

## 2. Housing and Community Development

### Existing Conditions

The New Jersey Highlands is home to approximately 800,000 people. The seven-county, 88-municipality Region has a substantial housing stock, but demand consistently outpaces supply. The Highlands Region is characterized largely by owner-occupied, single-family detached houses. Highlands owner-occupied units account for 79% of the housing stock, while comparatively the State average is 65.6% owner-occupied housing. Thus, the percent of the housing supply available to renters in the Highlands is just 21% compared to 34% statewide.

According to the 2000 Census, the area encompassing the Highlands Region had 296,543 housing units and an overall vacancy rate of approximately 4%. The vacancy rate for 59 of the 88 (67%) Highlands municipalities is between 2 - 3%. The Highlands vacancy rate is significantly lower than the average for the State of New Jersey as a whole, which is approximately 7%.

Highlands housing is characterized by a mix of older homes in early settlement areas, newer houses in recent suburban and rural subdivisions, and a smattering of infill development. The small, older towns that have their roots in industrial operations are characterized by a higher percentage of rental units and generally an older housing supply. Approximately half of the municipalities in the Highlands, 47 of 88, have a housing stock whose median age is 40 years or older. Many of these same towns have a higher than average number of rental units in comparison to other Highlands towns. Nearly 68% of the municipalities with a greater than average number of renter-occupied units also have a more aged housing stock.

The average household size in the Highlands Region is 2.75 persons which is slightly higher than the statewide average of 2.68. Some of the more affluent communities in the Highlands have slightly higher household sizes probably due at least in part to a greater number of large single-family detached homes occupied by families, as opposed to smaller houses and apartments.

Overall, Highlands municipalities are characterized by housing units with three bedrooms or more. Of the 296,543 units reported in the 2000 census, 196,000 or 66% were housing units with three

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bedrooms or more. Only 1% of the housing stock was listed as no bedroom units, such as studio apartments. Of the remainder, 12% were one-bedroom units and 21% were two-bedroom units.

Housing costs in the Highlands Region, as across the State, have been climbing. The average market value for a residential property in the 88 Highlands towns was \$214,785 in 1990 and had risen to \$310,694 by 2004, marking a 45% increase. New home construction values throughout all of the seven Highlands counties (not exclusively Highlands towns) is even greater, with an average new home cost in 2004 of \$511,944.

Population movement in the northern New Jersey region has been away from New York City and older-suburban areas into western New Jersey and eastern Pennsylvania. These movement patterns in New Jersey tell a story of redistribution. Newer growth consists of larger homes on larger lots at lower densities with generally higher prices.

There is a disparity between jobs and housing opportunities in northern New Jersey generally where many residents commute to New York City and the surrounding suburbs. In the Highlands in particular, many Highlands workplaces are located and growing in suburban areas within Morris and Somerset Counties. These areas do not have a sufficient supply of reasonably priced homes, thereby forcing workers to live in relatively distant communities, in Hunterdon, Sussex, and Warren counties or across the border in Pennsylvania. Most of these areas have a limited public transportation network leaving this growing commuting population no choice but to commute by car. The average commuting time for New Jersey residents has increased from 25.3 minutes in 1990 to 30.0 minutes in 2000, the third-highest time in the nation.

Recent data from the North Jersey Transportation Planning Authority (NJTPA) demonstrates the extent of increasing commutes from the Lehigh Valley and across northern New Jersey. In their recent I-78 Corridor Transit Study, the Authority found that 76% of the 6,000 commuters on Route 78 East at Milepost 0 between the peak hours of 6:00 am and 10:00 am originate in the Lehigh Valley or other places in Pennsylvania. Their ultimate destinations span the overall Highlands Region, with large concentrations in Hunterdon (25%) and Somerset (24%) counties. At Milepost 10 during the peak period, 61% of the commuters originate from Lehigh Valley and end in various

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parts of New Jersey, New York, and Connecticut, again mostly in Hunterdon (29%) and Somerset Counties (29%). Out of all of the origins and destinations included in the survey, 71% of those who commute by automobile were in the Highlands Region.

New Jersey has the fifth least affordable housing stock in the nation. In fact, more than one-fifth of homeowners (about 635,000) spend more than 35% of their income on housing costs. One cause is zoning decisions in many municipalities which limit the construction of new housing and leads to increases in housing costs. During the 1990's, two-thirds of New Jersey municipalities built no multi-family units. Moreover, 12 municipalities currently hold 52% of the affordable housing units in the State. Most of these affordable units are in urban municipalities, none of which are in the Highlands Region. New Jersey's growth trend, as evidenced in the Highlands, has primarily been to convert rural land to low-density exurban detached single family home subdivisions while adding little growth to existing towns and cities.

The obligation to provide realistic housing opportunities for low and moderate income families has been recognized as a necessity for municipalities since the 1985 passage of the Fair Housing Act and the decisions by the New Jersey Supreme Court which preceded and followed it. The Fair Housing Act established the Council on Affordable Housing (COAH) and required each municipality in the State to provide for a fair share of low and moderate income housing. As the leader in state-wide affordable housing policy, COAH strives to provide "sound, affordable housing for low and moderate income households by providing the most effective process to municipalities, housing providers, nonprofit and for profit developers to address a constitutional obligation within the framework of sound, comprehensive planning." (COAH's Mission Statement)

In order to become certified by COAH, participating towns must meet the substantive certification requirements including the submission of a municipal Housing Plan Element according to the parameters of the Municipal Land Use Law, and a Fair Share Plan to address both the cumulative residential and non-residential development in order to establish the appropriate share of affordable units. Historically, municipalities in the Highlands Region have actively participated in the COAH process of substantive certification. Of the 88 Highlands municipalities, 70 municipalities (nearly 80%) are engaged in the Third Round petition process. There are 6,588 affordable housing units,

including both rental and for sale units, currently in existence in the Highlands Region. Of the 296,543 units reported in the 2000 census, just over 2% of the housing units in the Region are affordable housing units.

#### Goals and Requirements of the Highlands Act

The Highlands Act recognizes that it is important to ensure the economic viability of communities throughout the New Jersey Highlands; and that residential, commercial, and industrial development, redevelopment, and economic growth in certain appropriate areas of the New Jersey Highlands are also in the best interests of all the citizens of the State, providing innumerable social, cultural, and economic benefits and opportunities.” (Section 2)

The Act further calls for “a regional approach to land use planning . . . to replace the existing uncoordinated system” finding that “it is appropriate to encourage in certain areas of the New Jersey Highlands, consistent with the State Development and Redevelopment Plan and smart growth strategies and principles, appropriate patterns of compatible residential, commercial, and industrial development, redevelopment, and economic growth, in or adjacent to areas already utilized for such purposes, and to discourage piecemeal, scattered, and inappropriate development, in order to accommodate local and regional growth and economic development in an orderly way while protecting the Highlands environment from the individual and cumulative adverse impacts thereof; . . .” (Section 2, see also Section 10.c.(9))

The Highlands Act requires that this Plan’s smart growth component include an assessment, based upon the resource assessment, “of opportunities for appropriate development, redevelopment, and economic growth, and a transfer of development rights program which shall include consideration of public investment priorities, infrastructure investments, economic development, revitalization, housing, transportation, energy resources, waste management, recycling, brownfields, and design such as mixed-use, compact design, and transit villages.” (Section 11.a.(6))

#### The Highlands Plan Approach

In order for communities to function effectively, there must be an adequate supply of housing within reasonable proximity to employment and public transportation. Additionally, there should be

a complement of community facilities, such as schools and parks, sufficient to meet the needs of the area households. There needs to be a variety and choice of housing types, including both for sale and rental units, available to households across a range of income levels. The housing stock must be both affordable and accessible and should support community viability. Furthermore, the development of a diverse and affordable housing supply must be achieved without sacrificing environmental protection and public health and safety.

Local efforts need to strengthen the policy linkages between housing and transportation, job centers and social services, and the full spectrum of community needs. It is important to recognize that housing issues often transcend jurisdictional boundaries and as such, if communities work together, they can develop more comprehensive, long-term local housing policies that support housing and community development for the entire Highlands Region.

The Highlands Act calls for region-wide resource protection, conservation and management of natural and built resources, and smart design principles to foster efficient patterns of compatible development and economic growth. The focus of housing and development for the Highlands Region is on fostering growth and economic development according to efficient and sustainable methods, i.e., compact communities and green policies. The Plan also recognizes that with decreasing amounts of developable land, remaining land must be utilized efficiently. In order for communities to be sustainable, appropriate design and development standards must be instituted so that towns may make best use of developable land areas.

In furtherance of the requirements and goals of the Highlands Act, the Plan focuses on the following areas of action to address housing and community development:

- Promote and facilitate the establishment of an adequate supply of housing which is affordable and accessible and meets the needs of a diverse population, including different age groups, income levels, mobility options and life styles
- Meet housing goals while maintaining high environmental quality controls and utilizing smart growth, sustainable design, and green policies geared towards the creation of communities within a clean environment, balancing development with

environmental protection, accommodating growth while preserving critical habitat and open spaces, reusing land wisely, and protecting water supplies and air quality

- Address issues associated with the housing-to-jobs balance, promoting mixed used development and job and housing creation in proximity to one another to facilitate successful communities where people can live, work, play, shop, go to school, and engage in a full range of activities within a healthy environment

The technical basis and additional background information for housing can be found in the Highlands Council's technical report entitled *Regional Land Use Condition and Smart Design Technical Report*.

### Policies

With regard to housing, the Highlands Council hereby establishes policies to further the goals and requirements of the Highlands Act.

#### General Policies

POLICY: The Highlands Council seeks to address both market-rate and affordable housing needs of the Highlands Region and to promote the efficient use of land for housing and supporting uses.

POLICY: The Highlands Council seeks to establish a region-wide, comprehensive approach to addressing residential need in the Region, including different age groups, income levels, mobility options, and life styles. The housing approach will be geared toward providing an adequate supply of diverse and affordable housing; supporting the Region's long-term vibrancy with options for unique factions such as agricultural laborers; and meeting the needs of the diverse demographic profiles of Highlands communities.

POLICY: The Highlands Council shall promote the use of clustering and conservation development approaches to analyze how individual land use decisions regarding housing development may affect the larger community and require that housing be supported by efficient land use and resource conservation within a holistic framework.

POLICY: The Highlands Council shall promote center-based development approaches that recognize and address a mix of housing types including affordable housing, support mixed uses where appropriate, and implement compact development approaches in development and redevelopment areas.

#### Site-Specific Standards

POLICY: The Highlands Council shall implement the following standards to provide for housing on a site-specific basis during site plan review:

- Encourage all housing, including affordable housing, to incorporate energy efficiency and green building guidelines for all new residential development, redevelopment, or adaptive reuse projects
- Encourage the evaluation of teardowns in existing neighborhoods and consider regulations which evaluate building footprint, height, building orientation, or additional bulk and design standards

#### Pre-Conformance Policies

POLICY: Prior to initiation of the conformance period, and in furtherance of the Highlands Act, the Highlands Council shall take actions that include the following:

- Run the build out model for the Highlands Regional Master Plan scenario in order to provide estimates of potential additional dwelling units, population, and employment that could be added to the region consistent with the requirements of this Plan including the Land Use Capability Map
- Continue to compile and track existing municipal Housing Plan Elements and Fair Share Plans
- Review and comment upon municipal Fair Share submittals regarding site suitability, growth projections and other issues relating to the requirements of this Plan
- Evaluate innovative alternatives regarding the relationship between Highlands Transfer of Development Rights Program, Growth Share obligations, and Highlands Region Fair Share needs

Conformance Policies

POLICY: During the conformance period, and in furtherance of the Highlands Act, the Highlands Council shall take actions that include the following:

- Require that conforming municipalities revise the Housing Plan Element of the municipal master plan to include, at a minimum:
  - An evaluation of the housing needs for different household and income levels in the community and identification of strategies for advancing opportunities to build a wider array of housing types, including reduced building footprints and bulk standards on a variety of lot sizes, where feasible
  - A correlation between housing need and the number and type of jobs in existence or being created
  - An evaluation of the requirements of this Plan, including the Land Use Capability Map, existing and proposed infrastructure conditions and capacity, and community/regional services needed to support the residential vitality of the community
  - A description of how this Plan's utility capacity data has been utilized in assessing opportunities for market-rate and affordable housing within the municipality
  - An evaluation of local opportunities for development and redevelopment of market-rate and affordable housing
  - Description of existing and potential revisions to municipal development regulations supporting environmentally sensitive development practices such as green building, low impact development, conservation design, smart design standards, and other related policies as set forth in this Plan
- Require that conforming municipalities which have not submitted a Petition for Substantive Certification to COAH prepare and submit a complete Petition for Substantive Certification
- Require that conforming municipalities which are under COAH's jurisdiction include municipal Housing Plan Elements and Fair Share Plans which shall, at a minimum:
  - Comprehensively address providing opportunities for and maintenance of affordable housing, including creative and under-utilized methods

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- Consider and address the requirements of this Plan when determining site suitability for land designated for affordable housing projects
- Consider and address the Highlands build out model's municipal population and employment projections, which will be provided to the municipalities to assist with estimating COAH Third Round Growth Share obligations
- Encourage municipalities to prepare Development Fee Ordinances that are consistent with COAH requirements at N.J.A.C. 5:94-6.1
- The Highlands Council shall support municipalities in meeting their affordable housing needs through technical support, education programs, and planning grants
- Assist municipalities with information derived from the Highlands GIS parcel based tracking system to identify housing and non-residential development activities, including both market-rate and affordable site identification
- Administer Planning Assistance Grants for preparation and updating of municipal Housing Plan Elements, including Third Round Growth Share submittals, to assist and empower local agencies to achieve the housing goals and priorities of the Regional Master Plan
- Consider awarding assistance through the Highlands Special Grant Program as an opportunity to support innovative approaches for municipal and regional affordable housing needs. The grant program may be awarded for innovative wastewater and water approaches for addressing affordable housing needs, technical studies that may require a greater understanding of local conditions in order to meet affordable housing needs, and opportunities to partner with affordable housing developers and non-profit groups to support a diverse approach to addressing affordable housing needs

Long Term Policies

POLICY: To establish long term goals to ensure continued refinement and development of the Regional Master Plan, the Highlands Council shall take actions that include the following:

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- Develop a comprehensive Highlands housing program geared towards addressing regional housing needs within the context of preserving the character and environmental integrity of the Highlands
- Develop indicators to serve as an assessment tool in gauging the level of success in providing a full range of market-rate and affordable housing within the Highlands Region
- Evaluate the potential to collect development fees earmarked for affordable housing in cases where municipalities have not yet applied to COAH for implementation of a Development Fee Ordinance

Local Participation Considerations

POLICY: To promote the understanding and support for these housing goals at the local level, the Highlands Council shall take actions that include the following:

- Provide programs and materials to educate stakeholders regarding the vast array of affordable housing options
- Provide educational programs regarding residential green building features and rebates available for utilizing energy efficient construction elements for new development and home renovations

Coordination and Consistency Policies

POLICY: To promote the active participation in the implementation of the Regional Master Plan among state and federal agencies, the Highlands Council shall take steps that include the following:

- Coordinate with COAH on the review the requirements of this Plan in order to identify Fair Share site implications and the planning and delivery of affordable housing in the Highlands Region within the context of the goals of the Highlands Act and COAH's substantive certification requirements
  - Coordinate with COAH in order to identify, to the maximum extent feasible, existing and proposed affordable housing sites in relationship to the Land Use Capability Map

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- Coordinate with Office of Smart Growth and COAH regarding the Highlands Regional Master Plan Build out model population and employment projections
- Coordinate with COAH to determine the potential of establishing a regional development fee regulation in order to capture fees from new development to be used for purposes of realizing affordable housing in the Region. Such a fund would be applicable only in cases where individual municipalities have not yet applied to COAH for implementation of a Development Fee Ordinance on their own
- Coordinate with NJDEP, COAH, and Office of Smart Growth in support of wastewater management plan reviews
- Coordinate with the Department of Agriculture with regard to agriculture labor housing needs

## GLOSSARY

[These terms will be in the glossary at the back of the Regional Master Plan but are included here for convenience of Members during the review of this draft section].

**Affordable** – Affordable means a sales price or rent within the means of a low or moderate income household as defined in N.J.A.C. 5:94-7. Household – means the person or persons occupying a housing unit (COAH 1999-2014 Substantive Rules (N.J.A.C. 5:94-1.4)).

**Fair Share Plan** – A Fair Share Plan is the plan that describes the projects, strategies, and funding sources that a municipality proposes to address its fair share obligation for affordable housing in its community.

**Housing Element** – Housing element is that portion of a municipality's master plan, as required by N.J.S.A. 40:55D-28b(3), consisting of at least those items identified in N.J.S.A. 52:27D-310 and the supporting information pursuant to N.J.A.C. 5:94-2.2(b) when part of a petition for substantive certification.

**Inclusionary development** – Inclusionary development refers to housing developments that contain both affordable units and market-rate units. This term includes, but is not necessarily limited to, new construction, the conversion of a non-residential structure to residential, and the creation of new affordable units through the reconstruction of a vacant residential structure.

**Low-Income** – Low-income means 50 percent or less of the median gross household income for households of the same size within the housing region in which the household is located, based upon the U.S. Department of Housing and Urban Development's (HUD) Section 8 Income Limits (uncapped) averaged across counties for COAH's housing region.

**Moderate-Income** – Moderate-income means more than 50 percent but less than 80 percent of the median gross household income for households of the same size within the housing region in which the household is located, based upon the U.S. Department of Housing and Urban Development's (HUD) Section 8 Income Limits (uncapped) averaged across counties for COAH's housing region.

**Realistic opportunity** – The phrase “realistic opportunity” is from the Fair Housing Act (N.J.S.A. 52:27D-301). It is used in reference to a municipality's constitutional obligation to provide for a “fair share of its region's present and prospective needs for housing for low and moderate income families.”

**Regional contribution agreement (RCA)** – Regional contribution agreement refers to the transfer pursuant to N.J.S.A. 52:27D-312 of up to 50 percent of a municipality's growth share obligation to another municipality within its housing region by means of a contractual agreement into which two municipalities voluntarily enter. Housing units developed pursuant to an RCA shall be included in the total number of affordable units developed in the sending municipality.

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**Substantive certification** – Substantive certification refers to the determination by the Council on Affordable Housing approving a municipality's Housing Element and Fair Share Plan in accordance with the provisions of the Fair Housing Act and the rules and criteria as set forth. A grant of substantive certification shall run for a period of ten years beginning on the date that a municipality files a Housing Element and Fair Share Plan with COAH in accordance with N.J.S.A. 52:27D-313, but shall not extend beyond a period of ten years from December 20, 2005.

**Teardowns** – The practice of purchasing an existing home on a lot, demolishing it, and building a new, larger home in its place, often out of character with the original neighborhood.