

HOW TO MEASURE COMMUNITY DISTRESS: INSIGHTS FROM NEW JERSEY'S MUNICIPAL REVITALIZATION INDEX AND OPPORTUNITY ZONES

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NJ State Data
Center Annual
Network Meeting

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AGENDA

- **Municipal Revitalization Index**
- **Opportunity Zones**
- **Final Takeaways**

MUNICIPAL REVITALIZATION INDEX (ORIGINAL)

- NJ's **official distress index** for municipalities
- Created in 1979
- Ranks municipalities according to **eight indicators** measuring diverse aspects of social, economic, physical, and fiscal conditions
- Used as a factor in eligibility for state programs aimed at distressed areas
 - Each municipality receives a **composite score** and **rank**

MUNICIPAL REVITALIZATION INDEX (ORIGINAL)

■ Social Indicators

- *Average Annual Population Change*
- *Children on TANF per 1,000 Persons*

■ Economic Indicators

- *Per Capita Income*
- *Unemployment Rate*

■ Fiscal Indicators

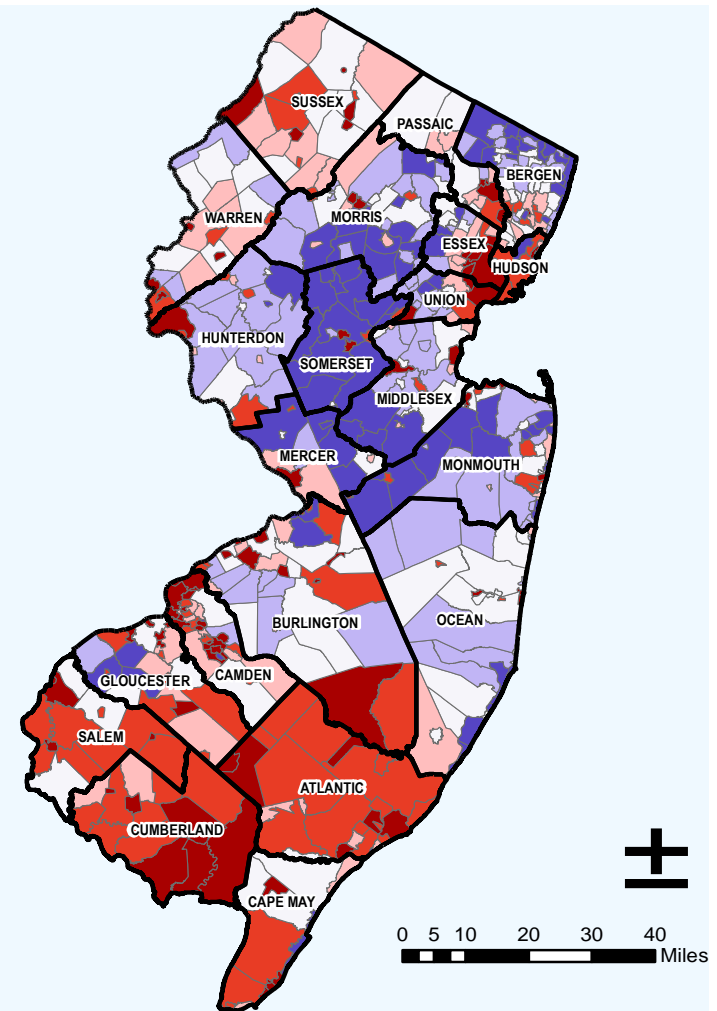
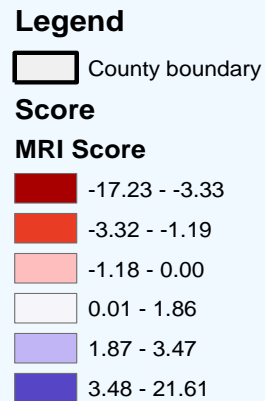
- *Equalized 3-Year Effective Tax Rate*
- *Equalized Valuation Per Capita*

■ Physical Infrastructure Indicators

- *Pre-1960 Housing Percentage*
- *Substandard Housing Share (% w/o complete plumbing facilities)*

MUNICIPAL REVITALIZATION INDEX (ORIGINAL)

- Last updated in **2008**
- DCA updated the Index with new data in **2017**
- **Older, rural communities** show as highly distressed



MRI RANKING (ORIGINAL)

Municipality	County	Poverty Rate	MRI Rank
Salem city	Salem	39.6%	1
Winfield township	Union	9.8%	2
Penns Grove	Salem	30.4%	3
Atlantic City	Atlantic	36.9%	4
Camden	Camden	39.9%	5
Wildwood	Cape May	29.1%	6
Egg Harbor City	Atlantic	15.7%	7
Trenton	Mercer	28.3%	8
Woodlynne	Camden	24.9%	9
Bridgeton	Cumberland	32.0%	10

MOST DISTRESSED TOWNS – MRI (ORIGINAL)

- **Winfield Township** - 2nd most distressed in NJ, more distressed than Camden

Which is more distressed?



MOST DISTRESSED TOWNS – MRI (ORIGINAL)

- **Egg Harbor City** - 7th most distressed in NJ, more distressed than Trenton (8th)

Which is more distressed?



MRI PROBLEMS

- **Serious problems** with the MRI as it was:
- **Older housing stock** (50+ yrs old) as *distress indicator*
- *Exceptions: Allenhurst, Tavistock, Glen Ridge, etc.*



Allenhurst



Glen Ridge

MRI PROBLEMS

- **Weak property tax base** *as distress indicator*
- **WWII defense worker housing communities** *with weak bases – 100% residential, uniformly older, lower quality housing stock,*
- *Exceptions: Audubon Park, Winfield Twp., Victory Gardens, etc*



Audubon Park



Victory Gardens

MRI PROBLEMS

- **High property tax rate** *as distress indicator*
- **Small suburban communities** *with weak tax bases – nearly 100% residential*
- **Exceptions: Hi-Nella, Laurel Springs**



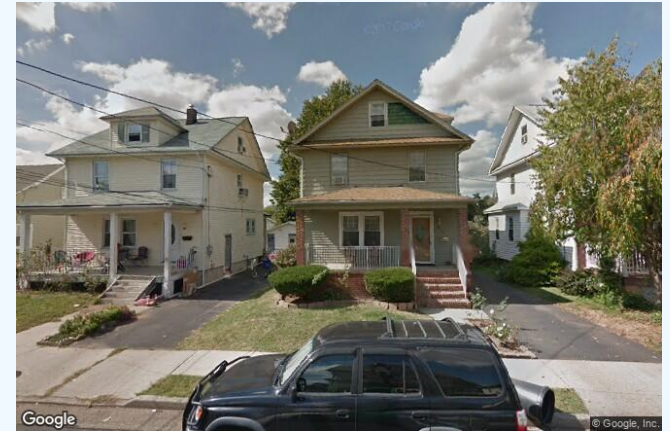
Hi-Nella



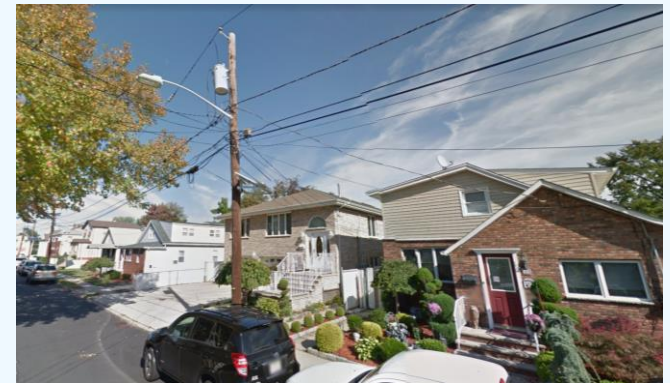
Laurel Springs

MRI PROBLEMS

- **% of housing w/o plumbing facilities as distress indicator**
 - *In majority of towns this ranges from 0 and 0.2%*
 - *55% of municipalities had no substandard housing*
 - *Max = 2.9% in Penns Grove*
 - *Exceptions: Manville (#3), S. Hackensack (#4)*



Manville



South Hackensack

MRI PROBLEMS

- MRI indicators **not strongly correlated** with each other
- Only 3 of the 8 indicators had correlations with other indicators exceeding 0.4

	Avg. Annual Population Change	TANF Children per 1,000 Pop.	Per Capita Income	Unemployment Rate	Effective Property Tax Rate	Equalized Valuation Per Capita	% pre-1960 Housing	% Substandard Housing
Avg. Annual Population Change	1.00							
TANF Children per 1,000 Pop.	-0.11	1.00						
Per Capita Income	0.04	-0.35	1.00					
Unemployment Rate	-0.21	0.53	-0.51	1.00				
Effective Property Tax Rate	0.04	0.24	-0.35	0.15	1.00			
Equalized Valuation Per Capita	-0.18	-0.10	0.39	-0.03	-0.36	1.00		
% pre-1960 Housing	-0.14	0.20	0.00	0.02	0.27	0.00	1.00	
% Substandard Housing	-0.03	0.15	-0.16	0.19	0.05	-0.05	0.08	1.00

CREATING A NEW MRI

- Needed to replace MRI indicators with **better, more reliable measures**
- **Literature review** of similar indices
- Used **factor analysis**
 - Statistical technique used to identify variables that are linked by a **common latent, unobserved variable**
 - Reduces starting variables into a smaller group of variables explaining most of the variation in the data
 - Measures commonly used in other indices + existing indicators

DATA SOURCES

- NJ Department of Labor and Workforce Development - Labor Market Information
- NJ Division of Taxation - Table of Equalized Valuations
- US Census Bureau - American Community Survey 5-Year Estimates and Annual Population Estimates



RESULTS FROM FACTOR ANALYSIS

■ Economic Vulnerability Distress

- Per capita income (*in existing MRI*)
- % with bachelor's degree or higher
- Median household income

■ Social Vulnerability Distress

- Children on TANF per 1,000 persons (*in existing MRI*)
- Poverty rate
- Unemployment rate (*in existing MRI*)
- % with high school diploma or higher
- % households receiving SNAP assistance (food stamps)

■ Shore Community

- Equalized valuation per capita (in existing MRI)
- Housing vacancy rate

NEW MRI INDICATORS

- ***Indicators weighted at 1 each*** *(selected through factor analysis)*
 - Children on TANF per 1,000 persons
 - Unemployment rate
 - Median household income *(replaced per capita income)*
 - Poverty rate *(new)*
 - High school diploma or higher *(new)*
 - % of households receiving SNAP assistance *(food stamps)* *(new)*
- ***Indicators weighted at 0.25 each***
 - Equalized 3-year effective property tax rate
 - Equalized property valuation per capita
 - Decennial population change *(replaced average annual pop. change)*
 - Non-seasonal housing vacancy rate *(replaced substandard housing)*

MRI DISTRESS SCORES

- Created a new **MRI Distress Score** based on 0-100 scale
- Presented **pop. weighted county and regional average scores**
 - Cumberland, Passaic, and Atlantic are the most distressed counties

	Num. of Towns	Pop-Weighted Average Distress Score	Rank - Pop-Weighted Average
New Jersey	565	27.5	–
Cumberland	14	55.3	1
Passaic	16	49.5	2
Atlantic	23	48.5	3
Essex	22	46.9	4
Hudson	12	42.1	5
Camden	37	41.6	6
Salem	15	41.5	7
Cape May	16	39.7	8
Union	21	34.0	9
Mercer	12	33.5	10
Ocean	33	32.3	11
Gloucester	24	29.5	12
Warren	22	29.3	13
Middlesex	25	27.8	14
Burlington	40	26.3	15
Sussex	24	23.5	16
Monmouth	53	23.4	17
Bergen	70	22.9	18
Somerset	21	18.5	19
Morris	39	18.1	20
Hunterdon	26	17.7	21
North	205	34.9	2
Central	158	27.3	3
South	202	36.6	1

INTERNAL CONSISTENCY

■ Correlation analysis

- *6 of 10 indicators now have at least 1 correlation >0.40*

	Decennial Pop. Change	Non-Seasonal Hsg Vacancy Rate	% w/SNAP Benefits	Children on TANF Rate	Poverty Rate	Median HH Income	Unemployment Rate	% HS Diploma or Higher	Effective Property Tax Rate	Equalized Valuation Per Capita
Decennial Pop. Change	1.00									
Non-Seas. Hsg Vacancy Rate	-0.29	1.00								
% w SNAP Benefits	-0.01	0.32	1.00							
Children on TANF Rate	-0.10	0.33	0.73	1.00						
Poverty Rate	0.01	0.31	0.90	0.68	1.00					
Median Household Income	0.10	-0.29	-0.69	-0.49	-0.69	1.00				
Unemployment Rate	-0.14	0.17	0.59	0.53	0.58	-0.66	1.00			
HS Diploma or Higher	-0.04	-0.30	-0.79	-0.57	-0.77	0.65	-0.54	1.00		
Effective Property Tax Rate	0.08	0.06	0.34	0.24	0.26	-0.30	0.15	-0.27	1.00	
Eq. Valuation Per Capita	-0.21	0.12	-0.16	-0.10	-0.06	0.08	-0.03	0.19	-0.36	1.00

- Used **Cronbach's alpha** to measure of internal consistency of indicators
- **0.88 > 0.70** minimum

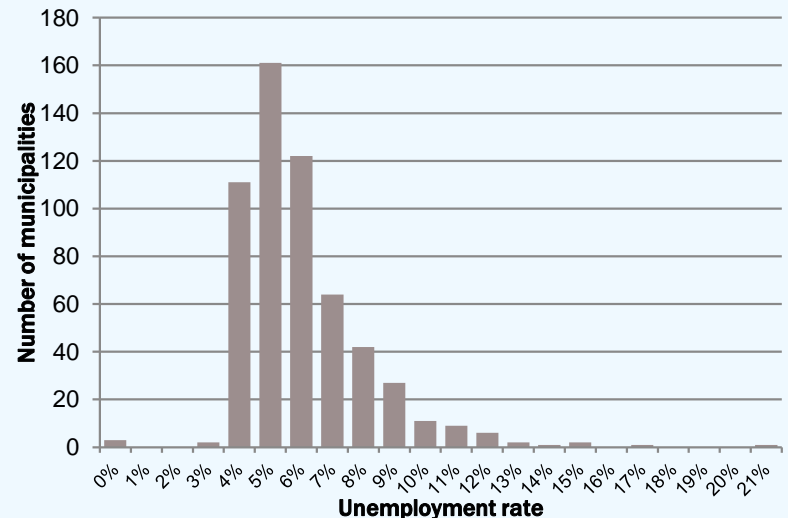
DISTRIBUTION OF INDICATORS

- Checked the distribution of each indicator
 - Sufficient variation across all municipalities
 - Normality

Effective Property Tax Rate



Unemployment Rate



PEER REVIEW PROCESS

- The Index report was reviewed by a diverse panel of **subject matter experts** in state government (NJ Labor, Treasury) and academia (Rutgers NB, Rutgers Camden, Temple Univ.)
- **Feedback** was received and incorporated into the final selections and report
- Helped **validate choices**, improve presentation of data



State of New Jersey
Department of the Treasury



RUTGERS



TEMPLE
UNIVERSITY

NEW MRI RANKING

- Most Distressed:
Camden
- Poverty Rate:
39.9%
- Median Household
Income: \$25,042
- Non-seasonal
housing Vacancy
Rate: 18.3%

:



NEW MRI RANKING

- 2nd Most Distressed:

Salem city

- Poverty Rate:
39.6%
- Median Household
Income: \$26,320
- Non-seasonal
housing Vacancy
Rate: 23.6%

:



NEW MRI RANKING

- 3rd Most Distressed:

Atlantic City

- Poverty Rate:
36.9%
- Median Household
Income: \$25,737
- Non-seasonal
housing Vacancy
Rate: 14.4%

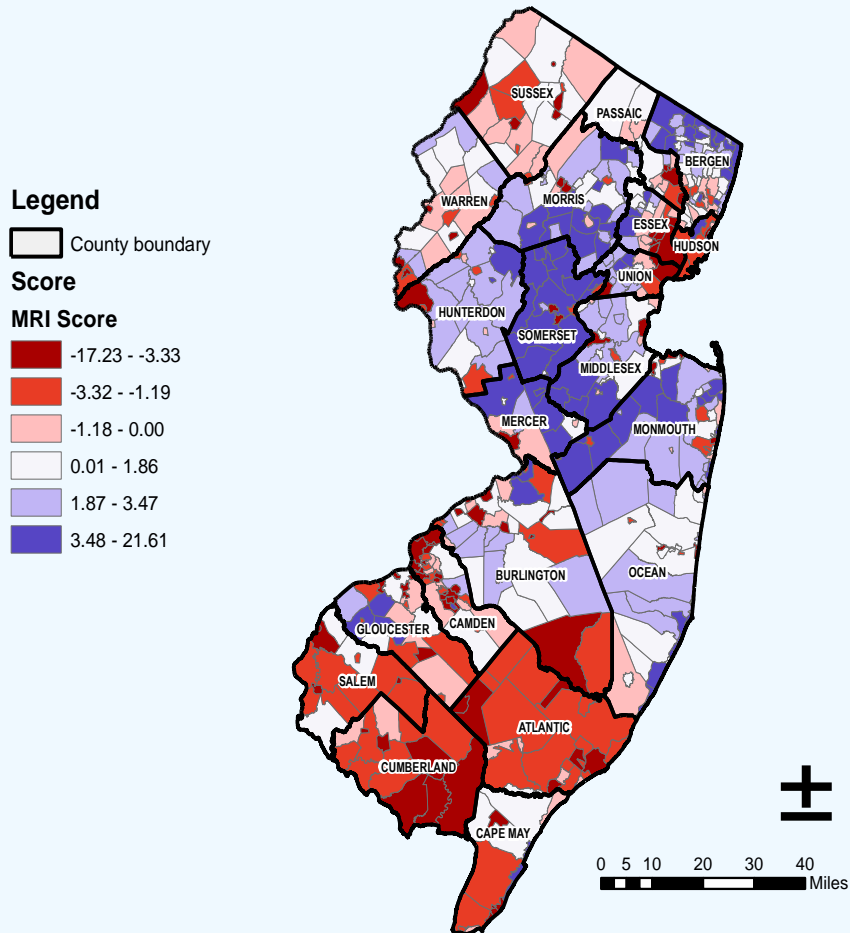


NEW MRI RANKING

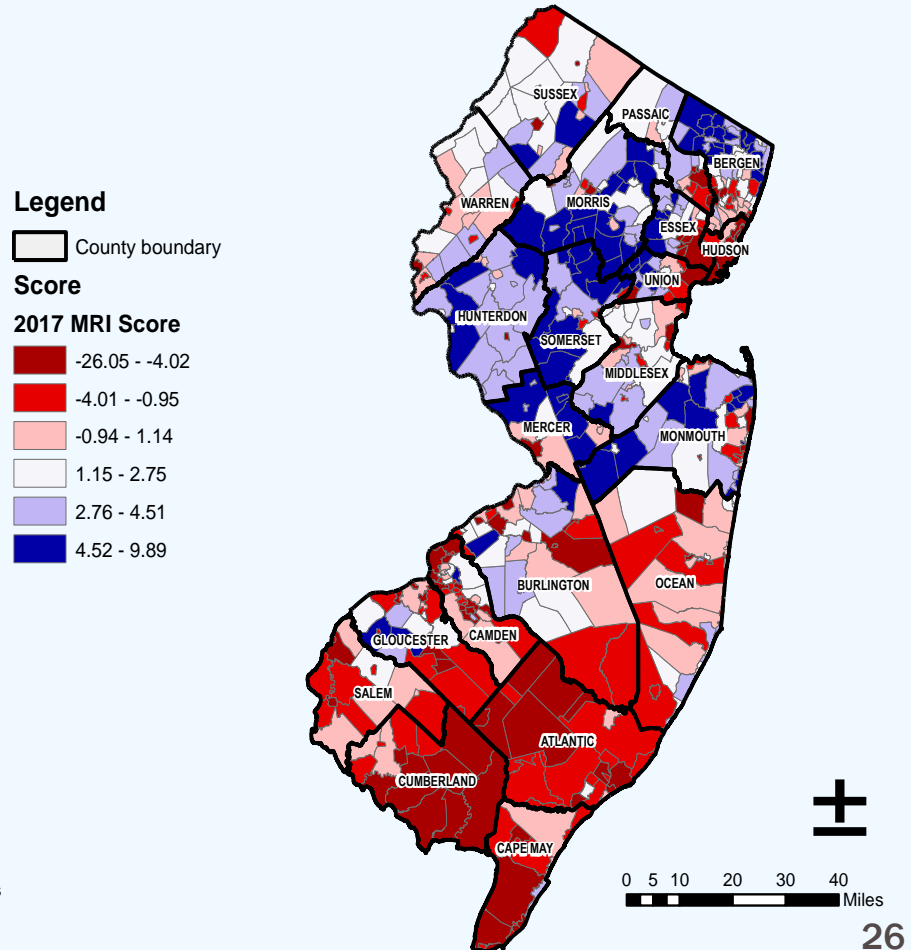
Municipality	County	MRI Distress Score	Poverty Rate	MRI Rank
Camden	Camden	100.0	39.9%	1
Salem city	Salem	97.1	39.6%	2
Atlantic City	Atlantic	92.4	36.9%	3
Bridgeton	Cumberland	86.3	32.0%	4
Wildwood	Cape May	84.8	29.1%	5
Seaside Heights	Ocean	82.5	25.3%	6
Penns Grove	Salem	82.4	30.4%	7
Paterson	Passaic	81.6	29.1%	8
Woodbine	Cape May	77.7	28.9%	9
Passaic city	Passaic	76.1	31.6%	10

MRI COMPARISON

Old MRI (with update)



New MRI



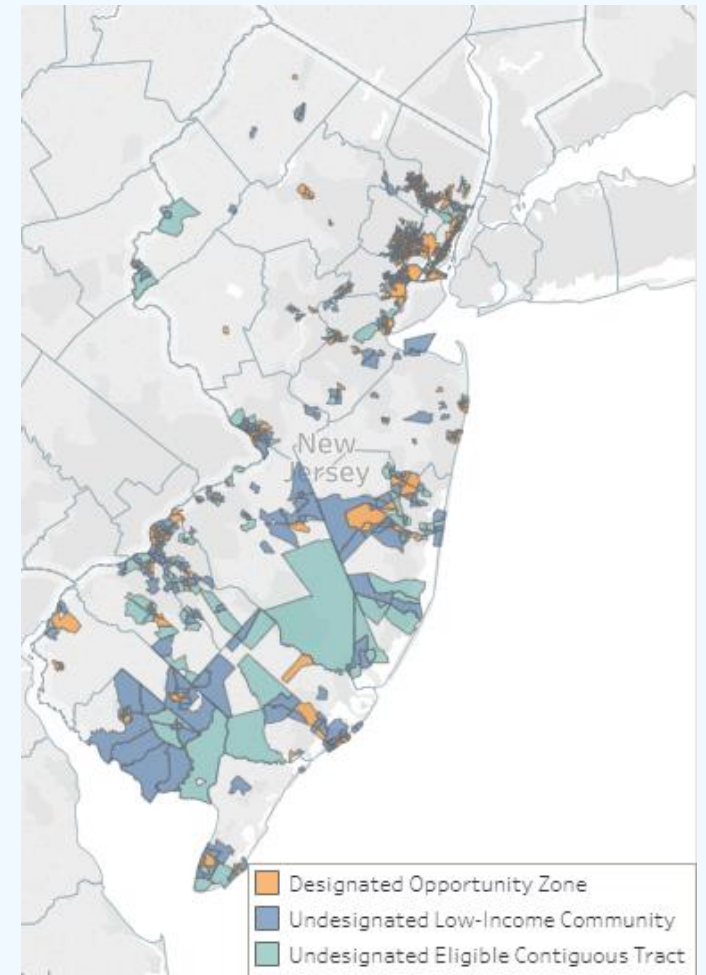
OPPORTUNITY ZONES

OVERVIEW

- **Opportunity Zones (OZs)** were included in the federal tax reform bill passed last year
 - Federal **capital gains tax incentives** for private development initiatives to attract investment and foster startup activity in distressed neighborhoods
- Each state could recommend a certain number of census tracts be designated as Opportunity Zones
- Tracts must have a **poverty rate of 20%** or above or a **median family income up to 80%** of the area (statewide) median

OVERVIEW

- New Jersey could designate a total of **169** tracts
 - 25% of those eligible
 - Included portions of some wealthy towns
- There were **715** eligible NJ tracts in **179** towns
- Up to **9** of these tracts could be selected as part of the 169 if they bordered a zone and were not significantly wealthier
- Included a very wide array of communities
- Every county had eligible tracts



POLICY GOALS BEHIND SELECTIONS

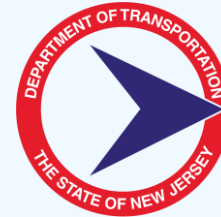
- Create **diverse economic opportunity** by fairly and evenly distributing OZs across the state and within every county
- **Improve economic conditions** in distressed communities
- Support **emerging opportunity for economic growth** and (re)development
- Utilize **public-private partnerships** to maximize the value of state and local investments
- Support **linkages to transit** and other infrastructure
- Seek **balanced support** by identifying **diversity of zones** throughout the state
 - Include urban and rural communities and commercial and residential areas

SELECTION PROCESS

- DCA worked closely with the Governor's Office and an experienced firm with knowledge and expertise on the selection process
- Convened a **working group** to bring in perspectives from representatives of multiple state agencies
- Developed a **sophisticated tool** to select geographically diverse zones aligned with the Governor's policy priorities based on a formula

DATA SOURCES

- NJDOT Transit Village list
- NJ Division of Taxation – MODIV Tax Records
- US Census Bureau - American Community Survey 5-Year Estimates
- US Census Bureau – LEHD database (jobs)
- DCA – Municipal Revitalization Index



SELECTION FORMULA

- **Formula-based approach:**
 - **Focus on geographic fairness**
 - Every county get at least one tract, counties with larger populations in poverty get more
 - Geographic diversity within counties
 - **Focus on truly distressed communities**
 - Municipalities distressed on the MRI
 - Neighborhoods with low incomes, high unemployment rates, low property values

SELECTION FORMULA

- **Formula-based approach:**
 - **Focus on transit-friendly communities**
 - NJ Transit Villages
 - Proximity to transit hubs
 - **Focus on leveraging existing investments**
 - MODIV property value data

VALIDATION AND FEEDBACK PROCESS

- Validated formula-based selections:
 - Governor's Office held **meetings and roundtables** with mayors throughout the state to receive feedback and input
 - Met with the **New Jersey Congressional delegation** to ensure a fair and transparent selection process
- Obtained **feedback from multiple departments and agencies** (i.e. DOLWD, NJRA)
- Final selections were made on March 20th and approved by US Treasury on April 9th

DESIGNATED OZ TRACTS BY COUNTY

	Num. of Tracts	Share of Tracts	Share of Poor Pop.
Atlantic	8	4.7%	4.4%
Bergen	12	7.1%	7.3%
Burlington	5	3.0%	3.0%
Camden	11	6.5%	7.0%
Cape May	2	1.2%	1.0%
Cumberland	5	3.0%	2.8%
Essex	23	13.6%	14.0%
Gloucester	4	2.4%	2.4%
Hudson	21	12.4%	12.1%
Hunterdon	1	0.6%	0.6%
Mercer	8	4.7%	4.2%
Middlesex	13	7.7%	7.6%
Monmouth	8	4.7%	5.0%
Morris	4	2.4%	2.4%
Ocean	11	6.5%	6.8%
Passaic	15	8.9%	8.8%
Salem	2	1.2%	0.9%
Somerset	3	1.8%	1.8%
Sussex	1	0.6%	0.9%
Union	11	6.5%	6.2%
Warren	1	0.6%	0.9%

- Distribution of tracts by county closely tracks their **shares of the state's low-income population** (below poverty level)

DESIGNATED OZ TRACTS BY MUNICIPALITY

Municipality	County	#	Municipality	County	#	Municipality	County	#
Atlantic City	Atlantic	4	Bridgeton	Cumberland	2	Red Bank	Monmouth	1
Egg Harbor City	Atlantic	1	Millville	Cumberland	1	Long Branch	Monmouth	2
Egg Harbor township	Atlantic	1	Vineland	Cumberland	2	Asbury Park	Monmouth	2
Pleasantville	Atlantic	1	Newark	Essex	13	Neptune Twp.	Monmouth	1
Somers Point	Atlantic	1	East Orange	Essex	3	Neptune City	Monmouth	1
Cliffside Park	Bergen	1	Irvington	Essex	3	Freehold	Monmouth	1
Englewood	Bergen	1	Orange	Essex	4	Dover	Morris	3
Fairview	Bergen	1	Woodbury	Gloucester	1	Wharton	Morris	1
Garfield	Bergen	3	Deptford Twp.	Gloucester	1	Lakewood Twp.	Ocean	6
Hackensack	Bergen	3	Glassboro	Gloucester	2	Manchester Twp.	Ocean	3
Lodi	Bergen	2	Jersey City	Hudson	11	Berkeley Twp.	Ocean	2
S. Hackensack Twp./Teterboro	Bergen	1	Bayonne	Hudson	2	Clifton	Passaic	2
Palmyra	Burlington	1	Kearny	Hudson	1	Passaic city	Passaic	4
Riverside	Burlington	1	North Bergen	Hudson	2	Paterson	Passaic	8
Burlington city	Burlington	1	West New York	Hudson	1	Prospect Park	Passaic	1
Pemberton township	Burlington	1	Union City	Hudson	4	Carneys Point Twp.	Salem	1
Willingboro	Burlington	1	Flemington	Hunterdon	1	Salem	Salem	1
Camden	Camden	7	Trenton	Mercer	7	Bound Brook	Somerset	2
Pennsauken	Camden	2	Hamilton Twp.	Mercer	1	North Plainfield	Somerset	1
Lindenwold	Camden	1	Carteret	Middlesex	1	Sussex	Sussex	1
Pine Hill	Camden	1	Perth Amboy	Middlesex	4	Elizabeth	Union	5
Lower township	Cape May	1	New Brunswick	Middlesex	6	Hillside Twp.	Union	1
Wildwood/W. Wildwood	Cape May	1	South River	Middlesex	1	Linden	Union	2
			Jamesburg	Middlesex	1	Rahway	Union	1
						Plainfield	Union	2
						Phillipsburg	Warren	1

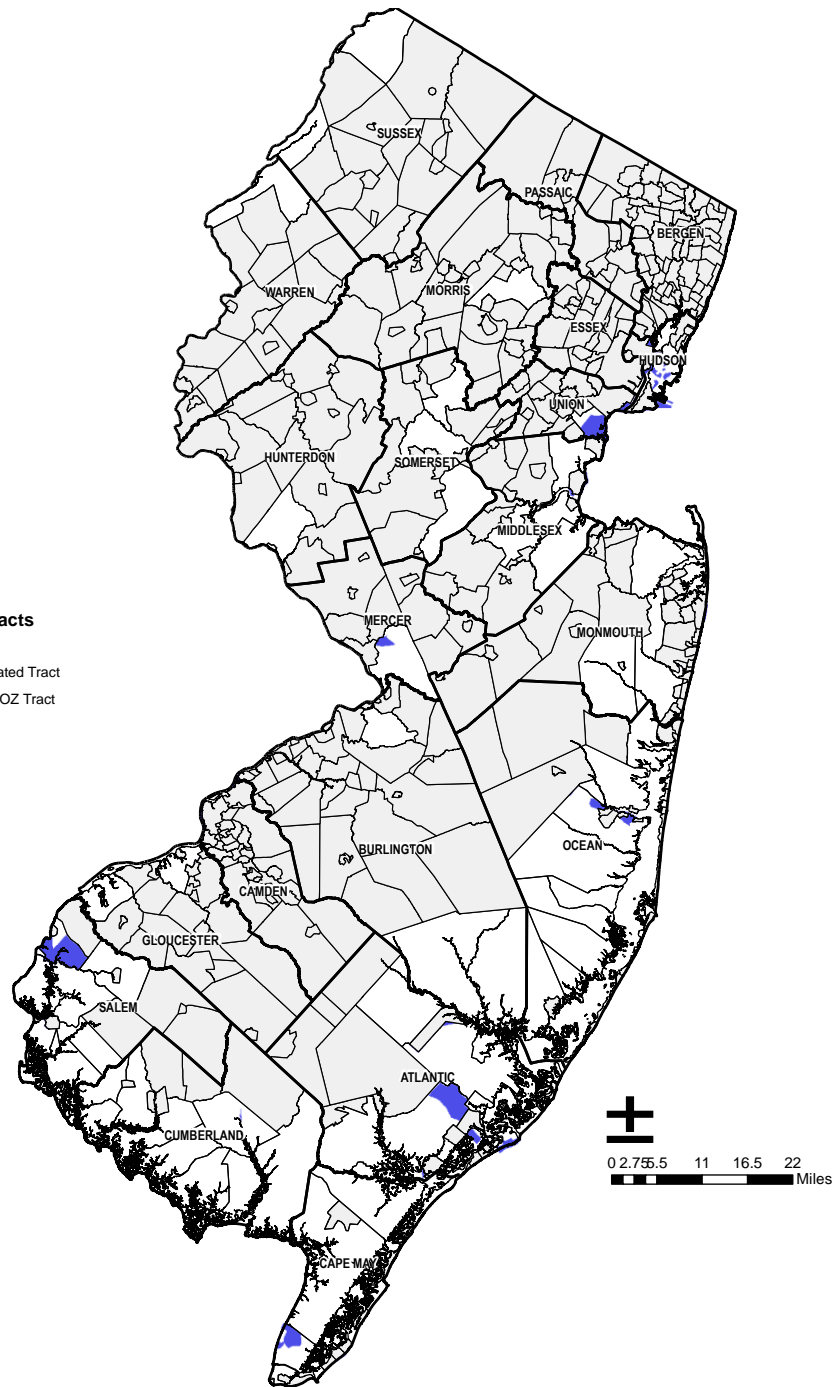
- Total Towns = 75
- Total Tracts = 169
- Roughly 1 in 8 NJ towns got a zone (13%)
- 42% of all *eligible* towns got an OZ

Legend

Designated Tracts

Final

- Non-designated Tract
- Designated OZ Tract



OPPORTUNITY ZONES MAP

OVERLAP WITH AID AND INCENTIVE PROGRAMS

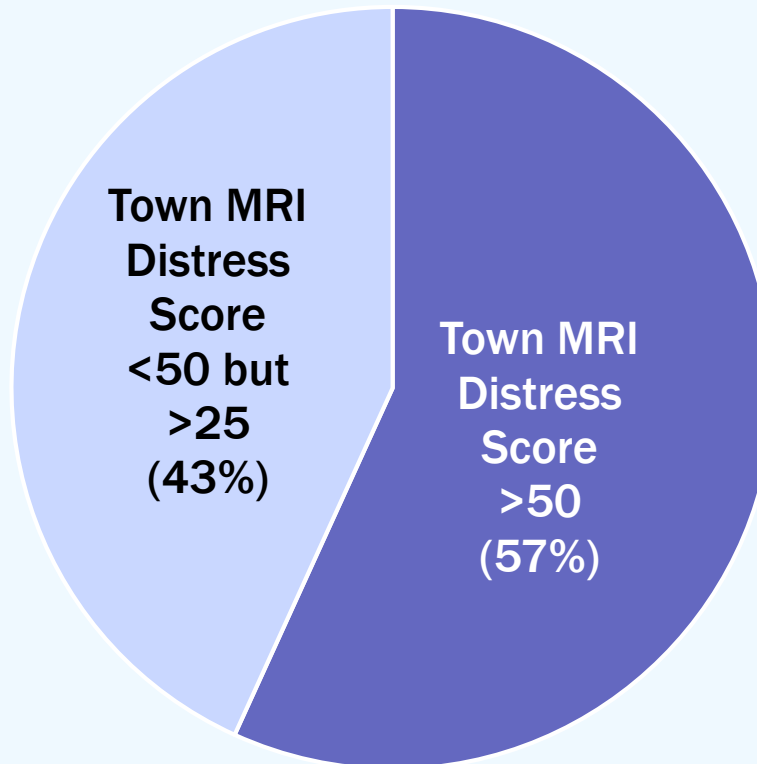
- 24 zones (14%) are **NRTC-participant** census tracts
 - 1/3 of eligible NRTC Opportunity Zones
- 127 zones (75%) are in **NJRA-eligible** municipalities
- 30 zones (19%) are part of a **Garden State Growth Zone**
- 76 (45%) contain an **Urban Enterprise Zone**
 - Well over 50% if recently renewed UEZs included
- 87 zones (51%) are **Areas in Need of Redevelopment**
 - Another 13 (8%) are **Areas in Need of Rehabilitation**

OVERLAP WITH AID AND INCENTIVE PROGRAMS

- 132 (78%) are in **Urban Aid** municipalities
- 46 (27%) are in **Transitional Aid** municipalities
 - Nearly $\frac{3}{4}$ of TA communities got at least one zone
- **University/Anchor Institution neighborhoods** well represented (Rutgers New Brunswick, Rutgers Camden, Rutgers Newark, Rowan, New Jersey City Univ., Thomas Edison, Georgian Court Univ., Cooper Hospital, etc.)

MUNICIPAL REVITALIZATION INDEX SPLIT

- Vast majority (57%) of zones are in **highly distressed towns** on the MRI (Distress Score >50 of 100)



TAKEAWAYS

- Don't always rely on **old indices and metrics** – check to see if they're still relevant, applicable, and accurately reflect current conditions
- Use the **full range of available data sources**. NJ DOLWD and Division of Taxation data are excellent supplements to Census data
- Use a **diverse array of indicators** – helps compensate for bias in single indicators

TAKEAWAYS

- Closely examine **relationships between variables** for patterns
- Consider using **statistical techniques** that reduce many variables to more manageable groupings
- Check **distributions** of indicators (sufficient variation)
- **Mapping data** helps–illuminates geographic biases

TAKEAWAYS

- Check results against **other measures of distress**, such as eligibility for special programs aimed at distressed communities
- Get a second-opinion. **Peer review** from other agencies and experts offers valuable feedback and ideas for improvement
- Measure results against **common sense**

LINKS – MORE INFORMATION

- **Municipal Revitalization Index:**

<http://www.state.nj.us/dca/home/MuniRevitIndex.html>

- **Opportunity Zones:**

http://www.state.nj.us/dca/divisions/lps/opp_zones.html

- ***DCA Data Hub:***

<http://www.nj.gov/dca/services/xxdatahub.html>

Questions?

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