

# 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 increase 87 percent from 2000 to 2005. The median sales price of a new home in the state has jumped from \$190,000 in 1997 to \$470,650 through 2005.. Existing home sale prices remain equally high, topping a median price of \$387,800 in 2005.

It's no surprise that the average 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.

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 substandard 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.

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 in the regulated arena 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 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.

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 \$60,000 to \$70,000 (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 home 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. 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's "**Smart Growth Platform: Smart Decisions for Smart Growth**" takes a look at balanced growth opportunities in South Jersey. In crafting this Platform, the League compared development trends, housing figures, market demands, economic and U.S. Census 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 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 units 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 Report can be viewed in its entirety on the Builders League's website at [www.blsj.com](http://www.blsj.com).

**ABOUT THE BUILDERS LEAGUE OF SOUTH JERSEY:** The Builders League of South Jersey is a housing industry trade association of 670 member firms, including builders, developers, engineers, architects, planners, suppliers, landscapers, contractors, and other consulting professionals committed to providing safe, healthful housing for all New Jersey residents. BLSJ members are dedicated to promoting balanced solutions to solving New Jersey's housing crisis while planning for preservation and environmental protection.

## **RELATED INFORMATION**

For more information download the following related information booklets at [www.blsj.com/educateyourself](http://www.blsj.com/educateyourself).

- **“Smart Growth Platform: Smart Decisions for Smart Growth”**
- **“Raising the Roof: Understanding the Regulatory Aspects of New Home Construction in New Jersey”**
  - **“Moving Sticks & Bricks: A checklist of new home construction inspections in New Jersey.**
  - **“New Jersey Works When New Homes Are Built”**
  - **“Housing Is Good For the Economy”**: A look at the economic impact of housing in South Jersey on jobs, taxes and wages

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