

HOUSING AND LAND USE

COMMUNITIES OF OPPORTUNITY:

New Jerseyans Need More
Affordable, Convenient,
and Safe Places to Call Home



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For most Americans, housing costs are the biggest item in a household budget.

For New Jersey's nearly 9 million residents, housing costs are among the highest in the nation, evictions occur at an unprecedented rate, and residential foreclosures outpace the rest of the country. Development over the last several decades has brought the state close to build-out and the resulting sprawl has separated economic opportunities and affordable homes. More recently, Superstorm Sandy has demonstrated New Jersey's vulnerability to extreme weather associated with climate change, weather that has damaged homes and communities and displaced vulnerable residents.

Today, too many New Jerseyans struggle to find an affordable, convenient, and safe place to call home.

This was not always true. More than 30 years ago, New Jersey recognized twin threats: (1) sprawl that consumed open space and farmland while creating pollution and (2) exclusionary zoning that kept struggling families at a distance from good schools and job opportunities. In response, New Jersey became a national leader on both fronts. In 1975 and 1983, the state Supreme Court issued the landmark *Mount Laurel* affordable housing decisions, and in 1985 the Legislature enacted both the Fair Housing Act, to provide affordable housing opportunities, and the State Planning Act, to protect the environment, revitalize cities and towns, and foster economic growth.¹

In the years since, the number of homes that moderate- and low-income families can afford has diminished, as has the "variety and choice of [available] housing."² Scatter-shot planning and land-use practices have continued the spread of sprawl. At the same time, demand for homes in many of New Jersey's urban centers and walkable suburban downtowns is increasing as more recent trends show that this is where aging baby boomers, millennials, and immigrants—the three largest population groups in New Jersey—are choosing to live.

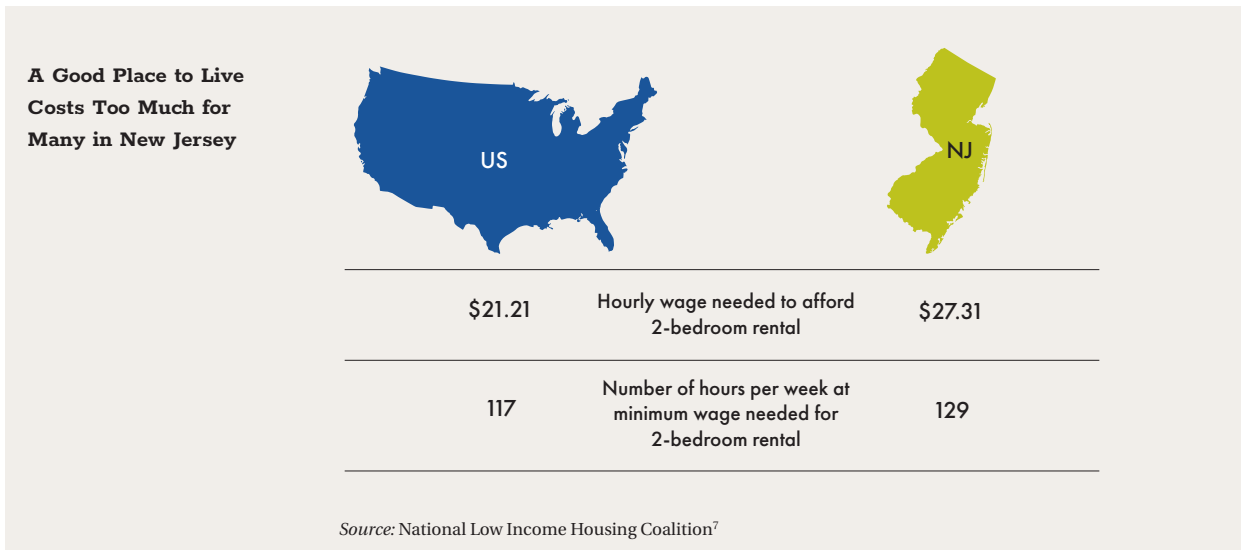
New Jersey can get back on track if we focus leadership, financial resources, and sensible policies on four important issues:

- Investing in affordable homes and communities, including transit-oriented development as well as supportive housing and homelessness prevention
- Advancing *Mount Laurel* goals and fair housing initiatives to promote integration and opportunity
- Reducing evictions and foreclosures
- Embracing regional and state planning with an emphasis on climate resiliency and urban and downtown revitalization

Tackling these four connected issues would promote housing affordability and choice, improve New Jersey’s economic well-being, mitigate the effects of climate change, and expand the diversity and vibrancy of the state’s communities.

Current Conditions

New Jersey’s foreclosure rate is 2½ times the national average.³ Apartment rents are the sixth most expensive in the country.⁴ More than 343,000 of New Jersey’s 1.1 million tenant households spend at least half of their pre-tax income on rent and utilities, making the state second only to Florida in the percent of the population in this situation.⁵ New Jersey’s “housing deficit” is most severe for those who struggle most to make ends meet. In 2016, only 29 affordable apartments were available for every 100 families making less than \$30,000 a year.⁶



The state’s housing availability and affordability crisis prevents residents from meeting their other needs. In New Jersey, in 2014, the average family of four needed to bring in \$32 an hour to cover the typical monthly “Household Survival Budget” of \$5,348, which included average monthly housing costs of \$1,257. Adjusting for household size, 37% of New Jersey households earn below the ALICE (“Asset Limited Income Constrained Employed”) Household Survival Budget.⁸



New Jersey leads the nation in the proportion of millennials who live with their parents.

Perhaps not surprisingly, New Jersey leads the nation in the proportion of millennials who live with their parents – 46.9% of people 18 to 34 years old, which is considerably higher than the national average of 34%.⁹ New Jersey millennials are also more likely than other age groups to leave the state, which creates gaps in the workforce and challenges for New Jersey’s economy.¹⁰

Availability and affordability issues force New Jersey to struggle with continued patterns of suburban sprawl and racial and socioeconomic housing segregation. Despite progress made through the state’s Fair Housing Act and State Planning Act, municipal land-use zoning has resulted in increased segregation and sprawl statewide.¹¹ According to data from the 2010 Census, New Jersey has the sixth highest level of Hispanic/white residential segregation in the nation, and the 11th highest level of black/white residential segregation.¹²

New Jersey is the most densely populated state and the most built out. More than 2 million of the state’s 5 million acres are fully developed, and an estimated 1.4 million acres are protected. With much of the remaining land unsuitable for development, researchers expect New Jersey to approach near-total build-out by midcentury.¹³ Time is running out to conserve vulnerable natural resources and make the necessary investments in housing and communities.

With 565 self-governing municipalities—83 more than in California, even though New Jersey’s entire footprint fits into 5% of California’s land area—New Jersey suffers from “multiple municipal madness.”¹⁴ This condition exacerbates already high property taxes and encourages a convoluted “ratables chase” for new commercial and industrial development tax revenues while discouraging residential development, particularly homes that might attract families with school-age children.¹⁵ These development patterns also contribute to long commutes and high transportation costs. New Jersey residents travel farther for work than residents of every other state except New York and Maryland¹⁶ and people who live in the New Jersey-New York-Connecticut region face the nation’s fourth highest commuting costs.¹⁷ While New Jersey has an extensive transit infrastructure – NJ Transit has 166 stations located along 12 lines in suburban and urban centers – the state has not maximized development potential around these strategic locations nor has it extended rail service in densely populated corridors.¹⁸

As if these challenges were not enough, Superstorm Sandy dealt a devastating blow to New Jersey in 2012, compounding damage the state suffered during Hurricane Irene the previous year. The destructive coastal flooding and extensive inland flooding made evident the vulnerability of so many homes and, in some cases, entire neighborhoods. The risks of climate change are not hypothetical to state residents; indeed, Sandy destroyed or severely damaged more than 40,000 primary residences and 15,000 rental units,¹⁹ and did more than \$30 billion in damage in New Jersey.

The Garden State is in a bind. New Jersey has too few homes that residents can afford, legacy consequences from sprawl, aging infrastructure, and a geography that makes its land particularly vulnerable to the encroachment of rising seas. At the same time, the state’s resources and its political will to address these challenges have diminished.

Fortunately, New Jersey has a strong legal and historical framework for addressing the dual challenges of housing affordability and sprawl. It has the opportunity to capitalize on recent demographic trends, extensive transit infrastructure, and a favorable geography with proximate access to the employment centers of New York and Philadelphia. And the state has every incentive to lead. Tackling these challenges and opportunities head-on would provide tangible economic benefits to New Jersey's residents, communities, and businesses.²⁰ Specific solutions are offered in the four sections below. The time to embrace progress is now.

Investing in Homes and Revitalizing New Jersey's Communities

Substantial research conducted in recent years demonstrates the links between stable, affordable homes and positive outcomes for families and children. When families pay more for housing than they can afford, every other part of a household budget suffers.

Affordable housing has been linked to better healthcare access and decreases in Medicaid health care expenditures as those who can afford their homes use preventive care rather than more costly emergency department visits.²¹ Stable, affordable homes lead to better nutrition, healthy brain development, and lower rates of child hospitalization for low-income families and children. Those with affordable housing also spend more on their children's enrichment than those without, leading to stronger child cognitive development.²²

Families lacking a stable, affordable home, in contrast, are more likely to struggle to feed all members of the household adequately, to have utilities shut off, and to forgo needed health care.²³ A Boston College study found that poor housing quality, followed by residential instability, was the strongest predictor of emotional and behavioral problems among low-income children.²⁴

Increasing the supply of affordable homes is also critical to putting New Jersey's economy back on track. A recent national study found that building 100 multi-family homes generates \$11.7 million in local income, \$2.2 million in taxes and other revenue for local governments, and 161 local jobs in the first year.²⁵ In New Jersey, the affordable housing and community revitalization work done by community development organizations alone added \$12 billion to the state's economy over the last 25 years, or approximately \$500 million per year.²⁶ An analysis of New Jersey's Special Needs Housing Trust Fund determined that the \$200 million state investment in permanent supportive housing created 8,800 one-time jobs, 1,600 ongoing jobs, \$576 million in worker income, \$14.4 million in state sales tax revenues, \$1.75 million annually in state income taxes, and \$10.4 million per year in local property tax revenues.²⁷

When families struggling to get by can spend more of their hard-earned pay on consumer goods and services than on housing costs, the economy benefits. Unfortunately, too many New Jerseyans today must pay more for their homes than they can afford, leading households to forgo other necessities and contributing to chronic housing instability and homelessness. Yet, despite the demonstrated need for, and the economic and societal benefits of, affordable homes, state investment in affordable homes in New Jersey has dwindled over the past decade.²⁸

Some examples are telling.

In 2009, Balanced Housing funds (now called the Affordable Housing Trust Fund) were used to produce 260 homes in New Jersey; in 2013, that figure was 96.²⁹ Money for this initiative came from the state’s realty transfer fees. Funds collected that should have been dedicated to the Affordable Housing Trust Fund for the purpose of producing affordable homes have been diverted in the state budget to pay for rental assistance and other non-housing production programs; these other programs previously had been financed through the state budget’s General Fund. Last year alone, \$52 million was diverted.

Also zeroed out of the state budget in 2015 was another major initiative, HOME Express, which streamlined the process for developers applying for both state and federal funds. Many other useful forms of assistance were reduced. The State Rental Assistance Program was cut to \$42 million from \$47 million at the same time that rents were increasing. And, CHOICE, which offers comprehensive financing for developing new and substantially rehabilitated homes in areas where market rate home values are too low to support new construction, was cut to \$10 million in 2015 from \$42 million in 2009.

State Support for Promoting Affordable Homes Declines

	2006	2015
Balanced Housing Program Production	\$38 million	0
HOME Express	\$58 million	0
State Rental Assistance	\$47 million	\$42 million
UHORP/ CHOICE	\$42 million	\$10 million
Special Needs Housing Trust Fund	\$24 million	0

Source: Housing and Community Development Network of New Jersey³⁰

STRATEGICALLY TARGETING RESOURCES

The state’s recent lack of support in these areas is a distressing ledger. Each of these funding cuts takes a toll as it takes away support that helps more people own or rent a home, participate in the economy, and gain a greater personal stake in the community.



Maximizing opportunities around transit stations is key both to revitalizing and supporting economic growth in these centers as well as creating opportunities for inclusionary residential and mixed-use development.

RECOMMENDATION

Adopt the Housing and Community Development Network of New Jersey’s “Build a Thriving New Jersey” plan³¹ to strategically invest \$600 million to help more state residents find good, affordable places to live.

The package would direct resources, many of which have been diverted to other purposes, to increase the supply of affordable homes for working families, seniors, and people with disabilities. This level of investment would help address the need for hundreds of thousands of new and affordable homes identified through the *Mount Laurel* process.

The proposed funding levels are based on what is needed to meet the high current demand and to make up for nearly a decade of lost funding. Through an increase in the Neighborhood Revitalization Tax Credit and full funding of other programs, these strategies also would encourage mixed-use and transit-oriented development where infrastructure exists or could be enhanced. Resources would be available to improve the state’s older housing stock—which would benefit public health, especially by reducing the danger of lead poisoning—and to promote development of homes near where people work. New revenue, enhanced nonprofit capacity, and new public-private partnerships would make possible a mix of rental homes and home ownership opportunities. Significant funds would be dedicated to providing stable homes for people who are homeless and people with special needs.

Revenues for the \$600 million initiative could come from a variety of sources, including general revenue, matching federal funding, realty transfer fees charged on the transfer of property, and NJ Housing and Mortgage Finance Agency (NJHMFA) lending. Previously, the NJHMFA bonded for the Special Needs Housing Trust Fund but those resources have been exhausted.

SUPPORTING MIXED-INCOME HOUSING AND ECONOMIC DEVELOPMENT IN URBAN AND DOWNTOWN AREAS

While many New Jersey cities continue to struggle to attract private sector investment, others, such as Jersey City and Hoboken, are experiencing downtown and neighborhood revitalization and private investment in business and real estate. With such investment, however, housing costs often go up, with the result that lower-income residents are priced out of those communities. In such strong housing markets, inclusionary development policies can help ensure that lower-income as well as upper-income residents share in the benefits of economic revitalization. State investment in struggling communities can also have benefits such as to stabilize neighborhoods and encourage 24/7 vibrant downtowns. Maximizing opportunities around transit stations is key both to revitalizing and supporting economic growth in these centers as well as creating opportunities for inclusionary residential and mixed-use development so people can easily access jobs and cultural opportunities.

RECOMMENDATION

Grant state and regional agencies the authority to approve projects of regional significance.

Relevant state and regional agencies should have the authority to override local zoning and approve significant projects that are consistent with the agencies' adopted plans and regulations and when warranted by major infrastructure or other public-sector investment, including investment of state funds. Examples of approvals that would be appropriate are transit-oriented development projects that provide excellent access to jobs and the inclusion of affordable homes in areas designated for growth by a regional plan.

Adopt inclusionary zoning ordinances in cities with strong real estate markets to foster equitable, inclusive communities and enable lower-income residents to live near work and schools.

Such inclusionary zoning ordinances could apply to an entire city or could be strategically targeted to particular neighborhoods or downtown areas that are experiencing the most investment. Such policies help manage gentrification and encourage balanced revitalization as investment comes back to some of New Jersey's cities.

Provide tax credits for developers to build affordable mixed-income homes in economically distressed areas to revitalize communities and provide good-quality homes.

One proposed initiative would provide up to \$600 million in such credits for development where median family income does not exceed 80% of statewide or applicable metropolitan median family income, and it would also address the needs of residents with lower incomes.³² The goal is to create thriving residential neighborhoods in areas dominated by offices and 9-to-5 activities.

PROVIDING FOR THE HOMELESS AND THOSE WITH SPECIAL NEEDS

The 2008 recession brought a statewide increase in homelessness. Although the number of homeless men, women, and children in New Jersey is down by almost half over the past decade, nearly 9,000 people still lack reliable shelter.³³ Further, many more households are on the brink of homelessness due to New Jersey's high housing costs and the crisis in evictions and foreclosures. Among families making less than \$26,030 a year, 74% spend more than half their income on housing costs—placing them at higher risk of falling behind on rent and becoming homeless.³⁴

A shortage of available public and private funding to provide shelter for people who are homeless or who have special needs has only exacerbated the situation. Nonprofit organizations and private-sector affordable housing developers try to fill the gaps but cannot meet the enormity of the need on their own. Putting together the necessary financing can be dauntingly complex, often involving a maze of federal, state, and local sources as well as tax credits and private loans.

The Special Needs Housing Trust Fund, administered by the NJ Housing and Mortgage Finance Agency and supported by \$200 million in state bonding, helped create quality housing with needed supportive services for over 2,000 families and individuals with special needs in all 21 counties. The number of permanent supportive housing units produced by the Special Needs Housing Trust Fund, however, dropped to 126 in 2015 from 482 in 2009.³⁵ When the fund ran dry, no effort was made to replenish it.

RECOMMENDATION

Provide adequate funding for the Special Needs Trust Fund and the State of New Jersey Homelessness Prevention and Rapid Re-Housing Program.

The Build a Thriving New Jersey initiative would restore the Special Needs Housing Trust Fund with \$45 million in bonding authority through the NJ Housing and Mortgage Finance Agency. The initiative also would allocate \$25 million in state General Fund money for homeless programs and \$6 million in realty transfer fee revenues as a match for federal homeless support.

New Jersey has a program in place to provide temporary financial assistance and services to households at risk of homelessness.³⁶ With demand so high, the money runs out a few months into each fiscal year. At a minimum, New Jersey should match the \$10 million it receives yearly for this program from the federal Department of Housing and Urban Development.

Expand rapid re-housing programs to provide housing assistance to any household at risk of homelessness or already homeless.

In addition to providing reliable and predictable funding streams, adoption of a rapid intervention model is key to ending homelessness. Rapid re-housing is an effective intervention that connects uprooted residents to permanent housing through a tailored package of assistance. The fundamental goal is to reduce the amount of time households experience homelessness using a Housing First approach.³⁷

Fighting Segregation and Meeting the State's Housing Needs

Although New Jersey is one of the nation's most diverse states, with African-American, Latino, and Asian residents making up 44% of the population (the national average is 38%), its residents face high levels of socioeconomic and racial segregation that are grounded in patterns of housing segregation.³⁸ These housing patterns, in turn, result in high levels of racial and socioeconomic segregation in school districts, given that most New Jersey school districts conform to municipal boundaries. As a result, most black and Latino students in New Jersey attend schools where the share of low-income students is more than three times the share of low-income students in the school of a typical white student.³⁹

Despite New Jersey's Diversity Many Municipalities are Majority White

NON-HISPANIC WHITE RESIDENTS	SHARE OF MUNICIPALITIES
90-100%	21.8%
80-90%	26.7%
70-80%	20.5%
60-70%	9.6%
50-60%	6.6%
40-50%	5.9%
30-40%	3.8%
20-30%	1.3%
10-20%	1.6%
Less than 10%	1.3%

Source: U.S. Census Bureau American Community Survey ⁴⁰

New Jersey's schools are now among the most segregated in the country, with urban schools enrolling mostly African-American or Latino students, while suburban schools remain mostly white. In the 20 years between 1989-90 and 2010-11, the state's proportion of "intensely segregated" schools (90% to 100% minority students) increased to 18.7% from 11.4% and so-called "apartheid schools"—schools where 99% of the student population is African-American or Latino—grew to 8% from 4.8%. Today, 26% of African American and 13% of Latino students in New Jersey attend one of those "apartheid schools."⁴¹

New Jersey's pattern of segregation is a corollary to the exclusionary land-use regulations that were observed in 1975 in the *Mount Laurel I* decision and continue today. Despite the important progress made as a result of the Fair Housing Act of 1985 and the *Mount Laurel* decisions, municipal land-use zoning statewide has resulted in a land-use pattern that has become substantially more segregated and sprawling than in 1970.⁴² These dynamics create communities where poverty is concentrated, educational and economic opportunities are scarce, and upward mobility is limited.

Over the years, New Jersey has made significant attempts to both combat segregation and make home ownership and renting more affordable. The New Jersey Supreme Court's groundbreaking *Mount Laurel* rulings in 1975 and 1983 required municipalities to use their zoning powers to promote (rather than, as many had, restrict) opportunities to produce homes affordable to low- and moderate-income households.⁴³

Mount Laurel II put teeth in the original doctrine by imposing the builder's remedy, under which the court removes zoning powers for a particular property from non-compliant municipalities and provides higher density and other zoning relief to the builder in exchange for the provision of a mandatory affordable housing set-aside. *Mount Laurel II* also set the stage for development and implementation of a fair share



More than 120 municipalities have reached agreements with fair housing advocates, developers, and civil rights leaders addressing fair share obligations for more than 36,000 homes for working families, seniors, and New Jerseyans with disabilities.

methodology that allocates housing obligations to municipalities based on their share of the region's wealth, jobs/ratables, and their capacity for growth in accordance with the State Plan. The decision led in 1985 to both the State Planning Act, establishing the State Planning Commission and Office of State Planning to produce the State Development and Redevelopment Plan, and the Fair Housing Act.

Key to the vision reflected in the State Planning Act is an ample supply of homes that meet local, regional, and state needs. With an inclusive and coordinated planning process, municipalities, counties, and the state collaborate to ensure housing choice as well as to share the benefits and costs associated with producing a range of housing options. Nonprofit organizations and the private sector, often working together, bring valuable capacity and produce homes consistent with public plans and decisions.

The Fair Housing Act created the Council on Affordable Housing (COAH) to assess the statewide need for affordable housing, allocate that need on a municipal fair share basis, and review and approve municipal housing plans aimed at implementing the local fair share obligation. At least 65,000 affordable homes were produced during 1980-2014 under *Mount Laurel* and the Fair Housing Act and at least 15,000 existing homes were rehabilitated.⁴⁴ Implementation had stalled, however, until recently.

COMPLETING THE LEGAL PROCESS

Today the courts again have stepped in. The 2015 *Mount Laurel IV* decision broke through political-administrative gridlock by sidestepping a “moribund” COAH and returning enforcement of the *Mount Laurel* doctrine to state trial court judges. As a result, courts have returned to the role established under *Mount Laurel II* and are again hearing cases and making decisions on individual municipal fair share obligations and compliance plans.

Most recently, a statewide need has been identified for more than 280,000 additional homes for low- and moderate-income households by 2025.⁴⁵ Taking proactive steps to meet this need is critical if New Jersey is to be a good place for people of all incomes to raise a family.⁴⁶

More than 120 municipalities have reached agreements with fair housing advocates, developers, and civil rights leaders addressing fair share obligations for more than 36,000 homes for working families, seniors, and New Jerseyans with disabilities. These settlements can revitalize New Jersey's many historic downtowns by fostering development near transit options. Many of these agreements also fight blight and sprawl by turning vacant office parks, strip malls, and industrial sites into vibrant new residential developments.

More towns are expected to negotiate settlements to establish their housing obligations, and judges are moving to establish the obligations for other municipalities.

RECOMMENDATION

The New Jersey Supreme Court in its *Mount Laurel IV* decision established a legal process, now underway in the trial courts, to ensure municipalities address their fair share of local and regional affordable housing need through 2025.

During the period in which this legal process is ongoing, the state should provide towns with tools to expedite construction, such as preferential treatment in applying for funds and increased support for creating homes. The state also should begin planning for a new fair share housing process that will prepare for future needs beyond 2025.

LEVERAGING FEDERAL POLICY

A rule adopted by the federal Department of Housing and Urban Development in 2015 provides the first guidance on federal Fair Housing Act obligations for local jurisdictions that accept HUD resources. Under its Affirmatively Furthering Fair Housing rule, HUD directs jurisdictions to take “meaningful actions to overcome historic patterns of segregation, promote fair housing choice, and foster inclusive communities that are free from discrimination.”⁴⁷ The federal Fair Housing Act has contained these provisions since 1968, but this was the first time HUD adopted an implementing rule.⁴⁸

Nationally, 22 jurisdictions were ordered to comply with the rule in its first year, 100 more are submitting compliance plans, and still more have publicly committed to its guidelines even if the rule, which may be under threat from the current administration in Washington, is weakened or rescinded.⁴⁹ In New Jersey, almost all jurisdictions receiving federal funds (the state, most counties, and some cities) will be required to submit such plans over the next three years.

RECOMMENDATION

To address chronic challenges that make our diverse state so segregated, New Jersey should press the federal government to maintain, and public jurisdictions in New Jersey to comply with, the federal Department of Housing and Urban Development’s Affirmatively Furthering Fair Housing (AFFH) rule and provide incentives to jurisdictions that adopt and implement inclusive, equitable policies.

The state can take steps to provide fair housing resources for residents, regardless of what the federal government does, by pursuing aggressive enforcement of fair housing violations through the New Jersey attorney general’s Division of Civil Rights. New Jersey also should expand initiatives to promote regional mobility, including the state Department of Community Affairs program that annually offers 100 households rental housing vouchers coupled with housing counseling services to find rental homes in areas with good schools, jobs, and transit access.⁵⁰

Re-establish the New Jersey Office of the Public Advocate with fair housing issues as one of its key mandates.

New Jersey should be on guard against attempts to weaken or dismantle the AFFH rule and should develop strong standards that include restoring the state Office of the Public Advocate as a strong, independent watchdog. Its mission would include serving as a champion of fair housing issues.

Addressing the High Cost of Evictions and Foreclosures

Evictions in New Jersey occur at a very high rate. There were 160,000 eviction filings in New Jersey from July 2015 to June 2016, including 38,000 in Essex County alone,⁵¹ disproportionately affecting people of color and households struggling to get by.⁵²

HELPING TENANTS WHO FACE EVICTION

Eviction creates instability for renters and makes it exceedingly more difficult for lower-income families to find their next apartment. In his groundbreaking 2016 book, *Evicted*, Matthew Desmond chronicles the vicious cycle of evictions from privately owned housing that disproportionately burdens women with children. The housing instability they suffer becomes chronic and, as a consequence, these women have fewer safe and sanitary housing choices with each eviction. In addition, frequent school turnover makes it harder for their children to learn.⁵³

RECOMMENDATION

Move quickly to adequately fund New Jersey's statewide Legal Services system to enable it to provide legal representation to low-income tenants facing eviction.

Legal representation, including court appearances when required, is essential to ensure that tenants' rights are fully protected and enforced. In recent years both New York City and New York state have dramatically increased funding for civil legal services in a full range of civil cases, becoming the national leaders in providing such support. New York City has focused especially on housing—tenancy and foreclosure—to avoid the devastating human and social costs of housing loss on families and individuals, initiating a multi-year plan to increase funding by tens of millions of dollars. Early results suggest this funding has had great effect; one city official cited a 24% reduction in evictions since 2015.⁵⁴

PROTECTING HOMEOWNERS

The situation is little better for lower-income homeowners in New Jersey facing mounting mortgage debt. Mortgage delinquency rates far outpace the national average⁵⁵ and New Jersey leads the nation in foreclosures, which affect 2.8% of homes with a mortgage.⁵⁶ In June 2017, one of every 607 homes in the state was in some stage of the

foreclosure process, a rate 2½ times the national average.⁵⁷ Foreclosure in New Jersey is not just a problem in cities: Salem, Sussex, Camden, Warren, and Atlantic counties led the state in the rate of foreclosures, a crisis that has hit rural, suburban, and urban areas and lower-income as well as middle-income families. Yet the foreclosure crisis disproportionately hurts families at the lower end of the income scale and people of color.

Policy reform can mitigate the risks of foreclosure.

RECOMMENDATION

The Judiciary's Foreclosure Mediation Program should be funded and expanded to meet actual needs by establishing a permanent state funding source.

The New Jersey Judiciary administers the Foreclosure Mediation Program, which provides trained, court-sponsored mediators to help homeowners and lenders reach a resolution through mortgage modification and restructuring.⁵⁸ These services are available at no cost to homeowners facing foreclosure action. If taken to scale, mediation has the potential to divert new foreclosures from the courts, empowering borrowers to renegotiate loan terms and streamlining the process for both borrowers and lenders. For this program to live up to its potential, the state will need to retain additional trained mediators.

Similar programs have helped reduce repeat foreclosures in a number of Pennsylvania counties.⁵⁹

Amend the law governing the State Foreclosure Mediation Program to require lenders to consider loan modifications.

The program presently does not stop the foreclosure process; a lender may foreclose on a borrower at any point during the mediation. This gap puts borrowers at a tremendous disadvantage when negotiating and serves as a disincentive for them to participate in the process. The Home Ownership Security Act should be changed to suspend the foreclosure process during mediation.

Empower the state Department of Community Affairs (DCA) to partner with and fund nonprofit providers to help borrowers avoid foreclosure.

Although existing state foreclosure mitigation programs (e.g. New Jersey Home Saver and New Jersey HomeKeeper)⁶⁰ provide short-term financial assistance to borrowers who are in default, they fail to connect existing mediation efforts to longer-term, sustainable solutions such as loan modifications. While nonprofit housing counseling agencies provide assistance to borrowers facing foreclosure, these counseling efforts are largely unfunded. Moreover, these nonprofits would be more effective if they could work with borrowers who pursue mediation through the county courts. The current fragmented approach harms borrowers and impedes long-term family financial stability. A more holistic, integrated approach to foreclosure prevention is needed.



New Jersey leads the country in “zombie” foreclosures, where no one can track the actual owner of a home to remedy property blight issues.

REPURPOSING ABANDONED HOMES

New Jersey leads the country in “zombie” foreclosures, where no one can track the actual owner of a home to remedy property blight issues. These properties, which are often stuck in the “pre-foreclosure” stage for years, become vacant when a homeowner receives a notice of intent to foreclose, is unable to secure a modification of the loan or sell the house even at a loss, and, consequently, moves out. When a bank forecloses and then sells the mortgage, the property is stuck in legal limbo. This problem disproportionately affects urban areas, although rural and suburban locales are also hit hard. New Jersey accounts for one fifth of “zombie” properties nationwide.⁶¹

As of June 2016, there were more than 4,000 “zombie” properties throughout the state. Beyond the harm done to the household that was foreclosed upon, “zombie” properties cause collateral damage to their neighborhoods. Property values decline and vacant homes become health and safety hazards. The abandoned properties create a ripple effect that extends to the surrounding neighborhood.⁶²

RECOMMENDATION

Create a state Housing and Mortgage Finance Agency (NJHMFA) program to purchase vacant foreclosed residential properties from institutional lenders for rehabilitation as necessary and occupancy as affordable homes.

The priority must be to keep people in their homes through mortgage modification and related strategies. But the reality is that 38,000 vacant and abandoned residential properties throughout the state⁶³ create blight and nuisance. Although New Jersey has powerful laws enabling municipalities to reclaim such properties, there is no direct source of state funding to do so. NJHMFA should leverage its resources to create and fund a program to purchase such vacant foreclosed properties.

Restoring New Jersey’s Leadership in State and Regional Planning

New Jersey has a history of nationally recognized successes such as the State Planning Act, Fair Housing Act, and *Mount Laurel* decisions, as well as landmark protections for the Pinelands and the Highlands regions.

These regional planning and affordable housing successes came about through bipartisan leadership and a consensus that New Jersey’s future well-being required actions and sacrifices that went beyond the term of any one elected official.

Today state planning is moribund, and the environment, transportation, housing, and community revitalization suffer.

The 2001 New Jersey State Development and Redevelopment Plan provides a starting framework. The plan established key indicators and targets for evaluating economic,



As a largely voluntary guide, the State Plan never provided strong enough incentives to municipalities to sustain ongoing participation and carry out the State Plan's goals and principles.

environmental, infrastructure, urban revitalization, and intergovernmental coordination impacts.⁶⁴ The plan projected⁶⁵ that, with full implementation, the benefits for New Jersey in 2020 would include:

- Savings of \$160 million annually to towns, counties, and school districts
- 870 fewer miles of roads and savings of \$870 million in local road costs
- Savings of \$1.45 billion in water and sewer costs
- A 27,000 increase in trips to work using mass transit
- 22,000 fewer acres of land converted to development, including 68,000 acres of farmland and 45,000 acres of environmentally sensitive land
- Reversal of a projected \$340 million loss in household income in urban communities, to a gain of \$3 billion

While the 2001 State Plan was implemented by some municipalities, counties, and departments of state government, progress was uneven due to the largely voluntary nature of the State Plan. Further, since 2001, New Jersey has come to better understand the impact of climate change and the extreme weather it brings. The enormous toll that Superstorm Sandy took on the state brought attention to the need to plan for “resiliency”—a term that reflects the ability to both mitigate the impact of climate change (by reducing emissions, for example) and adapt to climate change (such as by not building in flood zones).⁶⁶

Today the State Plan would benefit from adding key indicators and targets for housing and climate resiliency into planning efforts.

A good model is the recently developed OneNYC plan that strives to address New York City's long-term challenges of “changing climate conditions, an evolving economy, and aging infrastructure.”⁶⁷ OneNYC aims to lift 800,000 New Yorkers out of poverty in the next decade, send zero waste to landfills by 2030, stop long-term displacement of residents from jobs and homes after disasters, and reduce the city's greenhouse gas emissions by 80% by 2050.⁶⁸ In parallel, New York City also created a comprehensive climate action plan in the aftermath of Superstorm Sandy that described \$19.5 billion in necessary investments and included over 250 recommendations for action to increase climate resiliency.⁶⁹

PUTTING TEETH BACK INTO PLANNING

The State Plan provided New Jersey with tools and principles needed to make decisions about growth and development based on factors geared toward producing a desirable quality of life across the state. Where the State Plan fell short, however, was in implementation. As a largely voluntary guide, the State Plan never provided strong enough incentives to municipalities to sustain ongoing participation and carry out the State Plan's goals and principles.

With the addition of a strong set of financial, legal, and regulatory incentives and by addressing the challenges posed by climate change, the State Plan could provide a solid basis for increasing economic growth, expanding housing opportunity, and making more efficient infrastructure investment.

RECOMMENDATION

Update the State Plan, regional plans, and local plans through an inclusive process.

Planning review should include consideration of a variety and choice of housing, climate resiliency, environmental protection, urban revitalization, transportation investment, and economic development—as well as a strong system of financial, legal, and regulatory incentives for municipalities to engage in state and regional planning. The state should provide technical assistance and resources to municipalities to develop and implement local or regional climate resiliency plans.

The process also should include updating regional plans, including in the Highlands, Pinelands, and Meadowlands, to promote consistent and efficient decision-making.

Restore the New Jersey Meadowlands Commission as an independent agency, and restore tax-base-sharing among municipalities in the covered region.

After decades of success, regional tax-base-sharing in the Meadowlands district—under which 14 towns shared in the costs and benefits of development—was eliminated in 2015. The Meadowlands Commission itself was subsumed within the New Jersey Sports and Exposition Authority. Eliminating tax-base-sharing and disbanding the Meadowlands Commission brought a reduction in rational and mutually beneficial decision-making. A restored Meadowlands Commission can serve as a model for other regional planning efforts in New Jersey and elsewhere.

PROMOTE RESILIENCY

After the destruction brought by Superstorm Sandy, New Jersey missed the opportunity to rebuild in ways that respond to climate change. Much of the rebuilding was driven by a desire to return to development patterns that existed before the storm, rather than to foster safer communities prepared for future flooding. Although most homes were rebuilt to better withstand future storms, New Jersey failed to develop a consensus on where and how development should be promoted and how best to protect vulnerable people and ecosystems from the urgent threats of climate change and rising sea levels. While the State Plan is an appropriate vehicle to address climate resiliency, special attention to New Jersey's coastal areas is warranted, given their vulnerability to climate change.

RECOMMENDATION

Create a regional planning body to protect people, foster resilient communities, and protect ecological resources along the coast.

Undertake a regional planning process along New Jersey's coast, with an emphasis on climate resiliency, open-space acquisition, and planned retreat from vulnerable locations, as well as a providing a variety and choice of housing in resilient neighborhoods.

A coastal regional planning body with land-use planning powers would better protect New Jersey from impending impacts of climate change, including flooding, sea-level rise, and increased intensity and frequency of storms.⁷⁰ A coastal regional planning process would potentially protect lives, guard valuable infrastructure, save billions of dollars, and restore vulnerable coastal habitat.⁷¹

The planning body would be tasked with coordinating various levels of government as well as providing technical assistance and financial resources to local governments to help with implementing a coastal regional plan.

Conclusion

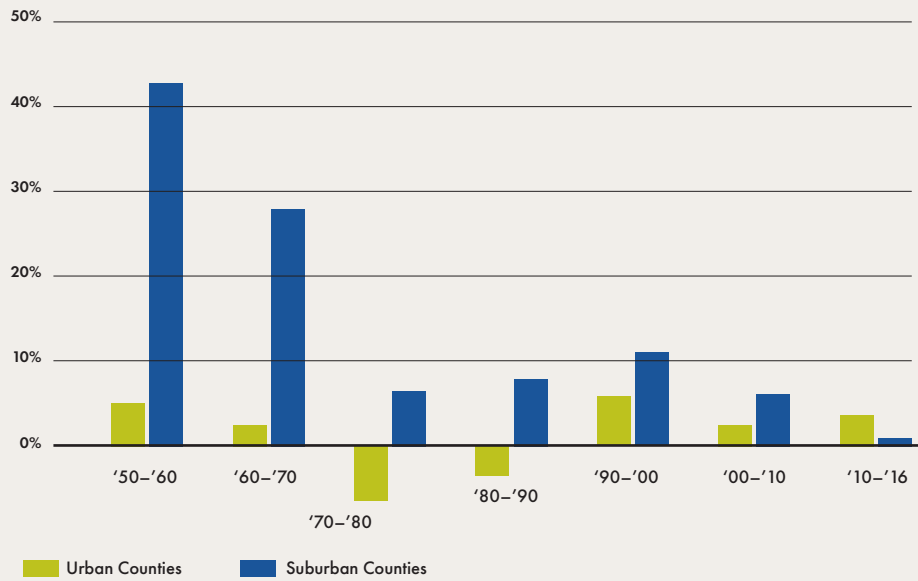
“New Jersey is a state of abundant resources and a high quality of life,”⁷² the second State Development and Redevelopment Plan proclaimed optimistically in 2001.

Much has changed over the subsequent 16 years, including fundamental shifts in the state's economy, environment, and political landscape. Now New Jersey is at a crossroads. Housing markets are changing, with a growing desire for denser, walkable communities in both urban and suburban parts of the state.⁷³ Yet opportunities are limited because housing and land-use planning policies at all levels of government failed to keep up with these changes and the need for climate resiliency was ignored. At the same time, New Jersey remains one of the most expensive places in the nation to rent or own a home and people at the lower end of the income spectrum are particularly vulnerable to housing instability.

Despite these challenges, New Jersey has a basis for pursuing a better-planned future. In addition to aging baby boomers, millennials, and immigrants rejecting far-flung exurbs in favor of cities and older suburban communities with transit and mixed-use downtowns, businesses are establishing offices or moving facilities to places of sufficient density and pools of potential job seekers.⁷⁴ It is no surprise, then, that Hudson County saw an 11% spike in population⁷⁵ from 2005-09 to 2010-15, after the loss of more than 90,000 people from 1950 to 1980.⁷⁶

**New Jersey's
Population Growth
Increasingly Urban**

Percent Change in Population 1950 to 2013



Source: nj.com, U.S. Census⁷⁷

Research demonstrates that more-compact communities provide opportunities to reduce the production of carbon and promote health and safety.⁷⁸ Increasingly, 20th-century land-use patterns, high housing costs, and the decline of public investment in cities impede economic growth by not reflecting present-day needs.

The next few years offer an opportunity for transformative change if New Jersey invests in its cities and suburban and rural centers and provides for a variety and choice of housing in climate-resilient, integrated communities with economic and educational opportunity. But we cannot just wish for transformative change to happen. We must act and make the necessary investments to make sure New Jersey is a state where everyone can live, work, and prosper.

Endnotes

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