

REPORT TO THE GOVERNOR

TOWARD A COMPREHENSIVE HOUSING POLICY

*Recommendations from the
Housing Policy Task Force*

September 17, 2008

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Report of the Housing Policy Task Force

1.0 Preamble

Long the most urbanized and densely populated of all states, New Jersey expands its development footprint by approximately 50 acres every day. The future prosperity of New Jersey depends, in large part, on the ability of its communities to draw and retain a diverse population that will stimulate economic growth and supply the workforce. The challenge facing the state is the necessity to create an environment that supports economic development, is affordable to all residents, makes wise use of its remaining land, and takes care to protect the State's natural resources. New Jersey's workforce of low, moderate and middle income earners all struggle with affordable housing. The State's current and future housing needs can only be met through a process that reforms long-standing land use practices, tackles the current maze of regulatory restrictions within the context of sound environmental and economic principles, and overcomes the negativity and local resistance that housing development often has engendered.

2.0 Principles

The Housing Policy Task Force affirms that in order for the State of New Jersey and its residents to prosper, its government must strive to achieve:

- 2.1 Closer coordination of housing and economic development strategies that will advance racial and economic integration
- 2.2 Rational and sustainable land use development that includes a variety of housing types and housing choices at various price points in all areas of the State
- 2.3 Transit accessible, pedestrian friendly and environmentally responsible communities within easy reach of employment opportunities
- 2.4 Consistency of planning in State government, efficient and cost effective governmental programs
- 2.5 Better communication between state agencies as it relates to encouraging the development of housing opportunities in the State
- 2.6 A process to resolve policy, procedural and regulatory conflicts as well as duplicative procedures and requirements among agencies at all levels of government
- 2.7 A better understanding of the changing makeup and increasing numbers of homeless people in New Jersey

2.8 Housing opportunities for people with special needs linked with appropriate and adequately funded support services

2.9 A more thorough understanding of the inextricable link between the provision of comprehensive housing options to the residents of New Jersey and the continuing vitality of all sectors of the state's economy

3.0 The Realities of Housing in New Jersey

3.1 New Jersey is an expensive place to live. The cost of living is 32% above the national average. The cost of housing is 73% above the national average (rent.com).

Almost half of all jobs in New Jersey pay under \$33,000 a year. The Fair Market Rent (FMR) for a two-bedroom apartment is \$1,157. To afford that two bedroom apartment without spending more than 30% of income on housing, a household must earn \$46,287 annually (National Low Income Housing Coalition, 2007-2008 Out of Reach report).

A two- bedroom rental in New Jersey is the fourth least affordable of any state after Hawaii, California and Massachusetts (CNN Money.com, December 14, 2005).

Many single income households in New Jersey can not afford the average rent in any county in New Jersey. Using mortgage industry standards, households living at or below \$33,000 could not afford to buy a home that cost more than \$100,000. The median value of a home in New Jersey is \$363,000 (National Association of Realtors).

3.2 A study by the Brookings Institution indicated that housing costs were the single greatest challenge to the future economic viability of New Jersey.

New Jersey ranks at the bottom nationally in wage growth, is losing high wage jobs, gaining low wage jobs and lost more high tech jobs than any other state since 1995 ("Prosperity at Risk: Toward a Competitive New Jersey," Brookings Institution May 2006).

A Rutgers University survey of the business community showed that 88.8% of those surveyed said that the cost of housing in New Jersey is a disadvantage to doing business in this State (C-Suite Executive Survey, Bloustein School of Planning and Public Policy, December 2007).

Companies also reported to a survey conducted by the Urban Land Institute in 2007 that their lower and moderate income workers needed more housing to be built closer to jobs.

3.3 New Jersey is a state of stark extremes in terms of income and economic segregation.

Hunterdon County, where the population of 129,348 sprawls over 432 square miles, is the wealthiest county in the nation. Forty two (42) miles away is Camden County, whose 222 square miles is home to a population of 517,001 including 79,318 Camden city residents who live in the nation's poorest city.

Hunterdon's median household income of \$100,327 is considerably higher than the State's as a whole which, at \$67,035, is the second highest in the country.

Yet in Camden City, the 2006 median household income was \$25,961. The average home value was \$38,271. The city is 66% residential. Average SAT scores for Camden students were 386(M) 383(V). By contrast, median income in the neighboring municipality of Haddonfield is \$ 131,835. The average home value was \$431,311. The town is 88.6% residential. Average SAT scores for Haddonfield students were 577(M) 566(V).

In Newark the median household income in 2006 was \$43,033. The average home value was \$237,449. The city is 43.5% residential. Average SAT scores for Newark students was 390(M) 374(V). By contrast, median income in neighboring Millburn was \$220,308. The average home value was \$1,067,297. The town is 80.7% residential. Average SAT scores for Millburn students were 640(M) 603(V) (2006 Star Ledger data profiles for Camden and Essex counties and the 2006 American Community Survey's Population and Housing Narrative Profile).

More than half of the housing affordable to moderate or low- income households are concentrated in only 12 of New Jersey's 566 municipalities.

3.4 Many communities continue to resist the development of housing for people with low and moderate incomes, including those with special needs.

New Jersey's Council on Affordable Housing has determined that at least 115,000 new units will be needed by 2018 in order to provide housing for households earning below 80% of median income. An additional 58,000 units will be needed to house those earning between 80% and 120% of median income.

The number of renters living in overcrowded conditions in New Jersey increased by 44% between 1990 and 2000, yet two-thirds of the state's communities added no multi-family apartment units to their housing stock during that period. At the same time, more than half of those communities grew by at least 20%. New construction alone may not produce a sufficient supply of rental housing for low and moderate income people in New Jersey's workforce.

Since 1988, 120 mostly affluent towns used Regional Contribution Agreements to pay a combined \$210 million to 53 poorer communities to assume their affordable housing obligations.

3.5 Subsidies and other forms of housing assistance from the federal government have been shrinking for years.

New Jersey faces a challenge in the years ahead in terms of preserving affordable units. There are 48,694 HUD Low Income Housing Tax Credits and HMFA financed housing units with affordability restrictions set to expire by 2016, and another 29,659 Project Based Section 8 rental units whose contracts will expire by the end of 2012. It is difficult to determine if it will be possible to maintain those units as affordable when the restrictions and contracts expire.

Government sponsored mortgage entities such as Fannie Mae and Freddie Mac have been forced to scale back their programs for low and moderate home buyers.

The August 2008 issue of the Federal Reserve Bank of New York's Facts and Trends reported that New Jersey had 10,500 mortgages in the foreclosure process as of June 1, 2008. New Jersey had the fifth highest ratio in the country of subprime mortgages in some stage of foreclosure as of June - three out of every 1,000 housing units.

3.7 New Jersey does not provide an adequate safety net for its most vulnerable populations.

New Jersey's homeless population is growing. In a survey taken on January 29, 2007, seventeen thousand thirty six (17, 036) people were 'counted' as homeless on that day. Government sources estimate that the actual number of homeless people in New Jersey is likely two to four times greater than that count. In spite of the extent of the problem, New Jersey remains one of only two states in the country that does not have a State promulgated ten year plan to end homelessness.

There are a large number of people with special needs whose quality of life depends upon the availability of housing with a variety of support services and accessibility options. New Jersey's Division of Developmental Disabilities maintains a wait list of people who are eligible for such housing. Approximately 8,000 people are currently on the list, with more than half of them now in an 'urgent' category. Currently, many such individuals are under the care of aging parents or other family members. Over time, these caregivers will lose the ability to provide care at home.

3.8 The strength New Jersey's housing programs are contingent on the vitality of the real estate industry.

The residential real estate industry in NJ accounted for 21.5% of the State's gross state product in 2006 (National Association of Realtors, April 2008 report).

The ripple effect of the currently weak housing market is being felt by State agencies. The funding sources that are tied to the production of affordable housing are market sensitive. New Jersey's largest affordable housing subsidy source, the Neighborhood Preservation Non-lapsing Revolving Fund, now the New Jersey Affordable Housing Trust Fund is funded out of revenues from the state's realty transfer fee. \$105 million in subsidies from the Housing Fund led to the production of over 3,200 units in 2006 and 2007. However, the slump in the housing market has had an adverse impact on project financing as the fund's income has decreased from a high of \$110 million to approximately \$80 million last year.

In its diminished capacity, the Affordable Housing Trust Fund is largely limited to supporting the State Rental Assistance Program (SRAP) and 9% Low Income Housing Tax Credit (LIHTC) projects. Unfortunately, the value of a tax credit has also declined in the past year from over 90 cents on the dollar to about 80 cents on the dollar. The result is a loss of approximately \$15 million for New Jersey's tax credit equity.

4.0 Goals

Based upon the Principles set forth above, the Housing Policy Task Force recommends the development of a comprehensive Housing Plan for New Jersey that attempts to achieve the following goals:

- 4.1 Adopt policies and implement programs that will promote the production of housing for people of all ages, incomes and household types commensurate with the need and in accordance with sound economic and environmental principles
- 4.2 Develop standard criteria that all relevant state and local agencies use to establish where and at what density and scale housing, especially affordable housing, should be facilitated.
- 4.3 Promote, create and sustain mixed income communities in New Jersey's urban, suburban and rural towns through new policies and programs that will connect housing development to regional jobs centers, quality schools, health care facilities and transportation
- 4.4 Preserve and maintain, to the greatest extent possible, all safe and decent housing stock to assure a mix of housing options in all neighborhoods
- 4.5 Invest State funds and use regulatory authority to economically, environmentally and socially revitalize our older communities and address our State's housing needs
- 4.6 Implement state agency plans, policies and requirements in a coordinated fashion to achieve maximum compliance with the constitutional obligation that every municipality provide its fair share of affordable housing
- 4.7 Develop and implement policies that recognize the economic responsibility for the cost of providing affordable housing is an unalterably broad-based societal obligation, where state assistance should be available. Affordable housing should be located in accordance with state and relevant regional land use plans and be developed where the availability of transportation, labor and infrastructure will support growth.

5.0 Introduction to Recommendations

This paper is the culmination of the efforts of over 60 individuals, who generously volunteered their time and brought experience and expertise to the Task Force. They represent for-profit and non-profit developers, planners, consumers, advocates, local officials, and academia.

There are seven separate reports contained in this document. Each report focuses on a different aspect of the State's administration of housing programs and policies and offers suggestions to refine the State's function in the housing arena.

A series of discussions over a period of eight months were designed to produce consensus around a smaller number of broader recommendations that could be implemented with the endorsement of a broad coalition of stakeholders. These recommendations are intentionally general to leave deliberations on the actual strategies and mechanics for realizing change to the State Housing Commission and the relevant administrative agencies. The Task Force hopes, however, that the Housing Commission, policy leaders and lawmakers look first to the committee reports for guidance as each brings depth and context to the issues and provides a variety of well researched ideas to rectify many of the inadequacies in current State policy and practices.

The Task Force looks forward to turning over its report to the new State Housing Commission and hopes its examination of the issues will inform the Commission's agenda and facilitate its preparation of a strategic housing plan.

5.1 Task Force Process

Housing Policy Task Force members were assigned to a 'working' committee based on their interests. The chairmen of each working committee formed the membership of the Steering Committee. The Steering Committee was led by Commissioner Joseph Doria, Jr. and Christiana Foglio. A task force member was welcome to attend a meeting of any committee. Some committees met jointly. Most committees held public hearings.

Listed below are the areas around which committees were grouped to prepare recommendations for the steering committee to consider.

The Committees and Their Mission Statements

Affordable Housing

Producing and preserving housing opportunities that are affordable to a broad range of incomes

Homelessness and Special Needs

Addressing homelessness systemically

Providing community integrated housing opportunities with support services for people with special needs

Community Revitalization

Utilizing housing investments as a catalyst to economically, environmentally and socially revive neighborhoods

Land Use and Planning

Supporting the development of housing that serves the economy, the community and the environment well

Workforce Housing

Producing and preserving housing opportunities that are located near jobs, supported by employers and affordable to a full range of household incomes including middle income

Interdepartmental Coordination

Aligning departmental policies and procedures to provide more housing opportunities
Improving the impact and efficiency of government housing programs and services

Each committee presented an individual report to the steering committee. The Steering Committee of the Task Force reviewed the reports from the six working committees to agree on those proposals that would represent the most urgently needed and beneficial changes in state housing policy. The Steering Committee also decided to include a seventh report presented by the NJHMFA regarding the importance of preserving existing affordable housing stock. The recommendations from all the reports that garnered broad agreement became the 'consensus recommendations' found in Section 6.

Each of the committee reports contains a bounty of information and additional recommendations. Some recommendations may not be ripe at this moment but they should be considered in the development of any long range housing plan.

Common themes emerged from the committees that illustrate the perceptions that the public has of State agencies. A constant refrain in committee meetings reinforced that there is an overriding need to improve communication between agencies, improve coordination of policy development to avoid conflicting regulations and policies, and have all State agencies with authority over land uses agree to areas where growth would be supported.

5.3 The Impact of A500 on the Task Force Recommendations

The Housing Policy Task Force Steering Committee and its working committees began the process of identifying major housing challenges in the fall of 2007. Soon after, the New Jersey Legislature, at the initiation of Assembly Speaker Roberts, took significant action to reform state housing practices. In June 2008, A500/S1783 was adopted and on July 17, 2008, signed into law as P. L. 2008 c 46 by Governor Corzine.

The Task Force applauds the diligent efforts of the Legislative members who sought the advice of many in putting together a package of policies and initiatives that are broadly supported. Much of what was debated and proposed by the Task Force committees over the past months has been included in the new legislation. The Steering Committee members kept abreast of the discussions and the bill development and are gratified to have participated in a process that had such a constructive outcome.

There are several items around which significant consensus was reached long before the current package of legislation was completed. The Task Force wishes to affirm these positive directions included in the new law, since they are crucial to addressing housing needs in New Jersey. Among these are the following:

- The elimination of Regional Contribution Agreements and the creation of a dedicated urban housing fund. This action will encourage mixed income housing in all of New Jersey's communities and will also serve to support the development of a more diverse housing stock and broader housing options in urban centers where great need continues.
- The requirement for a strategic housing plan that will include an annual housing performance report. The new law calls for the formation of an interdepartmental working group for the purpose of supporting the activities of a Housing Commission that will prepare the strategic plan. This will be an important step in aligning policies and regulations among the different agencies that govern land use, and should promote much needed consistency in state policy and regulation. There is strong consensus in the Steering Committee that this is an essential step in promoting and preserving housing opportunity and development.
- The requirement of a housing impact statement for new regulations proposed by state agencies. In proposing a rule for adoption, the agency involved will now describe the types and provide an estimate of the number of housing units to which the proposed rule will apply along with a description of the estimated increase or decrease in the average cost of housing that will be affected by the regulation.

6.0 Recommendations

The recommendations that follow are intended as crucial steps toward addressing the housing needs of the people of New Jersey so that vitality and diversity continue to be encouraged in every community and social and economic opportunity continue to be extended to all who seek to live here.

It is the consensus of the Steering Committee that the following recommendations be viewed as the highest policy priorities for the State right now, with respect to housing issues. The changes suggested are not easy ones to make but, if implemented, would have an enormous positive impact on the state's ability to deal with its housing needs.

6.1 Align policies and regulations among the different agencies that govern land use to gain consistency.

The Task Force's Interdepartmental Coordination committee reported that many conflicts exist between state agency programs and regulations frustrating the regulated community and the state agencies as well. Agency policy decisions are driven by mission or funding source among other determinants but they are generally not reconciled with other departments' policies to present a consistent set of state priorities.

6.2 Remove regulatory obstacles to housing construction where housing is desirable; provide regulatory exemptions for redevelopment.

Housing production should be permitted to occur consistent with current and projected housing demand. This can only happen in a regulatory environment that allows predictable and timely access to developable land. Current procedures often result in excessive time delays, the cost of which is ultimately passed on to the consumer.

6.3 Invest State funds in mixed use, mixed income developments, near employment and transportation centers.

Over the past decade, professionals in the affordable housing industry have turned to mixed income housing as an alternative to traditional assisted housing initiatives. In addition to creating housing for lower income households it contributes to the diversity and stability of communities. Mixed use development, so much a part of the fabric of our older cities, is also being 'rediscovered' as a way to integrate housing with jobs and services. It increases the quality of life in neighborhoods and optimizes the use of scarce land. New Jersey's regulatory and funding environment has not kept pace with these trends and some attention is needed to remove barriers and facilitate these types of development.

6.4 Increase the supply of housing units affordable to households with incomes between 80% and 120% of AMI by designing incentives that are attractive to communities.

Significant sales price differences between subsidized affordable housing and market rate housing prevent middle income households from moving up, resulting in fewer housing opportunities for them but also for moderate and low income households. In 2006, households with incomes of up to 120 % of median could afford to purchase homes in only 5 of the State's 21 counties. Increases in the cost of construction coupled with the high cost of operating rental housing, has virtually shut down the development of unsubsidized rental units with the exception of luxury complexes. There are very few housing assistance programs targeted to this population. The lack of middle income housing has become an impediment to businesses that might locate in NJ or expand current operations.

6.5 Authorize municipalities to establish a set aside up to 25% of its COAH units for 'indigenous' households defined as those already either living or working in a community for three years.

Teachers, nurses, firefighters and other highly valued service personnel increasingly can not afford to live in the towns where they work. A court decision effectively bars towns from giving those valued employees a leg up in the search for affordable homes because it violates the requirement to 'affirmatively market' the units. Companies perceive the shortage of housing for entry- and mid-level workers as problematic and made worse by the burden of long commutes. Low and moderate income individuals who have to travel distances to work in order to afford housing, end up spending on transportation costs as much or more than they are saving on housing.

6.6 Establish a Land Use Court.

Greater efficiency in the disposition of law suits over land use could be achieved through the creation of a specialized court within the Superior Court. Judges who are familiar with the intricacies of the law could deliver decisions faster and of higher quality and consistency than is presently the norm. A land use court has been a topic of interest for a number of years among developers and attorneys as well as state policy makers. Legislation was introduced in 2005 but was not adopted.

6.7 Place a high priority on the long term preservation of existing, viable affordable housing stock.

Safeguarding housing affordability and a mix of housing options in gentrifying neighborhoods help sustain balance and diversity. Rehabilitating and improving existing affordable units produces less construction waste, uses fewer new materials and requires less energy than demolition and new construction. Strategies to preserve and sustain New Jersey's affordable units can help meet the need. Also, according to the National Housing Trust, it costs approximately 60% more to build a new unit than it does to preserve one.

6.8 Create community centered schools using the Schools Development Authority's construction program to leverage and link to the revitalization of the neighborhoods in which they are placed.

The construction of a new school is often the single largest investment some communities will ever experience. A new school, designed as a multi-use facility can spur revitalization around it if it also functions as an active community center. The development of mixed-income housing surrounding the school can have a direct impact on the educational attainment levels within a neighborhood.

Numerous urban school sites now sit vacant creating a serious hazard to the surrounding community. Schools and parks should be the center of mixed use neighborhoods and the beneficiaries of significant state investments. The Schools Development Authority, for example, could coordinate with other state agencies to integrate planning of new urban school facilities with neighborhood revitalization strategies.

6.9 Prevent and mitigate the impact of foreclosures on neighborhoods.

The cost of foreclosure is not solely borne by individual homeowners. Properties left vacant for long periods have many negative impacts on a community. The surrounding neighbors are likely to see the value of their homes decline. The presence of abandoned houses in a neighborhood is a deterrent to buyers. Once a cluster of homes become vacant, the entire neighborhood is at risk. Foreclosures put an extra burden on the municipality to ensure the security of the houses when tax revenue to cover that cost is decreasing.

6.10 Create a statewide fund to acquire a pool of properties and sell them at a discount to affordable housing developers.

While it is preferable to have policies in place that would assist owners at risk of losing their homes whenever possible, there are situations where foreclosure is inevitable. In those circumstances, there is an opportunity to add to the state's stock of affordable housing and offer stability to neighborhoods and towns that might otherwise begin to decline as the effects of empty houses begin to take hold.

6.11 Establish an Interagency Homeless Council charged with creating a statewide ten year plan to end homelessness.

New Jersey is one of only two states in the nation that does not have a ten year plan to end homelessness. Currently, New Jersey's homelessness response and service delivery system is fragmented and varies from community to community. Several NJ counties have adopted ten year plans. These plans have helped foster public-private cooperation, raised public awareness and led to effective strategies for homelessness prevention and aid for homeless individuals and families. An Interagency Homeless Council would promote systemic reform among and between state agencies, model effective strategies for ending homelessness and demonstrate the cost benefits of doing so.

6.12 Create a dedicated funding source for the NJ Special Needs Housing Trust Fund and expand the Trust Fund legislation to permit funds to be used for supportive services as well as capital expenditures.

Since August 2005, \$65 million of the original \$200 million dedicated to the SNHTF has been committed. The commitments leveraged another \$81 million from other sources. Approximately \$33 million in additional requests are being reviewed for funding.

6.13 Develop an educational effort to dispel the myths, build support for and neutralize opposition to new housing development.

An education campaign is necessary to address negative public perceptions that often create political barriers to efforts to expand housing, particularly affordable housing in many New Jersey communities. Attention must be given to inaccurate stereotypes of affordable housing that promote the idea that it will become a public eyesore, lower property values and attract crime.

A public awareness program would focus on actual developments that have produced, for instance, successful examples of higher density housing outside of urban areas, inclusionary housing combining a mix of income ranges and appropriate settings for special needs and homeless housing.

This campaign should also include a component to help local political leaders learn effective strategies that can be used to build political will and lessen resistance to affordable housing in their towns and regions.

6.14 Extend the 50% discounts granted to non-profit developers for sewer and water connection fees associated with projects that contain affordable housing to for-profit developers of affordable housing.

Utility fees levied on affordable housing projects serve to increase the overall cost of development. Most non-profits avoid such fees but private developers who construct affordable housing along with market rate housing do not. Any affordable unit that is constructed no matter the sponsor should be able to petition for the discount.

6.15 Enact a State historic preservation tax credit.

The state has not encouraged the rehabilitation of historic properties to create new housing opportunities. Historic restorations in redevelopment areas where the State is already investing should be encouraged and supported. Tax credits are needed for developers of rental residential and commercial buildings in historic districts that supplement the Federal Historic Preservation Tax Credit. Tax credits should also be available to homebuyers or owners wishing to restore individual homes in historic districts.

Housing Policy Task Force

Affordable Housing Subcommittee

I. Goal Statement

In order to realize the promise of NJ's historic Mt. Laurel decisions, the State of New Jersey needs policies and programs which, if implemented, will increase the **production and preservation** of housing for people of all income levels, age groups and household types throughout New Jersey.

II. Preamble

The set of recommendations proposed by the Affordable Housing Subcommittee are intended to address the needs of people from very-low to moderate income (or from 0 to 80% of AMI), where according to COAH there is a need for 115,666 new affordable units...and this number does not include cost burdened households, which were estimated by DCA to number nearly 945,000 in a report issued in May 2007.

III. Findings of Fact

In 2000, more than 100,000 lower-income households were living in overcrowded conditions, while over half a million were spending more than 30% of their gross income for shelter. According to the New Jersey Department of Community Affairs, there were more than 75,000 homeless people and people with special needs facing unmet housing needs, including 54,000 single individuals and nearly 22,000 people in families with children. These problems are steadily getting worse: between 1990 and 2000 the number of renters living in overcrowded conditions increased by 44%. Over half of all very low-income renter households—nearly 140,000 households—spend 50% or more of their income for shelter. “Nearly 1 out of 4 of New Jersey’s three million households has a serious housing problem, including over 60% of the state’s lower-income households.”¹ As the subprime lending crisis unfolds in New Jersey, more households than ever will find themselves in trouble, especially among middle income residents. Current estimates are that between 16,000 and 20,000 foreclosures per year take place in New Jersey.

Since 1960, the number of new housing units authorized in New Jersey has steadily dropped. From an average of 50,000 homes per year in the 1960s, the figure declined to 24,000 per year in the 1990s. While new construction has picked up somewhat during the early part of this century, it is still well below the pace of the 1960s and 1970s. Perhaps even more seriously, the number of multifamily units has dropped dramatically. Hardly any new rental apartments are being built in New Jersey today, other than a small amount of low-income housing and a handful of luxury buildings in high-demand locations such as the Hudson River waterfront.

¹Within Reach: The Homes for New Jersey Housing Action Plan, Mallach et al, November 2005

These trends are the product of many different factors. Not as much developable land is available, but what development is taking place is more often at lower densities than what would have happened only a few years ago. Exclusionary zoning, prompted by anti-growth sentiment, racial prejudice and concern over the cost of adding children to local schools, is widespread. Regulations at both state and local levels concentrate more on discouraging development where it may be inappropriate than encouraging it where it would be appropriate. While thousands of acres are set aside each year for farmland and open space, no meaningful steps have been taken to replace the lost housing opportunities through higher densities elsewhere. When supply declines, but demand stays high, economics dictate that prices will go up. That is exactly what is happening. Since 2000, home prices in New Jersey have skyrocketed.

From 2000 to 2004, prices in most of suburban New Jersey increased by 60% or more, or nearly 15% per year. By the end of 2004, the average price of new homes statewide was \$415,000—in Bergen County, it was \$707,000—double the price in 1998. Until recently, though, low prices in urban areas, though often reflecting poor housing and neighborhood quality, were a kind of ‘safety valve’ that offered a pool of relatively affordable housing. While urban housing, other than subsidized housing, was too expensive for the very poor, it was affordable to most working families. That is no longer true. Today, in cities like New Brunswick and Perth Amboy, average house prices are over \$300,000.²

Additionally, there is another phenomenon occurring in our urban centers. Especially in Newark, there are hundreds of unsold new two- and three-family homes and some neighborhoods have double-digit foreclosure rates. In Jersey City, thousands of market-rate units have been built and several more have been approved all without any affordable component.

- State has said that 17,000 units were produced in 2006-2007.
- COAH rules now say needs are: 115,666 new affordable units, 1999 — 2018, or 5,783 per year—just to meet estimated needs of those between 0 and 80% of AMI, not counting cost-burdened households.
- State subsidy sources significantly decreased—currently Balanced Housing funds are unavailable except for SRAP and 9% LIHTC projects (rental housing serving up to 60% of AMI). The Balanced Housing fund spent over \$105 million to produce over 3,200 units in 2006 and 2007.
- The decline in the Balanced Housing fund is as a result of a decline in the realty transfer fee. The decline in the tax credit equity market is as a result of several factors. Because of the growing number of defaults in subprime mortgages, investors have been reluctant to commit to tax credit purchases. Because of this drop in demand, the price of the tax credit has dropped and developers have been accepting lower prices. Another significant factor in the price decline is that government-sponsored entities such as Fannie Mae and Freddie Mac are slowing down their investment in housing. Equity prices have declined in the past year from the mid-90s to about 80 cents on the dollar. For just the 9% tax credits, this results in a loss of approximately \$15 million in tax credit equity per year.
- Construction costs and rental housing operating costs are increasing.

²Excerpted from Within Reach: The Homes for New Jersey Housing Action Plan; Mallach, et al

- High land costs due to increasing scarcity and market conditions
- Increasing difficulty in getting tax credit equity

Clearly the needs are enormous, especially if we consider the additional housing needs (beyond what is laid out here) of individuals and families making between 80% and 140% of AMI. Just as clear is the fact that the state’s financial resources to address this need are insufficient (and becoming more so) and not always strategically targeted according to need. The Affordable Housing Subcommittee believes that the state’s affordable housing plan should reflect the true housing needs in the state and while we acknowledge that the state, with its limited resources, will never be able to fully address the need, we do believe that those resources must be allocated on an annual basis in accordance with the areas and populations of greatest need and for those types of housing projects for which there are few other resources available and/or which cannot be mitigated through policy changes.

IV. Recommendations

New or Redirected Resources

The legislature needs to appropriate at least \$100 million per year over and above existing permanent sources available for the production and preservation of affordable housing as part of its annual budget. In consideration of current budgetary constraints, this amount could be phased in over a period of time.

The Affordable Housing Committee applauds the idea currently under consideration to assess a three percent development fee on the value of all non-residential construction within the State. This proposal will require new legislation and is estimated by the state to potentially generate \$60 to \$80 million per year. In analyzing the data on nonresidential building permits on the DCA Codes & Standards web site, which suggests that the take might be considerably higher than the DCA estimate.

The following are total estimated covered construction costs for non-residential development for 2004-2006, subtracting educational, institutional and ‘signs, fences, misc.’ from the total of non-residential construction, and what would be 3% of that amount:

YEAR	TOTAL	3%
2004	\$3.7578 billion	\$112.7 million
2005	\$4.4436 billion	\$133.3 million
2006	\$5.2223 billion	\$156.7 million

If these analyses are proved accurate, this measure could go a long way towards increasing the state’s resources to the degree we believe is necessary and feasible. We further believe these funds should be dedicated, as should all state funds for housing, to meet the full range of affordable housing needs of New Jersey’s residents making between 0 and 80% of AMI.

Legislate/Regulate Municipal Trust Funds to require municipalities to commit and expend their funds within certain time limits or risk losing control of funds to state or other entity that will ensure their use for affordable housing development within the same municipality.

The committee strongly supports the current legislative proposal to require municipalities to encumber and/or expend funds within four years of collection or lose them to the Balanced Housing fund, so long as there remains the possibility of a waiver for the municipality if circumstances beyond their control prevent them from encumbering or expending the funds within the given timeframe.

Increase funding for the State Rental Assistance Program (SRAP) and identify a new permanent revenue source for this purpose.

New or Amended Legislation

The committee's recommendations 1-2 also require new legislation as mentioned above. The committee strongly opposes the current legislative proposals to amend the Fair Housing Act to allow partial COAH credit for units build that are affordable to individuals and families earning above 80% of AMI. Further the committee believes that the definition of moderate income should remain from 50% to 80% of AMI; and that of middle income should be from 80% to 140%--these definitions are also consistent with HUD definitions—to change them could also cause problems when using state and federal funding sources.

Additional legislative changes the committee proposes include:

Amend the municipal land use law to requiring mandatory, on-site inclusionary development of at least 10% in all housing projects in the state, and in projects of 100 or more units, require that of the 10% affordable component, a 25% set aside for incomes below 30% AMI.

Amend the redevelopment law to require that every redevelopment plan provide for inclusionary housing and that at least 10% be affordable.

New or Modified Regulations

Require that every municipality with a growth share obligation come into compliance with COAH, and give COAH an affirmative duty and the resources/tools to seek out towns not in compliance and enforce compliance.

Eliminate Regional Contribution Agreements and replace them with a new ongoing alternative source of funds for urban revitalization.

The committee supports the current legislative proposal which would eliminates RCAs and create a Housing Rehabilitation & Assistance Fund funded by an additional \$20 million per year from the RTF (which currently is deposited into the State's general fund per our understanding), in addition to what already goes to the BH fund.

New Partnerships and Coordination

The committee recommends the establishment of a State Housing Commission that is directed to develop a strategic housing plan for the production and preservation of affordable and middle income/work force housing for New Jersey, as well as prepare an annual housing performance report to the Governor and the Joint Committee on Housing Affordability. The commission will be comprised of 13 public members, of which 11 will be appointed by the Governor, and two by the Legislature. In addition, the commission will include four State department heads as non-voting members. The bill creates an interdepartmental working group of select department heads to guide the commission in its duties. The commission is to review sources of funding and programs in the State to produce affordable housing, and develop a strategic plan which will coordinate State efforts, and consolidate and leverage all available resources for these activities. The bill creates a new position in the Department of Community Affairs, known as the Senior Deputy Commissioner for Housing, who will chair the commission and the interdepartmental working group.

While supportive of this pending legislative proposal, the committee is nonetheless concerned that it may not go far enough. The committee fears that the State Housing Commission could face some of the same constraints currently faced by the State Planning Commission and COAH as these bodies seek to carry out their mandates. Further, we are concerned that the creation of a 'less-than-cabinet-level' position could jeopardize the individual's ability to leverage the influence of the office of the governor to solve affordable housing issues. The role and responsibilities of this individual should include ongoing monitoring of housing conditions in the state, strategic planning and targeting of resources, and monitoring and evaluation of the effectiveness of state housing programs. Further, we would support the idea to, within each agency or department, create a 'housing desk' that is staffed by an individual at the Deputy Commissioner level or just below in order to ensure sufficient authority as well as operational capability. The role of the individuals staffing the housing desks is, in coordination with the cabinet member/senior housing staff members and as part of the 'coordinating body', to facilitate or 'expedite' approvals or other actions needed to move housing projects forward.

Housing Policy Task Force Community Revitalization Subcommittee

I. Goal Statement

The Goal of this Committee is to better utilize New Jersey's community investments and regulatory powers as a catalyst to economically, environmentally and socially revive our neighborhoods to specifically address a critical component of our state's housing needs.

II. Preamble

The Community Revitalization Subcommittee of the New Jersey Department of Community Affairs' Housing Policy Task Force examined key issues relating to the creation and preservation of vital, diverse and sustainable communities in our state. Issues include:

- streamlining development approvals and permitting processes;
- leveraging resources invested by other State agencies or authorities for maximum impact;
- planning comprehensively and wisely to achieve healthy, compact communities; and
- Striking a good balance between redevelopment and community interests.

III. Findings of Fact

New Jersey is the most densely populated state in the country and each year it expands its development footprint by approximately 16,600 acres. As available land becomes more precious, the remaining developable real estate becomes ever more valuable. Our housing and community development market has become one of the most expensive in the country, making it extremely difficult for many residents to find housing solutions which they can afford.

Both short and long term solutions are needed to address both the availability and affordability of housing, and the conditions in which New Jerseyans live in our towns, neighborhoods and city centers. This Committee recommends new ways to prioritize and invest our state's precious resources, as well as to leverage other resources to meet New Jersey's housing and community development needs.

Any housing plan that begins to address New Jersey's current and future needs must also seek to change the way that affordable housing is perceived and implemented, and overcome barriers to the creation of affordable housing in ways that maximize the full potential and value of state housing funds. The Committee has prioritized the areas in which immediate attention should be given.

IV. Recommendations

This Committee urges that a comprehensive Housing Policy Plan (in all markets, at all income levels) be completed and enacted as quickly and efficiently as possible. In order to adequately address the housing affordability crisis, it is urgent to create an achievable strategic plan and execute it in a timely manner. The creation and preservation of approximately 115,000 units of affordable housing (as defined in the COAH regulations) as well as the improvement in housing affordability throughout the state will require the provision of significant investment and financial/technical resources, changes to some underlying land use and regulatory restrictions, and proper management and oversight of all parties involved in the process.

APPROPRIATE and FAIR DEVELOPMENT PRACTICES

Reforming our Local Redevelopment and Housing Law is necessary to make the redevelopment and eminent domain process fairer and more transparent, while continuing its use as a tool to assemble properties for critical and appropriate redevelopment initiatives.

New or Amended Legislation

Amend New Jersey's Local Redevelopment and Housing Law:

- Tighten the definition of the conditions under which eminent domain can be used and improve the notice provisions associated therewith;
- Create more transparent processes for designating redevelopment areas and adopting redevelopment plans, including acknowledgement of the possibility of eminent domain at the commencement of the development process;
- Provide proper valuation of properties so as not to reward speculators; and
- Require a more open and competitive process for redeveloper selection.
- Amend Section 4 of P.L. 1971, C.362 (C.20:4-4), as proposed in A273 of the 2008-2009 Legislative Session, to increase relocation assistance and dislocation allowance levels over two years from 1972 to present day values with annual adjustments thereafter.

With the passage of Bill A500, we must continue to address the concerns of both housing advocates and urban community leaders and guarantee that a dedicated funding source remain available to preserve, rehabilitate and enhance affordable urban housing, while ensuring that suburban communities comply with their constitutional obligation to provide their Fair Share of New Jersey's affordable housing needs.

Urban municipalities have come to rely upon RCA contributions from suburban 'sending communities' to preserve and construct affordable housing, while suburban communities have relied upon this 'least-cost' provision of the Fair Housing Act of 1985 to earn 'credit' toward their obligations. Housing advocates were troubled by both the use of the RCA mechanism, which results in less affordable housing development in the suburbs – and the loss of revenue to urban communities that will result if this practice is eliminated.

New or Redirected Resources

Create a continuing and dedicated source of housing rehabilitation funding to replace the funds previously made available via RCAs to the cities.

REVITALIZE NEIGHBORHOODS

Revitalize neighborhoods via community-centered schools, creating sustainable neighborhoods, promoting mixed-income mixed-use housing, revising regulations regarding density, and raising the bar on design, all of which would sustain the added benefits that mixed-income and racially-balanced communities have as a direct impact on improving the educational attainment levels of residents of the neighborhood.

1. Community-Centered Schools

Schools and parks should be the center of neighborhoods, and significant state investments such as the Abbott school facility construction program should be used to leverage community wide revitalization.

It is important to get the Abbott school construction program back on track, and to restructure it to be more cost-effective, strategic, and more closely linked to the revitalization of the neighborhoods in which they are placed.

Additionally, interim property management must be provided for school sites awaiting construction to commence. Numerous school sites in urban neighborhoods were acquired before the Abbott construction funds ran out; they now sit vacant, or worse, are boarded-up properties, creating serious hazards in their neighborhood. The Schools Development Authority must take responsibility for this situation, and provide for proper pre-construction management and maintenance so there is no further damage to the neighborhood while additional construction funds are being sought.

New or Redirected Resources

Address the numerous school sites in urban neighborhoods that were acquired before the Abbott construction funds ran out.

An emergency source of funds must be identified to resume construction at school sites that now sit vacant or contain boarded-up properties.

Continue to provide on-going funding for school construction.

New or Amended Legislation

Remove legislative barriers to alternative construction mechanisms for schools.

Examples might be turnkey and lease-back arrangements in mixed-use developments. This will be especially important in Abbott districts.

Remove legislative barriers to combining school funding with other funding streams.

This will facilitate the inclusion of schools as part of mixed-use developments, and inclusion of community facilities to create true 'community-centered schools'.

New or Modified Regulations

Create an expedited process to ensure that urban schools get built in a reasonable timeframe (much like their suburban equivalents).

Give higher funding priority to towns that have mixed-use school development strategies. This will apply to funds for housing and open space.

Revise Department of Education regulations that are obsolete.

Review regulations such as parking and school site selection requirements. Develop a new set of guidelines and regulations that differentiate urban and suburban schools requirements and explicitly provide for integrating schools into mixed-use developments.

Create rules regarding interim maintenance of school sites that are unoccupied.

New Programs

Require a joint Municipal Government/Board of Education school process for determining new school sites (can be legislative or administrative).

Require meaningful outreach to encourage community participation in site selection, site selection, planning and design.

2. Sustainable Neighborhoods

Promoting neighborhood revitalization to provide better housing for all income levels is only part of the picture; schools, open space, shopping and public transportation are all critical parts of the process, and should be elements in a comprehensive neighborhood revitalization strategy. Each neighborhood's strategy should be based on plans that are developed with the participation and engagement of community stakeholders.

New or Modified Regulations

Integrate planning of new and expanded urban school facilities with neighborhood revitalization strategies.

New Programs

Create an interdepartmental process to link state housing, school, transportation and open space funding, integrated where appropriate with the DCA's Neighborhood Revitalization Tax Credit (NRTC) program to maximize its impact.

Prioritize state housing funds to those in approved NRTC neighborhood revitalization plans, to provide greater flexibility to use housing funds as neighborhood strategy elements, rather than exclusively for single-site housing projects.

3. Mixed-Income and Mixed-Use Development

Over the past decade, professionals in the affordable housing industry have turned increasingly to mixed-income housing as an alternative to traditional assisted-housing initiatives. In addition to creating housing units for lower-income households, it also contributes to the diversity and stability of communities. Mixed use development, so much a part of the initial development of our older cities, is also being 're-discovered' as a way to integrate housing with jobs and services, increase the quality of life in neighborhoods and optimize the use of scarce land. New Jersey's regulatory and funding environment, however, has not kept pace with these trends, and needs some concerted attention to facilitate and remove barriers to these types of development.

New or Modified Regulations

Provide incentives for local adoption of inclusionary housing requirements in markets with the greatest land appreciation and strongest market demand and mandate inclusionary requirement for state supported projects (or higher percentage off-site).

New Programs

Conduct a comprehensive inventory of all under-utilized and unused state, public authority, quasi-public surplus land that would be appropriate for redevelopment, and pass legislation that permits the state to convey surplus land for mixed-use/mixed-income redevelopment at below-market prices.

Improve existing subsidy sources to accommodate mixed-income and mixed-use projects, reviewing programs across the spectrum (housing, commercial, school, etc.) to systematically remove barriers: (NJHMFA's CHOICE program is a good model for mixed income projects).

4. Increased Density Areas

New Jersey has many regulations that limit or prevent growth in areas that are environmentally sensitive or otherwise inappropriate for development, but does not have regulations setting minimum density standards where growth is appropriate. As a result we are under-utilizing valuable properties that are zoned for much less intensive uses or setting these areas aside for projects that may never happen.

The inefficient use of land at low densities is a huge driver of the high cost of housing, especially housing that could be affordable to middle income households. When towns do allow for high-density projects, they are typically for seniors, as towns are apprehensive to attract additional school children to their schools. Meanwhile, towns are not creating housing for another important and large population: the young urban professional without children. We need rules that clearly identify where growth should occur, set minimum density standards, and, as an added benefit, direct infrastructure resources to these areas.

New or Amended Legislation

Strengthen role of Office of Smart Growth and the State Plan to establish and require minimum density standards for growth areas, including transit villages and existing town center projects

New or Modified Regulations

Once areas are designated, **change the rules for sewer service areas** to provide that any designated area can have an automatic right to approval for whatever is needed to make the site work (i.e., extension of sewer service area, onsite plant, etc.).

Review all local fees charged to residential developers and make appropriate modifications to lower the cost of creating affordable housing, including requiring municipal utility authorities to discount sewers for all developers of affordable housing, not just non-profits.

Revise current usage fees, developing a standard usage fee schedule that is proportional to each unit type (i.e., 1 BR units, townhouse, and single family homes, etc.).

Allow higher density development within designated transit villages or transit-oriented developments to be exempted from UHAC's requirement for bedroom distribution for 3-BR units in certain instances and still be eligible for COAH credit.

Create a provision similar to Massachusetts' 40S Program, where state funds are provided to **offset the increased enrollment of school children as an incentive for towns to zone for developments with increased density.**

5. Raise the Bar on Design

Unplanned or poorly planned developments have significant negative impacts on the natural, social and cultural resources of neighborhoods. Communities must be encouraged to grow and redefine themselves without losing what makes them special: interesting architecture, existing city patterns, religious, cultural, historic and ethnic features, historic downtown and industrial areas, centers of civic involvement, and places of unique character. This Committee proposes taking steps to avert low community design standards that do little more than create blighted areas for tomorrow.

New or Modified Regulations

Authorize substantial fines on neglected abandoned or vacant properties and on un-maintained land and encourage the incorporation of vacant and abandoned buildings and properties into comprehensive redevelopment plans.

Treat urban parking as infrastructure and not as part of a residential development requirement to encourage shared parking for day/night and residential/business parking, increase the amount of parking available in cities, and allow for denser development near public transportation routes.

Revise zoning rules regarding the number of parking spaces required with construction of new multifamily buildings.

Promote the exceptions to the RSIS regulations that allow for no parking minimums. Precedence has already been established in Seattle, Portland and Newark, as well as those initiatives described in the Lincoln Institute Report titled “Visualizing Density”.

New Programs

Commission a “Best Practices for Sustainable Design” guidebook to promote measures that enhance community appearance, protect natural/historic/cultural resources, and highlight compact and sustainable development practices that improve upon the less efficient or unhealthy development patterns of recent decades.

The guidebook should address issues such as: water quality and storm water management, open space and recreational areas protection, visual corridors, pedestrian accessibility, historic preservation, context-sensitive solutions, appropriate scale and materials, ‘green’ and sustainable design elements and goals, signage, lighting, parking lot design, building appearance, franchises, residential and commercial aesthetics, cell towers, etc.

Increase the minimum requirements for open space.

Encourage the creation of attractive avenues, parks and recreation facilities, and bike and pedestrian lanes by redistributing funds from items that perpetuate unhealthy quality of life issues and/or deleterious projects such as highways (especially those that bifurcate urban neighborhoods).

PRESERVE

Preserve at-risk housing, both rental and homeownership, and encourage the rehabilitation of historic sites to create new housing opportunities. NJ Housing and Mortgage Finance Agency (NJHFMA) has had a preservation initiative in place since 2004 and through their Preservation Division, several programs have been developed to target properties at risk of losing their affordability controls or level of affordability; NJHMFA has successfully preserved over 5,000 units to date. The next phase of their initiative includes identifying the successes, failures and missing components in promoting preservation. NJHMFA will work with The National Housing Trust survey and meet with various stakeholders to draft recommendations for the subcommittee. Preservation programs and laws from around the country like California and Chicago will serve as models for creating a New Jersey Preservation Strategic Plan. *Reference HMFA's Report of NJ Rental Housing Preservation Strategic Plan.*

1. Homeowner Foreclosures

The recent rise of foreclosures is due to the increased use of subprime lending and interest rate schemes used during the housing boom in the early part of this decade. Thousands of residents have lost their homes and thousands more are at risk. Proactive actions are needed by state and local governments to help prevent families from losing their homes, mitigate the impact of foreclosures on neighborhoods, and prevent future problems by increasing oversight of the mortgage industry.

New or Amended Legislation

Require lenders to offer 'at risk' borrowers a period of forbearance before proceeding with foreclosure in order to negotiate alternatives.

Create statewide fund to acquire properties from servicers and negotiate agreements to sell properties to non-profit entities at discounted costs. The state should play an active role in getting municipalities to use the Abandoned Properties Rehabilitation Act P.L.2003, c.210 signed in 2004.

Digitize foreclosure complaints submitted to the Superior Court of NJ.

Digitized records should be made public via the internet. New information should be collected such as: loan type, originating lender name, HMDA ID, loan purpose, loan terms, APR, interest lock in date, borrower demographics. Also, the outcome of the foreclosure process should be tracked.

Increase accessibility of foreclosure prevention counseling and support counseling activities and emergency foreclosure prevention loans. Lenders must also be required to provide borrowers with information about financial counseling.

Ban abusive foreclosure 'rescue' schemes and other abusive lending practices and products, such as negative amortization mortgages, excessive prepayment penalties, and yield spread premiums. Require brokers to underwrite mortgages on the basis of ability to pay and escrow taxes and insurance payments.

New Programs

Create an emergency homeowner assistance program similar to Pennsylvania HEMAP (Homeowner Emergency Mortgage Assistance Program).

Provide state financial and technical assistance to strengthen code enforcement and nuisance abatement activities in cities hardest-hit by foreclosures.

Creditors must share responsibility to resolve code violations and nuisances commencing when they initiate foreclosure procedures (this may require legislative action).

Under the Governor's leadership, influence lenders to negotiate loan modification agreements (similar to CA and MI).

2. Historic Rehabilitation Tax Credits

State historic tax credit programs can also generate millions of dollars of economic activity independent of the federal tax credit program. Capital improvements can result in dramatic increases in local property taxes, as well as a general enhancement in commercial activity and job creation. Rehabilitated buildings provide desperately needed housing (in many cases, low- and moderate-income housing), and office, retail, and other commercial space. Communities will also benefit from property improvement, blight removal, and increased occupancy of buildings in traditional core neighborhoods.

New or Amended Legislation

Support the passage of A791 'Historic Property Reinvestment Act', which provides credits against certain taxes for certain costs of rehabilitating historic residential properties.

Twenty-nine (29) other states already have such a vehicle in place.

PLAN ‘FAMILY-INCLUSIVE’ NEIGHBORHOODS

Combat unfair attitudes toward affordable housing, promoting balanced development, and establishing a ‘community consensus’ process to negotiate new developments.

1. Affordable Housing Education

There are many myths regarding affordable housing that are used to oppose the development of new affordable housing in municipalities. Unfortunately, much is plain misinformation.

New Programs

Develop an educational effort to dispel the myths to help build support and neutralize opposition.

Such efforts will also motivate and enable review of factual information regarding design, density, crime, traffic and parking, and acknowledge the controversial elements and present the fact on contested issues. The effort must involve all stakeholders, including federal, state and local governments to participate along side the non-profit and private institutions that are producing housing and community development projects. Educational elements that should be addressed:

- Successful examples / case studies of affordable housing;
- Demonstration that development is a local community asset that eliminates blight, provides local jobs, brings federal and state subsidies, helps balance jobs and housing (workforce), generates tax revenues, reduces traffic and pollution, provides community amenities, and is a cost-efficient solution to many community issues and problems.

2. ‘Community Consensus’ Process

Opposition has become a major consideration that developers and community leaders must consider in planning affordable housing. Its creation often attracts the attention of a wide range of parties with competing interests, posing a major challenge in securing approvals for affordable housing. Recommendations for financial or regulatory relief are not enough; attention should also focus on the processes by which groups address divergent interests and come to agreement.

New or Modified Regulations

Develop standards for joint problem solving.

Create ‘Community Consensus Forum’ process, aimed at motivating all parties to address interests and issues, evaluate a range of options in terms of their benefits and costs, and deal with the interaction between the parties. Use a third party as a facilitator to help guide the dialogue between the parties and get beyond impasses.

Train housing and community professionals in the skills of joint problem solving to develop a pool of trained third parties to facilitate training workshops and community institutes.

Require continuing education of zoning and planning officials and board members for COAH and Affordable Housing rules and regulations.

INCREASE GOVERNMENT EFFICIENCY and EFFECTIVENESS

Streamline the development application process, supporting local government and restructuring the Division of Local Government Services.

1. The Development Application/Approval Process

The approval process for a housing development project can take years, and there are many different agencies that one must get approval from before construction can even begin. Creating a more efficient and cost effective overall approval process is necessary. This paradigm change to long-term bureaucratic culture will require a top-down policy shift. We support the recommendations by the Land Use and Interdepartmental Coordination Subcommittees, which provide specific solutions on this issue.

New or Amended Legislation

Turn Governor McGreevey's Executive Order #4 into legislation (Exhibit 2).

New or Modified Regulations

Develop a prioritization process for urban redevelopment projects.

Create a new remediation approval process for clear, less complex projects.

Allow outside consultants and engineers to certify projects that can be more easily accomplished (and develop thresholds which can trigger such reviews).

New Program

Continue current dialogue amongst state agencies and create an on-going mechanism to discuss and vet issues regarding various agencies' impact of regulations regarding developable land and the creation of affordable housing

2. Support Local Government

Restructure the Division of Local Government Services. Many cities struggle to provide quality services to their residents and undertake transformative redevelopment projects through local property taxes and the other revenue sources currently available to them. At the same time, there are many economies of scale and technological innovations that could reduce costs to local governments if the state had the wherewithal to assess cities' needs, seek out good practices and cutting edge technology, disseminate critical information and provide targeted training.

New or Amended Legislation

Give local governments more authority to expand their tax base to find other sources for funding redevelopment.

Modify the Revenue Allocation District (RADs) statute or regulations to make this program more attractive as a way of generating dedicated funds for urban redevelopment.

Consider shifting oversight of RADs to EDA rather than the Local Government Finance Board due to EDA's expertise in this area.

New or Modified Regulations

Every municipality needs to establish user-friendly and efficient project reviews, permitting and other development approval processes.

Require municipalities and counties to prepare comprehensive site inventories, identify surplus public lands for strategic revitalization, and create municipal land management programs to manage and allocate land resources efficiently and appropriately.

Provide technical assistance to help local governments achieve these objectives.

New Programs

Provide assistance to support large-scale property acquisition and land assembly for local governments and nonprofit developers undertaking community and economic development activities.

Funding must include terms that reflect the lead time between site acquisition and redevelopment, along with technical support to facilitate acquisition strategies such as tax lien purchases and bargain sales.

Create a support system for local governments with access to sophisticated information systems software, data storage and analysis, with technical support and incentives.

Provide model performance standards for local government operations.

Develop a system of 'sustainable city' indicators to use to measure local government progress and foster positive competition between cities, created in partnership with local government and the NJ Sustainable State Institute.

ENHANCE OUR STATE'S HOUSING FINANCE DELIVERY SYSTEM

Modify programs to create greater efficiency in staff and funds allocated.

Streamline Requirements to Achieve Greater Efficiency

The State should evaluate its housing programs to improve efficiency. For example, developers and municipalities should not have to hire third party consultants to help them find state programs that could provide financial assistance to their projects.

New Programs

Create a more efficient application process for New Market Tax Credits and more extensive marketing by the Economic Development Authority to encourage their expanded use.

Create a focus group to discuss and test the effects of new requirements on housing affordability every time a new regulation or rule is proposed.

This is compounded by public mandates such as ADA (Americans with Disabilities Act), which have substantially increased housing unit footprints over the last 10 years (i.e., residential bathrooms have increased in area by 50%, and has resulted in increased construction costs which are passed down to residents through increased rents).

DCA should help move urban redevelopment and housing projects forward.

Discover why projects are stalled and address those issues with a tool similar to Brownfields Redevelopment Interagency Team's (BRIT) process.

Create a Quality Control Assessment Team to randomly evaluate projects.

Critically assess completed projects to determine what is working, what problems may have arisen, and what should have been done differently. This will create a feedback loop between developers and policy makers so program glitches can be corrected.

USE EXISTING HOUSING STOCK MORE EFFICIENTLY

We need more creative thinking and incentives regarding use of New Jersey's existing housing stock, including our 80,000 public housing units as well as housing on the private market. In public housing, a tenant is 'over housed' when a household has fewer members living in a unit than the number set out in the occupancy standards, and households seldom relocate and downsize when appropriate to free up larger units. In private housing, many households are struggling to make ends meet in homes that are larger than they need, while many lower income individuals would benefit from a small, inexpensive accessory apartment or 'granny flats' carved out of a larger home in a way that meets applicable codes.

New or Modified Regulations

Maximize use of Public Housing Authorities' inventory.

Reassign households as they become smaller and assist with relocation.

New or Amended Legislation

Pass legislation to help address the shortage of inexpensive rental housing.

Permit the creation of legal, code-compliant accessory apartments and other secondary units as of right, subject to appropriate location and design standards.

INCREASE FEDERAL INVOLVEMENT

New Jersey needs to encourage and be prepared to take advantage of any new federal programs. Although federal funds for housing have been shrinking, the federal government may revisit and refund programs that have been dismantled and de-funded in the future. New Jersey's representatives have proven that they are aligned to create change, but need our support in order to position New Jersey to take advantage of opportunities and to shape the future of affordable housing.

New or Amended Legislation

Support the H.R. 2895/S. 2523 for the creation of a National Housing Trust Fund.

New Programs

Form a coalition with other states to help propose and pass federal legislation and budgets that would benefit affordable housing and community development in New Jersey.

Enhance the relationship with the New Jersey lobbyist in Washington, D.C.

Designate a team of government employees to be responsible for responding to emerging and changing federal policies, programs, and funding for housing.

Housing Policy Task Force

Homeless and Special Needs Subcommittee

I. Goal Statement

To have in place a comprehensive, statewide strategy that addresses the varying needs of those who are homeless, at risk of becoming homeless, or who live with a variety of special needs requiring affordable and frequently, permanent supportive housing. This will include the creation of a proactive homelessness prevention strategy, the development of an effective safety net/triage system and the creation and identification of a variety of housing options for homeless and special needs populations. An ongoing source of dedicated funding will be enacted to support this goal.

II. Preamble

There are inordinate costs associated with the failure to address the affordable housing needs of the homeless and those with special needs, including costs expended in health care systems, correctional systems, institutions, and the welfare system. There are significant financial and human costs to society and individuals related to the failure to respond to the lack of affordable housing for vulnerable populations. All studies indicate the hidden and dramatic costs associated with the lack of housing and concurrent services (Exhibits 3 & 4).

There are a variety of causes of Homelessness.

- Housing costs in New Jersey are among the most expensive in the nation.
- Individuals/families living on disability incomes, public assistance, Social Security as well as those working low-wage jobs find it difficult to afford the high cost of rent, utilities, mortgage payments and/or property taxes - leaving thousands of families and individuals at risk of homelessness, often one paycheck away from losing their housing.
- Unexpected events such as natural disaster, fires, domestic violence, illness, medical expenses and loss of employment can send individuals and families into homelessness with little or no warning.
- Homelessness can also be associated with mental illness, alcohol and drug abuse, aging out from the foster care system or release from a correctional facility without adequate discharge planning.

For many families homelessness or risk of homelessness could be addressed simply by providing affordable housing. When safe and decent housing is available to all individuals at a cost that fits within their income and budget, the incidence of homelessness is reduced.

There is a need for a strategy that is multi-faceted, flexible, and able to address the varied causes of homelessness.

In addition to making physical shelter more available, expansion of appropriate assessment of the needs of those who become homeless and greater provision of accompanying social services is urgently needed.

New Jersey lacks an adequate supply of affordable housing that is accessible (both physically and quantitatively) and provides a level of support adequate to meet the varied needs (medical, substance abuse treatment, mental health, employment training, social) of special needs populations with developmental disabilities, mental illness, and the homeless and chronic homeless populations.

New Jersey has a rapidly growing 'waiting list' of people with special needs who will require decent affordable housing. Currently, many such individuals are under the care of aging parents or other family members. Over time, these primary caregivers will begin to lose their ability to provide support at home. Strategies that provide expeditious, reasonable and varied options of locale, setting and services are most desirable.

Preventive strategies and effective pre-planning are crucial in the development of a comprehensive response to those with special needs and those who are at risk of homelessness. These measures may require larger up-front investment, but prove to be the most cost-effective in the long term.

The State must address federal court ordered mandates, such as the Supreme Court *Olmstead vs. L.C.* decision and its impact, as well as the State's Child Welfare Reform Plan, requiring action to provide community based affordable housing.

III. Findings of Fact

The January 29, 2007 'point in time' count of the homeless indicated that 17,036 individuals, families and children were homeless in New Jersey on that day. Even the most conservative Government sources indicate that since homeless people are often hard to identify and quantify in these counts, the actual numbers of homeless are likely to be two to four times higher than the counts indicate. (A point in time count was held on January 29, 2008, but the results of the count are not yet available.)

Most recent data on homeless veterans in NJ indicates that there may be anywhere from 6,500 to 8,100 homeless veterans living in New Jersey on any given night. Causes of this include the break up of families due to stress while one member is serving overseas, the lack of jobs upon return, military training that fails to match up with skills needed in the current workplace, increasing numbers of veterans who have sustained significant injuries including Post-Traumatic Stress Disorder (PTSD) and Traumatic Brain Injury (TBI), and the increasing number of women returning to NJ with a unique set of unmet needs.

National studies indicate that while the Chronically Homeless represent only a small portion of the population (10-20%), they account for the utilization of more than 50% of the resources that are spent on homelessness.

- Studies indicate that it is more cost effective to permanently house this population than to have them cycle through emergency and institutional public systems (jails and prisons, state, county, and local in-patient hospitals, and repeated enrollment in transitional housing programs.).
- All cost savings and/or cost shifting directly attributable to addressing these issues should be redirected to the homeless and special needs service systems.

There is a lack of funding for supportive services at all levels of government. The Federal Department of Housing and Urban Development (HUD) has prioritized the funding of costs associated with the physical development of housing as well as rental assistance and has moved away from the funding of services.

State supportive services funding is unduly inflexible and often restricted only for specific populations and priorities.

Public Forum comments described a fragmented homeless delivery system that is inconsistent from community to community and that needs systemic reform.

- Particularly noted was the ineffective and inefficient emergency shelter system for the homeless and the inconsistent and confusing policies around housing development for the developmentally disabled.
- Special needs housing and homeless services are spread out across several state department and agencies therefore inter-departmental cooperation is essential to address the 'cross-cutting' issues that affect individuals and families. In reality, conflicting departmental and inter-departmental regulations pose barriers to homeless people, special needs populations, developers and service providers. 'Siloing' and extensive regulations within and between Government Agencies and Departments makes comprehensive solutions difficult.

- Currently, there is no single person or entity within state government that oversees homeless or special needs programs, and there is no coordinated way at the State level to address the various cooperative strategies needed. New Jersey suffers from the lack of a coordinated planning entity that might begin to break through these barriers.
- The lack of individualized services/plans and coordinated case management for individuals who become homeless makes it easy for people to ‘fall through the cracks’.
- There is a lack of coordination between community agencies that prevent homelessness and aid people once they become homeless. It is very likely that a significant amount of duplication of services exists throughout each county/geographic area.
- Existing emergency shelter rules often limit those who are eligible for beds and leaves vacant, unused shelter beds, while people are left to sleep on the street. These rules and regulations often include requiring individuals to have some form of income (GA/EA), a current form of identification and requiring potential clients to be drug and alcohol free.

New Jersey does not have a State Interagency Council and is one of only two states that does not have a *State 10 Year Plan to End Homelessness*. Such efforts in other states have leveraged extensive federal and private funding, decreased numbers of homeless individuals and families, and strengthened coordination of systems.

Re-housing an individual once they become homeless is extremely costly. It is much less expensive to prevent an individual or family from becoming homeless than it is to re-house them once they are homeless. Needless to say, homelessness prevention is a strategy that also addresses the personal and human costs experienced by individuals and families that might become homelessness.

A HUD/VA/HHS Study shows that having a permanent address expedites obtaining eligible benefits which reduces the use of very costly urgent care facilities and services. (see attachment)

The State Division of Developmental Disabilities maintains a waitlist for people with special needs and who need placement in appropriate supportive housing in the State.

- There are approximately 8,000 people on the list currently, 4,000 of which are identified as having a priority need.
- Last year only 28 people from the list were placed in housing.

Funding for services and housing operations are ‘bundled’ for the developmentally disabled population. This prevents non-profit housing developers from constructing new homes for this population until an individual selects an agency to provide services. This greatly delays potential move-in dates, and can add unnecessary cost burdens to these developers who must delay projects and incur inflationary costs while awaiting approvals.

The practice of sub-metering and billing for utilities through private outsourced companies has resulted in households losing their rental units and entering the homeless system due to escalating utility costs which oftentimes amount to a required payment that is higher than the households rental payment.

IV. Recommendations

New or Redirected Resources

Increase funding for the State Rental Assistance Program (SRAP).

The program should at the very least have a cost of living increase each year to maintain the current number of vouchers.

Project Based SRAP should be committed for 15 years to all Supportive Housing set-aside Low Income Housing Tax Credit projects.

Create incentives to provide housing.

Incentives might include tax credits to the private sector and expanded job training and employment opportunities for homeless and special needs populations.

Create a State Plan that would encourage private employers to hire homeless individuals through incentives such as tax breaks and/or salary matches.

Create a time limited task force to look at existing dedicated sources of funding that could be reallocated to provide permanent affordable housing and services.

The disposition of institutional property should be dedicated to the creation of permanent affordable housing for homeless and special needs populations.

As the Department of Human Services fulfills its Olmstead obligation there should be a plan in place to downsize institutions and shift the savings and assets to housing and services development in the community.

All federal Medicaid back billing for special needs populations should be redirected into community housing and services.

Require a portion of the money allocated to Councils charged with Public Education and awareness, (i.e., Governor's Council on Mental Health Stigma, Governor's Council on Alcoholism and Substance Abuse, Governor's Council on AIDs), to fund a public relations campaigns to address NIMBY issues across the state.

This campaign would stress the cost benefits of ending homelessness and providing appropriate settings for special needs housing. Efforts should be made to address the myths that housing for homeless and special needs populations will attract crime, lower property values, or be a public eyesore. Local elected officials at all levels should be specifically engaged to learn about the importance of this type of housing.

Galvanize philanthropic leadership to end homelessness in New Jersey.

The Governor should convene a conference of charitable foundations and privately endowed institutions. The goal of this effort should be to generate the philanthropic commitment necessary to transform political will and policies, by leveraging millions of dollars in funding from national and locally-based foundations, financial institutions and businesses. Out of this conference a task force should be created to implement this recommendation.

Create on going dedicated funding for the New Jersey Special Needs Housing Trust Fund (SNHTF).

For example, the State could dedicate a percentage of the existing source from the Motor Vehicle Surcharge tax to insure ongoing funding. Since August 2005 \$65.4 million of the initial dedicated \$200 million set aside for the SNHTF has been committed. These funds have leveraged an additional \$81 million from other sources. There is approximately \$33 million in additional funds requested for projects under review in the SNHTF pipeline.

New or Amended Legislation

Through an Executive Order or State legislation, the State must establish an Interagency Homeless Council (ICH) charged with creating a 10 Year State Plan to End Homelessness.

The Council should be established under the Governor's Office. The ICH should be co-chaired by the Commissioners of the Department of Community Affairs and the Department of Human Services and will include representatives from private and nonprofit sectors, clients and consumers of services and other interested individuals. The first task of this Council will be to develop New Jersey's Ten Year Plan to End Homelessness.

A Statewide Homeless and Special Needs Ombudsman should be appointed who would report directly to the Governor. A person in this role would oversee the Inter-Agency Council on Homelessness, the implementation of the statewide plan to end homelessness, monitor county plans and identify best practices from county and plans from other States. This Advocate would also be charged with making systemic changes in order to expedite funding and program approvals.

Each county should be required to develop a Ten Year Plan to End Homelessness in order to access State funding for homeless programs that would be aligned with the State Plan.

This requirement could be linked with existing funding to encourage development.

Pass enabling legislation that will allow for the establishment of county based Homeless Trust Funds (HTF) that will help fund the development, operation *and* supportive services needed for affordable and permanent housing for the homeless.

HTF money must be linked with each individual county's Plan to End Homelessness. Expand the NJ Special Needs Housing Trust Fund Legislation to allow funds to be used for supportive services for Trust Fund projects.

Change zoning rules to allow for 'accessory' housing under single-family zoning.

An Accessory Apartment is a self-contained second living unit either built into, or attached to, an existing single-family home. Accessory apartments are normally smaller than the primary dwelling and have their own kitchens and bathrooms.

The AARP reports that these apartments have "the potential to assist older homeowners in maintaining their independence by providing additional income to offset property taxes and maintenance and repair costs."

Accessory apartments offer a cost-effective means of increasing the supply of affordable rental housing without changing the character of a neighborhood or requiring construction of new infrastructure. This would provide new housing opportunities for low income (60% AMI and below) and special needs individuals and families.

This model has been a successful centerpiece of the San Diego affordable housing program.

As an incentive and encouragement for the development of more special needs units, the Coalition on Affordable Housing should provide 2 units of credit for each unit provided for the special needs and homeless population.

Current proposed rules allow only 1.25 credits per unit.

Establish a Governor’s Task Force on Developmental Disabilities to examine and restructure DDD housing and services policies and procedures to assure that access to housing and services is equitable for families on the DDD Waiting List, individuals prioritized by the Olmstead Plan and disabled family members living in the community with families in need of housing and services.

At the Committee Public Forums, advocates, family members and provider agencies provided the largest portion of public comments and expressed the strongest concerns regarding the barriers and lack of access to affordable housing and services for persons with developmental disabilities.

The Department of Developmental Disabilities should develop a pilot program that maximizes but also limits choices offered to DD consumers. DDD can designate (through RFP) organizations that will have a fixed number of clients to serve in specific areas. This is a change in current DDD policy, which gives consumers complete control and choice to clients needing supportive housing.

The Department of Developmental Disabilities should designate a community-based organization to be the service coordinator responsible for referrals, filling vacancies, and service coordination.

The Department of Developmental Disabilities must develop incentives and clear processes that will expedite the process of filling vacancies in group homes and supported housing.

New or Modified Regulations

Every County should have a Shelter Plan that does not utilize hotels and motels for emergency placement.

There should be uniform standards for Shelters that address licensing requirements, performance measures for funding and outcomes, and scope of services.

Each Shelter should have a designated source of operating funding that is tied to the bed and utilization, not the eligibility of the individual. These issues must be addressed by either the recommended Interagency Council or a Governor’s appointed Task Force.

Reform Department of Human Service’s regulations for Emergency Assistance and Services for the Homeless and create or identify a Single Point of Entry System to assess, refer and re-house homeless individuals and families as soon as they become homeless. One central intake should be identified

in each county/city or geographic region. Furthermore, one agency/organization/entity should be responsible for homeless individuals throughout their incidence of homelessness. In order to insure efficient, effective provision of service, each case should be thoroughly and uniformly assessed. A standardized intake and assessment tool must be developed and put in place for use throughout the state. This assessment needs to be 'user friendly', should determine the specific cause of this instance of homelessness, and any factors that impact ability to sustain independent living. Service and sheltering should be based on assessment and not on a 'next available bed' rotation.

Create a uniform basic measurement of outcomes for programs serving the homeless.

Outcomes should be based on the type of shelter or housing provided. They should measure length of stay in programs, where people go after exiting programs, the use of mainstream resources, as well as increases in employment, education and appropriate life activities.

Funding should be connected to performance outcome measures.

Cease the practice of maxing-out Emergency Assistance and/or Temporary Rental Assistance Vouchers (TRA's) in transitional housing by rapidly housing people in permanent housing so they don't expend their limited resources in transitional housing.

Adopt new rules and procedures that help homeless people who have lost their identification to quickly access birth certificates or other forms of identification without incurring fees.

Maximize low income tax credits to get more special needs/supportive housing units.

Recommend amending QAP to allow for extra points to be awarded under the family cycle for supportive housing set-aside units.

New Partnerships or Coordination

Explore the regulations that have permitted for sub-metering and disallow the continuance of this practice.

Facilitate new partnerships between for profit developers and not-for-profit service agencies in order to promote the development of affordable housing for special needs and the homeless populations.

Creative partnerships would expand the provision of housing with the necessary services that help people be successful in new housing opportunities. DHS and HMFA should continue and expand outreach and educational forums to for-profit developers in order to educate them about opportunities and incentives to serve special needs and homeless populations.

The Working Committee is extremely grateful to the individuals and agencies that provided written and oral comment at the two all-day public forums we sponsored in January. Much of the information, findings, and recommendations in this report come as a result of information provided by people with special needs, individuals experiencing homelessness and community organizations and agencies that are responding in remarkable ways to the current crisis.

Housing Policy Task Force

Interdepartmental Coordination Subcommittee

I. Goal Statement

An appropriate and predictable regulatory and governmental structure needs to exist to promote housing production, and in particular affordable housing, so that state laws and agency actions do not unduly or unfairly impede the ability of municipalities and the development community to satisfy the housing needs of New Jersey residents; nor should towns be free to ignore their Constitutional obligation to address Mount Laurel (affordable housing) requirements. State agency plans, policies and requirements should be implemented to achieve compliance with the Mount Laurel Doctrine consistent with other state programs which guide growth, resource management and infrastructure decisions.

II. Preamble

State government actions are more efficient and timely with respect to the review and processing of plans and applications (for permits) needed to build housing.

State agency policies and regulations are aligned in such a way to not unnecessarily frustrate or prevent the production of housing, and in particular affordable housing, at levels needed to sustain a healthy economy.

Growth and housing objectives of the State Development & Redevelopment Plan (SDRP) are met.

Local zoning is designed to accommodate the level and type of development (particularly housing) projected by the SDRP and as established in accordance with the Mount Laurel Doctrine as implemented by the NJ Council on Affordable Housing (COAH)

An improved system of state programs and financial assistance for municipalities and developers involved in the production of affordable housing.

III. Findings of Fact

AGENCY CONFLICTS

There exist many fundamental conflicts between program requirements of the NJ Department of Environmental Protection (DEP) and the regulations of other state agencies (i.e., NJDOT, NJDCA, OSG & COAH). In addition, numerous NJDEP program restrictions are at odds with, and frustrate, the growth and redevelopment priorities set forth in the SDRP. These circumstances produce an unpredictable and overly-constrained development landscape, even in areas of the state identified as priority locations for growth.

LACK OF COORDINATED STATE PRIORITIZATION OF AFFORDABLE HOUSING

The successful development of affordable housing is not just a question of financial resources or local planning. DEP requirements are often at odds with the regulations of other state agencies, serving to thwart efforts to develop affordable housing in New Jersey. As such, the regulated community cannot help but feel that DEP regulators become entrenched in the administration of their programs, and have little interest in assisting in the satisfaction of affordable housing public policy. To a lesser degree, some DOT and DCA programs can frustrate the orderly and predictable treatment of permit applications for housing.

All too often development efforts -- including commercial and industrial uses, market-rate housing, affordable housing, municipal improvements, schools, bridges, roads, etc. -- are de-railed or denied, even when located in places where the state otherwise encourages growth. The production of affordable and workforce housing is difficult enough, without state agency programs further limiting a considerable number of these opportunities, and increasing development costs, on a routine basis.

EFFECTIVE SCHOOL FUNDING (EQUAL FOOTING)

To date, New Jersey has had an unpredictable, ad-hoc system of distributing state aid to its municipalities. For the past decade in particular, school funding resources have been focused largely in the 31 Abbott districts, limiting dollars flowing to non-Abbott municipalities. In addition, the majority of state resources for affordable housing have been concentrated the Abbott districts, despite efforts to increase suburban development opportunities. The cumulative impact of these policies, outside of Abbott districts, has been two-fold: (1) essentially no increase in school aid for the past ten years or more; and (2) increased resistance to family housing, especially affordable housing, since it generates more school-age children, thus increasing property taxes. In fact, most non-Abbott District towns have seen essentially no increases in school aid for the past ten years, or more. A new formula could distribute state aid to New Jersey's school districts based on actual need (students at risk, special education, etc.) and require an 'adequacy budget' to be updated every year or two.

As a result of this new funding formula, towns may have an opportunity to again place residential development, and 'family' affordable housing, on an equal footing with other types of development. Too many municipalities attempt to satisfy affordable housing obligations without providing housing for families because of the cost of educating children (e.g., by constructing age-restricted housing or participating in Regional Contribution Agreements (RCA)). Increasing the funding available to schools with low and moderate income students may change the thinking on this issue.

The link between a new school funding formula and the affordable housing obligation has not been fully explored in New Jersey. Towns have expressed major concerns about new COAH rules and the cost associated with developing affordable housing in their communities. While high income communities may not see the increases needed to offset their housing obligations, a good number of municipalities may be more receptive to affordable housing if additional school aid is flowing into their communities.

‘GROWTH AND CONSERVATION’ DECISION-MAKING

Where should New Jersey’s future growth occur? This long-debated question remains unclear, however, statewide guidance is present in the SDRP – despite its often controversial construct and uncertain outcomes. Uncoordinated, inconsistent and untimely state agency decision-making, particularly among DEP, DOT, DCA and their affiliates (COAH, Pinelands Commission, Highlands, HMDC, etc.) on where growth vs. conservation shall occur, has created a very unpredictable ‘playing field’ for developers and towns. This treatment thwarts and stymies appropriate residential and non-residential development, in light of Constitutional housing obligations, in what we identify as growth areas (PA-1, PA-2, Designated Centers, brownfields, greyfields and other strategic areas for development). It often places the regulated community at odds with state agency efforts to advance conservation goals (open space acquisition, farmland preservation, natural resource protection). Furthermore, there have been instances when DEP Green Acres and NJ Environmental Infrastructure Trust (NJEIT) funds have been authorized for use by municipalities, and then used to de-rail affordable housing efforts. Some Green Acres funds have been used directly to acquire approved affordable housing sites – even in areas suitable (according to the SDRP) for such development.

CENTRALIZED DATA REQUIREMENT (CLEARINGHOUSE)

Inadequate public data on affordable housing activity (construction and funding) cripples reasoned public policy-making on, and the public’s understanding of, housing issues. For example, DCA does not make readily available to the public the activities of the State’s Housing Trust Fund for low and moderate income housing (i.e., the Neighborhood Preservation Balanced Housing Fund, etc.). The last released COAH annual report covered 2002-2003.

Furthermore, a void exists in providing one place (or agency) that can furnish information on all housing services, grants and special financing and mortgage programs. Municipalities in particular could benefit from a central ‘clearinghouse’, of sorts, which could fulfill this informational need. DCA’s exemplary on-line NJ Construction Reporter demonstrates that DCA can maintain up-to-date information through a website format. Certainly this could be expanded to provide a full complement of the above data needs. Transparency in government operations requires accessible information.

AGENCY TIMELINESS

Slow decision-making, particularly DEP programs with lengthy (or no) time-frames for reviews, has created an atmosphere of unmanageable risk and uncertainty for private and public sector applicants. Time-frames for DOT, DEP and DCA approvals required for affordable housing projects must reflect the concurrent public purpose being served by these types of projects. Delays include protracted scheduling for critical pre-application conferences (routinely four weeks, or more) by State agencies which stymie coordinated and timely decision-making. More often than not, it’s the private sector applicant that ends up, by default, being subject to State agency actions taken in sequential order rather than through concurrent decision-making. DEP’s Land Use Management group, and particularly the Bureau of Watershed Management, has become a crucial bottleneck with its veto power over sewer service area changes. The Division’s permit authority is subject to no statutory deadlines, as under the 90-Day Approval Law, mandating timelier decision-making.

INCENTIVES FOR REDEVELOPMENT AND INFILL

While more and more developers are shifting their business plans to 'brownfields' redevelopment and infill projects (instead of 'greenfield' development), the risks and costs associated with this type of work has become prohibitive in a majority of cases. Higher costs can be attributed to: purchasing and assembling land; market risks; building at higher densities (excessive per s.f. costs of mid to high-rise construction); union labor (prevailing wage requirements); environmental remediation; upgrading obsolete infrastructure; stormwater management; flood hazard net fill limits and other environmental restrictions to mention a few. The consistent message from state agencies is support for prioritizing brownfield redevelopment, and redevelopment in general. However, more incentives need to be in place to recognize and address the inequities and challenges encountered in redevelopment work, and make affordable housing an economically viable component of this type of development.

AFFORDABLE HOUSING TRUST FUND

Municipal (Affordable Housing) Trust Fund dollars are rarely utilized, and can only be used within the town that collects the funds. As a consequence, there is a surplus of unused funds producing no affordable housing opportunities.

PROCESSING OF APPLICATIONS FOR FUNDING ASSISTANCE

Many municipalities as well as affordable developers who seek state funding (grants, loans and/or mortgage assistance), find the review and approval of these programs less than optimal. The lack of both centralized, coordinated access to state funding programs and of timely approvals can lead to delayed projects, compromised bank financing and, worse yet, another affordable housing initiative that fails to come to market.

ELIMINATE FEES

Excessive fees (particularly water and sewer connection fees) are levied against affordable housing projects, which serve to increase the overall cost of development. Most non-profits avoid such fees, but private developers, who construct affordable housing (and subsidize these units) along with 'market-rate' housing, do not.

CONSISTENT AND TIMELY PLANNING

Nearly all residential (affordable housing) development requires densities that dictate public utility systems, namely sanitary sewer and potable water. Many utility purveyors have encountered limitations on the capacity of their wastewater or water treatment systems, and have entered into discussions with the DEP to upgrade the capacity of their systems requiring an updated Wastewater Management Plan (WMP) and plan amendments. DEP approval of expanded wastewater needs for an impacted sewer service area (or an expanded water allocation), for example, can often take years to secure. To complicate matters, the DEP is about to publish rules that will likely impose strict requirements on MUA's and municipalities to update WMP's, or face moratoriums. Many times, disagreements over where, and how much, development should be allowed drives an inefficient process of evaluating the merits of the expanded capacity request. As a result, WMP's (necessary utility capacity) are stalled and housing production suffers. This dysfunctional process must be rectified.

IV. Recommendations

New or Amended Legislation

Promote positive fiscal benefits of school funding formula on new affordable housing development.

A revised school funding formula based on need has the potential to defuse municipal opposition to new family housing development, including affordable housing, for fiscal reasons. This objective should become part of a public outreach effort regarding both the formula and affordable housing policies. COAH and the Departments of Education and Treasury should assess the extent of the fiscal impact so that real numbers can be shared with the public. Building on a new funding formula, the three state agencies should look to propose additional financial incentives for those municipalities that can be motivated to build affordable family housing, but may not be recipients of increases in aid through this new formula.

Consideration should be given to linking school funding to COAH certification and (possibly) SDRP consistency. The SDRP link should only be considered after its new growth projections are reconciled with COAH's new rules to avoid frustrating growth objectives and 3rd round affordable housing goals. SDRP consistency cannot be linked to a lengthy and expensive 'plan endorsement' process that discourages towns to 'come into alignment' with state planning goals and objectives.

Allow regional revenue sharing of municipal housing trust funds.

Regional revenue-sharing or sharing of municipal housing trust fund dollars among communities (within a region) must be allowed.

Eliminate fees on affordable housing projects for all affordable housing development, not just those by non-profit developers.

Change the state laws that govern municipal and/or private utility companies (including any applicable BPU regulations) to eliminate sewer, water and other utility fee requirements for housing units within a development project that provides affordable housing in accordance with a valid municipal ordinance. This should occur irrespective of whether that project was built by a non-profit, not-for-profit or private development company. Reductions in all state agency application fees for projects that include an affordable housing component should be explored to avoid making more costly the production of affordable housing.

New or Modified Regulations

Adopt the revised state development and redevelopment plan, and incorporate affordable housing planning into conservation decision-making.

Complete the third iteration of the SDRP promptly, in a manner faithful to the statutory mandate to "represent a balance of development and conservation objectives best suited to meet the needs of the state."¹ This first necessitates identifying the 'needs of the state', as required by the State Planning Act, which directs the Commission to "Compile quantitative current estimates and statewide forecasts for population, employment, housing and land needs for development and redevelopment..."² Only

¹N.J.S.A. 52:18A-200.

²N.J.S.A. 52:18A-201.b.(5).

after this assemblage of information can the proper balances be struck. The end goal is to integrate the various interests and perspectives (local, county and private sector) with those of state agencies charged with promoting rationale land utilization and development while meeting their respective regulatory mandates.

Additionally, DEP Green Acres funding and NJEIT awards should be given 'priority status' when they are sought by municipalities that have achieved 'substantive certification' of their Fair Share Housing Plan in accordance with state regulations, in conjunction with or to promote the development of affordable housing. For Green Acres funding, applicants should be required to indicate whether a site for which state acquisition funds are sought is an affordable housing site in a proposed or certified Housing Element and Fair Share Plan. This will ensure that decision makers know the impact that an acquisition will have on a municipal plan to provide affordable housing, and potentially make these sites eligible for acquisition.

Require timely review of permit applications and empower office of smart growth to assist with interagency permitting needs and timing.

Change the culture and provide sufficient, trained public agency staff to achieve timely decision-making, beginning with the pre-application stage. Consider changes to the 90-Day Approval Law that would require a mid-point (45 day) milestone for initial DEP review/reporting so applicants are not forced to agree to extensions on the 89th day to avoid a 'denial'. Expand the list of DEP regulatory programs that could be included under the 90-Day Approval Law. (Having no time-frame for agency action is unacceptable.) The role of OSG's 'interagency teams' in coordinating concurrent permit reviews across agencies should be expanded to insure greater involvement and assistance in promoting the production of housing, in particular affordable and workforce housing.

Provide regulatory incentives for redevelopment and infill and publish menu of resources.

There is an urgent need for subsidies and/or incentives to make urban and suburban infill, brownfields, greyfields and redevelopment opportunities more attractive and available. This is especially acute since so much of our future housing (and affordable housing) opportunities will be dependent on these types of areas. It is recommended that the following be considered: (1) 100% environmental remediation funding, through the NJEIT, for cleanups required in conjunction with any project that results in the construction of affordable housing; (2) state funding reimbursement (NJEIT or other) for off-site sewer or water improvements installed by the developer; (3) priority regulatory status for any permits associated with an infill or redevelopment affordable housing project, resulting in expedited permit treatment; (4) immunity from regulatory conflicts where, for example, the DEP refuses to issue a sewer (treatment works) approval because a small portion of the project falls within a 'landscape project' area for potential T&E habitat; and (5) consideration of other DEP and DOT programs 'exceptions' for affordable housing projects where, for instance, the DEP might reduce by 25% the 'buffer' adjacent to a freshwater wetlands.

Resolve interagency disputes over definition of growth areas and effectively integrate growth areas with water quality management planning regulations.

An urgent focus must be placed on the following: (1) rectifying the disagreements over where development should occur, and at what densities, so that proper water and wastewater planning can take place in accordance with the SDRP and Mount Laurel Doctrine; (2) providing adequate DEP staff and resources to insure a cooperative process in working with municipalities and MUAs to facilitate the orderly and efficient review and approval of WMPs and plan amendments; and (3) integrating appropriate housing targets (in the form of specified densities, mixed-use alternatives and affordable housing obligations) as a condition of WMP approval. In addition, when 208 Plan amendments are needed to accommodate an approved affordable housing site, this agency action needs to be coordinated with any commensurate SDRP planning area change (at the same time) to avoid unnecessary delays and duplication of effort.

New Partnerships and Coordination

Require a DEP audit of programs constraining housing development and institute a moratorium on new or amended DEP rules pending the audit outcome.

Require a program-wide audit (constraints analysis), by Executive Order if necessary, of NJDEP's current programs to identify these inconsistencies and mandate that DEP cease from adopting new or revised (more stringent) rules until the audit is complete. A one year time-frame is suggested. Once the findings are produced, a task force comprised of a balanced and expert membership, should require certain changes in conflicting regulatory programs to alleviate or minimize these inconsistencies and conflicts.³ From that point forward, NJDEP must publish an accurate (mapped) analysis, as part of each new or modified rule's economic and environmental assessment, to demonstrate and justify new or more stringent regulatory requirements.

Designate an entity with responsibility for resolving interagency conflicts in policies impacting the development of affordable housing.

Housing policy is and should remain the responsibility of the DCA Commissioner, who oversees the Division of Housing, as well as the DCA affiliates of COAH and HMFA. However, there is a need for a centralized entity with the authority to resolve interagency conflicts that impact the development of affordable housing, and to prioritize affordable housing projects. It is crucial that this entity be given the authority to implement housing goals, in the context of COAH regulations and the SDRP, despite other state regulatory impediments to the contrary. Such a group could work closely with DCA, OSG, DEP, DOT and other key agencies to minimize regulatory impediments (as identified above).

In the alternative – or maybe in addition to the above, another option would be to take advantage of OSG's land use coordination role to accomplish the same type of 'oversight' to insure housing priorities and policy goals are met. If pursued instead of the first suggestion, then the OSG functional office needs to be sanctioned by the Governor's Office or possibly shifted to the Treasury Department, where

³The Interdepartmental Coordination Committee has, thus far, refrained from identifying specific program requirements, especially those in a redevelopment or infill context, which could or should be modified to achieve a level of relief for affordable housing projects. These decisions should be addressed by the Land Use Committee, in consultation with the Steering Committee and the impacted agencies. Some suggestions include, where appropriate: (1) reduced Stream Encroachment buffers; (2) relaxed net fill limitations; (3) reduced wetlands buffers; (4) reduced riparian corridor and/or C-1 buffers; (5) relaxed highway access permit restrictions; etc. Input from the Land Use Committee is welcomed on this issue.

it would be given at least equal authority over conflicting Departmental programs and/or equal status with other Commissioner-level decision making. As part of this alternative, OSG staff would require greater housing policy expertise and assistance to fulfill this role.

Publish annual affordable housing production data.

DCA, and all its affiliates (especially HMFA, COAH, and Meadowlands Commission), should publish housing production data regularly, and at least annually on its and their websites, in accordance with the Fair Housing Act's mandated Register of Housing Projects (N.J.S.A. 52:27D-307.1 et seq.). This should include data on affordable housing activity, both construction and rehabilitation activity, by municipality in addressing fair share housing obligations, as well as State funding, financing decisions and pending funding applications, including annual revenues to the Balanced Housing Fund and expenditures from the Balanced Housing Fund by project and municipality.

Centralize application process for affordable housing funding.

State agencies offering grants, loans and mortgage assistance for affordable housing initiatives shall investigate ways to improve and streamline the application and review process to avoid costly delays. For example, build upon the Home Express program created by HMFA and DCA to jointly underwrite affordable housing projects needing Balanced Housing resources in addition to multifamily financing and/or Low Income Housing Tax Credits. HMFA could assist developers even further with layering other available state housing resources.

An on-going effort should be undertaken to finalize and publish a comprehensive 'interdepartmental menu' of redevelopment and infill incentives. The initiative should be conducted by OSG in cooperation with DCA, DEP and the regulated community. It would also need to be updated and refined as conditions and regulatory requirements change.

Housing Policy Task Force

Land Use and Planning Subcommittee

I. Goal Statement

To create and implement land use policies and practices that will increase housing production in appropriate places and at appropriate densities and forms while supporting the economic, social and environmental goals embodied in the State Planning Act at N.J.S.A. 52:18A- 196 et seq. and the Fair Housing Act at N.J.S.A. 52:27 D-301 et seq. By identifying the barriers to housing production and density and the potential policy initiatives that overcome those barriers the Land Use and Planning Subcommittee makes specific recommendations for action that support the development of housing that serves the economy, the community and the environment.

II. Preamble

Recommendation Highlights

Clearly identify ‘community zones’ – areas where the state supports and directs growth – through an accepted methodology that identifies areas that are appropriate for accommodating residential development state-wide.

Change existing rules and regulations to make it easier to develop in ‘community zones’.

Create cabinet level leadership focused on state planning.

Promote center-based development including in rural areas.

Address immediate Department of Environmental Protection (‘DEP’) rule proposals that affect housing production, such as wastewater rules.

Principles

Housing production should occur in a way that is consistent with current and projected housing demand. In order for this to occur, regulatory barriers must be eliminated and there must be predictability regarding where housing can be developed, what type of housing can be developed, the regulatory process for obtaining housing development approvals, and how the supporting infrastructure and capital facilities will be funded. State regulatory programs should be consistent with state and regional planning. The current ever-changing regulatory climate with approvals never really being final must be fixed.

The integration of land use and transportation infrastructure is essential to well-planned development and the ability of existing roadways to accommodate that development. The state highway access code should be evaluated and revised to acknowledge and accept congestion and some reduction in desired

Level of Service ('LOS') standards in 'community zones'. Land use must be appropriately supported by transportation facilities, which may be accomplished through the integration of transportation and land use planning.

Environmental regulations should support both preservation and growth through consistent performance based rules that allow flexibility and innovation and that are clear on environmental carrying capacity. The goals of protecting the environment and accommodating appropriate growth are not mutually exclusive.

Unnecessary and costly redundancies in the regulatory review process, cause housing costs to be unduly excessive.

A lack of state-wide policy and responsibility including targets and performance measures regarding prioritization of housing creation, and a lack of state commitment to a land use policy that facilitates growth in smart growth areas and prioritizes redevelopment all increase the cost of housing production and development in New Jersey.

The State Planning Commission ('SPC') and its staff, the Office of Smart Growth ('OSG'), should be relocated and restructured so it can effectively coordinate the competing and often conflicting actions of state agencies and authorities.

Affordable housing should be required in all state funded housing initiatives.

Some municipalities create land use and planning barriers to the production of housing by not accepting the responsibility to meet the constitutional affordable housing obligation, zoning inappropriately, not addressing local opposition to housing including (real or perceived) negative impacts on finances, traffic, open space, and quality of life, and advancing the perception that all growth is bad. Municipalities should zone for a broad range of housing opportunities. The state can reduce municipal opposition to housing by creating requirements and incentives that addresses local concerns.

Municipalities rely on property taxes to fund schools, motivating towns to avoid planning for added housing, especially if it will house families with school children.

III. Findings of Fact

In order to move toward a more productive development review process the Land Use and Planning Subcommittee identified several serious issues in the existing development review process should be addressed. The subcommittee notes that these findings are applicable to development applications in general, e.g. for any use or combination of uses, although they may have a special incidence with respect to non-age restricted (family) housing, and to affordable housing in particular.

INCONSISTENT LAND USE AND PLANNING DECISIONS

The State Planning Act ('Act') provides a basis for the creation of a state-wide vision for land use and conservation of natural resources. It was intended to provide for the coordination of state policies, local land use decisions and the programs, policies and investments of the various state departments and agencies. The concepts contained in the Act were both necessary and progressive policy objectives designed to meet many of the challenges faced by the State. However, there has not been a state-wide commitment to the goals of the Act. This has led to a continuation of the uncoordinated and disjointed land use and planning policy decisions and a lack of coordination of the investment of the state's limited financial resources to support appropriate growth and preservation efforts.

LOCAL ZONING IS OFTEN FLAWED AND UNREALISTIC

Municipalities should evaluate what the impact of their zoning will be once implemented, rather than rely on development applications to troubleshoot local zoning through impact studies and the public process. The result of this in the current plan review process is that if a conforming project raises impact concerns, the local review board places the onus on the applicant to find solutions for problem(s) the municipality has actually created. A new development that places unwanted strains on a community's circulation, stormwater or educational infrastructure according to adopted zoning represents a failure of municipal planning, not a flaw in the conforming development application. The burden for remedying this legitimately belongs to the public sector, not the development applicant, and the municipality should be obligated to bear the burden of proving out its zoning at the time it adopts zoning.

MUNICIPALITIES SHOULD BE HELD RESPONSIBLE FOR THEIR ZONING ACTIONS

Municipalities have enormous latitude to change the rules of the game at any time, even *after* a fully conforming development application has been filed. This fosters a culture of irresponsibility among local governments, since it permits a municipality to change the rules at the last minute, after a development applicant has, in good faith, submitted a development application that fully conforms to the current legal requirements. Municipalities rely on development applications to troubleshoot local zoning at the expense of the development applicant.

THE DEVELOPMENT REVIEW PROCESS IS COSTLY, INEFFICIENT AND TOP HEAVY

New Jersey's local development review process requires the submission of fully engineered site plans as part of any development application other than a single-family house, with only two exceptions, conceptual reviews and the General Development Plan ('GDP') option, which are not relevant to most projects and would require revision in order to be useful.

Fully engineered plans for preliminary approval are expensive and they are only necessary when a (re-) development project is applying for final approval. Most development projects can easily go through

the ‘troubleshooting’ stages of local review on the basis of a conceptual site plan. By requiring fully engineered site plans for virtually all development applications, municipalities un-necessarily add a significant cost factor to submitting a development application, at the expense of the applicant and with no measurable benefit to the local reviewing agency.

It is widely recognized that the technical requirements associated with the current development review process benefit primarily the professionals involved and not the communities or the development applicants. The ‘soft costs’ charged by professional engineers, planners, attorneys and other professionals hired by either the development applicant or the reviewing agency can be quite considerable – often with little to show in terms of benefits from a public policy perspective. It is shocking, but not unusual, for development applicants to pay more – through escrow – to the engineers working for the review agency to review their plans than to their own professionals to develop these same plans.

CURRENT DEVELOPMENT CONTROLS LACK PREDICTABILITY WITH RESPECT TO THE BUILT OUTCOME

In spite of the increasingly cumbersome and complex regulations embodied in local zoning and land development codes, there is often a sense among local boards of a lack of control over the final built outcome, once a project is approved. This is due, in part, to the lack of codified design controls (as opposed to abstract zoning controls) found in local ordinances and to the inability of local boards to think about physical design issues until a development application has been formally submitted. This is a source of constant tension between applicants and review boards. In the absence of a tangible vision of what the built outcome the local board is trying to achieve, applicants and their professionals must play a guessing game involving multiple iterations. The inability on the part of the municipality to clearly express a vision of the design qualities it is seeking from the built product unnecessarily adds to the expense, delays and frustrations felt by all involved in the development review process.

CURRENT PROCEDURES OFTEN RESULT IN EXCESSIVE TIME DELAYS

Municipal reviewing agencies have little incentive to expedite proceedings, the costs of which are largely underwritten by development applicants. Third party objectors may also receive standing in the hearings and further delay the process. While the Municipal Land Use Law (‘MLUL’), at [N.J.S.A. 40:55D-1 et seq.](#), establishes a precise timetable for review, development applicants are under considerable pressure to consent to numerous ‘extensions’, or run the risk of having their application rejected ‘without prejudice’. Development applications should be subject to a thorough and comprehensive evaluation on the basis of their substantive merits, local reviewing agencies should have access to the relevant information prior to making their determinations, and the public should be offered a meaningful opportunity to comment. However, current procedures allow for frequent abuses and that a more equitable and timely system should prevail.

OFFICE AND INDUSTRIAL PARK INFILL AND REUSE

Many office and industrial parks around the state have either not been developed to their full zoning potential due to lack of demand for additional office/industrial space at those locations, or have been developed at very low intensities as a result of artificially low development parameters, e.g. Floor Area Ratios, which are established arbitrarily by local zoning codes. Typically, local zoning does not permit housing in these zones.

HIGHWAY ACCESS MANAGEMENT CODE

The Department of Transportation (DOT) adopted the State Highway Access Management Code, at N.J.A.C. 16:47 et seq., in 1991, and it has been regularly readopted thereafter. Some of the code standards differ in areas classified as urban as compared to rural. While the goal is to set standards that encourage development 'community zones' and discourage it in rural areas, the actual effect of some of the standards is the reverse. In some cases it is impossible to meet the urban standards, but the rural standards can be met. This has caused primarily commercial development to locate in the more rural areas, causing a mismatch between locations of jobs and housing, including jobs for middle income households. Standards in the access code need to be revised to better reflect the traffic congestion levels that are typical of the urbanized areas throughout the country. As stated above for other regulatory programs, the standards need to support the state and regional land use plans that seek to direct residential, commercial, civic, and public sector activity to the 'community zones'.

BROWNFIELD SITE REMEDIATION STANDARDS

DEP has also proposed revised Site Remediation Standards, at N.J.A.C. 7:26D et seq., for the clean up of contaminated sites, commonly known as brownfields. Most of these sites are no longer viable as industrial sites, but are in locations now considered appropriate for housing and mixed use development. The proposed standards significantly increase the degree of site clean up that is needed to levels that are frequently beyond federal clean up levels. The proposal also creates uncertainty in establishing a process where liability is limited when work is completed in accordance with the regulatory standards. Taken together, the proposal will lessen the likelihood that contaminated sites will be cleaned up. It does not promote clean up and reuse in accordance with state policy and redevelopment plans.

WATER QUALITY MANAGEMENT PLANNING RULES AND REGULATIONS

DEP has proposed major revisions to its Water Quality Management Planning rules and regulations at N.J.A.C. 7:15 et seq.. In its proposal, DEP is turning the Water Quality Management Plans (WQMP) and Wastewater Management Plans (WMP) into land use plans, which they are not and should not become. The purpose of the WQMP and WMP should be to plan sewer treatment for publicly planned and identified 'community zones'. They should be the tools to implement publicly approved land use plans.

SURFACE WATER QUALITY STANDARDS

Stream classification and regulatory requirements must be context sensitive and take surrounding land use into account. For example, the DEP has proposed Surface Water Quality Standards at N.J.A.C. 7:9B et seq., generally referred to as C-1 regulations for Category One waters which identify specific stream classifications as having certain regulatory requirements, including extensive buffering on each side of the stream. These stream classifications do not take the surrounding land uses into account, as many of the streams run through areas that have been heavily developed for decades and some for more than 100 years. Many of these areas are in Planning Areas 1 or 2, designated centers and further designated as areas in need of redevelopment. Additionally, storm water regulations often apply requirements better suited to the suburban landscape to urban areas, resulting in, for example, the requirement that a retention basin be built in a densely populated urban area.

IV. Recommendations

New or Redirected Resources

Create the 'Housing for Economic Prosperity (HEP)' program.

Create a program to offer financial incentives to local governments that adopt overlay zoning that will accommodate a broad range of housing opportunities in an appropriate manner. The state incentives should include planning grants to allow municipalities to explore creating one or more zones, technical assistance, including tools to evaluate the fiscal impact of new development and a 'municipal road show' to explain state assistance.

Other financial incentives might include up-front incentives of \$1,000 per unit allowed by zoning, and \$3,000 for each building permit granted. Due to the perceived and actual impacts to local school costs created by residential development, a program of school cost insurance to compensate towns for the fiscal impacts of family housing should be offered. This can be accomplished in the short term by amending the school funding formula so that the state pays the net new operating cost of educating children in approved 'smart housing' zones.

Municipalities that provide opportunities for affordable and work-force housing should be provided with priority and/or enhanced capital funding for open space, transportation improvements, water/wastewater infrastructure, and other major investments. Finally a coordinated, priority permit review at the DEP through the Readiness Checklist process should be implemented (see below).

Criteria for eligibility for the incentives offered by this program should include the following:

- Is located in a community zone, and is also either near transit, in an area of concentrated development, or designated for high-density housing in an adopted local plan.
- Requires higher densities and an efficient use of land.
- Allows good design including a mix of uses and pedestrian access, meets EnergyStar ratings, etc.
- Meets or exceeds COAH growth share requirements for low/moderate income households.
- Includes 'workforce' housing affordable to middle-income families earning between 80 – 120% of median (Note: we are working to better define this requirement).
- Governed by a predictable local development review process, whereby municipalities must:
 - Offer expedited local approval for projects that meet zoning requirements provided adverse impacts can be minimized.
 - Define the appeals process so that party opposing a consistent project bears liability for appeals without merit.

Create a Hamlet Development Pilot project to create affordable housing in rural areas.

A hamlet is defined in the State Plan as a small-scale, compact residential settlement with one or more community-related functions. The pilot program would be a tool for rural communities to provide affordable housing in a center-based pattern and preserve open spaces. State agency support would be provided, to, for example, the State Agriculture Development Committee to secure farmland preservation funds, and to the DEP to plan and permit package plants and constructed wetlands.

Focus state investment on redevelopment in ‘community zones’.

Establish a State Infrastructure Bank using reallocated funds from other sources for infrastructure costs associated with redevelopment consistent with the State Plan. Such funding would allow older municipalities to upgrade existing infrastructure as a means of attracting developers. Alternatively: the existing New Jersey Environmental Infrastructure Trust could be re-tooled to support projects that encourage redevelopment, and discontinue funding for projects that promote sprawl. Capitalizing the trust would enable it to make grants for ‘community zones’, in addition to its traditional low-interest financing.

Create a State Plan Infrastructure Needs Assessment that assesses the infrastructure needs in each of the state’s ‘community zones’. Evaluate existing systems in each city for needed repairs as well as upgrades necessary for accommodating anticipated growth.

Develop a multi-year water quality infrastructure plan, linked to cities’ economic development strategies and redevelopment plans, which prioritizes available state resources for targeted, coordinated infrastructure investment (including the New Jersey Environmental Infrastructure Trust) to upgrade urban sewer, water and drainage infrastructure.

Improve urban transportation and circulation by using transportation investments strategically as a tool for urban revitalization. Greater emphasis is needed on linking transportation investments with urban revitalization, and giving priority to transportation investments that enhance the competitive position of urban areas and foster smart growth.

Enact a two-tier state historic preservation tax credit program.

The historic preservation tax credit program would offer the following:

- Tax credits for developers of rental residential or commercial buildings in historic districts that supplement the Federal Historic Preservation Tax Credit; and
- Tax credits for homebuyers or owners restoring individual homes in historic districts.

Expand the state’s role in assisting towns with redevelopment activities that include affordable housing.

Develop capacity within Department of Community Affairs (‘DCA’), the Housing Mortgage and Finance Agency (‘HMFA’) and the New Jersey Redevelopment Authority (‘NJRA’) to proactively assist in areas targeted for redevelopment where there is a commitment to include affordable housing. Areas of assistance would include feasibility analysis, predevelopment funding, land acquisition and assemblage, abandoned property acquisition, land banking, site remediation and developer selection.

Create a large-scale property acquisition fund for local government and nonprofit entities.

Provide state funds to leverage a large-scale property acquisition fund for local governments and nonprofit entities undertaking housing development activities, providing patient money on flexible terms that reflects the lead time between site acquisition and redevelopment, and prioritizing funds to municipalities that establish effective land banking and reutilization programs and community developers implementing strategic neighborhood plans.

New or Amended Legislation

Sign an Executive Order providing the existing State Planning Commission ('Commission') and Office of Smart Growth with the powers outlined below.

Direct state agencies to amend plans, spending and regulations to implement the State Plan.

Create and pass legislation formalizing the new Commission's authority and purpose.

Amend the State Planning Act to restructure the State Planning Commission and the Office of Smart Growth.

- Locate the commission in but not of the Department of the Treasury.
It is essential that the Commission and its staff are appropriately located to perform the necessary tasks of resolving inter-departmental conflicts and have the ability and authority to make recommendations on legislation, regulations, programs and funding to all departments.
- Change the State Planning Commission's membership.
The membership should be changed to consist of the Chair; the department heads of the following state agencies: The Department of Transportation ('DOT'), DEP, DCA, Department of Community Affairs, Department of the Treasury ('Treasury') the Department of Agriculture ('Agriculture') and the Department of Health and Senior Services ('DHS'). Additionally there should be five public members representing the environment, housing, economic development, urban redevelopment and transportation; three municipal officials (rural, suburban, urban); one county official and two planning professionals. The Governor should be given veto power over the minutes of the commission.

Amend the State Planning Act and the MLUL to direct local governments to adopt master plans and ordinances that are consistent with the State Plan.

- Appropriately empower the Commission.
A full-time, paid Chief Administrator shall be appointed by the Governor, will serve in the Governor's Cabinet, will oversee the work of the Commission and will also serve as the Chairperson of the Commission's Board. The Chief Administrator or designee shall serve on state bodies that influence land use decisions such as the Economic Development Authority ('EDA'), HMFA, the NJ Commission on Capital Budgeting and Planning, the Transportation Trust Fund Authority, the Statehouse Commission, the Environmental Infrastructure Trust, and the Garden State Preservation Trust, the Council on Affordable Housing ('COAH'), the Meadowlands, the Pinelands, and the Highlands. Additionally, the Commission will have an appropriately sized, professional staff to conduct the work of the Commission. In order to provide adequate staffing to the Commission, the specific staff needs of the newly empowered Commission must be reassessed. The staff of the current Office of Smart Growth should be moved to the Commission and it must be funded adequately so it can recruit staff of the highest professional caliber.

- Define the purpose of the State Planning Commission.
The role of the State Planning Commission must be clearly defined. The Commission must have a clearly defined mission to achieve these targets that should emphasize the following:
 - Create a State Master Plan which shall include a Development and Redevelopment component which shall serve as a comprehensive blueprint for the growth, development and conservation of the State and its regions.
 - Adopt a single set of municipal population and employment projections and targets (with local input) to be used by all state agencies and municipalities.
 - Submit an Infrastructure Needs Assessment report which shall detail the present and prospective conditions, needs and costs with regard to state, county and municipal capital facilities.
 - Review proposed bills, joint resolutions or concurrent resolutions in either House of the Legislature which establish and or modify any land use statute or regulation in this State and to suggest alternatives.
 - Review proposed regulations and programs from any state department which establishes and or modifies any land use regulation or program in the State for consistency with the State Plan, and where an inconsistency exists, to recommend changes or prevent the regulation or program from taking effect.
 - Coordinate departmental strategic plans and programs to ensure consistency with the State Plan, with specific emphasis on the plans and programs of the Departments of Transportation, Environmental Protection, Agriculture and Community Affairs.
 - Review and oversee capital spending and infrastructure financing of all departments and agencies for consistency with the State Plan, especially the Departments of Transportation and Community Affairs, the Environmental Infrastructure Trust, the Economic Development Authority and the Housing and Mortgage Finance Agency, and where an inconsistency exists, disapprove the spending.

- Mediate between conflicting state department policies, procedures and rules as well as conflicts between state, county and municipal policies to ensure a clear, consistent and efficient process for implementing the State Plan.
- Provide technical assistance to local governments in order to encourage the use of the most effective and efficient planning and development review data, tools and procedures.
- Develop and promote procedures to facilitate cooperation and coordination between state agencies and local governments with regard to the development of plans, programs and policies which affect land use, environmental, capital and economic development issues.
- Empower the State Planning Commission to review state infrastructure funding to ensure redevelopment is prioritized. State agencies and authorities must be required to demonstrate how their annual spending plans serve the priority for redevelopment established in the State Plan. The state must undertake a regular performance evaluation of state expenditures – operating and capital expenditures as well as discretionary and formula-based expenditures – to uncover areas of inconsistency.

Amend the MLUL to reinforce that housing is a critical purpose of planning.

- Address the provision of an adequate housing supply
 Unlike many enabling statutes in the nation, New Jersey has no separately articulated goals or purposes that specifically set forth that the provision of housing as a central focus of planning and a prerequisite for the exercise of the zoning power delegated to local governments. Recently A-3860 addressed this gap as follows: “To provide a supply of housing adequate to meet the demographic, social, and economic needs of the State’s diverse and dynamic population.” Enabling statutes of other states describe that a ‘variety and choice’ of housing styles including various configurations of multifamily housing and housing designed to meet specific needs (age supportive housing forms, community residences, etc.) must be included in reasonable proportion within the planning and zoning policies of local government. The MLUL should be amended to address the provision of an adequate housing supply, including variety and choice of housing styles and types, as an explicit purpose.
- Strengthen and clarify the role of the Housing Element
 The Fair Housing Act of 1985 expanded the role and content of the Housing Element in municipal planning; however, it was poorly integrated into the MLUL. N.J.A.C. 40:55D-62, Power to Zone, requires that a municipality have a Housing Element as a prerequisite to adopting a zoning ordinance. However, under N.J.A.C. 40:55D-28, the Housing Element is not listed as a mandatory element of the Master Plan, nor are the specific requirements for the content of a master plan integrated into the MLUL directly and are merely included by reference to the Fair Housing Act. This wording has led many practitioners to view the Housing Element as a document chiefly if not exclusively focused on achieving compliance with the Fair Housing Act and COAH regulations and has not led to much municipal consideration of supply, variety and choice of housing in general. N.J.A.C. 40:55D-28 28 should be amended to address these issues.

- Form-Based Zoning

A lack of control over the end product of development contributes to the adversarial nature of land use applications between applicants and municipalities. A solution to this quandary is provided by Form-Based Zoning (FBZ), a new approach to zoning that is gaining increasing popularity in urban, suburban and rural jurisdictions across the nation. FBZ is widely considered the most promising development in the field. While maintaining the ability of local government to control uses, FBZ shifts the emphasis to the built form, the outcome with which we all have to live with. Instead of complex and abstract mathematical formulas, FBZ codes depict in elegant and easy to comprehend two- and three-dimensional drawings the desired physical outcomes. FBZ codes typically regulate building types, instead of uses, and therefore provide a much greater level of detail and an enhanced predictability with respect to what is desired.

FBZ codes are recognized and promoted by the American Planning Association, American Institute of Architects, Congress for a New Urbanism, Urban Land Institute and many other professional organizations. FBZ codes are part of the curriculum in most accredited planning and design schools and should be made a mandatory part of the curriculum for planning and zoning board members in New Jersey.

FBZ codes are clearly authorized in NJ under the Redevelopment statutes. However, although some municipalities are currently pursuing FBZ codes under different circumstances, such as downtowns or planned communities, g land use professionals in the state are concerned that the MLUL should be amended to specifically define and permit FBZ codes and regulate the circumstances under which they might be applicable, and eliminate any ambiguity over their lawful use.

The Subcommittee believes the MLUL should be amended to specifically define and authorize FBZ codes in any municipality that wants to use them. Because FBZ codes will require an investment on the part of the municipalities wishing to adopt them, and in order to encourage the adoption of this more sophisticated regulatory tool, it also is recommended that the State create a grant program – perhaps by dedicating a portion of the Office of Smart Growth Smart Future planning grants – to help underwrite these efforts.

- Housing as a valid criteria for variances

An increasing number of local planning and zoning boards have been ‘finding’ in resolutions that additional housing arising from the grant of bulk variances is a ‘detriment’ in the evaluation of variances rather than treating the provision of housing and achieving the density zoned-for on a tract as inherent public benefit. In contrast, COAH has a longstanding provision that asserts that municipalities ‘shall’ cooperate with applicants through the granting of reasonable variances to ensure that development proceeds to deliver the amount of housing that a site was zoned to accommodate. Section 70 of the MLUL should be amended to at least incorporate COAH’s standard of review as it pertains to inclusionary development and should be reviewed to ensure that the provision of affordable housing cannot be weighed as a detriment in the consideration of bulk variances.

- **Time of decision**
Amend the MLUL to explicitly require that development applications be judged by the code provisions in place on the date they are submitted to, rather than deemed complete by the local administrative officer for a determination of completeness against the required checklist. This provision will introduce a much needed element of finality and certainty into the land development review process.
- **Amendments to General Development Plan Provisions**
The mutual advantages of the ‘conceptual review’ discussed above can be achieved and extended to a majority of development applications in ‘community zones’ (aka smart growth areas) by way of minor amendments to the General Development Plan (GDP) provisions of the MLUL.

The MLUL should be amended to allow the GDP option to be available ‘as-of-right’ in any municipality that has Planned Development provisions. The GDP option should not require a separate legislative action by the local government.

The 100-acre minimum currently required for GDPs makes no sense given New Jersey state government’s emphasis on growth management and redevelopment. A much reduced – perhaps even eliminated -- minimum area threshold for GDP enactment would make this mechanism much more relevant and effective in the context of present conditions in the state. The flexibility inherent to this existing provision of the MLUL can then be extended to a majority of development applications in appropriate locations.

In addition, GDP applications involving parcels of five (5) acres or less should not be required by local ordinance to submit an environmental inventory, community facility plan, phasing plan or fiscal impact analysis.

Finally, the Local Housing and Redevelopment Law at N.J.S.A. 40A:12A-1 et seq. (‘LHRL’) should be amended to make the revised GDP provisions applicable to all projects under the jurisdiction of the redevelopment statutes, regardless of their location or size.

- **Amendments to Planned Development Provisions**
The Planned Development provisions of the MLUL specify a 10-acre minimum for Planned Unit Developments and a 5-acre minimum for Planned Unit Residential Developments, Planned Commercial Developments and Planned Industrial Developments have no minimum area defined by statute; the minimum is determined by local ordinance. The concept of Planned Development – while still the most flexible in the MLUL -- is a product of the 1980s and is no longer the most appropriate to satisfy many of the requirements of municipalities, developers and current market conditions.

Instead of modifying the MLUL’s existing provisions, the Subcommittee recommends that the Planned Development section of the MLUL be amended to include a new Planned Infill Development section. This would be defined as a contiguous or non-contiguous area with no prescribed minimum size, located in a ‘community zone’ and containing a minimum of two (2)

buildings to be developed jointly with any combination of uses permitted by ordinance. Planned Infill Development (PID) areas would be subject to GDP submission.

- Hearing examiner

This report proposes that municipalities be authorized, but not required, to create hearing examiner positions as a supplement to planning and zoning boards to improve the efficiency, effectiveness and fairness of the development approval process. Legislation should provide a variety of options, including allowing the hearing officer to conduct the hearing on behalf of the planning or zoning board, to conduct the hearing alone and create the record, and make findings and recommendations, or make findings and a final decision, including conditions. Where the hearing officer's decision is final, it could be appealed to a board or governing body, but only on the record that was created in the hearing. Development application fees can pay for the costs of employing an examiner.

The position of zoning hearing examiner is a position created in municipal government to replace or supplement the traditional quasi-judicial decision making roles of a planning board or zoning board. Typically trained as an attorney or professional planner, the hearing examiner conducts hearings on original applications for development and appeals of land use decisions, oversees the creation of a record, and makes written findings and conclusions. Sometimes the hearing examiner's actions will take the form of final decisions, such as those for a variance. Alternatively, the hearing examiner may make recommendations on such topics as site plans and parcel-specific rezonings to a planning board, zoning board, or governing body.

The advantages of a hearing examiner include efficiency in reviewing development applications, especially where there is a heavy caseload. The examiner thus frees the time of planning board members to focus on long-term planning. The hearing examiner may be able to hold hearings more frequently than lay boards (since the problem of obtaining a quorum is eliminated), and thus can reduce delay applicants. The hearing examiner may also be flexible as to when hearings can be held, such as during the day. Further, a hearing examiner is, strictly speaking, more accountable, and can be hired and discharged without the political dimension associated with removal of planning and zoning board members. With a hearing examiner, a single professional decision maker is accountable for the final decision, rather than having the decision making responsibility diffused among a number of lay officials. The hearing examiner is, ideally, an impartial professional, with training in planning and land use regulation, who can hear a case without a particular bias or interest. Some contend that the use of a hearing examiner may reduce litigation, especially in a complex planning and land use environment.

Nine states (Alaska, Arizona, Idaho, Illinois, Indiana, Maryland, Oregon, Tennessee, and Washington) expressly authorize hearing examiners. In other states, including Ohio and Florida, hearing examiners have been established without benefit of enabling statutes. Some statutes simply authorize the establishment of the hearing examiner position; others contain specifics, such as requirements for training and experience, the types of development decisions the hearing examiner may consider, specifications of standards and criteria to be applied, and provisions for written findings and conclusions.

Enact a specialized land use court.

Given the complexity and changing nature of land use regulations, relevant case law, and municipal, county and state legislation and the considerable propensity for litigation over these issues in New Jersey it is recommended that the Legislature create a specialized Land Use Court – akin to the State’s Tax Court – staffed by judges with considerable knowledge of and experience in land use issues. The Land Use Court would have jurisdiction with respect to any land use decision of a county or municipal government, agency or authority or of State agencies. The Land Use Court would follow the rules and procedures of the NJ Superior Court and its judges would have equal standing with Superior Court judges.

Enact legislation to require area-wide permits under certain circumstances.

The Legislature should direct appropriate State agencies to modify the administrative rules of relevant programs to incorporate the concept of the *area-wide permit*. An area-wide permit is a single unified permit issued by a state agency regulatory program that allows certain pre-specified regulated activities to occur within the geographic boundaries of a designated area.

Area wide permits shall be available for ‘redevelopment’ and ‘rehabilitation’ areas designated under the *Local Housing and Redevelopment Act* and for Centers designated by the State Planning Commission and shall be valid for 6 years, subject to renewal.

The area-wide permit shall be issued to the municipality and administered locally. The municipality shall first submit a permit request that provides sufficient information about the nature and extent of the current conditions and planned activities to allow the state agency to evaluate the implications of these activities and to develop – with the active participation of the municipality, State Planning Commission, landowners and interested parties – an area-wide strategy with respect to the regulated resource. The area-wide permit will specify the type and extent of pre-approved activities within the designated area. The conditions of the permit will be enforced by the municipality through the site plan review process.

Area-wide permits shall be reviewed by the municipality as part of the Master Plan or Master Plan Re-Examination Process or whenever major changes in zoning or others would so require.

New or Modified Regulations

Establish 'community zones'.

The committee recommends formal adoption of the concept of 'community zones' as places where the state will direct growth be made. Before the state can create incentives for growth in the right areas, there must be a clear understanding of where these areas are located.

The following areas are proposed as New Jersey's 'community zones'.

- State Planning Areas
 - Metropolitan PA 1
 - Suburban PA 2
 - Designated centers
- Regional Master Plans
 - Pinelands Comprehensive Management Plan (CMP) – designated growth areas
 - New Jersey Meadowlands Commission Master Plan – growth area
 - Highlands Regional Master Plan: Growth areas identified in municipal master plans/zones that are in conformance with the Regional Master Plan
- DEP designated CAFRA centers
- Designated TDR receiving zones
- Areas in need of redevelopment or rehabilitation as designated pursuant to N.J.S.A. 40A:12A-1. et. seq.

Continue to recognize designated 'expired' centers.

Under the provisions of State Planning Commission regulations, more than 60 designated centers expired on January 8, 2008. The designated centers must continue to be recognized as smart growth areas, where land with sewer service is to be used efficiently and so that there are not unintended inconsistencies with state agency regulations, e.g. under BPU regulations new development would, in effect, be penalized and required to pay all costs of utility line extensions if centers expire.

- The Governor should issue an executive order to eliminate the center expiration provision of the SPC regulations and restore the center status of the expired centers.
- Centers should not expire. The center status should continue unless subsequently changed by amendment or revision of the State Plan.

Reevaluate the regulatory requirements of Stormwater Management Rules.

DEP must reevaluate the regulatory requirements under the Stormwater Management Rules, at N.J.A.C. 7:8 et seq. in 'community zones'. DEP needs to provide for a cooperative approach with the state or regional planning authority with jurisdiction for the area to jointly propose rules and regulations that are context sensitive and appropriate to the surrounding land uses and planning designations. Stormwater Management Rules should have context appropriate applications that recognize the area within which they are being implemented. An example would be the modification or elimination of stormwater retention requirements in the State's Urban Centers.

Reevaluate the regulatory requirements of Flood Hazard Rules.

DEP must reevaluate the regulatory requirements under the Flood Hazard rules, at N.J.A.C. 7:13 et seq. in 'community zones'. DEP needs to provide for a cooperative approach with the state or regional planning authority with jurisdiction for the area to jointly propose rules and regulations appropriate to the surrounding land uses and planning designations

Reevaluate the proposed requirements of Site Remediation Rules.

The proposed Site Remediation rules should be re-evaluated to ensure that standards are set at levels that protect health and safety, promote clean up of contaminated sites, and return abandoned sites in the 'community zones' to productive re-use in accordance with state and regional plans.

DEP Water Quality Management Plan Rules should be re-proposed to recognize:

- The WQMP and WMP are plans to provide sewer service for 'community zones'. They are not land use plans.
- Existing WQMPs and WMPs must remain in place until revised.
- Submissions must be phased in over several years; priority needs to go to plans providing for expansion and upgrades of sewer service for 'community zones'.
- Due to the complexity of issues to be addressed, e.g., septic management, these issues must be phased in over several planning cycles.
- Plans should allow for new stand alone sewer treatment systems to serve new centers of concentrated development patterns on developable lands in Planning Areas 4 and 5 to prevent low density sprawl over these planning areas.
- The State Planning Commission should serve as the mediator between the county and DEP in resolving planning issues relating to the provision of sewer service to 'community zones'.

Surface Water Quality Standards Rules should be coordinated with surrounding land uses.

As part of its Surface Water Quality Standards rule proposal, DEP should not impose any of the regulatory requirements for the identified stream classifications in 'community zones'. Instead, DEP should provide for a cooperative approach with the state or regional planning authority with jurisdiction for the area to jointly propose rules and regulations appropriate to the surrounding land uses and planning designations.

Further, prior to any action on any proposed rules for Surface Water quality. DEP should obtain independent external peer review of the science underlying the proposed rules to determine whether there is empirical support for them, what the likely impact will be from the rules, and whether there are alternative ways of furthering environmental objectives.

Re-designate CAFRA Centers.

DEP should re-designate all of the CAFRA coastal centers not under State Plan jurisdiction that were originally designated by DEP in 2000.

Originally designated by DEP at N.J.A.C. 7:7E at seq. in 2000 in the CAFRA area of the state, CAFRA Centers not under State Plan jurisdiction subsequently expired because most municipalities did not

participate in the SPC plan endorsement process, as would have been necessary, to receive full center status. It is important to protect the center designations to promote efficient land use of sewer service areas. As DEP noted when it designated coastal centers in 2000, “Centers are compact forms of development that, compared to sprawl development, consume less land, deplete fewer natural resources, and are more efficient in the delivery of public services. The concept of centers and promoting development in them is a key principle of growth management initiatives in the State, including the coastal area.” Without center status, the impervious cover limits are much too low in the ‘community zones’, thus promoting, instead of discouraging, inefficient low density land use patterns.

Revisit Center Designation process.

The SPC should return to its prior procedures of designating centers without use of the plan endorsement process.

Initially, the SPC process for the designation of centers involved a petition to the SPC relating specifically to land use in the center and the establishment of its boundary. Although that process worked comparatively well, the SPC abandoned it in favor of a more comprehensive process known as plan endorsement that included an evaluation of the land use for the entire municipality—not just the center. That process has proven to be extremely slow and expensive. As a result, few additional centers have been designated, even though many areas function as centers. They should be officially recognized as such.

The SPC shall also have the authority to designate a center based on internal analysis that an area has all the attributes of a center and is an appropriate location to accommodate state growth. The SPC shall use the State Plan to develop the list of attributes. This provision is necessary to ensure that areas that are appropriate for growth are identified properly and afforded the appropriate incentives for higher density growth.

New Partnerships and Coordination

State highway access standards must recognize the connection between transportation infrastructure and land use.

The levels of congestion that are acknowledged to exist in the ‘community zones’ should be appropriately reflected in state highway access standards. DOT needs to provide for a cooperative approach with the state or regional planning authority with jurisdiction for the area to jointly propose rules and regulations appropriate to the surrounding land uses and planning designations. The link between transportation infrastructure and land use needs to be recognized. There must be improved coordination and integration of transportation and land use, which will also require greater collaboration on the part of the State and counties with municipal land use decision-makers to allow for more efficient and coordinated investment in transportation facilities and development that can be adequately supported by those facilities.

Encourage planning for the reuse of Greyfields.

The State Planning Commission should actively promote conversion of commercial sites that are no longer viable to residential and mixed use centers.

Many properties in the state have been previously developed as commercial office parks and shopping centers that are no longer viable. While some have been reinvented as mixed use developments that incorporate housing, many of these sites are vacant or seriously underutilized, i.e., height, density and floor area ratio. There is a need to aggressively promote market viable reuse of these sites. Most of the sites have public water and sewer service. The larger sites have road networks, buildings and vacant land that could support conversion to residential use or center type mixed use. Incentives should be developed to encourage municipalities to change the permitted uses of these sites to include residential use.

Identify opportunities for Office and Industrial Park infill and reuse.

The State Planning Commission should actively seek to identify opportunities to promote residential infill in office/industrial parks in appropriate locations with underutilized land and wastewater treatment systems and, in particular, close to transit. It should create a program that provides municipalities with technical assistance to plan for retro-fitting these single-use areas and change the restrictive single-use zoning to mixed-use zoning that encourages housing, and in particular work-force housing.

Board of Public Utilities should grant exemptions for inclusionary housing.

The Board of Public Utilities is encouraged to either grant exemptions to inclusionary affordable housing developments as projects of public use or otherwise revise its regulations to allow inclusionary affordable housing developments that are not located in identified smart growth areas to receive the same level of refunds for utility service as allowed in smart growth areas. This is necessary to eliminate a cost generating feature that increases the cost of developing affordable housing.

State Plan mapping criteria should be reevaluated.

Areas with existing sewer service that are presently located in Planning Areas 3, 4 or 5 should be re-designated as Planning Area 2. The State Plan Planning Area 2 designation criteria should be amended to reflect that areas with existing infrastructure and capacity should be recognized as growth areas even if not adjacent to other suburban or metropolitan areas or in formally designated centers. Many of these previously developed areas have been placed in Planning Areas 3, 4 or 5 because of the State Plan designation criterion that required the areas to be adjacent to a Planning Area 1 or 2. Due to a wide range of factors, many of these suburban areas are not adjacent to other developed areas or are not in designated centers. Their developed condition needs to be accurately reflected on the State Plan.

Housing Policy Task Force

Workforce Housing Subcommittee

I. Goal Statement

The goal of the WorkForce Housing Committee was to review the WorkForce Housing Needs in New Jersey and to make specific recommendations to increase the production of housing for this population. Although the original charge to the Committee was to use 140% of Area Median Income as the basis of the recommendations, it is the recommendation of the Committee that for purposes of this report, WorkForce Housing be identified as housing for households between 81-120% AMI.

II. Preamble

WorkForce Housing (WFH) is defined as permanent housing for New Jersey households with income between 81-120% of Area Median Income. The attached chart details the WFH incomes by County based on 2007 COAH Income Limits (Exhibit 5).

Per the 2000 Census, there are a total of 740,525 WorkForce Households, 24.1% of the NJ Households. Of the total, 502,605 are homeowners and 237,920 are renters. The attached chart details the WFH by County (Exhibit 6).

In order to better understand the needs for WorkForce Housing in New Jersey, the Committee invited presentations by the State Office of Economic Growth, the State Office of Smart Growth, the Casino Redevelopment Authority and a private consultant working in the area of WorkForce Housing. In addition, Committee members who represent a broad spectrum of the housing and planning industry presented written proposals specific to their areas of expertise.

The WorkForce Housing Committee also held a joint meeting with the Affordable Housing Committee.

III. Findings of Fact

While there are identified sources of state and federal funding for 'affordable' housing, there are no funding sources targeted to WFH. Significant sales price differences between subsidized affordable housing and market rate housing prevent WFH families from moving up, resulting in fewer housing opportunities for both WFH and lower-income families.

Based on the average sales price for new and re-sale homes in 2006, households with incomes of up to 120% of AMI (based on COAH Income Limits, 4.5 person household) can afford the purchase a home in only five of New Jersey's 21 counties (Exhibit 7). For example, a household in Somerset

County would need to earn 156% of AMI even though Somerset County has the highest Median Income in the state. A family in Bergen County would need to earn 247% of AMI to qualify.

The approvals process for projects at all levels of government is often unpredictable in both outcome and processing time and may be impacted by conflicting or redundant regulations at various governmental levels, all of which causes increased development and construction costs with consequential higher home sales prices.

Municipal hesitancy in approving higher zoning densities for WorkForce Housing due to the anticipated burden on the local school system, loss of Open Space and traffic issues.

No incentives for municipalities to encourage the development of WorkForce Housing.

No incentives for developers to encourage the development of WorkForce Housing.

Increased construction costs coupled with high operating costs has resulted in no new unsubsidized rental complexes being built.

IV. Recommendations

New or Redirected Resources

Allow a portion of any new sources of State funding for Affordable Housing to be used for WorkForce Housing including existing programs of the NJ Housing and Mortgage Finance Agency.

New or Amended Legislation

Amend the Fair Housing Act to allow COAH credit for WorkForce Housing units (Exhibit 8).
Require that all proposed State regulations include a Housing Impact Statement (Exhibit 9).

New Programs

Create a WorkForce Housing working group at the State level consisting of staff from Departments and Agencies with an interest in WorkForce Housing. The purpose of this group would be to coordinate efforts.

Create a Smart Housing Program to increase the supply of land zoned for workforce housing by offering financial incentives to municipalities who zone for well-located, compact housing with a large affordable component (Exhibit 10).

New or Modified Regulations

Work with the Departments of Community Affairs, Environmental Protection, and Transportation on others to determine ways to streamline and align regulations to meet the goals of the State.

Work with DEP to reduce the regulatory obstacles to housing construction, with a special focus on Brownfields cleanup standards and urban waterway corridor restrictions.

Work with DEP to implement a user-friendly version of the Readiness Checklist for inclusionary housing developments in smart growth areas to provide prioritized permit review and regulatory flexibility while maintaining environmental outcomes

Support regulatory changes to lower the operating costs of existing and newly development rental projects (Exhibit 11).

New Partnerships and Coordination

Extensively market these programs to specific sectors of the business community (health care/hospitals, pharmaceuticals, casinos).

Work closely with the Office of Economic Growth to target programs to areas of business growth including working with employers seeking to expand or enter New Jersey. Examples of this partnership could include:

- Targeting state and municipal resources to areas of the state where specific job growth is expected to occur.
- Providing a menu of WorkForce Housing options that can be supported by business to any employers seeking to expand their operations or move into New Jersey.

The State should work closely with municipalities to encourage the development of WorkForce Housing, specifically manufactured home communities, rental housing and for-sale housing. The State should provide technical assistance including Best Practices models as examples of WorkForce Housing.

Other Initiatives

Continue to promote a dialogue on WorkForce Housing throughout the State including speaking at conferences (Urban Land Institute, Governor's Housing Conference) and continuing to meet as a Committee to explore new opportunities for WorkForce Housing.

Work closely with NJ Future on their Smart Housing for Economic Prosperity Program.

Undertake a campaign to make the public aware of the need for WorkForce Housing and the vital impact that this population has on the NJ economy as a whole.

Aggressively market the recently modified HMFA Live Where You Work Program to municipalities. Target large employers in the state to design employer-assisted housing programs under the guidelines of the Homeownership for Performing Employees Program (HOPE) administrated by the HMFA.

Strategic Planning for Affordable Housing Preservation in New Jersey

I. Goal Statement

On a national level, hundreds of thousands of existing subsidized, affordable and multifamily housing stock are nearing the end of their affordability controls. New Jersey has proactively made preservation of existing affordable units a priority and has made great strides in renewing affordability controls of existing affordable housing. The State of New Jersey must continue to invest resources into this effort, by developing and implementing new and innovative strategies to encourage preservation while removing barriers, and setting a goal of number of units to preserve over the next ten years. Recommended strategies to achieve this goal include:

- Identifying existing affordable housing stock that is most 'at risk' in the near term based on the likelihood of converting to market-rate housing or of deterioration due to lack of resources for maintenance;
- Strategically preserving and renovating the affordable housing that is most at risk of being lost; and
- Creating and maintaining sustainable communities located near jobs, transportation and services.

II. Preamble

Preserving and improving affordable housing is an essential step in addressing New Jersey's affordable housing needs.

Affordable rental housing provides an option for families and the elderly to live in stable, diverse communities, close to services and work opportunities. The current subprime crisis highlights that homeownership is not a viable solution for all households and demonstrates the on-going need for a stable inventory of affordable rental housing.

The federally assisted rental housing stock is an especially important resource because it provides affordable homes to low and very low-income families and seniors. From 1965 to the mid-1980s, when the federal government partnered with the private sector by providing financial incentives in exchange for a commitment from property owners to keep the apartments affordable to low income households, tens of thousands of federally assisted apartments were developed throughout the State of New Jersey.

Many federally assisted affordable apartments are located within close proximity to affordable public transportation options, which provides residents with greater access to employment, education, community and retail opportunities, thereby increasing their quality of life.

Tax credit equity has been a substantial source of funding for affordable housing for the last twenty years; however, current economic conditions have put this funding source in jeopardy. Historically, preservation tax credits were often valued at a higher level than those for new construction, but in this current economic period, syndicators are shifting priorities to suburban, new construction projects. Preserving existing affordable housing is cost-effective. Analyzing tax credit equity deployed into new construction and rehabilitated rental properties; the National Housing Trust (NHT) has determined that it costs approximately 60% more to build a new affordable apartment than to preserve one in the same community. In more expensive communities, the cost of building new affordable housing is almost double the cost of preserving affordable housing in the same neighborhood.

Preserving affordable housing is faster than new construction. New construction of affordable housing typically takes at least two and often three years to complete from start to finish. Preservation and rehabilitation of affordable housing takes approximately half that time.

New construction will not produce a sufficient supply of affordable rental housing for very low-income households. According to a national study by the Joint Center on Housing Studies, the number of low cost rentals lost to the housing supply shrunk by more than two million between 1993 and 2003. Only when existing affordable housing is preserved will building new affordable housing actually add to the affordable housing supply.

Safeguarding affordable housing maintains a mix of housing options in gentrifying neighborhoods and helps sustain older neighborhoods. Maintaining affordable housing in mixed income and aging neighborhoods allows low income households and generations of residents to remain in their communities and be able to avail themselves to better educational opportunities and jobs.

Rehabilitating and improving existing affordable housing can be more sustainable in that renovating an existing building produces less construction waste, uses fewer new materials, and requires less energy than demolition and new construction.

III. Findings of Fact

Today, nearly one-third of New Jersey households rent. Of this number, 38% of renters, or 392,450 people, spend 35% or more of their gross income on rent. This statistic is demonstrative of the high cost of rental housing in New Jersey and indicates that there is a significant population in New Jersey that could be eligible for affordable housing programs.

The project-based Section 8 rental assistance program provides affordable apartments for a total of approximately 53,000 New Jersey families and seniors. The rent amounts that owners are collecting on these apartments range from being below the United States Department of Housing and Urban Development's (HUD) fair market rent (FMR) to well above (see table below).

Number of Apartments at Various Rent Levels	
Sec. 8 Rent below 80% FMR	7,589
Sect 8 Rent between 80% & 120% FMR	31,180
Sec. 8 Rent above 120% FMR	14,020
Total Project-Based Section 8 Apartments	52,789

According to the National Housing Trust, more than 4,700 federally assisted housing units have been lost from New Jersey's affordable housing supply since 1996, for various reasons including conversion to market rate and foreclosure.

On the national level, with projected growths in renter populations and added pressures on budgets, states are increasingly investing in affordable housing preservation. Just a few years ago, less than a handful of state governments prioritized preservation in their Low Income Housing Tax Credit (LIHTC) programs. Today, 46 states prioritize preservation through points or a specific preservation set-aside in their competitive tax credit program. As a result, the number of affordable units preserved using LIHTCs have more than tripled over the last six years. The New Jersey Housing and Mortgage Finance Agency (HMFA) estimates that at least 2,500 affordable units were renovated and preserved in New Jersey with Low Income Housing Tax Credits over the last four years.

Challenges

According to the New Jersey Housing and Mortgage Finance Agency's Preservation Database, there are 48,694 HUD, Low Income Housing Tax Credits, and HMFA financed housing units with affordability restrictions set to expire by 2016.

Of the total Project-Based Section 8 apartments in New Jersey, 29,659 are covered by contracts that will expire by the end of 2012.

Insufficient funding, chronically late Section 8 payments, and short-term Section 8 contracts are eroding public confidence in the federal government's commitment to the Section 8 program. In other cases, properties have increased substantially in value, giving owners the incentive to opt out of the federal programs and convert the housing to market rate. For some owners who wish to stay in the

affordable housing system, delays in payments and difficulties working with HUD feeds owner 'HUD fatigue.' Finally, many 20 year-old properties are suffering from physical deterioration and are in need of significant capital improvements.

There are many state and federal regulations and programs that are charged with creating and preserving affordable housing, and at times are in conflict with one another. Regulations and programs should be streamlined to increase the capacity to build and preserve affordable housing.

Developers often have difficulty in securing tax abatements from municipalities, due to the lack of a streamlined statewide policy regarding the appropriate allocation of abatements in a consistent manner. Municipalities have discretion regarding which projects are deserving of tax abatements.

Accomplishments

HMFA is proactively responding to current unfavorable market conditions for Low Income Housing Tax Credits by, among other things, increasing the basis limit, increasing maximum per project limits and being more flexible in the hardship clause mechanism.

New Jersey has dedicated resources to preserve affordable housing and sets aside a specific portion of the competitive 9% Low Income Housing Tax Credits each year to be used for renovating and preserving existing affordable housing.

Last year, HMFA dedicated over \$4 million in 9% tax credits to fund four projects that applied for the preservation set aside.

Between 2004 and 2007, New Jersey preserved more than 5,000 affordable housing units using competitive 9% Low Income Housing Tax Credits, 4% Low Income Housing Tax Credits, and other HMFA financing tools.

HMFA enacted regulatory restrictions to prevent HMFA-financed projects from prematurely opting-out of federal subsidy contracts. Projects cannot terminate affordability controls prior to the expiration of the original mortgage term even, if the HMFA mortgage is pre-paid.

IV. Recommendations

In order to address the critical barriers to preserving affordable housing, recommendations should include the following areas of policy reform:

- *Financing:* Stabilize and dedicate increased public funding to long-term preservation ownership; provide adequate resources to assist residents of at-risk properties; expand public-private financing sources for preservation transactions
- *Regulation:* Streamline policies and coordinate administrative practices to improve support for long-term preservation owners and make preservation transactions easier, faster and less costly
- *Incentives:* Increase tax and regulatory incentives for sellers and owners of existing, affordable rental housing to encourage preservation, reduce speculation and maximize long-term affordability
- *Information:* Collect, standardize, and widely share information about the characteristics of existing affordable rental properties, their residents, and key factors that create a risk of loss, as well as innovative and successful preservation strategies.

New or Redirected Resources

The State should place equal priority on preservation and new construction of affordable housing in New Jersey in order to ensure access to new and redirected funding resources. New funding sources dedicated to preservation should be identified. Although the current condition of the State budget may not be able to support new sources of funding, the following recommendations should be considered as potential long-term goals:

- **Donation Tax Credit**

Other states now provide state corporate or individual tax credits that can be used in different ways. In Illinois and Missouri, the credit provides a strippable onetime tax credit on the value of any property donated to a nonprofit affordable housing sponsor.

- **State Low Income Housing Tax Credit**

More than a dozen states currently allocate state tax credits. In some states (e.g. CA, GA), proposals that qualify for the federal Low Income Housing Tax Credit program automatically qualify for the state program, and in other cases (e.g. CT, IL, MA, NM, VA) the state credits are administered separately.

Provide more access to soft money on top of both 9% tax credits and 4% tax credit transactions.

Encourage municipalities to reduce the property tax burden of affordable housing properties.

Provide automatic extensions for tax abatements in return for continued affordability, or assessing the property value of affordable housing properties as affordable. The latter is used in New York and has lowered the tax liabilities for affordable housing properties and also ended the need for tax abatements.

Address COAH issues.

The Council on Affordable Housing (COAH) and HMFA should work with municipalities in a coordinated fashion to utilize a reasonable portion of monies accumulated in affordable housing trust funds as a financing tool for preservation of at-risk housing.

COAH should encourage municipalities to direct RCA funds to the renovation and modernization of existing multifamily rental projects as part of a strategy to keep them affordable rather than using RCA fund primarily for 1 – 4 family owner-occupied buildings. *Update: The passage of A500 eliminates the issuance of new RCA's.*

COAH's proposed new rules should be adopted as expeditiously as possible, as COAH must approve municipal plans before money may be expended. *Update: The adopted rules were published in the NJ Register on June 2, 2008.*

Consider establishment of New Jersey Acquisition Loan Fund with socially motivated lenders, or expanding the NJ PLAN fund at The Reinvestment Fund to facilitate large scale acquisition loans for preservation.

Examples of this type of fund include:

- New York City's \$220 million acquisition fund.
- District of Columbia's \$40 Million Site Acquisition Funding Initiative for Affordable Housing (SAFI). SAFI funding seeks to leverage DC city funds with private funding to provide expeditious closings, accessibility and a revolving loan fund for nonprofit developers for the preservation, rehabilitation and production of affordable housing. This initiative provides site acquisition and predevelopment loans, purchase options and technical assistance to nonprofit developers. The term is no more than two years. Developers are able to secure the properties and then seek permanent long term, take out financing.

New or Amended Legislation**Consider a statewide Right of 1st Refusal Law.**

Newark is currently contemplating a local first right of refusal law for all multifamily housing. The State could consider a statewide right of first refusal law modeled on the District of Columbia's Tenant Opportunity to Purchase Act (TOPA). TOPA stipulates that owners of residential rental properties must give the tenants an opportunity to purchase the building at a price and terms matching a bona fide third party offer. The tenants have no less than 120 days to negotiate a contract of sale. In addition to the minimum time provisions, the owner may also give the tenant organization reasonable extensions without incurring liability to any other third party contract.

Review the need for redundant state and local inspections of properties and examine the value of the Certificate of Occupancy (CO) requirement for vacant units.**Require municipalities to enact affordable housing replacement ordinances.**

Require developers whose actions result in loss of affordable housing (though demolition, condominium or non-residential conversions, etc.) to replace all or a percentage of the units lost. Replacement ordinances have been enacted on a limited basis in California and Vermont. Such an ordinance would

require a legislative change to apply to demolition or condominium conversions. *Update: the passage of A500 sets new requirements for replacement units in redevelopment areas.*

New or Modified Regulations

Annually examine the Qualified Allocation Plan for Low Income Housing Tax Credits.

Address the changes in the market and to further provide incentives for the preservation of affordable housing units.

All housing program regulations and guidelines should be written to provide flexibility related to projects' specifics.

In some cases, it may not be the best solution to preserve 100% of the units in a preservation project. HMFA should continue to work with owners on a project-by-project basis to determine the right amount of affordable units in a project based on the community.

The developer fee for preservation projects should reflect the extent of the rehabilitation work needed for a project.

Developers should receive a fair and reasonable return on their investment of time and skill. For example, the fee could be structured to allow an 8% fee for acquisition costs and a 15% fee for other development costs.

Sufficient funding source should be identified when implementing new rules and regulations on existing affordable housing.

Extend the affordability of the properties for a term equivalent to that of an HMFA mortgage.

Require of owners, in connection with the expenditure of any of the above mentioned new or re-directed resources.

Provide guidance clarifying under what conditions a preservation project should qualify for a tax abatement under the Long Term Tax Abatement Law.

New Partnerships and Coordination

Create a state driven 'early warning' strategy involving all stakeholders (e.g. HMFA, DCA/COAH, HUD, DHS, for-profit and nonprofit developers, syndicators and lenders).

- Enhance the HMFA Preservation Database by including market data and building conditions to identify the stock that is truly at risk of converting to market rate housing or going into foreclosure.
- Adapt the Preservation Database to generate reports for public use and make available on the HMFA website.
- Develop an outreach strategy to help public agencies smartly deploy resources for preservation in time for intervention on a city-by-city basis.

Direct HMFA to coordinate stakeholder meetings as needed to keep all parties informed, similar to coordination that is done with syndicators to discuss the tax credit market.

Expand resources within the HMFA to enhance the capacity of non-profit and first time developers of affordable housing.

The responsible division would:

- Create a preliminary screening process for preservation transactions and establish a process that would increase developer interest.
- Focus on developing financing and ownership capacity in particular communities where Section 8 housing is at risk.
- Strengthen asset management of current owners, especially nonprofit owners.
- Use information from data collected by HMFA on expiring Section 8 contracts to identify property needs and match those needs with refinancing opportunities or new ownership.
- Provide technical assistance to for-profit and nonprofit purchasers of these assets. This technical assistance requires specific HUD expertise.
- Provide professional staff for transactional support, specifically to bring knowledge on how to make transactions successful and how to navigate the complexities of HUD funding programs.

Enhance coordination of the inspection requirements for projects that have both HMFA financing and tax credit allocations.

Improve coordination between state and federal housing agencies and their respective programs and regulations.

- Improve coordination between COAH regulations, the Uniform Housing Affordability Controls (UHAC), and federal programs to allow HUD supported projects to receive affordable housing credits where appropriate.
- Clarify UHAC so that units created under HMFA financing programs, the Low-Income Tax Credit program and other federal funding sources can be assured of receiving COAH credit. Currently, there are discrepancies in these programs such as bedroom distribution, affordability average, low moderate split, and set asides for low income housing that add an unnecessary and costly burden to affordable housing projects without providing a commensurate benefit.

Housing Policy Task Force Committee Members

Chair

Joseph V. Doria Jr., Commissioner, New Jersey Department of Community Affairs
Christiana Foglio, President, Community Investment Strategies

Affordable Housing

Co-Chairs

Paige Carlson-Heim, Housing and Community Development Network of New Jersey
Ed Martoglio, RPM Development

Members

Alison Badgett, Homes for New Jersey
Paul Bellan-Boyer, New Jersey Regional Coalition
Chris Garlin, The RCG Companies, LLC
Jonathan Gershen, The Gershen Group, LLC
Mark Holmes, Council on Affordable Housing Board Member
Kareem A. Hutson, Genesis Partners Real Property, LLC
Keith Kinard, Newark Housing Authority
Julie Roberts, NJ ACORN
Ed Schmierer, Mason Griffin & Pierson, PC
Kevin Walsh, Fair Share Housing
Brad Ingerman, The Ingerman Group
Matt Shapiro, New Jersey Tenants Organization

Homelessness and Special Needs

Co-Chairs

Rev. Bruce Davidson, Lutheran Office of Government Ministries/Anti-Poverty Network
Alison Recca-Ryan, Corporation for Supportive Housing

Members

Sandy Accomando, Apostle House
Daniel Altilio, United Way of Hudson County
Mike Armstrong, Community Hope
Harold Colton-Max, Jewish Community Housing Corp.
Robert Davison, Mental Health Assoc of Essex County
Bob Guarasci, Community Development Corporation
Carolyn Lewis-Spruill, City of Trenton, Department of Health and Human Services

Community Revitalization

Chair

Richard Johnson, Matrix Development Group

Members

Dave Barry, Applied Company

Vito Gallo, Housing and Community Development Planning

Bob Goldsmith Esq., Greenbaum, Rowe, Smith & Davis, LLP

Oscar Ocasio, City of Elizabeth

Mayor Wayne Smith, Mayor of Irvington

Helene Pierson, Heart of Camden

Bishop GC Benbow, Urban Clergy of Plainfield

Phyllis Salowe-Kaye, New Jersey Citizens Action

Diane Sterner, Housing and Community Development Network of New Jersey

Mike Meyer, Director of Housing and Real Estate, City of Newark

Mayor Joey Torres, Mayor of Paterson

Land Use and Planning

Co-Chairs

Timothy Touhey, New Jersey Builders Association

John Winterstella, Council on Affordable Housing Board Member

Members

Martin Bierbaum, Municipal Land Use Center

Paul Chrystie, Coalition for Affordable Housing and the Environment

Arnold Cohen, Housing and Community Development Network of New Jersey

Albert Ellis, Council on Affordable Housing Board Member

Susan Gruel, Heyer, Gruel & Associates

Joanne Harkins, New Jersey Builders Association

Creigh Rahenkamp, PP/AICP

Carlos Rodrigues, PP/AICP, Regional Plan Association

Joel Schwartz, Landmark Companies

Anthony Splendoria, Back to Nature

Stuart Meck, Director, Center for Government Services,

Edward Bloustein School of Planning and Public Policy, Rutgers University

Workforce Housing

Co-Chairs

Mark Murphy, The Fund for New Jersey
Mayor Jim Maley, Mayor of Collingswood

Members

Matt Doherty, Councilman of Belmar
Conor Fennessy, New Jersey Apartment Association
Mike Fink, Leewood Real Estate
Joan Fittz, New Jersey Manufactured Housing Association
Jarrod Grasso, New Jersey Association of Realtors
Deforest Soaries, First Baptist Church of Somerset
Susan Zellman, Housing Partnership
Christ Sturm, New Jersey Future
Sean Closkey, The Reinvestment Fund

Interdepartmental Coordination

Chair

Dave Fisher, Matzel & Mumford

Members

Stephanie Bush-Baskette, J.C. Cornwall Center for Metropolitan Studies, Rutgers University
Lopa Kolluri, Community Investment Strategies
Deborah DeSantis, The Corporation for Supportive Housing/Council on Affordable Housing
Board Member
Lori Grifa, Wolff & Samson, PC
Diane Johnson, United States Department of Housing and Urban Development
David Kinsey, Kinsey & Hand
Peter O'Connor, Fair Share Housing Center
Tom Troy, Sharbell Development Corp.
Jim Valle, Homes for All, Inc.
Peter Hovnanian, JS Hovnanian & Sons
Mayor David Del Vecchio, Mayor of Lambertville

Panelists for Housing Task Force Steering Committee

May 20, 2008

Transportation

Jon Carnegie, Executive Director, Voorhees Transportation Center,

Bloustein School of Planning and Public Policy, Rutgers University

Pippa Woods, Senior Planner, NJ Transit

Vivian Baker, Assistant Dir. Transit Friendly Land Use and Development, NJ Transit

Brent Barnes, Director of Systems Planning and Research, NJ Dept. of Transportation

Education

Dan Gaby, Executive Director, Excellent Education for Everyone (E3)

Environment

Bob Bzik, Somerset County Director of Planning

Chris Daggett, JM Sorge, Inc.

Randall Solomon, Director of the New Jersey Sustainable State Institute,

Bloustein School of Planning and Public Policy, Rutgers University

Neil Yoskin, Esq., Chairman of the Environmental Practice Group at Sokol, Behot,

Fiorenzo and Partner in charge of the Princeton office

Tim Dillingham, Executive Director, American Littoral Society

Exhibits

HOUSING PRODUCTION - 2006

FOR SALE

Below 80%	1,421
Below 120%	263
Below 140%	88

RENTAL

Below 60%	2,127
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SPECIAL NEEDS

Below 30%	265
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DCA

Below 80%	400
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COAH

Below 60%	<u>521</u>
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Total for 2006

5,085

HOUSING PRODUCTION - 2007

FOR SALE

Below 80%	2,217
Below 120%	367
Below 140%	122

RENTAL

Below 60%	2,374
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SPECIAL NEEDS

Below 30%	279
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DCA

Below 80%	445
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PHA

Below 30%	<u>4,424</u>
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NO COAH for 2007

Total for 2007

10,228

Total for 2006 and 2007

15,313

**State of New Jersey
Executive Order #4**

Governor James E. McGreevey

WHEREAS, it is the law and policy of the State of New Jersey to promote smart growth and to reduce the negative effects of sprawl and disinvestments in older communities; and

WHEREAS, the State Legislature has declared that New Jersey requires sound and integrated Statewide planning and the coordination of Statewide planning with local and regional planning in order to conserve the State's natural resources, revitalize its urban centers, protect the quality of its environment, and provide needed housing and adequate public services at a reasonable cost while promoting beneficial economic growth, development and renewal; and

WHEREAS, significant economies, efficiencies and savings in the development process would be realized by private sector enterprise and by public sector development agencies if the several levels of government would cooperate in the preparation of and adherence to sound and integrated plans; and

WHEREAS, it is in the public interest to encourage development, redevelopment and economic growth in locations that are well situated with respect to present or anticipated public services and facilities, giving appropriate priority to the redevelopment, repair, rehabilitation or replacement of existing facilities and to discourage development where it may impair or destroy natural resources or environmental qualities that are vital to the health and well-being of the present and future citizens of this State; and

WHEREAS, a sound and comprehensive planning process will facilitate the provision of equal social and economic opportunity so that all of New Jersey's citizens can benefit from growth, development and redevelopment; and

WHEREAS, the State Planning Commission is charged with overseeing a cooperative planning process that involves the State, county and local governments as well as other public and private sector interests to enhance prudent and rational development, redevelopment and conservation policies and the formulation of sound and consistent regional plans and planning criteria and providing local governments in this State with the technical resources and guidance necessary to assist them in developing land use plans and procedures which are based on sound planning information and practice, and to facilitate the development of local plans which are consistent with State plans and programs; and

WHEREAS the State Development and Redevelopment Plan, commonly known as the "State Plan," embodies the State's official land use and development policies, to guide public investment, infrastructure development, economic growth, urban revitalization, sound housing and transportation policy, agriculture promotion and preservation, energy

policy, and preservation of natural, environmental, coastal, historic and cultural resources; and

WHEREAS, despite these efforts, New Jersey still suffers the effects of poor land use planning and decision-making such as increased commuter times, loss of open space, loss of natural resources, declining property values in distressed areas, increasing property taxes, escalating State costs associated with aiding distressed municipalities and supporting sprawling development.

WHEREAS, the principles of smart growth would focus new growth into redevelopment of our older urban and suburban areas, protect existing open space, conserve natural resources, increase transportation options and transit availability and reduce automobile traffic and dependency, stabilize property taxes, and provide affordable housing; and

WHEREAS, plan endorsement -- meaning a process by which the State Planning Commission certifies consistency between municipal or regional planning and the State Plan - offers the potential of fostering municipal and regional implementation of the principles of smart growth; and

WHEREAS, various State agencies, including independent authorities and bi-state agencies, have not maximized the potential of incorporating the fundamental elements of the State Plan and the general principles of smart growth into their functional plans or regulations;

NOW, THEREFORE, I, JAMES E. MCGREEVEY, Governor of the State of New Jersey, by virtue of the authority vested in me by the Constitution and by the Statutes of this State, do hereby ORDER and DIRECT:

1. To ensure that State agencies incorporate the principles of smart growth and the State Plan into their functional plans and regulations, there shall be created in the Office of the Governor a Smart Growth Policy Council.
2. The Council shall consist of the following: the Secretary of Agriculture; the President of the Board of Public Utilities; the Treasurer; the Chief Executive Officer of the Commerce and Economic Growth Commission; the Commissioners of the Departments of Community Affairs, Education, Environmental Protection, and Transportation; the Executive Directors of New Jersey Transit, and the Economic Development Authority, and the Chief of the Authorities Unit. The Council shall be chaired by a senior policy advisor from the Governor's staff. The chairperson shall be supported by appropriate planning staff as needed from the various executive departments.
3. The Council shall meet bi-monthly or as needed.
4. The Council shall have the following responsibilities, powers and duties:
 - a. Develop and implement inter- and intra-departmental procedures and programs to assure that State agency functional plans, programs, and

- projects are consistent with and serve to the principles of smart growth and implement the State Plan.
- b. Recommend legislative and administrative changes to advance the principles of smart growth and the State Plan.
 - c. Ensure that State grants, incentives or other funding issued to promote economic activity or otherwise by any agency promote consistency with the principles of smart growth and the State Plan.
 - d. Ensure that State transportation and infrastructure spending and regulation are consistent with the principles of smart growth and the State Plan.
 - e. Ensure that school construction initiatives promote smart growth, open space, and revitalization of communities.
 - f. Coordinate and consolidate State redevelopment initiatives especially those involving Brownfields to reduce points of entry for municipalities and developers.
 - g. Provide an interdepartmental venue for resolution of conflicts regarding specific private and public sector projects that would either advance or undermine the implementation of the State Plan, and to expedite projects that would serve to implement the Plan.
 - h. Develop initiatives to assist local government and communities to achieve smart growth objectives.
 - i. Review water resource capacity in the State to reduce conflicts between development and the protection of water and natural resources.
5. In cases of statewide significance involving the integrity of the State Plan and the goals of smart growth, the State Attorney General is hereby directed, in consultation with the Smart Growth Policy Council, to defend and/or intervene on behalf of municipalities, counties or regional planning entities that have adopted plans that have been endorsed by the State Planning Commission or that are consistent with major smart growth objectives.
 6. Prior to the adoption, amendment or repeal of any rule adopted pursuant to Section 4(a) of the Administrative Procedure Act, each agency shall include a Smart Growth Impact Statement, which shall describe the impact of the proposed rule on the achievement of smart growth and implementation of the State Plan. The Smart Growth Policy Council shall also recommend guidelines for the state agencies to regularly review and consider the smart growth impacts of their major actions.
 7. The agencies represented on the Council shall undertake a review of their respective spending programs and rules and regulations to ensure that their actions are consistent with the principles of smart growth and the State Plan and report to the Council on their findings.
 8. This Executive Order shall take effect immediately.

GIVEN under my hand and seal, this
Thirty First day of January in the Year of
Our Lord, Two Thousand and Two and

of the United States, the Two Hundred and
Twenty-Sixth.

s/ James E. McGreevey
GOVERNOR
(Seal)

The New York/New York Agreement Cost Study: The Impact of Supportive Housing on Services Use for Homeless Mentally Ill Individuals



A Summary of:

The Impact of Supportive Housing for Homeless Persons with Severe Mental Illness on the Utilization of the Public Health, Corrections and Emergency Shelter Systems: The New York/New York Initiative Conducted by Dennis P. Culhane, Stephen Metraux and Trevor Hadley Center for Mental Health Policy and Services Research, University of Pennsylvania



CORPORATION for SUPPORTIVE HOUSING

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*Forthcoming in Housing Policy Debate,
a journal of the Fannie Mae Foundation*

Study facilitated by the Corporation for Supportive Housing

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Summary written by Ted Houghton
for the Corporation for Supportive Housing

May 2001



CORPORATION *for* SUPPORTIVE HOUSING

The Author

Ted Houghton is a consultant to nonprofit organizations working in homelessness, employment, and related human services. Previously, he oversaw housing placement and helped to develop policy at the New York City Department of Homeless Services and at the Coalition for the Homeless. He also works in music and film.

The Corporation for Supportive Housing

Founded in 1991, the Corporation for Supportive Housing (CSH) is a national financial and technical assistance intermediary dedicated to helping nonprofit organizations develop and operate service-enriched permanent housing for homeless and at-risk families and individuals with special needs, including mental illness, HIV/AIDS and substance use issues. CSH currently carries out its programs in eight states and localities with offices in: California, Connecticut, Illinois, Michigan, Minnesota, New Jersey, New York, and Ohio. As a local intermediary, CSH convenes community-based stakeholders, brings relevant research and data to the table, works with networks of providers and government from planning through implementation and makes grants and loans. Its goals are to expand the supply of supportive housing, build new constituencies and local capacity for reform, help networks take advantage of funding opportunities, and provide assessment of the efficacy of new initiatives.

I. Introduction

A research team from the Center for Mental Health Policy and Services Research, University of Pennsylvania, has published the most comprehensive study to date on the effects of homelessness and service-enriched housing on mentally ill individuals' use of publicly funded services. Five years in the making, the study measures for the first time the full extent of homeless mentally ill individuals' dependence on an array of publicly funded emergency service systems. The study also ascertains the degree to which this dependence is reduced by placement into service-enriched housing. And by comparing precise measurements of the cost of the service use to that of the housing, the study has determined exactly how much the public saves by placing homeless mentally ill people into service-enriched housing, and how little this housing ultimately costs.

The study tracked 4,679 homeless people with psychiatric disabilities who were placed into service-enriched housing created by the 1990 New York/New York Agreement to House Homeless Mentally Ill Individuals, a joint initiative between New York City and New York State that created and continues to maintain 3,615 units of affordable housing supported with clinical and social services. The researchers first examined these individuals' use of emergency shelters, psychiatric hospitals, medical services, prisons and jails in the two years before and in the two years after they were placed into the housing. They then compared their service use in these two time periods to the service use of control groups of homeless individuals with similar characteristics who had not been placed into NY/NY housing. Collaborating with eight different government agencies, the researchers were able to establish the cost of each type of service use, as well as the cost of constructing, operating and providing services in NY/NY housing. The researchers completed the study by comparing these costs and savings to determine the true cost to the public of providing service-enriched housing to homeless mentally ill individuals.

II. Key Findings

The study found that:

- A homeless mentally ill person in New York City uses an average of \$40,449 of publicly funded services over the course of a year.*
- Once placed into service-enriched housing, a homeless mentally ill individual reduces his or her use of publicly funded services by an average of \$12,145 per year.

* All figures are stated in 1999 dollars.

- Accounting for the natural turnover that occurs as some of the residents move out of service-enriched housing, these service reduction savings translate into \$16,282 per year for each unit of housing constructed.
- The reduction in service use pays for 95% of the costs of building, operating and providing services in supportive housing, and 90% of the costs of all types of service-enriched housing in New York City.

Closely examining these service reductions in detail, the study also found that:

- \$14,413 of the service reduction savings resulted from a 33% decrease in the use of medical and mental health services directly attributable to service-enriched housing.
- Much of these savings resulted from NY/NY residents' experiencing fewer and shorter hospitalizations in state psychiatric centers, with the average individual's hospital use declining 49% for every housing unit constructed.
- On average, shelter use decreased by over 60%, saving an additional \$3,779 a year for each housing unit constructed.
- The cost of supportive housing, the most common model of NY/NY housing, was considerably less than that of other models created by the initiative, requiring an annual outlay of just \$995 per unit.

III. NY/NY Housing

The study used as its initial data set the 4,679 individuals who had been placed into housing created by the New York/New York Agreement to House Homeless Mentally Ill Individuals in the period between July 1, 1989 and June 30, 1997. The NY/NY Agreement was the most visible and significant attempt to alleviate the enormous increase in demand for emergency shelter and psychiatric treatment services that had occurred in New York City over the previous ten years. The original Agreement was signed by representatives of the city and state governments in 1990, although the term of the Agreement was backdated by a year to account for housing development that had already been initiated by both sides while negotiations were still under way.

Working with over 50 nonprofit groups in all five boroughs of New York City, the state and city governments created 3,615 units of service-enriched housing for homeless mentally ill individuals over a nine-year period. The NY/NY Agreement funded the construction of 3,092 units of both permanent and transitional housing models with different levels of clinical and social

services, as well as 523 rental subsidies in existing housing. Permanent housing models included *supportive single room residences*, or *supportive SROs*, and scattered-site *supportive housing* apartments, all of which offered voluntary on-site or community-based case management, clinical and social services; as well as 18-month transitional housing programs licensed by the State Office of Mental Health called *community residences* that provide more intensive, mandated clinical and rehabilitative services. A licensed hybrid model called the *CR/SRO* provides single room apartments in permanent housing with a higher level of on-site mandated services than that found in the supportive SRO model, while at the same time offering more independence than what is usually found in the community residences.

In order to be eligible for NY/NY housing, residents must have a diagnosis of severe and persistent mental illness, defined as schizophrenia, major depression or bipolar disorder. Residents must also have spent a recent period of time homeless in municipal shelters or on the street.

IV. Comparison of Service Use Before and After Housing Placement

The researchers relied on data that had already been collected by the government agencies that provide the majority of specialized services to homeless mentally ill individuals, beginning with data on the 4,679 individuals placed into NY/NY housing collected by the New York City Human Resources Administration (HRA) Office of Health and Mental Health Services. These data were merged with other administrative data collected by seven other government agencies. The researchers then compared the service use records of the 4,679 individuals in the two years before they were placed into NY/NY housing, when they were homeless, to their records of service use in the two years after they had been placed into housing. This comparison recorded the effect only of the placement into NY/NY housing; the actual length of stay of each individual placement is unknown, as is whether, upon moving, the individual retained stable housing. Data from HRA shows that over 70% of the individuals placed remain in NY/NY housing after one year, and that the average length of stay is 17.9 months over two years.

Reviewing the service use records of the 4,679 individuals during the two years before and the two years after their placements into NY/NY housing, the researchers observed sharp reductions in the individuals' use of an array of services. The study found that after the homeless mentally ill individuals were placed into NY/NY housing:

- Use of emergency shelters dropped 85%, from an average of 68.5 days per year per person, to less than 10 days per year.

- Use of state psychiatric centers decreased 60%, from an average of 28.6 days per year per person before placement into housing, to less than 12 days after the placement.
- Use of publicly funded acute hospitals, for both psychiatric and medical treatment, dropped from 8.25 days to just 1.65 days per person per year.
- Hospitalization in Veterans Administration and private voluntary hospitals also dropped after placement into housing, by 59% and 39.9%, respectively.
- Use of Medicaid-reimbursed outpatient services almost doubled as a result of housing placement, from an average of 31.1 days per person per year to 60.8 days annually.
- Use of state prisons and city jails, while involving only a small portion of those placed into NY/NY housing, both dropped precipitously, by 74% and 40%, respectively.

V. Reductions Analyzed and Adjusted with Control Groups and Regression Analysis

While these results document real reductions experienced by actual individuals, not all of the reductions in service use can be attributed solely to placement into NY/NY housing. To obtain a more accurate, more conservative estimate of the effect of the housing placements, the researchers constructed a control group of homeless shelter users with similar characteristics to those placed who for one reason or another did not move into NY/NY housing.

Each individual who was placed into NY/NY housing was matched to an individual from the control group on the basis of three factors. First, they were paired on the basis of demographic similarities, matching gender and race, as well as ensuring that ages were within five years of each other. Secondly, they were matched on the basis of having similar mental illness and substance abuse diagnoses. Finally, the matched pairs were also required to have similar patterns of service use in the two-year period in which they were both homeless.

By comparing the changes in service use that occurred among the NY/NY residents before and after housing placement to changes in service use experienced by the individuals in the control groups, the researchers were able to estimate the portion of the reductions that can be ascribed solely to NY/NY housing. Even after accounting for service reductions unrelated

to the housing, these adjusted reductions follow a similar pattern to the raw reductions enumerated above, with some changes. The researchers found that:

- Placement into NY/NY housing is alone responsible for reducing emergency shelter use by 60%, from an average of 68.5 days per person per year to 27 days per person per year.
- NY/NY housing alone reduces use of state psychiatric centers by 50%, from an average of 28.6 days per person per year to 14.5 days per person per year.
- Adjusted reductions in the use of publicly funded hospitals were considerably more modest than actual reductions, but still substantial, showing a 21% drop due to housing placement.
- Adjusted reductions of both voluntary and Veterans hospital use were 24%.
- Adjusted use of outpatient services showed a 75% increase attributable solely to housing placement.
- Adjusted use of jails remained virtually the same as the raw reductions, with a 38% reduction, while state prison use declined further when other factors were taken into account, showing that NY/NY housing reduces use of prisons by 85%.

While the service reductions experienced by those individuals who were actually placed are concrete, these adjusted measurements of service use changes represent a more accurate estimate of the reductions that could be expected if the NY/NY housing program were to be expanded further.

VI. Cost Savings Associated with Reductions in Service Use

After measuring precisely the extent to which use of emergency services is reduced by placement into NY/NY housing, the researchers collaborated with government agencies to establish the per diem costs of providing these services in order to determine the cost savings associated with the housing. Using these figures, the study shows that before placement into NY/NY housing, a homeless mentally ill person spent an average of four and a half months in a variety of institutional settings over the course of a year, at a cost of \$40,449 annually. The study breaks down the service usage and costs in the table on the following page.

Summary of Mean Two-Year Pre-NY/NY Intervention Period Services Use Across Seven Service Providers

Data Set	Mean Days Used- (2 Yrs Pre-NY/NY)	Per Diem (1999 \$)	Cost (2 Yrs)	Annualized Cost
Dept. of Homeless Services	137.0	\$ 68	\$ 9,316	\$ 4,658
Office of Mental Health	57.3	\$ 437	\$ 25,040	\$ 12,520
Health & Hospitals Corporation	16.5	\$ 755	\$ 12,458	\$ 6,229
Medicaid – Inpatient	35.3	\$ 657	\$ 23,192	\$ 11,596
Medicaid – Outpatient (visits)	- 62.2	\$ 84	\$ 5,225	\$ 2,612
Veterans Administration	7.8	\$ 467	\$ 3,643	\$ 1,821
Dept. of Correctional Services	9.3	\$ 79	\$ 735	\$ 367
Dept. of Correction	10.0	\$ 129	\$ 1,290	\$ 645
TOTAL			\$ 80,898	\$ 40,449

These figures are based on an average; many of the homeless mentally ill individuals tracked by the study spent twice as many days, or more, in any one of the service systems than is indicated by the average.

Applying the same per diem costs to the adjusted service reductions calculated in Section V, and assuming year-round occupancy of the housing, the study then determined the amount of public funds saved as a direct result of a NY/NY housing placement. The reductions are itemized in the following table:

Cost Reductions by Service System

Service System	Annualized Cost Reductions Per Housing Unit
Dept. of Homeless Services	\$ 3,779
Office of Mental Health	\$ 8,260
Health & Hospitals Corporation	\$ 1,771
Medicaid – Inpatient	\$ 3,787
Medicaid – Outpatient (visits)	- \$ 2,657
Veterans Administration	\$ 595
Dept. of Correctional Services	\$ 418
Dept. of Correction	\$ 328
TOTAL	\$ 16,282

The vast majority of the service use reductions were in health services, which accounted for 72% of the cost reductions. Approximately 23% of the cost reductions resulted from a decline in shelter use; another 5% came from reduced incarcerations. The reductions resulted from not only a reduced incidence of hospitalizations and other temporary stays, but also a significant reduction in the average length of stay during these episodes.

VII. Comparing Service Reduction Savings to Housing Costs

The substantial savings associated with placement into NY/NY housing confirm that the housing significantly reduces formerly homeless mentally ill residents' dependence on emergency services. The increased reliance on outpatient services also suggests that mentally ill individuals are better able and more inclined to use mainstream medical and mental health services on a regular basis once placed into the housing.

But NY/NY housing requires public funding to construct and operate, as do the supportive and clinical services necessary to make it effective. Working with the city and state agencies responsible for funding the development of NY/NY housing, the researchers were able to determine the total costs associated with creating, maintaining and serving the housing. They then compared these costs to the savings directly attributable to the housing, to establish the true cost to the public of the NY/NY Agreement.

The study found that, on average, the debt service, operating and social service costs of NY/NY housing equal \$18,190 per unit per year. Development costs and service programs vary greatly from project to project, with some housing models costing more to build and maintain than others. Variations of the community residence model, which comprise 38% of the NY/NY housing units created, cost on average \$19,662 a year per unit. The supportive housing models used for the remainder of the housing are less expensive, costing an average of \$17,277 per unit per year to build and operate.

Subtracting the savings in service use reductions that the NY/NY housing makes possible from the cost of constructing, operating and providing services in the housing, the study found that:

- On average, a unit of NY/NY housing costs the public \$1,908 per year.
- The average NY/NY supportive housing unit costs \$995 per year.
- The 3,615 units of housing created by the NY/NY Agreement together cost \$6.9 million annually.

VIII. Costs and Savings Calculated Per Placement

Calculating the savings from service use reductions and the costs of creating NY/NY housing on a per unit basis is useful to government administrators who must allocate funding for housing construction and provide contracts for services to those residences. But it is also useful to measure the costs and savings of the NY/NY Agreement as it affects each individual placed into and served by the housing. Using the same adjusted service reduction numbers and housing costs, but calculated on a per placement basis, the study found that:

- The service reductions resulting from NY/NY housing save the public \$12,145 annually for each individual placed.
- NY/NY housing costs \$13,570 per placement per year, meaning that, on average, it costs \$1,425 to place one homeless mentally ill individual into NY/NY housing for a year.
- A homeless mentally ill person placed into *supportive* housing built by the NY/NY Agreement costs an average of \$744 per year.

IX. Policy Implications

Although policy-makers and administrators of social service agencies have long known that homelessness seriously impacts state and local government spending for all types of emergency and acute care services, the NY/NY cost study is the first research that has documented these costs using the real service utilization records of actual homeless people, and then integrated those records across multiple service systems. The University of Pennsylvania research confirms that the price of homelessness is very high—\$40,449 per homeless person per year, primarily in expenditures for psychiatric hospital care, inpatient hospital care, and emergency shelter care.

More important to public policy, the study shows for the first time how remarkably effective service-enriched housing can be for this population. In the before-and-after housing comparison conducted by the researchers, the net costs to taxpayers of the overall New York/New York housing program were found to be no more than \$1,908 per unit per year, and in 62% of the units less than \$1,000 per unit per year. The results of the study have clear implications for the implementation of homeless services and affordable housing programs in the future: For almost the same amount of public funds spent every year on psychiatric and medical care, emergency shelter, and other services for severely mentally ill homeless people, these individuals can be placed into service-enriched housing.

The study also provides clear evidence that the NY/NY Agreement improved the quality of life of the people who were placed into the housing by measuring the steep reductions in their use of episodic emergency services and recording their increased use of case management services and mainstream medical and psychiatric care.

The type of service-enriched housing pioneered by the participating providers of the NY/NY Agreement is now found in urban and suburban areas across the country. “Supportive housing” is changing the way government officials, service providers, neighbors and advocates for homeless people think about solutions to homelessness. The results of the University of Pennsylvania’s cost study of the NY/NY Agreement should stimulate a cross-system perspective among policy-makers and taxpayers and give encouragement to those working on behalf of homeless people with severe mental illness. As this study demonstrates, service-enriched housing is a cost-effective response to homelessness. It therefore presents a powerful argument for executives at all levels of government to coordinate with each other in targeting increased resources to continue the all-important task of providing supportive housing for homeless mentally ill individuals.

X. The Study Partnership

The New York/New York cost study is the result of a partnership between the researchers, the government agencies that provided data, and a group of five funders, including the Corporation for Supportive Housing (CSH), which also played a role in bringing the partnership together and facilitating its activities. The principal investigator for the research is Dennis P. Culhane, Ph.D. Coauthors of the study are Stephen Metraux, M.A., and Trevor Hadley, Ph.D. The research team is based at the Center for Mental Health Policy and Services Research, University of Pennsylvania, where Dr. Culhane and Dr. Hadley began formulating a study of the cost of homelessness nearly a decade ago. CSH worked with them throughout the development and implementation of the NY/NY cost study, helping to raise funding, establish data use agreements with the government partners, and make the findings available.

The participating government agencies are:

- The New York City Human Resources Administration (HRA) Office of Health and Mental Health Services, which monitors and facilitates placements into NY/NY housing;
- The New York City Department of Homeless Services (DHS), which operates the New York City emergency shelter system and maintains individual records of shelter use;

- The New York State Office of Mental Health (OMH), which operates state psychiatric hospitals and maintains records of individuals' admissions and stays in state psychiatric centers;
- The New York State Department of Health (DOH), which administers the state's Medicaid program and maintains individually identifiable records of Medicaid-reimbursed inpatient and outpatient health care claims;
- The New York City Health and Hospitals Corporation (HHC), which operates the city's public hospitals and maintains records of individuals' inpatient hospital stays;
- The U.S. Department of Veterans Affairs (VA), which operates hospitals nationwide and maintains individual records of inpatient stays in the VA hospital system;
- The New York State Department of Correctional Services (DCS), which operates state prisons as well as the probation and parole systems for the state corrections system and maintains individual records of prison stays, probation and parole utilization, criminal arrests and convictions; and
- The New York City Department of Correction (DOC), which operates the city's jail system and maintains individual records of people incarcerated.

The New York City Department of Housing Preservation and Development (HPD) was also an important partner in this study. HPD funded and oversaw development of much of the permanent housing created under the NY/NY Agreement, and provided essential information about the cost of building and operating the city's NY/NY housing. OMH, which oversaw the state's share of NY/NY housing development, also provided housing construction and operating cost information. The City Department of Mental Health, Mental Retardation and Alcoholism Services also provided service cost information.

Funding for the New York/New York Agreement cost study was provided by the Fannie Mae Foundation, the United Hospital Fund of New York, the Conrad N. Hilton Foundation, the Rhodebeck Charitable Trust, and the Corporation for Supportive Housing.



CSH Publications

In advancing our mission, the Corporation for Supportive Housing publishes reports, studies and manuals aimed at helping nonprofits and government develop new and better ways to meet the health, housing and employment needs of those at the fringes of society.

Family Matters: A Guide to Developing Family Supportive Housing *Written by Ellen Hart Shegos. 2001; 346 pages.*
Price: \$15 or download PDF files for FREE at www.csh.org.

This manual is designed for service providers and housing developers who want to tackle the challenge of developing permanent supportive housing for chronically homeless families. The manual provides information on the development process from project conception through construction and rent-up. It also discusses alternatives to new construction such as leased housing. It contains practical tools to guide decision making about housing models, picking partners and service strategies.

A Description and History of The New York/New York Agreement to House Homeless Mentally Ill Individuals *Written by Ted Houghton. 2001; 61 pages.*

Price: \$5 or download PDF file for FREE at www.csh.org.

This document provides a description and history of the New York/New York Agreement to House Homeless Mentally Ill Individuals, signed in 1990 by the City and State of New York.

The New York/New York Agreement Cost Study: The Impact of Supportive Housing on Services Use for Homeless Mentally Ill Individuals *Written by Ted Houghton. 2001; 14 pages.*
Price: \$5 or download PDF file for FREE at www.csh.org.

A Summary of: *The Impact of Supportive Housing for Homeless Persons with Severe Mental Illness on the Utilization of the Public Health, Corrections and Emergency Shelter Systems: The New York/New York Initiative.* Conducted by Dennis P. Culhane, Stephen Mettraux and Trevor Hadley, Center for Mental Health Policy and Services Research, University of Pennsylvania. This document summarizes the cost analysis of the New York/New York Agreement.

Between the Lines: A Question and Answer Guide on Legal Issues in Supportive Housing – National Edition *Commissioned by CSH. Prepared by the Law Offices of Goldfarb & Lipman. 2001; 226 pages.*

Price: \$15 or download PDF files for FREE at www.csh.org.

This manual offers some basic information about the laws that pertain to supportive housing and sets out ways to identify and think through issues so as to make better use of professional counsel. It also offers reasonable approaches to resolving common dilemmas.

Keeping the Door Open to People with Drug Problems – Volumes I, II and III *Written by Wendy Fleischer, Juliane Dressner, Nina Herzog and Alison Hong. 2001; 180 pages.*

Price: \$5 Each or download PDF files for FREE at www.csh.org.

This three-part guide offers employment program managers and staff encouragement, strategies and tips for serving people with drug problems. The guide is divided into three volumes to make it easy to read for busy practitioners. Volume I is written with managers in mind. It focuses on the systems needed to train, manage and support staff in a program serving people with drug problems. Volume II is targeted to employment program staff. It covers basic information about drug addiction and treatment, and offers tips for working with people, including sample dialogues and forms. Volume III is focused on employment programs operating in public housing. It discusses the related housing policies and regulations, and some of the challenges and opportunities provided by the public housing context.

The Network: Health, Housing and Integrated Services Best Practices and Lessons Learned *Written by Gerald Lenoir. 2000; 191 pages.* Price: \$5 or download PDF file for FREE at www.csh.org

This report summarizes the principles, policies, procedures and practices used by housing and service providers that have proven to be effective in serving health, housing and integrated services tenants where they live.

Closer to Home: Interim Housing for Long-Term Shelter Residents: A Study of the Kelly Hotel *Written by Susan M. Barrow, Ph.D. and Gloria Soto Rodriguez. 2000; 65 pages.*

Price: \$5 or download PDF file for FREE at www.csh.org

Evidence that a subgroup of homeless individuals have become long-term residents of NYC shelters has spurred a search for new approaches to engaging them in services and providing appropriate housing alternatives. The Kelly Hotel Transitional Living Community, developed by the Center for Urban Community Services with first-year funding from the Corporation for Supportive Housing, is one pioneering effort to help mentally ill long-term shelter residents obtain housing.

Forming an Effective Supportive Housing Consortia; Providing Services in Supportive Housing; and Developing and Managing Supportive Housing

Written by Tony Proscio. 2000; 136 pages.

Price: \$5 Each or download PDF files for FREE at www.csh.org.

These three manuals are designed to assist local communities and service and housing organizations to better understand the local planning consortium, service delivery and funding, and supportive housing development and financing.

Landlord, Service Provider...and Employer: Hiring and Promoting Tenants at Lakefront SRO

Written by Tony Proscio and Ted Houghton. 2000; 59 pages.

Price: \$5 or download PDF file for FREE at www.csh.org

This essay provides a close look at Lakefront SRO's program of in-house tenant employment, as a guide for other supportive housing programs that either hire their own tenants or might want to do so. The lessons of Landlord, Service Provider...and Employer are also of potential interest to affordable housing programs whose tenants could become valuable employees given sufficient encouragement, training and clear policies.

The Next Wave: Employing People with Multiple Barriers to Work: Policy Lessons from the Next Step: Jobs Initiative *Written by Wendy Fleischer and Kay E. Sherwood. 2000; 73 pages.*

Price: \$5 or download PDF file for FREE at www.csh.org

The *Next Step: Jobs* initiative tested the premise that a range of employment services targeted to supportive housing tenants can help them access employment. It used supportive housing as the focal point for deploying a range of services to address the multiple barriers to employment that tenants face. It also capitalizes on the residential stability and sense of community that supportive housing offers.

Between the Lines: A Question and Answer Guide on Legal Issues in Supportive Housing – California Edition

Commissioned by CSH. Prepared by the Law Offices of Goldfarb & Lipman. 2000; 217 pages.

Price: \$15 or download PDF files for FREE at www.csh.org

This manual offers some basic information about the laws that pertain to supportive housing and sets out ways to identify and think through issues so as to make better use of professional counsel. It also offers reasonable approaches to resolving common dilemmas.

Supportive Housing and Its Impact on the Public Health Crisis of Homelessness *Written by Tony Proscio. 2000; 40 pages.*

Price: \$5 or download PDF file for FREE at www.csh.org

This publication announces the results of research done between 1996 and 2000 on more than 200 people who have lived at the Canon Kip Community House and the Lyric Hotel in California. It also looks at pre-occupancy and post-occupancy use of emergency rooms and inpatient care.

Vocationalizing the Home Front: Promising Practices in Place-Based Employment

Written by Paul Parkhill. 2000; 79 pages.

Price: \$5 or download PDF file for FREE at www.csh.org

Accessibility; inclusiveness; flexibility; coordinated, integrated approach to services; high-quality, long-term employment; and linkages to private and public sectors are hallmarks of a new place-based strategy to help people with multiple barriers to work find and keep employment. The 21 place-based employment programs featured in this report represent some of the most comprehensive and innovative approaches to employing persons who are homeless, former and current substance abusers, individuals with HIV-AIDS, those with physical and psychiatric disabilities and other challenges.

Connecticut Supportive Housing Demonstration Program – Program Evaluation Report

Commissioned by CSH. Prepared by Arthur Andersen LLP, University of Pennsylvania Health System, Department of Psychiatry, Center for Mental Health Policy and Services Research, Kay E. Sherwood, TWR Consulting.

1999; Executive Summary, 32 pages. Complete Report, 208 pages.

Executive Summary Price: \$5 Complete Report Price: \$15

This report evaluates the Statewide Connecticut Demonstration Program which created nearly 300 units of supportive housing in nine developments across the state in terms of tenant satisfaction, community impact—both economic and aesthetic—property values and use of services once tenants were stably housed.

The Next Step: Jobs Initiative Cost-Effectiveness Analysis

Written by David A. Long with Heather Doyle and Jean M. Amendolia.

1999; 62 pages. Price: \$5

The report constitutes early findings from a cost-effectiveness evaluation by Abt Associates of the Next Step: Jobs initiative, which provided targeted services aimed at increasing supportive housing tenants' employment opportunities.

Under One Roof: Lessons Learned from Co-locating Overnight, Transitional and Permanent Housing at Deborah's Place II

Commissioned by CSH, written by Tony Proscio. 1998; 19 pages. Price: \$5

This case study examines Deborah's Place II in Chicago, which combines three levels of care and service at one site with the aim of allowing homeless single women with mental illness and other disabilities to move towards the greatest independence possible, without losing the support they need to remain stable.

Work in Progress 2: An Interim Report on Next Step: Jobs

Commissioned by CSH, written by Tony Proscio. 1998; 22 pages. Price: \$5

Work in Progress 2 describes the early progress of the Next Step: Jobs initiative in helping supportive housing providers "vocationalize" their residences—that is, to make working and the opportunity to work part of the daily routine and normal expectation of many, even most, residents.

A Time to Build Up

Commissioned by CSH, written by Kitty Barnes. 1998; 44 pages. Price: \$5

A Time to Build Up is a narrative account of the lessons learned from the first two years of the three-year CSH New York Capacity Building Program. Developed as a demonstration project, the Program's immediate aim is to help participating agencies build their organizational infrastructure so that they are better able to plan, develop and maintain housing, with services for people with special needs.

Next Door: A Concept Paper for Place-Based Employment Initiatives

Written by Juliane Dressner, Wendy Fleischer and Kay E. Sherwood. 1998; 61 pages. Price: \$5

This report explores the applicability of place-based employment strategies tested in supportive housing to other buildings and neighborhoods in need of enhanced employment opportunities for local residents. Funded by the Rockefeller Foundation, the report explores transferring the lessons learned from a three-year supportive housing employment program to the neighborhoods "next door."

Not a Solo Act: Creating Successful Partnerships to Develop and Operate Supportive Housing

Written by Sue Reynolds in collaboration with Lisa Hamburger of CSH. 1997; 146 pages. Price: \$15

Since the development and operation of supportive housing requires expertise in housing development, support service delivery and tenant-sensitive property management, nonprofit sponsors are rarely able to "go it alone." This how-to manual is a guide to creating successful collaborations between two or more organizations in order to effectively and efficiently fill these disparate roles.

Work in Progress...An Interim Report from the Next Step: Jobs Initiative

1997; 54 pages. Price: \$5

This report provides interim findings from CSH's Next Step: Jobs initiative, a three-city Rockefeller Foundation-funded demonstration program aimed at increasing tenant employment in supportive housing. It reflects insights offered by tenants and staff from 20 organizations based in Chicago, New York City and the San Francisco Bay Area who participated in a mid-program conference in October 1996.

Closer to Home: An Evaluation of Interim Housing for Homeless Adults

Commissioned by CSH, written by Susan M. Barrow, Ph.D. and Gloria Soto Rodriguez of the New York State Psychiatric Institute. 1996; 103 pages. Price: \$15

This evaluation examines low-demand interim housing programs, which were developed by nonprofits concerned about how to help homeless people living on the streets who are not yet ready to live in permanent housing. Funded by the Conrad N. Hilton Foundation, this report is a 15-month study of six New York interim housing programs.

In Our Back Yard

Commissioned by CSH, directed and produced by Lucas Platt. 1996; 18 minutes. Price: \$10 nonprofits/\$15 all others.

This educational video is aimed at helping nonprofit sponsors explain supportive housing to members of the community, government representatives, funders and the media. It features projects and tenants in New York, Chicago and San Francisco and interviews a broad spectrum of supporters, including police, neighbors, merchants, politicians, tenants and nonprofit providers.

Design Manual for Service Enriched Single Room

Occupancy Residences Produced by Gran Sultan Associates in collaboration with CSH. 1994; 66 pages. Price: \$20

This manual was developed by the architectural firm Gran Sultan Associates in collaboration with CSH and the New York State Office of Mental Health to illustrate an adaptable prototype for single room occupancy residences for people with chronic mental illnesses. Included are eight prototype building designs, a layout for a central kitchen, recommendations on materials, finishes and building systems, and other information of interest to supportive housing providers, architects and funding agencies.

Employing the Formerly Homeless: Adding Employment to the Mix of Housing and Services

Commissioned by CSH, written by Basil Whiting. 1994; 73 pages. Price: \$5

Funded by the Rockefeller Foundation, this report explores the advisability of implementing a national employment demonstration program for the tenants of supportive housing. The paper is based on a series of interviews with organizations engaged in housing, social service and employment projects in New York City, the San Francisco Bay Area, Washington, DC, Chicago and Minneapolis/St. Paul, as well as a body of literature on programs aimed at alleviating the plight of homelessness.

Miracle on 43rd Street

August 3, 1997 and December 26, 1999. 60 Minutes feature on supportive housing as embodied in the Times Square and the Prince George residences in New York City.

To purchase VHS copies, call 1-800-848-3256; for transcripts, call 1-800-777-8398.

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NATIONAL

Corporation for Supportive Housing
50 Broadway
17th Floor
New York, NY 10004
TEL: (212) 986-2966
FAX: (212) 986-6552
E-MAIL: information@csh.org

CALIFORNIA SATELLITE OFFICE

San Mateo/Santa Clara Counties
Corporation for Supportive Housing
795 Willow Road
Building 323, Room E-101
Menlo Park, CA 94025
TEL: (650) 289-0104
FAX: (650) 289-0105
E-MAIL: mpca@csh.org

MINNESOTA

Corporation for Supportive Housing
2801 – 21st Avenue South
Suite 220
Minneapolis, MN 55407
TEL: (612) 721-3700
FAX: (612) 721-9903
E-MAIL: mn@csh.org

CALIFORNIA

Corporation for Supportive Housing
1330 Broadway, Suite 601
Oakland, CA 94612
TEL: (510) 251-1910
FAX: (510) 251-5954
E-MAIL: ca@csh.org

CONNECTICUT

Corporation for Supportive Housing
129 Church Street, Suite 815
New Haven, CT 06510
TEL: (203) 789-0826
FAX: (203) 789-8053
E-MAIL: ct@csh.org

NEW JERSEY

Corporation for Supportive Housing
162 West State Street
Trenton, NJ 08608
TEL: (609) 392-7820
FAX: (609) 392-7818
E-MAIL: nj@csh.org

CALIFORNIA SATELLITE OFFICE

Sacramento County
Corporation for Supportive Housing
c/o Portfolio Management
630 "I" Street
Sacramento, CA 95814
TEL: (916) 443-5147
FAX: (916) 443-5196
E-MAIL: saca@csh.org

ILLINOIS

Corporation for Supportive Housing
547 West Jackson Avenue
6th Floor
Chicago, IL 60661
TEL: (312) 697-6125
FAX: (312) 360-0185
E-MAIL: il@csh.org

NEW YORK

Corporation for Supportive Housing
50 Broadway
17th Floor
New York, NY 10004
TEL: (212) 986-2966
FAX: (212) 986-6552
E-MAIL: ny@csh.org

CALIFORNIA SATELLITE OFFICE

San Diego County
Corporation for Supportive Housing
1901 First Avenue, 2nd Floor
San Diego, CA 92101
TEL: (619) 232-3197
FAX: (619) 232-3215
E-MAIL: sdca@csh.org

MICHIGAN

Corporation for Supportive Housing
10327 E. Grand River Avenue
Suite 409
Brighton, MI 48116
TEL: (810) 229-7712
FAX: (810) 229-7743
E-MAIL: mi@csh.org

OHIO

Corporation for Supportive Housing
40 W. Long Street
Columbus, OH 43215
TEL: (614) 228-6263
FAX: (614) 228-8997
E-MAIL: oh@csh.org

Mission Statement

The Corporation for Supportive Housing supports the expansion of permanent housing opportunities linked to comprehensive services for persons who face persistent mental health, substance use, and other chronic health challenges, and are at risk of homelessness, so that they are able to live with stability, autonomy and dignity, and reach for their full potential.

We work through collaborations with private, nonprofit and government partners, and strive to address the needs of, and hold ourselves accountable to, the tenants of supportive housing.

Cover photo upper left corner
Tenant, Ivan Shapiro House
Liana Mjuccio, photographer

Cover photo upper right corner
Ivan Shapiro House
Liana Muccio, photographer

Cover photo lower left corner
Gouverneur Court
James Shanks, photographer

Cover photo lower right corner
Tenant, Holland House
Rigo Diaz, photographer



CORPORATION FOR SUPPORTIVE HOUSING

50 Broadway, 17th Floor, New York, NY 10004
Phone: (212) 986-2966 Fax: (212) 986-6552
Web: www.csh.org E-mail: information@csh.org

from The New Yorker

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DEPT. OF SOCIAL SERVICES

Million-Dollar Murray

Why problems like homelessness may be easier to solve than to manage.

by Malcolm Gladwell

1.

Murray Barr was a bear of a man, an ex-marine, six feet tall and heavysset, and when he fell down—which he did nearly every day—it could take two or three grown men to pick him up. He had straight black hair and olive skin. On the street, they called him Smokey. He was missing most of his teeth. He had a wonderful smile. People loved Murray.

His chosen drink was vodka. Beer he called "horse piss." On the streets of downtown Reno, where he lived, he could buy a two-hundred-and-fifty-millilitre bottle of cheap vodka for a dollar-fifty. If he was flush, he could go for the seven-hundred-and-fifty-millilitre bottle, and if he was broke he could always do what many of the other homeless people of Reno did, which is to walk through the casinos and finish off the half-empty glasses of liquor left at the gaming tables.

"If he was on a runner, we could pick him up several times a day," Patrick O'Bryan, who is a bicycle cop in downtown Reno, said. "And he's gone on some amazing runners. He would get picked up, get detoxed, then get back out a couple of hours later and start up again. A lot of the guys on the streets who've been drinking, they get so angry. They are so incredibly abrasive, so violent, so abusive. Murray was such a character and had such a great sense of humor that we somehow got past that. Even when he was abusive, we'd say, 'Murray, you know you love us,' and he'd say, 'I know'—and go back to swearing at us."

"I've been a police officer for fifteen years," O'Bryan's partner, Steve Johns, said. "I picked up Murray my whole career. Literally."

Johns and O'Bryan pleaded with Murray to quit drinking. A few years ago, he was assigned to a treatment program in which he was

under the equivalent of house arrest, and he thrived. He got a job and worked hard. But then the program ended. "Once he graduated out, he had no one to report to, and he needed that," O'Bryan said. "I don't know whether it was his military background. I suspect that it was. He was a good cook. One time, he accumulated savings of over six thousand dollars. Showed up for work religiously. Did everything he was supposed to do. They said, 'Congratulations,' and put him back on the street. He spent that six thousand in a week or so."

Often, he was too intoxicated for the drunk tank at the jail, and he'd get sent to the emergency room at either Saint Mary's or Washoe Medical Center. Marla Johns, who was a social worker in the emergency room at Saint Mary's, saw him several times a week. "The ambulance would bring him in. We would sober him up, so he would be sober enough

to go to jail. And we would call the police to pick him up. In fact, that's how I met my husband." Marla Johns is married to Steve Johns.

"He was like the one constant in an environment that was ever changing," she went on. "In he would come. He would grin that half-toothless grin. He called me 'my angel.' I would walk in the room, and he would smile and say, 'Oh, my angel, I'm so happy to see you.' We would joke back and forth, and I would beg him to quit drinking and he would laugh it off. And when time went by and he didn't come in I would get worried and call the coroner's office. When he was sober, we would find out, oh, he's working someplace, and my husband and I would go and have dinner where he was working. When my husband and I were dating, and we were going to get married, he said, 'Can I come to the wedding?' And I almost felt like he should. My joke was 'If you are sober you can come, because I can't afford your bar bill.' When we started a family, he would lay a hand on my pregnant belly and bless the child. He really was this kind of light."

In the fall of 2003, the Reno Police Department started an initiative designed to limit panhandling in the downtown core. There were

articles in the newspapers, and the police department came under harsh criticism on local talk radio. The crackdown on panhandling amounted to harassment, the critics said. The homeless weren't an imposition on the city; they were just trying to get by. "One morning, I'm listening to one of the talk shows, and they're just trashing the police department and going on about how unfair it is," O'Bryan said. "And I thought, Wow, I've never seen any of these critics in one of the alleyways in the middle of the winter looking for bodies." O'Bryan was angry. In downtown Reno, food for the homeless was plentiful: there was a Gospel kitchen and Catholic Services, and even the local McDonald's fed the hungry. The panhandling was for liquor, and the liquor was anything but harmless. He and Johns spent at least half their time dealing with people like Murray; they were as much caseworkers as police officers. And they knew they weren't the only ones involved. When someone passed out on the street, there was a "One down" call to the paramedics. There were four people in an ambulance, and the patient sometimes stayed at the hospital for days, because living on the streets in a state of almost constant intoxication was a reliable way of getting sick. None of that, surely, could be cheap.

O'Bryan and Johns called someone they knew at an ambulance service and then contacted the local hospitals. "We came up with three names that were some of our chronic inebriates in the downtown area, that got arrested the most often," O'Bryan said. "We tracked those three individuals through just one of our two hospitals. One of the guys had been in jail previously, so he'd only been on the streets for six months. In those six months, he had accumulated a bill of a hundred thousand dollars—and that's at the smaller of the two hospitals near downtown Reno. It's pretty reasonable to assume that the other hospital had an even larger bill. Another individual came from Portland and had been in Reno for three months. In those three months, he had accumulated a bill for sixty-five thousand dollars. The third individual actually had some periods of being sober, and had accumulated a bill of fifty thousand."

The first of those people was Murray Barr, and Johns and O'Bryan realized that if you totted up all his hospital bills for the ten years that he had been on the streets—as well as substance-abuse-treatment costs, doctors' fees, and other expenses—Murray Barr probably ran up a medical bill as large as

anyone in the state of Nevada.

"It cost us one million dollars not to do something about Murray," O'Bryan said.

2.

Fifteen years ago, after the Rodney King beating, the Los Angeles Police Department was in crisis. It was accused of racial insensitivity and ill discipline and violence, and the assumption was that those problems had spread broadly throughout the rank and file. In the language of statisticians, it was thought that L.A.P.D.'s troubles had a "normal" distribution—that if you graphed them the result would look like a bell curve, with a small number of officers at one end of the curve, a small number at the other end, and the bulk of the problem situated in the middle. The bell-curve assumption has become so much a part of our mental architecture that we tend to use it to organize experience automatically.

But when the L.A.P.D. was investigated by a special commission headed by Warren Christopher, a very different picture emerged. Between 1986 and 1990, allegations of excessive force or improper tactics were made against eighteen

hundred of the eighty-five hundred officers in the L.A.P.D. The broad middle had scarcely been accused of anything. Furthermore, more than fourteen hundred officers had only one or two allegations made against them—and bear in mind that these were not proven charges, that they happened in a four-year period, and that allegations of excessive force are an inevitable feature of urban police work. (The N.Y.P.D. receives about three thousand such complaints a year.) A hundred and eighty-three officers, however, had four or more complaints against them, forty-four officers had six or more complaints, sixteen had eight or more, and one had sixteen complaints. If you were to graph the troubles of the L.A.P.D., it wouldn't look like a bell curve. It would look more like a hockey stick. It would follow what statisticians call a "power law" distribution—where all the activity is not in the middle but at one extreme.

The Christopher Commission's report repeatedly comes back to what it describes as the extreme concentration of problematic officers. One officer had been the subject of thirteen allegations of excessive use of force, five other complaints, twenty-eight "use of force reports" (that is, documented, internal accounts of

inappropriate behavior), and one shooting. Another had six excessive-force complaints, nineteen other complaints, ten use-of-force reports, and three shootings. A third had twenty-seven use-of-force reports, and a fourth had thirty-five. Another had a file full of complaints for doing things like "striking an arrestee on the back of the neck with the butt of a shotgun for no apparent reason while the arrestee was kneeling and handcuffed," beating up a thirteen-year-old juvenile, and throwing an arrestee from his chair and kicking him in the back and side of the head while he was handcuffed and lying on his stomach.

The report gives the strong impression that if you fired those forty-four cops the L.A.P.D. would suddenly become a pretty well-functioning police department. But the report also suggests that the problem is tougher than it seems, because those forty-four bad cops were so bad that the institutional mechanisms in place to get rid of bad apples clearly weren't working. If you made the mistake of assuming that the department's troubles fell into a normal distribution, you'd propose solutions that would raise the performance of the middle—like better

training or better hiring—when the middle didn't need help. For those hard-core few who did need help, meanwhile, the medicine that helped the middle wouldn't be nearly strong enough.

In the nineteen-eighties, when homelessness first surfaced as a national issue, the assumption was that the problem fit a normal distribution: that the vast majority of the homeless were in the same state of semi-permanent distress. It was an assumption that bred despair: if there were so many homeless, with so many problems, what could be done to help them? Then, fifteen years ago, a young Boston College graduate student named Dennis Culhane lived in a shelter in Philadelphia for seven weeks as part of the research for his dissertation. A few months later he went back, and was surprised to discover that he couldn't find any of the people he had recently spent so much time with. "It made me realize that most of these people were getting on with their own lives," he said.

Culhane then put together a database—the first of its kind—to track who was coming in and out of the shelter system. What he discovered profoundly changed the way

homelessness is understood. Homelessness doesn't have a normal distribution, it turned out. It has a power-law distribution. "We found that eighty per cent of the homeless were in and out really quickly," he said. "In Philadelphia, the most common length of time that someone is homeless is one day. And the second most common length is two days. And they never come back. Anyone who ever has to stay in a shelter involuntarily knows that all you think about is how to make sure you never come back."

The next ten per cent were what Culhane calls episodic users. They would come for three weeks at a time, and return periodically, particularly in the winter. They were quite young, and they were often heavy drug users. It was the last ten per cent—the group at the farthest edge of the curve—that interested Culhane the most. They were the chronically homeless, who lived in the shelters, sometimes for years at a time. They were older. Many were mentally ill or physically disabled, and when we think about homelessness as a social problem—the people sleeping on the sidewalk, aggressively panhandling, lying drunk in doorways, huddled on subway grates and under bridges—it's this group that we have in mind. In the early nineteen-

nineties, Culhane's database suggested that New York City had a quarter of a million people who were homeless at some point in the previous half decade — which was a surprisingly high number. But only about twenty-five hundred were chronically homeless.

It turns out, furthermore, that this group costs the health-care and social-services systems far more than anyone had ever anticipated. Culhane estimates that in New York at least sixty-two million dollars was being spent annually to shelter just those twenty-five hundred hard-core homeless. "It costs twenty-four thousand dollars a year for one of these shelter beds," Culhane said. "We're talking about a cot eighteen inches away from the next cot." Boston Health Care for the Homeless Program, a leading service group for the homeless in Boston, recently tracked the medical expenses of a hundred and nineteen chronically homeless people. In the course of five years, thirty-three people died and seven more were sent to nursing homes, and the group still accounted for 18,834 emergency-room visits—at a minimum cost of a thousand dollars a visit. The University of California, San Diego Medical Center

followed fifteen chronically homeless inebriates and found that over eighteen months those fifteen people were treated at the hospital's emergency room four hundred and seventeen times, and ran up bills that averaged a hundred thousand dollars each. One person—San Diego's counterpart to Murray Barr—came to the emergency room eighty-seven times.

"If it's a medical admission, it's likely to be the guys with the really complex pneumonia," James Dunford, the city of San Diego's emergency medical director and the author of the observational study, said. "They are drunk and they aspirate and get vomit in their lungs and develop a lung abscess, and they get hypothermia on top of that, because they're out in the rain. They end up in the intensive-care unit with these very complicated medical infections. These are the guys who typically get hit by cars and buses and trucks. They often have a neurosurgical catastrophe as well. So they are very prone to just falling down and cracking their head and getting a subdural hematoma, which, if not drained, could kill them, and it's the guy who falls down and hits his head who ends up costing you at least fifty

thousand dollars. Meanwhile, they are going through alcoholic withdrawal and have devastating liver disease that only adds to their inability to fight infections. There is no end to the issues. We do this huge drill. We run up big lab fees, and the nurses want to quit, because they see the same guys come in over and over, and all we're doing is making them capable of walking down the block."

The homelessness problem is like the L.A.P.D.'s bad-cop problem. It's a matter of a few hard cases, and that's good news, because when a problem is that concentrated you can wrap your arms around it and think about solving it. The bad news is that those few hard cases are hard. They are falling-down drunks with liver disease and complex infections and mental illness. They need time and attention and lots of money. But enormous sums of money are already being spent on the chronically homeless, and Culhane saw that the kind of money it would take to solve the homeless problem could well be less than the kind of money it took to ignore it. Murray Barr used more health-care dollars, after all, than almost anyone in the state of Nevada. It would probably have been cheaper to give him a full-time nurse and his own apartment.

The leading exponent for the power-law theory of homelessness is Philip Mangano, who, since he was appointed by President Bush in 2002, has been the executive director of the U.S. Interagency Council on Homelessness, a group that oversees the programs of twenty federal agencies. Mangano is a slender man, with a mane of white hair and a magnetic presence, who got his start as an advocate for the homeless in Massachusetts. In the past two years, he has crisscrossed the United States, educating local mayors and city councils about the real shape of the homelessness curve. Simply running soup kitchens and shelters, he argues, allows the chronically homeless to remain chronically homeless. You build a shelter and a soup kitchen if you think that homelessness is a problem with a broad and unmanageable middle. But if it's a problem at the fringe it can be solved. So far, Mangano has convinced more than two hundred cities to radically reevaluate their policy for dealing with the homeless.

"I was in St. Louis recently," Mangano said, back in June, when he dropped by New York on his way to Boise, Idaho. "I spoke with people doing services there. They had a very difficult group of

people they couldn't reach no matter what they offered. So I said, Take some of your money and rent some apartments and go out to those people, and literally go out there with the key and say to them, 'This is the key to an apartment. If you come with me right now I am going to give it to you, and you are going to have that apartment.' And so they did. And one by one those people were coming in. Our intent is to take homeless policy from the old idea of funding programs that serve homeless people endlessly and invest in results that actually end homelessness."

Mangano is a history buff, a man who sometimes falls asleep listening to old Malcolm X speeches, and who peppers his remarks with references to the civil-rights movement and the Berlin Wall and, most of all, the fight against slavery. "I am an abolitionist," he says. "My office in Boston was opposite the monument to the 54th Regiment on the Boston Common, up the street from the Park Street Church, where William Lloyd Garrison called for immediate abolition, and around the corner from where Frederick Douglass gave that famous speech at the Tremont Temple. It is very much ingrained in me that you do not manage a

social wrong. You should be ending it."

3.

The old Y.M.C.A. in downtown Denver is on Sixteenth Street, just east of the central business district. The main building is a handsome six-story stone structure that was erected in 1906, and next door is an annex that was added in the nineteen-fifties. On the ground floor there is a gym and exercise rooms. On the upper floors there are several hundred apartments—brightly painted one-bedrooms, efficiencies, and S.R.O.-style rooms with microwaves and refrigerators and central airconditioning—and for the past several years those apartments have been owned and managed by the Colorado Coalition for the Homeless.

Even by big-city standards, Denver has a serious homelessness problem. The winters are relatively mild, and the summers aren't nearly as hot as those of neighboring New Mexico or Utah, which has made the city a magnet for the indigent. By the city's estimates, it has roughly a thousand chronically homeless people, of whom three hundred spend their time downtown, along the central Sixteenth Street shopping corridor or in nearby Civic Center Park. Many of the merchants

downtown worry that the presence of the homeless is scaring away customers. A few blocks north, near the hospital, a modest, low-slung detox center handles twenty-eight thousand admissions a year, many of them homeless people who have passed out on the streets, either from liquor or—as is increasingly the case—from mouthwash. "Dr. —Dr. Tich, they call it—is the brand of mouthwash they use," says Roxane White, the manager of the city's social services. "You can imagine what that does to your gut."

Eighteen months ago, the city signed up with Mangano. With a mixture of federal and local funds, the C.C.H. inaugurated a new program that has so far enrolled a hundred and six people. It is aimed at the Murray Barrs of Denver, the people costing the system the most. C.C.H. went after the people who had been on the streets the longest, who had a criminal record, who had a problem with substance abuse or mental illness. "We have one individual in her early sixties, but looking at her you'd think she's eighty," Rachel Post, the director of substance treatment at the C.C.H., said. (Post changed some details about her clients in order to protect their identity.) "She's a

chronic alcoholic. A typical day for her is she gets up and tries to find whatever 's going to drink that day. She falls down a lot. There's another person who came in during the first week. He was on methadone maintenance. He'd had psychiatric treatment. He was incarcerated for eleven years, and lived on the streets for three years after that, and, if that's not enough, he had a hole in his heart."

The recruitment strategy was as simple as the one that Mangano had laid out in St. Louis: Would you like a free apartment? The enrollees got either an efficiency at the Y.M.C.A. or an apartment rented for them in a building somewhere else in the city, provided they agreed to work within the rules of the program. In the basement of the Y, where the racquetball courts used to be, the coalition built a command center, staffed with ten caseworkers. Five days a week, between eight-thirty and ten in the morning, the caseworkers meet and painstakingly review the status of everyone in the program. On the wall around the conference table are several large white boards, with lists of doctor's appointments and court dates and medication schedules. "We need a staffing ratio of one to ten to

make it work," Post said. "You go out there and you find people and assess how 're doing in their residence. Sometimes we're in contact with someone every day. Ideally, we want to be in contact every couple of days. We've got about fifteen people we're really worried about now."

The cost of services comes to about ten thousand dollars per homeless client per year. An efficiency apartment in Denver averages \$376 a month, or just over forty-five hundred a year, which means that you can house and care for a chronically homeless person for at most fifteen thousand dollars, or about a third of what he or she would cost on the street. The idea is that once the people in the program get stabilized they will find jobs, and start to pick up more and more of their own rent, which would bring someone's annual cost to the program closer to six thousand dollars. As of today, seventy-five supportive housing slots have already been added, and the city's homeless plan calls for eight hundred more over the next ten years.

The reality, of course, is hardly that neat and tidy. The idea that the very sickest and most troubled of the homeless can be stabilized and eventually employed is only a hope. Some of them plainly

won't be able to get there: these are, after all, hard cases. "We've got one man, he's in his twenties," Post said. "Already, he has cirrhosis of the liver. One time he blew a blood alcohol of .49, which is enough to kill most people. The first place we had he brought over all his friends, and they partied and trashed the place and broke a window. Then we gave him another apartment, and he did the same thing."

Post said that the man had been sober for several months. But he could relapse at some point and perhaps trash another apartment, and they'd have to figure out what to do with him next. Post had just been on a conference call with some people in New York City who run a similar program, and they talked about whether giving clients so many chances simply encourages them to behave irresponsibly. For some people, it probably does. But what was the alternative? If this young man was put back on the streets, he would cost the system even more money. The current philosophy of welfare holds that government assistance should be temporary and conditional, to avoid creating dependency. But someone who blows .49 on a Breathalyzer and has cirrhosis of the liver at the

age of twenty-seven doesn't respond to incentives and sanctions in the usual way. "The most complicated people to work with are those who have been homeless for so long that going back to the streets just isn't scary to them," Post said. "The summer comes along and they say, 'I don't need to follow your rules.'" Power-law homelessness policy has to do the opposite of normal-distribution social policy. It should create dependency: you want people who have been outside the system to come inside and rebuild their lives under the supervision of those ten caseworkers in the basement of the Y.M.C.A.

That is what is so perplexing about power-law homeless policy. From an economic perspective the approach makes perfect sense. But from a moral perspective it doesn't seem fair. Thousands of people in the Denver area no doubt live day to day, work two or three jobs, and are eminently deserving of a helping hand—and no one offers them the key to a new apartment. Yet that's just what the guy screaming obscenities and swigging Dr. Tich gets. When the welfare mom's time on public assistance runs out, we cut her off. Yet when the homeless man trashes his apartment we give him

another. Social benefits are supposed to have some kind of moral justification. We give them to widows and disabled veterans and poor mothers with small children. Giving the homeless guy passed out on the sidewalk an apartment has a different rationale. It's simply about efficiency.

We also believe that the distribution of social benefits should not be arbitrary. We don't give only to some poor mothers, or to a random handful of disabled veterans. We give to everyone who meets a formal criterion, and the moral credibility of government assistance derives, in part, from this universality. But the Denver homelessness program doesn't help every chronically homeless person in Denver. There is a waiting list of six hundred for the supportive-housing program; it will be years before all those people get apartments, and some may never get one. There isn't enough money to go around, and to try to help everyone a little bit—to observe the principle of universality—isn't as cost-effective as helping a few people a lot. Being fair, in this case, means providing shelters and soup kitchens, and shelters and soup kitchens don't solve the problem of homelessness. Our usual moral intuitions are little use, then, when it comes to a few hard cases. Power-law problems leave us with an

unpleasant choice. We can be true to our principles or we can fix the problem. We cannot do both.

4.

A few miles northwest of the old Y.M.C.A. in downtown Denver, on the Speer Boulevard off-ramp from I-25, there is a big electronic sign by the side of the road, connected to a device that remotely measures the emissions of the vehicles driving past. When a car with properly functioning pollution-control equipment passes, the sign flashes "Good." When a car passes that is well over the acceptable limits, the sign flashes "Poor." If you stand at the Speer Boulevard exit and watch the sign for any length of time, you'll find that virtually every car scores "Good." An Audi A4—"Good." A Buick Century—"Good." A Toyota Corolla—"Good." A Ford Taurus—"Good." A Saab 9-5—"Good," and on and on, until after twenty minutes or so, some beat-up old Ford Escort or tricked-out Porsche drives by and the sign flashes "Poor." The picture of the smog problem you get from watching the Speer Boulevard sign and the picture of the homelessness problem you get from listening in on the morning staff meetings at the Y.M.C.A. are pretty

much the same. Auto emissions follow a power-law distribution, and the air-pollution example offers another look at why we struggle so much with problems centered on a few hard cases.

Most cars, especially new ones, are extraordinarily clean. A 2004 Subaru in good working order has an exhaust stream that's just .06 per cent carbon monoxide, which is negligible. But on almost any highway, for whatever reason—age, ill repair, deliberate tampering by the owner—a small number of cars can have carbon-monoxide levels in excess of ten per cent, which is almost two hundred times higher. In Denver, five per cent of the vehicles on the road produce fifty-five per cent of the automobile pollution.

"Let's say a car is fifteen years old," Donald Stedman says. Stedman is a chemist and automobile-emissions specialist at the University of Denver. His laboratory put up the sign on Speer Avenue. "Obviously, the older a car is the more likely it is to become broken. It's the same as human beings. And by broken we mean any number of mechanical malfunctions—the computer's not working anymore, fuel injection is

stuck open, the catalyst's not unusual that these failure modes result in high emissions. We have at least one car in our database which was emitting seventy grams of hydrocarbon per mile, which means that you could almost drive a Honda Civic on the exhaust fumes from that car. It's not just old cars. It's new cars with high mileage, like taxis. One of the most successful and least publicized control measures was done by a district attorney in L.A. back in the nineties. He went to LAX and discovered that all of the Bell Cabs were gross emitters. One of those cabs emitted more than its own weight of pollution every year."

In Stedman's view, the current system of smog checks makes little sense. A million motorists in Denver have to go to an emissions center every year—take time from work, wait in line, pay fifteen or twenty-five dollars—for a test that more than ninety per cent of them don't need. "Not everybody gets tested for breast cancer," Stedman says. "Not everybody takes an AIDS test." On-site smog checks, furthermore, do a pretty bad job of finding and fixing the few outliers. Car enthusiasts—with high-powered, high-polluting sports cars—have been known to drop a clean engine into their car on the day they get it tested. Others register their car in a faraway

town without emissions testing or arrive at the test site "hot"—having just come off hard driving on the freeway—which is a good way to make a dirty engine appear to be clean. Still others randomly pass the test when they shouldn't, because dirty engines are highly variable and sometimes burn cleanly for short durations. There is little evidence, Stedman says, that the city's regime of inspections makes any difference in air quality.

He proposes mobile testing instead. Twenty years ago, he invented a device the size of a suitcase that uses infrared light to instantly measure and then analyze the emissions of cars as they drive by on the highway. The Speer Avenue sign is attached to one of Stedman's devices. He says that cities should put half a dozen or so of his devices in vans, park them on freeway off-ramps around the city, and have a police car poised to pull over anyone who fails the test. A half-dozen vans could test thirty thousand cars a day. For the same twenty-five million dollars that Denver's motorists now spend on on-site testing, Stedman estimates, the city could identify and fix twenty-five thousand truly dirty vehicles every year, and within a few years cut automobile emissions in the Denver

metropolitan area by somewhere between thirty-five and forty per cent. The city could stop managing its smog problem and start ending it.

Why don't we all adopt the Stedman method? There's no moral impediment here. We're used to the police pulling people over for having a blown headlight or a broken side mirror, and it wouldn't be difficult to have them add pollution-control devices to their list. Yet it does run counter to an instinctive social preference for thinking of pollution as a problem to which we all contribute equally. We have developed institutions that move reassuringly quickly and forcefully on collective problems. Congress passes a law. The Environmental Protection Agency promulgates a regulation. The auto industry makes its cars a little cleaner, and—presto—the air gets better. But Stedman doesn't much care about what happens in Washington and Detroit. The challenge of controlling air pollution isn't so much about the laws as it is about compliance with them. It's a policing problem, rather than a policy problem, and there is something ultimately unsatisfying about his proposed solution. He wants to end air pollution in Denver with a half-dozen vans outfitted

with a contraption about the size of a suitcase. Can such a big problem have such a small-bore solution?

That's what made the findings of the Christopher Commission so unsatisfying. We put together blue-ribbon panels when we're faced with problems that seem too large for the normal mechanisms of bureaucratic repair. We want sweeping reforms. But what was the commission's most memorable observation? It was the story of an officer with a known history of doing things like beating up handcuffed suspects who nonetheless received a performance review from his superior stating that he "usually conducts himself in a manner that inspires respect for the law and instills public confidence." This is what you say about an officer when you haven't actually read his file, and the implication of the Christopher Commission's report was that the L.A.P.D. might help solve its problem simply by getting its police captains to read the files of their officers. The L.A.P.D.'s problem was a matter not of policy but of compliance. The department needed to adhere to the rules it already had in place, and that's not what a public hungry for institutional transformation wants to hear. Solving problems that have power-law distributions doesn't just violate our moral intuitions; it violates our

political intuitions as well. It's hard not to conclude, in the end, that the reason we treated the homeless as one hopeless undifferentiated group for so long is not simply that we didn't know better. It's that we didn't want to know better. It was easier the old way.

Power-law solutions have little appeal to the right, because they involve special treatment for people who do not deserve special treatment; and they have little appeal to the left, because their emphasis on efficiency over fairness suggests the cold number-crunching of Chicago-school cost-benefit analysis. Even the promise of millions of dollars in savings or cleaner air or better police departments cannot entirely compensate for such discomfort. In Denver, John Hickenlooper, the city's enormously popular mayor, has worked on the homelessness issue tirelessly during the past couple of years. He spent more time on the subject in his annual State of the City address this past summer than on any other topic. He gave the speech, with deliberate symbolism, in the city's downtown Civic Center Park, where homeless people gather every day with their shopping carts and garbage bags. He has gone on local talk radio on many

occasions to discuss what the city is doing about the issue. He has commissioned studies to show what a drain on the city's resources the homeless population has become. But, he says, "there are still people who stop me going into the supermarket and say, 'I can't believe you're going to help those homeless people, those bums.'"

5.

Early one morning a year ago, Marla Johns got a call from her husband, Steve. He was at work. "He called and woke me up," Johns remembers. "He was choked up and crying on the phone. And I thought that something had happened with another police officer. I said, 'Oh, my gosh, what happened?' He said, 'Murray died last night.' " He died of intestinal bleeding. At the police department that morning, some of the officers gave Murray a moment of silence.

"There are not many days that go by that I don't have a thought of him," she went on. "Christmas comes— and I used to buy him a Christmas present. Make sure he had warm gloves and a blanket and a coat. There was this mutual respect. There was a time when another intoxicated patient jumped off the

gurney and was coming at me, and Murray jumped off his gurney and shook his fist and said, 'Don't you touch my angel.' You know, when he was monitored by the system he did fabulously. He would be on house arrest and he would get a job and he would save money and go to work every day, and he wouldn't drink. He would do all the things he was supposed to do. There are some people who can be very successful members of society if someone monitors them. Murray needed someone to be in charge of him."

But, of course, Reno didn't have a place where Murray could be given the structure he needed. Someone must have decided that it cost too much.

"I told my husband that I would claim his body if no one else did," she said. "I would not have him in an unmarked grave."

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WORKFORCE HOUSING REGIONAL INCOME LIMITS
BASED ON COAH 2007 REGIONAL INCOME LIMITS

		1 Person	*1.5 Person	2 Person	*3 Person	4 Person	*4.5 Person	5 Person	6 Person	7 Person	8 Person	Max. Increase** Rents/Sales	Regional Asset Limit***
Region 1	Median	\$51,839	\$55,541	\$59,244	\$66,650	\$74,055	\$77,017	\$79,979	\$85,904	\$91,828	\$97,753		
Bergen, Hudson, Passaic and Sussex	80%	\$41,471	\$44,433	\$47,395	\$53,320	\$59,244	\$61,614	\$63,984	\$68,723	\$73,463	\$78,202	4.70%	\$145,948
	120%	\$62,206	\$66,650	\$71,093	\$79,979	\$88,86	\$92,421	\$95,975	\$103,085	\$110,194	\$117,303		
Region 2	Median	\$57,510	\$61,618	\$65,726	\$73,941	\$82,15	\$85,443	\$88,730	\$95,302	\$101,875	\$108,447		
Essex, Morris, Union and Warren	80%	\$46,008	\$49,294	\$52,580	\$59,153	\$65,72	\$68,355	\$70,984	\$76,242	\$81,500	\$86,758	4.70%	\$157,387
	120%	\$69,012	\$73,941	\$78,871	\$88,730	\$98,58	\$102,532	\$106,475	\$114,363	\$122,250	\$130,137		
Region 3	Median	\$64,960	\$69,600	\$74,240	\$83,520	\$92,80	\$96,512	\$100,224	\$107,648	\$115,072	\$122,496		
Hunterdon, Middlesex and Somerset	80%	\$51,968	\$55,680	\$59,392	\$66,816	\$74,24	\$77,210	\$80,179	\$86,118	\$92,058	\$97,997	4.70%	\$180,319
	120%	\$77,952	\$83,520	\$89,088	\$100,224	\$111,3	\$115,814	\$120,269	\$129,178	\$138,086	\$146,995		
Region 4	Median	\$57,432	\$61,535	\$65,637	\$73,841	\$82,04	\$85,328	\$88,610	\$95,173	\$101,737	\$108,301		
Mercer, Monmouth and Ocean	80%	\$45,946	\$49,228	\$52,509	\$59,073	\$65,63	\$68,262	\$70,888	\$76,139	\$81,390	\$86,641	4.70%	\$155,777
	120%	\$68,919	\$73,841	\$78,764	\$88,610	\$98,45	\$102,393	\$106,332	\$114,208	\$122,084	\$129,961		
Region 5	Median	\$50,120	\$53,700	\$57,280	\$64,440	\$71,60	\$74,464	\$77,328	\$83,056	\$88,784	\$94,512		
Camden, Burlington and Gloucester	80%	\$40,096	\$42,960	\$45,824	\$51,552	\$57,28	\$59,571	\$61,862	\$66,445	\$71,027	\$75,610	4.70%	\$134,847
	120%	\$60,144	\$64,440	\$68,736	\$77,328	\$85,92	\$89,357	\$92,794	\$99,667	\$106,541	\$113,414		
Region 6	Median	\$44,015	\$47,159	\$50,303	\$56,591	\$62,87	\$65,394	\$67,909	\$72,940	\$77,970	\$83,000		
Cumberland, Salem, Atlantic and Cape May	80%	\$35,212	\$37,727	\$40,243	\$45,273	\$50,30	\$52,315	\$54,327	\$58,352	\$62,376	\$66,400	4.70%	\$118,836
	120%	\$52,818	\$56,591	\$60,364	\$67,909	\$75,45	\$78,473	\$81,491	\$87,528	\$93,564	\$99,600		

Exhibit 4
Homeless and Special Needs Subcommittee

The above calculations use the COAH Median Income Limits for 2007 as the base.

*These columns are for calculating the pricing for one, two and three bedroom sale and rental units as per N.J.A.C. 26.6(b) and N.J.A.C. 5:80-26.12(a).

**This column is used for calculating the pricing for resale and rent increases for units as per N.J.A.C. 5:94-7.2(Ordinable prices and rents may be raised a maximum of 4.7 percent, based on the U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index (CPI), Northeast Region, All Urban Consumers Housing.

***The Regional Asset Limit is used in determining an applicant's eligibility for affordable housing pursuant to N.J.A.C. 5:80-26.16(b)3.

Note: Since the income limits for 2007 are less than the 2006 income limits, applicants who were qualified using COAH's 2006 income limits, on or before May 9, 2007, may continue to qualify under COAH's 2006 income limits.

New Jersey Households, by income and household problems, 2000 Census

	New Jersey	Atlantic	Bergen	Burlington	Camden	Cape May	Cumberland	Essex	Gloucester	Hudson	Hunterdon	Mercer	Middlesex	Monmouth	Morris	Ocean	Passaic	Salem	Somerset	Sussex	Union	Warren	
Households	3,064,655	95,040	330,795	154,375	185,745	42,140	49,145	283,725	90,729	230,545	43,674	125,790	265,815	224,230	169,715	200,395	163,865	24,289	108,985	50,823	186,140	38,655	
Renters	1,053,350	31,990	108,580	34,870	55,745	10,845	15,755	154,245	18,239	159,875	7,119	41,480	88,435	56,960	40,720	33,625	72,700	6,564	24,825	8,808	71,440	10,525	
Owners	2,011,305	63,050	222,215	119,505	130,000	31,295	33,390	129,480	72,490	70,670	36,555	84,310	177,380	167,270	128,995	166,770	91,165	17,725	84,160	42,015	114,700	28,130	
TOTAL DETAILED																							
Households <=50% MFI	701,145	20,760	64,520	22,330	44,445	9,625	11,660	97,490	16,695	57,020	6,435	30,345	61,865	43,580	21,360	54,840	51,460	5,945	17,345	8,275	46,600	8,540	
Renters w/ housing problems	309,575	8,385	27,695	7,645	18,700	3,080	4,985	55,550	5,690	36,495	1,930	30,345	61,865	43,580	21,360	54,840	51,460	5,945	17,345	8,275	46,600	8,540	
Owners w/ housing problems	217,570	6,925	23,795	9,770	15,235	3,910	3,425	16,450	6,655	6,945	2,830	9,150	20,770	15,765	8,980	23,975	12,885	1,910	6,205	2,480	22,490	3,200	
Renters w/out housing problems	104,575	3,690	7,795	2,170	6,010	1,210	2,235	22,230	2,155	12,235	690	5,060	7,520	6,005	2,280	3,385	8,180	1,050	1,660	790	7,050	1,195	
Owners w/out housing problems	69,425	1,760	5,235	2,745	4,500	1,425	1,015	3,260	2,195	1,345	985	3,355	8,270	3,635	2,335	15,910	2,915	830	2,185	1,065	3,085	1,170	
Households 50.1% to 80% MFI	427,235	16,915	38,560	24,960	33,630	7,765	8,480	41,170	15,305	34,905	3,110	16,600	27,100	29,350	17,435	36,135	23,595	4,765	7,940	6,805	27,075	5,640	
Renters w/ housing problems	85,130	3,865	9,140	3,590	4,405	1,125	1,840	9,385	1,385	17,890	355	2,540	4,940	4,485	3,785	2,965	5,190	390	1,405	510	5,465	465	
Owners w/ housing problems	123,525	5,510	11,755	7,955	9,915	2,590	2,495	8,290	5,465	6,310	1,280	3,990	7,830	10,790	5,515	10,615	6,370	1,150	2,790	2,995	7,130	1,775	
Renters w/out housing problems	103,830	3,570	8,465	4,670	8,500	1,395	1,565	17,490	2,805	9,455	460	4,750	6,490	6,275	3,450	3,730	7,570	1,175	1,395	1,290	7,790	1,560	
Owners w/out housing problems	114,750	3,970	9,200	8,745	10,810	2,655	2,580	5,005	5,650	1,250	1,015	5,320	7,840	7,800	4,685	18,825	4,465	2,050	2,350	2,010	6,690	1,840	
Households 80.1% to 120% MFI	740,525	20,890	83,950	34,195	39,705	8,750	9,600	60,835	21,339	37,435	13,049	30,885	89,400	49,055	38,925	52,555	41,885	5,240	32,265	14,128	45,225	11,185	
Renters w/ housing problems	44,485	1,355	6,085	1,080	985	265	495	4,755	239	8,935	199	1,315	5,675	1,715	2,130	960	3,060	50	1,770	133	3,060	210	
Owners w/ housing problems	166,370	5,115	21,460	7,715	8,120	2,170	1,955	13,490	4,685	6,445	4,150	5,335	16,150	13,685	10,730	9,950	9,890	880	8,130	3,765	10,140	2,415	
Renters w/out housing problems	193,435	5,045	23,940	7,205	9,050	2,010	2,155	25,200	3,390	18,090	2,030	8,125	22,420	10,120	9,290	6,550	12,960	965	6,655	2,120	13,640	2,465	
Owners w/out housing problems	336,235	9,375	32,465	18,195	21,550	4,305	4,995	17,390	13,025	3,965	6,670	16,110	45,155	23,535	16,775	35,095	15,975	3,345	5,710	8,110	18,385	6,095	
Households 120.1% to 140% MFI	254,940	8,615	28,270	15,465	15,790	3,310	4,050	17,785	8,700	16,930	4,165	10,155	24,110	19,380	15,845	15,660	11,415	2,214	9,735	5,520	14,570	3,255	
Renters w/ housing problems	7,070	300	820	170	260	25	95	645	25	2,385	10	190	560	265	320	125	275	4	165	15	395	10	
Owners w/ housing problems	33,850	1,235	4,820	1,960	1,730	585	545	2,565	855	3,015	660	955	1,670	3,340	2,900	1,190	1,580	170	1,280	685	1,760	340	
Renters w/out housing problems	52,535	1,740	6,520	2,535	2,390	550	665	5,855	770	8,880	420	2,030	4,685	2,910	2,865	1,365	2,500	200	1,405	515	3,275	465	
Owners w/out housing problems	161,485	5,340	16,110	10,780	11,410	2,150	2,745	8,720	7,050	2,640	3,075	6,980	17,195	12,865	9,760	12,980	7,080	1,840	6,885	4,305	9,140	2,440	
Households 141.1% or more MFI	940,810	27,860	115,495	57,425	52,175	12,690	15,355	66,445	28,690	84,255	16,915	37,805	63,340	82,865	76,150	41,205	35,510	6,125	41,700	16,095	52,670	10,035	
Renters w/ housing problems	14,910	415	1,470	225	370	40	150	1,330	60	6,775	15	265	965	370	595	280	430	20	355	10	740	35	
Owners w/ housing problems	54,140	1,510	8,240	2,725	2,235	625	680	4,705	950	8,425	920	1,935	1,715	4,940	4,715	1,455	2,060	235	2,225	845	2,530	465	
Renters w/out housing problems	137,805	3,625	16,650	5,580	5,075	1,145	1,570	11,805	1,720	38,725	1,010	4,425	9,875	6,840	8,240	2,695	5,055	555	3,810	945	7,535	920	
Owners w/out housing problems	733,955	22,310	89,135	48,895	44,495	10,880	12,955	48,605	25,960	30,330	14,970	31,180	50,785	70,715	62,600	36,775	27,965	5,315	35,310	14,295	41,865	8,615	
SUMMARY TOTALS																							
Households <=50.1% MFI	701,145	20,760	64,520	22,330	44,445	9,625	11,660	97,490	16,695	57,020	6,435	30,345	61,865	43,580	21,360	54,840	51,460	5,945	17,345	8,275	46,600	8,540	
All Renters	414,150	12,075	35,490	9,815	24,710	4,290	7,220	77,780	7,845	48,730	2,620	17,840	32,825	23,980	10,045	54,955	51,660	3,205	7,865	3,270	29,540	4,395	
All Owners	286,995	8,685	29,030	12,515	19,735	5,335	4,440	19,710	8,850	8,290	3,815	12,505	29,040	19,600	11,315	39,885	15,800	2,740	9,480	5,005	17,060	4,145	
Households 50.1% to 80% MFI	427,235	16,915	38,560	24,960	33,630	7,765	8,480	41,170	15,305	34,905	3,110	16,600	27,100	29,350	17,435	36,135	23,595	4,765	7,940	6,805	27,075	5,640	
All Renters	189,960	7,435	17,605	8,260	12,905	2,520	3,405	26,875	4,190	27,345	815	7,290	11,430	10,760	7,235	6,695	12,760	1,565	2,800	1,800	13,255	2,025	
All Owners	238,275	9,480	20,955	16,700	20,725	5,245	5,075	14,295	11,115	7,560	2,295	9,310	15,670	18,590	10,200	29,440	10,835	3,200	5,140	5,005	13,820	3,615	
Households 80.1% to 120% MFI	740,525	20,890	83,950	34,195	39,705	8,750	9,600	60,835	21,339	37,435	13,049	30,885	89,400	49,055	38,925	52,555	41,885	5,240	32,265	14,128	45,225	11,185	
All Renters	297,380	6,400	30,825	11,285	10,035	2,275	2,750	21,925	2,320	15,840	340	2,640	22,625	11,535	11,930	7,430	10,030	1,015	8,425	2,253	16,700	2,675	
All Owners	443,145	14,490	53,125	22,910	29,670	6,475	6,850	38,910	19,019	21,595	10,409	28,245	66,775	37,525	27,000	45,125	34,855	4,225	23,840	11,875	28,525	8,510	
Households 120.1% to 140% MFI	254,940	8,615	28,270	15,465	15,790	3,310	4,050	17,785	8,700	16,930	4,165	10,155	24,110	19,380	15,845	15,660	11,415	2,214	9,735	5,520	14,570	3,255	
All Renters	59,605	2,040	7,340	2,705	2,650	575	760	6,500	795	11,275	430	2,220	5,245	3,175	3,185	1,490	2,775	204	1,570	530	3,670	475	
All Owners	195,335	6,575	20,930	12,760	13,140	2,735	3,290	11,285	7,905	5,655	3,735	7,935	18,865	16,205	12,660	14,170	8,640	2,010	8,165	4,990	10,900	2,780	
Households 141.1% or more MFI	940,810	27,860	115,495	57,425	52,175	12,690	15,355	66,445	28,690	84,255	16,915	37,805	63,340	82,865	76,150	41,205	35,510	6,125	41,700	16,095	52,670	10,035	
All Renters	152,715	4,040	18,120	5,805	5,445	1,185	1,720	13,135	1,780	45,500	1,025	4,690	10,840	7,210	8,835	2,975	5,485	575	4,165	955	8,275	955	
All Owners	788,095	23,820	97,375	51,620	46,730	11,505	13,635	53,310	26,910	38,755	15,890	33,115	52,500	75,655	67,315	38,230	30,025	5,550	37,535	15,140	44,395	9,080	
Total Renters	1,053,350	31,990	108,580	34,870	55,745	10,845	15,755																

WORKFORCE HOUSING
FOR-SALE DATA BY COUNTY
2006 RESIDENTIAL SALES

	ATLANTIC	BERGEN	BURLINGTON	CAMDEN	CAPE MAY	CUMBERLAND	ESSEX	GLOUCESTER	HUDSON	HUNTERDON	MERCER	MIDDLESEX	MONMOUTH	MORRIS	OCEAN	PASSAIC	SALEM	SOMERSET	SUSSEX	UNION	WARREN
AVERAGE SALES PRICE	292,241	562,828	278,610	192,072	516,496	155,011	415,904	226,786	403,505	431,529	291,367	350,206	468,390	507,207	338,924	374,159	160,299	463,102	302,713	421,567	283,311
DOWNPAYMENT 5%	14,612	28,141	13,931	9,604	25,825	7,751	20,795	11,339	20,175	21,576	14,568	17,510	23,420	25,360	16,946	18,708	8,015	23,155	15,136	21,078	14,166
MORTGAGE AMOUNT	277,829	534,687	264,680	182,468	490,671	147,260	395,109	215,447	383,330	409,953	276,799	332,696	444,971	481,847	321,978	355,451	152,284	439,947	287,577	400,489	269,145
PRINCIPAL & INTEREST-7%	1,849	3,561	1,763	1,215	3,268	981	2,631	1,435	2,553	2,730	1,843	2,216	2,964	3,209	2,144	2,367	1,014	2,930	1,915	2,667	1,793
TAXES	333	583	333	333	333	333	583	333	583	417	417	417	417	583	417	583	333	417	583	583	583
INSURANCE	50	100	50	50	50	50	100	50	100	67	67	67	67	100	67	100	50	67	100	100	100
PMI (54 BASIS POINTS)	150	289	143	99	265	80	213	116	207	221	149	180	240	260	174	192	82	238	155	216	145
MONTHLY PITI	2,532	4,822	2,432	1,796	4,181	1,523	3,741	2,051	3,650	3,656	2,626	3,058	3,927	4,413	2,975	3,435	1,562	3,889	2,909	3,783	2,767
INCOME @ 28%	108,522	206,649	104,227	76,956	179,191	65,277	160,349	87,895	156,442	156,701	112,532	131,074	168,317	189,121	127,519	147,194	66,943	166,651	124,679	162,134	118,565
INCOME @ 31%	98,020	186,651	94,140	69,509	161,850	58,960	144,831	79,389	141,302	141,537	101,642	118,390	152,029	170,819	115,178	132,949	60,465	150,523	112,613	146,443	107,091
MEDIAN INCOME 4.5 PERSON																					
80%	52,315	61,614	59,571	59,571	52,315	52,315	68,354	59,571	61,614	77,210	68,262	77,210	68,262	68,354	68,262	61,614	52,315	77,210	61,614	68,354	68,354
100%	65,394	77,017	74,464	74,464	65,394	65,394	85,443	74,464	77,017	96,512	85,328	96,512	85,328	85,443	85,328	77,017	65,394	96,512	77,017	85,443	85,443
120%	78,473	92,420	89,357	89,357	78,473	78,473	102,532	89,357	92,420	115,814	102,394	115,814	102,394	102,532	102,394	92,420	78,473	115,814	92,420	102,532	102,532
140%	91,552	107,824	104,250	104,250	91,552	91,552	119,620	104,250	107,824	135,117	119,459	135,117	119,459	119,620	119,459	107,824	91,552	135,117	107,824	119,620	119,620
% of AMI Required	150%	242%	126%	93%	247%	90%	170%	107%	183%	147%	118%	123%	178%	200%	135%	173%	92%	156%	146%	171%	125%
Income Required	98,020	186,651	94,140	69,509	161,850	58,960	144,831	79,389	141,302	141,537	101,642	118,390	152,029	170,819	115,178	132,949	60,465	150,523	112,613	146,443	107,091

Bold indicates eligibility to purchase an average home with a 31% payment ratio

CHANGES IN THE FAIR HOUSING ACT TO PROMOTE WORKFORCE HOUSING

- Legislatively change the Fair Housing Act (and the regulations of COAH) to allow for COAH credit in municipalities who provide deed restricted, WorkForce Housing. There are two options. Allow the Municipality to select the option that best fits their need.
 - Allow Municipalities to provide up to 20% of their Projected Need to WorkForce Housing households, provided that the Municipality does not enter into any Regional Contribution Agreements as a sending Municipality. In this case the credits would be on a one for one basis.
 - Allow Municipalities to provide up to 10% of their Projected Need to WorkForce Housing households, if the Municipality does enter into any Regional Contribution Agreements as a sending Municipality. In this case the credits would be on a one for two basis, that is one credit for each two units of WorkForce Housing created up to a maximum of 10% of the Projected Need

- All WorkForce Housing units would be deed restricted for a period of 20 years and have a shared appreciation basis similar to the NJHMFA CHOICE Emerging market Units
- All Workforce Housing units would be required to be stratified in a similar manner as the COAH requirement for Affordable Housing unit
- All WorkForce Housing units must comply with all COAH regulations with regard to marketing
- Only new rental and for-sale units would qualify for WorkForce Housing Credits. Age restricted units and owner-occupied rehabilitation units would not be eligible for the WorkForce Housing credits.
- Request that up to 20% of any new State funding be allocated to support WorkForce Housing. At present, the Neighborhood Preservation Balanced Housing Program can only assist housing units for those under 80% of AMI.
- Allow 20% of all Regional Contribution Agreement funds to be used by the receiving Municipality for WorkForce Housing.
- Allow Municipalities to use their Affordable Housing Trust Fund for WorkForce Housing

PROPOSED CRITERIA FOR A HOUSING IMPACT STATEMENT IN ALL STATE REGULATIONS

- Does the proposed regulation increase the labor, material, or other costs associated with site improvement and the construction of residential structures?
- Does the proposed regulation restrict the amount of land available for residential development or make the land more expensive to acquire?
- Will the proposed regulation cause delays in obtaining final zoning, municipal board, and project approval, or delays in construction and site improvement (for example, by waiting for necessary inspections)?
- Will the proposed regulation increase financing costs on acquisition, development, and construction loans, or on permanent financing for homebuyers or purchasers of rental properties?
- Will the proposed regulation increase the costs of operating, maintaining, or insuring new owner-occupied homes or new rental properties?
- If the proposed regulation increases any of the costs mentioned above, by how much will it raise the price of new owner-occupied homes and the rents paid by tenants in new rental units?
- In each local area affected by the regulation, how many potential homebuyers with incomes less than 140% of area median family income would become unable to qualify for a typical mortgage on the median-priced new home due to the increase in new home prices caused by the regulation?
- In each local area affected by the regulation, how many current renters with incomes less than 120% of area median family income would become rent burdened in a new apartment charging the area's median gross rent due to the increase in rents caused by the regulation?
- Is there an alternative regulation that could achieve similar objectives without increasing the burden on buyers and renters earning less than 120% of area median income?

Workforce Housing Committee Recommendations Report Proposed Attachment for Smart Housing Program

Proposed Smart Housing Program

Municipalities zone for as little housing as possible, in order to minimize what they perceive as negative impacts including traffic, the loss of open space and the fiscal impacts of new school children. The state can increase the amount of land zoned for housing creating a voluntary program of incentives that addresses local concerns. The program should also enable municipalities to plan proactively for housing (including affordable housing) in ways that will help them reach community goals, by providing planning grants and technical assistance and by authorizing design standards.

Given current budget constraints, this program could be piloted at a modest scale. For example, a \$2 million appropriation would fund a bare bones program that would result in zoning for 1,500 housing units, with: 1) planning grants for ten towns at \$50,000 each, and 2) zoning incentive payments at \$1,000 each.

- 1) Create a pilot state “Smart Housing” program to offer financial incentives to local governments that adopt zoning that:**
 - a) Is located in a Community Zone¹, and is also either near transit, in an area of concentrated development, or designated for high-density housing in an adopted local plan.
 - b) Requires higher densities and an efficient use of land
 - c) Allows good design including a mix of uses and pedestrian access, meets EnergyStar ratings, etc.
 - d) Meets or exceeds COAH growth share requirements for low/moderate income households
 - e) Includes “workforce” housing affordable to middle-income families earning between 80 – 120% of median, by requiring 10% of all units to be priced accordingly. (Note: Under revised COAH rules, the growth share requirement for these units could be waived. Under current rules, these units would incur a growth share.)
 - f) Governed by a predictable local development review process, whereby municipalities must:

¹ NJF Recommends that community zones consist of State Plan growth areas: Planning Areas 1, 2 and designated centers, OR an approved growth area in a regional master plan in the Highlands¹, Meadowlands or Pinelands. FURTHER, they must be located in an approved Sewer Service Area (SSA) in an up-to-date Water Quality Management Plan (WQMP) plan, or an in area that is “approvable” as an SSA under DEP’s proposed new WQMP rule. FURTHER, they must be located by one of the following areas: 1) Near transit, within 1/2 mile of a rail station or bus/ferry terminal; 2) Concentrated development, including a city or town center, existing commercial district or rural village,; or 3) Identified in a local or regional plan for high-density housing or mixed-use development, including TDR Receiving Districts and Transit Villages.

- i) Offer “as of right” local approval for projects that meet zoning requirements provided adverse impacts can be minimized
- ii) Define the appeals process so that party opposing a consistent project bears the burden of proof.

2) **The state incentives should include:**

- a) Planning grants to allow municipalities to explore creating an overlay zone
- b) Technical assistance, including tools to evaluate the fiscal impact of new development and a “municipal road show” to explain state assistance.
- c) Up-front incentives: 1) \$1,000 per unit allowed by zoning, and 2) \$3,000 for each building permit granted.
- d) School cost insurance to compensate towns for the fiscal impacts of family housing. This can be accomplished in the short term by amending the school funding formula so that the state pays the net new operating cost of educating children in approved “smart housing” zones.
- e) Priority/enhanced capital funding for open space, transportation improvements, water/wastewater infrastructure, etc.
- f) Coordinated, priority permit review at the DEP through the Readiness Checklist process.

WORKFORCE HOUSING REGULATORY & LEGISLATIVE RECOMMENDATIONS FOR RENTAL HOUSING

The majority of the existing rental housing in New Jersey is affordable to households earning up to 120% of AMI. In order to ensure that this source of WorkForce remains affordable, the following recommendations are being made.

- 1. Ensure Fairness & Equity in Municipal Fees & Inspections on Housing** – Propose & pass legislation requiring that any municipal fees, inspections and/or registration ordinances targeted at housing be applied uniformly on all housing, both rental and non-rental. Many municipalities have targeted these ordinances exclusively on rental housing, in an attempt to generate new revenue, and have little real impact on the quality of the overall housing stock. In addition to the duplicative inspectors, which simply interrupts a residents quiet enjoyment of their home, extraneous municipal fees exert upward pressure on rents, ultimately having a negative affect on affordability;
- 2. Ensure Fairness & Equity in Utility Rate Setting** – Propose and pass legislation requiring that any utility rates treat single and multi-family customers equitably. Currently, many municipal utility authorities (MUAs) set rates for water and sewer usage on a *per unit* basis, not on actual consumption, charging a single-family home the same rate as an individual apartment home. This rate structure is inherently unfair as a one or two-bedroom apartment uses significantly less water and sewer capacity than a four or five-bedroom single-family home. Rates should be progressive and *based exclusively upon usage or consumption*, not applied as a flat rate;
- 3. Establish New “Housing Affordability Impact” Requirement for Regulatory Proposals & Expand “Smart Growth Impact” Statement** - Currently, regulations proposed in New Jersey are required to have seven distinct impact and analysis statements as part of the regulatory proposal, yet none focus on the effects the proposal has on housing. Create a new requirement that all regulatory agencies be directed to avoid needlessly impacting the affordability of housing, and when proposing any regulation shall include a “Housing Affordability Impact Statement,” regarding the proposal’s affect on the availability, affordability and sustainability of housing – including both ownership and rental housing. Additionally, expand and enhance the **Smart Growth Impact** statement to require specific research on effects the proposal will have on new housing production in Planning Areas 1, 2 and Designated Centers;
- 4. Promote Energy Efficiency & Conservation Through Statewide Application of Proven Utility Sub-Metering Technology for Water, Sewer, Gas & Electric Consumption** – Sub-metering is a means to monitor and account for utility usage in each unit of multi-family housing. In the alternative – which is now the case in the majority of multi-family properties served by regulated utilities – utility usage is measured by a single “master meter” that is owned, maintained and monitored by the investor-owned utility. This single master meter does not distinguish between usage in one apartment or the next, only total consumption for the entire building or property. Because such master meters do not differentiate between consumption from one apartment to another, and because residents therefore have no incentive to conserve resources and save money by consuming less, single building utility meters encourage waste and do nothing to encourage or induce conservation. This wasteful scenario of unchecked consumption runs counter to clear, longstanding public policy that favors conservation and education of our natural resources. Sub-metering empowers consumers by providing them with information on their own, personal usage practices.