Achieving Genuine Prosperity:
20 Ways To Move New Jersey Toward
A More Prosperous, Just and Healthy Future

EXECUTIVE SUMMARY

Where We Are…

New Jersey appears to enjoy an unprecedented prosperity and superior quality of life, but a look beneath the surface tells a different story:

♦ New Jersey's bedrock suburban communities now face the same problems that have dragged down our cities – falling housing values, personal income and employment.

Average home values dropped in a third of New Jersey's 566 communities in the 1990s, despite a booming economy. This is an especially significant problem considering a family's house is, in most cases, its largest single investment. Communities with average property values below 1990 levels include places like Nutley (down 5.8 percent), Ewing (down 8.8 percent), and Lindenwold (down 5.6 percent). Nearly 50 communities saw a dramatic loss of 10 percent or more in average property value in the 1990s; in North Plainfield, housing values plunged 13 percent; in Carteret, 17 percent.

Our mature communities are also losing their share of regional employment, including employment-heavy communities in Essex, Hudson, Passaic and Union counties. Some 237 New Jersey communities saw an actual drop in private sector jobs in the 1990s, including Montclair (9.6 percent), Union (8.3 percent), and Cherry Hill (3.7 percent).

Per capita income also dropped in the last decade in such places as Linden and Kenilworth in Union County (3.5 and 3 percent, respectively) and Stratford in south Jersey (6.3 percent). Smaller boroughs and older suburbs make up almost two-thirds of the 93 communities statewide where per capita income is less than $15,000.

Nearly 100 cities, towns and suburbs have fallen behind the state's pace in all three areas, including West Orange, Bound Brook and Palmyra.

♦ We have the nation's highest property taxes.

In addition, property taxes alone claim about 5.6 percent of our personal income – the second highest percentage in the nation after New Hampshire, which collects no income tax or general sales tax. Collectively, our local property taxes virtually equal the $14 billion in total revenue from state income, sales and corporate business taxes *combined*. One reason property taxes form half of our state tax burden is that New Jersey's local governments depend more heavily on property taxes as a revenue source than do their counterparts nationwide: fully 98 percent of local tax revenues in New Jersey come from property taxes, compared to a national average of 75 percent. This unusually heavy dependence spurs communities to chase and compete for new development, even when it adds to local traffic woes or changes community character.

♦ We're losing our choice about where to live.

Though we're covering our last open land with development, it isn't meeting our housing needs. The single family homes that dominate today's market – some 83 percent of all permits issued –

offer little other choice to the two-thirds of New Jersey households without young children. Our property tax system is largely to blame for this market interference, because it encourages higher-tax/lower-need/more expensive single-family homes on larger lots, with their associated traffic and open land problems, and discourages multi-family housing, which better meets the needs of the state's changing demographic mix. At the same time, increasing numbers of New Jersey workers can't afford to live here. It's projected that as many as half of the new jobs coming to New Jersey in the next 20 years will be held by people living outside the state, and commuting in. The lack of housing options is felt most keenly by the 900,000 New Jersey households in search of affordable housing.

- **We suffer from too much traffic.**

The number of cars traveling Route 206 on weekdays has tripled in Morris County in the last 30 years; Route I-80 in Morris County now carries more than 10 times the weekday traffic it had in 1969. In the 1990s alone, weekday traffic along I-195 in Ocean County climbed 76 percent; in Monmouth County it soared 150 percent. Time spent in traffic has risen correspondingly. The continued rise of auto-dependent housing and offices means few other travel options for many New Jerseyans; even walking to school is unsafe or impractical in many newer neighborhoods.

- **We're losing our open land at an unprecedented rate.**

Population growth often gets the blame, but the reality is new development gobbled New Jersey's open land at three times the rate of population growth between 1986-95, the most recent years measured. West Windsor Township gave up a third of its remaining buildable land between 1986-95, and six counties – Somerset, Mercer, Union, Monmouth, Camden and Middlesex – gave up one of every 10 remaining acres. The Garden State has lost half of its farmland in just the last 50 years to poorly managed growth. There isn't enough money to buy all the open land that needs preserving – and the above problems will only worsen if we don't grow in smarter ways.

What do voters say?

The vast majority of New Jerseyans are committed to the war on sprawling growth, and they agree with the goals of New Jersey's State Plan, according to a January 2001 poll conducted jointly by the Star-Ledger and Eagleton-Rutgers.

The poll found the vast majority of New Jerseyans feel the plan's goals are important, from controlling suburban sprawl (86 percent), to preserving open space (90 percent), to revitalizing cities (90 percent), to easing traffic congestion (94 percent) and promoting economic growth (96 percent). A larger poll of voters commissioned in May 2000 by New Jersey Future found fully 77 percent believe state government should be active in coordinating and managing growth.

How Smart Growth Can Help…

Smart Growth means redirecting growth and investment into today's communities, and away from open lands. Rebuilding downtowns, schools, and roads not only makes today's communities better places to live, it maintains or increases property values – even for newer suburban homes, which today lose value at closing to unabated new construction on open lands. Smart growth means changing our tax system to support reinvestment in today's communities, and to reduce the pressure on less- developed communities to chase new development in order to raise new funding.

Smart Growth means investing in transportation options that support the needs of today's communities. In this way, smart growth not only addresses the state's acute and growing traffic problems, but it stimulates the rebuilding of communities, as evidenced by new office and residential construction in the towns along New Jersey Transit's Midtown Direct Line.

Smart Growth means planning that promotes appropriate use of our land, protecting the quality of our water, our air and our open lands.

Smart Growth means greater housing choice and more affordable communities. Rebuilding today's communities means restoring the wide range of home options – from bungalows and ranches to brownstones and apartments – in today's suburbs, older towns and cities. It means directing growth and new investment to where roads, sewers and services already exist, which keeps taxes lower.

20 Ways To A More Prosperous Future

The problems described here are too large for any single community to overcome on its own. In fact, well-intentioned local leaders are often responding to state policies regarding land use and taxation that are beyond local control.

New Jersey's State Development and Redevelopment Plan addresses all these smart growth issues. It is the best tool in hand for accomplishing smart growth; but it has languished without implementation by state officials, who fail to use it consistently in their spending and rule-making, and by local officials, who have frequently ignored its guidance in local planning decisions and zoning.

Following eight years of economic growth, albeit unequal, we have an opportunity to address the issues holding us back from genuine prosperity.

New Jersey Future recommends the following course to smarter growth and a more prosperous future for all of New Jersey.

We can make our communities more livable and affordable…

…if we assure State spending and decisions benefit today's communities and protect open lands, rather than promote the development of new places.

1. Immediately adopt strict watershed rules that would enhance water quality and protect open lands from poorly planned future development.
2. Use an unprecedented $12 billion in state spending for school construction to build "community schools" that would revitalize today's suburban and urban communities.

…if we make it easier to rebuild today's communities rather than develop in greenfields.

3. Create a stable source of funding for redevelopment that will attract new growth to mature communities, comparable to the stable source of funding approved by voters for preserving open land.
4. Adopt legislation that would streamline development approvals in redevelopment areas.

…if we defend municipalities from legal challenges when they make land-use decisions that steer growth away from open lands and promote community development.

5. Provide municipalities with legal support from the State, or full financial indemnification, when their master plans and zoning comply with the State Plan.

…if we make it easier and more rewarding for municipalities to cooperate in planning for major regional development.

6. Create a land-use arbitration panel for faster review and resolution of disputes arising from regional and cooperative planning.
7. Strengthen the role of regional planning in managing growth.
8. Create a Cabinet-level post for state growth management and redevelopment, which has the requisite powers to achieve its goals.

We can increase our choices…

…for saving open land, because there's not enough money to buy all the land that needs saving, if we:

9. Improve the tax incentive for preserving farmland.
10. Preserve farmland with better growth management.
11. Support local governments when they wish to conserve open space and manage growth.
12. Enact new legislative initiatives for land conservation.
13. Expand the power of communities to use "transfer of development rights."

…for moving around the region where we work and live, if we:

14. Ensure state road, rail and other transportation improvements are supported by local planning decisions.
15. Create more livable communities through redevelopment and new development, which offer the convenience of shopping and working close to where you live.

…of housing we can afford, if we:

16. Support historic preservation efforts that revitalize towns and cities.
17. Change "fair share" of affordable housing to "growth share" percentages.
18. Increase the incentives to local communities for building housing that's more affordable.

We can lower our costs…

…if we reform the property tax system.

19. Lessen the reliance on property taxes so that they don't force municipalities to accept inappropriate development.
20. Introduce tax sharing among municipalities in a region.

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WHERE WE ARE

New Jersey sits today by some measures atop a golden pinnacle of prosperity. We are the second wealthiest state in arguably the world's wealthiest nation. Last year's average unemployment rate of 3.8 percent matched the state's best year on record. We top all other states in spending per pupil. Our workers are among the nation's highest paid – both New Jersey's high-tech workers and its public school teachers, as example, earn the nation's second-highest salaries in their fields.

This prosperity has fueled an unparalleled growth in business and housing that has been good for many families, and the state economy as a whole. But the way we have chosen to grow has not only limited the number of people and communities who share in today's golden era; but it has weakened the base for continued and genuine prosperity by spawning two of the most dangerous trends any state can follow:

We're abandoning our existing communities and consuming open land at unprecedented rates.

New Jersey's growth in the last half of the 20th century can be characterized as a steady outward march away from its traditional cities and towns and into the green pastures and woods of our formerly rural counties.

Population growth often gets the blame for New Jersey's outward expansion, but New Jersey's growth rate has actually been modest, and well below the national rate in recent decades. Our population growth in the building boom years from 1990 to 2000 was relatively slow – only an 8.6 percent increase, compared to a national growth rate of 13.1 percent. In fact, when you consider only the domestic picture, New Jersey experienced a net loss through the 1990s – more people moved FROM New Jersey TO other states than the other way around. New Jersey's natural population increase (births minus deaths) only barely made up for this loss to other states. Beyond that, most of our modest population growth has come from international immigration.

The real reason for the exodus to the suburbs is not population growth; rather, that suburban living is the only logical choice under today's housing, tax and land-use systems. New Jerseyans who want a safe neighborhood with good schools and lower taxes have pretty much one housing option: a suburban home.

The tax, land-use and housing policies that encourage today's suburban living were created in the early and middle parts of the last century, when America looked different and had different needs. Families with one wage earner made traffic generated by new home development a non-issue. Federal policies subsidized suburban home mortgages, not urban or small town apartments. Zoning policies still followed today were designed to distance homes from workplaces at a time when many workplaces were factories or slaughterhouses. Across America, the stage was set for a move to the suburbs, and it remains the logical choice today, in the absence of better policies that would add vital cities and older communities to today's housing choice. (See graph, "New Jersey De-Densifying," Tab 6, page 37)

It's significant that this suburban shift is largely taking place not to accommodate new residents, but rather to accommodate existing residents who are relocating – leaving behind older, more compactly settled places.

New Jersey as a whole is choosing to escape to the "country." We are effectively abandoning or "disinvesting" in our existing communities to build entire new communities not warranted by our growth, and erasing our "country" in the process. (See map, "Percentage of Total Municipal Land Area Developed," Tab 6, page 38)

- Although New Jersey's population increased by only 4.5 percent between 1986-95, the number of developed acres increased by 14.1 percent in the same period, the most recent decade measured – meaning land consumption was more than three times the rate of population growth.
- Six counties – Somerset, Mercer, Union, Monmouth, Camden and Middlesex – gave up one of every 10 remaining acres in this period.
- West Windsor Township gave up a third of its remaining buildable land to homes, shopping centers and corporate campuses in this period. Continuing at this rate, West Windsor will be out of developable land by the year 2013.
- The 20 fastest-growing municipalities in the state between 1986 and 1995 developed an average of .29 acres per new person, nearly twice the statewide rate in 1986.

The policies that incent the exodus of people, jobs and investments into New Jersey's newer communities are not merely costing the state its open land; they have also produced stark and inequitable economic consequences that weaken New Jersey's foundations for lasting and genuine prosperity:

- New Jersey has some of America's poorest cities, despite having the nation's second-highest per capita income. Per capita income in urban Camden, the state's lowest at $7,824, sits more than 23 times below suburban Saddle River, the highest in the state at $180,887. Average per capita income in the 10 poorest municipalities is $9,889, while the average in the 10 wealthiest is $115,845 – more than 10 times as high. (See map, "Per Capita Income," Tab 6, page 39)
- Housing values also demonstrate the results of disinvestment. In a decade where newer parts of the state enjoyed unprecedented prosperity, established communities including Piscataway, Maywood, Lawrence Township and Lindenwold saw their housing values decline. There is more than a 15-fold difference in the average housing values of New Jersey's 10 highest communities ($768,071) as compared to the 10 lowest ($50,501). (See map, "Average Residential Values," Tab 6, page 40)

It is also true that some New Jersey cities and communities have begun most recently to experience a rebound – most notably, the Hudson River waterfront communities of New Jersey's "Gold Coast." The reason is that these communities have proximity to the thriving economic engine of New York City, and have the transportation infrastructure to support redevelopment. Away from the Hudson waterfront, it is mature communities with Midtown and light rail connections who are leading the rebound.

Such stories demonstrate that today's pattern of growth is neither inevitable nor irreversible. But such successes are too few across New Jersey. When businesses and families that have the resources flee from the problems of existing communities, they leave behind those who can't flee – and who lack the resources to fix these problems on their own. Worse, these problems are starting to spread.

Trend: New Jersey's bedrock suburban communities now face the same problems that have dragged down our cities – falling housing values, personal income and employment.

There is a rising awareness among government officials and the general public that many traditionally urban problems – population loss, rising taxes, declining incomes and home values – are no longer confined to big cities.

Much attention has been directed recently to the plight of "inner-ring" or "first-generation" suburbs, older areas that are also being left behind.

But there is no reason to expect that the spread of similar problems will stop with pre-War, commuter-rail suburbs. Under systems that encourage constant outward expansion and the abandonment of older areas, the "new" community of one generation inevitably metamorphoses into the "old" of the successive generation. Today's "suburbs of the moment" – Mahwah (northwestern Bergen County) or Montgomery Township (Somerset) or Mullica Hill (Harrison Township in Gloucester), are tomorrow's Paramus or Edison or Cherry Hill, the suburbs of yesterday. Likewise, today's Cherry Hill is tomorrow's Lodi or Hamilton Township or Pennsauken, places that now find themselves eligible for state aid.

The evidence of such creeping distress is already clear:

- Average home values dropped in a third (186) of New Jersey's 566 municipalities between 1990 and 1999, including in 50 communities where they declined by a whopping 10 percent or more. (See map, "Percent Change in Average Residential Values," Tab 6, page 41). Average home values are below 1990 levels in:
- Postwar suburbs throughout southern Bergen County, including Maywood, Ridgefield and Bergenfield
- The northern, older suburban part of Middlesex County, including North Brunswick, Woodbridge, Piscataway, South Plainfield, and South River
- Postwar suburbs along the Raritan Bay in northern Monmouth County, including Aberdeen Township, Keyport, Matawan, and Keansburg
- The Toms River area, including Dover, Berkeley, Lacey and Manchester townships and the boroughs of South Toms River and Lakehurst
- Suburban Trenton: Ewing and Lawrence townships
- The 1950s and 60s-era suburbs of Philadelphia, including Palmyra, Riverton, Maple Shade, Barrington and Cherry Hill
- Most employment-heavy municipalities in Essex, Hudson, Passaic and Union counties – with the notable exception of Jersey City – have lost their share of regional jobs in north Jersey, while the big gainers are primarily in Middlesex, Somerset, and inland Monmouth. In south Jersey, older suburban townships like Cherry Hill, Pennsauken and Cinnaminson have lost employment share to 1980s-era suburbs including Evesham Township (Marlton, Evesboro), Mount Laurel and

Voorhees. (See map, "Employment Centers Shaded By Change in Number of Jobs," Tab 6, page 42)

- In 93 New Jersey municipalities, per capita incomes actually declined from 1989 to 1997. (See map, "Percent Change in Per Capita Income," Tab 6, page 43) These include a handful of municipalities that have recently concentrated on developing senior housing – for example, Monroe Township in Middlesex County and Berkeley and Manchester townships in Ocean County. Some others are shore towns becoming popular spots for retirees to settle year-round. But retirees aside, the list contains significant numbers of both older suburbs like Belleville and Irvington, as well as some newer 1950s and 60s era suburbs. This latter group includes places like Linden and Kenilworth in Union County; Clifton and West Paterson in Passaic County; Dumont, Fairview, Little Ferry, Ridgefield Park, and Wallington in Bergen County; and Maple Shade, Bellmawr, Brooklawn, and Stratford around Camden.
- Smaller boroughs and older suburbs make up almost two-thirds of the 93 communities statewide where per capita income is less than $15,000.

Of particular concern is that nearly 100 New Jersey communities have fallen behind the state pace in all three of the above measures – change in average home value, change in per capita income, and share of regional employment.

About half of these are mature communities that reached their peak populations, or experienced their maximum population growth, prior to 1950. These include five of the state's eight State Plan urban centers (exceptions are Newark, Jersey City and New Brunswick), and many of their pre-war suburbs including Bayonne, Kearny, East Orange, Belleville, Bloomfield, Nutley, Haledon and Plainfield in the north, and Merchantville, Oaklyn and Mount Ephraim in the south. Also among these older communities are smaller cities and boroughs in other parts of the state, like Asbury Park, Long Branch, North Wildwood and Phillipsburg.

Even more alarming is that the remaining communities are relatively new communities which experienced their growth spurts in the 1950s and 1960s – communities today showing signs of disinvestment that were still new when many of us were children. Post-war suburbs whose trends are headed in the wrong direction include places like Clifton, Linden, Union and Dover in north Jersey; North Brunswick, South Amboy, Ewing, Bound Brook and Dover Township (Toms River) in central Jersey; and Ventnor City, Palmyra and Barrington in the south.

To be sure, there may be the occasional town that does not look at its losing trend in these three areas as cause for concern; perhaps its per capita income and average residential value are down because it has recently built senior housing, or perhaps it is not an employment center and is thus not concerned with share of regional employment. But by and large, the three variables taken together are a good early warning of stagnation and distress that may lie ahead as new development and infrastructure investment flow to the suburban fringe.

Another tactic for anticipating where municipal distress is likely to appear next is to look at places that are not currently experiencing distress, but which sit surrounded by places that are.

The list of communities qualifying for special state assistance through the Urban Coordinating Council can be put to use in identifying today's enclaves of prosperity that sit amidst struggling surroundings. There are 15 municipalities in the state that border at least three UCC-eligible communities, and have a high stake in their neighbors' problems. They are: Union, South Orange, Secaucus, Glen Ridge, Clifton, and Linden in the state's northern urban complex; Sayreville, Edison, Lawrence Township, Ocean Township (Monmouth County) and Dover Township in the central counties; and Washington Township, Somerdale, Pine Hill and Haddon Township in south Jersey.

Even if not directly adjacent to distressed municipalities, a municipality should still be concerned for the welfare of its neighbors (and thereby its own future) if it shares its county with a large number of distressed municipalities.

This is particularly true in Hudson, Essex, Union, and Camden counties, where significant numbers of municipalities are already experiencing socioeconomic difficulty, or are showing strong signs of heading in that direction. The remaining prosperous municipalities in these counties must be aware that if the county is strapped with too many needy municipalities, county services will suffer and county tax rates must rise to help pay for them. Essex County, for instance, has only 9 percent of the state's population but 33 percent of the state's children receiving Temporary Aid to Needy Families (TANF), a disproportionately large share. Given that many of the wealthy municipalities in western Essex County are already experiencing sustained population loss, the rising number of children on welfare in the county does not bode well for the county in general, even if a few individual municipalities manage to stave off distress locally.

Trend: We have the nation's highest property taxes.

New Jerseyans shoulder an unusually heavy property tax burden. Our per capita property tax is the highest in the nation at nearly $1,500 for every man, woman and child in the state, and double the national average. Property taxes as a percent of income are second only to New Hampshire, which collects neither income tax nor general sales tax.

At the same time, New Jersey relies more heavily than most states on local property taxes to fund key services, from public schools to local roads and sewers. Fully 98 percent of local tax revenues in New Jersey come from property taxes, versus a national average of 75 percent. In New Jersey, local property taxes alone virtually equal the $14 billion in total revenue collected in 2000 from state income, sales and corporate business taxes *combined*.

Such an unbalanced and fragmented tax system is hard enough on the pockets of New Jerseyans, but it's taking a permanent toll on the places where we live. Local municipalities are so dependent upon property taxes to finance local services that they too often chase and compete for new development – even when it doesn't fit the community's character or vision, adds to local traffic woes and eliminates farmland and open land.

Our tax system explains the incongruous rise of warehouses and commercial buildings on farm fields across Jersey. Because they must bear the full costs of new development within their borders, many communities prefer to zone for commercial development because it tends to generate more local revenue than it costs in services. The 450-acre Merrill Lynch office campus now transforming rural Hopewell is the realization of just such local zoning. As often happens, the fallout in added traffic, additional pollution and pressure for more housing is often imposed on surrounding communities, as well.

At the same time, today's tax system spurs many communities to resist new residential development because it comes with a need for more classroom space, and so costs more to serve than it provides in tax revenues. Communities such as West Windsor along Route 1, a major commuting corridor, openly resist new residential development for this reason.

Besides skewing local development decisions, today's tax system makes it increasingly difficult for the places that need additional tax revenues for schools, roads and services to get it. To create the same amount of tax revenue to fund a similar set of services under today's system, a community rich in property and a property-poor community must tax their residents at different rates. In New Jersey, the wealthiest communities have tax rates in the 1 to 2 percent range. Those in the poorest areas, including cities, generally pay taxes in the 3.5 to 5 percent range -- for an often-inferior level of service.

This creates a vicious and self-perpetuating cycle where developers and businesses that might save communities starved for property taxes instead avoid these high property-tax areas. This drives taxes in such places even higher and encourages desperate cities and suburbs to accept any development they can get, inevitably such undesirable development as incinerators, prisons and polluting industries. It also puts distressed communities at an extreme disadvantage in funding their public schools. New Jerseyans have fought for decades in the legislature and courts over various distribution schemes. Despite this wrangling, New Jersey still leads the nation in reliance on property tax to fund education: 60 percent versus a national average of 50 percent. (See map, "Property Tax Rate," Tab 6, page 44)

Meanwhile, outlying suburbs and rural areas look like the smart choice for new development, when in reality, they're the default choice. These places, too, lose under today's tax system as new development changes the character of the community, burdens roads and schools and inevitably, raises taxes here, too. (See map, "Municipalities Where Property Tax Rates Increased 40 percent or more," Tab 6, page 45) Driven by the desire to keep their service costs down and open land open, many communities zone for larger- and larger-lot residential developments. The result: a more rapid consumption of open land than occurs on smaller-lot development, and fewer and fewer new homes affordable to most New Jerseyans.

Trend: We're losing our choice of where to live

Only a third of all New Jersey households are families with children under 18, making only one in three households a primary market for new single-family homes. Yet from 1990 to 1999, fully 83 percent of all building permits issued in New Jersey were for single-family homes – a market imbalance driven primarily by our property tax system, as detailed above.

This imbalance severely limits the choice of new housing for those without young children – two-thirds of the market – who may want, or be financially limited to, other types of new housing, including condos and apartments.

More than half of the 558 municipalities that issued building permits in the 1990s did not issue a single permit for multi-family housing – the condominiums and apartments frequently sought by households without young children.

Moreover, nearly two-thirds of the municipalities that did allow construction of new multi-family housing are located in the built-up northern counties of Bergen, Essex, Hudson and Union – good for these areas, but not so good for households whose jobs are elsewhere. (See map, "Building permits issued for multi-family housing," Tab 6, page 46)

As a result, single professionals, couples and families with older children who may want a new apartment or condo are largely limited to four heavily urbanized counties in New Jersey. This majority share of the market has too few choices about where to live. In more than half the state, the housing needs of these households are not being addressed at all.

This suggests that it may not be simple market demand selling today's new single-family homes, but the lack of any other choice.

This lack of choice is felt most keenly by the 900,000 New Jersey households in search of affordable housing.

Independent experts estimate that 900,000 New Jersey families live in unaffordable or sub-standard housing – while the median sales price for a home in New Jersey ranges from $168,000 in Jersey City to $220,000 in Bergen and Passaic counties, per the National Home Builders website. This makes buying a median home in Jersey City as expensive as in Sacramento – and buying a median home in Bergen/Passaic counties more expense than in Honolulu ($200,000).

Since 1985, the state Council on Affordable Housing has provided only 24,000 homes, some still under construction, priced for individuals in the lower ranges of income, including teachers, retail workers and police recruits – a woefully inadequate response to such pressing need. (See graph, "Affordable Housing: Need versus Production," Tab 6, page 47)

At the same time, New Jersey's affordable housing system further limits housing choice by allowing many municipalities to handoff up to half of their affordable housing requirement to another community – usually a high-poverty city – for an average payment of $21,000 per home. This further concentrates poverty in New Jersey's older communities, and also works against the revival of these places.

Today's affordable housing rules also fuel unmanaged growth by allowing sprawling developers to sue municipalities for the right to build affordable housing, but generally as a fraction of a much larger development than the community desires. As a result, surrounding communities also suffer the traffic and pollution fallout of poorly managed development. Everyone loses under today's system.

Trend: We suffer from too much traffic.

Unlike many states, New Jersey made major investments in public transit in the first half of the last century. Today, New Jersey ranks third in the US in the percent of its residents using transit to get to work, mainly because the option is available to such a large percentage of our residents.

But the state that has more people per square mile than any other state has failed to capitalize on this investment and improve upon its superior transit network. The rise of sprawling subdivisions and isolated office parks and campuses has given many New Jerseyans only one choice when it comes to getting to school, work or shops – their car.

The number of vehicle miles traveled on average by each person in New Jersey has increased an average of 10 percent a decade since 1970, from 5,500 miles traveled annually to nearly 8,000 miles in 1998 – equivalent to spending the year driving from Newark to San Francisco and back again, then returning to El Paso, Texas. (See graph, "Annual Vehicle Miles Traveled Per Capita," Tab 6, page 48)

No wonder then that a majority of voters polled by New Jersey Future in May 2000 said they would prefer state taxes be spent on improving public transportation (57 percent) over building new roads (39 percent). Doing so would restore transportation choice to New Jerseyans, and enhance the rebuilding of mature communities. In fact, New Jersey's biggest redevelopment success stories of the past decade are based in communities offering good public transit – Jersey City, for example, or towns along New Jersey Transit's Midtown Direct Line – and in town centers that allow walking as a transportation option, as in Red Bank.

Trend: We're losing our open land at an unprecedented rate.

Between 1986 and 1995, New Jersey developed land at a rate of about 18,000 acres per year. Put another way, New Jersey has been losing its open land at a rate of 28 square miles each year – collectively enough space to build two Jersey City's annually, given up to a population a mere fraction of Jersey City's.

At this rate, New Jersey will be completely built out by the year 2091, the first state in the nation to achieve this dubious status, by losing all of the 1.77 million acres that remained developable as of 1995. (See map, "Percent of All Open Space Developed," Tab 6, page 49)

The Jersey Shore faces especially intense development pressures. As a group, south Jersey coastal towns in Ocean, Burlington, Atlantic, and Cape May counties grew by 15.8 percent in population from 1990 to 2000 – almost double the statewide growth rate of 8.6 percent for those years. Given the long-term aging of the general population, coupled with retirees' demonstrated proclivity to settle in coastal areas, this heightened pressure on shore towns is likely to continue and indeed worsen – meaning the New Jersey Shore could become the first portion of New Jersey to experience total buildout.

Our rapid land development is outpacing land preservation. Only 58,304 acres of farmland have been preserved as of June 2000, some 18 years after the farmland preservation program was created, against a goal of 500,000 acres. The Garden State Preservation Trust reports it has preserved 168,000 against its goal of 1 million acres approved by voters. If New Jersey were to reach its target of preserving one million acres of open land, build-out will occur much sooner than 2091. In this case, geographers at Rutgers University project full build out by 2032.

Our pattern of land development is almost as alarming as the amount of land being lost. Lack of coordinated planning across regions has resulted in "checkerboard" development, fragmenting natural spaces in ways that threaten productive agriculture, clean water, and the survival of our forests and wildlife. Half of the wetlands that naturally cleanse our drinking water have been destroyed by development – 20 percent of all wetlands have been lost just in the last century.

There isn't enough money to buy all the land that needs preserving – and all of the problems described in this report, from declining property values to traffic, will only worsen if we don't grow in smarter ways.

WHAT DO VOTERS SAY?

The vast majority of New Jerseyans are committed to the war on sprawling growth, and they agree with the goals of New Jersey's State Plan, according to a January 2001 poll conducted jointly by the Star-Ledger and Eagleton-Rutgers.

The poll found the vast majority of New Jerseyans feel the plan's goals important, from controlling suburban sprawl (86 percent), to preserving open space (90 percent), to revitalizing cities (90 percent), to easing traffic congestion (94 percent) and promoting economic growth (96 percent).

New Jerseyans strongly support the State Plan's attempts to steer new growth toward existing population centers and away from open lands and farmlands (67 percent). Residents also think helping already developed communities that are in trouble should take priority over buying and preserving open lands (65 percent).

The results parallel the findings of one of the largest land use polls ever conducted in New Jersey, commissioned in May 2000 by New Jersey Future. Fully 76 percent of the 1,200 voters surveyed favor giving state funding priority to existing communities over new development.

Voters also went a few steps further in support of smart growth ideas tested by New Jersey Future. Seven in 10 support limiting the amount of farmland that can be used for commercial or housing development; in fact, the majority of voters, 54 percent, favor restricting development as the best way to conserve open land, over having the government purchase it. Some 64 percent of voters also favor the idea of a $1 billion government bond to rehabilitate New Jersey's large and small cities.

More affordable housing also receives heavy support from voters, with 71 percent in favor of a requirement that all-new housing include at least 15 percent for low- and moderate-income families.

Residents blame New Jersey state government for the State Plan's lack of success, even while acknowledging that local governments have final say in development and planning decisions. Among those in the Star Ledger-Eagleton-Rutgers poll who say the State Plan has been unsuccessful or met with mixed success, 59 percent feel the state government, rather than local governments, is to blame.

Similarly, while most voters polled by New Jersey Future believe the best decisions on land use are made by their county (63) or city/town government (62), fully 77 believe state government should be active in coordinating and managing growth across the counties and towns of New Jersey.

This sentiment was echoed by mayors, planning board chairs and county executives statewide in November 1999, in interviews commissioned by New Jersey Future. New Jersey's key local decision makers describe themselves as referees in a fight for every inch of land, caught between a "relentless race to develop the land" by developers, and the new value voters are placing on preserving open land. Among the interviews' more surprising findings: these decision makers see redevelopment as important for its own sake, regardless of the kind of community in which they lived, and also recognized its importance to curbing sprawl and protecting open land.

They also expressed desire for a stronger State Plan, one that would aid their efforts to resist development pressure.

Achieving Genuine Prosperity:

20 Ways To Move New Jersey Toward
A More Prosperous, Just and Healthy Future

HOW SMART GROWTH CAN HELP

Smart growth does not mean "no" growth. Instead, it means "disciplined" growth.

Smart Growth means redirecting growth and investment into today's communities, and away from open lands. Smart Growth maximizes the investments we've already made in our homes, roads, sewers and schools. Rebuilding today's communities not only makes them better places to live and work, it maintains or increases property values – even for newer suburban homes, which today lose value at closing to unabated new construction on open lands. Smart growth means changing our tax system to support reinvestment in today's communities; and to reduce the pressure on less-developed communities to chase new development in order to raise funding.

Smart Growth means investing in transportation options that support the needs of today's communities. In this way, smart growth addresses the state's acute and growing traffic problems by restoring options, including walking, which have been lost to decades of auto-dependent development. Increasing transportation choice also stimulates the rebuilding of communities, as evidenced by new office and residential construction in the towns along New Jersey Transit's Midtown Direct Line.

Smart Growth means planning that promotes appropriate use of our land, protecting the quality of our water, our air and our open lands. Such planning is more than an investment in a healthier environment for our families, and our future; it's an investment in New Jersey's economic health, because it protects our shoreline and its tourism, our farmland, and the natural areas that attract new employers and employees.

Smart Growth means greater housing choice and more affordable communities. Rebuilding today's communities means restoring the wide range of home options – from bungalows and ranches to brownstones and apartments – in today's suburbs, older towns and cities. It means directing growth and new investment to where roads, sewers and services already exist, which keeps taxes lower.

The dangerous trends in New Jersey's growth – our rapid consumption of open land and our abandonment of existing communities – are not the natural ways of growth.

Instead, they are the result of a whole set of public policies at the federal, state, and local levels that make discarding existing homes and communities for new seem the natural choice.

<u>It isn't</u>. And it doesn't have to be this way.

New Jersey's growth problems have grown and deepened over time, making any cures complicated and difficult – but not impossible.

Achieving Genuine Prosperity:

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20 WAYS TO A MORE PROSPEROUS FUTURE

The recommendations that follow are based on thorough research and analysis of both New Jersey's land use, tax and affordable housing systems, and of similar systems within states having greater success in preserving open land, rebuilding communities, achieving more equitable taxes and providing affordable housing.

A Head Start: The State Plan

New Jersey has a head start over many states striving for smarter growth, because it has a statewide blueprint for revitalizing existing communities and preserving open land: the State Development and Redevelopment Plan.

The State Plan has taken a bum rap for New Jersey's open land and community failures to date. In truth, it's not the Plan that has failed New Jersey. Rather, it's the failure to implement it.

Failure to adhere to the State Plan has allowed the policies, rules and laws that govern New Jersey's growth to veer in any, and even competing, directions.

Three such systems are particularly damaging to smart growth efforts: our land-use system, our property tax system and our affordable housing system. These three flawed systems not only fail to halt today's damaging course, but actually offer incentives for moving New Jersey in the wrong direction.

Because all three systems are bigger than any single municipality, no municipality can win the smart growth war on its own. Recognizing this is the first step toward the kind of cooperation and compromise essential to moving toward smarter growth.

Bold action in all areas is warranted. Presented here are steps that have demonstrated public support in polling, and which are essential for moving New Jersey to the next level of smart growth.

To make our communities more livable and affordable…

Assure State spending and decisions benefit today's communities and protect open lands, rather than promote the development of new places.

1. **Immediately adopt strict watershed rules that would enhance water quality and protect open lands from poorly planned future development.**

   Sewer lines and the capacity of sewer plants are among the primary determinants of where development goes in New Jersey. Today, wastewater decisions are often made under intense pressure from sprawling developers who stand to profit most from the extension of sewer lines into green fields and open lands – in part, because they face higher costs when attempting to build in existing communities.

   A new Water Quality and Watershed Management Rule proposed last July by the State attempted to address this development issue while improving water quality by incorporating the State Plan as guidance for where new sewers could go. The proposed rule provided incentive for developers to build in today's urban and suburban areas over fringe, rural and environmentally sensitive areas by sparing developers working in designated growth areas from the full extent of rigorous environmental review that would be required for building on open lands.

This win-win opportunity for New Jersey has been overlooked in the months of heated wrangling between environmentalists, who argue the proposed environmental protections aren't strong enough, and developers, who argue the restrictions are too vague and confining to development. One section of the proposed rules adopted in March 2001 has already been challenged in a lawsuit by the New Jersey Builders Association – this section increases the environmental review required for developments built on septic systems, a primary type of development claiming today's remaining open lands. The State has announced its intention to rewrite and adopt the remaining rule by as early as this summer; but there are strong indications that the rewrite will not include the State Plan language that made the original proposal an important move toward smarter growth.

- **The State should stand strong in requiring more rigid environmental review for development outside of the State Plan's growth areas.**

It should make applicants proposing changes to sewer plans show that their plans are consistent with the State Plan, unless there is a compelling reason for inconsistency. Take out the State Plan language from the proposed rule and you basically have today's status quo: no incentive for investing in today's communities instead of paving over green fields; no incentive for saving the 1.8 million acres of buildable land we still have left, land that will disappear within the next 100 years at today's pace of development.

At the same time, some arguments of builders and environmentalists have merit and some changes should be made to the rules before their immediate adoption. The Department of Environmental Protection should give builders a solid idea in advance of what studies may be required for their projects; saying requirements will be determined on a case-by-case basis isn't good enough. DEP should also eliminate the broad "grand fathering" which supports development in inappropriate areas. It should clarify its enforcement mechanisms, and ensure public participation occurs in meetings between the state and developers. The Governor must ensure the staff and resources are in place to support the more stringent environmental reviews. Lesser changes can and should be pursued by amendment once the rules are adopted.

Without immediate action, we lose the immediate good that could be realized on the ground, in additional protections for our water and our open land. New Jersey can't afford to wait.

2. <u>Use an unprecedented $12 billion in state spending for school construction to build "community schools" that would revitalize today's suburban and urban communities</u>.

Though it will spend at least $12 billion on building and renovating the state's schools, the state is blowing a once-a-century opportunity to make a lasting investment in surrounding communities at the same time.

The Department of Education remains stubbornly opposed to the idea of "community schools" that go beyond single-use during the day, and instead serve the community that's paying for them with library, recreation and performance facilities.

- **We should seize the opportunity to build neighborhoods, instead of merely buildings, by constructing community schools.**

Community schools are not a new concept. They began in the 1800s as settlement houses and grew in popularity in the 1930s after a foundation-supported program in Flint, Michigan drew national attention for making schools there the educational, social and recreational foundation of the community.

Community schools operate in a public building, and are open to students, families and the community before, during and after school. Typically they are operated jointly by the school system and one or more community agencies. They serve as resources for families by offering early childhood development programs and health and social services programs. They are a recognized way of achieving outstanding results in learning and achievement while accommodating the needs of all the community's stakeholders.

Other states, including California, have shown the idea avoids redundant public investment, strengthens urban and suburban neighborhoods alike, and preserves land. The Department of Education thinks a "demonstration project" is all this budget can support. New Jersey can afford to do better, by using this unprecedented budget to build or re-build a sense of community in the rural, suburban and urban places where school money will be spent. Community schools respond best not only to how schools should be built, but also where. Schools should be sited as other major public buildings are, in the heart of their community. Schools need not be isolated from the rest of the community, and they need not fuel sprawl. Community schools offer a win-win opportunity.

Make it easier to rebuild today's communities rather than develop in green fields.

3. **Create a stable source of funding for redevelopment that will attract new growth to mature communities, comparable to the stable source of funding approved by voters for preserving open land.**

If smart growth is to be achieved by incentives, there is no better place to start than with incentives that will attract development into existing communities, and away from open lands.

Builders and environmentalists are united in their call for directing more state spending to rebuild ailing roads and infrastructure, essential first steps to attracting growth and new investment to existing communities. Voters too, show overwhelming support for improving and revitalizing New Jersey's cities, in particular. Some 72 percent of voters statewide polled in May 2000 disagree that cities cannot be improved. Nearly two-thirds (65 percent) of Garden State residents polled in January 2001 by *The Star-Ledger*/Eagleton-Rutgers say that investing in already developed areas that need repair should be a bigger priority in New Jersey than buying up and preserving open spaces.

In fact, fully 64 percent of New Jersey voters favor the idea of a $1 billion bond to rehabilitate New Jersey's large and small cities – a number that compares favorably with the 66 percent of voters who approved creation of a stable source of funding to save 1 million acres in November, 1998. Such a bond for redevelopment would be the complement to the bond for preserving 1 million acres. In fact, without significant state investment in rehabilitating our communities, the preservation of one million acres will not be possible.

- **New Jersey needs a stable source of funding for redevelopment.** Such investment need not be made solely by bond; but it must be made.

The proposed 2002 state budget calls for $25 million in additional incentives for repairing infrastructure and developing industrial sites. This is far too little money to achieve real change – and it's dwarfed by state spending that encourages growth in the wrong places, including the more than $250 million in state incentives given just to Merrill Lynch for construction of its mega-campus on rural land outside of Trenton.

Real incentives for smart growth start here, and require a stable source of funding if they are to be truly effective.

4. <u>Adopt legislation that would streamline development approvals in redevelopment areas</u>.

Time is money to New Jersey's builders – and to the homeowners and businesses waiting for their products. New Jersey builders who support smarter growth often find themselves stymied in their redevelopment efforts by time-consuming and expensive delays for permitting and approvals.

To the extent that New Jersey can plan better and regulate less, the costs of development will be reduced for everyone while ensuring development that does happen goes where it best serves New Jersey.

New Jersey can make this happen with legislation that encourages all municipalities to plan in a manner consistent with goals and policies of the State Plan; specifically, by adopting master plans and zoning which steer new growth toward areas where investment and infrastructure already exist, and away from open lands.

The rewards of such planning consistency, and the State Planning Commission endorsement that accompanies it, could include the following:

- **Allow a municipality with an endorsed plan to declare any section of its community in need of redevelopment without seeking additional state approvals, thereby streamlining and promoting long-term development within these municipalities;**
- **Give municipalities with endorsed plans an "assumption of validity" in their planning, and full state backing in any suit challenging development ordinances;**
- **Grant builders exemption from certain fees, and expedited approvals, when building in communities with an endorsed plan.**

Similar legislation was introduced in June 2000 by Sen. John Adler and deserves serious consideration by legislative leaders.

Also deserving support is the concept contained in a February 2001 proposal by the Department of Environmental Protection. That concept would expedite state approvals for development and redevelopment in designated centers and in municipalities with master plans that have been endorsed by the State Planning Commission. Such a regulation could be extremely effective if it operates as in the Pinelands, with an ability but not a requirement to have local decisions reviewed by a growth-management authority – in this case the Office of State Planning – when regional impacts are in question.

Defend municipalities from legal challenges when they make land-use decisions that steer growth away from open lands and promote community development.

5. <u>Provide municipalities with legal support from the State, or full financial indemnification, when they adopt master plans and zoning ordinances consistent with the State Plan</u>.

Interviews with local mayors and planning board chairs commissioned by New Jersey Future reveal many are reluctant to take proactive planning measures to better manage development pressures – measures such as up-zoning, which directs new growth to places where infrastructure is already in place, or down-zoning, which increases minimum lot sizes – because they fear being sued by developers and land owners. Many complain they lack the resources, staff and money for a court fight – even when impending development is inconsistent with their vision for their community.

It is not an unjustified fear: East Amwell Township (Hunterdon County) has spent $240,000 – 10 percent of its annual budget – in this fiscal year alone defending its progressive, well-conceived farmland preservation program against a suit by property owners joined by the New Jersey Farm Bureau. Hopewell Township, after increasing its minimum lot sizes by "down zoning", was served by 20 property-owner lawsuits.

On the other hand, courts have upheld the validity of down zoning as a tool for managing growth. A decision by Bedminster officials to increase average lot sizes from three acres to 10 acres was upheld in 2000 by the State Appellate Court, which ruled the down zoning a legitimate use of local zoning powers to protect open space and natural resources. The court soundly rejected the notion that the move constituted an illegal "taking" of private property rights.

- **The State should defend all municipalities that adopt master plans and zoning ordinances consistent with the State Plan.** This could take the form of legal support from the State Attorney General's Office, or full financial indemnification by the state against landowner or builder lawsuits.

Such defense offers three significant benefits: It would accelerate local implementation of the Plan and so the rebuilding of New Jersey communities, and the protection of regional open lands; it would empower municipalities to make the best land-use decisions for their community, without fear of having to defend themselves in court; and it would present a more efficient and less costly way of resolving development disputes.

Similar systems already operate in other states. The State of New York defends the county of Suffolk and municipalities within the Central Pine Barrens area of Long Island from suits brought against those entities for land use measures that are consistent with the regional management of that area. Other states provide monetary compensation schemes. Maine created a fund designed specifically to compensate municipalities for legal expenses incurred in the enforcement of local land use laws and ordinances affecting designated "great ponds."

Such legal support in support of New Jersey municipalities would be a large incentive for smarter growth.

Make it easier and more rewarding for municipalities to cooperate in planning for major regional development.

6. <u>Create a land-use arbitration panel for faster review and resolution of disputes arising from regional and cooperative planning</u>.

Few New Jerseyans would dispute today's life is lived in regions – we live in one community, work in another, shop and seek entertainment in a third, or fourth. Traffic knows no municipal boundaries. The fallouts of poorly managed local growth, from more pollution to more traffic to lost open land, often damage the character of surrounding communities as well.

Despite this regional reality, the vast majority of development decisions in New Jersey continue to be made on a local, project-by-project basis. Local zoning is largely untouched by regional needs, or new understandings of environmental impacts. Too often zoning and local master plans are at odds with the region's needs – or even the interests of New Jerseyans statewide when local development affects the shore, forests, farmlands and wetlands.

New Jersey need not start at ground zero in its efforts to coordinate growth planning and decisions. Regional models for managing growth do exist in New Jersey, most notably in the Pinelands and the Meadowlands, where they have been effective in steering growth away from important natural spaces without discouraging new development.

More significantly, New Jersey has the State Plan. The State Plan's central vision epitomizes smart growth: the rebuilding of New Jersey's communities and the preservation of its remaining open land. Yet it's been ineffective in shaping and coordinating New Jersey's land use – in large part because local zoning and master plans are at odds with the Plan's larger picture of New Jersey's regional needs.

Yet even if all municipalities have zoning and master plans in conformance with the State Plan, they cannot make all local development decisions independently. There are often times when the effects of local development have impact beyond a municipalities' borders – the result of 566 towns and townships crowded into the fifth smallest state – and for these times, regional coordination is essential.

Many communities with an early understanding of today's regional picture have begun to coordinate their growth around places where an investment in infrastructure already exists, namely major highways. Regional planning projects have been undertaken by communities along the Route 1 corridor in central Jersey, along Route 46 and I-78 in North Jersey, and among South Jersey communities along Route 130 and Route 73.

More can and should be done to incent regional growth planning.

- **Land-use disputes arising from regional and cooperative planning between municipalities should receive expedited hearing and resolution by a new Land Use Dispute Panel of three members, appointed by the Governor and confirmed by the Senate.**

The panel would offer a faster review and resolution of regional development issues than is possible under today's court system – in short, greater certainty in the development process for all parties: landowners, builders and the public at large. A similar program governing all land use appeals in Oregon cut review time by a third.

A land-use arbitration panel would be a significant incentive for much-needed regional planning across New Jersey.

7. **<u>Strengthen the role of regional planning in managing growth</u>.**

- **Differing regimes of land-use governance are needed for differing regions.**

New Jersey is a state of great variety in physiography, landscape ecology, settlement patterns, degree of urbanization, and socio-economic conditions. These regional variations find their counterparts in the attitudes of local government toward resource conservation, and in their legislative responses to resource management challenges. What may be feasible for, say, the Highlands or the Barnegat Bayshore may not be feasible elsewhere.

Differing regimes of land-use governance are appropriate to different regions of the state. There may also be greater political feasibility to adopting differing models of land-use governance appropriate to differing regions of the state, than to imposing "one size fits all."

In some areas of the state, counties may best play that role, as in other states. New Jersey voters surveyed in May 2000 gave their county governments the edge when it came to voter confidence for making the best land-use decisions, ranking counties at the top of the list with 63 percent voter confidence and edging a 62 percent voter confidence in city/town decisions.

New Jersey Future proposes that the state strengthen the ability of counties to plan for and manage regional growth by updating the County Planning Enabling Act. Adopted in 1968, it does not begin to provide adequate support for the emerging role of the region in several areas of government. New legislation is needed that will mandate county plans conform to the State Plan, and update today's provisions for project review.

8. **<u>Create a Cabinet-level post for state growth management and redevelopment, which has the requisite powers to achieve its goals</u>.**

Critical decisions about where and how New Jersey will grow are made routinely by state agencies – with minimal coordination between efforts. We know that new development is spurred by the construction of new roads and new sewers – yet the Department of Transportation and the Department of Environmental Protection operate independently of other agencies, and frequently independent of each other, in creating the rules, plans and funding for such projects. Local communities, businesses and builders receive assistance in their growth planning from the Department of Community Affairs, which operates under its own planning and funding priorities.

The State Planning Commission provides the table where all state agencies making growth decisions sit down routinely for planning. Yet participation varies widely by agency, and coordination at the table is too seldom carried away into daily operations.

Worse, no single agency is in a position to lead on critical growth issues that span agencies. The 350-acre Merrill Lynch campus now transforming rural Hopewell Township has a huge impact on that region's roads, air and water, schools, housing needs, future land use and even community character – yet the state agencies involved in the decision-making for this huge development and most knowledgeable about its impacts were never represented together at any one time in its planning. The same "crazy quilt" of planning and decision-making continues today for other region-impacting development.

Not only do state agencies make their growth spending and regulatory decisions independently – they make such decisions on independent and sometimes conflicting sets of economic and demographic data, and projections for growth.

As result, state agency planning – for transportation, land use, air and water quality, housing, and infrastructure investment – is done in a vacuum.

- **New Jersey needs a Cabinet-level post for state planning, with resources to serve as a centralized source for geographic, economic and demographic data; and with authority to issue a single set of projections that can be used by all state agencies and local governments in their growth planning.**

Elevating state planning to the Cabinet level will ensure planning and spending for New Jersey's growth receive the full and regular attention of the state's highest leaders. It will greatly increase the coordination between state agencies on growth decisions, and provide a voice of expertise and authority on regional growth issues that's missing today. Maryland took such a step in July 2000 when it elevated its Office of Planning to a Cabinet-level department, and placed a nationally respected EPA director at its head.

New Jersey's Department of Planning should be authorized to review incentives for relocating businesses, and align such growth incentives with the State Plan.

New Jersey's Department of Planning also ought to be the authority on what New Jersey is planning for. New Jersey Future recommends that this new department include an office charged with centralizing the collection of planning data now scattered across independent state agencies. The Department of Planning should use this data to prepare a single set of employment and population projections used by all state agencies in their program-specific planning.

The Department could also take planning models developed separately by various agencies for traffic, water demand, air quality, etc. and have these models "talk" to each other for a coordinated vision that can be used for more effective growth planning.

Such changes in leadership and coordination at the state level are essential to reversing the status quo patterns of growth statewide, and to more effectively managing the regional impacts of major development.

To increase our choices…

Develop alternatives beside purchase for saving open land, because there's not enough money to buy all the land that needs saving.

9. **<u>Improve the tax incentive for preserving farmland</u>.**

New Jersey has some 850,000 acres of farmland today, roughly half of the farmland it had as recently as 1950. To stem this rapid loss of open space, New Jersey has spent $292 million in public funds since 1983 to purchase development rights to 476 farms, preserving some 69,500 acres.

It's clear there isn't enough money to meet the expectations of New Jerseyans for farmland preservation in the Garden State – even with accelerated spending under the Garden State Preservation Trust. Fresh initiatives are required to stem the loss, and to complement the purchase of development rights program. Among these are reforms in our farmland tax policies.

Many New Jerseyans do not appreciate that the rural landscape is maintained in large part by business enterprises – farm businesses. Their failure would result in the disappearance of much of our open landscape, through conversion to suburban growth or reversion to woodland. New Jersey, as virtually all other states, helps sustain farm profitability with preferential property tax treatment known as farm-value assessment, which sharply reduces the tax on "actively devoted" farmland.

Such preferential tax treatment is fair to farmers for two reasons: farming is a land-based business, and real property taxes are more onerous to farmers than to other businesses that are not land-dependent. In addition, farmland generates far more in tax revenue than it costs its community in tax services. A widely cited study by the American Farmland Trust (1991) finds that, for each $1 of tax revenue generated by agricultural and forest lands, only 30 cents was expended in community services; while the ratio for the residential sector was $1 in tax revenue against $1.14 in spending for roads, sewers and schools.

But when a property is no longer farmed – usually because it is developed – a "rollback" tax is levied. The rollback is the difference between the farmland value and real estate market value for the current and previous two years. Because the rollback tax is set very low, the farmland assessment program is not achieving an important third purpose, to be an effective deterrent to the development of farmland. The reason is that the penalty for development – the rollback tax – bears no relation to the gain realized by developing the property.

In fact, the rewards increase the longer the land is held. No wonder then that some experts estimate as much as half of New Jersey's farmland is owned not by farmers, but land speculators and developers. Today's farmland assessment effectively provides an interest-free loan to landowners holding their property for future financial gain or actual development.

There are two ways to strengthen the current program's effectiveness in preserving farmland.

- **Increase the rollback penalty for converting farmland to development.**

New Jersey's three-year "rollback" provisions are weak compared to those of others states. New Jersey Future endorses the recommendation of the New Jersey Conservation Foundation to increase the rollback to 10 years, and to dedicate these funds to the state farmland preservation fund. The argument for an increase is based on the principle that the value of land is created by government policies and investments. So long as farmland is preserved, it yields a public benefit. But its conversion to suburban use results in a both a windfall profit for the property-owner and sharply rising costs to municipalities.

- **Limit preferential assessment to properties in agricultural districts.**

Preferential assessment should be limited to those places where, for example, property-owners enter into a long-term agricultural commitment, and where other land policy measures (the absence of sewer extensions, for instance) apply. New York State has such a stipulation. Wisconsin grants greater property tax abatements in jurisdictions that have adopted land use restrictions, either through exclusive agricultural zoning or preservation agreements with individual landowners. In New Jersey, property tax benefits should be limited to those areas designated for environmental or rural conservation by the State Plan.

10. Preserve farmland with better growth management.

"Growth management" means a mutually complementary relationship between planning, taxation, public spending and land regulation, be it for farmland preservation or any other aspect of land use. Outside of the New Jersey Pinelands, the elements of growth management are at best disconnected, and at worst directly at odds with farmland preservation.

For instance: As explained above, we grant tax breaks to speculative owners of farm property. We extend sewers to areas that are identified as farmland. We zone these areas for growth. Then, the state purchase of development rights program purchases these properties at full real estate market prices.

In contrast, other states including Maryland and Wisconsin have relied more heavily on growth management to preserve farmland, including restrictive agricultural zoning provisions. Oregon, for example, has adopted statewide zoning for 16.4 million acres of farmland – restricting an area more than three times the size of the Garden State. Lancaster County, Pennsylvania, has protected more farmland than has all of New Jersey through a comprehensive growth management program that includes restrictive zoning.

In New Jersey, except for public or preserved land, every inch of buildable land is zoned for future development by our 566 municipalities. Today's farmland appears on local master plans as tomorrow's commercial development or residential subdivision.

New Jersey's farm owners have opposed farmland zoning because they fear it will undermine their farm businesses. Yet a 1998 Rutgers study of farm financial viability in the heavily restricted Pinelands suggests otherwise. "Agricultural Protection Areas" are one of seven zoning categories used to minimize development in the Pinelands. The Rutgers study concludes that the Pinelands land use regime "appears to have had no adverse effects on farm viability."

The authority of government to regulate land for agricultural use was forcefully upheld against an owner of farm property in the New Jersey Supreme Court's landmark property rights case, *Gardiner v. New Jersey Pinelands Commission* (125 N.J. 193, 1983.) The court stated: "Diminution of land value itself does not constitute a taking." And, "…there exists no constitutional right to the most profitable use of property."

We need to bring all the elements of growth management into play in our efforts to preserve New Jersey's remaining farmland:

- **We need more rigorous planning,** to target state and local investment in farmland to areas where farming will be viable in the future, not simply to block a pending development application.
- **We also need more restrictive land-use regulations for agricultural areas.** Zoning does not achieve the permanent protection of farmland, because zoning is a legislative act of local governing bodies, and can be reversed as easily as enacted. But zoning can ease development pressures, allowing time for easement purchases through the state program to be phased in, providing permanent protection for key farm properties over time. And clearly, sewerage and other public infrastructure that leads development must be proscribed where agriculture is the priority use of the land.

Public support for preserving farmland runs high. More than two-thirds of voters polled in May 2000 favor restricting the amount of farmland that can be used for commercial or housing development (69 percent and 67 percent, respectively.) Significantly, a majority of voters (54 percent) favor restricting development over government purchase as the best way to conserve open and environmentally sensitive land. New Jersey has abundant farmland preservation experience to build on. Now it is time to build on this experience with new measures commensurate with the challenge.

New Jersey Future has completed a separate analysis of farmland preservation in the state. Available May 2001.

11. <u>Support local governments when they wish to conserve open space and manage growth</u>.

Despite stepped-up land acquisition efforts by the state, private organizations and local municipalities, the conversion of open land continues apace in New Jersey. Between 1986 and 1995 (the most recent years figures are available,) developed land increased by nearly a quarter-million acres. This was at the loss of farmland, decreased by 123,390 acres; forest land, by 44,620 acres; and freshwater wetlands, by 51,860 acres.

Equally disturbing is that we are developing land in a discontinuous, checkerboard pattern where larger woodland, watershed, and agricultural areas are progressively broken into smaller tracts. The progressive fragmentation of our open lands undermines viable agriculture, the natural water cleansing offered by wetlands, the preservation of habitats for songbirds and other wildlife, and the natural beauty and attractiveness of New Jersey that is critical for New Jersey's continued economic prosperity.

Through their zoning regulations, municipalities control most land use. To better understand municipal performance in natural resource conservation, New Jersey Future surveyed 44 towns with some of New Jersey's most valued and sensitive natural resources and landscapes: prime farmland, pristine ground and surface water, wetlands and estuaries, woodlands and wildlife habitats, scenic terrain. The 44 towns are spread across New Jersey from the Ridge and Valley Region along the upper Delaware, Southeast to the Barnegat Bayshore. Towns in the Pinelands, the Highlands, and the Farmbelt were likewise included.

With the exception of a handful of progressive, "bellwether," towns, New Jersey municipalities have not taken full advantage of the land use tools available to them for preserving open land.

The exceptional towns – among them East Amwell, Washington, Plumsted, Chesterfield, and others – have skillfully combined land-use regulations with local and state easement purchase funds, sound planning, political leadership and negotiating skills to promote land conservation. But too many others fail to address open land protection in either local plans or use of regulations. Outside the Pinelands, only a handful have base zoning densities that even approach what is necessary for resource conservation – well below 5 acres per residential unit.

On the positive side, most towns have at least superficial environmental regulations intended to protect one or more of the following: steep slopes, aquifers, floodplains, freshwater wetlands, stream corridors and woodlands. Yet these provisions vary dramatically in their effective strength from town to town; specifically in whether local presumption lies for or against development in these sensitive areas. Environmental conservation has a regional scope; one town's initiatives may swiftly be undermined by the lack of commitment by its neighbors. Only one town (again, outside the Pinelands) even mentions habitat conservation, endangered species or biodiversity; much less regulates land with this conservation purpose.

Strikingly, the stated policy of virtually all New Jersey towns – as expressed in their land-use regulations – is full build-out, typically at real estate market densities. This leads to a massive contradiction in public policy: regulations are utterly inconsistent not only with regional resource conservation plans, but even with local plans.

There is much that municipalities can do under current law to conserve land and natural resources and to manage growth more effectively, but they can't do it alone.

- **Municipalities seeking to better plan their growth need more financial support from the state, including more money for smart growth planning.**

While the 2002 state budget provides for $3 million in smart growth planning grants, this amount doesn't come close to meeting the need. The state of Oregon gave its municipalities more than $40 million two decades ago to bring local plans into compliance with state goals. Our legislature has the opportunity to increase planning aid to municipalities when it adopts the 2001 budget.

Local governments striving for smarter growth would also benefit from recommendations mentioned elsewhere in this report: A state-level legal defense of towns that enact strong land use preservation measures (Recommendation 5); and the centralized collection of planning data by the state (Recommendation 8), as an indispensable basis for defensible and-use regulation. State Planning Commission (SPC) endorsement of municipal plans on issues of larger than local concern would also be an essential step towards effective environmental conservation.

12. Enact new legislative initiatives for land conservation.

The region under the jurisdiction of New Jersey's Pinelands Commission is acclaimed as a national model for land use and resource management and could serve likewise as a model for other regions of New Jersey.

There is, within the 900,000-acre jurisdiction of the Pinelands Commission, a mixture of public and private ownership, with 400,000 acres under state ownership and 75,000 under federal, the remainder private. Development and preservation are managed in complementary ways.

The *Pinelands Preservation Plan* effectively requires conformance from local land-use regulations, in a way New Jersey's State Plan does not. It establishes seven types of land-use categories, including zoning for agricultural protection, and a transfer of development rights program (see Recommendation 13, below.) Acting through the *Pinelands Infrastructure Trust Bond Act of 1985* $30 million in grants and loans for infrastructure, mainly sewers, are available in regional growth areas. Such grants are essential to facilitate development in well-suited locations on the edge of the Pinelands region.

Notes Gabriel J. Donio, publisher of the Hammonton Gazette, "The Pinelands Commission and the Comprehensive Management Plan, once seen completely as interlopers, trying to steal property rights, have increasingly been viewed as a sort of protection against the rampant development that causes increased services, a burden on municipalities and school districts, and increased taxation."

He adds, "The argument about land devaluation during the past 20 years has merit, and our independent-minded citizens do not like the cumbersome and often bureaucratic process involved with building in the Pinelands Region. I tend to think of it as the price we must pay to retain a stable community, one that has a number of families who have lived here for generations."

Land-use governance in the Pinelands links regional planning, public investments, land use regulation, and mandatory municipal conformance in a growth management system that merits study as a model for all of New Jersey. The State can offer similar resource protection and growth management to the rest of New Jersey's municipalities in the following ways:

- **Amend the Municipal Land Use Law to clarify and strengthen the existing powers of towns to adopt resource conservation measures**.

Such measures include stronger master plan elements, cluster development, capital facilities planning and management, and transfer of development rights. A conservation plan element should be the required prerequisite for Green Acres funding; a farmland element for the state farmland preservation program.

- **State land-acquisition funds should be held out as an inducement for local land preservation initiatives**.

There are not enough government dollars to meet the public's expectations for open space conservation. While the numbers of acres being saved may sound impressive, preserved areas are not effective if they are simply isolated fragments in the larger mosaic of urbanization. We need land regulations that will secure the necessary "critical mass" of a region's farmland, forest ecosystem, or critical watershed. Municipalities should be rewarded for plans and regulations that protect the larger areas. Sewerage should be restricted to areas where growth is planned – proscribed where it is not.

New Jersey Future has completed a separate analysis of municipal-level environmental resource conservation in New Jersey. Available May 2001.

13. Expand the power of communities to use "transfer of development rights."

Another good alternative to the expensive purchase of land development rights is Transferable Development Rights, or TDR.

TDR is a land-preservation tool based on the principle that the right to develop land can be severed (as in an easement) from ownership of the land itself, and transferred to another property. Using this tool, a community could require that the owner of a property well situated for development acquire, as a condition of approval, the development rights from a property slated for conservation. TDR can also be used on an inter-municipal, regional basis.

TDR provides some measure of compensation for owners of conservation property, and recaptures, for the public, some measure of the "unearned increment" that accrues to the owners of property well-situated for development, usually because of public investment in sewerage and transportation. TDR uses the real estate market to effect land preservation goals, at a far-reduced public cost.

New Jersey's only successful TDR program to date has unfolded under state guidelines in the Pinelands, as described above. The Pinelands Commission administers a transfer of development rights program that has permanently preserved 19,233 acres of conservation land, more than 7,000 acres in Agricultural Production Areas. The Pinelands Development Credit Bank, an independent agency created by the Legislature in 1985, facilitates private market transactions in development rights.

In 1989, the New Jersey Legislature adopted the *Burlington County Transfer of Development Rights Demonstration Act*. This measure suggests again the Legislature's apparent willingness in some instances to enact special measures for specific regions of the state. In one of the first instances of the actual use of this provision, owners of 640 acres of farm property in Chesterfield announced (March, 2001) their intention to restrict this property from development, and to sell their right to develop 150 housing units to the developer-owners of 56 acres in an area of the town better situated for building.

- **Extend statutory authority for municipalities to use TDR on either a local or inter-municipal basis outside the Pinelands and Burlington County.**

In 1998, a bill was introduced by Assemblyman Bagger and Senator Martin that: (1) amends the *Municipal Land Use Act* to authorize municipalities throughout the state to implement TDR programs; (2) requires that TDR programs be consistent with the *State Plan*; and (3) extends the use of an existing state TDR bank (now limited to Burlington County) to any municipality with a TDR program. If enacted, such a bill would extend TDR as a tool for farmland preservation throughout New Jersey.

Increase the options for moving around the region where we work and live.

14. <u>Ensure state road, rail and other transportation improvements are supported by local planning decisions</u>.

Spending on transportation improvements is meaningless if it's out of sync with local land-use decision-making.

New Jersey Future recommends New Jersey strengthen the connection between more transit options and better land use as follows:

- **Require a "contractual" agreement between state transportation agencies and local communities before undertaking new transportation construction or improvement to ensure state transportation spending is compatible with local land-use decisions.**

Today, any community can appeal to the State to build or widen a road, fix an intersection or improve its rail service, without changing the local zoning that encourages additional traffic problems. Similarly, the State can launch a major road or rail project within a community paid for by taxpayers statewide, with no assurance that local zoning won't spur – or discourage – future growth that undermines the investment.

State taxpayers should have assurance that tax dollars spent for transportation improvements aren't undermined by local zoning. Likewise, municipalities should be able to count on the state for transportation investments that complement, and don't undermine, the community's vision as reflected in its zoning.

A contractual agreement is the best way to assure that New Jersey has a transportation system that truly serves the needs of New Jersey communities.

- **Increase investment in public transit.**

New Jerseyans want more money for public transportation than for new roads. Given the choice, voters statewide would prefer state taxes be spent on improving public transportation (57 percent) over building new roads (39 percent), according to a May 2000 statewide poll. The same sentiment holds true nationally, where money spent for public transportation was favored by 60 percent of respondents over spending for new roads, according to a September 2000 poll by Smart Growth America.

When additional transportation investment is linked to local land-use decisions as described above, it can be a means for building and re-building transit communities, as well as the key to reducing traffic problems by offering transportation alternatives missing for many residents today.

- **Offer a combination of regulations and incentives to encourage development near transit stops, to increase transit usage and relieve traffic congestion.**

Train stations in many European communities are regarded as a front door to the community. New Jersey communities that have focused redevelopment efforts around their train stations – Maplewood, for example – have discovered positive economic benefits spillover to the community at large.

By encouraging development and redevelopment near transit stops, we not only contribute to strengthening the economic health of transit communities, but decrease traffic throughout a region by offering options besides autos for travel into and out of transit communities.

- **Transit agencies should create better ways to address suburb-to-suburb commuting.**

Our newer communities need their own "front doors." The old model of suburban residents commuting solely to the central city for their jobs is a thing of the past.

Expanding the rail transit network should not be ruled out, even in suburban places that are historically highway-oriented. The efficiency of transit depends on critical masses of people and jobs located in a relatively concentrated area. Such critical masses have in fact developed over the years at major highway interchanges that are favored by office and retail developers. The creation of such nodes, even if inadvertent, makes such edge-city locations ripe for being retrofitted with transit service.

Short of actual extensions of the rail network, more modest enhancements like improved connections, one-seat rides, or more pedestrian-friendly bus station locations can also increase transit patronage dramatically. The success of NJ Transit's Midtown Direct service is proof of the viability of new transit service if it is done right.

- **Local road networks should be designed to reduce traffic congestion by offering better connectivity.**

Dead-ends and cul-de-sacs may appeal to homeowners who dread the thought of through traffic, but they are the enemy of efficient and uncongested travel. A branching, suburban street network essentially forces all traffic to use small, circuitous routes, even to travel between destinations that are close together. In most sprawling development there is one and only one way to get from point A to point B.

A well-connected grid network with many intersections, on the other hand, allows for more direct routes and provides alternative options in the event that the preferred route is congested or blocked.

- **More flexibility is needed in road design and even signage.**

The rigid standards typically applied by the State for lane width or speed limits may not be appropriate for every conceivable situation. The State should solicit input from the localities in which it is working and jointly determine what design features are compatible with the community's character and with its vision of its own future.

15. Create more livable communities through redevelopment and new development, which offer the convenience of shopping and working close to where you live.

Since the 1950s, the sidewalks, roads and trails that once encouraged walking and bicycling in the United States have been neglected in favor of auto-dependent development. The Center for Disease Control reports that trips made by walking or cycling have declined by more than 40 percent since 1977. In 1995, only 6.4 percent of all trips were walking or bicycling trips – and only 28 percent of children aged 5–15 years who lived within a mile of school actually walked to school.

The number of obese Americans has risen correspondingly, according to the CDC. In 1987, no state reported more than 15 percent of its population as obese, defined as more than 30 pounds overweight. By 1991, obesity had reached more than 15 percent of the population in seven states; and by 1998, all but five states reported obesity in more than 15 percent of the population.

The CDC estimates our wallets, as well as our good health, are casualties of our auto-dependent lifestyle: The total economic cost of obesity in the United States in 1995 was estimated to be nearly $100 billion. The toll for time lost in traffic may be even higher.

Such numbers give added urgency to the need for smarter growth, and the more livable communities it provides. Such communities are commonly called "centers" or "traditional towns," and they boast an option today's sprawling suburban communities don't offer – the option of walking to schools, shops and offices.

Residents of traditional cities and towns such as Somerville and Hammonton already enjoy the convenience and health-benefits of pedestrian-friendly communities. However, in too many other New Jersey communities built in the last 30 years, walking is not an option either because of the distances between homes and public buildings, or simply a lack of sidewalks.

Such "separation of uses" by zoning made sense when New Jersey was primarily a state of factories or industries that weren't desirable neighbors. Today, however, the dominance of service and high-tech office businesses in New Jersey makes the idea of walking to the office – or having schools and homes within a corporate campus – a more desirable option, especially for reducing today's traffic congestion.

- **Municipalities should change their master plans so that mixed-use development is the defacto plan, with fewer areas zoned for single-use development that requires more driving, creates more traffic and more rapidly consumes open land.**

There are other things communities can do with "pedestrian-friendly" design to bring walking back as an option. Most of these changes also make a community safer, more efficient and more attractive.

They include installing traffic-calming devices like speed "humps" and raised crosswalks to reduce vehicle speed in residential areas and areas of high pedestrian concentration. Limiting the number of lanes makes streets easier for pedestrians to cross. Placing parking behind buildings can make the pedestrian environment more interesting by bringing storefronts up to the sidewalk.

Communities without centers can add them by converting old shopping centers into traditional downtowns, with housing above stores and community services including libraries and even hospitals. Such a conversion is occurring today in Willingboro through a cooperative effort by local municipalities and developers.

Such efforts help restore options taken away by today's sprawling development – options for walking to work or school, and living closer to work and shops for those who desire such alternatives, or simply a reduction of traffic.

Centers also have significant economic benefits. Independent experts estimate that directing New Jersey's future growth into centers and away from open lands in accordance with the State Plan will save New Jersey as much as $2.3 billion on roadway construction, plus sewer and water upgrades, in the next 20 years.

Increase the amount of housing we can afford.

16. **Support historic preservation efforts that revitalize towns and cities.**

Historic preservation contributes to the revival of communities in obvious ways, by increasing property values, for both the restored property and neighboring properties, and by stimulating "heritage tourism" that capitalizes on the area's historic and cultural assets.

At the same time, historic preservation is a potentially powerful contributor to the economic engine of New Jersey. A 1998 study, commissioned by the New Jersey Historic Trust and conducted by the Center for Urban Policy Research at Rutgers, found that each $1 million spent on non-residential historic rehabilitation creates 2 jobs more than the same money spent on new construction. It also generates $79,000 more in income, $13,000 more in taxes and $111,000 more in wealth. Increased income and wealth result not only from money spent on the actual labor, materials, and supporting services involved in the rehabilitation, but also from property appreciation and tourism.

- **Increasing state funds for historic preservation would help stem the decline of many communities.**

17. **Change "fair share" percentages of affordable housing to "growth share" percentages.**

New Jersey drew the nation's attention and lifted its hopes in 1985 when it passed the nation's most progressive Fair Housing Act, requiring municipalities statewide to build a specific "fair share" number of homes for low- and moderate-income families.

The reality has fallen far short of the vision.

The Council on Affordable Housing estimates it has 24,000 homes today built or under construction. Advocates put the actual numbers at 15,000 to 16,000 – against an estimated need of 900,000 homes.

Worse, only seven homes in every 100 benefit former residents of poverty-impacted areas. The vast majority of these homes go to first-time homeowners or recent retirees already living in the community – a legitimate market that proves the depth of the need for more affordable housing, but not the market of neediest households the Fair Housing Act was created to help.

Moreover, there is much evidence that the current system spurs poorly managed development. In order to ensure compliance with its affordable housing decisions, known as Mount Laurel I and II, the State Supreme Court instituted a "builder's remedy." When a builder whose proposed development includes affordable housing wins an lawsuit against a municipality for zoning that excludes such housing, the court permits the builder to proceed – and build units over and above what is allowed by applicable zoning laws.

This decision has placed more than 100 non-compliant communities in front of lawsuits by developers offering to build affordable housing, but generally as a fraction of a much larger development than the community desires. In the case of Hillsborough Township, 742 acres of farmland and environmentally sensitive land have been threatened by a development of 3,000 homes offering only 136 affordable units of housing, less than 5 percent of this massive development. The spillover effects of such development will impact surrounding communities as well.

Nor does it matter that fewer than a dozen builders have won their cases. Mayors, planning board chairs and county leaders indicated in interviews with New Jersey Future that fear of such lawsuits, and lack of resources to fight them, affect their ongoing development decisions.

Over the past 15 years, our affordable housing system has proven grossly inadequate in providing affordable housing. Its huge bureaucracy and complexity enable non-compliance by reluctant communities. Moreover, it has contributed to the development pressures on municipalities statewide. New Jersey Future therefore recommends:

- **Replace today's affordable housing system with a system that eliminates builder's remedies, but requires communities to build affordable housing as a fixed percentage of their growth.**

Public support is strong for such requirements. Fully 71 percent of voters statewide said they favor requiring that all new housing include at least 15 percent for low- and moderate income families, in a May 2000 poll commissioned by New Jersey Future.

Montgomery County Maryland, a wealthy suburban community outside of Washington D.C., took such an approach in 1975 when it realized it might frustrate its own development as an economic center without affordable housing for all new workers. It required that at least 15 percent of the homes in any new development of 50 or more homes must be affordable to households in the lowest third of the income scale.

Furthermore, it gave the county's public housing agency the right of first purchase for one-third of the affordable homes; in effect, 5 percent of the total development.

Today, Montgomery County is one of the country's most racially and economically integrated communities. Further, extensive study of both Montgomery County and neighboring Fairfax County, Virginia (that adopted an almost identical policy in 1991) has shown that creating mixed-income neighborhoods in such modest proportions has had no adverse impact whatsoever on the resale values of market rate homes.

Had New Jersey adopted a similar policy at the same time, its affordable housing stock would have risen by 70,000 homes for moderate income families, including school teachers, police recruits, retail managers; and an additional 35,000 for low-income residents of poverty-impacted areas. In Newark, the poverty rate would have dropped to 25 percent, while the poverty rate in neighboring Morris County would have risen only one percent, to 3.9 percent.

Maryland's approach is different from New Jersey's in that it does not try to make up for past exclusion, it simply concentrates on future growth. Such a change in New Jersey would ensure affordable housing accompanies the revitalization and growth of every community.

- **Short of a full overhaul of today's system, New Jersey might adopt a "Growth Share" approach endorsed by several housing advocates.**

Under this approach, every municipality would project and quantify its residential, commercial and industrial growth over the next 10 years, and be required to set aside a fixed percentage of that growth for affordable housing – say 20 percent of its residential growth plus 1 home for every 2,000 square feet of new non-residential growth.

The difference with Maryland's program is that this Growth Share approach would apply to all development, not only residential developments above a certain size. It could be accomplished with rule changes, rather than new legislation. It would require communities to plan for future growth, and to ensure some of that growth is affordable. But it would have no greater enforcement power than the current system, and it would leave in place the builders' remedy and accompanying local development pressure.

Applying growth share remedies alone will not supply all of the affordable housing New Jersey so desperately needs. But it is a step in the right direction that will also help communities better manage sprawling development.

18. Increase the incentives to local communities for building housing that's more affordable.

America has twice as many poor whites as poor Blacks and Hispanics. But three-quarters of poor whites don't live in poor neighborhoods; instead, they live scattered across middle-class communities.

The reverse is true for minorities. Half of all poor Hispanics and three-quarters of poor blacks live in poverty-impacted neighborhoods. In fact, southern New Jersey has the highest concentration of poor Hispanics outside of the lower Rio Grande Valley along the Texas-Mexico border.

Race is indeed a reason behind the resistance in some communities to building affordable housing. There is a larger economic reason at work, as well. When communities rely heavily on property taxes to fund their public services, they have a natural incentive to resist any housing that will deliver lower tax revenues – especially if that housing also brings a need for more services, such as schools.

New Jersey's affordable housing system has not only failed to lessen racial segregation and concentrations of poverty, it has encouraged them. Regional Contribution Agreements allow wealthier towns to avoid meeting their fair share obligation by paying poorer towns and cities to build additional affordable units, at an average payment of $21,000 per unit. Tragically, this shuts out many poor and even moderate-income people from living in many New Jersey communities, where they may already work as teachers, police or retail employees. It also perpetuates poverty by excluding poor children from the better education and job opportunities within non-poverty communities – education and jobs that are necessary to break New Jersey's cycle of poverty.

- **It's time to abolish Regional Contribution Agreements.**

RCA money currently funneled into needy communities for additional affordable housing can be replaced by tax sharing and other needed modifications to today's property tax system as described below, which increase incentives for communities to build the housing today's market needs; rather than the kind of housing today's property tax system rewards.

To lower our costs…

Reform the property tax system.

19. <u>Lessen the reliance on property taxes so that they don't force municipalities to accept inappropriate development</u>.

New Jersey relies more heavily than most states on local property taxes to fund key services, from public schools to local roads and sewers. Fully 98 percent of local tax revenues in New Jersey come from property taxes, versus a national average of 75 percent. In New Jersey, local property taxes alone virtually equal the $14 billion in total revenue collected in 2000 from state income, sales and corporate business taxes *combined*.

Such an unbalanced and fragmented tax system is hard enough on the pockets of New Jerseyans, but it's taking a permanent toll on the places where we live. Municipalities are so dependent upon property taxes to finance local services that they too often chase and compete for new development – even when it doesn't fit the community's character or vision, adds to local traffic woes and eliminates farmland and open land.

Our property tax system explains the incongruous rise of warehouses and commercial buildings on farm fields across Jersey. Because they must bear the full costs of new development within their borders, many communities prefer to zone for commercial development because it tends to generate more local revenue than it costs in services. The 450-acre Merrill Lynch office campus now transforming rural Hopewell is the realization of just such local zoning. As often happens, the fallout in added traffic, additional pollution and pressure for more housing is often imposed on surrounding communities, as well.

At the same time, today's tax system spurs many communities to resist new residential development because it comes with a need for more classroom space, and so costs more to serve than it provides in tax revenues. Communities such as West Windsor along Route 1, a major commuting corridor, openly resist new residential development for this reason.

Besides skewing local development decisions, today's tax system makes it increasingly difficult for the places that need additional tax revenues for schools, roads and services to get it. To create the same amount of tax revenue to fund a similar set of services under today's system, a community rich in property and a property-poor community must tax their residents at different rates. In New Jersey, the wealthiest communities have tax rates in the 1 to 2 percent range. Those in the poorest areas, including cities, generally pay taxes in the 3.5 to 5 percent range -- for an often-inferior level of service.

This creates a vicious and self-perpetuating cycle where developers and businesses that might save communities starved for property taxes instead avoid these high property-tax areas. This drives taxes in such places even higher and encourages desperate cities and suburbs to accept any development they can get. It also puts distressed communities at an extreme disadvantage in funding their public schools. New Jerseyans have fought for decades in the legislature and courts over various distribution schemes. Despite this wrangling, New Jersey still leads the nation in reliance on property tax to fund education: 60 percent versus a national average of 50 percent.

Meanwhile, outlying suburbs and rural areas look like the smart choice for new development, when in reality, they're the default choice. These places, too, lose under today's tax system as new development changes the character of the community, burdens roads and schools and inevitably, raises taxes here, too. Driven by the desire to keep their service costs down and open land open, many communities zone for larger- and larger-lot residential developments. The result: a more rapid consumption of open land than occurs on smaller-lot development, and fewer and fewer new homes affordable to most New Jerseyans.

- **Today's tax system must be replaced with a tax system that, while neutral in its overall impact, should be broader based and so more equitable; one that is "development-neutral" so that it doesn't drive development away from, or toward, particular places.**

The options include adopting a statewide property tax, as in Michigan; or reducing today's property tax with reciprocal increases in broad-based taxes, such as income or sales taxes, or some combination thereof.

20. Introduce tax sharing among municipalities in a region.

Raising sales or income taxes is not the only way to lessen the destructive impact of property taxes. The "race for ratables" and the inequities created between communities by today's property tax system can also be lessened by tax sharing.

- **New Jersey should reduce the inequities in its property taxes by tax sharing.**

Tax sharing typically means sharing revenues and resources that would have remained with one quarter of a region's residents with the other three-quarters, lessen the entire region's need for additional property taxes. It could be accomplished as part of the much-needed overhaul of our property tax system; or tax-base sharing could and should be implemented on its own merits.

The idea of municipalities combining a portion of their local taxes into a shared regional pool originated in the New Jersey Meadowlands in 1972. The idea has since been adopted in varying forms by regions within New York, Maine, Ohio and Minnesota, which has perhaps the nation's most progressive tax-base sharing system.

It works this way in the Meadowlands: 13 towns contribute 40 percent of the local tax revenue generated by their growth into an inter-municipal account. The monies are then shared by the participating communities, in this case based on the type of growth and development they're experiencing, and how much tax base each municipality has lost to public acquisitions – for preserving open land, as example.

When communities share the tax benefits, as well as the burdens, of new development within a region, they feel a reduced need to compete for certain kinds of new development. Once this strong need to "chase ratables" is relieved, communities can base their growth decisions on more relevant local concerns – including the community's character, its vision for its future and its desired quality of life.

Municipalities that want to limit their growth are buoyed by the infusion of cash they receive from growing municipalities. Communities with greater need are revitalized by additional revenues shared by communities with lesser needs.

It also increases the choice of desirable communities in which to live. Tax-base sharing takes away the incentive for municipalities to zone-out certain types of development, including residential and affordable housing, which cost more to serve.