



Smashmouth Affordable Housing New Jersey's Third Round: From Fair Share to Growth Share

2004 National Impact Fee Roundtable
(Morning Session—Thursday)

Inn on Fifth
699 Fifth Avenue South
Naples, FL
Thursday, October 21, 2004
8:15 am – 9:30 am



The Linchpins—Three Supreme Court Decisions and a Legislative Act

Southern Burlington County NAACP

v. Mt. Laurel Township (1975) (Mount Laurel I)

Southern Burlington County NAACP

v. Mt. Laurel Township (1983) (Mount Laurel II)

Fair Housing Act (1985)

[Establishment of the Council on Affordable Housing]

Hills Development Co.

v. Township of Bernards (1986)(Mount Laurel III)



Implications for the Housing Solution (1)

Mount Laurel I –

Communities have a *constitutional* obligation to provide for their fair share of *regional* low- and moderate-income housing need.

Mount Laurel II –

Responsibilities of Communities

All Communities – the poor who live in deteriorated housing

Communities in the Growth Area – the poor, who are drawn to these communities in search of jobs

Income Group To Be Served

HUD Section 8-eligible population



Implications for the Housing Solution (2)

Fair Housing Act –

Defined Housing Region (2-5 Counties)

Defined Need as: Current (Rehab) and Future (New)

Established Council on Affordable Housing
(COAH)

Mount Laurel III –

Upheld *Fair Housing Act*

Indicated that COAH was in charge

Told participants to get on with business of
affordable housing provision



Basic Definitions

(Income Group and Region)

I. Income Group Served

Section 8 Income by household size (HHS)
50-80% of Median Income – Moderate Income
<50% of Median Income – Low Income
(Vary 10% up or down by inc./dec. HHS)

II. Regional Solution (N.J.—21 Counties)

Six 3- or 4-county regions that evidence:
Strong commuting ties
Enough available land
Presence of a central city



The Components of A. H. Need

I. Rehabilitation Share [2004] (25,000)

Poor living in deteriorated housing:

(65-75% of three census-reported indices:
old-crowded units; units lacking plumbing
component; units lacking kitchen
component, or nonexclusive use.)

II. Net Prior Round Obligation [2004] (about even)

What was required as Future Need in prior
rounds versus what was done or credited.

III. Growth Share [2004-2014] (52,400)

Future poor households (140,000)

40% of total need

Minus secondary sources of supply (87,500)

(Filtering, conversion, publicly subsidized housing)

Equals Growth Share (52,500)



Distribution of Future A. H. Need

Fair Share (Rounds 1&2)

3 Indices

Wealth (Difference from. lowest)
Land (Vacant available)
Jobs (Job growth)
(all directly allocated
as a share of total)

Municipality gets an
A Priori Number

Growth is a multiple
(5X) of assigned
number

Growth Share (Round 3)

(Residential)

(Nonresidential)

Ratio:

| | |
|------------------------------------|---------------------------------|
| <u>230,000</u> (decade housing) | <u>680,000</u> (decade jobs) |
| 25,500 | 27,000 |

1 affordable unit
for 8 market units

1 affordable unit
for 25 jobs
(8,000 ft²)

No *A Priori* Number
to the municipality

Growth is as planned—
affordable housing is a
derivative of planned growth



Specific Linkages of Growth Share Responsibility to Projected Development

- The derived ratios for Future Need (Growth Share) are directly related to the projections of future need by region. Municipal progress toward statewide goals will be reviewed every 3 years (municipal obligation—constitutional, not linkage-based).
- Affordable housing need is viewed as about equally borne by forthcoming future residential (units) and nonresidential (jobs) development.
- Units transferred to other communities are transferred at a municipal cost of a minimum of \$35,000 each (up to 50% can be transferred).
- A development fee of 1 percent of market value is charged by municipalities to residential and 2 percent to nonresidential developers not providing affordable housing and put in a Housing Trust Fund for future affordable housing use.



Results of A. H. Procedures (1)

- 57,386 housing units authorized (1989-1999)
 - 25,819 built (s)* 14,284 zoned for (s)
 - 6,770 transferred (u) 10,413 rehabilitated (u)
- No problems – Everyone in state has relatives, friends or co-workers in affordable housing
- The most comprehensive system in existence – contributed to by all three branches of government
 - Executive – Council on Affordable Housing
 - Legislative – *Fair Housing Act*
 - Judicial – *Mount Laurel* decisions – pre & subsequent enforcement

* Primary site of development— s=Suburban — u=Urban



Results of A. H. Procedures (2)

- New Jersey produces a greater share of unsubsidized affordable housing via land-use policies than any other state—approximately 10% (25,000 units) of all market housing (\approx 250,000 units) from 1989 to 1999.
- The question at the first development hearing is whether the local affordable housing obligation has been met and, if not, how the developer will contribute. This happens on a regular basis nowhere else in the U.S.
- If the affordable housing is produced at the derived ratios, close to 53,000 new affordable housing units will be built and 25,000 affordable housing units will be rehabilitated. These are double the figures accomplished in a decade to date. Further, under new procedures, units must be built, not merely zoned for!