

**Statement on S1
Senate Economic Growth Committee****Feb. 1, 2010**

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New Jersey Future applauds Sens. Lesniak and Bateman for their determination to streamline and simplify the process to comply with the Supreme Court of New Jersey's mandate that every municipality in the state provide a fair share of low- and moderate-income housing opportunities.

The focus of our testimony today will be on the connection between housing and state planning, and the ingredients for building a reliable affordable-housing system.

Connecting Housing to State Planning

In 1985, the Legislature passed two landmark bills and linked them to each other – the Fair Housing Act and the State Planning Act. The Fair Housing Act guided the state's affordable-housing policies and production, and the State Planning Act set the wheels in motion for a statewide land-use plan that would govern where and how we grow. New Jersey Future, a nonprofit, nonpartisan organization, has spent the past 22 years encouraging government at all levels to adhere to the smart-growth principles of the State Development and Redevelopment Plan, which directs development to appropriate locations and discourages the kind of sprawl that has been visited on too many parts of our small, densely populated state. With the introduction of this bill, the Legislature has an opportunity to improve this coordination, to resolve the sometimes conflicting guidelines and direction provided by the State Plan on the one hand and Council on Affordable Housing (COAH) requirements on the other. We strongly support the coordination of the state planning process with efforts to increase the supply of affordable housing. It will be important to understand, however, the distinctly separate but complementary roles our state planning and affordable-housing systems must play.

State planning is a land use process. State planning directs development into more compact, mixed-use, center-based patterns where infrastructure, transit and in many cases jobs exist. Development growth is often equated to economic growth and includes commercial and residential building. As we grow and develop, our economy creates jobs for people with high incomes and those with low incomes -- we have yet to figure out an economic model that creates only high-income jobs. If we succeed in state planning we will have housing and commercial developments near each other, near transit, in places that encourage walking and biking, and that preserve our open spaces. If we assume that the state planning process can rationalize and direct where our housing ends up, then it is easy to understand that our affordable-housing process must ensure that these places contain a healthy mix of housing that is affordable to both high- and low-income households. The affordable-housing system cannot solve our land-use problems,

and likewise our land-use system cannot solve our affordable-housing problems, but they must work together to place a mix of housing in appropriate places.

The current bill would move the affordable-housing administrative duties to the State Planning Commission. We strongly support a more prominent role for the State Planning Commission and this scenario could be made possible if: 1) the new affordable-housing process is reliable enough to minimize the bureaucratic work of the State Planning Commission and not completely distract it from its core mission; 2) the staff of the commission receives the resources it needs to implement the process; and 3) the State Planning Commission is removed from the Department of Community Affairs and elevated to a role where it can better coordinate state department rulemaking and capital spending.

Building a Reliable System

By definition, a reliable system is one that we can depend on and is worthy of our trust. New Jersey has a historic opportunity to create a reliable affordable-housing system that meets three essential criteria: It must be fair, simple and predictable.

Fair means that everybody participates. Simple means that it's easy to understand what is expected and easy to measure progress. Predictable means that we know the rules and what the outcomes will be if we follow them – and the consequences if we don't.

The current bill lays the groundwork for a reliable system in sections 16 and 17, where it outlines the core compliance mechanisms. Section 16 suggests creating standards that can be understood, achieved and certified by towns monitoring their own behavior. This section can be strengthened to meet the fair, simple and predictable test by establishing a standard that every town have 5 percent of its housing stock affordable to low income households, and 5 percent affordable to moderate income households. Towns can achieve these percentages through a number of methods, including rehabilitating existing units, buying down the price of existing units, creating accessory apartments or building new units either as part of market rate developments or independently as long as the units carry long term deed restrictions. A percent of the affordable units could be set aside for local residents or employees, and a percent for very low-income households. Towns would be given an opportunity to show incremental progress toward reaching the standard, and would be allowed to count all deed-restricted affordable units toward their goal.

Section 17 uses the time-tested process of inclusionary development to produce mixed-income communities and create additional units of affordable housing as a municipality grows. To meet the fair, simple and predictable test, this provision could be a straightforward requirement that all new residential developments include 10 percent low-income and 10 percent moderate-income units. By making this a statewide rule, towns, developers and landowners will know exactly where they stand when they plan for residential development. Additionally, as a statewide rule, this approach will allow land values to adjust appropriately across the board to accommodate this small percentage of affordable units. If the developer already owns the land, he or she will receive a density bonus, or other inducement if necessary, to make the project feasible.

Rather than making the two excellent tools identified in sections 16 and 17 either/or choices, they should be combined as joint requirements since they accomplish two different objectives. Section 16 ensures that towns have a fair share of affordable housing at any point in time. Section 17 ensures that towns provide a healthy balance of housing and can maintain their fair share if they grow. Together, these requirements will form the foundation for a fair, simple and predictable system.

Working against the creation of a reliable affordable-housing system will be the desire to create loopholes and add provisions that go beyond providing affordable-housing opportunities for households with low and moderate incomes. As this bill is debated and amended, it will be important to keep special interests in perspective and work toward a fair, simple and predictable affordable-housing system that will help create vibrant communities, a robust economy and a healthy environment.

New Jersey Future supports the efforts that have given rise to this bill's introduction, and offers its wealth of research, experience and independent standing to help craft a reliable affordable-housing system that will serve New Jersey for the 21st century.