

---

**New Jersey Pinelands Commission  
Long-Term Economic Monitoring Program**

**Summary of the 2006 Annual Report**

---



**Betty Wilson, Chair**

**John C. Stokes, Executive Director**

**January 2007**

## Introduction

The Pinelands National Reserve was established in 1978 and is the nation's first federal reserve. It covers an area of over one million acres in the heart of southern New Jersey. The Pinelands Comprehensive Management Plan (CMP) was adopted in 1980 and manages land use activities at regional and local levels. Of particular importance to the regional economy are land use policies crafted by the Pinelands Commission and implemented by municipalities that significantly limit development in designated Preservation, Forest, and Agricultural Areas while encouraging development in other districts, particularly in Regional Growth Areas and Pineland's Towns.

The goal of the Long-Term Economic Monitoring Program is to continually evaluate the health of the economy of the Pinelands region in an objective and reliable way. The economic monitoring program, in conjunction with an ongoing environmental monitoring program, provides essential information for consideration by the New Jersey Pinelands Commission as it seeks to meet the mandates set forth in federal and state legislation. Both monitoring programs are cooperative ventures administered by the Pinelands Commission and funded by the National Park Service.

Monitoring of economic conditions is accomplished by compiling data for key indicators in the areas of population demographics, property values, economic growth, and municipal finance. To the extent possible, data for the indicators are obtained from 1980 (the year the Pinelands Comprehensive Management Plan came into effect) to the present, and are updated on an annual basis. Analysis relies on municipal level data for most economic indicators and county level data for some others (refer to Table 1 for specific indicators). To understand the larger context of Pinelands economic trends, the report provides comparisons between several different areas, including Pinelands, Non-Pinelands, Southern New Jersey, and New Jersey. Data compilation was initiated in 1996 with the first in a series of annual reports beginning in 1997. This Executive Summary accompanies the 2006 Annual Report, the tenth in the series of reports.

In addition to ongoing data compilation, the design of the Long-Term Economic Monitoring Program calls for the in-depth analysis of selected issues based on indications observed in the data. Projects currently underway are discussed at the end of this summary.

## What's New This Year

Table 1 shows the indicators tracked by the Long-Term Economic Monitoring Program and the years of data compiled. A number of core variables that are only available every five or ten years were not updated this year. However, in addition to the data that is available annually that was updated, two new supplemental variables were also added this year that examine the trend in school student population and new space for non-residential uses. Supplemental variables provide additional insight into the regional economy but are often too infrequently available to become core indicators. In addition, all dollar values have been re-adjusted to the 2005 consumer-price index (values in the 2005 report were keyed to the 2004 CPI).

**Table 1. Summary of Core and Supplementary Indicators in Tenth Annual Report**

<b>Core Variables</b>	<b>Years Collected<sup>1</sup></b>	<b>Years Added<sup>2</sup></b>	<b>Frequency Collected</b>	<b>Method of Analysis</b>
Population	'80, '90, '00	None	Decennial	Inside/Outside Pinelands (I/OP)
Population (Census Block)	'90, '00	None	Decennial	Census Block
Demographics	'80, '90, '00	None	Decennial	I/OP, Census Block Group
Population Estimates	'01-'03	'04	Annual	I/OP
Building Permits	'80-'04	'05	Annual	I/OP
Vol. Real Est. Transactions	'88-'04	'05	Annual	I/OP
Median Prices of Homes	'89-'04	'05	Annual	I/OP
Income	'79, '89, '99	None	Decennial	I/OP
Unemployment	'80-'04	'05	Annual	I/OP
Employment	'91-'03	None (County)	Annual	County, I/OP
Number of Establishments	'91-'03	None (County)	Annual	County, I/OP
Payroll by Major Ind. Sector	'91-'03	None (County)	Annual	County, I/OP
Per Capita Retail Sales / Establishments	'92, '97, '02	None	Quintennial	County, I/OP
Farmland Assessed Acres	'80-'84, '86-'02	'03	Annual	I/OP
Blueberry & Cranberry Prod.	'72-'03	'04	Annual	State
Agricultural Census Data	'82, '87, '92, '97, '02	None	Quintennial	County
Avg. Resid. Property Tax Bill	'83-'04	'05	Annual	I/OP
Equalized Property Value	'80-'04	'05	Annual	I/OP
Effective Tax Rate	'80-'04	'05	Annual	I/OP
Assessment Class Proportions in Municipal Tax	'80-'94, '02-'04	'05	Annual	I/OP
Local Municipal Purpose Revenues	'95-'04	'05	Annual	I/OP
<b>Supplemental Variables</b>	<b>Years Collected</b>			<b>Method of Analysis</b>
School Student Population	2002, 2005			I/OP
Certificates of Occupancy for Non-Residential Uses	2005			I/OP

<sup>1</sup> Data acquisition is based on the availability of data. An effort is made to acquire data for every year available from 1980 to the present.

<sup>2</sup> Refers to addition from 2005 Annual Report and specifies which years of data are new in this update.

## **Definition of Pinelands and Non-Pinelands Values**

Data are collected for all of the municipalities of Southern New Jersey as part of the monitoring program. The definition of Southern New Jersey used here includes the following counties: Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean, and Salem. Data for most variables are at the municipal level and are aggregated to form Pinelands and Non-Pinelands values. The Pinelands aggregate consists of 47 municipalities in Southern New Jersey that have at least ten percent of their land area within the state-designated Pinelands boundary. The remaining 155 municipalities compose the Non-Pinelands portion of Southern New Jersey. The terms "Pinelands" and "Non-Pinelands" used throughout the report are based on this definition.

This aggregate system is not without limitation, as many Pinelands municipalities are split by the boundary. Thus, some phenomena occurring outside of the Pinelands boundary are included in the Pinelands aggregate. Nevertheless, this aggregate system has proven to be effective in comparing Pinelands and Non-Pinelands trends.

Some information from the US Census is available below the municipal level in the form of census tracts, block groups, and blocks. This data can be used to "split" municipalities in order to get true counts for inside and outside the Pinelands boundary. In these cases, information is provided for the areas of each of the Pinelands municipalities that are inside and outside the Pinelands boundary.

## **Results in Brief**

### Population and Demographics

Four core variables are tracked to monitor population: municipal population change (US Census Data), census block population change, age demographics, and municipal population estimates (NJ Department of Labor).

Previous analysis of US Census data indicated that 615,980 people lived in the Pinelands municipalities, an increase of 12% between 1990 and 2000. An analysis at the census block level revealed that as of the year 2000 approximately 276,890 people lived inside the Pinelands boundary, while 412,560 people lived in areas of Pinelands municipalities that lie outside of the Pinelands boundary. Population inside the boundary grew by 5.5% between 1990 and 2000, while the population outside the boundary grew by 14%. A number of Pinelands municipalities have a sizeable group-quarters population, which includes institutional (prisons, mental

hospitals) and non-institutional (military bases, university dorms) populations.

The most recent population estimate data from the NJ Department of Labor demonstrates that the Pinelands municipalities grew more quickly than the Non-Pinelands municipalities again between 2003 and 2004. Over that period, the Pinelands grew by 1.7%, adding 12,184 residents, while the Non-Pinelands grew by 0.7%, adding 12,095 residents. This relative growth is also mirrored in an examination of school student population growth for the period from 2002 to 2005. The 45 school districts in the Pinelands experienced a 5% increase in students over this period, while the 151 districts in the Non-Pinelands grew by 2% over the same time frame.

**School districts in the Pinelands municipalities grew at two and a half times the rate of the Non-Pinelands districts between 2002 and 2005.**

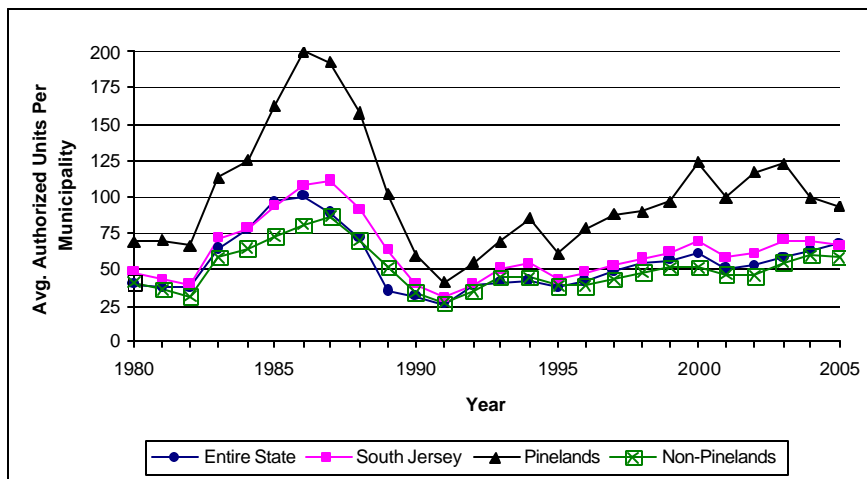
### Property Values and Residential Development

Three core variables are tracked annually to monitor residential development activity and the vitality of property values: the average number of dwelling units authorized by building permits, median selling prices of homes, and volume of residential real estate transactions.

The average number of building permits issued in the Pinelands municipalities decreased by 6.9% in 2005. This marks the second consecutive annual decline in permits in the region following a period that saw increases in building permit growth in 7 of the 8 years from 1996–2003. The Non-Pinelands region had relatively flat growth in permits in 2005 (-0.9%), while statewide permits increased for the year by 7.4%. Unlike in 2004 when the drop in permit activity in the Pinelands was due mainly to a few large drops in the most active markets, in 2005 the decrease in permit activity was much more uniform across the Pinelands region.

**Building permit activity dropped 6.9% in the Pinelands in 2005, while increasing 7.4% statewide. This marks the first time in the 25 year monitoring period that permits have decreased for two consecutive years in the Pinelands while concurrently increasing for two consecutive years statewide.**

### **Building Permits 1980 - 2005**

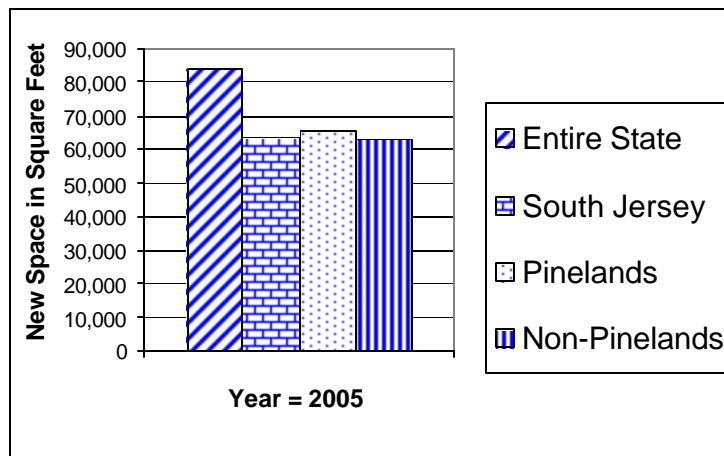


***In 2005, the median selling price of homes in the Pinelands eclipsed the Non-Pinelands region for the first time since 1991.***

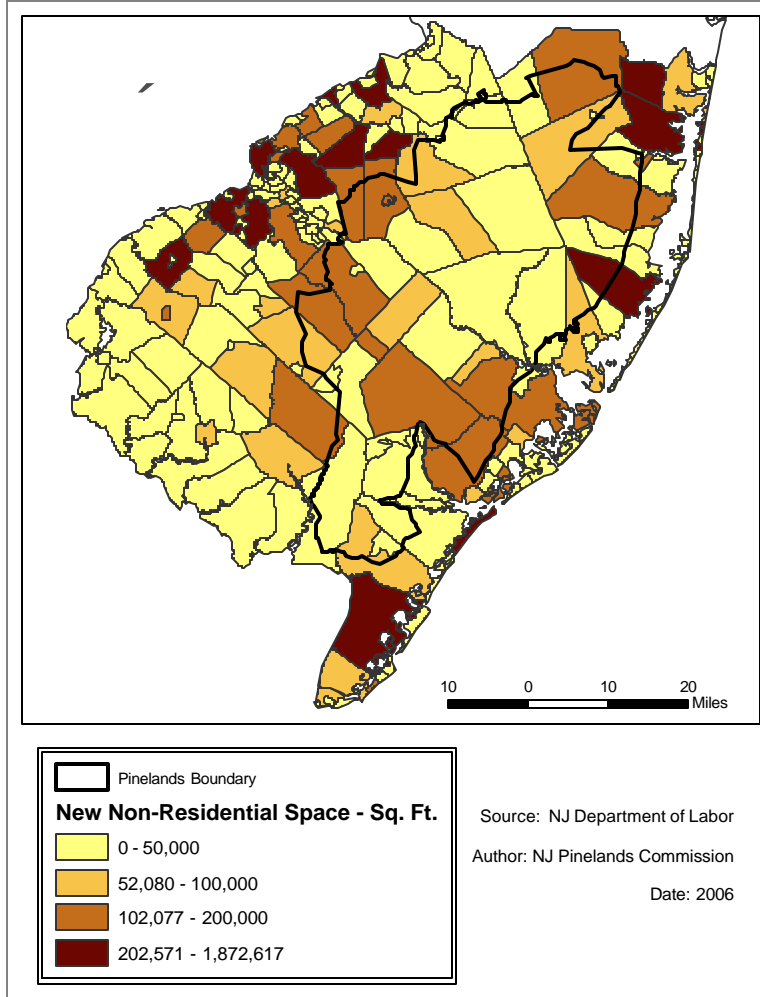
In the market for existing residential real estate, the pace of residential transactions finally began to slow in 2005 following several years of tremendous growth across all regions. Transactions decreased uniformly across all regions by approximately 7% in 2005. The median selling price of homes did continue to increase sharply however, and for the first time since 1991 the median selling price for homes in the Pinelands was higher than in the Non-Pinelands. In 2005, the median sales price for a home in the Pinelands was \$239,900 compared to a median price of \$229,900 for homes in the Non-Pinelands. As recently as 1998, sales prices for homes in the Pinelands were 6.8% lower than in the Non-Pinelands. Seven years later in 2005, prices in the Pinelands were 4.3% higher than in the Non-Pinelands.

Supplemental data on certificates of occupancy for non-residential uses was collected this year to provide a glimpse into the non-residential real estate market in Southern New Jersey. In 2005, the average Pinelands municipality added 4.2% more new non-residential square footage of space than their Non-Pinelands counterpart. This confirms data gathered in last year's report that indicates a trend since 1996 showing that the Pinelands region has become more and more competitive over time in regards to non-residential uses. In 2005, 28% of all Pinelands municipalities issued certificates of occupancy for non-residential uses in excess of 100,000 square feet of new space. In comparison, only 14% of municipalities in the Non-Pinelands issued certificates of occupancy in excess of 100,000 square feet.

#### **New Non-Residential Space in Square Feet by Municipality – 2005**



## New Non-Residential Space in Square Feet – 2005



### Economic Growth

Seven core variables are monitored to provide insight into the regional business climate and key business sectors: per capita income, unemployment, employment / establishments / wages, retail sales, and agriculture (which includes farmland assessed acreage, blueberry and cranberry production, and agricultural census data). Some of these variables are tracked annually and some are updated every five years.

***In 2005, the unemployment rate in the Pinelands was the 2<sup>nd</sup> lowest it has been in the last 25 years.***

Unemployment decreased sharply in 2005 across all regions of the state. This marks the second consecutive year of improvement in the labor market following three years of rising unemployment from 2001-2003. In the Pinelands the unemployment rate dropped 0.4% finishing the year at 4.4%. The unemployment rate for the year in the Non-Pinelands was 4.9%. Since the monitoring period began in 1980, the Pinelands has had a lower unemployment rate than the Non-Pinelands in every year with the exception of two: 1980 and 2001.

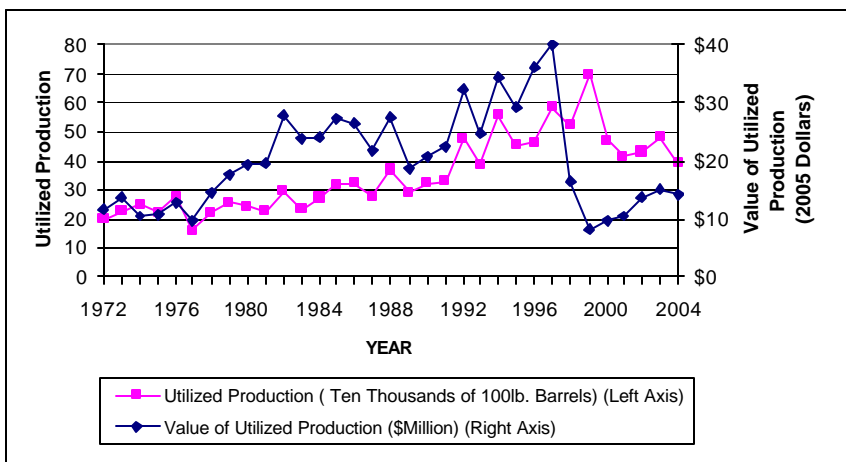
**Assessed farmland acreage in the Pinelands increased by 0.5% in 2005, while falling 2% in the Non-Pinelands.**

Assessed farmland acreage in the Pinelands rebounded slightly in 2003, adding slightly over 1,000 acres and posting a 0.5% gain for the year. This compares quite favorably to the Non-Pinelands region however, which saw farm acreage fall by almost 2% for the year. However, since one-year changes in acreage can be affected by seasonal factors such as weather and economic conditions, averages over five year periods are also tracked to reveal longer-term trends. The Pinelands five-year average for assessed farmland acreage was 208,137 acres for the 1999 to 2003 period. The Pinelands five-year average share of South Jersey's total farmland acreage has increased from 35% between 1984-1988 to 39% between 1999-2003.

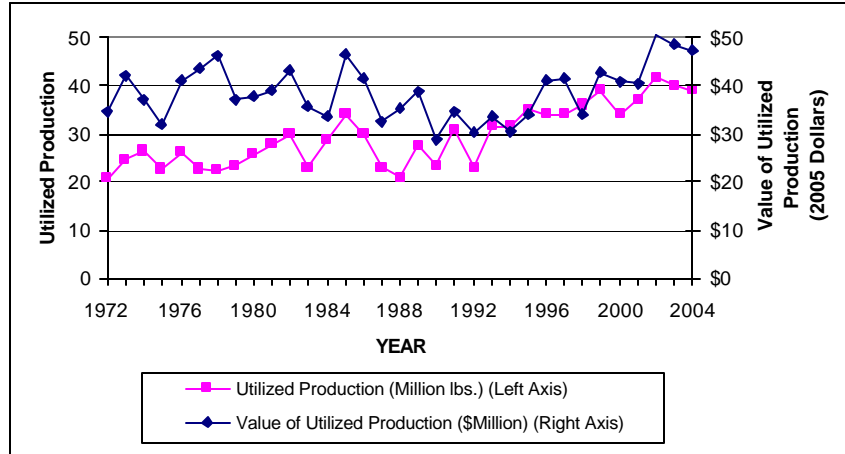
**Cranberry prices continued their recovery in 2004, posting an increase for the 4<sup>th</sup> time in the last 5 years. Blueberry prices were unchanged for the third straight year.**

Cranberry and blueberry farming have traditionally been key areas of the Pinelands economy. The value in utilized production of cranberries decreased slightly for the first time in 5 years in 2004, falling 6% to \$14.2 million. This decrease was due primarily to a decrease in production of 17.9%. Real prices of cranberries rose substantially again in 2004, posting a 14.5% increase to finish the year at \$35.98 per 100 lbs. The blueberry industry again experienced flat growth in prices in 2004, and combined with a 3% decrease in output the decrease in the value of utilized production also fell by 3% for the year.

### NJ Cranberry Production, Value and Volume



## NJ Blueberry Production, Value and Volume



## Municipal Finances

Five core variables are monitored to provide information on the fiscal health of municipalities: average residential property tax bill, state equalized valuation, effective tax rates, assessment class proportions in municipal tax revenues, and local municipal purpose revenues.

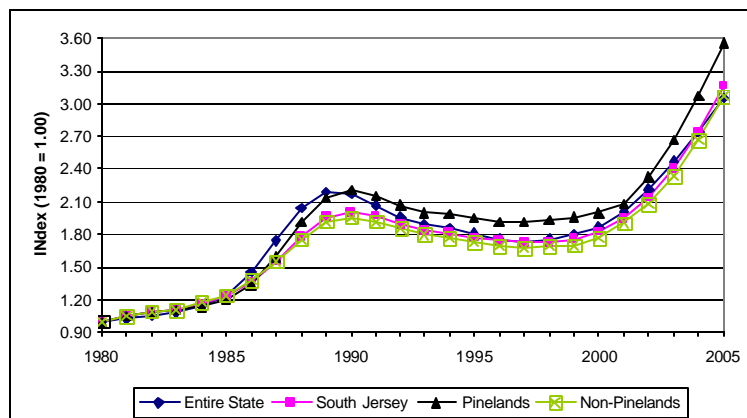
**The average inflation-adjusted residential property tax bill in the Pinelands is \$597 lower than the Non-Pinelands region.**

In 2005, the average residential property tax bill increased just 1.1% in South Jersey; in contrast, statewide average property tax bills rose by twice as much at 2.2%. However, within South Jersey the Pinelands did not fare as well as the Non-Pinelands, registering an increase in average residential property taxes of 4.0% versus just a 0.4% increase in the Non-Pinelands. However, average residential property taxes in the Pinelands are still \$597 lower than in the Non-Pinelands and \$2,141 lower than the state as a whole.

Equalized property values in all regions rose for the eighth consecutive year in 2005. In fact, over the past eight years the percentage increase in equalized values has in each year been greater than the previous year for all regions.

**In 1985, the average Non-Pinelands municipality valuation was 23% higher than the average Pinelands municipality valuation. Twenty years later that gap has narrowed considerably, with the Pinelands only 1.9% lower than the Non-Pinelands as of 2005.**

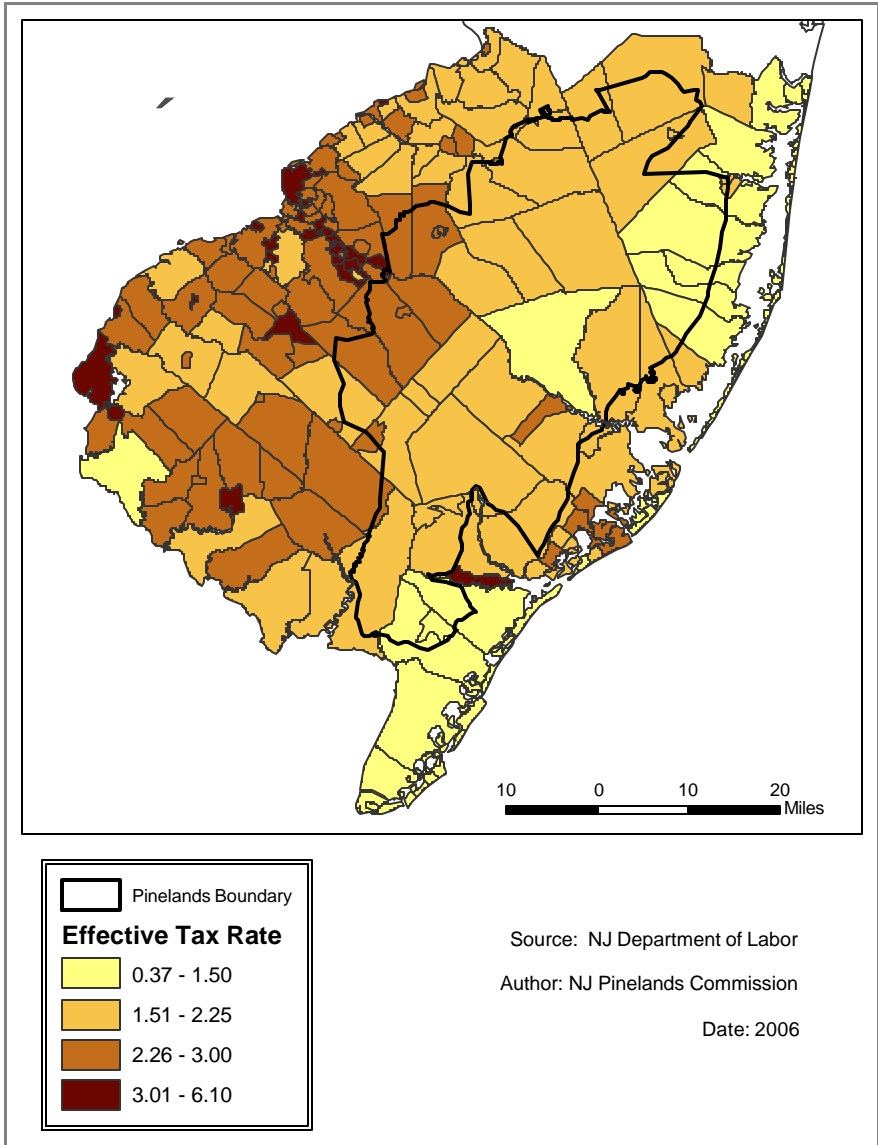
## Index of State Equalized Property Valuation



In 2005, the Pinelands municipalities' average equalized valuation grew by 16.0% for the year versus a gain of 15.2% for the Non-Pinelands region. The valuation for the average Pinelands municipality was \$1.35 billion in 2005. The valuation for the average Non-Pinelands municipality was only slightly higher (+1.9%) at \$1.37 billion.

### Effective Tax Rates - 2005

*Effective tax rates have declined by 23% in the Pinelands over the last 5 years. During the same time period, effective tax rates have fallen in the Non-Pinelands by 15%.*



Effective tax rates declined across all regions of the state for the fifth consecutive year in 2005. Fueled by a real estate market characterized by sharply increasing home prices, effective tax rates experienced their largest one year percentage decrease since 1991. Statewide, New Jersey posted a decrease of 7.1% in effective tax rates in 2005, while in the Pinelands and the remainder of South Jersey effective tax rates fell even further (-7.9% for the year). The effective

tax rate for the three regions in 2005 was: 1.94 for the Pinelands, 2.24 for the Non-Pinelands, and 1.99 statewide.

New data on assessment class proportions in municipal tax revenues continues to highlight the changing landscape of the Pinelands versus the Non-Pinelands. The predominant trend from 1985-2005 in the Pinelands has been the decrease in the vacant land assessment category and a corresponding increase in the residential assessment category. The vacant land category in the Pinelands has decreased from 11.2% of total assessment in 1985 to 4.6% in 2005. Over the same period, the residential category has increased 8.7%.

Local municipal purpose revenues are defined in this study as local municipal purpose taxes plus total miscellaneous revenues. As a whole, the local municipal budgets of the Pinelands and Non-Pinelands municipalities increased at a rate of 5% in 2005. The local budget per capita was \$727 in the Pinelands in 2005 compared to \$1,113 in the Non-Pinelands. The Pinelands generally has lower tax rates and tends to offer less municipal services than the Non-Pinelands. State aid per capita increased slightly for the Pinelands (+1.1%) while dropping slightly in the Non-Pinelands (-0.9%).

### **Municipal Fact Book**

The Municipal Fact Book first appeared in the 2002 Annual Report. Economic data is arranged by Pinelands municipality, rather than by variable, in order to provide a better understanding of the unique economic characteristics of each municipality. The fact sheets are arranged by county and display a number of variables for each municipality, listed alongside the average municipal value for Southern New Jersey and a ranking for that variable among the 202 municipalities in Southern New Jersey. Since the population data from the 2000 Census will not be updated until 2010, the section of the Fact Book that charts population growth has been replaced again this year with a chart that plots the 15 year trend in building permits and residential housing transactions in each municipality and county for the period from 1990 to 2005. The Fact Book is located in the appendix of the Annual Report.

### **Special Studies**

Special studies represent the second major component of the program. The studies take a more in-depth look at specific topics uncovered during the course of the monitoring program.

#### *Special Study: Indicators of Municipal Health*

This special study focuses on characterizing and identifying municipalities experiencing poor health. The goals of the

project are to: 1) produce a database of indicators that are reflective of municipalities' social, economic, physical, and fiscal conditions; 2) produce an objective, systematic and repeatable model that identifies municipalities experiencing poor health using the database of indicators; 3) select economically challenged communities using the results from the model; and 4) develop methods to calculate financial aid and/or other resources that may alleviate strain.

In January 2001, a short questionnaire was sent to municipal officials in thirty-six Pinelands municipalities. The questionnaire was designed to reveal opinions on indicators of fiscal health and on ways to measure and compare fiscal health among municipalities. In general, the results of the questionnaire suggest that the most pressing municipal health concerns of Pinelands municipalities relate to a healthy tax base (i.e., a mix of commercial, industrial, residential land), tax rates, and school costs.

A database of indicators was created in 2003 and analysis continues. Preliminary results suggest that Pinelands municipalities generally suffer from low per capita income and a weak commercial and industrial ratable base compared to Non-Pinelands municipalities, while effective tax rates are consistently lower in the Pinelands compared to the Non-Pinelands. A model is being designed that will identify the most fiscally stressed Pinelands towns based on a mix of citizen and government fiscal stress measures. This study is scheduled to be completed by the end of 2005.

A preliminary final draft for this study was presented to the Public and Governmental Programs Committee of the Pinelands Commission in June 2006. The final model to measure fiscal stress uses principal components analysis to arrive at a single fiscal stress number for all 566 municipalities in New Jersey. Principal components analysis is an objective statistical approach that combines several different variables into a single measurement (in this case, overall fiscal health). This method has been challenged and upheld in New Jersey courtrooms and is the basis upon which the NJ Department of Education assigns district factor groups that are used in state testing analysis. Preliminary findings show that the most severely stressed municipalities in the Pinelands region do rank among the top 10% of municipalities statewide in regards to fiscal stress.

#### *Additional Special Projects*

In October of 2003, the Pinelands Commission formed a Housing Task Force in order to update housing demand estimates in the Comprehensive Management Plan. The economic monitoring program has been an integral part of the process, through analysis of population data, the collection and evaluation of population projections, estimating future

housing units, defining and calculating vacant developable land using land use and land cover data, and allocating future population and housing to Pinelands development areas based on vacant land. The Housing Task Force is expected to issue its final report by February 2007.

The Vacant Land Value project currently underway is an extension of the property value and real estate monitoring aspect of the annual report. Pinelands Commission staff obtained data from the New Jersey Department of Treasury on all New Jersey land and housing transactions dating back to 1989. The database contains approximately 5,700 records of transactions inside the Pinelands boundary and 16,000 records outside the Pinelands boundary from the years 1989 through 2002. Vacant land transactions were supplemented with additional information in order to enhance the usefulness of the data in determining the value of vacant land. This study is scheduled to be completed by the end of 2007.

In the Fall of 2005, the Pinelands Commission staff began a reexamination of the effectiveness of the Pinelands Development Credit (PDC) program. The PDC program is an integral tool in the implementation of the Comprehensive Management Plan. In order to facilitate the process of directing growth to appropriate areas in the Pinelands region, the PDC program was established to create a market for development rights in the Pinelands. Owners of properties in designated sending areas are afforded the opportunity to “sever” their development interests in their properties and sell those rights to land developers in receiving areas. The developers then use these rights to expand their allowable development densities in regional growth areas, thus directing growth from preservation areas to more suitable growth areas. The owners of land in preservation areas are thus compensated monetarily in exchange for deed-restricting their land from future development.

Since the PDC program is market-driven, its ultimate success depends upon a healthy balance between supply and demand pressures in the land development market in the Pinelands. Initially, the PDC program was slow to be utilized by both developers and land owners in the region. However, in recent years there has been quite a bit of activity in the PDC market, with the price of a development right rising from an initial value of \$2,500 in 1981 to about \$30,000 as recently as 2005.

This study is a comprehensive review of what has worked well to this point, in addition to examining new ideas on how to further stimulate use of PDC's in the coming years. The study is scheduled to be completed by the fall of 2007.