

# The Brookings Institution

Metropolitan Policy Program  
Bruce Katz and Robert Puentes

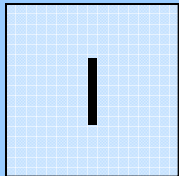


## Why Housing and Land Use Matter for New Jersey's Toughest Challenges

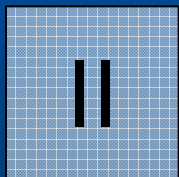
2006 Land Use Institute  
New Brunswick, New Jersey  
May 2, 2006



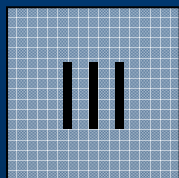
# Why Housing and Land Use Matter for New Jersey's Toughest Challenges



New Jersey faces the toughest housing challenges of any state in the nation.



These challenges have larger effects and are threatening the state's competitiveness, exacerbating disparities, and facilitating sprawl.

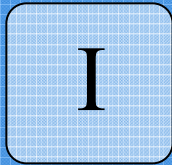


Although the state is in better position than many to deal with these issues, it nevertheless must be a major focus of the new administration.

# I

New Jersey faces the toughest housing challenges of any state in the nation.

- New Jersey's housing challenges are due to three factors: prices, production, and location.
- These three factors are interrelated:
  - The lack of housing production in the right places is leading to price increases
  - Price increases are pushing housing that is affordable elsewhere in and out of the state
  - The concentration of low income housing in certain places prevents the production of other types of housing.
- It is important to examine these challenges together as well as their relationship to other pressing issues.



New Jersey faces the toughest housing challenges of any state in the nation.


New Jersey's housing challenges are due to the state's severe:

Housing *price* problem



Housing *production* problem

Housing *location* problem



New Jersey's housing prices are among the highest in the nation, they continue to rise rapidly, and consume a large portion of overall household expenditures.

New Jersey is generally regarded to have the 5th least affordable housing in the nation.

Rank	State	Housing price/income ratio
1	California	7.64
2	Hawaii	6.81
3	Massachusetts	5.95
4	Rhode Island	4.93
5	New Jersey	4.75
6	New York	4.67
7	Nevada	4.55
8	Colorado	4.39
9	Oregon	4.34
10	Washington	4.30

Ratio of the median home value to the state's median household income, 2004.

Source: Brookings analysis of U.S. Census Bureau data

And on the metropolitan level, housing prices in New Jersey continue to rise relatively rapidly.

Rank*	Metro	Change June 2004 - June 2005
1	Bakersfield, CA	33.7
2	Las Vegas, NV	33.3
27	Washington, DC	23.1
*	Ocean City, NJ	21.2
43	Phoenix, AZ	20.0
51	Atlantic City, NJ	17.7
52	San Francisco, CA	17.5
58	Camden, NJ	16.3
*	Vineland, NJ	16.1
60	Edison, NJ	16.0
63	Newark, NJ	15.6
65	Trenton, NJ	15.6
66	New York, NY-NJ	15.6

Percent Change in House Prices with MSA Rankings

\* - rankings do not include small metros

Source: Office of Federal Housing Enterprise Oversight (OFHEO)

Although New Jersey has the highest median household income in the nation, more than one-fifth of homeowners still spend more than 35% of their income on housing costs.

Rank	State	2000	1990
1	California	23.4%	21.3%
2	Hawaii	22.3%	14.0%
3	New Jersey	20.7%	18.9%
4	Nevada	20.0%	16.2%
5	New York	19.8%	16.6%
United States		15.9%	13.6%
46	Nebraska	10.6%	8.8%
47	Kansas	10.5%	9.6%
48	South Dakota	10.4%	9.5%
49	North Dakota	9.8%	9.6%
50	Iowa	9.7%	8.4%

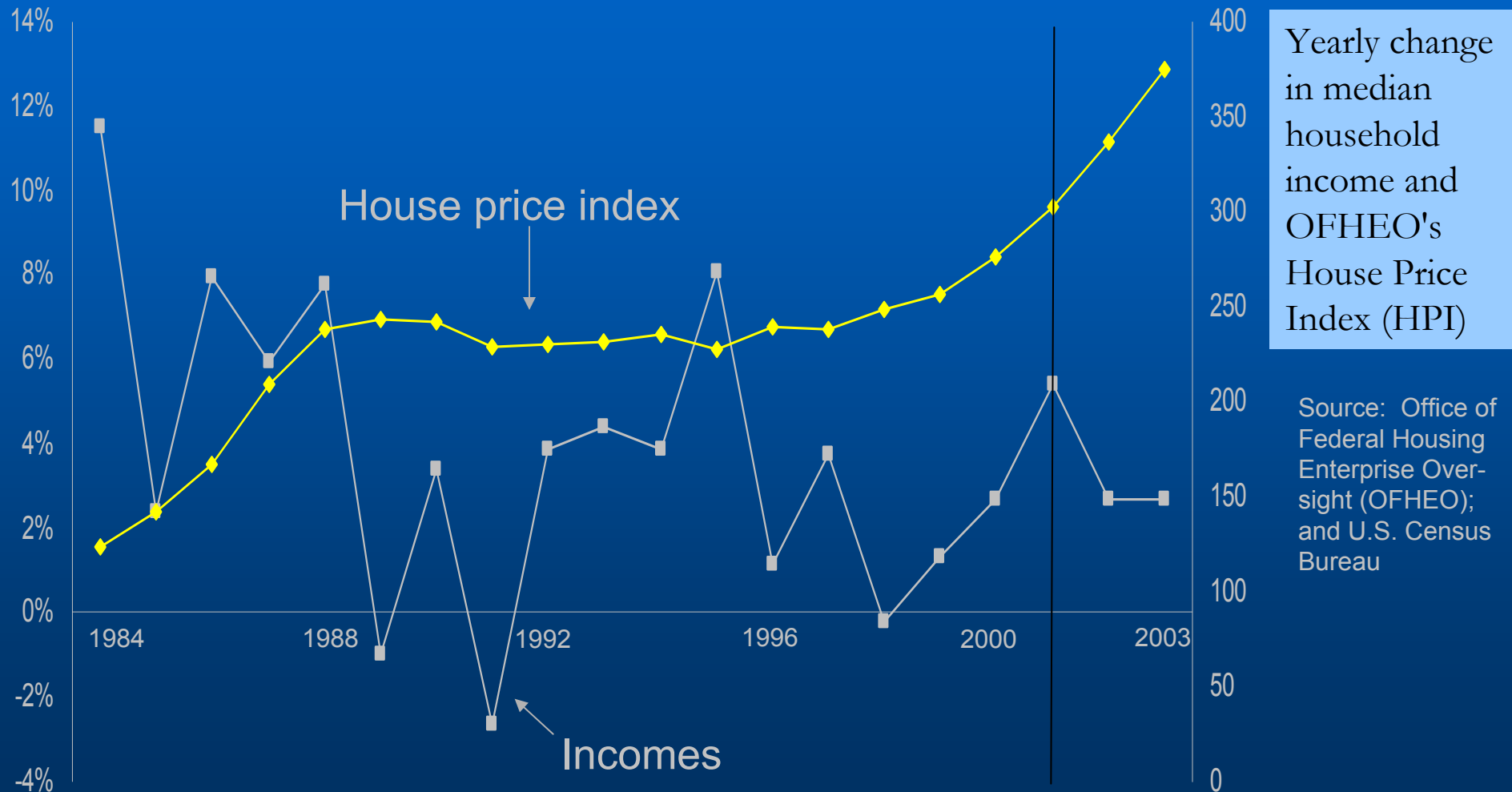
Percent of households spending at least 35% of income on housing costs

Source: New Jersey Future analysis of U.S. Census data

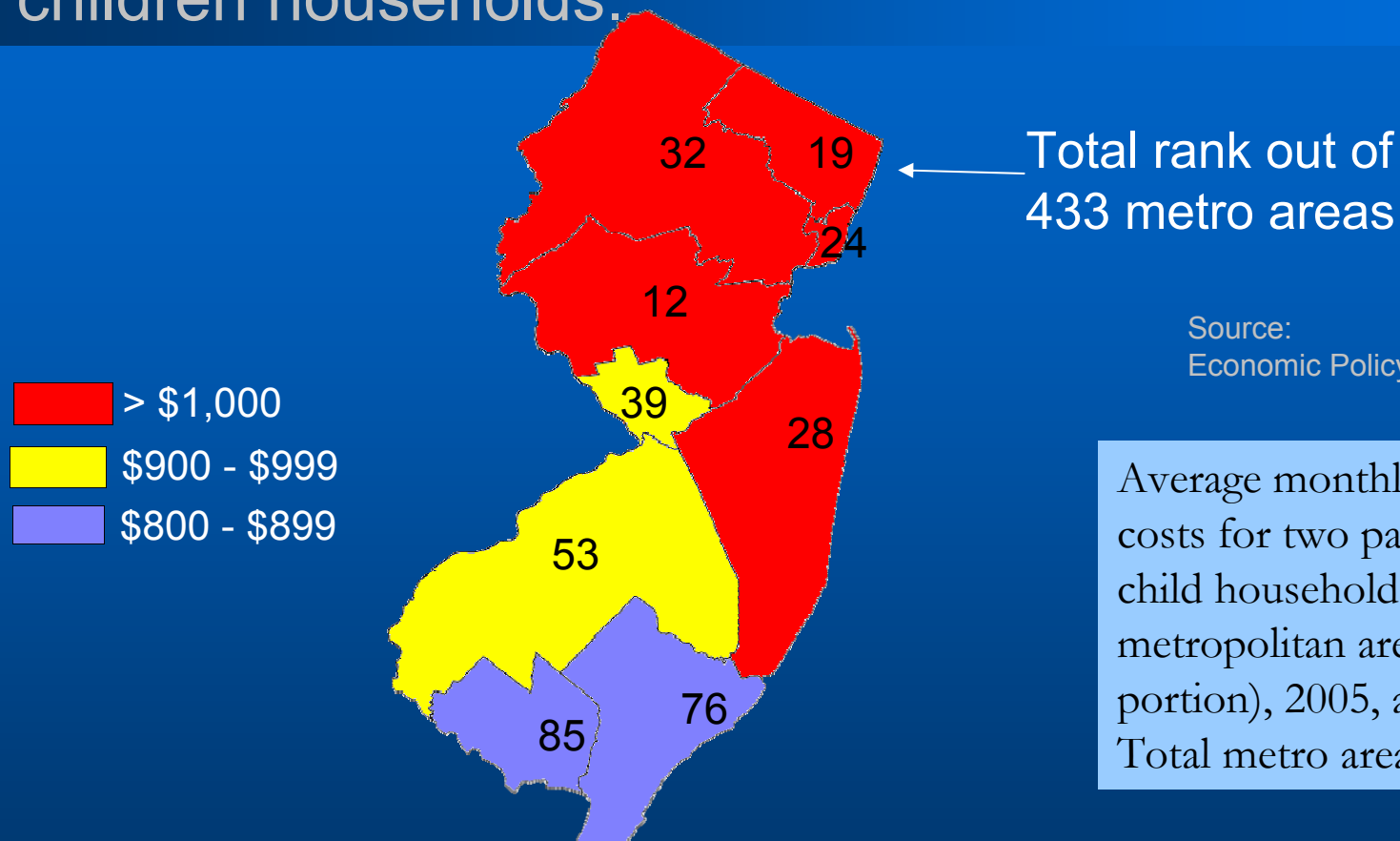
*The federal government recommends that families spend no more than 30 percent of their income on housing*



This is partly because incomes have declined in recent years, and have failed to keep up with rising housing prices.



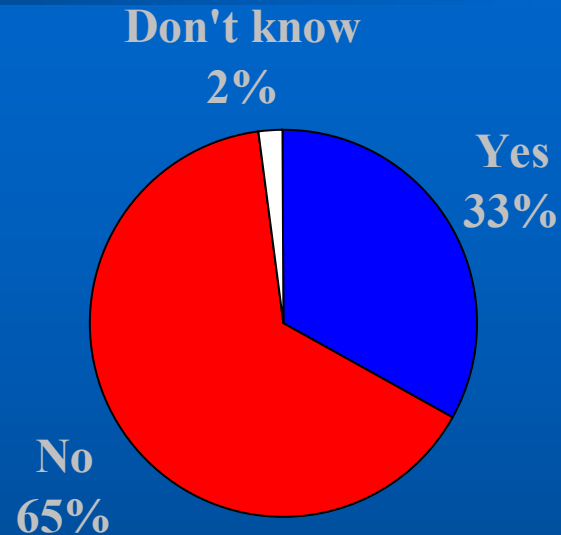
Primarily as a result of high housing costs, New Jersey metro areas are some of the most expensive for two parent, two children households.



Metro area	Housing	Food, childcare, transportation, healthcare	Other Necessities	Taxes
New Jersey Average	\$1,026	\$2,304	\$430	\$394
U.S. Average	\$666	\$2,192	\$339	\$232

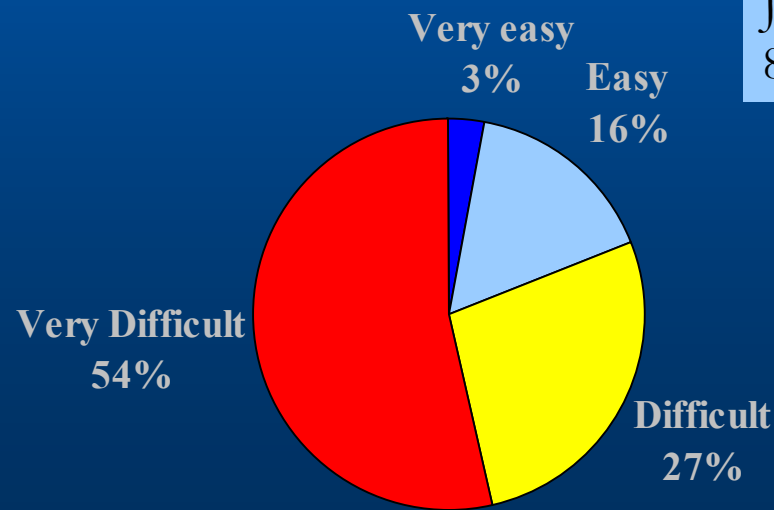
Recent polls suggest that the public is very concerned about the issue of housing affordability in New Jersey.

**On your current income, do you think you could afford to buy a house in your town right now or not?**

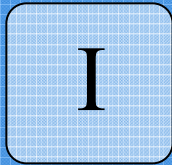


September 2003  
General Population of New Jersey; Total Sample Size: 802 respondents

**Do you think it is easy or difficult for most families today to find an affordable home to buy in New Jersey?**



Source:  
Rutgers Eagleton Institute



New Jersey faces the toughest housing challenges of any state in the nation.


New Jersey's housing challenges are due to the state's severe:

Housing *price* problem

Housing *production* problem



Housing *location* problem



New Jersey is not producing enough housing units to meet demand. The lack of supply is helping drive up prices.

During the 1990s, the growth in households outpaced the growth in housing units in New Jersey by 30,000.

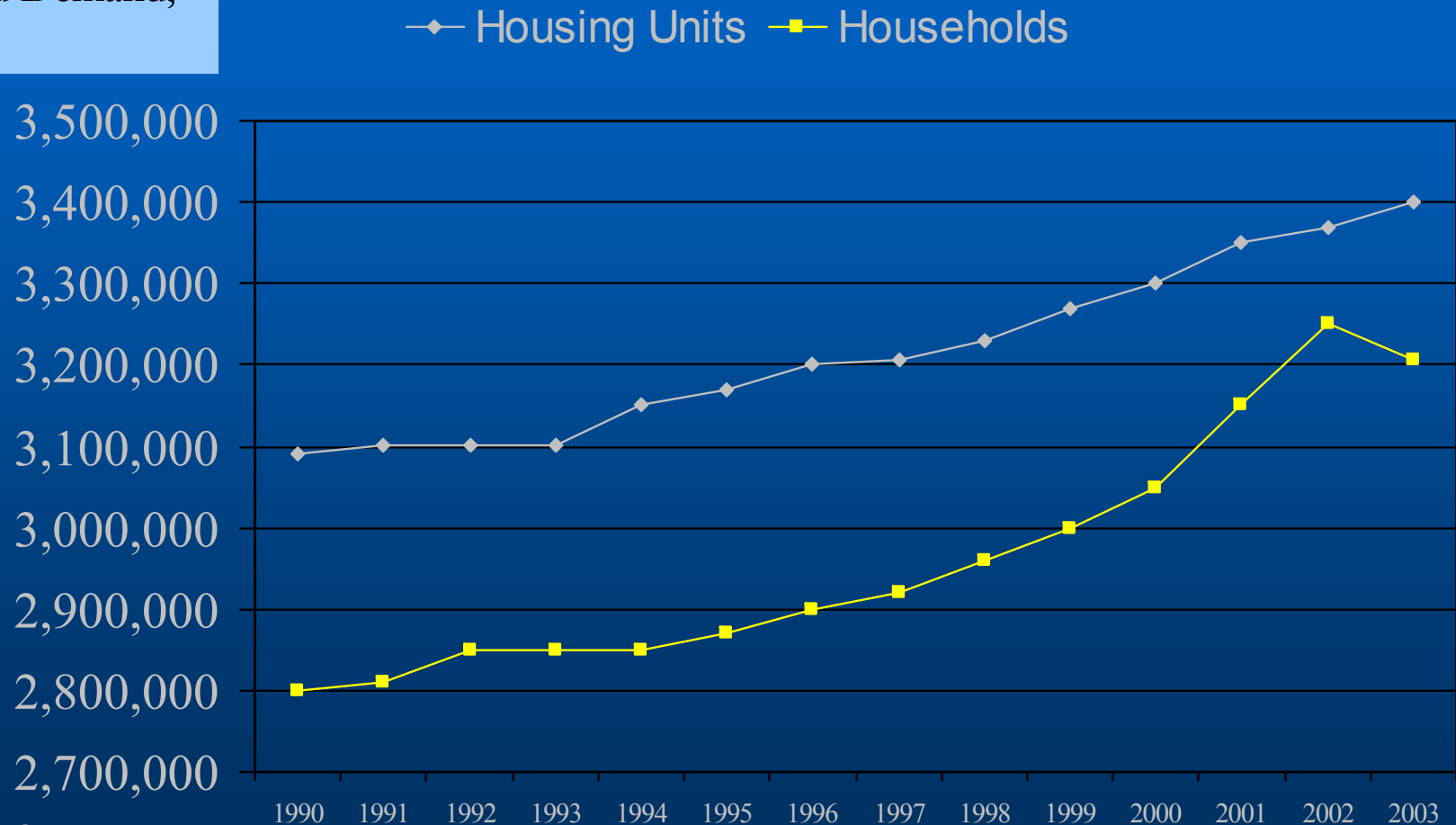
Rank	State	Change in Households	Change in Housing Units	Ratio
23	North Carolina	614,987	610,312	<b>.99</b>
24	California	1,121,664	1,095,822	<b>.98</b>
25	Missouri	233,388	227,789	<b>.98</b>
26	Delaware	51,239	48,199	<b>.94</b>
27	South Carolina	275,810	259,001	<b>.94</b>
28	Idaho	108,922	101,716	<b>.93</b>
29	Colorado	375,749	339,873	<b>.90</b>
30	Maine	52,888	46,992	<b>.89</b>
31	New Jersey	269,934	239,061	<b>.88</b>
32	Rhode Island	30,447	26,650	<b>.87</b>
33	Arizona	532,484	462,062	<b>.87</b>

Ratio of new housing units to net household change, 1990-2000

Source:  
Brookings analysis  
of Census data

And overall since 2000, the production of housing units statewide is not keeping up with the growth in households.

New Jersey Housing Supply and Demand, 1990-2003



Source: Sean Closky and NJ Association of Realtors

# New Jersey's housing supply is considered to be one of the most inelastic in the nation

Most inelastic  
metropolitan areas

*(Elasticity is the percent change in the housing stock that occurs in response to an increase in housing prices)*

1. **New York, NJ-NY**
2. San Francisco, CA
3. Boston, MA
4. **Trenton, NJ**
5. Albany-Schenectady-Troy, NY
6. **Newark, NJ**
7. **Bergen-Passaic, NJ**
8. Nassau-Suffolk, NY
9. Hartford, CT
10. New Haven-Meriden, CT

Source: Saks, "Housing Supply Restrictions Across the United States." 2004

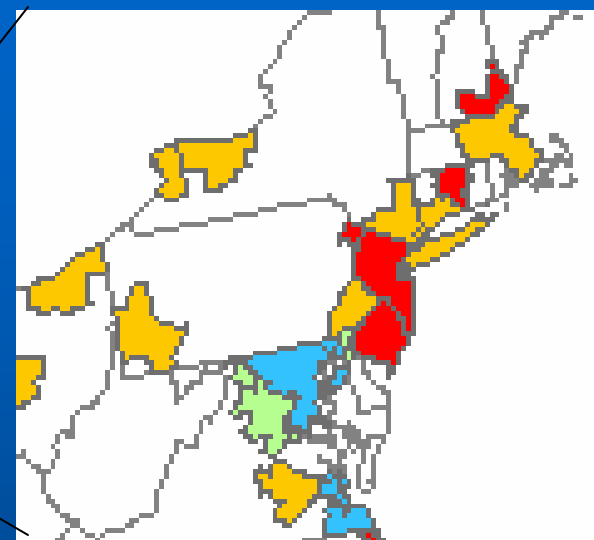
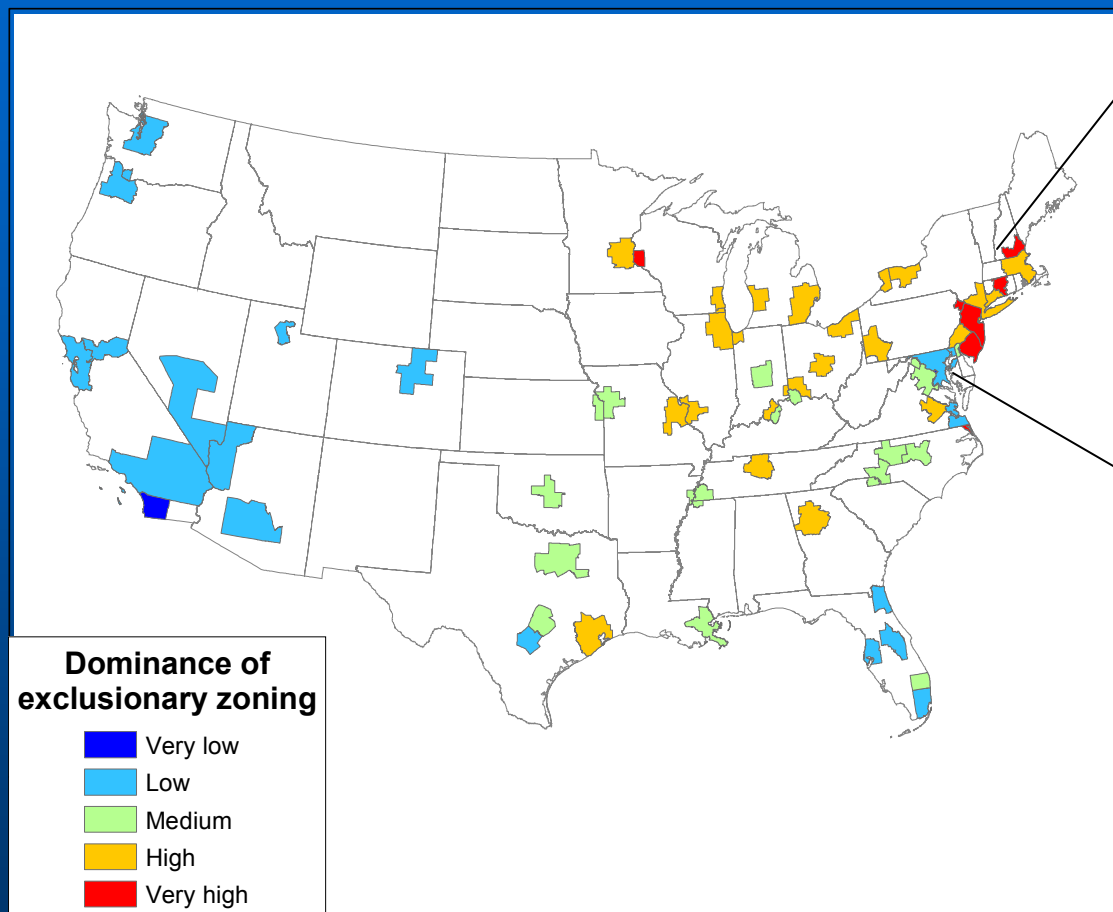


## The vast majority of New Jersey municipalities built only single family homes during the 1990s.

- During the 1990s. Two-thirds of New Jersey's municipalities built ZERO multi-family housing units.
- Nearly 15 percent of those municipalities that did build multi-family units actually lost population during the 1990s.
- While 68 percent of those that did NOT build multi-family housing gained population.

Source: New Jersey Future  
analysis of U.S. Census data  
(Multi-family defined here as  
three or more units)

And a recent analysis shows that New Jersey municipalities are the most restrictive (“exclusionary”) in the nation.



Source: “Landscapes of Housing Regulation.”  
Brookings, *forthcoming*.

*Exclusionary zoning restricts multi-family units, mobile homes, and/or includes low maximum densities*

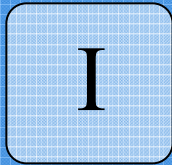
There is ample evidence to suggest that restrictive zoning can limit the construction of new housing and lead to substantial increases in housing costs.

- Localities in New Jersey often impose regulations to make development more expensive, to the point of discouraging new housing construction.

(Luger and Temkin, [Red Tape and Housing Costs](#), 2000.)

- Such restrictive regulations can raise the final new home price by \$40,000 to \$80,000, or approximately 35%. In New Jersey, this amount prices approximately 430,000 households out of the market.

(U.S. Dept. of HUD, “[Why Not In Our Community? Removing Barriers to Affordable Housing](#)”, 2005.)



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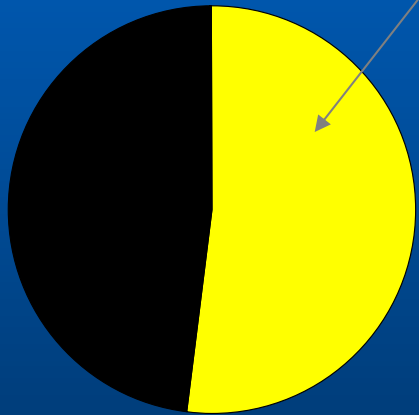




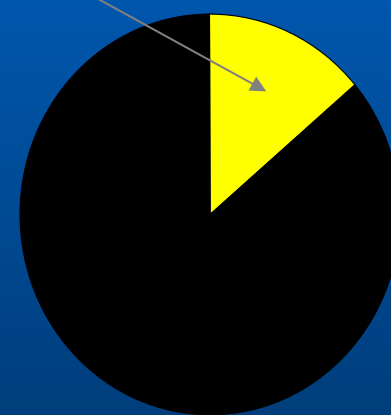
The affordable housing that is developed in New Jersey is generally being built in the wrong places.

Just 12 municipalities have 52 percent of the affordable housing units in the state – but only 14 percent of the households.

Newark, Jersey City, Trenton,  
Atlantic City, Camden,  
Paterson, Hoboken, East  
Orange, Elizabeth, West New  
York, Orange, North Bergen



State share of affordable units



Households

Source: “Realistic Opportunity?”  
New Jersey Future and Brookings analysis of Census data

Even New Jersey's higher-than-average incidence of incentive-based affordable housing is not sufficiently connecting people to opportunity.

- As a result of the state's Fair Housing Act, a high percentage of New Jersey jurisdictions have incentive-based affordable housing regulations (32 percent vs. 23 percent nationwide).
- However, only 41 percent of New Jersey's population lives in jurisdictions with incentives, compared with 59 percent nationwide.
- A Seton Hall University study found that only 7 percent of new suburban affordable housing is occupied by former city residents. Most is occupied by elderly suburbanites or children of current residents.

David Rusk and Rolf Pendall

During the 1990's jobs and affordable housing did not grow in the same locations.

Difference between jobs added and subsidized homes funded, 1990-2000

Source: David Rusk and New Jersey Regional Coalition,

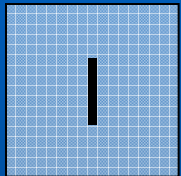
Municipality	Jobs lost	Subsidized homes funded
Clifton	-6,678	1,660
Camden	-6,218	7,112
Atlantic City	-5,579	6,721
Newark	-5,511	25,681
Elizabeth	-4,426	3,490
Pennsauken	-4,199	478
Summit	-3,662	195
Paterson	-3,288	195
Plainfield	-3,184	1,258
Maplewood	-3,124	114
East Orange	-3,081	4,088
West Orange	-2,890	503
Millville	-1,172	1,084

Municipality	Jobs added	Subsidized homes funded
Ramsey	2,209	239
West Deptford	2,290	0
Hamilton	2,835	36
Paramus	3,247	118
Egg Harbor	3,524	0
Watchung	3,861	0
Weehawken	4,590	189
Piscataway	5,990	402
West Windsor	6,948	161
Cranbury	7,052	60
Parsippany-Troy Hills	11,247	618
Edison	11,564	822
Mount Laurel	11,589	448

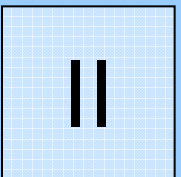




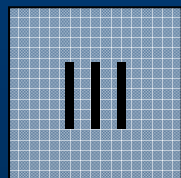
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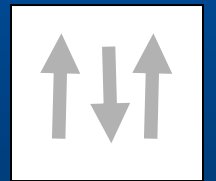
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New Jersey's housing challenges are .....

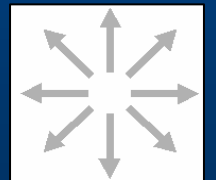
Threatening overall competitiveness



Exacerbating stark class and race disparities



Facilitating the outmigration of people and jobs



Business leaders throughout the country recognize the clear connections between housing affordability and economic competitiveness.

“The cost of housing plays a significant role in a region's competitiveness, affecting its ability to attract and retain skilled workers.”

James T. Brett, president and CEO of  
The New England Council

“[E]mployees are leaving .... for other areas like Austin, Colorado, and Seattle where housing costs are lower and the quality of life is better.”

Keith Kennedy, chief executive officer of Watkins-Johnson, a major high-tech manufacturer in San Jose

"If you think you can build a healthy and attractive region without paying attention to what kind of housing the region is adding, and where it is being built, then you are completely missing the boat,"

George A. Ranney Jr., president and CEO of Chicago Metropolis 2020.

...as do governments, elected officials, and public sector agencies

“[Housing affordability] is a key component of the state’s economic engine and [we will] exercise the political will to remove obstacles to housing production. Housing costs and supply prevents California from being competitive in attracting and retaining skilled workers.

Governor Schwarzenegger's Cabinet and the California Center for Regional Leadership

"There's a close link between adequate affordable housing and economic competitiveness

Aaron Gornstein, executive director of the Citizens' Housing and Planning Association

“Employers may turn away ..... when businesses are forced to pay exorbitantly high wages to compensate for high housing prices to attract and retain workers.”

Cynthia Sullivan, King County Council

And for a variety of reasons, including house prices, New Jersey continues to rank high in terms of its migration rate.

Domestic migration, ratio (per 1,000 population)

Rank	State	Migration rate 1995-2000
1	Hawaii	-65.4
2	Alaska	-51.0
3	New York	-48.8
4	North Dakota	-40.6
5	Illinois	-29.7
6	California	-24.6
7	Wyoming	-26.6
8	New Jersey	-23.7
9	Connecticut	-20.5
10	Louisiana	-18.1

Rank	State	Migration rate, July 2000-July 2004
1	New York	-9.6
2	Massachusetts	-6.6
3	North Dakota	-6.3
4	Illinois	-5.7
5	Kansas	-4.2
6	Utah	-4.1
7	New Jersey	-3.8
8	Louisiana	-3.8
9	Nebraska	-3.1
10	Iowa	-3.0

Source: U.S. Census, "Domestic Migration Across Regions, Divisions, and States"

Source: U.S. Census, "Domestic Net Migration in the United States: 2000 to 2004"

# Research literature is beginning to clearly assert the link between housing and economic competitiveness.

- The economic health of a region is dependent on the presence of a competitive workforce, which in turn is strongly related to the availability of suitable and affordable housing.

“Employer-Assisted Housing: Competitiveness Through Partnership,” Harvard University Joint Center for Housing Studies (2001)

- Housing costs are a primary factor in determining whether a state can effectively attract and retain employees and businesses.

“Integrating Affordable Housing with State Development Policy,” National Governor’s Association (2004)

- The primary factor hindering the business climate of a region is high housing costs.

Gerston, “Assessing the Competitiveness of California’s Business Climate,” San Jose State University (2005)

- Housing is now recognized as an issue that has a profound impact on a state’s ability to compete in the business marketplace.

Houstoun, “Housing America State by State,” Housing Facts and Findings, Vol 7, Issue 1, 2005

## II

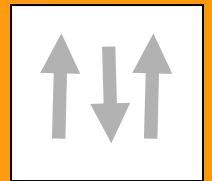
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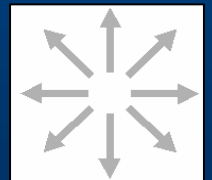
Threatening overall competitiveness



Exacerbating stark class and race disparities



Facilitating the outmigration of people and jobs



# The homeownership burdens that exist in New Jersey are highly skewed to low and moderate income homeowners and renters.

“Burdened” homeowners and renters, 2000

Income Level	Percent of homeowners burdened (NJ)	Percent of homeowners burdened (US)	Percent of renters burdened (NJ)	Percent of renters burdened (US)
Less than \$10,000	<b>78.3%</b>	75.4%	<b>66.9%</b>	80.2%
\$10,000 to \$19,999	<b>82.4%</b>	42.3%	<b>78.7%</b>	63.7%
\$20,000 to \$34,999	<b>53.3%</b>	27.9%	<b>57.0%</b>	23.2%
\$35,000 to \$49,999	<b>44.5%</b>	15.7%	<b>15.6%</b>	5.8%
\$50,000 to \$74,999	<b>29.9%</b>	7.4%	<b>4.9%</b>	2.2%
\$75,000 or more	<b>8.2%</b>	2.5%	<b>1.3%</b>	0.7%

*Note:* households are considered “burdened” when over 35% of their household expenditures go to housing

Source: Brookings analysis of U.S. Census Bureau data



## And many New Jersey homeowners are the victims of predatory lending.

- Subprime mortgage loans increased from one percent of total lending activity in 1993 to 11 percent in 1999, and from 3 percent of refinancing applications to more than 43 percent.

Newman and Wyly, "Geographies of Mortgage Market Segmentation in Essex County." *Housing Studies*, 2004.

- During the 1990's, the subprime lenders' market share increased from one to six percent for home purchases; from 25 to 42 percent for home improvements; and from 11 to 27 percent for refinance loans.

Zimmerman et al, "Predatory Lending in New Jersey," New Jersey Institute for Social Justice, 2002.

- Foreclosure filings in Essex County increased by 48 percent between 1995 and 2000

Newman and Wyly, 2004.

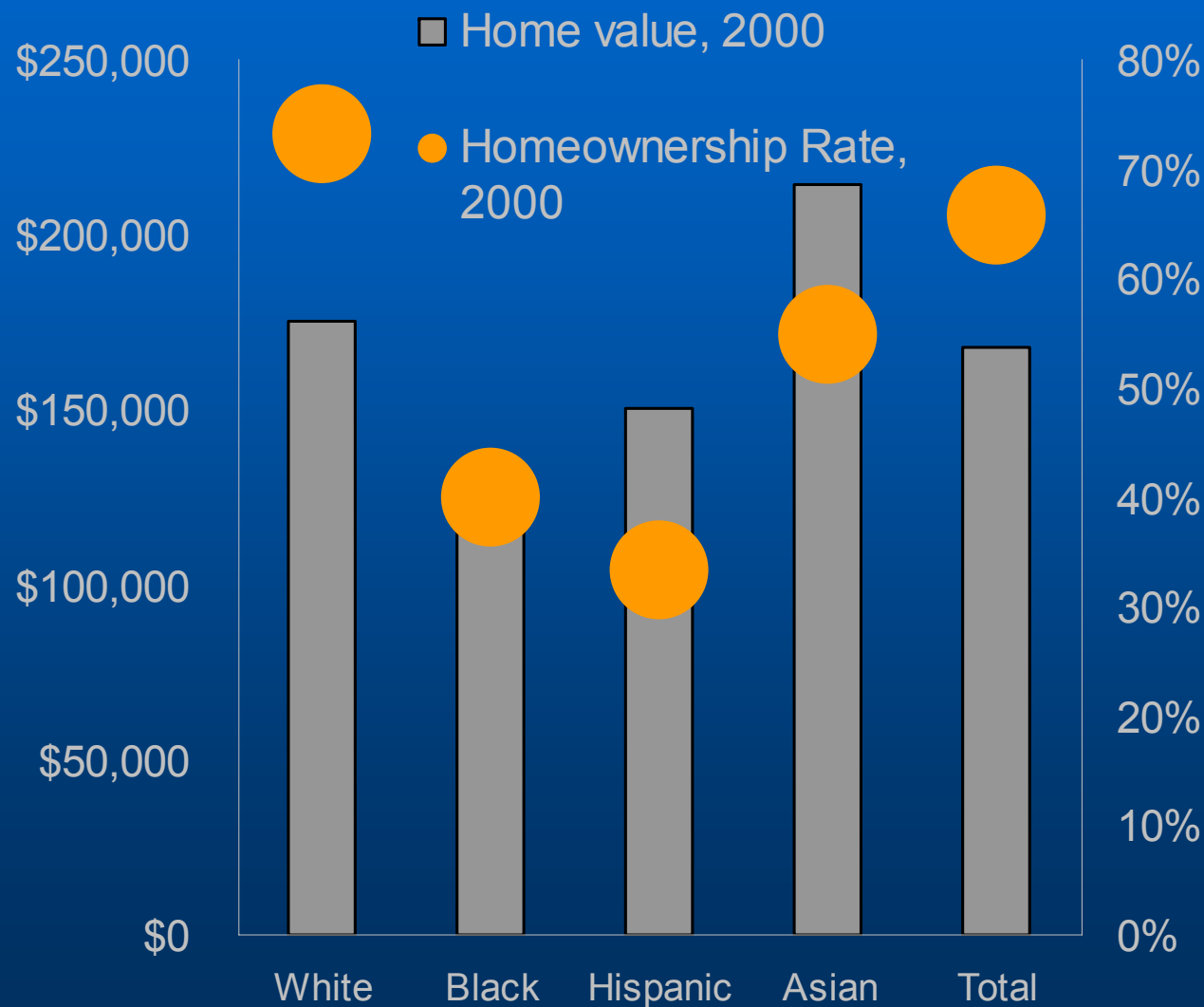
# New Jersey ranks very high in terms of the disparities between white and minority homeowners.

Homeownership,  
whites and minorities

Source: Center for Economic  
Development, 2005 Scorecard  
Data

Rank	State	White	Minority	Ratio
41	North Dakota	0.73	0.39	1.86
42	New Hampshire	0.70	0.37	1.88
43	Iowa	0.76	0.40	1.92
44	Connecticut	0.76	0.39	1.95
45	Minnesota	0.79	0.39	2.01
46	Massachusetts	0.65	0.32	2.02
47	Rhode Island	0.66	0.32	2.05
48	New Jersey	0.79	0.37	2.15
49	Wisconsin	0.76	0.33	2.32
50	New York	0.66	0.27	2.43

And although homeownership for blacks and Hispanics is inching upwards, overall rates and values still trail that of whites considerably.

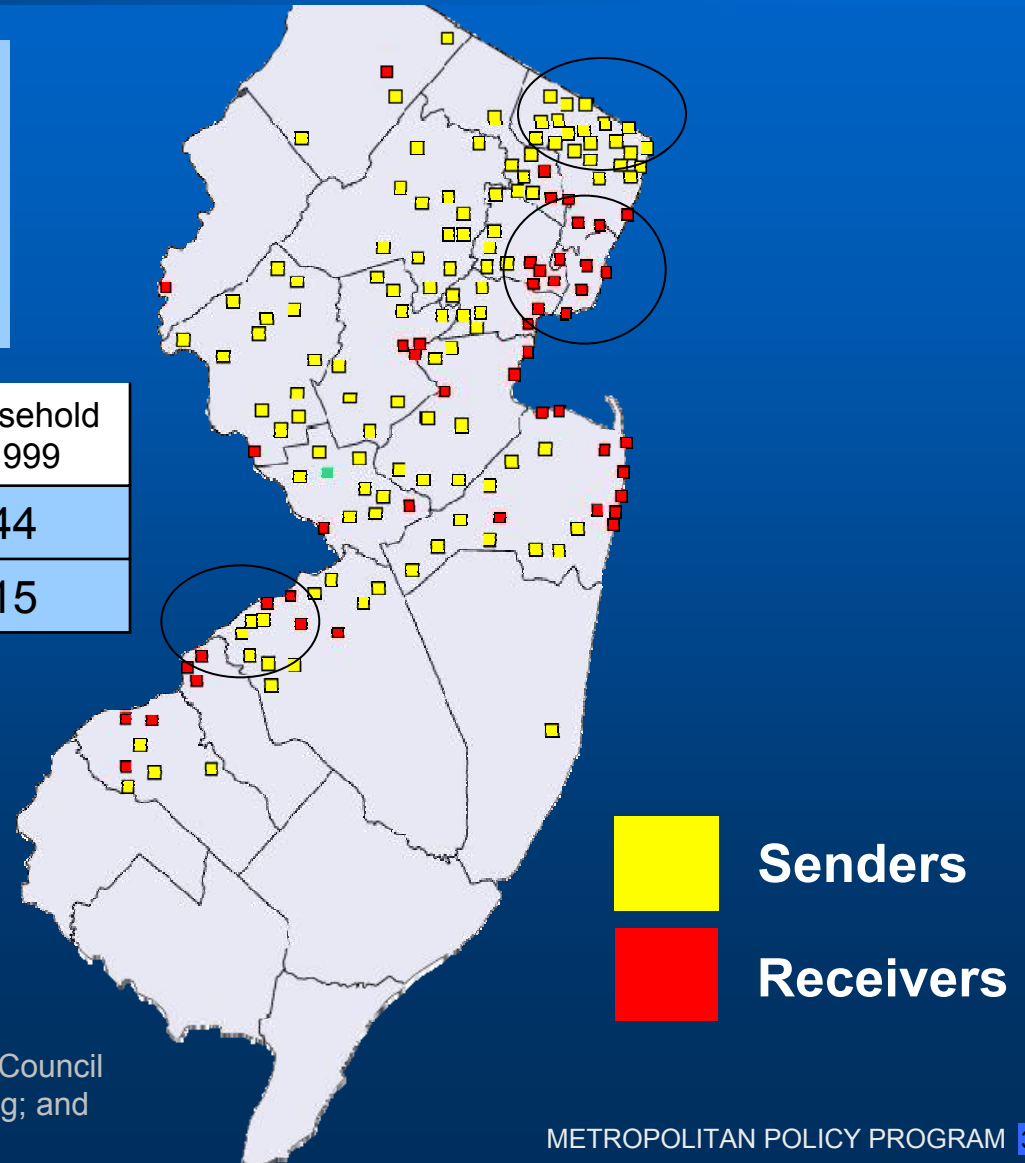


Source: Anglin, "The State of Black New Jersey - Issues for the New Millennium," New Jersey Public Policy Research Institute

Agreements to transfer housing obligations are literally trapping people in poverty. Receiving jurisdictions are highly concentrated, and their median incomes are half that of the senders.

Characteristics of municipalities that “send” and “receive” housing obligations in the form of regional contribution agreements, 1998-2005

Type	# of Municipalities	Median Household Income, 1999
Senders	106	\$81,344
Receivers	47	\$43,115



Source: New Jersey Council on Affordable Housing; and New Jersey Future

## II

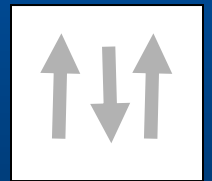
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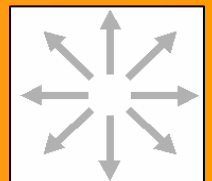
Threatening overall competitiveness



Exacerbating stark class and race disparities

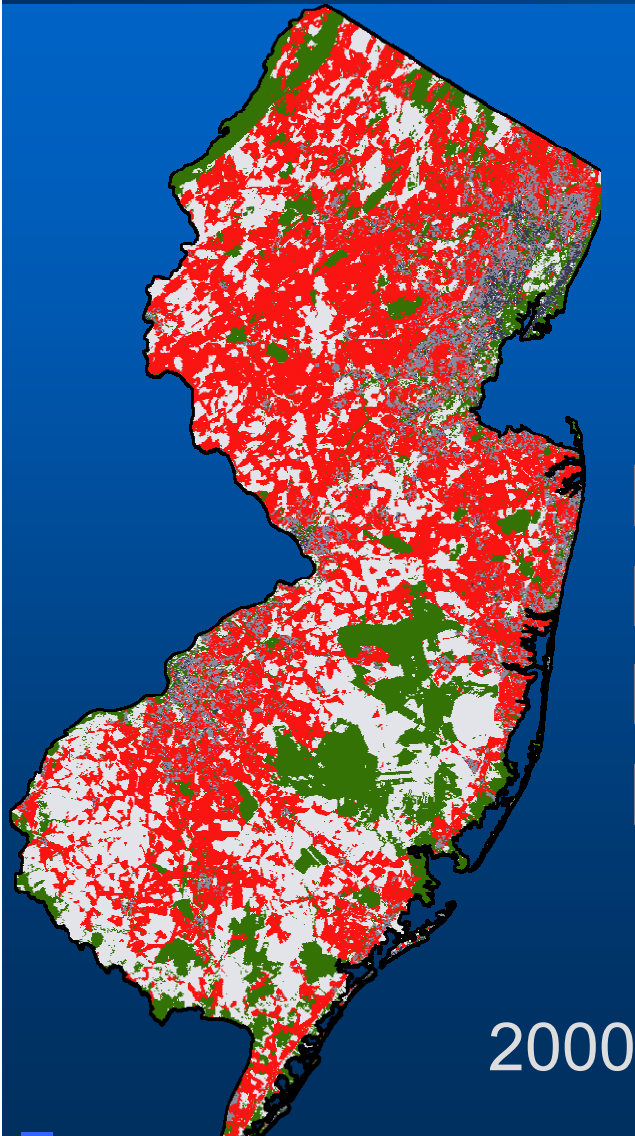





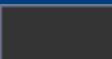
Facilitating the outmigration of people and jobs



# Housing and population growth in New Jersey is not occurring at urban densities near the core but, rather, at very low densities on the exurban fringe

Housing unit densities in New Jersey, 2000



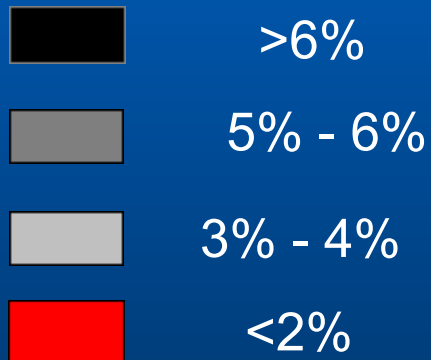
Land Type	Percent of state total		Change 1980-2000
	1980	2000	
 Rural	48%	36%	<b>-12%</b>
 Exurban	45%	54%	9%
 Dense Suburban	6%	8%	2%
 Urban	1%	2%	1%

Source: David Theobald, U of Colorado; and Brookings

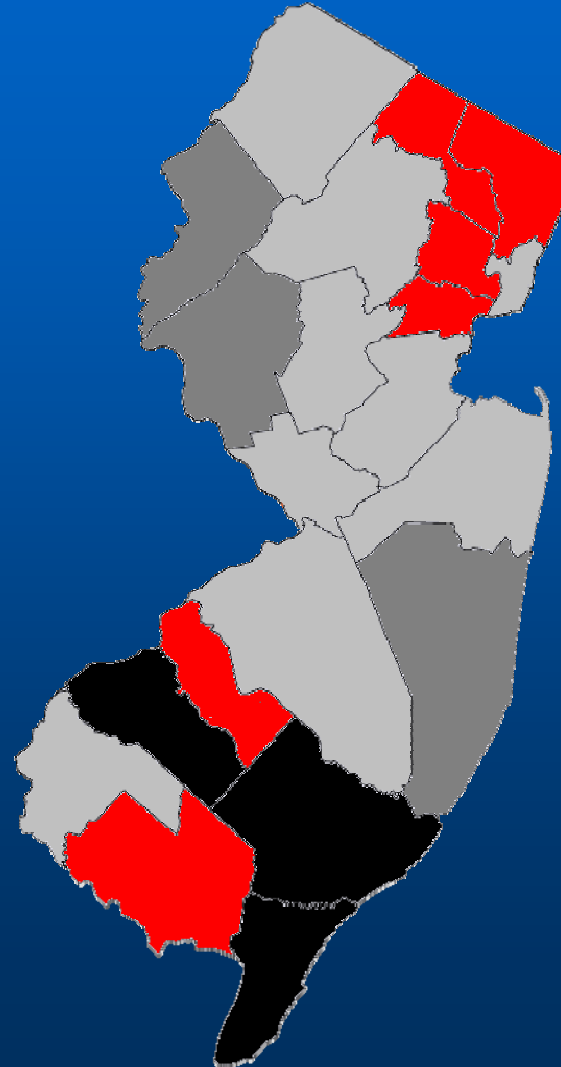
*Rural: less than 32 units per square mile  
 Exurban: between 32 and 1,245  
 Dense Suburban: between 1,245 and 5,000  
 Urban: over 5,000 (transit-supportive)*

And since 2000, data shows that trend continuing with most new housing being built on the fringe

Change in the number of housing units, 2002-2005



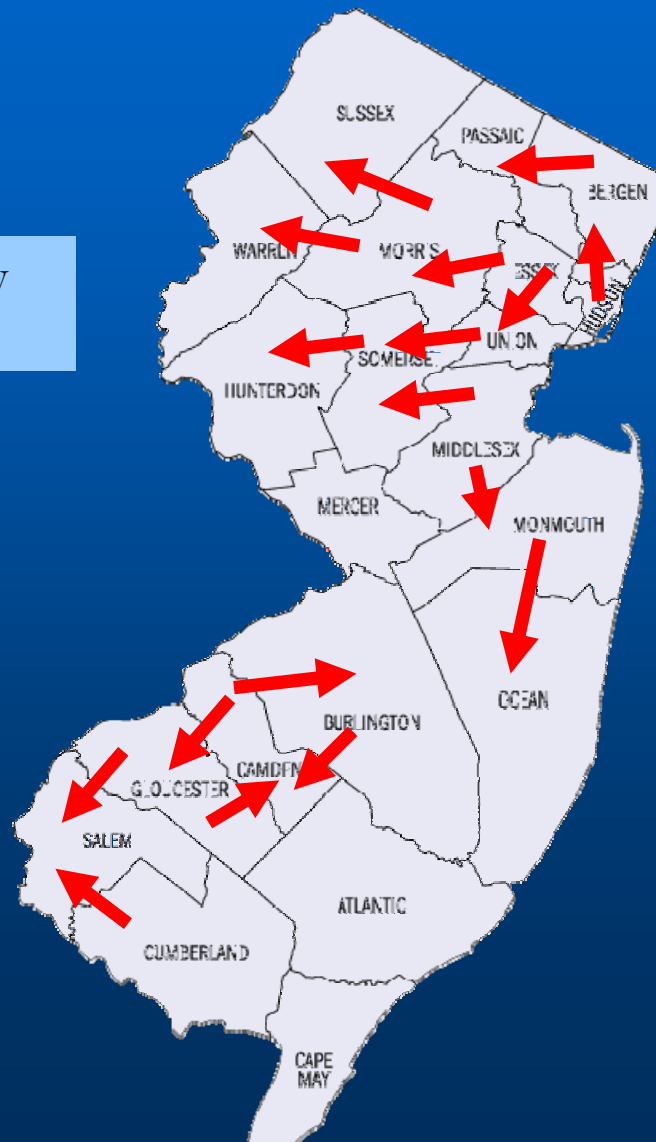
Source: U.S. Bureau of Census



The largest county migration gains mainly show movement outwards, especially in the northern part of New Jersey.

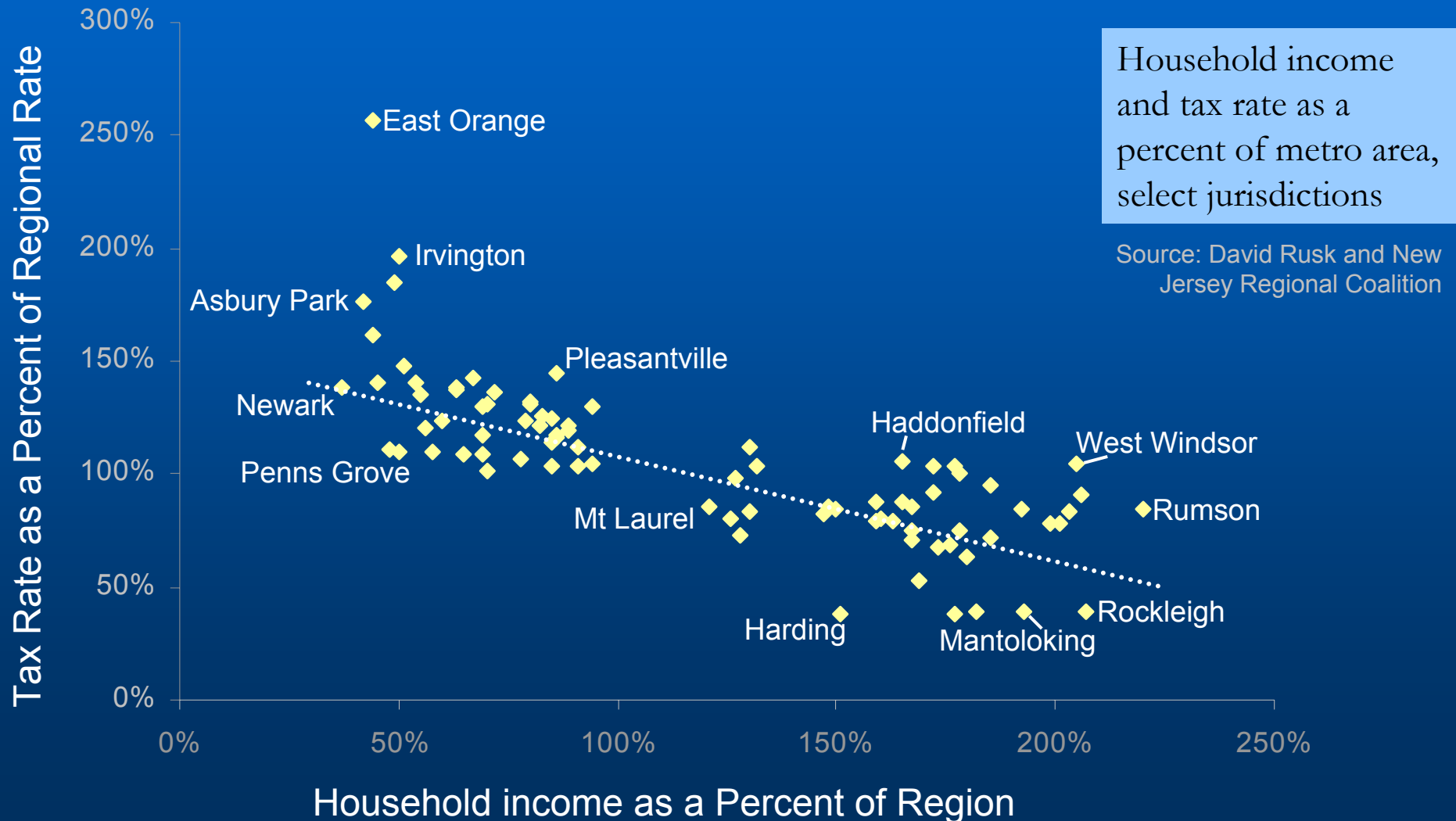
Largest percent changes in county to county inflow, 1995-2000

Source: U.S. Bureau of Census



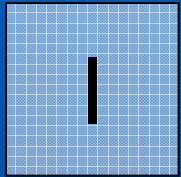


And on the local level, high property taxes tend to have “push” effects, forcing out those least able to afford it.

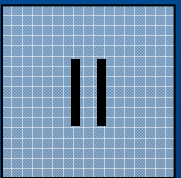




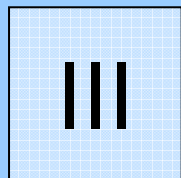
# Why Housing and Land Use Matter for New Jersey's Toughest Challenges



New Jersey faces the toughest housing challenges of any state in the nation.



These challenges have larger effects and are threatening the state's competitiveness, exacerbating disparities, and facilitating sprawl.



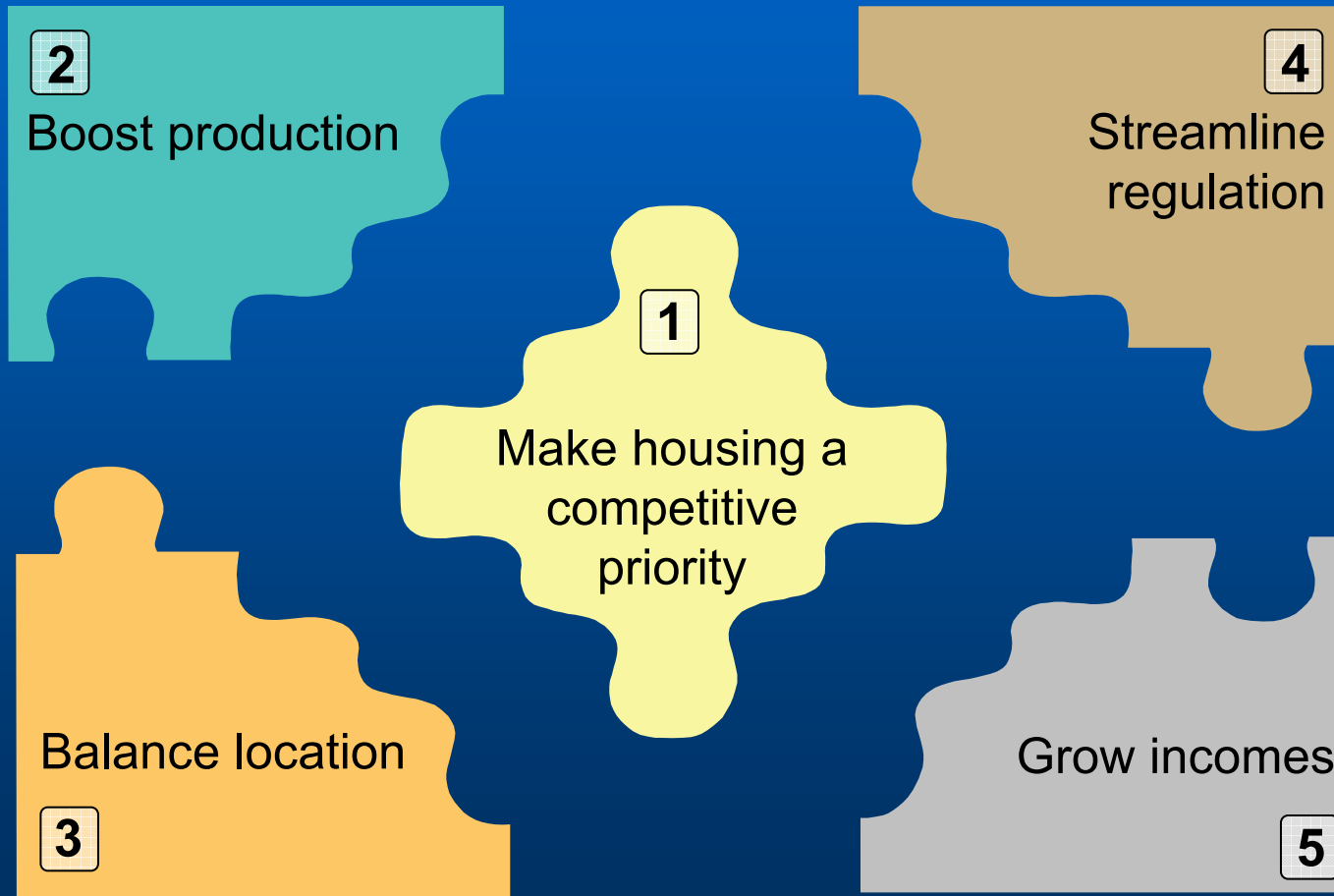
Although the state is in better position than many to deal with these issues, it nevertheless must be a major focus of the new administration.



**By dealing directly with the housing challenges of price, production, and location, New Jersey can enhance its economic competitiveness, reduce class and race disparities, and curb sprawl.**



# New Jersey needs to address its housing and land use challenges in order to affect a range of other issues





## Make housing a competitive priority

**GOAL:** New Jersey's business community must fundamentally understand the relationship between housing and competitiveness and fully engage in the issue.

### ACTION STEPS:

- Commission a survey of business leaders on the impact of high housing prices and lack of choice.
- Bring together civic, corporate, and elected leaders and convene a statewide summit on housing challenges.



## Boost production

GOAL: Increase production of a range of housing in the right places to meet the demands of all households.

### ACTION STEPS:

- Leverage the Balanced Housing Fund to stimulate production. A site based subsidy for new construction could be established which may be underwritten and sold in the private market.
- Become the first state to offer homeownership tax credits competitively to for-profit and non-profit developers to produce new or rehabilitated homes for low-and moderate income buyers throughout the state.



## Balance location

GOAL: Ensure low income housing is being built in the right places and that all communities assume their fair share of housing obligations.

### ACTION STEPS:

- Provide more state incentives, including linking state discretionary funding and the authority to impose developer impact fees to offset burdens of accommodating new housing.
- Abolish regional contribution agreements.



## Streamline regulation

**GOAL:** Address regulatory restrictions that specifically exclude certain housing types and ensure local implementation of the State Plan.

### ACTION STEPS:

- Encourage participation in the state's endorsement process for local comprehensive plans through meaningful incentives (e.g., priority for state spending, permit streamlining, and coordinated state agency actions).
- Enable municipalities to prepare quality comprehensive plans by targeting discretionary smart growth planning grants to those that meet certain thresholds of stress.





## Grow incomes

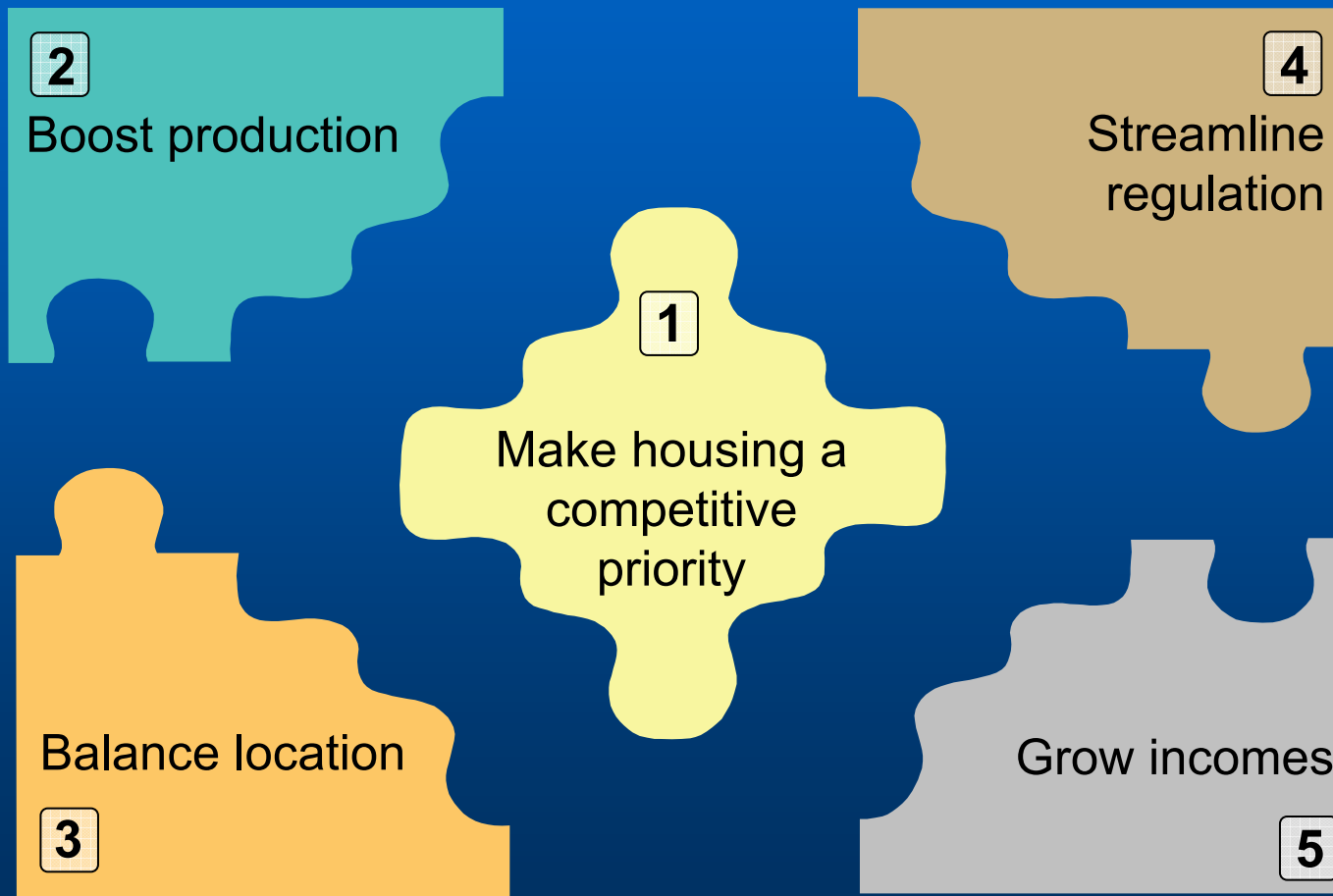
GOAL: Increase the assets of low income and working families to ensure these households gain access to quality employment, housing and educational opportunities.

### ACTION STEPS:

- Create a Governor's Task Force on Working Families.
- Raise EITC benefits and ensure standards to match the federal standards.
- Reduce disparities by growing an educated, skilled workforce.



# New Jersey needs to address its housing and land use challenges in order to affect a range of other issues



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- read the paper
- Special Series on the Health of Upstate New York

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This powerpoint by Robert Puentes was presented at a summit in Grand Rapids, MI focusing on how that region can meet the economic development goals of West Michigan by fostering regional cooperation, collaboration, and communication.

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