

BLSJ SPEAKS OUT

An official publication of the Builders League of South Jersey



RAISING THE ROOF

Understanding why housing costs have skyrocketed in New Jersey

The cost of housing is through the roof in New Jersey. No one disagrees.

Housing prices in New Jersey have increased 87 percent from 2000 to 2005. The average sales price of a new home in the state has jumped from \$226,856 in 1997 to \$547,231 through June of 2007. Existing home sale prices remain equally high, topping an average sales price of about \$380,000 in same period.

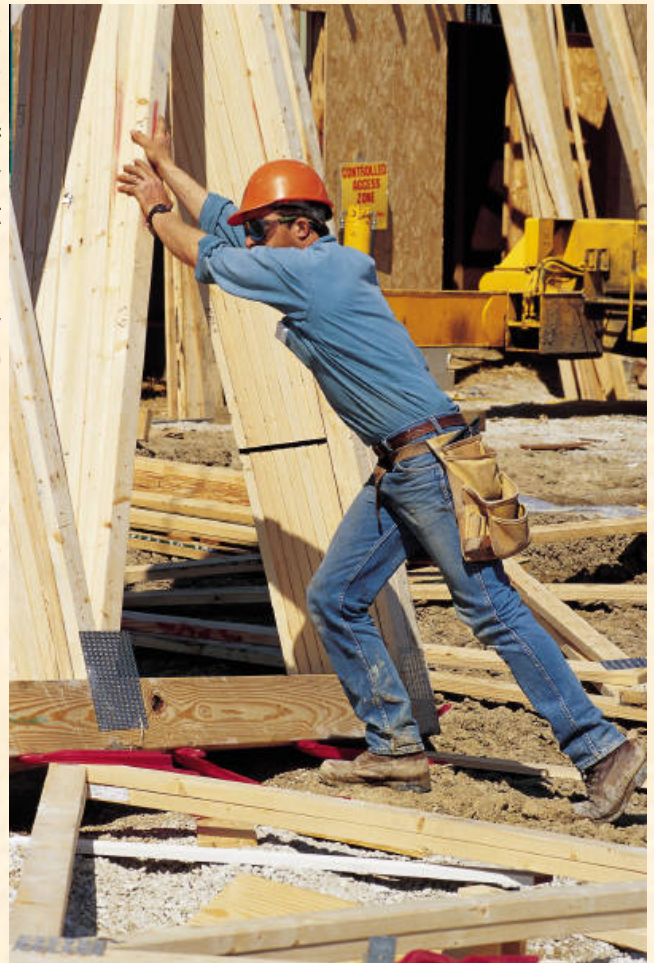
It's no surprise that the typical working family in New Jersey, earning approximately \$55,000 annually, struggles to put a roof over its head. Even with limited debt, a small down payment, and reasonable property taxes and insurance, the typical working family can only afford a house priced at approximately \$160,000. That home is hard to find in New Jersey.

What fails to be acknowledged is the fact that New Jersey has a housing crisis.

The New Jersey State Development and Redevelopment Plan has sited that more than one million households – approximately 2.5 million of our 8.4 million residents – live in sub-standard and overcrowded housing for which they pay a disproportionate share of their income to afford.

The U.S. Census Bureau reported that in 2002 some 41% of renters, 32% of homeowners with a mortgage and 21% of owners without a mortgage paid more than 30 percent of their annual household income for housing.

Why can't developers build the simple neighborhoods we all grew up in – small homes on little lots - at a cost that the average family can afford?



It's a good question. The answer requires a thoughtful understanding of the pressures that impact the state's housing market.

The decision of where people live and what gets built in New Jersey combines a tradition of home rule (local land use laws) with an array of state-administered laws and regulations, such as environmental restrictions, infrastructure requirements, and building codes.

To build a new neighborhood in New Jersey, a developer must satisfy in excess of 150 different permits and approvals on five different levels of government. At the state level alone eight separate departments administer building-related programs. Some have multiple agencies overseeing development and construction. In the end, local zoning and state regulations, not market factors are the primary reasons of what is built and where.

One million households live in overcrowded, substandard conditions in New Jersey.

The web of approvals and permits needed in the construction process can be daunting to understand. Not every proposal for development will need all 150 permits and approvals. Most do, however. Many need more. With each permit and approval there is a timetable element, which factors into the cost of doing business. Delays in approvals and approvals directly impact costs.

The duplication and sheer volume of approvals needed to provide housing have been credited with adding more than \$60,000 to the ticket price of a new home in New Jersey, according to a 1999 study conducted by the University of North Carolina's Center for Urban & Regional Studies. That figure has easily risen to \$75,000 to \$100,000 or more per house, according to South Jersey builders.

Development in New Jersey is very much controlled. Companies and people only build what they are allowed to build by law and regulation. Any additions to those laws and regulations will always have a direct impact on affordability and availability. Those decisions also affect the ability of residents to afford a home at all, owned or rented.

Unfortunately, over the years, the general public's willingness to blame builders for all the costs of a growing population has fueled a growing resistance to all new neighborhoods.

People often ask why developers are only building large houses on two, four or six acres at sale prices that only upper income residents can afford. If local zoning and regulations only allow homes to be built that way than large-lot homes are what is constructed. The sales price of a new home reflects the approval costs of \$75,000 to \$100,000 (or more) and the costs of materials, labor and raw land sale prices.

There are additional factors that impact the availability and affordability of housing in New Jersey, including population growth, supply and demand, open space preservation efforts and market demands.

New Jersey's population continues to grow. With 8.4 million



residents, the state's population grew 87 percent faster in the 1990's than it did in the 1980's. Housing construction (both for sale and rental) has failed to keep pace with this growth. While the rest of the national has experienced a housing boom, New Jersey's residential construction fell by 37 percent decade to decade. In 2005, however, more homes were constructed in New Jersey than in any year since the 1970's: some 50 percent of those new homes were in redevelopment areas.

With fewer homes available to sell and more people who want them, supply and demand dictates that available homes will cost more.

Preserving open space will affect the cost of housing.

The state's open space preservation efforts also weigh into the cost of housing. Residents need to understand that preservation costs not only affect the rising property taxes for every New Jersey homeowner or land owner, but they also impact the cost of new construction. It's another matter of supply and demand. If New Jersey continues to chase down developable land for preservation – particularly property that long ago had been planned for development or was currently in the planning stages of development – than future developments will bear the lost revenues of that planned development. For example, a proposed new neighborhood is planned with extensive environmental surveying, engineering, architectural plans, legal affairs, public relations and marketing efforts even before it gets through the entire approval process. If preservation efforts pull the property from the development rolls – especially once it has been planned - then those costs are passed on to the next new neighborhood a builder develops. As well, the legal costs incurred by a town to battle those preservation efforts are passed on to existing homeowners in the way of property tax increases, even before you factor in the costs for buying that land for preservation, which will also impact property taxes.

New Jersey has lots of open space, preserved farmland and protected areas.

The State Plan shows that nearly 30 percent of New Jersey's 4.8 million acres is already preserved or cannot be developed. By early 2006, New Jersey's network preserved open space and farmland exceeded more than 1.3 million acres (or 2,031 square miles). The state's wildlife management areas alone topped more than 400,000 acres, which is the largest in the Northeast, according to the New Jersey Department of Environmental Protection. Nearly 900,000 acres alone have been preserved for the ages in the Pinelands National Reserve. The Highlands Water Protection and Planning Act, which was signed into law in August 2004, may double the amount of the state's total land mass that is off limits to any development.

Market demands also impact housing costs. Wanting as large a house as they can afford, home buyers are willing to commute for the sake of living in neighborhoods that are newer, more exclusive, and have better schools and less crime.

The infrastructure in the state's urban areas and surrounding towns is deteriorating while taxes escalate, making those options much less desirable. In short, while most people like the idea of living in the cities



and older suburbs for everyone else, they don't usually choose it for themselves or their families if they have a choice.

If the New Jersey State Government is to provide a future for all New Jersey's residents it must plan for people to actually live here. Most of us do not live in the same home all our lives. We need different types, sizes and varieties of homes at various times of our lives. When we talk about the future of New Jersey that plan must include provisions to ensure that towns actually do create a variety of homes through new development and redevelopment, including single family homes, condominiums, apartments, town houses, active adult communities, assisted living facilities, nursing homes, college dorms and multi-family housing.

Solutions are possible

The Builders League of South Jersey maintains that there is a way to balance the state's preservation needs with economic growth and housing. The Builders League compared development trends, housing figures, market demands, economic and U.S. Census data, existing environmental data, and the legislative and regulatory aspects of new home construction.

The League's solution to the question of where will people live in New Jersey's future has been outlined in a report called "**Smart Planning through Growth Fit.**" As the population of New Jersey's seven southern counties increases and the trend of downzoning continues, the following question needs to be answered: *Is there enough land left to support the projected population for the next 30 to 50 years?* If New Jersey is to thrive, it needs to create an environment where businesses can succeed, housing is affordable and land to support the desired growth is available, while protecting the environment.

The Growth Fit Management Report addresses the question of available land and its ability to support the future population. Three counties – Burlington, Camden, and Gloucester – were analyzed as "typical" because of their current state of development and potential for future growth. Camden County has been the most developed of the three counties and represents a mature county in terms of its growth and density; Burlington County is continuing to grow, but more slowly; and, based on development patterns, Gloucester County is becoming more active and its population is on the rise. Data from the New Jersey Department of Environmental Protection GIS data, the Delaware Valley Regional Planning Association Regional Data Bulletins, DVRPA GIS data, the New Jersey Farm Bureau, and the Builders League of South Jersey has been collected and analyzed to develop the conclusions of the report.

Based on the data, the answer to the question is "yes, there is enough remaining land to reserve 50 percent as open space or preserved lands and still support the projected growth." Some changes need to be made, however, if Growth Fit is to be truly managed.

- Zoning laws need to be mandated to provide minimum densities of 1-3 homes per acre.
- Growth has to be planned on a regional level.



- Comprehensive open space plans need to be developed on a regional basis, much like the watershed management areas.
- The property tax structure needs to be reformed to support growth without burdening existing residents.

Support and guidance for these changes will need to come from county, regional and state agency decision makers, as well as our state's legislators. The Growth Fit Management Report can be viewed in its entirety on the Builders League's website at www.blsj.com.

RELATED INFORMATION

For more information download the following related information booklets at www.blsj.com/educateyourself.

"Raising the Roof: Understanding the Regulatory Aspects of New Home Construction in New Jersey" (a related brochure outlining the approval process)

"Moving Sticks & Bricks: A checklist of new home construction inspections in New Jersey.

"New Jersey Works When New Homes Are Built" (a brochure outlining at the businesses and services that exist in residential construction)

"Housing Is Good For the Economy": A look at the economic impact of housing in South Jersey on jobs, taxes and wages



Housing data updated October 2007

BLSJ Speak Out is a service publication of the Builders League of South Jersey.

The Builders League of South Jersey is a housing industry trade association of builders, developers, suppliers, subcontractors, lenders, consulting professionals and others involved in providing residents with places to live and work in South Jersey. The Builders League is committed to promoting balanced solutions for solving New Jersey's housing needs while planning for preservation, environmental protection and economic growth.

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