more sensitive to variations in neighborhood and housing quality. Furthermore, standard cost ratios used by lenders routinely assume that homeowners will spend substantially more than 30% of their income for housing costs when the costs of utilities are factored in.[16]

Many owners who bought or refinanced during the bubble years are spending particularly high amounts in housing costs. These costs, however, for many households – particularly in the upper income brackets – are offset to a significant extent by their ability to deduct both mortgage interest and property taxes from their federal income taxes. Finally, elderly homeowners tend to have significantly higher cost burdens than non-elderly homeowners;[17] this is not, in many cases, a function of higher costs, but rather a function of the drop in household incomes associated with aging and retirement. All of these factors make it difficult to treat homeowner cost burden, taken as a whole, as a straightforward housing problem in the same sense that renter cost burden can be so perceived.

For many lower income homeowners, however, cost burden *is* a problem. For an elderly or disabled homeowner trying to stay in the house that she could once comfortably afford, particularly if the house needs repairs beyond their ability to pay for them, it is a serious problem. The same is true for households who 'over-bought' and are now living beyond their means, or for households whose ability to pay their mortgage has suffered as a result of disability, unemployment or catastrophic costs.[18] It is not to minimize these burdens to suggest that homeowner cost burden can be seen as a *situational* problem, affecting a significant number of households with particular situations that have triggered the problem. By contrast, renter cost burden should be seen as a *systemic* problem, resulting from a systemic disparity between the structure of the rental market in the region and the income distribution of the region's renter population.

1.1.3. Availability of subsidized housing

For many years, public and private agencies and organizations have devoted time and money to creating housing that would address the needs of lower income households. Beginning with public housing, created by the New Deal in the 1930s, and continuing to the present through a variety of programs largely but not entirely supported by federal funds, a large inventory of affordable housing has been created throughout the northern New Jersey region. Today, there are 126,000 affordable housing units, as well as more than 48,000 housing choice or Section 8 vouchers available across the region, as shown in Table 1.7.

[16] Lenders will typically allow up to 36% of gross income for mortgage payments, property taxes and insurance. The cost of water & sewer, electricity and heating/air conditioning can easily increase the total housing cost for the owner by 5% or more.
[17] According to the 2009 AHS, the median share of income spent on housing by elderly homeowners was 28% compared to 24% for all homeowners.
[18] Some of these owners have been able to benefit from temporary foreclosure prevention assistance, such as the NJ Housing & Mortgage Finance Agency's Homekeepers program.

Table 1.7 Availability of Affordable Housing by County

	NUMBER OF AFFORDABLE UNITS BY TYPE							AFFORDABLE UNITS AS % OF TOTAL HOUSEHOLDS		% FAMILY UNITS (note 1)
	Senior Citizen	Family	Special Needs	Mixed or unspecified	Local or county vouchers	State vouchers or SRAP	TOTAL	Excluding vouchers	Including vouchers	
BERGEN	4,856	4,136	1,024	283	5,555	1,045	16,899	3.1%	5.0%	41.3%
ESSEX	12,427	19,767	356	180	2,431	3,163	38,324	11.3	13.5	60.7
HUDSON	7,075	15,112	162	1,330	6,152	2,307	32,138	9.6	13.0	67.6
HUNTERDON	493	233	264	172	0	568	1,730	2.5	3.7	23.5
MIDDLESEX	4,867	4,423	491	107	3,444	1,710	15,142	3.6	5.4	44.8
MONMOUTH	6,420	3,711	435	1,342	4,002	1,274	17,184	5.1	7.3	35.1
MORRIS	2,714	1,340	252	547	1,017	483	6,353	2.7	3.5	31.1
OCEAN	2,368	1,302	291	151	2,064	1,726	7,902	1.9	3.7	32.9
PASSAIC	4,372	4,616	248	752	5,109	1,806	16,913	6.0	10.1	50.0
SOMERSET	1,343	2,762	457	1,984	394	872	7,812	5.6	6.6	60.6
SUSSEX	376	242	177	108	0	934	1,837	1.6	3.4	30.4
UNION	4,186	3,406	230	697	534	1,396	10,459	4.5	5.6	43.5
WARREN	480	886	146	194	210	236	2,152	4.1	5.2	58.6
TOTAL	51,977	61,736	4,533	7,847	30,912	17,493	174,498			

SOURCE: NJ DCA Guide to Affordable Housing (1) excluding mixed or unspecified units

Up to the 1980s, with rare exceptions, affordable housing development in northern New Jersey was concentrated in its older cities. As a result of the *Mt. Laurel* decision[19] and the subsequent New Jersey Fair Housing Act, increasing numbers of affordable housing units – the generic term for subsidized housing affordable to low and moderate income households – came to be developed outside the central cities, including many units in some of New Jersey's most affluent suburbs, such as Bedminster or Bernards Townships. A further factor fostering greater dispersal of affordable housing was the growing use of tenant-based housing assistance, principally through federally-funded Housing Choice Vouchers (also known as Section 8 Vouchers).

Significant disparities, however, continue to exist between county, and between municipalities within each county, with respect to the availability of affordable housing, as shown in Table 1.7.[20] The share of actual affordable housing units in the housing stock varies from a high of 11% in Essex County to less than 2% in Ocean and Sussex counties. When vouchers are included, we find that more than 1 of 8 total households in Essex and Hudson counties receives housing assistance, but that only 1 in 30 households receives similar assistance in Hunterdon, Morris, Ocean and Sussex counties.

Another significant discrepancy is with respect to the distribution of age-restricted (senior) and family units in the affordable housing stock. Statewide, 23% of all households have a householder aged 65 or over. As Table 1.7 shows, however, in most counties, the share of age-restricted housing in the affordable stock is significantly greater than their share of households in the population at large or in the lower income population. Family units make up less than one-third of the affordable housing stock in Hunterdon, Morris, Ocean and Sussex counties.[21] Some municipalities show even greater discrepancies: Brick (Ocean County) contains 450 age-restricted units, but only 28 family units, while Middletown (Monmouth County) contains 977 age-restricted units, but only 129[22] family affordable housing units.

[19] The 1975 decision of the New Jersey Supreme Court in *Southern Burlington County NAACP et al. v. Township of Mt. Laurel* 67 NJ 151 held that every 'developing municipality' had a legal obligation to accommodate its 'fair share' of the regional need for low and moderate income housing. Although that decision did little more than lay down that principle, the subsequent decision in the case (known as *Mt. Laurel II*) in 1983 set down clear guidelines for implementation of the principle, including the "builder's remedy" under which the courts could grant approvals to developers whose project included a reasonable amount of affordable housing in municipalities which had failed to comply with the *Mt. Laurel* doctrine, as it was known. The Mt. Laurel II decision led the legislature to adopt the New Jersey Fair Housing Act in 1985, which created the Council on Affordable Housing, which subsequently established fair share goals for individual municipalities and monitored their compliance with those goals.

[20] This table is taken from the DCA guide to affordable housing available online at http://www.state.nj.us/dca/divisions/codes/publications/developments.html. While we have relied on this data source for this section, it is likely that there are a number of errors, where units have been omitted or where units have been inappropriately included. One specific example that we identified was the incorrect inclusion of the 1,310 unit Brookchester garden apartment complex in New Milford (Bergen County) as affordable housing. We were able to verify that this complex is not affordable housing in the formal sense used here or used by the guide. Within the constraints of this project, it was not possible to review the guide for accuracy.

[21] This imbalance is partially, but only to a limited extent, addressed by the likely larger share of families among voucher recipients, as well by the fact that some age-restricted units are occupied by special needs individuals. Conversely, it is likely that some smaller units in family developments are occupied by elderly households.

[22] This includes a substantial number for which age-restricted or family status was not specified, but which appear from the description in the DCA Guide to be most probably family units. This tally does not include vouchers, which could be either. It is worth noting that the Township's 2008 petition to COAH lists 303 completed family units addressing the COAH Prior Round. I am indebted to David Kinsey for this information.

The countywide data, however, hides major discrepancies within each county with respect to the location of affordable housing.[23] Typically, affordable housing is not evenly distributed around a county, but concentrated in a few municipalities. In those counties with large urban centers, the discrepancy is particularly pronounced. Over 2/3 of all of the subsidized housing units in Essex County are in Newark, with an additional 23% in East Orange, Irvington and Orange. Over half of the affordable units in Passaic County are in Paterson, with most of the remainder in Passaic and Clifton. There are a number of large suburban affordable housing clusters. Bedminster, Bridgewater and Franklin townships contain 60% of all the affordable housing in Somerset County, a direct outcome of the *Mt. Laurel II* process, while Lakewood – which is arguably more an urban than suburban community – contains one-quarter of the affordable housing units, and half of the housing vouchers, in Ocean County.

A closer look at the distribution of housing choice vouchers shows that the greatest concentrations of vouchers, *as a percentage of all renter households*, are not found in the region's major urban centers, but in more outlying areas. The highest percentage of vouchers at the county level is found in Ocean and Warren counties, while the municipality with the highest percentage is Lakewood, in which 40% of all rental units are occupied by voucher holders.[24] By contrast, only 5.8% of renters in Newark are voucher holders, and 6.8% in Paterson. Table 1.8 presents the percentage of voucher holders for each county, and for selected municipalities in which the percentage is particularly high. Among the highest percentages are found in municipalities such as Carteret, Netcong and Prospect Park, along with smaller urban centers such as Asbury Park and Phillipsburg.

1.2 Housing market and housing production trends

1.2.1. Overview of the regional market

As the foregoing discussion of housing conditions suggests, there are many different housing markets in northern New Jersey, ranging from areas where the market is extremely weak, to areas where it is extremely strong. While there are no cities or townships where the market has collapsed as a whole, as is the case with some Midwestern cities, there are sections of some cities – most notably East Orange, Irvington, Newark and Paterson – which exhibit extremely weak market conditions. These are exemplified by low levels of market activity, extremely low prices, high vacancy rates, and little homebuyer (as distinct from investor) activity.

[23] It was not possible to obtain reliable data on the location of state or county vouchers by municipality.

[24] This data comes from PolicyMap, which used the 2008 HUD report *A Picture of Subsidized Households* as the source for the number of voucher holders, and compared it to the number of rental housing units reported in the 2000 census. It is not precisely comparable to the data presented in Table 1.7.

Table 1.8 Housing Choice Vouchers as a Percentage of Total Renter Households for Counties and Selected Municipalities

COUNTY	VOUCHER %	MUNICIPALITY	VOUCHER %
BERGEN	5.4%	Lodi	11.3%
		Englewood	12.0
ESSEX	5.0		
HUDSON	4.7		
HUNTERDON	7.4		
MIDDLESEX	5.6	Carteret	16.6
		Perth Amboy	14.0
MONOUTH	7.8	Asbury Park	17.2
		Keansburg	24.0
MORRIS	4.1	Netcong	15.2
		Wharton	13.7
OCEAN	10.7	Lakewood	40.0
PASSAIC	6.7	Haledon	15.3
		Prospect Park	20.6
SOMERSET	3.6		
SUSSEX	8.5	Newton	13.0
UNION	5.0		
WARREN	10.7	Phillipsburg	14.5
		Washington	12.1

SOURCE: PolicyMap, based on HUD and Census data. Data for 2008

Two census tracts that exemplify weak market conditions in the region are shown in Table 1.9, where they are contrasted with two strong market census tracts. The low number of mortgages compared to the number of sales reflects the predominance of investors in the market. Current house prices in these tracts, which are far below replacement cost, reflect a market collapse from the prices at the peak of the market in 2006. By contrast, house prices in the two strong market tracts have actually risen between 2006 and 2011, despite the larger downward trends in the housing market. While the four tracts in the table represent the extremes of market condition in the region, they reflect the range of variation that can be found in northern New Jersey.

Figure 1.1 shows in broad outline the generalized pattern of housing markets for the greater part of the region, as reflected in the most recent sales price data. Boiled down to its essentials, it shows an irregular but clear pattern of concentric rings, with a low value core surrounded for the most part by areas of medium value, surrounded in turn by high value suburban areas, where median house values are consistently $400,000 or higher. Beyond the perimeter of the high value areas in Somerset and Morris counties, however, an outer medium value area emerges, one which is largely outside what might be considered the ‘efficient commuter’ perimeter, and extending to the edge of the region. The same is true to the south (outside the area shown on the map), where most of Ocean County is a medium value area.

Table 1.9 Selected census tracts with weak and strong market conditions

	Median sales price (2011)	Median sales price (2006)	Change 2006-2011	Number of sales (2010)	Number of mortgages (2010)	Vacancy rate (2010)
WEAK MARKET						
Tract 13200 Irvington	$50,000	$230,000	- 78%	34	4	19.75%
Tract 10800 East Orange	$42,000	$270,000	- 84%	26	7	30.20%
STRONG MARKET						
Tract 41200 Mountain Lakes	$970,000	$850,000	+ 14%	80	48	3.67%
Tract 37900 Summit	$1,100,000	$930,000	+ 18%	199	108	4.48%

Source: PolicyMap

1.2.2 Recent housing market trends

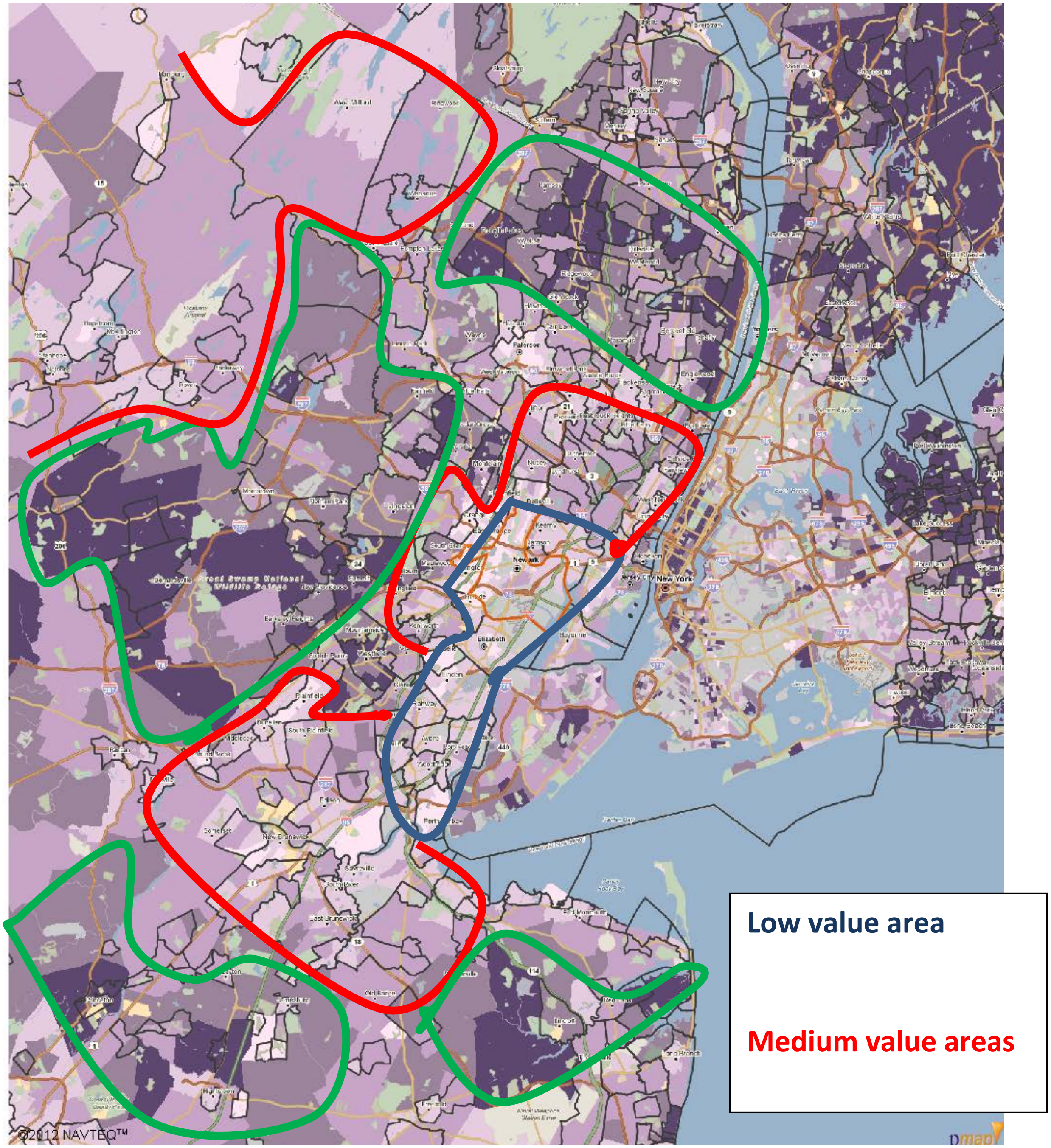
The Northern New Jersey region was not immune from the pressures that led to the housing bubble that began in the late 1990s and gathered steam during the first part of the 2000s. Between 2002 and 2007, house prices increased by roughly 10% per year in most parts of the region[25] with an average annual increase of 14% during this period in Hudson County. Since 2006 or 2007, however, prices have declined throughout the region, although, as Table 1.10(a) shows, declines have been modest for the most part compared to the declines registered in many other parts of the United States. Only in Hudson County did the median price decline by more than one-third. As a result, prices have remained high in most parts of the region, with countywide median prices above $200000 in all of the region's counties, and above $300000 in Bergen, Hunterdon, Monmouth, Morris and Somerset Counties.

Sales volumes have also dropped sharply since 2006, with the number of sales in 2011 only slightly more than half that of 2006. This reflects the decline in consumer confidence coupled with the effects of the Great Recession and the difficulty many buyers have had obtaining mortgages as well as the uneven effect of mortgage foreclosures in the region, discussed in the following section.   Again, there was considerable variation around the region on this measure as well; sales volumes dropped by only about one-third in the two shore counties, but by over 60% in Essex, Hudson and Passaic, the region's three most urbanized counties, reflecting the disproportionate effect of the market collapse and subsequent foreclosures on the region's cities and lower income households.

---

[25] Annual increases were between 9 and 11% in Bergen, Essex, Middlesex, Passaic, Sussex and Union Counties. Data for the 2nd quarter of each year comes from the New Jersey Association of Realtors. Data is not available for Monmouth and Ocean Counties.

Figure 1.1 Median 2011 sales prices in northern New Jersey



LEGEND Source: PolicyMap

- $149,999 or less
- $150,000 - $249,999
- $250,000 - $399,999
- $400,000 - $599,999
- $600,000 or more

Table 1.10(a) Key Market Trends by County

	NUMBER OF RESIDENTIAL SALES			MEDIAN SALES PRICE		
	2006	2011	Δ 06-11	2006	2011	Δ 06-11
BERGEN	18,825	10,514	-44%	$475,000	$385,000	-19%
ESSEX	17,410	6,756	-61%	$362,000	$290,000	-20%
HUDSON	9,193	3,646	-60%	$382,000	$250,000	-35%
HUNTERDON	3,552	1,909	-46%	$390,000	$327,255	-16%
MIDDLESEX	18,143	8,625	-52%	$337,250	$258,500	-23%
MONMOUTH	14,798	10,050	-32%	$385,000	$320,000	-17%
MORRIS	12,176	6,690	-45%	$453,000	$374,000	-17%
OCEAN	18,074	11,680	-35%	$289,900	$205,000	-29%
PASSAIC	11,596	4,195	-64%	$369,900	$260,000	-30%
SOMERSET	9,355	4,289	-54%	$400,000	$365,000	-9%
SUSSEX	4,274	1,890	-56%	$280,000	$205,000	-27%
UNION	10,993	5,745	-48%	$383,000	$275,000	-28%
WARREN	2,805	1,227	-56%	$275,000	$200,000	-27%
REGION	151,194	77,216	-49%			

SOURCE: Boxwood Means from PolicyMap

While the region's housing markets as a whole weathered the bursting of the housing bubble and the Great Recession relatively well, many of the region's central cities saw their housing markets all but collapse, as shown in Table 1.10(b). Sales volumes in these seven cities as a whole dropped by more than two-thirds, and by more than three-quarters in East Orange, Irvington and Paterson. While nearly 4,000 houses changed hands in Paterson in 2006, barely 700 houses were purchased in that city in 2011.[26] One result of this is that urban sales represented a much smaller percentage of total regional sales in 2011 than in 2006; while sales in these seven cities made up 11% of all sales in 2006, they made up less than 7% in 2011.

[26] These are all 1 to 4 family property sales, which include sales to investors as well as to homebuyers. Given the relatively small size of the city of Paterson, the large number of sales in 2006 is evidence of a seriously overheated, and probably highly speculative, market.

Table 1.10(b) Key Market Trends for Selected Cities

	NUMBER OF RESIDENTIAL SALES			MEDIAN SALES PRICE		
	2006	2011	Δ 06-11	2006	2011	Δ 06-11
East Orange	1,179	288	-76%	$265,000	$ 89,800	-66%
Elizabeth	1,640	857	-48%	$390,000	$165,000	-58%
Irvington	1,222	259	-79%	$240,000	$ 57,000	-76%
Jersey City	3,771	1614	-57%	$345,000	$215,000	-38%
Newark	3,997	1314	-67%	$307,300	$138,000	-55%
New Brunswick	642	223	-66%	$300,000	$195,000	-35%
Paterson	3,866	727	-81%	$334,000	$140,000	-58%
SEVEN CITIES	16,317	5282	-68%			

SOURCE: Boxwood Means from PolicyMap

House prices declined far more drastically in these cities than in the rest of their counties, or in the region as a whole. While prices declined 20% in Essex County as a whole, they dropped 55% in Newark, 66% in East Orange, and 76% in Irvington. The median price in Irvington went from $240000 in 2006 to only $57000 in 2011. Putting this in context, adjusted for inflation, the median sales price in Irvington in 2011 was only *half* of the median sales price in 1980.[27]

It is notable that the two cities in which prices declined far less were Jersey City and New Brunswick, the only two of the seven cities which had experienced significant market-driven revitalization prior to the collapse of the housing bubble. Their greater underlying economic strength enabled them to sustain their markets far better than other cities, where the dramatic run-up in prices between 2000 and 2006 was driven more by speculation and widespread subprime lending than by any fundamental improvement in those cities' economic or social conditions.

Data on rental trends is far less reliable than that for sales. Since rentals, unlike sales, are not recorded, no data on current rental transactions exists comparable to that shown above for sales. An approximation of the overall trend during the past decade, however, can be obtained by comparing 2000 census data with data from the American Community Survey. Table 1.11 shows median gross rents from the 2000 Census and from the three year American Community Survey for 2007-2009 and 2009-2011, as well as the average annual change in rents

[27] Based on data on usable sales from the NJ Division of Taxation, the median sales price in 1980 was $40950, which adjusted for inflation was equal to $111784 in 2011.

from 2000 through 2009, and for the more recent periods between 2007 and 2009 and between 2009 and 2011.[28]

Table 1.11 Rental Cost Trends for Selected Counties and Cities

COUNTY	CITY	2000 Median Gross Rent	2007-2009 Median Gross Rent	2009-2011 Median Gross Rent	Average annual change 2000-2009	Average annual change 2007-2009	Average annual change 2009-2011
ESSEX	County	$675	$969	$1,043	4.1%	3.2%	3.7%
	East Orange	$650	$874	$955	3.3%	0.9%	4.5%
	Irvington	$678	$927	$942	3.5%	1.0%	0.8%
	Newark	$586	$891	$971	4.8%	4.3%	4.4%
HUDSON	County	$703	$1,052	$1,135	4.6%	4.0%	3.9%
	Jersey City	$675	$1,060	$1,150	5.1%	5.1%	4.2%
MIDDLESEX	County	$845	$1,174	$1,229	3.7%	7.2%	2.3%
	New Brunswick	$837	$1,207	$1,313	4.2%	0.9%	4.3%
PASSAIC	County	$747	$1,056	$1,127	3.9%	1.9%	3.3%
	Paterson	$696	$994	$1,070	4.0%	1.2%	3.8%
UNION	County	$752	$1,063	$1,135	3.9%	2.2%	3.3%
	Elizabeth	$681	$951	$1,014	3.8%	1.5%	3.3%

Source: 2000 Census and American Community Survey

The rental data, for all its limitations, shows some important trends, which diverge significantly from the sales price trends presented earlier. First, as shown in Table 1.12, the disparity between urban and suburban rents is far less than the disparity between suburban and urban sales prices. While sales prices in the cities – with the notable exception of Jersey City – are significantly lower than in the rest of their respective counties, rents are more nearly comparable between urban and suburban areas, with rents in Jersey City and New Brunswick higher than in the rest of the county. Rent levels in New Brunswick, by far the most expensive urban area in the region, are strongly affected by the large demand coming from the Rutgers student population.

[28] The ACS figures are inflation-adjusted to the last year in the three year period, so that the 2007-2009 data can be seen as an approximation of 2009 rents, and the 2009-2011 as an approximation of 2011 rents. It should be stressed that this is an approximation, with a significant potential margin of error between this data and actual rents.

Second, although in many cities the *rate* of rental price growth abated, at least temporarily, since 2007, rents have continued to increase even as sales prices have dropped. In Newark and Jersey City rents continued to rise by 4% or more per year after 2007, even as house prices were plummeting. Notably, in most of the cities, the rate of increase in rents has picked up again since 2009, with increases between 2009 and 2011 usually greater than in the preceding two-year period.

Table 1.12 Urban/suburban Price Disparities for Selected Cities

City	Median sales price as % of countywide median (2011)	Median gross rent as % of countywide median (09-11 ACS)
East Orange	31%	92%
Elizabeth	60%	89%
Irvington	20%	90%
Jersey City	86%	101%
Newark	48%	93%
New Brunswick	75%	107%
Paterson	54%	95%

SOURCE: Boxwood Means, American Community Survey

Finally, rents are high relative to sales prices; in East Orange and Irvington, the median gross rent is substantially higher than the cost to carry a median-priced house, while it is not markedly lower in Newark and Paterson. This reflects the severity of the affordability problem in these cities, because incomes of people in the tenant pool are significantly lower than those of current and potential homebuyers.

These trends reflect the extent to which large numbers of households in the region, and particularly in its central cities, are dependent on rental housing. This is a trend that has become more pronounced in recent years because of the combined impact of large numbers of families losing their homes through foreclosure and being thrown into the rental market, while difficulty obtaining home purchase mortgages has locked many other families into the rental market as well. It also reflects, in all probability, the effect of the large number of vouchers in the urban rental market. The tendency of urban landlords to 'game' the housing voucher program, by raising their rents from those previously prevailing in the neighborhood to the full Fair Market Rent level established for the region by HUD, has been well-documented (Susin 2002). This pattern is likely to be playing a significant role in the high level of rents to incomes in northern New Jersey's housing markets. While this has no effect on voucher holders, it has a significant effect on the larger number of low income households who do *not* have vouchers, and must pay higher rents as a result. Susin concludes, based on his analysis of 90 metropolitan areas, that the increased costs to low-income non-recipients significantly outweigh the benefits to voucher recipients, resulting in a net loss of $2.4 billion to low-income households.

1.2.3. Foreclosures

The collapse of the housing bubble in 2006 and 2007 and the ensuring Great Recession triggered a wave of foreclosures throughout the United States, although its effects were uneven, hitting some areas far harder than others. While it is hard to point to any one element as the cause, the sharp rise in foreclosures that took place during the latter part of the decade is very much part of the same dynamic that led to parallel declines in house prices and even more dramatic declines in housing production throughout the United States. Elevated levels of foreclosures, both because of their effect on fostering abandonment as well as their effect in reducing home ownership and encouraging speculative real estate investment, are among the most powerful drivers of neighborhood destabilization, contributing to declining property values, increased crime, and overall loss of community confidence, all of which have been well-documented in the research literature (Immergluck and Smith 2006a, Immergluck and Smith 2006b, Schuetz, Been and Ellen 2008, Lin, Rosenblatt and Yao 2009, Frame 2010, Ellen, Laycoe and Sharygin 2011).

Statewide, the volume of foreclosure filings more than tripled from 20,253 in 2005, the last year before the price decline began, to 66,717 in 2009. Foreclosures increased faster in the northern New Jersey region than in the rest of the state during that period, going from 13,319 to 47,314 or from 66% to 71% of the statewide total. As shown in Table 1.13, the level of foreclosures varied sharply from one part of the region to another. Cumulative foreclosure filings between 2006 and 2010[29] represented roughly 5% of all residential parcels[30] in the most affluent counties, such as Hunterdon or Morris, but well over 10% in urban counties such as Union and Passaic, and nearly 20% in Essex County. While not all filings result in foreclosure, the majority of them do. Foreclosures were filed on 1 out of 11 residential properties in the region during these years.

Table 1.13 Cumulative Foreclosure Filings by County 2006-2010

	RESIDENTIAL PARCELS	FORECLOSURE FILINGS	FILINGS AS % OF PARCELS
BERGEN	248,319	16,572	6.7%
ESSEX	144,859	26,745	18.5
HUDSON	102,020	13,639	13.4
HUNTERDON	41,637	2,183	5.2
MIDDLESEX	21,0484	17,076	8.1
MONMOUTH	208,020	15,690	7.5

[29] Foreclosure filings in New Jersey dropped sharply in 2011 for reasons unrelated to economic trends, market conditions or buyer default behavior, as a direct outcome of the moratorium imposed by the New Jersey Supreme Court on foreclosure filings. This moratorium, which was imposed after the court found large numbers of improperly filed foreclosures resulting from robo-signing and other defective lender practices, resulted in total foreclosures dropping from 58,000 in 2010 to barely 6,000 in the first half of 2011. The moratorium was gradually lifted on a lender-by-lender basis, as the court determined that lenders had adopted appropriate practices to eliminate future abuses. The last moratorium was lifted in September 2011.

[30] Foreclosure filings were compared with the number of residential parcels (defined as 1 to 4 family structures) for property tax classification reported to the Division of Local Government Services by municipalities. It is possible that there is some duplication of properties in this cumulative filing total, if a property was foreclosed, sold and the new owner subsequently foreclosed upon, during the five year period covered by the data. Given the long time frame for a foreclosure to be perfected in New Jersey, however, the number of duplicate properties is likely to be very small.

MORRIS	149,816	8,311	5.5
OCEAN	238,504	18,336	7.7
PASSAIC	107,714	14,301	13.3
SOMERSET	101,022	6,359	6.3
SUSSEX	55,173	5,755	10.4
UNION	129,261	17,407	13.5
WARREN	34,154	3,407	10.0
REGION	1,770,983	164,781	9.3

SOURCE: NJ Division of Local Government Services; Administrative Office of the Courts

Table 1.13 shows that Essex County has been the foreclosure epicenter of the region, and the state as a whole. Foreclosures, however, did not take place evenly across Essex County; on the contrary, nearly 2/3 of all countywide foreclosures took place in four municipalities: East Orange, Irvington, Newark and Orange, all of which had foreclosure rates well above the countywide average. By contrast, affluent suburban municipalities like Essex Fells, Livingston or Millburn had far lower foreclosure rates. Table 1.14(a) shows estimated foreclosure filing rates for 2010[31] and extrapolated filing rates for the period from 2006 through 2010 by

Table 1.14(a) Estimated Foreclosure Filing Rates for 2010 and for 2006-2010 for Essex County Municipalities

	Residential parcels	Filings reported to DOBI 2010	Estimated filing rate 2010 (note 1)	Estimated cumulative filing rate 2006-2010 (note 2)
Belleville	8,371	128	4.3%	17%
Bloomfield	11,662	130	3.1%	13%
Caldwell	1,901	16	1-3%	
Cedar Grove	3,915	16	< 2%	
East Orange	8,871	224	7.1%	28%
Essex Fells	785	2	< 1%	
Fairfield	2,491	16	< 2%	
Glen Ridge	2,293	12	< 2%	
Irvington	7,994	260	9.1%	37%
Livingston	9,836	38	< 2%	
Maplewood	6,877	51	1-3%	
Millburn	6,172	8	< 1%	
Montclair	9,671	53	< 2%	

[31] The data from the AOC is only available at the county level. Subsequent to enactment of a 2009 disclosure law, foreclosure filing data by municipality is reported to the Department of Banking & Insurance (DOBI) and posted on their web site. Since compliance with the disclosure law is only partial, however, total filings must be estimated by comparing DOBI municipal data with AOC county-level data. 2010 is the only year for which both data sets are currently available, and which is not potentially distorted by the effects of the judicial moratorium.

Newark	29,807	656	6.2%	25%
North Caldwell	2,130	7	< 1%	
Nutley	8,242	61	1-3%	
Orange	4,178	116	7.8%	32%
Roseland	2,056	5	< 1%	
South Orange	4,367	39	1-3%	
Verona	4,827	27	< 2%	
West Caldwell	3,504	4	< 1%	
West Orange	13,278	146	3.1%	13%

SOURCE: NJ Division of Local Government Services; Department of Banking & Insurance
NOTES: (1) Extrapolated based on ratio of DOBI reporting to countywide total reported by AOC. Ranges are shown where small numbers make more precise estimates highly uncertain.
(2) Rate not calculated for municipalities for which ranges are shown in preceding column

municipality.[32] The four municipalities mentioned above all had estimated cumulative filing rates from 2006 through 2010 equal to 25% or more of their total residential parcels. Bloomfield, Belleville and West Orange were also significantly impacted by foreclosures, although to a lesser extent than the first four municipalities.

Table 1.14(b) shows similar data for four other hard-hit municipalities in the region. Of the four cities, Plainfield was the one most drastically affected by foreclosures.

Table1.14(b) Estimated Foreclosure Filing Rates for 2010 and 2006-2010 for Selected Municipalities

	Residential parcels	Filings reported to DOBI 2010	Estimated filing rate 2010 (note 1)	Estimated cumulative filing rate 2006-2010 (note 2)
Jersey City	25,917	641	4.7%	19%
Paterson	17,755	455	6.5%	26%
Elizabeth	15,119	355	6.0%	24%
Plainfield	9,210	279	7.7%	31%

SOURCE: NJ Division of Local Government Services; Department of Banking & Insurance

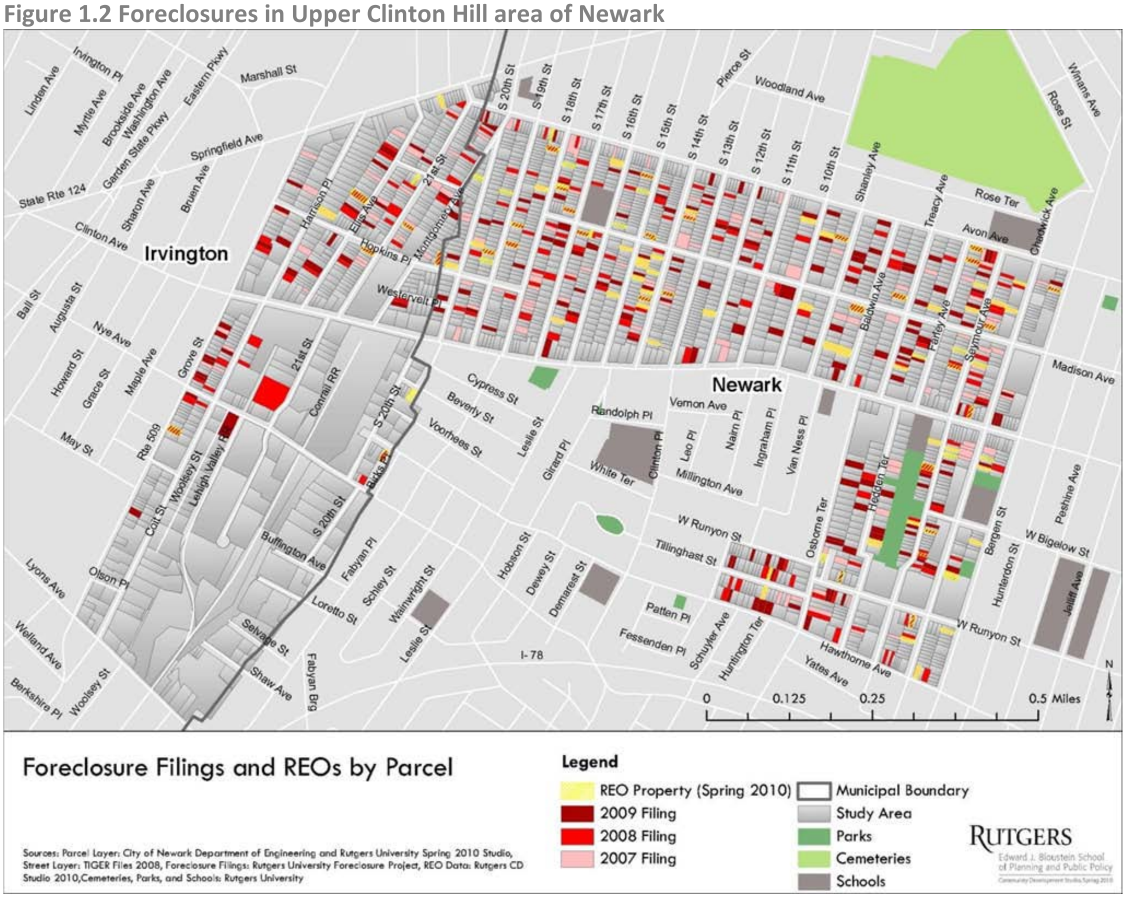
Even within these cities, foreclosures hit unevenly. Particular neighborhoods, even particular blocks, have been all but swallowed up by foreclosures, while others have remained relatively unscathed. Fig. 1.2 shows how foreclosures have affected the Upper Clinton Hill section of Newark and the adjacent section of Irvington from 2007 through the spring of 2010. This area, along with many other areas in the region's cities, has been devastated by foreclosures. Census tract 41, representing the central part of the area shown on the map, saw

[32] Filings reported to DOBI for Essex County municipalities in 2010 represented 35.7% of the total filings reported for the county by the AOC. For purposes of the table I assumed that the reporting rate was consistent across all municipalities. For municipalities where the small number of transactions results in a large margin of error, the table shows a range within which the actual foreclosure rate is likely to lie, rather than a specific numerical rate. The cumulative filing rate was created by multiplying the 2010 rate by its share of total 2006-2010 foreclosures (.2456).

median sales prices drop from $319,000 in 2006 – slightly above the citywide median – to $60,000 in 2011, less than half the citywide median.

The effect of foreclosures on New Jersey's urban neighborhoods and its communities of color cannot be underestimated. The hardest hit areas are those areas in which large numbers of African-American and Latino families bought houses – often two or three family houses – during the bubble years, often at inflated prices and often with subprime mortgages that were ultimately unsustainable by their borrowers. Thousands of families have lost their homes, and whatever wealth they once had, while the neighborhoods and cities in which they bought have been destabilized to the point where recovery will be a slow, difficult struggle.

Figure 1.2 Foreclosures in Upper Clinton Hill area of Newark



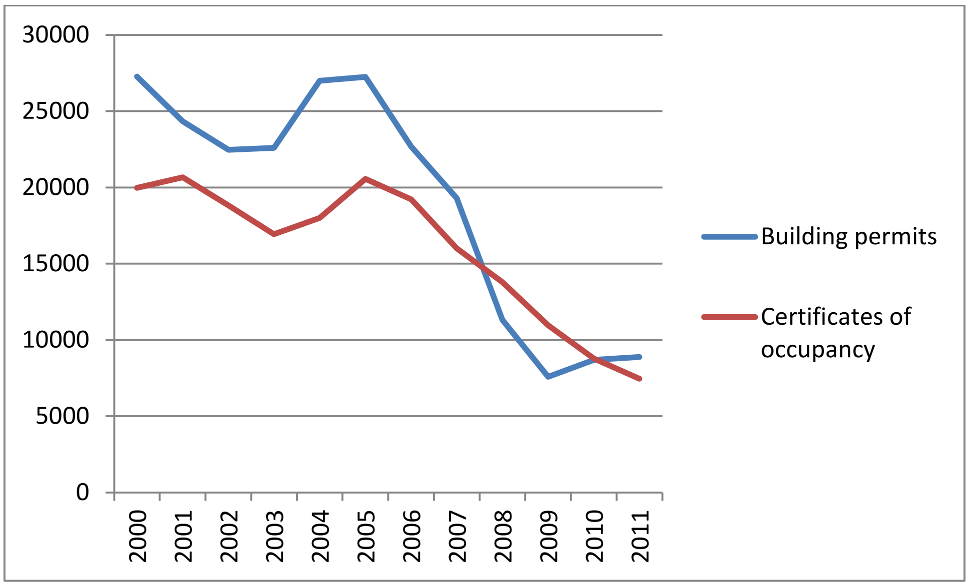
SOURCE: Presentation by Linda Fisher, Seton Hall Law School, January 2012.

1.2.4. Housing production trends

The State of New Jersey as a whole, and the Northern New Jersey region as well, saw a dramatic increase in housing production during the first half of the past decade, with an even more precipitous decline during the second half of the decade. Building permits peaked at nearly 40,000 and certificates of occupancy (COs) or completions at 31,000 in 2005, only to drop to a historic low of barely 11,000 permits and 10,000 COs in 2009. By late summer 2012, housing production was beginning – but only modestly – to revive, with year-to-date figures suggesting that 14,000 permits will be issued in 2012. While building permits and COs tend to track one another over the long-term, with roughly 75% of all building permits turning into COs, completions tend to lag permits by a number of years, as shown in Figure 1.3.

During the 12+ year period from the beginning of 2000 through the end of August 2012, a total of nearly 237,000 building permits and 172,500 COs were issued in the region, representing roughly 70% of the building permits and COs issued in the state. During that period, the region's share fluctuated roughly between 65% and 75% of statewide housing production. Notably, the region's share of statewide COs rose significantly after 2007, as shown in Table 1.15(b), reflecting the extent to which northern New Jersey was less heavily affected by the collapse of the housing bubble than the state's southern counties. As shown in Tables 1.15(a) and (b), the principal counties in terms of housing production were Ocean and Hudson counties. 54% of all units given COs in Hudson County were located in Jersey City.

Figure 1.3 Building Permits and Certificates of Occupancy in Northern New Jersey 2000-2011



Source: New Jersey Department of Community Affairs

As the boom gathered momentum, its effects were felt most dramatically in the region's cities. The seven cities shown in the table increased their share of regional housing units completed from roughly 8% during 2000-2002 to 17% at the height of the boom, during 2005-2007, and nearly 22% most recently, in 2010-2011. Notably, however, although urban completions remained at high levels – largely attributable to continued production of previously approved projects in Jersey City – the future of urban housing looked highly uncertain. As Table 1.15(a) shows, the urban share of building permits issued in urban areas dropped in 2010 and 2011 sharply from the levels during the boom years. This reflects the extent, seen in market data as well, that the collapse of the housing bubble and resulting foreclosure crisis has disproportionately affected urban housing markets, reinstating in many respects the gap between urban and suburban markets that was present in the 1980s and early 1990s.

Urban housing production is increasingly driven by Jersey City. While urban production up through 2007 was driven even more by Newark, since the end of the bubble, Jersey City has been the one urban center in New Jersey in which housing production has continued at a strong pace, with an average of over 800 units completed per year since 2008, as shown in Figure 1.4. Over half of all units completed in the seven cities since 2010 have been in Jersey City.

Altogether, a total of 41,800 permits were issued and 28,600 units were completed [33] between 2000 and 2011 in the seven cities. This is a substantial number, and represents a significant increase in their housing stock.[34] The distribution of production, however, was highly uneven. In addition to Jersey City, Newark and New Brunswick and to a lesser extent Elizabeth saw significant growth, but East Orange, Irvington and Paterson saw far less. Moreover, during the same period all of these cities were demolishing residential properties. While demolitions offset only an insignificant part of new housing production in Jersey City, New Brunswick and Newark, they offset significantly larger shares in Paterson and Elizabeth. In Irvington and East Orange, demolitions outstripped new units by a significant margin, as shown in Table 1.16.

[33] This represents a rate of completions to permits of 69%, somewhat lower than the regional average. An even more significant disparity in permits to completions can be seen between Newark and Jersey City. While the rate of completions to permits in Newark during this period was 90%, the rate in Jersey City was only 48%. This may reflect the extent to which so much of the production in Newark was small-scale development, typically two and three family houses, which once approved, were likely to be built more quickly and were less subject to market and other uncertainties, compared to the large-scale projects that characterized building in Jersey City.

[34] The volume of new construction in cities like Jersey City and New Brunswick makes it clear that the concept of a "built-out" community is meaningless as a land use or planning concept. Whether a community is "built-out" or not is a function of the community's land use regulations, and whether they do or do not foster redevelopment and increased density. The construction in Newark during this period resulted from different conditions; namely, the utilization of the inventory of vacant land in that city resulting from demolition activity from the 1970s and 1980s.

Table 1.15(a) Building Permits Issued by County and Major Cities 2000-2011

COUNTY	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	TOTAL
BERGEN	2,811	1,921	1,893	1,291	2,334	2,765	1,689	2,745	851	544	879	1,902	21,626
ESSEX	1,613	2,104	1,827	2,438	2,239	3,319	3,112	1,669	995	448	419	465	20,748
HUDSON	1,825	2,851	2,022	2,284	4,650	4,982	4,489	5,008	3,264	1,550	901	1,446	35,272
HUNTERDON	626	837	597	797	650	472	427	182	119	226	97	74	5,104
MIDDLESEX	2,655	2,807	2,500	2,607	2,774	3,044	2,475	1,611	644	948	1,642	958	24,665
MONMOUTH	3,564	2,860	2,468	2,374	2,461	2,581	2,009	1,939	1,200	896	806	806	23,964
MORRIS	3,171	2,195	2,620	1,793	1,487	1,701	1,364	921	391	465	400	421	16,929
OCEAN	5,688	3,806	3,949	4,167	5,101	3,981	2,671	2,298	1,839	1,387	1,768	1,455	38,110
PASSAIC	686	890	943	1,049	1,325	867	1,138	913	462	193	380	344	9,190
SOMERSET	2,088	1,471	1,475	1,208	1,448	1,193	746	768	520	312	575	469	12,270
SUSSEX	737	867	734	747	559	675	527	271	203	106	95	67	5,588
UNION	849	790	646	1,329	1,597	1,314	1,643	798	753	378	649	347	11,093
WARREN	948	939	797	500	362	359	384	186	79	136	93	134	4,917
REGION	27,261	24,338	22,471	22,584	26,987	27,253	22,674	19,309	11,320	7,586	8,704	8,889	229,376
EO	0	62	4	78	109	61	102	131	33	0	4	0	584
ELIZ	384	432	290	649	847	549	588	435	133	120	182	58	4,687
IRV	16	9	13	18	14	55	115	38	25	8	13	0	284

JC	203	2,009	907	969	2,156	3,778	2,578	2,765	1,468	1,132	249	700	18,914
NEW	685	1,066	1,223	1,730	1,702	2,611	2,125	927	289	285	169	180	12,992
NBR	40	459	168	37	260	28	160	410	27	79	203	3	1,874
PAT	150	226	191	217	150	377	353	331	302	86	297	29	2,443
Cities % of region	5.4%	17.5%	12.4%	16.4%	19.4%	27.4%	26.6%	26.2%	20.1%	22.5%	12.8%	10.9%	17.9%
Jersey City % of cities	13.7%	47.3%	32.4%	26.3%	41.2%	50.7%	42.8%	54.7%	64.5%	66.2%	22.3%	72.2%	45.7%

SOURCE: New Jersey Department of Community Affairs

Table 1.15(b) Certificates of Occupancy Issued by County and Major Cities 2000-2011

COUNTY	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	TOTAL
BERGEN	1,974	1,744	1,487	1,087	1,359	1,143	1,591	1,953	1,773	1,084	563	625	
ESSEX	1,171	1,063	1,915	1,680	2,089	2,456	2,480	1,644	1,144	1,239	760	538	
HUDSON	360	1,212	677	1,053	1,614	2,055	2,151	1,788	1,845	2,077	1,691	1,383	
HUNTERDON	764	639	676	528	561	465	328	285	186	109	153	135	
MIDDLESEX	2,488	2,664	2,220	2,156	1,732	2,181	2,034	2,281	1,838	1,149	1,383	757	
MONMOUTH	1,902	3,192	2,296	2,007	2,207	2,029	1,898	1,555	1,838	1,096	994	622	
MORRIS	1,603	2,485	2,033	1,339	1,468	1,348	1,374	988	685	455	532	366	
OCEAN	4,194	3,326	3,756	3,790	3,445	4,153	3,441	2,157	1,989	1,761	1,405	1,493	
PASSAIC	759	629	563	900	902	415	824	864	615	487	270	445	

SOMERSET	1,673	1,765	1,125	885	984	1,443	889	777	424	419	468	352	
SUSSEX	641	789	775	638	482	543	703	392	184	217	105	124	
UNION	503	520	510	430	728	1,980	1,171	1,025	1,126	721	269	508	
WARREN	958	734	791	431	422	342	324	359	141	152	192	110	
REGION	19,963	20,672	18,824	16,924	17,993	20,553	19,208	16,008	13,788	10,966	8,785	7,458	19,1142
% OF NJ	67.2%	68.8%	64.5%	62.8%	64.4%	66.2%	67.2%	69.2%	73.7%	75.8%	75.6%	72.0%	67.9%
EAST ORANGE	8	4	3	12	94	62	114	69	78	24	13	12	493
ELIZABETH	40	184	242	106	340	381	392	378	311	239	74	231	2,741
IRVINGTON	5	23	6	7	7	3	26	75	10	2	0	4	168
JERSEY CITY	97	768	371	564	1,112	1,076	955	603	971	729	937	901	9,084
NEWARK	651	633	1,111	1,203	1,582	1,503	1,901	1,081	754	608	435	291	11,753
NEW BRUNSWICK	34	34	82	508	53	21	16	561	497	311	305	19	2,441
PATERSON	238	68	81	105	108	89	164	183	191	124	80	276	1,705
Cities % of region	5.4%	8.3%	10.1%	14.8%	18.3%	15.3%	18.6%	18.4%	20.4%	18.6%	21.0%	23.3%	16.6%
Jersey City % of cities	9.1%	44.8%	19.6%	22.5%	33.7%	34.3%	26.8%	20.5%	34.5%	35.8%	50.8%	52.0%	31.8%

SOURCE: New Jersey Department of Community Affairs

Figure 1.4 Newark and in Jersey City Share of All Urban Housing Completions 2000-2011

Source: NJ Department of Community Affairs

Table 1.16 Housing Production and Demolition in Selected Cities 2000-2011

City	Certificates of Occupancy 2000-2011	Total housing units 2000	Completions as % of total housing units	Demolition permits 2000-2011	Demolition % of building permits
EAST ORANGE	493	28,485	1.7%	981	190.9%
ELIZABETH	2,741	42,838	6.4%	1388	50.6%
IRVINGTON	168	24,116	0.7%	268	159.5%
JERSEY CITY	9,084	93,648	9.7%	1796	19.8%
NEWARK	11,753	100,141	11.7%	3483	29.6%
NEW BRUNSWCK	2,441	13,893	17.6%	564	20.1%
PATERSON	1,705	47,169	3.6%	1436	84.2%

SOURCE: NJ Department of Community Affairs

The housing production trends described above, coupled with the sales price trends presented earlier in this section, reinforce the conclusion that the recovery of New Jersey's older cities, with the arguable exceptions of Jersey City and New Brunswick, remains fragile and uncertain. The widely-heralded 'turnaround' of the early 2000s was built on sand, and ended abruptly when market conditions turned downward in 2006 and 2007. While New Jersey's older cities contain valuable assets, including walkable downtowns and neighborhoods, and strong public transportation systems, including excellent transit links to New York City, the process of rebuilding demand in today's far more challenging economic climate remains a difficult challenge.

1.3 Geographic disparities in housing: a closer look

While the foregoing analysis has identified significant disparities in social and housing conditions by county in the northern New Jersey region, the fact remains that counties are relatively large areas, containing many different municipalities with different demographic patterns and housing conditions. Affluent Somerset County contains lower income municipalities like Somerville, Manville and Bound Brook, while Morris County contains Morristown and Dover, both of which contain concentrations of lower income households. Conversely, Essex County contains some of the state's most wealthy communities such as Essex Fells, Glen Ridge or Millburn. As a result, one can argue that much of the difference between counties is a reflection of the relative weight of lower vs. upper income communities in their total composition.

In order to be able to look at disparities in housing condition by race and income, therefore, it is necessary to study variations between individual municipalities, or clusters of municipalities. Since attempting to cluster and compare all 300+ cities, townships, boroughs and villages in the region in the region would be unwieldy and confusing, we have decided to concentrate on two counties, Essex and Union, each of which contains a highly diverse mix of communities of different social and economic character,. To this end, we have placed each of the municipalities in each county in one of three clusters – urban core, inner ring, and outer ring – based largely on geographic location. Maps of the two counties, showing the clusters, appear in Figures 1.5 and 1.6.

Table 1.17 presents information for Essex County with respect to basic features (race/ethnicity and tenure), and the distribution of the population by income and tenure; that is, percentage of low income renters, low income owners, etc. The data point out inter-municipal disparities that are in some respects much more pronounced than the inter-county disparities discussed earlier. While 40% or 2 out of every 5 urban core households are low income renters[35] only 12% of inner ring households and 4% of outer ring households are low income renters.

Conversely, while only 11% of urban core households are upper income (broadly defined as $75000+) homeowners, 65% of outer ring households fall into this category. The racial disparity between the clusters is, if anything, even more dramatic. While nearly 3 out of 5 residents of the urban core are African-American, only 1.8% of the residents of the outer ring are African-American, or fewer than 1 out of 50. The inner ring municipalities, however, aken as a whole can be said to 'look like America'. Both with respect to race/ethnicity and tenure, their distribution closely resembles that of the United States.

[35] As done previously, we are using the category of $0-$34,999 as an approximation of low income households and $35,000-$49,999 for moderate income. See p_ for further discussion.

Figure 1.5 **Essex County municipalities by category**

As a result, low income renters are disproportionately concentrated in the urban core; although roughly half of the households in Essex County are in the core, nearly 85% of all low income renters live in the core. Conversely, while 1 out of 9 households in Essex County lives in the outer ring, only 1 of 100 low income renters lives in that part of the country.

There are significant disparities in cost burden between the three clusters, with markedly lower percentages of renter households – even in the lowest income groups – spending 30% or more of their income for shelter in the urban core (Table 1.18). The disparity reflects both the effect of the greater availability of affordable housing in the urban core, as well as the lower levels of market rent. Given the generally high market rents throughout the county, however, the latter factor affects moderate and middle income households rather than low income households. Less than half of the moderate income ($35000-$49999) renters in the urban core spend over 30% of their income for shelter compared to nearly 4 out of 5 households in that income group in the outer ring.

Table 1.17 Household distribution by race, income and tenure in Essex County

	URBAN CORE			INNER RING			OUTER RING		
	OWN	RENT		OWN	RENT		OWN	RENT	
Non-Latino White			18.2%			66.0%			93.0%
Black			57.3%			17.5			1.8
Latino			24.5%			16.5			5.1
<$35,000	5.9	39.9		7.8	11.6		5.9	4.4	
$35,000-$49,999	3.6	12.0		4.6	5.4		4.9	2.7	
$50,000-$74,999	6.0	11.8		9.4	7.1		8.8	2.5	
$75,000+	11.1	9.8		45.2	9.0		64.7	6.1	
TOTAL	26.5%	73.5%		66.9%	33.1%		84.3%	15.7%	
% of countywide households			53.6%			35.5%			11.1%
% of countywide low income renters			84.4			14.4			1.2

SOURCE: 2010 Census

Table 1.18 Percentage of households spending more than 30% of income for shelter by income

	<$20,000	$20,000-$34,999	$35,000-$49,999	$50,000-$74,999	$75,000+
Urban core	81.7%	80.6%	42.4%	11.2%	0.6%
Inner ring	91.5	92.3	67.0	23.3	3.5
Outer ring	89.6	88.1	78.3	37.8	7.9

Source: American Community Survey

The disparity in the availability of affordable housing is pronounced. Table 1.19 shows the number of affordable housing units (not include housing choice vouchers) by type in each of the three clusters *as a percentage of the number of households living in the cluster*. As the table shows, affordable housing is overwhelmingly concentrated in the urban core, particularly affordable housing for families. Indeed, *97.4% of all of the affordable housing units for family occupancy in Essex County are located in the urban core.* While inner ring municipalities have double the share of affordable housing of outer ring municipalities, the difference lies entirely in the far greater number of senior citizen units in the inner ring towns; there is little variation with respect to other types of affordable housing.

In light of the fact that the *Mount Laurel II* decision was nearly 30 years ago, and the the New Jersey Fair Housing Act was enacted 27 years ago in 1985, the magnitude of these disparities is deeply troubling. The figures in Table 1.19 are consistent, however, with the numbers that appear in the published COAH municipal performance data, which is presented by municipality for the outer ring municipalities in Table 1.20.

Table 1.19 Affordable housing units by type as a percentage of total households by cluster for Essex County

	Age-restricted	Family	Special needs	Unspecified	TOTAL
Urban core	7.1%	13.0%	<0.1%	<0.1%	20.2%
Inner ring	1.8	0.4	0.2	<0.1	2.4
Outer ring	0.6	0.5	<0.1	0	1.2

SOURCE: NJ Department of Community Affairs

Not one of the eight municipalities in question has even proposed, let alone completed, as many as 100 units of affordable housing. This suggests that, where an affluent suburban municipality is not growing rapidly, and – for whatever reason – lacks the sorts of development opportunities that might prompt a developer to intervene, they can effectively flout their *Mount Laurel* obligations with impunity.

Table 1.20 Affordable housing performance data for outer ring municipalities

Municipality	New Construction		Rehabilitation	
	Proposed	Completed	Proposed	Completed
Essex Fells	5	0	0	0
Caldwell	0	0	0	0
Fairfield	89	26	0	0
Livingston[36]	92	70	0	0
Millburn	0	0	0	0
North Caldwell	37	0	0	0
Roseland	91	82	1	1
West Caldwell	18	18	0	0
TOTAL	327	196	1	1

Source: New Jersey Department of Community Affairs web site http://www.nj.gov/dca/services/lps/hss/transinfo/reports/units.pdf, accessed 12.7.2012

The picture is largely similar in Union County, although the lines between core, inner ring and outer ring are less clear, both geographically and economically.[37] Table 1.21 presents information for Union County with respect to the basic features and the distribution of the population by income and tenure; that is, percentage of low income renters, low income owners, etc. The data point out inter-municipal disparities that are similar to those of Essex County. While 31% or just under one-third of urban core households are low income renters, only 13% of inner ring households and 5% of outer ring households are low income renters. Conversely, while only 17% of urban core households are upper income (broadly defined as $75000+) homeowners, 60% of outer ring households fall into this category. The racial disparity between the clusters differs from that of Essex County in that the African-American population share in the inner ring is considerably higher than that of the urban core, which is majority Latino.[38] Both areas, however, differ dramatically from the outer ring, which is 88% non-Latino white.

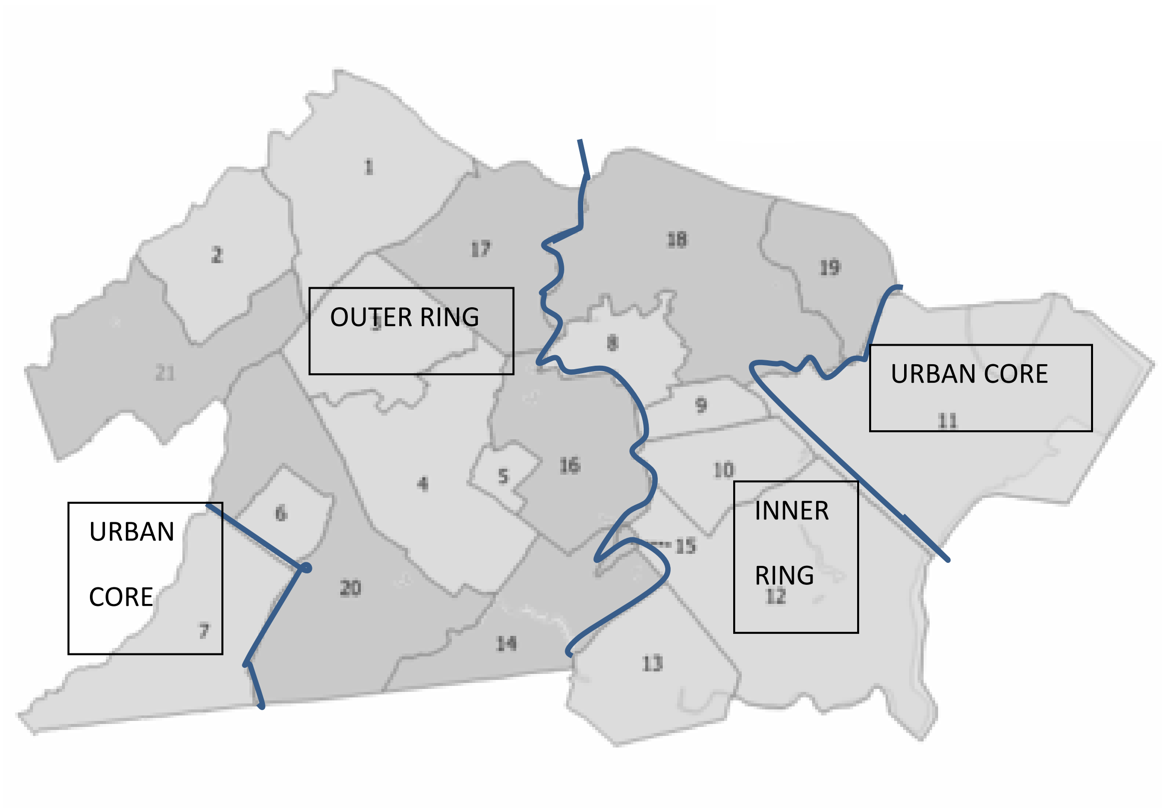
---

[36] Livingston has recently become subject to two successful and relatively large builder's remedies.

[37] Union County is rendered more complex geographically by virtue of the fact that its two recognized urban core communities are located at opposite ends of the county, unlike Essex County, where they are a concentrated cluster at the county's eastern edge.

[38] One could make a case that Hillside, and perhaps Linden and Roselle, have more in common with the urban core both with respect to racial/ethnic mix and household incomes than with the inner suburban ring. The fact remains that these definitions are fluid as economic and demographic conditions constantly shift. 30+ years ago few if any observers would have included Irvington in Essex County's urban core; today it is arguably the single most distressed community in that core.

Figure 1.6: Union County municipalities by category



As a result, low income renters are disproportionately concentrated in the urban core; although less than one-third of the households in Union County are in the core, nearly two-thirds of all low income renters live in the core. Conversely, while 1 out of 3 Union County households lives in the outer ring, only 1 of 19 low income renters lives in that part of the country.

There are significant disparities in cost burden between the three clusters, although again, the disparities between the core and inner ring are substantially less than between both areas and the outer ring. The greatest disparities were in the moderate and middle income ranges, where significantly more households in the outer ring were cost burdened than in the core or inner ring.

The disparity in the availability of affordable housing in Union County is pronounced, although not to quite the same extent as in Essex County. Table 1.23 shows the number of affordable housing units (not including housing choice vouchers) by type in each of the three clusters as a percentage of the number of households living in the cluster. The more modest disparity, however, has less to do with a higher number of affordable units in the suburbs, as with the fact – for whatever reasons – that the urban core cities of Union County have been substantially less aggressive in production of affordable housing than their Essex County counterparts. Even so, 76% of all of the affordable housing units in the county for family occupancy are located in Elizabeth and Plainfield. Inner ring communities have been strongly supportive of senior citizen housing, but far less so of family housing, as has also been true – but with smaller numbers – of the outer ring municipalities.

Table 1.21 Household distribution by race, income and tenure in Union County

	URBAN CORE			INNER RING			OUTER RING		
	OWN	RENT		OWN	RENT		OWN	RENT	
Non-Latino White			17.0%			46.4%			87.8%
Black			27.9			31.1			4.3
Latino			55.0			22.5			7.9
<$35,000	6.2%	31.4%		12.6%	12.9%		7.8%	5.4%	
$35,000-$49,999	4.3	11.4		6.8	5.8		5.2	2.3	
$50,000-$74,999	7.3	11.8		9.4	6.9		8.8	3.9	
$75,000+	17.3	10.2		35.1	6.5		59.9	6.7	
TOTAL	35.1	64.9		63.9	36.1		81.7	18.3	
% of countywide households			30.3			37.1			32.5
% of countywide low income renters			59.3			29.7			10.9

SOURCE: 2010 Census

Table 1.22 Percentage of households spending more than 30% of income for shelter by income

	<$20,000	$20,000-$34,999	$35,000-$49,999	$50,000-$74,999	$75,000+
Urban core	92.6%	85.7%	51.3%	15.6%	2.1%
Inner ring	89.4	90.4	51.2	21.8	2.9
Outer ring	92.4	92.2	76.3	30.5	7.4

Source: American Community Survey

The data show similar pictures for both Essex and Union counties. Despite the decades since the *Mt. Laurel* decision and the Fair Housing Act, low income renters and the availability of affordable housing are both disproportionately concentrated in urban core cities, with few of either to be found in these counties' outer ring municipalities. While it cannot unreasonably be argued that matters would be even worse without Mt. Laurel and the Fair Housing Act,[39] the fact remains that they have not changed the fundamental imbalance that existed prior to 1983, which was the purpose of the decision and the subsequent legislation.[40] In view of current constraints on public resources, as well as broader economic and political constraints, it is unlikely that this picture will change dramatically over the coming years.

Table 1.23 Affordable housing units by type as a percentage of total households by cluster for Union County

	Age-restricted	Family	Special needs	Unspecified	TOTAL
Urban core	3.3%	4.5%	<0.1%	<0.1%	7.8%
Inner ring	2.6	1.0	<0.1	0.3	3.9
Outer ring	1.0	0.3	0.2	0.7	2.1

SOURCE: NJ Department of Community Affairs

[39] The DCA Guide to Affordable Housing, from which the data in Table 3-7 comes, lists a total of 1282 affordable housing units in Union County outer ring municipalities, while the COAH municipal performance data shows 804 units completed for those municipalities, or slightly less than 2/3 of the total.

[40] Whether a different approach to compliance with the Mt. Laurel doctrine, either with respect to the provisions of the Fair Housing Act or the subsequent regulations and policies adopted by COAH, would have significantly changed these outcomes is a matter worth exploring. It cannot unreasonably be argued that, had Regional Contribution Agreements not been permitted under the act, a significant number of the units transferred through RCAs would have been built in affluent suburban communities. Similarly, a more rigorous approach to imposing inclusionary requirements on those developments for which it would have been appropriate – a large share of suburban development since 1986 – would have yielded a significantly larger number of units. The argument has also been made that a more expansive definition of the need to be addressed through fair share plans, which might have incorporated cost-burdened households as well as newly created lower income households and those living in substandard conditions, might have yielded more units. This is somewhat uncertain, inasmuch as it is hard to argue that the problems of cost-burden – which are in large part a problem of mismatch within the existing housing stock – should be addressed through construction of new housing units.

1.4 The challenge of linking housing, jobs and transportation

The data that has been presented above show clearly that lower income households in the northern New Jersey region are disproportionately concentrated in predominately urban counties such as Essex, Passaic and Union, and within those counties, in the urban core areas of those counties. This concentration, while not caused by the siting of affordable housing, has been reinforced by that process as it has unfolded over the years, which has led to parallel concentrations of affordable housing units in those cities. Given the racial and ethnic makeup of northern New Jersey, and the close relationship between race, ethnicity and income, this pattern has meant that African-American and Latino households are also disproportionately concentrated.

The issue, however, is what changes to this pattern are likely to be most beneficial to the region's lower income households, and which are likely to be problematic, from an economic standpoint. Secondly, if, as is generally accepted, a major part of the rationale for fostering geographic mobility is to increase opportunity, it is important to define what that means. We would suggest, at least as a working premise, that it contains two parts: access to job opportunities, and location in an area where public services, including schools, and quality of life offer lower income households the opportunity to live better lives and create greater opportunities for themselves and their children.[41]

1.4.1 The Housing & Transportation Affordability Index

In order to provide a tool for at least part of this analysis, HUD has adopted the Housing & Transportation Affordability Index (HTAI) developed by the Center for Neighborhood Technology (CNT), which attempts to combine housing and transportation costs into a single figure to enable more meaningful comparisons of the true cost of living across geographic areas.[42] A review of the data generated by that index, however, raises serious questions.[43] Selected HTAI results for counties and municipalities are shown in Table 1.24. CNT considers areas where combined costs are below 45% to be affordable. Those areas are overwhelmingly located in the region's core, in the urban cores of Essex, Hudson, Passaic and Union Counties.

As Table 1.24 shows, many of the HTAI figures for the region's affluent suburbs are not only substantially higher than in the urban core, but so high as to raise red flags; it is patently implausible that the residents of Upper Saddle River spend on the average of nearly 94% of their gross income on housing and transportation costs or those of Mountain Lakes 88%. On its face, if this is correct, it would suggest that it would not only be questionable, but almost financially suicidal for a lower income household to move to such a community.

---

[41] A third area of importance is that of the social benefits to lower income households of living in economically diverse communities rather than areas of poverty concentration.

[42] The index uses actual housing affordability data, but since no comparable data exists for transportation, CNT has constructed a model based on auto ownership, auto use, and transit use as a surrogate for transportation costs.

[43] Serious questions have also been raised about the methodology used to construct the index (Econsult 2012)

Table 1.24 Housing & Transportation Affordability Index for selected counties and municipalities

County	Municipality	Index
BERGEN	Countywide	57.24%
	Upper Saddle River	93.56
ESSEX	Countywide	48.14
	Irvington	39.52
	Newark	36.25
MORRIS	Countywide	63.38
	Morris Plans	63.99
	Mendham	74.94
	Mountain Lakes	88.23
PASSAIC	Countywide	51.19
	Passaic	42.30
	Paterson	43.26
SOMERSET	Countywide	63.08
	Bernardsville	75.81
	Far Hills	80.15

SOURCE: http://htaindex.cnt.org/map, accessed February 9, 2013

The explanation is found in the fact that the index is based on comparing the costs generated by the index to the *median household income for the region* as a whole, not the actual income of the people living in the municipality or census block group. Thus, at best, the index measures what a hypothetical household earning the regional median income would spend for housing + transportation if it lived in the municipality or block group in question. That, however, is illogical; the typical household in Upper Saddle River or Far Hills may spend a great deal for transportation because (a) they are more likely to commute to New York City or environs; and (b) they have very high incomes, substantially more than the regional median.

The index does not differentiate by income, so that the housing costs and transportation patterns of less affluent households – including those living in affordable housing in those suburbs – cannot be determined. It stands to reason, however, that those patterns are likely to be very different from those of the current residents. Thus, one must conclude that the HTAI, at least in its present form, does not provide a useful tool for identifying sound policy directions for addressing the spatial concentration of lower income and minority households within the region.

1.4.2 The distribution of jobs and job-holders in the region

While it is difficult to measure public services and quality of life, it is relatively feasible to identify where the jobs are. As shown in Table 1.25, certain counties are 'job-rich', in that they have a high ratio of jobs to population. While Essex County is one of those, the three 'richest' counties in the region in that respect are Middlesex, Morris and Somerset counties. It is notable, however, that they have not necessarily experienced growth in the number of jobs in recent years; while Somerset County has, Middlesex and Morris have not. Indeed, in contrast to the long-term suburbanization of jobs since the 1960s, the past decade does not show any consistent shift in the distribution of jobs within the region.

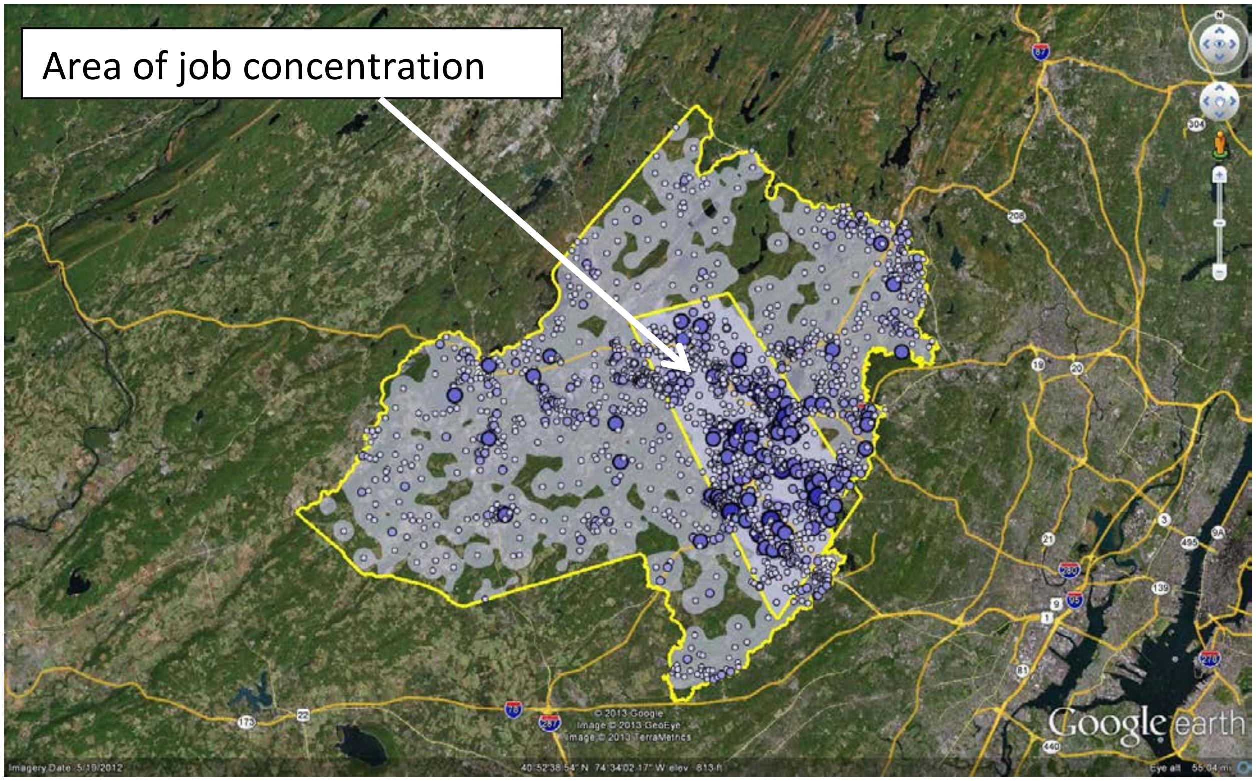
Table 1.25 Counties as employment centers

COUNTY	JOB GAIN 2002-2010	JOB LOSS 2002-2010	POPULATION/JOB
BERGEN		- 2.5%	2.2
ESSEX	+ 3.2%		2.3
HUDSON		- 0.3	2.9
HUNTERDON	+ 5.7		2.8
MIDDLESEX		- 3.4	2.2
MONMOUTH	+ 4.0		2.9
MORRIS		- 3.6	1.9
OCEAN	+ 8.6		4.3
PASSAIC		- 4.2	3.2
SOMERSET	+ 2.7		2.0
SUSSEX	+ 3.6		4.4
UNION		- 5.6	2.5
WARREN		- 1.9	3.6

Job-rich counties (<2.5 people/job) are highlighted

While there is an argument that movement to job-rich counties should be encouraged, it is also important to note that within those counties, jobs are disproportionately concentrated in a relatively small part of each county. Fig. 1.7 illustrates the job distribution in Morris County, with the area containing the highest concentration of jobs appearing as a polygon inside the county map.[44] This area, with roughly 20-25% of the county's land area, contains 60% of the county's jobs. Other counties show similar patterns.

Figure 1.7 Job Concentrations in Morris County



Source: http://onthemap.ces.census.gov, accessed February 9, 2013

Morris County overall has a surplus of jobs over workers who live in the County, but the surplus is far more pronounced within the area of job concentration, as shown in Table 1.26. While there are .87 resident workers for every job in Morris County, there are only .48 workers per job in the area of job concentration, or more than two jobs for every resident worker.

[44] This data from the Census on-the-map application shows job concentrations by number of jobs in each cluster, with the larger and darker the cluster, the greater the number of jobs.

TABLE 1.26 Job commuting patterns in Morris County

	Morris County	Area of job concentration
Work and live in area	90,181	21,946
Live in area, work outside	131,318	50,802
Work in area, live outside	164,345	131,035
Workers/jobs ratio	.87	.48

Source: http://onthemap.ces.census.gov, accessed February 9, 2013

This leads to another important point, the mismatch between jobs and workers in the urban areas. Although there are large numbers of jobs in North Jersey's major cities, the overwhelming majority of those jobs are filled by commuters, while the great majority of the cities' resident workforce commutes outside the city to work, as shown in Table 1.27(a). While Newark contains over 140,000 jobs, barely 25,000 of those jobs or fewer than 1 in 5 are held by city residents. With the exception of Jersey City, where nearly half of the resident workers use public transportation to get to work, most of these commuters drive. 75% of Newark workers drive to work, as do nearly 90% of all workers in Paterson and Elizabeth. While public transportation in northern New Jersey is a reasonably efficient, although highly expensive, way of getting to jobs in New York City, it is far less efficient as a way of getting from urban areas to suburban jobs. Given the network of highways, moreover, which link the urban core with the Morris County area shown earlier, it is likely that many of these workers commute to that area to work. As Table 1.27(b) shows, the largest single group of workers in all four cities shown commute to work outside their home counties.

Table 1.27(a) Job and worker flows for major cities

	Jobs in city	% held by city residents	Workers living in city	% commuting to jobs outside city
Newark	140,634	18.2%	83,261	69.3%
Jersey City	98,574	19.0	100,986	81.4
Paterson	38,027	26.3	50,330	80.1
Elizabeth	43,636	22.2	42,214	77.0

Source: http://onthemap.ces.census.gov, accessed February 9, 2013

Table 1.27(b) Distribution of workplace for city residents

	Work in city of residence	Work outside city, in county of residence	Work outside county of residence
Newark	30.7%	29.9%	39.4%
Jersey City	18.6	28.5	52.9
Paterson	19.9	35.6	44.5
Elizabeth	23.0	34.2	42.8

SOURCE: Five-year American Community Survey 2006-2011

The point of this should be clear. While it is important to take steps to improve the access of lower-income urban workers to jobs within and close to their communities, creating additional opportunities for lower-income households to move closer to job-rich suburban environments would lead to valuable benefits for those households. Notwithstanding the HTAI, in many cases those benefits are likely to include reduced transportation costs as well.

2 Planning, Policy and Implementation Context

This section will begin with a statement of the key issues that must be addressed in the housing element of the regional plan for sustainable development, and that serve to focus the planning, policy and implementation context. The remaining parts of this section address the different elements that make up that context:

- The principal actors in the housing system and their roles
- The principal state and regional plans and policies governing the housing system
- The principal resources and incentives affecting the housing system; and
- Principal challenges and opportunities for the future.

Taken as a whole, it is these elements that are likely in large part to determine whether the region's housing needs will be met, and whether the housing system, both with respect to the delivery of new units as well as with respect to the maintenance and regulation of the existing stock, will contribute toward the goal of fostering a sustainable Northern New Jersey region.

2.1 The key housing issues

The analysis presented in the preceding section identified significant unmet housing needs or disparities between existing conditions and the policy goals, livability principles, and desired long-term outcomes of the regional plan project. These needs or disparities fall into two broad categories:

- Unmet housing needs, with respect to basic housing condition, overcrowding, or affordability.

The evidence presented on housing conditions in Northern New Jersey shows that the great majority of lower income households in the region occupy dwelling units that meet the minimum physical requirements for habitability, such as central heating, lighting, running hot and cold water and bathrooms. Nonetheless, there remains a non-negligible share of the region's households whose housing suffers from other physical deficiencies or code violations, a larger share who live in areas which suffer from neighborhood-level deficiencies such as high crime rates or the presence of vacant and abandoned houses; as well as a significant number who live in overcrowded conditions. These conditions tend to be largely concentrated in the region's urban areas, which are also the areas where poverty is disproportionally concentrated. Far more numerous, however, than any of the above housing conditions are the lower income households facing excessive cost burdens, defined as spending over 30 percent of gross income for shelter, for housing. Many of these households, particularly those at the bottom of the region's income distribution, are paying 50 percent or more of their gross income for shelter. While many of these households live in the region's urban centers, problems of affordability are distributed more widely across the region than the other housing deficiencies mentioned above.

- Geographic disparities in distribution of housing by race/ethnicity and income.

The second issue is the extent to which populations and housing are unevenly distributed across the region based on race and ethnicity on the one hand, and income on the other. The region's low income households, and its racial and ethnic minorities, particularly African-American and Latino households, tend to be disproportionately concentrated in urban areas. The concentration in itself is problematic, and the nature of the areas in which they are concentrated renders it more so. While some of the region's urban areas have good transit access, they tend to be areas that are seeing little job growth, and that are significantly disadvantaged with respect to quality of education and other public services, and the levels of crime and public health. As a result, low income households and people of color are disadvantaged within the region with respect to economic opportunity, while the region as a whole is deficient with respect to goals of social equity and inclusion. Although the effects of the *Mt. Laurel II* decision and the New Jersey Fair Housing Act have led to some incremental changes in the distribution of affordable housing over the past more than two decades, those changes have not significantly shifted the distribution of population by income or race within the region as a whole.

The nature of the region's planning, policy and implementation framework with respect to the housing delivery system will largely determine if these conditions are to change in the coming years. It must be stressed, however, that even under the most optimal conditions change in the geographic distribution of the population by income will be gradual, incremental, and severely limited, for two compelling reasons.

First, to the extent that change will result largely from incremental growth in the housing stock it will be limited by the small volume of future growth compared to the size of the existing population and housing inventory. As of 2010, there were a total of 2,611,832 housing units in the thirteen counties that make up the region. Over the next ten years, total new housing production is likely to be in the vicinity of 10,000 to 14,000 units per year,[45] representing an increase of 4 to 5 percent in the regional housing inventory over the decade. Even if 20 percent of the incremental housing units were to be affordable to lower income households, a highly optimistic and arguably unrealistic assumption, that would result in a shift in the total inventory of at most 1 percent.

[45] The average number of building permits for new construction issued in the northern New Jersey region between 2007 and 2011 – a period combining strong and weak years – was 10,817 per year.

Second, there are compelling economic reasons for how populations sort by location within a region. As areas become perceived as more socially or economically desirable, for whatever reasons, the land and buildings in those areas carry higher prices, pricing out the less affluent from those areas. Thus, if an area is perceived as having an outstanding public school system, excellent commuter rail service to Manhattan, or any other factor prized in the residential marketplace, it will command higher prices and tend to price out the less affluent. In northern New Jersey, as elsewhere, those underlying economic factors are exacerbated by some public policies such as local land use regulation, while other public policies, such as the *Mt Laurel* doctrine, attempt to counteract them. The effectiveness of those latter policies, however, is constrained by limited resources, political as well as financial. In the final analysis, in a market economy such as the United States, public policy may mitigate or exacerbate underlying market forces, but it cannot reverse or undo them.

2.2 Principal actors in the housing system and their roles

While the American economy is characterized throughout by a complex interplay of public and private actions, to a far greater extent than widely recognized, the housing system reflects an unusually close relationship between the public and private sectors. While production of housing, in the strict sense, is a private sector (for-profit or non-profit) responsibility[46], the production system operates within a framework defined by public sector financing as well as regulation. The housing system, moreover, is affected not only by housing-specific public regulation and financing, but also by public regulation and financing of key systems on which housing depends, in particular the public infrastructure of roads, transit systems and sewer and water systems, along with the complex body of environmental regulations.

This section will identify which entities play significant roles in the housing delivery system, and will describe their principal roles. Table 2.1 offers a breakdown of actors and roles, of which the most significant are described in the text of this report.

2.2.1 The Federal Government

Despite significant cuts in recent years, the Federal government continues to be by far the largest source of funds for both affordable housing and for the ancillary activities, particularly transportation, which influence development patterns and housing construction. The scale of federal support for housing under various programs is detailed in section 2.4 of this report.

Although the scale of federal investment in housing is significantly greater than that of other public sector entities, the actual role of the federal government and its impact on housing policy in the region are more limited. LIHTC funds, although they represent a credit against federal income taxes, are allocated by the state HMFA with only modest federal oversight, while CDBG and HOME funds are allocated through a formula in which each participating jurisdiction gets a set amount. While local jurisdictions are monitored by the federal government, that monitoring is limited to ensuring that funds are spent for legal purposes and disbursed within the time frames required by law. Even though housing vouchers are allocated directly by the federal government to state and local bodies, in recent years the number of recipients has varied little from one year to the next, while the allocation of the vouchers and

[46] Historically, this has not always been the case. For much of the 20th century, a significant amount of housing – principally in the form of public housing – was constructed by the public sector. Even today, some non-profit development entities are only nominally private actors, as they are subsidiaries of or controlled by public sector bodies.

the inspection of the dwelling units into which voucher holders move – or the choice of projects to which to grant project-based vouchers – is in the hands of the state or local agency running the program, again subject to only modest federal oversight.

Even so, that oversight can play a not insignificant role. Every jurisdiction that receives CDBG or HOME funds must prepare a Consolidated Plan setting forth the strategies it plans to use not only to use the funds allocated to it, but to further broad policy goals, most notably fair housing, by incorporating a document known as an 'analysis of impediments to fair housing choice.' While until recently the Consolidated Plan was given little weight, either by federal or local bodies, in recent years, particularly since the well-known case in which Westchester County, New York was found to have defrauded the federal government by failing to comply with these requirements,[47] it has had a greater influence on local actions. The fact remains, however, that the federal role as a disburser of funds is not paralleled by a similarly strong role in framing how those funds are used.

[47] This case was brought by the Anti-Discrimination Center of Metro New York, holding that Westchester County had violated the federal False Claims Act by failing to comply. After a finding by the court that the claims had substance, a settlement was entered into in August 2009 between the county, the federal government and the Anti-Discrimination Center, which required the county to take a variety of affirmative steps to foster provision of affordable housing in those parts of the county that contained disproportionately small percentages of African-American and Latino households. Although the obligations imposed on the county were not seen by most outside observers as unduly onerous (and were in fact criticized by some fair housing advocates as far too modest) it has remained a source of ongoing controversy in the county.

TABLE 2.1 Principal Actors and their Principal Roles in the Housing System

ACTOR	KEY ROLES	PRINCIPAL PROGRAMS OR VEHICLES
Federal Government	Affordable housing funding	Housing voucher program HOME (housing block grant program) Low Income Housing Tax Credits USDA (Dept. of Agriculture) Rural Development
	Community development funding	Community Development Block Grant program Neighborhood Stabilization Program
	Mortgage finance	Federal Housing Administration GSEs (Fannie Mae and Freddie Mac) USDA (Dept. of Agriculture) Rural Development
	Transportation funding	Large-scale funding for transit and road projects through multi-year legislation
	Fair housing standards	Detailed requirements for recipients of federal funds, as well as general requirements under fair housing laws for all housing-related activities
State government	Affordable housing funding	New Jersey Affordable Housing Trust Fund State Rental Assistance Program Special Needs Housing Trust Fund Housing & Mortgage Finance Agency (HMFA) programs

	Administer affordable housing and community development programs	HMFA allocates and monitors Low Income Housing Tax Credits DCA administers part of housing vouchers and other HUD funds allocated to New Jersey DCA administers Neighborhood Revitalization Tax Credit (NRTC) program
	Fair share housing regulation and enforcement	COAH administers NJ Fair Housing Act mandating local production of affordable housing State adopts regulations governing marketing, pricing, continued affordability, etc. for affordable housing units COAH regulates use of local housing trust funds Superior Court, Law Division enforces fair share obligations for municipalities under court rather than COAH jurisdiction
	Housing, infrastructure and development regulation	DEP adopts and enforces environmental regulations affecting housing DEP adopts and enforces regulations governing water and sewer systems DCA adopts building codes governing all construction and rehabilitation of housing and supervises local code administration DCA inspects and licenses all multifamily housing The Highlands Commission, Meadowlands Commission and Pinelands Commission adopt and enforce land use regulations within their areas of jurisdiction
	Transportation funding	State provides transportation funding through Transportation Trust Fund as well as operating support for transit systems State DOT and MPOs administer federal transportation funds State DOT (and state authorities) build and maintain arterial road and highway network

		NJ Transit operates public transportation systems and supports transit villages
Local government (including housing authorities)	Affordable housing funding	Many municipalities use development fees to create affordable housing trust funds Counties use a surcharge on the document recording fee to create affordable housing trust funds
	Administer affordable housing programs	Many counties administer federal community development and HOME funds Larger municipalities administer federal community development and HOME funds Some counties and municipalities (usually through housing authorities) administer federal housing vouchers
	Fair share housing compliance	Many municipalities administer affordable housing programs, including pricing, buyer selection, and continued affordability requirements. Some municipalities use trust fund proceeds to create or rehabilitate affordable housing units
	Land use and environmental regulation	Local zoning, subdivision, site planning and related ordinances govern housing development Local officials enforce state codes for new construction and rehabilitation
	Infrastructure provision	Local government (or regional bodies) provide sewer (and in some cases water) infrastructure County and municipal government builds and maintains road network
	Code enforcement and neighborhood improvement	Local government regulates existing housing through code enforcement, including vacant property enforcement under provisions of Abandoned Property Rehabilitation Act Larger municipalities allocate federal community development funds and carry out neighborhood stabilization programs

For-profit private sector (homebuilders, contractors, realtors, appraisers, landlords)	Build or rehabilitate housing	Private developers produce great majority of new and substantially rehabilitated units added to housing inventory
	Support housing production system	Extensive network of contractors, realtors, building supply firms and others support production of housing by for-profit and non-profit entities
	Maintain and improve existing housing inventory	Contractors, landlords and homeowners maintain and improve individual properties
	Maintain well-functioning housing market	Realtors identify and match buyers and sellers of homes and apartments Appraisers provide estimates of property value to facilitate transactions and financing Lenders provide financing for home purchases and improvements
Non-profit private sector (CDCs, other non-profit developers and service providers)	Address housing needs and disparities through building and rehabilitating housing	Utilize federal, state, local and private funds to address housing needs and overcome geographic disparities by acquiring, building and rehabilitating housing affordable to households in need
	Maintain affordable housing inventory	Maintain inventory of long-term affordable rental housing and administer resale controls to ensure long-term affordability of owner-occupied housing
	Stabilize and improve neighborhoods	Develop neighborhood plans and spend NRTC funds Administer community development and neighborhood stabilization programs Conduct other activities to stabilize neighborhoods, reduce

2.2.2 The State of New Jersey

State government is the most powerful single public sector actor with respect to housing in New Jersey. State government plays a key role through three types of activity:

- Funding housing as well as transportation and other infrastructure needs
- Administering federal housing and other funds
- Regulating housing, infrastructure, building and the environment

As noted previously, the state administers the entire LIHTC program and Hardest Hit funds, most of the Neighborhood Stabilization Program funds, roughly one-third of the housing vouchers in use in New Jersey, and roughly 10% of the CDBG and HOME funds allocated to jurisdictions in the state. In addition, the state provides funds for affordable housing through its affordable housing and special needs trust funds, provides affordable housing financing through the HMFA, and provides rental assistance through the State Rental Assistance Program (SRAP). As discussed further below, availability of funds through these programs at present and in the near future is both limited and uncertain.

With its role as funder diminished, and as conduit for federal funds limited by the federal legislation and regulations governing each program, the state's most significant roles may be regulatory, a subject discussed further in the next section.

2.2.3 Local government

Local government also has broad regulatory powers affecting housing, of which the most significant and pervasive is the authority to regulate land use, which it exercises through its zoning, site plan and subdivision regulations. While individual municipal practices vary considerably, it is generally recognized that these regulations have been widely used to exclude not only affordable housing as such, but also higher density housing, and in some cases housing generally by over-zoning land for non-residential use. While the effects of exclusionary zoning, as these practices are collectively known, have been mitigated to some extent in recent decades by the *Mt Laurel* doctrine and COAH regulations, they continue, and in some areas may even have become more pervasive, under a thin veneer of affordable housing developments mandated by their fair share plans. In addition to the imbalance in the availability of affordable housing between municipalities, local zoning practices have led to a marked imbalance in the distribution of higher-density and multifamily housing.

At the same time, a series of court decisions as well as the NJ Fair Housing Act empower local governments to create affordable housing, and to levy development fees on private developers in order to create affordable housing trust funds. Both activities have been pursued widely – often in tandem with continued exclusion in the rest of the municipality – and have resulted both in substantial production of affordable housing (as documented in the preceding section of this report) along with the collection of $589 million in local trust fund dollars through June 2012. Dissatisfaction with the slow pace with which municipalities were spending these funds, however, led the legislature in 2008 to impose a four year limit on the amount of time municipalities could hold funds before committing them to specific projects. As of this writing, as a result, the status of much of this money remains in dispute.

A small number of the state's municipalities, mainly its larger cities, carry out more extensive housing-related activities. Most of the state's larger cities have housing authorities, many created in the 1930s and 1940s, which have built and continue to maintain inventories of public housing. Most of these cities also receive direct allocations of CDBG and HOME funding, and support neighborhood stabilization and revitalization activities to varying degrees, activities that often arise from the initiative of locally-based non-profit community development corporations (CDCs).

2.2.4 The for-profit private sector

This heading may be considered something of a catch-all term, encompassing not only builders and developers, but also the many entities that form the support system for both housing development and for maintaining (or failing to maintain) a healthy housing market. These entities include contractors, building material suppliers, realtors, property managers, landlords, appraisers and lenders.

Each of these sectors is highly diverse. New Jersey's builders and developers include small 'mom and pop' operations that build or rehabilitate two or three houses a year and national or global corporations such as Hovnanian or Toll Brothers. Private firms build almost all of the new housing added to the northern New Jersey region's housing stock, while specialized for-profit firms like RPM or Pennrose build a large part of the affordable housing constructed in the region. Similarly, lenders making mortgages in New Jersey range from 'too big to fail' banks like Wells Fargo and Bank of America to dozens of small community banks.

In addition to the lending activities that they conduct as a matter of normal business practice,[48] lenders contribute to affordable housing through activities that they carry out to comply with their obligations under the Community Reinvestment Act. Many of the largest lenders active in New Jersey have entered into agreements, often negotiated by Citizen Action and the Housing & Community Development Network, which have resulted in increased lending in urban and lower-income communities as well as support for non-profit community development organizations.

Most of the for-profit system is not directly dependent on federal or state funding, but is highly dependent on indirect financial support, in particular the home mortgage deduction and the availability of mortgage financing through the FHA and the GSEs. It is also powerfully affected by the state and local regulatory climate. Some developers, such as K Hovnanian Homes¸ have mastered the intricacies of inclusionary housing ordinances and regulations in order to create multifamily development opportunities in northern and central New Jersey suburbs,[49] while all developers, but particularly those building outside central cities, are affected by the environmental and land use regulatory regimes imposed by state and local government.

2.2.5 The non-profit private sector

The non-profit development sector plays a much smaller role in the overall regional housing market than the for-profit sector, and largely depends on the same for-profit support system of contractors, suppliers, realtors and lenders as do for-profit developers, [50] with the addition of community

---

[48] Or, in recent years, often do *not* perform, an issue of concern not only to housing advocates, but throughout the construction and real estate industries.

[49] By incorporating a set-aside of low and moderate income housing, which would count toward achievement of the municipal fair share obligation, developers found that at least some municipalities were more responsive to proposals to rezone their land to substantially higher densities. The affordable housing was rarely more than 20 percent of the total number of units approved and often less; as a result, even if the developer took a loss on some of the affordable units, it was more than made up by the profit on the market-rate units.

[50] There has been intermittent discussion, in New Jersey and elsewhere, of the idea of creating parallel non-profit support systems in such areas as mortgage lending or real estate sales. Although there are a handful of examples of such entities

development financial institutions (CDFIs), non-profit lending institutions. Two CDFIs in particular, New Jersey Community Capital, and the Philadelphia-based Reinvestment Fund, play a particularly important support role. A number of banks active in New Jersey, including important second-tier banks such as TD Bank and PNC, as well as major corporations such as PSE&G, have supported the non-profit sector through grant-making and investments under the Neighborhood Revitalization Tax Credit program, while the Wells Fargo Regional Foundation is a major supporter of non-profit neighborhood-based planning. While the non-profit sector plays an important although secondary role in housing development and in maintaining the affordable housing stock, it plays little role in maintaining a healthy housing market more broadly.

Non-profit development entities are heavily concentrated in New Jersey's older and larger cities, and are an important factor in the housing system in some cities, such as Newark, Orange and Paterson, particularly since the collapse of the housing bubble. A handful of suburban non-profit developers, such as Homeless Solutions in Morris County and the Affordable Housing Alliance in Monmouth and Ocean counties are significant players in terms of production of affordable housing in those areas. With rare exceptions, housing produced by non-profit developers in the northern New Jersey region is affordable housing, developments explicitly targeted to low and moderate income households, generally with federal, state or local subsidies.

Over and above housing production as such, many non-profit entities, particularly CDCs with strong roots in a particular neighborhood or city, have played an important role in stabilizing and revitalizing neighborhoods, some suffering from long-term decline, and many destabilized by the wave of foreclosures that began in 2006 and 2007. Nearly all the NSP funds that have come into New Jersey have been or are being spent by non-profit entities, as are the funds raised from private corporations through the NRTC. Still, these resources and activities are modest in the extreme compared to the devastation wreaked by foreclosures, and the magnitude of the need for investment in northern New Jersey's urban neighborhoods.

2.3 Principal state and regional plans and policies affecting housing

In light of the continuing uncertainty about the status of COAH, and continuing lack of movement with respect to implementation of the New Jersey Fair Housing Act, there are no state plans in effect at present that explicitly address housing needs.[51] The state strategic plan adopted in final draft form late in 2011 is all but silent on the subject of housing.[52] The state does have substantial powers and pursues important policies that affect the housing system.

The state and its constituent agencies have great power to shape the course of development generally and housing in particular. The state can promote the creation of affordable housing and influence its

---

around the country, the obstacles to doing so at scale appear to be all but insurmountable. This is unfortunate, because many areas tend to be underserved by the for-profit housing market system.

[51] 2008 legislation mandated the preparation of an annual housing policy plan by the New Jersey Department of Community Affairs. This legislation has never been implemented, nor has the State Housing Commission also mandated by that legislation ever been constituted.

[52] The plan, which has not yet been adopted in final form as of November 2012, is fundamentally an economic development document; even as such, however, it fails to recognize the intimate connection between housing and economic development. It is available on line at http://www.nj.gov/state/planning/publications/192-draft-final-ssp.pdf

geographic distribution through the powers of the Council on Affordable Housing (COAH). While COAH cannot literally compel municipalities to build affordable housing, its power to grant substantive certification to municipal housing plans and thereby immunize those municipalities from developers' "builders remedy" lawsuits,[53] gives it authority close to that level.

While the legal powers of COAH, at least in theory, are great, they are constrained by political considerations. Under the current state administration, efforts have been made to abolish the agency entirely; while these efforts have been stymied by the courts, the administration has significantly downgraded the agency, and reduced enforcement of the New Jersey Fair Housing Act, the 1985 legislation that created it.[54] In the absence of clear funding strategies for affordable housing from other state agencies (and with little funding forthcoming) it does not appear that there is any state policy with respect to affordable housing at present.

The state plays its most substantial role, and pursues its clearest policies, with respect to land use regulation, a role exercised by the Department of Environmental Protection with respect to such physical conditions as wetlands, flood plains, stream corridors and brownfields, as well as with respect to the regulation of sewer service areas. While DEP does not regulate development *as such*, two state entities, the Pinelands Commission and Highlands Commission,[55] have explicit regulatory authority over land use and development in their respective regions, which together contain roughly 37 percent of the state's land area, and a substantially larger percentage of its undeveloped land.[56]

The overall posture of the state's regulatory authority, as well as the manner in which it has generally been exercised, has been to constrain housing development, by removing many areas from the inventory of developable land, or by reducing the number of units that can be built on developable parcels.[57] There is nothing in the state's regulatory scheme that counterbalances these effects by requiring or creating meaningful incentives for development of higher density housing in those areas where such housing *is* suitable. It would not be a great exaggeration to suggest that state policy for many years – with the limited exception of the transit hub policy described below – has been to

---

[53] Under the New Jersey Supreme Court's 1983 *Mt Laurel* decision, trial courts were empowered to grant approvals, up to and including building permits, to projects which included a significant percentage of affordable housing, in municipalities that had failed to comply with the requirements of that decision. Although relatively few builder's remedies have actually been granted, the possibility or threat of such outcomes has had a powerful effect on local government action.

[54] Although from a strict legal standpoint nothing about COAH's status has changed, the administration has removed the agency from the Department of Community Affairs web site.

[55]The Highlands is entirely within the northern New Jersey region. Most of the Pinelands is outside the region, although a large part of Ocean County is in the Pinelands.

[56] A third state agency, the Meadowlands Commission, exercises similar powers within the Hackensack Meadowlands area, but that area is far smaller and far more extensively developed at this point.

[57] One area where that effect is particularly pronounced is with respect to sewerage service; by limiting the expansion of regional sewerage areas, and by discouraging the use of self-contained or 'package' sewer treatment plants, the outcome has been that large parts of the state have been developed, but at extremely low densities. This has had the effect of maximizing land consumption while yielding only a small increment of typically very expensive single family houses.

discourage housing development in large parts of the state's land area, while not encouraging it in any meaningful fashion elsewhere.

Outside the regulatory framework, a state policy has been in place for a number of years to encourage transit-oriented development (TOD), a policy that includes some focus on transit hubs in urban centers. DOT has provided encouragement and limited financial assistance to towns and cities seeking to create TOD projects and transit centers, while NJ Transit has pursued similar goals through its Transit-Friendly Community Planning program. The Urban Transit Hub program administered by the NJ Economic Development Authority provides incentives for housing as well as non-residential (principally office) development close to urban transit centers such as Newark Penn Station. This is not an affordable housing policy, however, as there is no requirement that developments built with these incentives include affordable housing, while the incentives for non-residential projects are significantly more generous than those for housing development, clearly favoring development of the former. Only a few locations eligible for the incentives in New Jersey urban areas exhibit market conditions that make residential development, even with the incentives, feasible.

2.4 Principal Resources and Incentives Affecting the Housing System

The housing system is powerfully driven by the availability of resources for housing, and by the manner in which implicit or explicit economic incentives are provided within the system. This section will attempt to identify and quantify, to the extent reasonably feasible, the resources explicitly directed to the housing system, and identify areas where significant incentives are provided and the direction of the incentive. Once one leaves the relatively firm ground of federal funds, information is often difficult if not impossible to obtain. As a result, in many areas the findings are limited, or at best order-of-magnitude estimates.

2.4.1 Federal Resources

By far the largest share of funds used to support affordable housing in New Jersey comes from the federal government. The largest federal contribution to affordable housing in New Jersey is the housing voucher program, while other substantial ongoing programs include the Low Income Housing Tax Credit program, and the Community Development Block Grant and HOME block grant programs. New Jersey has also received substantial sums through one-shot federal programs, including the Hardest Hit Fund and Neighborhood Stabilization Program. The federal government also supports public investments that further housing, principally in the form of transportation funding under MAP-21, the comprehensive federal transportation funding legislation. Actual or estimated funding levels for the principal federal programs in New Jersey and, where possible, for the northern New Jersey region are given in Table 2.2 (on the following page).[58] The table does not include operating support for public housing projects, programs for the homeless, discretionary grants, or a variety of smaller scale federal programs, such as Emergency Shelter Grants or Housing for People with AIDS (HOPWA).

---

[58] It may also be worth mentioning the federal income tax deduction for home mortgage interest. While there is no evidence that this deduction encourages home ownership (many other countries that have no similar deduction have higher home ownership rates, including Canada and the United Kingdom), there is compelling evidence that it pushes up housing prices, and can be seen therefore as a significant federal contribution to New Jersey's household wealth, albeit one that operates in a highly regressive fashion.

In the meantime, public and subsidized housing production resources have dropped dramatically. The number of vouchers has grown marginally[59] but other resources have declined. Table 2.3 shows the decline in HOME funds received by the state of New Jersey and its three largest cities between 2002 and 2012.

Finally, since the collapse of the housing bubble, and the nationalization of Fannie Mae and Freddie Mac in 2008, the federal government has in effect become the dominant source of mortgage financing in the region as throughout the United States. In 2011, roughly one-third of the mortgages made in the northern New Jersey region were insured by the Federal Housing Administration,[60] with most of the balance being bought by Fannie Mae or Freddie Mac. Despite the dominant federal role in mortgage lending, actual mortgages are made by private entities, and estimates of the volume of mortgage lending are presented under 'private funds' below, as are the activities of the Federal Home Loan Bank system with respect to affordable housing.

Table 2.3 Home Program Allocations 2002, 2007 and 2012 ($000)

JURISDICTION	2002	2007	2012	% change 2002-2012
State of New Jersey	$7,413	$7,067	$3,801	- 48%
Newark	$4,406	$3,016	$1,944	- 56%
Jersey City	$3,183	$3,054	$1,596	- 50%
Paterson	$1,824	$1,837	$1,162	- 36%

SOURCE: US Department of Housing & Urban Development

Table 2.2 Principal Federal Programs

PROGRAM	ONGOING OR ONE-TIME	FISCAL YEAR(S)	NEW JERSEY	REGION
HOUSING PROGRAMS				
Housing Vouchers	ONGOING	2013	± $800-850M (note 1)	± $670-750M (note 1)
Low Income Housing Tax Credit	ONGOING	2011	± $125M (note 2)	± $120M (note 2)
Community Development Block Grant	ONGOING	2012	$77.7M	$66.5M (note 3)
HOME block grant	ONGOING	2012	$25.7M	$21M (note 4)
Neighborhood Stabilization Program	ONE-TIME	2008-2010	$122.5M	(Note 5)

59 Between federal Fiscal Years 2005 and 2012, according to the New Jersey Consolidated Plan, the number of vouchers administered by the state of New Jersey increased from 17892 to 19969, or roughly 1.5% per year.

60 This is substantially lower than the national average, which is nearly 50 percent, and reflects the more affluent and higher cost market characteristic of most of the region.

Hardest Hit Fund (Note 6)	ONE-TIME	2010-2011	$298M	NA
TRANSPORTATION PROGRAMS				
Federal Highway Administration	ONGOING	2012	$962M	NA
Federal Transit Administration	ONGOING	2012	$1323M	NA

NOTES TO TABLE 2.2

(1) There are 51,300 vouchers allocated to county and local entities in the region, including the state vouchers used in the region (roughly 2/3 of the total) and 12,400 in the balance of the state. The estimate assumes that the modal unit for a voucher holder is a two bedroom unit, that the average fair market rent in northern New Jersey is $1300/month and in the balance of the state $1000/month, and that actual rents average 90% of the fair market rent.

(2) In 2011 the NJHMFA reserved $15.725M in total allocations of ten year credits, of which $14.883 were for projects in the region. The estimate assumes that the value of those allocations in terms of investment in affordable housing is 80% of the gross value of the allocations (allocation x 10 x .8).

(3) This includes the $5.7 million received by the state of New Jersey for further allocation to small municipalities.

(4) This includes the $3.6 million received by the state of New Jersey for further allocation to small municipalities.

(5) Of this total, $40 million was allocated directly to municipalities within the region and an additional $56.5 million was allocated to the state for further allocation to municipalities or non-profit entities.

(6) The Hardest Hit Fund monies were provided by the US Treasury to states hit particularly hard by foreclosures from proceeds of TARP repayment. Funds can be used for a wide variety of activities that assist either foreclosed homeowners or homeowners at risk of foreclosure, including mortgage payment assistance, principal reduction, elimination of second lien loans, and help transitioning into more affordable homes.

2.4.2 State Resources

While during the height of the housing boom the New Jersey affordable housing trust fund received well over $100 million per year, recent receipts have been far less, and most of what has been collected has either been re-allocated to the SRAP program or used to fund general state appropriations. Similarly, the special needs trust fund was created with a one-time $200 million bond issue in 2005; these funds have now been spent, and it is unclear whether additional funds will be available.

State resources for affordable housing have dropped sharply, as a comparison between 2006 and 2012 spending for key programs in Table 2.4 shows. This reflects in part changes in the political climate, as discussed below, and in part with the nature of the two sources that New Jersey has historically used to fund affordable housing; (1) a percentage of the realty transfer fee paid on residential property sales; and (2) the surplus revenues generated by the operations of the HMFA. In 2006 both were at their peak, which was reflected in substantial spending on affordable housing. Both dropped dramatically in subsequent years, and have remained well below their peak since. The effect of these changes, both fiscal and political, has been to all but eliminate any state-level financial support for construction or rehabilitation of affordable housing.

Table 2.4 State Spending for Selected Affordable Housing Programs 2006 and 2012

PROGRAM	2006 Actual	2012 Estimated	SOURCE(S)
Balanced Housing Program Production	$38M	$3M	NJ Affordable Housing Trust Fund
HOME Express (note 1)	$58M	0	NJ Affordable Housing Trust Fund
State Rental Assistance Program	$47M	$42M	NJ Affordable Housing Trust Fund and legislative appropriation
UHORP/CHOICE (note 2)	$42M	$14M	NJHMFA program income
Special Needs Housing Trust Fund	$24M	$21M	Dedicated bond issue proceeds
TOTAL	$209M	$80M	

SOURCE: NJ DCA Consolidated Plans, 2007 and 2012.
(1) These monies from the affordable housing trust fund were transferred from DCA to HMFA to be used in conjunction with LIHTC allocations to increase feasibility and affordability of LIHTC projects.
(2) This program funded affordable (and in some cases mixed-income) homeownership developments. Although renamed between 2006 and 2012, it remained substantively the same program

2.4.3 Local Government Resources

Prior to the Fair Housing Act and the *Holmdel* decision[61], which clearly established the authority of local governments to charge developer fees for affordable housing, some New Jersey municipalities may have provided funds for affordable housing, but that support tended to be sporadic and severely limited in scope, if at all. As a rule, funds spent by local governments for affordable housing were limited to dollars received for that purpose from the state or federal governments. Since 1990, however, many municipalities, particularly large growing townships, have taken advantage of their new-found legal authority to impose developer fees, and have created affordable housing trust funds in which to deposit the funds. 220 local governments in northern New Jersey, or nearly 3 out of every 5 municipalities in the region, have collected developer fee monies.

As of June 2012, municipalities in the region had collected a total of $454 million in developer fees, of which they had spent $248 million, or 54%. This represented 77% of all developer fee money collected statewide, and is under any circumstances a considerable sum. The breakdown of collections and spending by county is shown in Table 2.5. The table shows wide variation between counties, with per capita developer fee collections[62] ranging from a high of $180.63 in Monmouth County, to a low of $14.19 in Union County. Predictably, the counties which combined the greatest development opportunities with the strongest housing markets – Hunterdon, Monmouth and Somerset, collected the most in developer fees, while the most heavily urban counties – Essex, Hudson, Passaic and Union – collected the least.

The countywide totals obscure the fact that a relatively small number of municipalities collected a significant percentage of the fees. Summit collected nearly half of all of the fees collected in Union County, while Sparta and Hardyston collected 60% of all of the fees collected in Sussex County. Within

---

[61] Holmdel Builders Association. v. Holmdel Township, 121 NJ 550 (1990)

[62] Total countywide developer fee collections divided into the 2010 population of the country.

the region, nine townships each collected more than $10 million, led by Marlboro in Monmouth County, which raised $19.6 million. Collectively, these nine townships accounted for 30% of all of the developer fee money collected in the region.

Spending of developer fee proceeds has lagged significantly behind collections, a condition that led the legislature in 2008 to enact legislation that required municipalities to spend developer fee monies within four years of collection, or risk forfeiture of the money to the state. As Table 2.5 shows, after 20 or more years of collections, the municipalities in the region had spent only slightly more than half of the funds collected. Hunterdon County municipalities had spent the most, with 80% of collections spent, while the worst record belonged to Morris County, which had spent little more than 1/3 of the amount collected.

Regrettably, no information is available on the activities for which municipalities spent their developer fee monies. Anecdotal evidence suggests that up to 2008 most of the developer fee money was used to fund regional contribution agreements (RCAs), a provision in the Fair Housing Act which allowed municipalities to transfer up to 50% of the affordable housing obligation to another municipality by providing the latter municipality with a cash contribution toward the cost of creating the units. The ability to collect developer fees facilitated this practice, since few municipalities were eager to impose the cost of such agreements on their taxpayers. RCAs were controversial from the beginning; a 1987 law journal article characterized them as the "selling out of *Mt.Laurel*" (Fox 1987). The same 2008 statute that imposed the "spend it or lose it" requirement on developer fees also repealed the provisions of the Fair Housing Act authorizing RCAs.

In mid-2012, the Christie administration sought to trigger the "spend it or lose it" provisions in order to recapture the unspent funds, with the clear intention, however, of using the funds as general state revenues rather than for affordable housing as called for in the 2008 statute. The administration's actions have led to legal challenges, which are in process, and the status of the remaining unspent developer fee dollars remains unclear.

Table 2.5 Developer Fees Collected and Spent by County

	Municipalities in county	Municipalities collecting developer fees	Total collected 1990-2012 ($000)	Collections per capita	Total spent 1990-2012 ($000)	Percentage spent
BERGEN	70	42	$57,749	$ 63.61	$29,187	51%
ESSEX	22	11	13,388	$ 17.08	$ 6,649	50%
HUDSON	12	5	10,404	$ 16.40	$ 6,015	58%
HUNTERDON	26	20	19,160	$152.85	$15,255	80%
MIDDLESEX	25	13	77,778	$ 96.04	$34,732	45%
MONMOUTH	53	24	113,866	$180.63	$81,602	72%
MORRIS	39	28	42,621	$ 86.58	$14,669	34%
OCEAN	33	13	33,083	$ 59.38	$17,043	52%
PASSAIC	16	9	14,053	$ 28.04	$ 5,175	37%
SOMERSET	21	16	50,243	$155.34	$24,596	49%
SUSSEX	24	19	7,903	$ 52.95	$ 4,280	54%
UNION	21	6	7,614	$ 14.19	$ 3,908	51%
WARREN	22	14	6,038	$ 56.55	$ 2,618	43%
TOTAL	384	220	$453,900		$245,729	54%

SOURCE: New Jersey Department of Community Affairs, 2010 Census

2.4.4 Private sector resources

The public funds described above represent only a modest share of the total amount of resources going into the housing system in the northern New Jersey region. The lion's share of resources come from the private sector, although, as in the case of most mortgages made at present, one can reasonably argue that the private sector entities such as banks and mortgage companies financing housing are little more than intermediaries for government guarantees through FHA, Fannie Mae and Freddie Mac.

The largest form of private investment in the housing system comes from the purchase of homes by individuals either to live in, or to maintain as an investment. 88,781 home purchases took place in the region in 2010, with an aggregate sales amount of $33.5billion.[63] Of this total, however, only roughly 40% or $13 to 14 billion[64] was covered by mortgages from lenders subject to the Home Mortgage Disclosure Act. The balance of some $20 billion came from the purchasers' savings, funds they borrowed through non-mortgage sources,[65] or from non-conventional mortgages such as seller financing.

As Table 2.6 shows, roughly 45% of the home purchases were financed with a mortgage subject to HMDA reporting.[66] While most people buying homes for owner occupancy obtain such a mortgage, the pool of buyers includes people buying second homes, senior citizens buying homes in retirement communities with cash, and real estate investors who will become, for the most part, absentee landlords. The effect of the first two categories is particularly noticeable in Ocean County, where only 30% of the home purchases were financed with a mortgage and 70% through other means. Monmouth County also had a low ratio of mortgages to total sales. Investors represent a greater part of the buyer pool in many urban areas, where the ratio of mortgages to sales is often similarly low. In 2010, mortgages represented only 23% of sales in Irvington, 28% in New Brunswick, and 39% in Newark. This reflects the extent to which large numbers of the buyers in these cities are investors rather than people buying for owner-occupancy.

While the dollars spent to purchase one to four family homes are the greatest part of the private sector resources going to housing, and the only element in those resources that can be documented for the region with any accuracy, there are many other forms of private sector investment in the housing sector:

- Investment in multifamily housing, including substantial large-scale investment through REITS and corporate entities

---

[63] This data is generated by Boxwood Means and is made available through PolicyMap.

[64] Aggregate mortgage data is not readily available. This estimate was derived by multiplying the number of mortgages by the median amount, and increasing that product by 15-25% to reflect the difference between the median and the average amount.

[65] These can include borrowing from friends or family, or in the case of investors, institutional funds, loan pools and the like.

[66] The extremely high ratio of mortgages to purchases shown for Hudson County in Table 2-6 appears anomalous, and may reflect reporting errors.

Table 2.6 Sales and Mortgages by County 2010

	Number of sales	Median sales price	Aggregate sales amount ($000)	Number of purchase mortgages	Median mortgage amount
BERGEB	11,546	$400,000	$5,559,452	5,597	$330,000
ESSEX	7,934	$280,000	$2,888,797	3,571	$296,000
HUDSON	3,992	$264,700	$1,228,389	3,328	$294,000
HUNTERDON	2,123	$327,500	$ 765,786	962	$281,500
MIDDLESEX	9,635	$276,000	$2,907,448	4,817	$252,000
MONMOUTH	13,302	$337,500	$5,609,870	4,422	$288,500
MORRIS	7,381	$390,000	$3,454,177	3,795	$321,000
OCEAN	12,806	$225,000	$4,214,781	3,833	$214,000
PASSAIC	4,745	$275,000	$1,384,469	2,313	$256,000
SOMERSET	4,787	$360,000	$2,114,432	2,762	$301,000
SUSSEX	2,426	$217,000	$ 600,444	975	$217,000
UNION	6,638	$280,000	$2,462,522	3,214	$274,500
WARREN	1,466	$215,000	$ 321,771	651	$225,000
TOTAL	88,781		$33,512,338	40,240	

SOURCE: PolicyMap

- Short-term financing for development, including construction and mezzanine loans, from conventional lenders and so-called 'hard money' lenders[67]

- Home improvement loans[68] and private (personal) investment of resources in home

[67] Hard money lenders is the generic term used to describe firms that make relatively high-risk short-term loans secured by real estate to developers or investors at high interest rates, often provided by individuals or firms outside conventional mortgage channels.

[68] A small percentage of home improvement loans, as well as some grants, to lower income homeowners are provided through public sources. Sources most often include CDBG funds and affordable housing trust fund (developer fee) proceeds.

- improvements.[69]
- Developer and investor equity.[70]

In recent years, with mortgage interest rates at historic lows, mortgage refinancing has been popular, and may account for hundreds of billions in transactions over the past few years. Since, for the most part, this money simply replaces other money it should not be seen as an investment in the housing sector similar to those cited above.

A further important private source of funds for affordable housing is the Federal Home Loan Bank of New York.[71] Under the federal legislation chartering the Federal Home Loan Bank System 10% of each bank's profits is allocated to the Affordable Housing Program, through which the bank makes grants to support the creation or preservation of housing for lower income households. In 2012, the Home Loan Bank of New York made $19.2 million in grants to non-profit entities in New Jersey, of which $12.3 million went to entities in the northern New Jersey region.

2.5 Principal Challenges and Opportunities

Many challenges confront those seeking to provide adequate and affordable housing for lower income households in the northern New Jersey region, and provide greater geographic equity and opportunity for those households. Those challenges are created both by objective housing conditions and trends and their underlying social, economic and physical driving forces; and by the features of the policy and implementation context described above. While some emerging trends may offer opportunities, those are unfortunately far fewer than the challenges.

The principal challenges and the single opportunity affecting the housing system are shown in Table 2.7. Some of these challenges are systemic, and likely to be long-term in their effects, such as demographic and cultural change. Others, although susceptible to significant change in theory, such as New Jersey's tax system or its system of land use regulation, appear entrenched to the point where they must be considered long-term challenges. Finally, others, such as the features of the current economic and political climates, are susceptible to short-term change; indeed, there is evidence that the housing market in much of the region is on the upswing. Similarly, today's political climate, and the public policies toward affordable housing that it generates, could also change. We have tried to distinguish

[69] A significant source of investment in many older neighborhoods, particularly those undergoing significant market change or gentrification, comes from personal savings being used to fix up or restore old houses, usually in circumstances where borrowing for those purposes is either not possible or considered desirable. While impossible to quantify, it is possible that this source of investment alone may account for $50 to $200 million per year within the region.

[70] Under current market conditions, conventional lenders rarely lend more than 60-70% of the total cost of developing or buying multifamily housing. The rest usually must be provided as equity.

[71] One could ask whether the Home Loan Banks are actually private entities or federal entities. They consider themselves private entities, and the New York HLB web site notes that the HLBs "are all privately capitalized and operated by their member stockholders. They receive no taxpayer funding and raise their funds by issuing debt instruments in the capital markets." They operate, however, under the supervision of the Federal Housing Finance Agency, which also supervises the GSEs.

between those which appear to be more short-term and those more long-term in nature, recognizing that short-term challenges can unpredictably turn into long-term ones. The only area which we believe can reasonably be considered an opportunity as well as a challenge is that of demographic and cultural change, a multifaceted process with powerful but still unpredictable implications. Each of these challenges and opportunities is discussed briefly below.

Table 2.7 Principal Challenges and Opportunities Affecting the Housing System

CHALLENGE	SHORT TERM	LONG TERM
The land use and environmental regulatory system	YES	YES
Municipal dependence on the property tax	YES	YES
Limited public sector resources	YES	PROBABLY
The uncertain housing market and economic climate	YES	MORE IN URBAN AREAS THAN REST OF REGION
The mortgage financing system	YES	POSSIBLY
The political climate	YES	NO[72]
Demographic and cultural change	YES	YES

2.5.1 The Land Use and Environmental Regulatory System

As noted earlier, New Jersey's systems of regulating land use and the physical environment pose a significant challenge to development of housing in general, and affordable housing in particular. The local land use regulatory system, particularly when taken in context with municipal dependence on the local property tax, discourages higher density and lower cost development and instead tends to foster development based on fiscal benefit rather than housing and other human needs. Decades of effort since the first *Mt Laurel* decision, while not without some effect on the production of affordable housing, have not resulted in any fundamental change in this system.[73] Land continues to be disproportionately zoned for single family houses on large lots and for non-residential use, well beyond the economic demand for such uses.

The structure of environmental regulation has exacerbated this challenge. The issue is not whether environmental regulation is justified; each regulation that has been adopted since the 1970s has a credible, and often compelling, justification. *The challenge is that the regulatory framework is one-sided.* While environmental regulation has placed large parts of the state off-limits to development of any sort, including large areas of the Pinelands and Highlands regions, and limited development in much of the remainder to single family houses on extremely large lots, which because of the cost of land dictates very expensive houses, there are no counterbalancing regulations mandating that land which *is* appropriate for development is developed efficiently at higher densities, or ensuring that an adequate supply of land served with sewer and water systems is available to accommodate housing needs. Thus,

[72] Clearly, neither we nor anyone else *knows* whether and in what fashion the political climate will change over the medium- or long-term; the nature of the political process, however, renders it susceptible to change at regular, relatively short-term, intervals.

[73] Indeed, the *Mt. Laurel II* decision itself made clear that it was not undoing the overall system, but, in essence, imposing an affordable housing overlay on that system.

the ability to maneuver within the complementary state and local regulatory schemes is an ongoing challenge facing anyone seeking to develop housing in New Jersey, particularly outside largely-developed urban centers. Although theoretically susceptible to change, the long history of these regulations strongly suggests that these will remain long-term challenges.

2.5.2 Municipal Dependence on the Property Tax

In contrast to the situation in many other states, New Jersey local governments have no substantial, ongoing revenue source available to them other than the local property tax. This factor distorts land use decisions, driving municipalities to compete with one another for 'rateables' in the sense of developments that generate more tax revenues than service delivery costs, to favor non-residential development over residential development, and expensive housing over more modest developments. Similarly, with respect to affordable housing, it leads municipalities to favor senior and special needs housing, which generate no school children, over housing for families with children who must be accommodated in the local public schools. Again, as with the state laws governing land use regulations, the tax system can be changed by legislative action. The likelihood of this happening, however, after the failure of numerous calls for action, study commissions and proposals over many decades, must be considered remote. This too must be considered a long-term challenge.

2.5.3 Limited Public Sector Resources

Although the public resources directed to affordable housing are not insignificant, they nonetheless far severely short of what is needed to meet the full range of lower income housing needs, or to bring about meaningful change in the inequities in the geographic distribution of lower income households in the region. While 48,000 low income households have housing vouchers which enable them to live in adequate private market housing while spending no more than 30 percent of their income for shelter, that represents less than 1 in 10 of the low income (earning 50 percent of AMI or less) households in the region. Another 126,000 low and moderate income households benefit from other affordable housing programs, including public housing, Low Income Tax Credit developments, and other programs; a large percentage of those are moderate income households rather than the low (or very low) income families whose needs are greatest. Moreover, as was shown earlier, a substantially larger share of lower income senior citizens benefit from subsidized housing than do lower income non-senior families. As a result, the great majority of low income families continue to live in less than desirable housing conditions, or spend more than 30 percent of their income for shelter.

Furthermore, as the region's population continues to grow, so do the number of lower income households. A ballpark estimate, based on the population projections of the New Jersey Department of Labor & Industry, would suggest that the number of households in the region will increase by roughly 127,400 between 2010 and 2020.[74] Based on that figure, it then follows that the number of households

---

[74] The L&I projections anticipate an increase in population of 341,400 in the region between 2010 and 2020. Since the average household size in New Jersey remained unchanged between 2000 and 2010 at 2.68 persons per household, for purposes of this ballpark estimate, we assumed that it would remain at that level through 2020. A more sophisticated projection of household increase would have to take many other factors into account, including age distribution, immigration trends, etc.

earning 50 percent of AMI or less in the region will increase by approximately 32,000, while the number earning between 50 and 80 percent of AMI will increase by approximately 19,000.[75]

As information presented earlier has shown, with respect to both state and federal funds, it is the *production* resources that have suffered most. While the number of federal vouchers has grown slightly,[76] and the state rental assistance program has only been slightly reduced, state-level production programs have been slashed, while the federal HOME program has also seen significant cuts. The only program for production of affordable housing that remains largely intact is the LIHTC program. The significance of these cuts reflects the reality that while a rental assistance program needs to remain at the same level – or even increase slightly – in order simply to continue to support the same number of households that enter into the program at the beginning, each year's housing production funds create net new units. The trade-off, of course, is that without operating subsidies, production funds create units that are not affordable to the very low income households who most urgently need housing assistance.

The flow of public resources into housing, or any other area of public spending, is a function of the overall resources of the public sector, and the priority given to that particular area. In neither respect are the prospects for a significant reversal of the trend described above highly likely. Pressure for lower taxes and competing fiscal demands at both the federal and state levels, as well as the low attention given affordable housing – as reflected in the silence on the subject by both candidates in the 2012 presidential election – suggest that limited public resources for housing are likely to represent an ongoing challenge. While some future state administration may be more inclined to use such housing and related resources as are available for that purpose, rather than redirect a substantial part of those resources to other uses as is currently the case, the sum of the resources available is likely to continue to be substantially less than the demand.

2.5.4 The Uncertain Housing Market and Economic Climate

The collapse of the housing boom in 2006-2007 and the resulting wave of foreclosures, as described earlier in this report, had a powerful effect on the northern New Jersey region, particularly in its older cities. That collapse coincided with the Great Recession of 2007-2009; while the recession is officially over, its effects continue to reverberate throughout the state and region. These forces have led to three distinct challenges with respect to the region's housing.

Foreclosures, which have been disproportionately concentrated in the older cities, particularly in and around Newark, have led thousands of families to lose their homes, while destabilizing neighborhoods, and in a few cases entire municipalities. While there is some evidence that the flow of foreclosures may be slowing, it still remains – and is likely to remain for at least the next two years or more – at levels that are extremely high by historical standards. The challenge facing the region is both how to address the households and homes directly affected by foreclosure, and how to rebuild market conditions and

[75] Because these income ranges are defined relative to the regional median income, rather than on the basis of absolute numbers, their distribution follows a highly predictable pattern, and it can reasonably be assumed that low income households (under 50% of AMI) will represent roughly 25% of all households in any population, and moderate income households (50-80% of AMI) will represent roughly 15%. Thus, as the number of households increases, the number of low and moderate income households increases in lockstep. Whether this is a rational way of assessing need is open to question.

[76] The sequester of federal funds that began in March 1, 2013 may result in a decline in the number of vouchers available, either on a short-term or long-term basis.

quality of life in urban neighborhoods that have been destabilized over the past five years. While federal Neighborhood Stabilization Program funds have been helpful, they are largely expended, and in any event, have had only a modest role in re-stabilizing the areas where they have been applied. The mortgage purchase program designed by New Jersey Community Capital in partnership with Chicago-based Mercy Housing represents a creative approach to addressing these problems, but is unlikely to be implemented at a scale large enough to fundamentally change the picture.[77]

The housing bust and weak economic conditions have also had a disproportionate impact on the region's older urban centers. While these areas had shown marked economic improvement and significant private sector investment, during the period from the late 1990s through 2005-2006, those gains were wiped out by the subsequent market collapse. As a result, unsubsidized private sector investment in housing in these centers has all but ceased outside those areas like Hoboken and parts of Jersey City most directly influenced by the New York City market. Rebuilding market demand and economic vitality in Newark, Elizabeth, Paterson and many smaller communities, particularly at a time of limited public resources, remains an ongoing challenge.

The drop in market demand has affected affordable housing in yet another way. A significant source of affordable housing units in New Jersey since 1986 has been inclusionary housing, in which developers incorporate a 'set-aside' of affordable housing units in otherwise market-rate developments. It is estimated that between 1986 and 2006, such developments created approximately 16,000 low and moderate income units around the state, representing a large part of the family (non-elderly or special needs) affordable housing produced during that period. These units were also an important vehicle for providing affordable housing in high-opportunity areas, since they were typically produced in communities such as Bedminster, South Brunswick or Readington, where market demand and sales prices were high enough to support mixed-income projects without public subsidy. With the drop in market demand as well as the continued lack of state-level fair share enforcement, construction of inclusionary housing has significantly declined. Restoring – and even increasing – production of affordable housing through inclusionary development will require not only an improvement in housing market conditions, but a renewed state commitment to the COAH process or an equivalent statutory scheme.

In some respects, this challenge is a short-term one. Housing markets in most of the region are already beginning to rebound from the crisis, and may be in healthy shape within the next two or three years. The extent to which that takes place, however, will depend heavily on both regional and national economic growth. The prospects for revival in the region's urban centers, particularly those neighborhoods hard-hit by foreclosures, are more problematic. It will clearly take far longer for these cities and their neighborhoods to return to vitality. How quickly they revive will also be influenced by state and federal policy, including the still-unresolved question of how to restructure the nation's mortgage financing system.

2.5.5 The Mortgage Financing System

One of the most serious forms of collateral damage from the collapse of the housing bubble was the failure of the American home mortgage system as it had been initially designed during the New Deal.

---

[77] As of this writing, a proposal submitted by NJCC to the New Jersey Housing & Mortgage Finance Agency seeking an allocation of that agency's Hardest Hit Funds to support this program was pending.

This system had remained largely intact with only incremental changes through the 1990s, when it was undone by the emergence of the subprime mortgage industry and the growth of private label mortgage securitization. Since the 2006-2007 collapse, the system was, in essence, nationalized with the governmental takeover of Fannie Mae and Freddie Mac (GSEs). Since then, access to mortgage financing in the United States is all but completely dependent on the Federal Housing Administration insurance and massive governmental subsidy of the GSEs, to enable them to buy almost all of the mortgages that are not FHA insured. Despite these subsidies, for many complex reasons, access to mortgage financing for homeownership has become increasingly limited, with first-time buyers, for low and moderate income households, and for buyers in urban neighborhoods that have experienced high foreclosures and significant value loss, experiencing particular difficulty getting a mortgage.

While the problem is widely recognized, the solution is not readily apparent. There is no consensus in Washington or elsewhere on the nature of the solution, on the extent of the appropriate governmental role in the mortgage industry, or whether government should even play a role.[78] Even those eager to find a solution see it as being many years off. Those who argue for the government to be taken out of the mortgage business appear to be either unaware that such a step is likely to doom low-interest rate, low down payment, long term fixed rate mortgage lending, or indifferent to such an outcome. As long as this issue remains a bone of contention driven more by ideology than by a rational assessment of the sort of mortgage market that would best serve American consumers and the American economy, it is likely to remain a challenge. It may be a long-term one.

2.5.6 The Problematic Political Climate

It is difficult to write about something as subjective as the political climate in the same context as more readily measurable economic and fiscal matters, but it is nonetheless highly relevant to this subject. Affordable housing in general and strategies to foster a more equitable geographic distribution of households by race and income are both intensely political issues, and the nature of the political climate in the state has a significant bearing on what happens on the ground.

Both have been subject to periodic political challenges. During the decade of the 2000s, for example, although successive administrations were generally supportive of affordable housing development, they were at best lukewarm toward the regional fair share mandates of *Mt Laurel.* The controversies over COAH policies and regulations, including the nature of the municipal fair share obligation, led to extensive litigation and controversy, and beyond any doubt impeded the continued efforts of developers and advocates to create additional affordable housing in high-opportunity areas in the region.

Matters have not improved in recent years. Recent efforts to abolish COAH and effectively eliminate the *Mt Laurel* doctrine as a significant consideration in New Jersey land use policy[79] go far beyond attempts

---

[78] This issue was assiduously sidestepped by the Obama Administration during the president's first term, while also avoided by Congressional leadership on both sides of the aisle.

[79] The governor's desire to abolish COAH, which he has made clear from the beginning of his administration, is not his alone; many people of varied political persuasions as well as many housing advocates were frustrated with the policies and practices of that agency. What is telling, however, that when the legislature passed a bill that would have abolished COAH, but which embodied a strong continued commitment to the fair share goals of *Mt Laurel*, the bill was vetoed by the governor, suggesting that his opposition to COAH has perhaps less to do with its administrative deficiencies as with its underlying mission.

by previous administrations to control or manipulate the COAH process. Current political challenges go beyond the long-standing disputes over suburban fair share obligations, and include what appears to be at best indifference, and at worst overt hostility, to actions to improve housing and neighborhood conditions, whether in urban or suburban areas.

Driven in part by the need to find additional revenues to balance the state budget, in recent years a significant portion of the realty transfer tax revenues statutorily dedicated to housing as well as the entirety of the $75 million that New Jersey received as its share of the national mortgage settlement[80] have been diverted to the state general fund rather than used for their intended purpose. One outcome of this, as noted earlier, is that state funding for housing production has all but disappeared. Similarly, until prodded to act by unfavorable publicity in mid-2012, the state did virtually nothing with the nearly $300 million it received in 2010 in Hardest Hit Funds[81] from the federal government.

Political climates change, sometimes as a result of elections, and sometimes as a result of change of direction or policy within the same administration, as took place to some extent on housing issues in the Kean administration during the mid-1980s. While this is clearly an issue at present, it is impossible to tell whether and to what extent it will be an issue in the future.

2.5.7 Demographic and Cultural Change

Demographic change is a constant. The population of any area is constantly changing in many ways; by age, by household type, and by ethnic and racial distribution. Each of those changes brings about change in the housing market as housing needs shift.[82] Demographic changes also trigger economic changes, since households of different types or ethnic origins have different incomes, affecting their ability to compete for housing in the market. At the same time as the social and economic characteristics of the population change, so do their attitudes and preferences; housing types or locations that were popular at one time become less desirable, and demand grows for housing types that may be in short supply.

While there are many different demographic and cultural changes taking place in the northern New Jersey region, four stand out in terms of their implications for housing markets and housing opportunity:

- The aging of the Baby Boom generation
- Changes in household type toward larger numbers of single person households and fewer married-couple households with children

[80] This represents New Jersey's share of the settlement executed in April 2012 between five major financial institutions, the federal government, and the state attorneys general, which set aside $2.5 billion to go directly to the states for "foreclosure relief and housing programs, including housing counseling, legal assistance, foreclosure prevention hotlines, foreclosure mediation, and community blight remediation" (https://d9klfgibkcquc.cloudfront.net/NMS_Executive_Summary-7-23-2012.pdf). While Governor Christie announced that the money "will deal with housing problems, homelessness issues, and other affordable housing issues for the people of the state", no relevant program saw its funding increase as a result. The state treated these new funds, in the words of one national report, as "a fungible source to offset potential budget cuts" rather than a source of additional funding for affordable housing or foreclosure prevention. (http://www.enterprisecommunity.com/servlet/servlet.FileDownload?file=00Pa000000Gb8pnEAB)

[81] While one can argue that some of the motivation for the administration's practices is the need to find revenues with which to balance the state budget, that is clearly not the case with respect to the Hardest Hit Fund dollars, where that was not an option.

[82] An overview of some of these relationships appears in Hughes and Seneca (2012).

- The continuing impact of immigration
- Changing consumer preferences toward urban living, density and walkability.

Each of these will be described briefly, followed by a discussion of the implications of these changes for housing in the region.

- The aging of the Baby Boom generation

As Hughes and Seneca write, “the baby boom is generally defined as that oversized population cohort born in the high-birth period between 1946 and 1964. It was the largest generation ever produced in American history: 78 million strong nationally, and 2.8 million strong in New Jersey. The baby boom was the classic pig in the demographic python. In 2012, the pig is now 48 to 66 years old.” Over the two decades from 2010 through 2030, this cohort will move into the ranks of the elderly, swelling the region’s population 65 and over, changing the region’s social and economic dynamics.

The housing and locational choices made by this generation as they age will have a significant impact on housing conditions and opportunities in the region. Baby boomers now occupy a large part of the region’s suburban and single family housing stock. A critical issue is the extent to which they will age “in place” while continuing to occupy their existing homes, or move out of those homes to other forms of accommodation. To the extent that the latter takes place, a major question is the extent to which they will seek other housing choices within their communities or within the region, or move out of the region entirely. To the extent that they choose to remain in the region, the question then remains whether they represent a significant source of latent demand for urban housing, or for alternative housing options in the more walkable suburbs of the region.[83]

- Changes in household types

Closely related to the aging of the baby boom, but reflecting other trends as well, such as later marriage and increasing single parenthood, significant shifts are taking place with respect to the distribution of the region’s households by type. Two notable shifts are the growth in single-person households and the decline in what was historically seen as the ‘model’ American household, the married couple with children in the home. Between 2000 and 2010, while the total number of households in the northern New Jersey region grew by 112,000, the number of married couple households with children in the region dropped by 15,000. As shown in Table 2.8, the decline in married couple households raising children was significantly more pronounced in all but one of the cities shown in the table than in the state as a whole.[84] The number of single-person households grew by 40,000, representing over a third of the region’s household growth, while the share of children being raised by single parents continues to rise.

---

[83] This could include either communities that have historically been walkable suburbs, such as Summit or Montclair, or freshly minted New Urbanist communities such as Washington Town Center in Robbinsville.

[84] It is worth noting, however, that the share of urban households that are married couples raising children in most of the cities shown in the table remains substantially higher than that of most large urban centers in the Northeast or Midwest, a factor largely attributable to the high percentage of immigrant (largely Latino) households in the New Jersey cities.

Table 2.8 Change in Household Composition in Selected Cities

	Percentage of all households in 2011		Change 2000-2011	
	Married couples with children	Single individuals	Married couples with children	Single individuals
East Orange	9.4%	37.8%	- 25.3%	+ 9.0%
Elizabeth	19.4	24.2	- 17.4	- 4.2
Jersey City	15.3	30.5	- 7.5	+ 11.4
Newark	12.4	29.7	- 17.9	+ 11.9
New Brunswick	15.4	42.4	+10.7.	+ 97.7
Paterson	16.5	25.6	- 24.6	+ 22.3
NEW JERSEY	23.5%	26.0%	- 3.7%	+ 10.1%

SOURCE: Five-year American Community Survey, 2000 Census of Population

These changes will affect housing demand in terms of unit type, as well as settlement patterns. They will also have a significant effect on affordability and cost burden. One of the most significant shifts in the economics of the American household since the 1960s has been the extent to which a solid middle-class standard of living and high quality housing has become dependent on the presence of two wage earners in the household. With the number of child-rearing married couples declining, household growth is now disproportionately taking place among households with a single wage earner, if any. The majority of these households will be significantly more constrained economically and limited in their housing choices.

- Immigration

Northern New Jersey is a major destination for immigrants to the United States, a factor that has transformed the region's social and economic contours in recent decades. Immigration has resulted in dramatic growth in the region's Latino and Asian populations; in 2010, five of the region's counties, Essex, Hudson, Middlesex, Passaic and Union, were 'majority-minority' counties, in the sense that non-Latino white residents made up less than half of the population of each of these counties – one-third or less in Essex and Hudson counties. Immigrants, particularly Latino immigrants, tend to be younger and have larger households than non-Latino white communities, while the demographics of African-American communities tend to fall midway between the two.

As a result, the elderly population of the region is predominately non-Latino white, while the region's children and youths tend to be increasingly non-white, a mix of African-Americans, Latinos and Asians, with the proportions varying widely from county to county. In Middlesex County, for example, 74 percent of those 65 and over are non-Latino white, but only 39 percent of those under 18. Of the county's population under 18, roughly one-quarter are Asian, one-quarter African American, and 10 percent Latino.

Immigration has led to significant economic disparities as well. While Asian households in New Jersey are on the average substantially more affluent than the state's population as a whole, the incomes of the much larger number of Latino households are generally much lower, making it harder for them to compete in an expensive housing market. The region's Latino population is by no means a homogenous one, however; it is highly diverse by national origin, income, socio-economic character and even language, inasmuch as the region contains large Portuguese-speaking as well as Spanish-speaking communities, particularly in Essex and Union Counties.

- Changing consumer preferences

Different demographic segments of the population have differing housing and location preferences. Those preferences can also shift within a given demographic segment over time; thus 'empty nester' households may develop a greater preference for urban living than their counterparts of a generation before, while the children of urban-oriented immigrants may prefer suburban living. Generally speaking, however, in the United States today, households without children – particularly young single people and couples – tend to have a growing preference for urban (or quasi-urban) environments; thus, as those households become a larger part of the nation's or region's population, that may increase demand for housing in those areas. As many commentators have noted, the much-heralded 'return to the city' reflects not only the growth of those sectors of the population, but an increase in their preference for urban, walkable environments (Leinberger 2008).

- Implications of demographic and cultural change for housing policy

All of these changes in demographic characteristics and consumer preferences have important implications for housing demand. Those implications suggest both challenges and opportunities for those planning the future of the region.

A series of separate factors all appear to be fostering a trend toward greater consumer preference for urban or at least walkable communities. As noted earlier, the aging of the baby boom generation may create increased demand for housing in those communities, as may also be true of the growing population of single-person households, a population that has had a significant impact on the city of Hoboken, as well as on parts of other cities, most notably Jersey City. How strong their urban preferences are likely to be, and equally importantly, to what extent the region's cities beyond Hoboken and Jersey City will offer the amenities and features to draw that population, remains an unanswered question.

In the absence of significant investment in housing and other quality of life amenities to draw that population to cities like Newark, Elizabeth or Paterson, it is more likely that the preferences of more affluent single-person households, as well as young couples, will result in increases in the already high demand for housing in the region's walkable older suburbs like Ridgewood, Summit or Montclair. It does suggest, however, that there may be a strong *latent* market for New Jersey's older cities, if those cities are able to take the steps necessary to tap it, something which they are unlikely to be able to do without significant support from state and federal sources.

At the same time, the parallel decline in the number of married-couple child-rearing families is likely to have a problematic effect on the revival of urban neighborhoods which were historically developed for that population. Many urban neighborhoods in northern New Jersey, with their two and three family housing stock and limited amenities, are unlikely to be attractive to single-person households and childless couples (whether pre-, post- or non-child rearing) who have enough money to choose between a variety of housing and neighborhood options available within the region.

The effect of immigration is also uncertain. Immigration has helped reverse population decline in older cities such as Newark and Paterson, and created strong neighborhoods and commercial districts such as

Bergenline Avenue in Union City, Newark's Ironbound or the Arab-American cluster at the south end of Main Street in Paterson. At the same time, many immigrants, particularly Latino immigrants, have low incomes which limit their housing choices. The median income of Latino households in New Jersey in 2010 was only 70 percent of the statewide median (and 50 percent of the Asian median).

As a result, large numbers of Latino immigrants live in the lower-cost parts of the region, typically the region's urban centers, while they still often spend excessive amounts for shelter, and are disproportionately likely to live in overcrowded conditions. Many of them may not be able to move into better and more affordable housing or move to areas of greater opportunity without public support – something which, as we have discussed, is likely to be in extremely short supply in coming years. Integrating the growing Latino population, and enabling them to find decent housing and employment opportunities, in the coming years, represents a difficult challenge; at the same time, the energy and abilities of this population can become a significant opportunity for the revitalization of the communities into which they are moving.

3. Desired Long-Term Outcomes

3.1 Identifying Outcomes

Livability principles

Within the larger framework of the Together North Jersey sustainable communities consortium, the topic of housing is the explicit subject of Livability Principle 2, which is to **Promote Equitable and Affordable Housing**. It is important to recognize, however, that housing is in many respects a crosscutting subject, in that housing conditions and the health of communities as well as the larger economy are directly related. Thus, housing relates closely to Livability Principle (3) **Enhance Economic Competitiveness;** (4) **Support Existing Communities**; and (6) **Value Communities and Neighborhoods.**

- Long-term outcomes

Based on this, we have identified four desired long-term outcomes for the housing element, as follows:

- A healthy and sustainable housing stock and housing market
- Strong neighborhood and community quality
- Equitable geographic distribution of housing
- Sustainable and equitable patterns of new development

Table 3.1 on the following page divides these four broad outcomes, or outcome clusters, into specific measurable outcomes, each of which is linked to one or more of the livability principles set forth above.

While these outcomes are *in principle* measurable, in the sense that they are grounded in factors that are susceptible to measurement, such as housing quality, neighborhood safety, proximity to transit or economic diversity, the process of determining what benchmarks are appropriate to use as outcomes – either short- or long-term – is complex and beyond the scope of this report. The following section addresses the potential sources that may be available to measure progress, as well as the difficulties that stand in the way of effective measurement, whatever the benchmarks chosen.

3.2 Measuring Progress

Whatever benchmarks are chosen to pin down the desired outcomes, they have little value unless they can be measured; that is, unless data sources exist that can be tracked on a regular basis to see whether and how conditions are changing, and if there is change, whether the change is in the direction of the desired outcome or away from it.

The ability to measure progress, however, is ultimately a function of the quality and accessibility of the available data. When it comes to measuring a complex issue such as housing, in which data on physical condition, geographic distribution and socio-economic characteristics of the population are all needed, data constraints are likely to play a significant role in limiting the ability of stakeholders to measure progress toward change in the region. This is particularly the case inasmuch as change must be measured not in the aggregate across the region, but in hundreds of small areas. For example, when it comes to the extent to which lower income households live in areas of opportunity, gross numbers of low-income households for the region are meaningless. The relevant metric is the number of such households who live in those small areas that have been identified as areas of opportunity.

We have attempted to identify indicators based on existing data sources that can be used to track these outcomes.[85] These indicators are shown on Table 3.2. The following discussion addresses some of the central issues associated with using these indicators, as well as possible ways of improving the availability and quality of the data to be used to measure progress in this area. Specific challenges associated with using the data sources shown in Table 3.2 are then identified in Table 3.3.

[85] We have not attempted to identify indicators with respect to transit proximity and accessibility, which will be addressed in a different element in the project.

Table 3.1 Desired Long-Term Outcomes

GOAL/OVERALL DESIRED OUTCOME	MEASURABLE OUTCOMES/OBJECTIVES	LIVABILITY PRINCIPLE
Healthy and sustainable housing stock and housing market	▪ Housing market is healthy, with strong demand, reasonable prices and low vacancies	2,3,4
	▪ Amount, type and price levels of housing reasonably reflect number, type and income levels of households seeking housing in marketplace	2
	▪ Housing quality is high and older housing is generally well-maintained	2,4
	▪ Housing is generally energy-efficient and cost-effective to maintain	2
Strong neighborhood and community quality	▪ Neighborhoods are safe and people feel secure in their investment in the neighborhood	6
	▪ Neighborhoods are attractive and well-maintained	4,6
	▪ Problem properties are effectively addressed	4,6
	▪ Residents have access to good schools and other public services	6
	▪ Residents have access to transit and job opportunities within the community and region	2,3,4,6
	▪ Neighborhoods appeal to and offer housing opportunities for economically and racially diverse populations	2,6

Equitable geographic distribution of housing	▪ Housing is well distributed by type and affordability to minimize racial and economic segregation within region	2
	▪ Housing is well-located relative to available transit system	2,3,4
	▪ Diverse housing opportunities are available in areas of economic opportunity	2,3
Sustainable and equitable patterns of new residential development	▪ New housing is diverse by type and price level reflecting distribution of households seeking housing in marketplace	2
	▪ Infill development opportunities in already-developed areas are well-utilized by developers	2,4
	▪ A significant share of new housing is compact and energy-efficient	2,4
	▪ A significant share of new housing is created through redevelopment and reuse in already-developed, largely urban, areas	2,4
	▪ A significant share of new housing is located in proximity to transit	2,3,4
	▪ Housing in areas of economic opportunity is diverse by type and price level	2

- Housing market data

Thanks in large part to the data provided through PolicyMap[86] information on key housing market indicators, such as sales volume and housing sales price can be tracked at the census tract level on a reasonably timely basis. Census tracts are usually a good geographic area to track small area or neighborhood change, since they typically contain between 600 and 2000 households, the size of a small neighborhood; similarly, where neighborhood boundaries are known, it is often possible to aggregate multiple tracts to create neighborhood profiles. Mortgage data can similarly be tracked through Home Mortgage Disclosure Act (HMDA) reports, while housing vacancy data – albeit of uncertain reliability – can be tracked quarterly through United States Postal Service data provided to the Department of Housing & Urban Development and posted on the HUD User web site.[87] Both of these data sources are also available at the census tract level. Of all of the areas that one might hope to measure, this is the one area where data quality and availability is clearly adequate, although not completely without issues of accuracy and reliability.

- Social and economic data

Data on socio-economic conditions is available from a single source, the American Community Survey.[88] The ACS is an annual survey of the American population, based on an approximately 2% sample of all households, covering a wide range of social and economic, as well as housing, matters. Thus, for a city the size of Orange, New Jersey, with 11,200 households, one would expect the ACS sample to be in the vicinity of 220 households. Such a sample is clearly far too small to provide accurate data for an area the size of a small city, let alone a neighborhood. [89]

In order to compensate for this problem, the Census Bureau aggregates ACS data into 3-year and 5-year data sets; in other words, they combine data, say, from all five years from 2007 through 2011 to create what they call '2011 five-year ACS data'. Since this data is based on an approximately 10% sample, it is considered by the Census Bureau to be more accurate for small areas than one-year ACS data. The question arises, however, what does this data really mean, particularly when the five years at issue are years of massive economic and social change? Moreover, while the concept of 'five year' data may be meaningful to a trained statistician, it is unclear what it might mean to even an educated lay person, for whom it is customary to associate a statistic with a specific date.

There is no solution to this problem. To paraphrase Donald Rumsfeld, "you go to measuring outcomes with the data you have, not the data you want." Realistically, there is no alternative to using ACS data to track those outcomes that are grounded in household social and economic conditions, as well as overall

---

[86] PolicyMap is a web site run by The Reinvestment Fund, a CDFI and research/policy organization based in Philadelphia. It is available to users by subscription for a monthly or annual fee.

[87] This data is subject to a licensing agreement that limits its availability to those users meeting certain criteria.

[88] Prior to 2010, a detailed picture of socio-economic conditions for small areas was available through the decennial census long form, an extended questionnaire that was distributed to 1 out of every 5 households (through 1990) and then 1 out of 6 (in 2000). Starting with the 2010 census, the long form was eliminated; as a result, the only census information now provided is that on the short form, which includes basic information on race and ethnicity, and household size and type.

[89] Even at larger scales, there are troubling discrepancies between ACS and 2010 census data.

housing measures such as affordability and cost burden.[90] One must do so, however, with a clear understanding of the severe limitations of that data.

- Housing production data

Housing production data currently made available through either the Census Bureau of the NJ Department of Community Affairs is useful, but severely limited. The only data available on a municipal level is the actual number of permits, certificates of occupancy and demolitions. House price data for new units is available only on the county level, as is the case with respect to data also provided by the NJ Builders Association. Thus, the data is adequate for tracking gross trends in production for the region, but not for pinpointing key changes at the local level, or for tracking changes with respect to price distribution or other key features of new housing, such as whether multifamily housing is rental or condominium, the share of housing that is age-restricted, the extent to which the unit is built under an affordable housing program, or the extent to which it is energy-efficient, and to what level.

In contrast to the limitations of the ACS, where they are inherent in the data source, it would appear that there are substantial opportunities to generate more usable data from the reports already being provided to NJ DCA – with the possibility of small additions to the reporting forms. Going forward, this area should be explored with NJ DCA, in order to enable more robust tracking of new housing production trends within the region as a whole and in smaller areas.

One specific area that needs to be explored further is the ability to track the amount of housing being created specifically through urban infill, redevelopment and adaptive reuse. Simply counting the number of building permits issued in a city is a poor surrogate. In order to measure those sources of housing, it will be necessary first to arrive at clear definitions of what each means, for measurement purposes, and then explore how it might be possible to generate useful data within the framework of existing reporting requirements.

[90] Certain tabulations that may be needed to determine cost burden and the availability of housing affordable to low and moderate income populations are not available from data posted on the census web site, but may be available from special tabulations provided by HUD.

Table 3.2 Potential Indicators for Measurable Outcomes

MEASURABLE OUTCOME (from Table 3.1)	POTENTIAL INDICATOR	POTENTIAL SOURCE	SCALE AT WHICH AVAILABLE (Note 1)	TIME PERIOD FOR WHICH AVAILABLE
Housing market is healthy, with strong demand, reasonable prices and low vacancies	Sales volume	PolicyMap	Census Tract	Quarterly
	median sales price	PolicyMap	Census Tract	Quarterly
	Housing vacancy	HUD User	Census Tract	Quarterly
	Building permits	NJDCA or Census	Municipality	Monthly
	Mortgages	HMDA	Census Tract	Annual
Amount, type and price levels of housing reasonably reflect number, type and income levels of households seeking housing in marketplace	Percentage of housing affordable to low and moderate income households	ACS	Census Tract Municipality	Annual
	Percentage of affordable housing occupied by low and moderate income households (ACS)	ACS	Census Tract Municipality	Annual
Housing quality is high and older housing is generally well-maintained	Reduction in building defects	AHS	Region and specified sub-regional areas	Every four years
	Spending on building alterations	POSSIBLE DCA	TBD	TBD
	Home improvement loan volume	HMDA	Census Tract	Annual

Housing is generally energy-efficient and cost-effective to maintain	NO INDICATOR IDENTIFIED	NA	NA	NA
Neighborhoods are safe and people feel secure in their investment in the neighborhood	Crime rates	(FBI Uniform Crime Reports)	Municipality	
Neighborhoods are attractive and well-maintained	NO INDICATOR IDENTIFIED	NA	NA	NA
Problem properties are effectively addressed	Vacancy rate	HUD User	Census Tract	Quarterly
	Possible tracking of municipality vacant property registrations or abandoned property lists	Municipalities	TBD	TBD
Residents have access to good schools and other public services	School test score performance data	NJ DOE	School School District	
Residents have access to transit and job opportunities within the community and region	NO INDICATOR IDENTIFIED	NA	NA	NA
Neighborhoods appeal to and offer housing opportunities for economically and racially diverse	Change in racial and economic diversity at neighborhood level	ACS	Census Tract Municipality	Annual

populations				
Housing is well distributed by type and affordability to minimize racial and economic segregation within region	Percentage of housing affordable to low and moderate income households in areas with high economic segregation	ACS	Census Tract Municipality	Annual
	Percentage of affordable housing occupied by low and moderate income households in areas of high economic segregation	ACS	Census Tract Municipality	Annual
	Racial diversity in highly segregated areas	ACS	Census Tract Municipality	Annual
Housing is well-located relative to available transit system	NO INDICATOR IDENTIFIED	NA	NA	NA
Diverse housing opportunities are available in areas of economic opportunity	Percentage of housing affordable to low and moderate income households in high opportunity areas	ACS	Census Tract Municipality	Annual
	Percentage of affordable housing occupied by low and moderate income households in high opportunity areas	ACS	Census Tract Municipality	Annual
	Racial diversity in high opportunity areas	ACS	Census Tract Municipality	Annual
A significant share of new housing is created	Number/percentage of new units	NJ DCA	Municipality	Annual

through redevelopment and reuse in already-developed, largely urban, areas	constructed in urban areas			
Infill development opportunities in already-developed areas are well-utilized by developers	NO INDCATOR IDENTIFIED	NA	NA	NA
A significant share of new housing is compact and energy-efficient	Percentage of new units meeting designated EnergyStar standards.	NA	NA	NA
New housing is diverse by type and price level reflecting distribution of households seeking housing in marketplace	Number/percentage of new housing units by sales price	POSSIBLE DCA or NJBA	Municipality	Annual
A significant share of new housing is located in proximity to transit	NO INDICATOR IDENTIFIED	NA	NA	NA
Housing in areas of economic opportunity is diverse by type and price level	Number/percentage of new units in opportunity areas that are specified for lower income occupancy	POSSIBLE DCA	Municipality	Annual

Table 3.3 Limitations on Potential Indicators for Measurable Outcomes

MEASURABLE OUTCOME (from Table 3.1)	POTENTIAL INDICATOR	DATA LIMITATION
Housing market is healthy, with strong demand, reasonable prices and low vacancies	Sales volume	Some inaccuracies, but generally reliable
	median sales price	Generally reliable data, but since not based on matched-pairs or similar analysis, may not be reliable as guide to trends in overall housing stock
	Housing vacancy	USPS vacancy data subject to considerable variability because of method of reporting
	Building permits	Generally considered accurate
	Mortgages	Generally considered accurate, but only represents a percentage (roughly 50% on a regional level) of sales transactions
Amount, type and price levels of housing reasonably reflect number, type and income levels of households seeking housing in marketplace	Percentage of housing affordable to low and moderate income households	Data subject to ACS limitations (see text)
	Percentage of affordable housing occupied by low and moderate income households	Data subject to ACS limitations (see text)
Housing quality is high and older housing is generally well-maintained	Reduction in building defects	Data only available for region as a whole and at widely-spaced time intervals
	Spending on building alterations	Data not currently available
	Home improvement loan volume	Home improvement loans reported under HMDA represent only a small share of home improvement activity and may not be representative.
Housing is generally energy-efficient and cost-effective to maintain	NO INDICATOR IDENTIFIED	NA

Neighborhoods are safe and people feel secure in their investment in the neighborhood	Crime rates	Data subject to under-reporting, particularly in high crime areas
Neighborhoods are attractive and well-maintained	NO INDICATOR IDENTIFIED	NA
Problem properties are effectively addressed	Vacancy rate	USPS vacancy data subject to considerable variability because of method of reporting
	Possible tracking of municipality vacant property registrations or abandoned property lists	Potential availability of this data unknown
Residents have access to good schools and other public services	School test score performance data	Data subject to considerable question with respect to relevance and consistency
Residents have access to transit and job opportunities within the community and region	NO INDICATOR IDENTIFIED	NA
Neighborhoods appeal to and offer housing opportunities for economically and racially diverse populations	Change in racial and economic diversity at neighborhood level	Subject to ACS limitations (see text)
Housing is well distributed by type and affordability to minimize racial and economic segregation within region	Percentage of housing affordable to low and moderate income households in areas with high economic segregation	Subject to ACS limitations (see text)
	Percentage of affordable housing occupied by low and moderate income households in areas of high economic	Subject to ACS limitations (see text)

	segregation	
	Racial diversity in highly segregated areas	Subject to ACS limitations (see text)
Housing is well-located relative to available transit system	NO INDICATOR IDENTIFIED	NA
Diverse housing opportunities are available in areas of economic opportunity	Percentage of housing affordable to low and moderate income households in high opportunity areas	Subject to ACS limitations (see text)
	Percentage of affordable housing occupied by low and moderate income households in high opportunity areas	Subject to ACS limitations (see text)
	Racial diversity in high opportunity areas	Subject to ACS limitations (see text)
A significant share of new housing is created through redevelopment and reuse in already-developed, largely urban, areas	Number/percentage of new units constructed in urban areas	Generalized data available may not accurately measure outcome
Infill development opportunities in already-developed areas are well-utilized by developers	NO INDCATOR IDENTIFIED	NA
A significant share of new housing is compact and energy-efficient	Percentage of new units meeting designated EnergyStar standards.	Data not currently available

New housing is diverse by type and price level reflecting distribution of households seeking housing in marketplace	Number/percentage of new housing units by sales price	Data not currently available
A significant share of new housing is located in proximity to transit	NO INDICATOR IDENTIFIED	NA
Housing in areas of economic opportunity is diverse by type and price level	Number/percentage of new units in opportunity areas that are specified for lower income occupancy	Data not currently available

- Neighborhood conditions and public services

This area is far more problematic than those discussed above. With the limited exception of the American Housing Survey, there is no consistent data source that addresses neighborhood quality in a comprehensive fashion, and that source only does so for the region as a whole, and at relatively remote time intervals. While it may be interesting to know that within the region as a whole the percentage of households reporting certain neighborhood conditions has risen or declined over the past four years, it is not especially useful without the ability to zoom in on smaller areas.

It may be possible to develop surrogate measures that look at certain dimensions of neighborhood quality. Crime is clearly one such dimension; at present, however, crime data is reported only at the municipal level.[91] Many police departments, however, have data systems that make it possible to generate data on the basis of census tract or user-defined small area boundaries. Creating such data and making it available to users is worth pursuing, either with individual police departments or with the State Attorney General.[92]

School data, both with respect to both the composition of student body and test score results, is more widely available, and its use as a surrogate for neighborhood quality, as well as a way of measuring socio-economic change at the neighborhood level deserves greater investigation. It is also subject to serious limitations. The relevance – as well as the accuracy – of test score data has been widely challenged, while the usefulness of information about a particular school's student body is affected both by local district sending policies and the extent to which parents in a given area send their children to the local public school. A neighborhood may be changing significantly with respect to its social and economic composition, yet the characteristics of the public school students may remain largely unchanged.

More use can also be used of public service metrics, an area which has seen considerable development in recent years. While input data, such as the number of police officers or the frequency of garbage pick-ups, are useful, identifying metrics for ongoing service delivery that reflect outcomes rather than inputs is difficult. Some jurisdictions track response to complaints as a way of measuring public service delivery; again, while this is useful, it does not address the arguably far more significant effect of ongoing day to day service delivery.

Finally, much of this data – whatever its limitations – may not be usable at all without a clear understanding and definition of the framework for the desired outcomes. As noted earlier, to say that more low income households should live in areas of opportunity is, in and of itself, a hortatory statement without probative meaning. To give that statement meaning, someone must pin down two critical elements: first, how do we define areas of opportunity and where are they located; and second,

---

[91] Legitimate questions have been raised about the accuracy of this data in high-crime locations because of widespread non-reporting of criminal incidents. Our sense is that it is most accurate for murders, car thefts and perhaps some other violent crimes, and highly inaccurate for non-violent or property crimes.

[92] From a technical standpoint, this may not be that difficult. It must be recognized, however, that the culture of many police departments is hostile to sharing data with outside entities, even in the same municipal government.

what is an appropriate quantifiable outcome, over what time frame or frames, for the percentage of low income households that live in such areas, or the percentage change from today's number.

Any such targets, moreover, should be realistic. As was discussed earlier in this report, the sheer size of the region relative to the volume of new housing likely to be added over the next decade dictates that any change in geographic distribution by income is likely to be extremely small. Similarly, while household moves – particularly by renters – are substantially more numerous than unit additions,[93] short of massive intervention, it is likely that they will continue to follow recent trends, or follow changes that are not driven by policy, but by market conditions and personal preferences. Changing the geospatial characteristics of a region in ways that challenge the forces of the market on the one hand, and the entrenched regulatory and fiscal environment that has grown up in New Jersey on the other, will be at best a slow, difficult process.

[93] The variation between renters and homeowners with respect to length of residence is extreme. The median home owning household in northern New Jersey has lived in their home for 10 to 15 years, while, based on earlier data, the median renter has lived in their home only 2 to 3 years. Unfortunately, the most recent category in the 2011 ACS data on tenure is that of 'since 2005', making it useless to measure rental tenure.

Glossary of Technical Terms and Acronyms

ACS
American Community Survey

Affordable housing
Generic term used to refer to housing developments that are means-tested, in the sense that households must show that their income is below certain levels in order to qualify for a unit, and are generally subsidized with public funds or through inclusionary housing

AHS
American Housing Survey

AMI
Area median income.
Benchmark figure established by HUD for each metropolitan area by household size to serve as basis for determining eligibility for affordable housing

CDBG
Community Development Block Grant.
A federal grant program to states, counties and localities for activities that benefit low and moderate-income households or address slums and blight.

CDC
Community Development Corporation
Consolidated Plan. Annual plan of activities required by HUD of jurisdictions receiving CDBG or HOME funds.

COAH
Council on Affordable Housing

DCA
New Jersey Department of Community Affairs

DEP
New Jersey Department of Environmental Protection

DOBI
New Jersey Department of Banking & Insurance

DOT
New Jersey Department of Transportation

EDA
New Jersey Economic Development Authority

Fair Market Rent
Benchmark rent established by HUD for each metropolitan area for a moderately-priced unit for each metropolitan area and used as the ceiling rent for apartments and houses to be eligible for tenants with Housing Choice Vouchers

Fannie Mae and Freddie Mac
Federally-controlled corporations that purchase mortgages, and by setting criteria for which mortgages they purchase, largely define the standards for mortgage lending other than FHA mortgages

FHA
Federal Housing Administration.
A federal agency in HUD that guarantees mortgages, primarily targeted to lower-priced houses and first-time homebuyers.

HMFA
New Jersey Housing & Mortgage Finance Agency

HOME
A federal grant program to states and localities for affordable housing activities. It is not an acronym.

HTAI
Housing and Transportation Affordability Index
An index developed by the Center for Neighborhood Technology to measure the combined effect of transportation and housing costs.

Housing choice vouchers or housing vouchers
A federal program that provides subsidies to low income households to make up the difference between the rent of a private market unit and what they can afford, based on 30% of their gross income. Also known as Section 8

HUD
United States Department of Housing & Urban Development

LIHTC
Low Income Housing Tax Credit.
A federal program that gives investors tax credits for making equity investments in development of low income rental housing projects.

Low-Income household
Under New Jersey terminology, a household earning 50% or less of AMI. Under Federal terminology, a household earning 80% or less of AMI.

Moderate-income household
Under New Jersey terminology, a household earning 80% or less of AMI

MPO
Metropolitan Planning Organization

NRTC
Neighborhood Revitalization State Tax Credit.
A state program that gives corporations tax credits for providing financial support to CDC-led neighborhood revitalization programs.

NSP
Neighborhood Stabilization Program.
A Federal program that provided funds to states and selected localities and non-profit entities between 2008 and 2010 for rehab or demolition of abandoned or foreclosed properties.

Section 8
See Housing Choice Vouchers

SRAP
State Rental Assistance Program

TOD
Transit-Oriented Development

Very low-income household
Under New Jersey terminology, a household earning 30% or less of AMI. Under Federal terminology, a household earning 50% or less of AMI.

References

Econsult Corporation and Penn Institute for Urban Research. Review of the Center for Neighborhood Technology's Housing and Transportation Affordability index. Philadelphia, PA: Econsult Corporation (2012).

Ellen, Ingrid Gould, Joanna Laycoe and Claudia Sharygin (2011) "Do Foreclosures Cause Crime?" Unpublished paper, available at http://www.frbsf.org/community/conferences/2011ResearchConference/docs/3a-sharygin-paper.pdf

Fox, Rachel, "The Selling-Out of Mt. Laurel: Regional Contribution Agreements in New Jersey's Fair Housing Act" *Fordham Law Journal,* Vol. 16, no.4 (1987)

Frame, W. Scott (2010) "Estimating the Effect of Mortgage Foreclosures on Nearby Property Values: A Critical Review of the Literature" *Economic Review,* Federal Reserve Bank of Atlanta, 95:3

Hughes, James W. and Joseph J. Seneca. Demographics, Economics and Housing Demand. New Brunswick, NJ: Rutgers Regional Report, Issue Paper 29, April 2012.

Immergluck, Dan and Geoff Smith (2006a) "The external costs of foreclosure: The impact of single-family mortgage foreclosures on property values" *Housing Policy Debate* 17:1

Immergluck, Dan and Geoff Smith (2006b) "The Impact of Single-Family Mortgage Foreclosures on Neighborhood Crime" *Housing Studies,* 21:6

Leinberger, Christopher *The Option of Urbanism: Investing in a New American Dream,* Washington DC: Island Press (2008).

Lin, Zhenguo, Eric Rosenblatt and Vincent W. Yao (2009) "Spillover Effects of Foreclosures on Neighborhood Property Values" *Journal of Real Estate Finance and Economics* 38:4

Myers, Dowell, William C. Baer and Seong-Youn Choi, "The Changing Problem of Overcrowded Housing" *Journal of the American Planning Association,* 62(1), Winter 1996

Myers, Dowell and Seong-Youn Choi, "Immigration Cohorts and Residential Overcrowding in Southern California" *Demography* 33(1), February 1996.

Schuetz, Jenny, Vicki Been and Ingrid Gould Ellen (2008) "Neighborhood Effects of Concentrated Mortgage Foreclosures" *Journal of Housing Economics* 17:4

Susin, Scott "Rent Vouchers and the Price of Low-Income Housing" *Journal of Public Economics,* 83:1, January 2002, 109-152.