

# ‘Build A Thriving New Jersey’ Will Jumpstart New Jersey’s Economy

The Housing and Community Development Network of New Jersey is urging gubernatorial candidates to commit to invest \$600M annually to create homes that New Jersey’s residents can afford. The Network’s *Build a Thriving New Jersey* (BTNJ) campaign proposes that a \$600 million could be allocated to create new rental opportunities, prevent homelessness, protect health, revitalize neighborhoods, and of course, to build new homes, as shown in the table below.

The campaign stresses that New Jersey has the ability to create well-designed new homes and rentals that are affordable for all who need them. These affordable homes will stimulate the revitalization

of downtowns, strengthen existing neighborhoods, attract owners and renters of all ages, and expand opportunities for mixed-income, multi-racial communities. This investment will generate a positive return, and a stimulus to our economy that will benefit all NJ taxpayers.

There are five components to the BTNJ campaign. Regional Plan Association evaluated the program and prepared this brief to illustrate the return on investment for each of its five components, summarized in the pages that follow.

**For every 22,000 affordable homes built in the state, New Jersey would see 6,000 direct jobs created.**

*These benefits will happen only if New Jersey pledges to prioritize, fund, and enact the following recommendations.*

Table 1: Projected Results from ‘Build a Thriving New Jersey’ Housing Investment Recommendations

	Annual Investment	Families Served
<b>Increase Rental Opportunities</b>		
State Rental Assistance Program	\$75,000,000	8,280
<b>Prevent Homelessness</b>		
Homelessness Prevention Funding	\$25,000,000	2,760
Emergency assistance for homeless	\$200,000,000	
Match required for federal homeless funds	\$6,000,000	660
<b>Protect Health</b>		
Weatherization; lead removal	\$30,000,000	6,390
	Annual Investment	Return on Investment
<b>Revitalize Neighborhoods</b>		
Neighborhood Revitalization Tax Credit (b)	\$12,000,000	\$87,600,000
Grants to nonprofit community organizations	\$15,000,000	
	Annual Investment	Return on Investment
<b>Construct New Affordable Homes</b>		
Affordable Housing Trust Fund	\$125,000,000	\$269,000,000
Neighborhood Revitalization Tax Credit (a)	\$18,000,000	\$38,700,000
HMFA Choice program	\$50,000,000	\$107,500,000
Special Needs Housing Trust Fund	\$45,000,000	\$96,750,000

# 1. Construct New Affordable Homes

Create 6,000 new jobs and return almost \$500,000,000 to the economy annually.

A dedicated investment in building more affordable homes in New Jersey will yield real economic advantages for all residents of the state. New Jersey needs at least 200,000 affordable new homes to catch up to existing and anticipated market demand for the period 1999-2025.<sup>1</sup> The program won't end there; demand for another 250,000 homes is anticipated over the next 15 years. Additionally, 330,000 direct and indirect jobs will result from the construction and maintenance of these homes.

RPA took a look at the primary source of public funding for construction of affordable homes—the State of New Jersey's Housing Mortgage and Finance Agency (HMFA)—to see what it could tell us about the value and return on investing in affordable homes.

## State financing leverages private investment.

Between 2010 and 2017, HMFA provided \$1.9 billion in financial assistance, which attracted 2.8 times that amount in private investment to leverage a total of \$5.4 billion in affordable home construction, and mortgage assistance. For that amount, 30,350 homes were built or purchased throughout the state with HMFA support:

Homebuyer mortgages:	6,400
Single family homes:	950
Multi-family rentals:	21,170
Special needs beds:	1,830

## Investment creates jobs and economic growth.

The construction of 30,350 homes generated 51,500 direct and indirect/induced full-time jobs, and \$2.5 billion in employee compensation. HMFA's development of homes over the past seven and a half years has been projected to add \$960 million<sup>2</sup> each year in on-going economic output to NJ's economy, nearly 5,500 direct and indirect/induced full-time permanent jobs, and nearly \$54 million in state and local taxes on an annual basis<sup>3</sup>.

## Tax revenue can increase

Positive impacts can result from increased tax receipts. The revenue



spurred by the construction of affordable homes can enable New Jersey to fund community programs, improve municipal and transit infrastructure, and increase life quality for all New Jerseyans. Tax revenue benefits all by enabling the state's capacity to provide functions to residents and businesses without raising tax rates.

## Dollars invested reap real rewards

HMFA's investment over the 8-year period averaged \$237 million/year. However, that level of investment was artificially inflated by extraordinary funding that the federal government made available for Hurricane Sandy relief. In the five years prior to Sandy, the state averaged an investment of \$170 million/year. Last year, HMFA's investment dipped to \$94.7 million. The Build a Thriving NJ campaign calls for the state to invest \$230 million/year in new housing construction. If we could maintain that level, money spent in the construction of affordable homes would come back to NJ in the form of over 6,000 new jobs each year, a return of \$494,500,000 to the economy, and the positive expansion of new tax revenue to both state and local governments. Most important, we would provide more affordable homes to New Jerseyans that need them.

Figure 2: Increases in Tax Revenue from Housing Construction<sup>4</sup>

	From one-time construction	From annual operations
Individual Income Tax	\$35.1 million	\$6.8 million
Corporation Business Tax	\$9.6 million	\$1.9 million
Sales Tax	\$35.2 million	\$6.9 million
Local property tax	\$65.4 million	\$10.9 million

<sup>1</sup> Determination of NJ Low and Moderate Income Housing Obligations for 1999-2025 Calculated Using the NJ COAH Prior Round (1987-1999) Methodology, July 15, 2015, prepared by the Fair Share Housing Center, Cherry Hill, NJ and David N. Kinsey, PhD, FAICP, PP of Kinsey & Hand, 14 Aiken Avenue, Princeton, NJ.

<sup>2</sup> This represents approximately \$31,100/year per household of economic activity.

<sup>3</sup> Data provided by NJ Housing and Mortgage Finance Agency on their cumulative activity from 2010 to June 2017.

<sup>4</sup> "Economic and Fiscal Impacts of the New Jersey Housing and Mortgage Finance Agency's Investment in Affordable Housing," HR&A Advisors, January 10, 2013.

## 2. Increase Rental Opportunities

Make more types of rental housing available to the public



Housing opportunities need to be as diverse as the types of people that seek them; opportunities for rental homes are equally important as homes for ownership. In fact, since the 2008 recession, demand for rental properties has been greater. To achieve rental diversity, New Jersey must protect its housing stock. Existing affordable properties must be preserved and remain affordable to all renters. Furthermore, public housing must be maintained and protected for current and future residents.

There are simply not enough affordable rental homes for people of low or even moderate income. This is especially exacerbated by the fact that a majority of the rental homes that are being built in the state tend to be luxury apartments. In FY16, the New Jersey Department

of Community Affairs proposed to build 84 new rental housing units last year, but succeeded in only building six<sup>5</sup>. The Housing and Community Development Network calls for an expansion of the development of affordable rental properties, in a variety of types that could accommodate single renters to families, in order to provide more affordable homes. In addition to seeking greater dedication of construction funding for rental properties, they also advocate for inclusionary zoning regulations that municipalities can adopt. These regulations would compel more set asides for development of affordable rental units amidst a trend of luxury apartment towers development.

<sup>5</sup> Ibid

# 3. Prevent Foreclosure and Homelessness

**While the national rate in November 2016 was 1 foreclosure for every 1,533 homes, NJ’s rate was 1 for every 598 homes—almost triple the national rate<sup>6</sup>. Foreclosures can lead to homelessness and put pressures on an already difficult rental market.**

The number of families that have lost their homes due to foreclosure is sobering. At the end of 2016, the total number of homes in foreclosure in New Jersey was 83,905. That is two and a half times greater than it was 10 years ago, before the 2008 market crash. The foreclosure process takes about 18 months in New Jersey, signifying that about 56,000 families are currently foreclosed from their homes each year in the state. Add to that the thousands that are evicted each year from their apartments.

Not everyone who face foreclosure or eviction is able to find affordable shelter. Last year, 8,941 New Jersey residents were identified as homeless<sup>7</sup>.

Each of those families had to go through the foreclosure/eviction legal process, hire a lawyer, respond to filings, and ultimately try to find alternate shelter or face homelessness. While the procedural costs of the legal process impose a financial burden, the added stress of that process—and of losing one’s home—place an even heavier toll on New Jersey families.

In FY2016, the State of New Jersey invested \$49,310,000 to assist 5,519 homeless, at risk of becoming homeless and special needs households obtain and maintain permanent housing<sup>8</sup>. That represents an expenditure of \$8,935 per household to save people from living on the street.

The BTNJ plan calls for a doubling of that investment, to \$100 million/year (\$75 million for the State Rental Assistance Program, and \$25 million to prevent homelessness). This would double the number of households protected, and possibly eliminate homeless people living on the streets of New Jersey. If the states decides to do nothing, the cost of homelessness will grow. Homelessness costs the public in the form of shelters and hospitalization. Individuals and families who are homeless tend to be high users of emergency services and a growing body of evidence shows it is more cost-effective to provide affordable housing and support services than expensive hospitals, emergency rooms, jails, psychiatric centers, detox programs, and law enforcement efforts. One night in a hospital can run upwards of \$2,000. Incarceration costs run at least \$100 each day. In contrast, a 2011 study from Mercer County demonstrated that providing permanent housing with supportive services to the chronically homeless saved, on average, over \$9,000 per individual housed, per year, with the use



of expensive emergency costs drastically reduced. These data points mirror others throughout the country with similar results.

RPA supports HCDNNJ’s call to prevent homelessness by providing free legal counsel to low-income residents in eviction proceedings which will enable tenants to better defend themselves, and reduce the total number of evictions. The Network also endorses:

- ▶ \$200 million annual investment to provide emergency assistance to the homeless .
- ▶ Preventing sharp rent increases through rent control advocacy,
- ▶ Creating land-trusts for development of permanent affordable homes,
- ▶ Advocating for the discussion of displacement risk in decision making, and
- ▶ Providing more funding for rent subsidies.<sup>9</sup>

<sup>6</sup> According to ATTOM Data Solutions, and their national track of foreclosure filings, found here: <http://www.bankrate.com/finance/real-estate/foreclosures-by-state/>

<sup>7</sup> [http://www.nj.com/politics/index.ssf/2016/06/nj\\_sees\\_large\\_drop\\_in\\_homeless\\_population\\_count\\_finds.html](http://www.nj.com/politics/index.ssf/2016/06/nj_sees_large_drop_in_homeless_population_count_finds.html) reporting on US Housing And Urban Development’s 2016 Annual Homeless Assessment Report to Congress. <https://www.hudexchange.info/resources/documents/2016-AHAR-Part-1.pdf>

<sup>8</sup> State of New Jersey Department of Community Affairs 2017 Annual Action Plan, p.5.

<sup>9</sup> See: “Transforming New Jersey Communities through Planning, Investment and Community Engagement, The Neighborhood Revitalization Tax Credit”, a report by Kristin Crandall of the Housing and Community Development Network of NJ, December 2012.

# 4. Revitalize Neighborhoods

Communities which invest new construction of homes that are affordable receive 730% on investment

The Housing and Community Development Network of NJ conceived of a program to fund neighborhood revitalization through corporate tax credits, and their vision was enacted into law in 2002. The Neighborhood Revitalization Tax Credit (NRTC) allows corporations to receive a 100% tax credit of up to one million dollars against their corporate or other state taxes, if they donate to an approved community development plan in New Jersey. Approved plans all feature an affordable housing component that comprises at least sixty percent of the value of the project.

Since that time, over \$48 million have been invested in projects dedicated to housing and economic development. HCDNNJ did an analysis of the program's effectiveness together with New Jersey Community Capital in 2012, and confirmed that for every dollar of NRTC investment, \$7.30 in additional resources has been leveraged, resulting in a 730% return on investment.<sup>9</sup>

The Build a Thriving NJ plan proposes to expand the NRTC program from its current maximum of \$10 million/year to \$30 million. That would triple current investments, and leverage \$219 million in revitalization investments each year. \$30 million each year could fund:

- ▶ 565 new jobs
- ▶ 165 for-sale homes
- ▶ 625 rental units
- ▶ \$2.5 million in new property taxes

In the process, NRTC's investment would also be applied to renovate storefronts and recruit new businesses into the commercial district where the homes are located to convert distressed neighborhoods into revitalized ones.



# 5. Protect Health

The fifth component of the BTNJ plan is all about improving quality of life and public health.

Getting homeless people off of the street secures them from bad weather and unsafe conditions, and alleviates their stress.

An ounce of prevention is worth a pound of cure. By avoiding the costs of caring for people exposed to unhealthy conditions, society saves money. BTNJ would invest more in funding programs that not only get homeless people off of the street, but also weatherize homes from drafts, ensure drinking water is safe, and interiors are free of lead paint.

We can project the value of this investment by looking to the US Department of Energy Weatherization Assistance Program data. Nationally they have proven the program's benefits outweigh its

costs. In 2008, the DOE performed a retrospective analysis of the weatherization program, and found that with an average investment of \$4,695 per home, there were energy savings of \$4,243 per home, and health and safety benefits of \$9,307—bringing, total benefits to \$13,550 per home<sup>10</sup>. The health and safety benefits per household yield an overall benefit/cost ratio of 4.2 to 1.

The Build a Thriving NJ plan proposes that the state should invest \$30 million/year on weatherization. Assuming an average cost of \$5,000 to weatherize each home (allowing for inflation since 2008), that amount would improve 6,000 homes, and reap health benefits and energy savings worth over \$92 million.



Photo: Community Environmental Center

<sup>10</sup> See: "Weatherization Works – Summary of Findings from the Retrospective Evaluation of the Department of Energy's Weatherization Assistance Program," published by the US Department of Energy in September 2014, at page 32. Expressed in 2017 dollars, the benefit would be \$15,389.

# Acknowledgements

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## Regional Plan Association

**Kate Slevin**, Vice President of State Programs and Advocacy

**Mark Lohbauer** New Jersey Director

**Pierina Ana Sanchez** New York Director

**Vanessa Barrios**, Associate Planner, Outreach

Regional Plan Association is an independent, not-for-profit civil organization that develops and promotes ideas to improve the economic health, environmental resiliency and quality of life of the New York metropolitan area. We conduct research on transportation, land use, housing, good governance and the environment. We advise cities, communities and public agencies. And we advocate for change that will contribute to the prosperity of all residents of the region. Since the 1920s, RPA has produced three landmark plans for the region and is working on a fourth plan due out in 2017. For more information, please visit, [www.rpa.org](http://www.rpa.org).



**Regional Plan Association**

## Housing and Community Development Network of New Jersey

**Staci Berger**, President and CEO

**Arnold Cohen**, Senior Policy Coordinator

The Housing and Community Development Network of New Jersey is the statewide association of more than 250 community development corporations, individuals and other organizations that support the creation of affordable homes, economic opportunities, and strong communities. For more information on the Network, visit [www.hcdnj.org](http://www.hcdnj.org).

