

The Critical Shortage of Affordable Housing in New Jersey

A Brief Overview

**A Report From
The Legal Services of New Jersey
Poverty Research Institute
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INTRODUCTION

For at least three decades, study after study has documented New Jersey's severe affordable housing shortage. This report from Legal Services of New Jersey's Poverty Research Institute compiles such studies and data to present a current portrait of just how bad the housing shortfall has become. It is intended as a resource for policy makers and the public, to help energize and guide the urgent question of what should be New Jersey's governmental response to this crisis.

The report was prepared primarily by Connie Pascale, Vice President and Assistant General Counsel at Legal Services of New Jersey, with assistance from colleagues Kristin Mateo and Anjali Srivastava.

Our hope is that armed with information, at long last New Jersey's leaders will guide the state toward a comprehensive and effective government-wide housing policy.

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I. Workforce at Risk: the Prevalence of Low-Wage Jobs and Low-Income Households in a High Cost State

A. Families and individuals in New Jersey need to earn substantially in excess of the federal poverty level just to provide for their basic needs.

- The 2003 federal poverty level for a family of three in New Jersey and the other 48 contiguous states is \$15,260, which represents the gross earnings from a full-time job paying \$7.34 an hour. For a family of four, the poverty level is \$18,400, or an hourly wage of \$8.85.
- Recent reports and studies (such as “Working Hard but Staying Poor”, a 1999 survey by the Heldrich Center at Rutgers), as well as several state programs (including FamilyCare and DHS’s own “Supplemental Work Support Program”) identify 200-250% of the federal poverty level as the benchmark below which households are categorized as working poor. Two hundred percent of the 2003 federal poverty level for a family of three (\$15,260) is \$30,520 per year, or \$2,503 per month (the equivalent of a full-time job at \$14.67 per hour).
- In a recent report entitled “The Real Cost of Living in 2002: The Self-Sufficiency Standard for New Jersey”, Dr. Diana Pearce of the University of Washington determined how much income is required by families in order to meet their basic needs, including paying rent at the fair market level identified by HUD. [See the chart on page 12, which includes a list of the Fair Market Rents – FMRs – for two-bedroom apartments in each county.] The report establishes separate standards for 70 different family types in each of New Jersey’s 21 counties. Using a three-person household with older children – and therefore minimal child care expenses – as an example, a family living in Union County would require \$2,027 per month (a full-time job at \$11.51 per hour, \$24,318 annually) to pay the rent and barely meet all other household expenses. The same family living in Middlesex County would need a monthly income of \$2,764 (\$15.71 per hour, \$33,170 annually) and in Hunterdon County, \$3,230 (\$18.35 per hour, \$38,762 annually). Three-person families with younger children (an infant and a pre-schooler) needed between \$3,100 and \$4,700 monthly, depending on where they lived. *(This report was cited in the State of New Jersey 2000 Consolidated Plan as documenting the need for housing and support services.)*
- A similar study done by the Economic Policy Institute, entitled “Hardships in America: The Real Story of Working Families,” determined the average minimum monthly family budget in New Jersey in 1999 to be between \$2,686 (requiring a

\$15.50 an hour job) and \$3,167 (\$18.27 an hour), depending on the region where the family lived.

- In its repropoed Standard of Need, the NJ Department of Human Services contends that the minimum amount needed for a family of three to maintain a minimally decent and health standard of living – assuming that they pay nothing for health care or child care – is \$1,726 per month (\$9.96 per hour, \$20,712 per year).

B. A large percentage of NJ’s jobs do not pay enough for families to make ends meet.

- As of January, 2003, statistics compiled by the NJ Department of Labor indicates that 25% of all jobs in New Jersey pay less than \$20,240 annually, which equates to 40 hours per week at \$9.75 per hour; half of the jobs in NJ pay less than \$31,660 (\$15.20 per hour). An analysis of US Census Data indicates that, in the year 2000, 10% of all jobs paid less than \$6.70 per hour; 20% below \$8.60; 30% below \$10.31; 40% below \$12.25; and 50% less than \$14.44 per hour.
- According to data included in the draft New Jersey 2003 Consolidated Action Plan (prepared by DCA), 499,791 households (16.3% of all households in NJ) have incomes below \$20,000 per year; and 798,340 households (26% of all NJ households) have annual incomes below \$30,000 (which is approx 50% of the median income in NJ).

II. Critical Deficit: Assessing the Need for Workforce Housing in New Jersey

A. Housing development in New Jersey has been characterized by the construction of large, expensive single family homes, while only a fraction of the need for affordable workforce units – either for sale or for rent – has been met, and the existing supply is at risk.

- The median price for a single-family home in the New Jersey in 2002 was \$254,000. Over the past year, median prices for a single-family home rose by at least 8% in every area of the state. According to standards used by realtors and financial institutions, a family with an income of \$52,000 – the state median - can afford a home that costs no more than \$150,000. (*National Association of Realtors, 2003*)
- The number of luxury homes with eight or more rooms rose by 127,000 between 1990 and 2000. Yet as of 2000, 154,000 people were living doubled up, up 42% increase from 1990. (*Census 2000*)
- According to the Council on Affordable Housing, only 24,000 affordable homes and apartments have been built since 1985. These units serve only a small fraction of the 900,000 households living in unaffordable or substandard housing. (*“Achieving Genuine Prosperity,” NJ Future, 2001.*)

- Among the primary barriers to fair housing that the state has expressly identified are: (a) the critical shortage of decent affordable housing for low-income people; (b) the lack of local support for the creation of affordable housing; (c) the lack of housing choice for Section 8 voucher holders; and (d) the loss of subsidized, affordable housing due to the expiration of affordability controls. (*NJ FY 2001-2005 Fair Housing Plan*)
- Even as the need for affordable housing is growing, the existing supply of units constructed with government subsidies is at risk. For example, by 2004 the rent restrictions on more than 23,000 units built with federal Section 8 assistance will expire. (*Information compiled by the Housing and Community Development Network from state and federal sources.*)

B. The problem of finding and retaining affordable housing is particularly severe for the third of New Jersey households who are tenants.

- More than one-third of New Jersey households are renters. Of these renters, 43% pay in excess of 30% of their income for housing. (*National Low Income Housing Coalition, Out of Reach 2002*)
- In New Jersey a family needs to earn \$39,202 a year to afford the average fair market rent of \$980 for a two-bedroom apartment and still be able to pay its other basic expenses. [See the chart on page 12 for a county-by-county summary of rental affordability data.] This makes New Jersey the third most expensive state in the nation. (*National Low Income Housing Coalition, Out of Reach 2002*.)
- The median household income of renters is \$34,103, less than half that of homeowners. Approx. 37% of NJ renters earn less than \$25,000 per year. (*Census 2000*)
- “We know from our own research at HUD that the most acute housing shortage is for those earning 30 percent of median income and less.” (*HUD Secretary Mel Martinez, July, 2002 speech to the National Alliance to End Homelessness*).
 - More than one in five of the state’s renters fall into this category, meaning they have incomes of less than 30% of the state’s median. (*State of New Jersey 2002 Consolidated Plan*)
 - Almost half (44%) of all elderly renters have incomes below 30% of median. (*State of New Jersey 2002 Consolidated Plan.*)
- People with disabilities who are receiving SSI are literally “priced out” of the rental housing market in New Jersey. Statewide, a person with a disability has an income equal to only 13.5% of median income for the state. This income is equal to an hourly wage of \$3.32. [Note: New Jersey SSI recipients living independently receive \$576 per month, which includes a \$31 supplement paid by the state.] At this income level, a person on SSI would need to pay, on average, 141.9% of monthly income to

rent a one-bedroom apartment, and 117% of monthly income to rent an efficiency unit. (*Priced Out in 2002: The Crisis Continues*; Technical Assistance Collaborative and Consortium for Citizens with Disabilities.)

- National data show that the gap between the number of renter households in the bottom quintile of income and the number of housing units they can afford stands at 2 million. In other words, there are 9.9 million renter households with incomes in the lowest 20 percent of income distribution, yet only 7.9 million units are affordable to these households. Further, 2.7 million of the homes affordable to these lowest income households are occupied by higher income households. (*The State of the Nation's Housing*, Joint Center for Housing Studies of Harvard University, 2003).

C. An extremely large and growing number of low-wage workers are unable to afford the prevailing market-rate rents in New Jersey.

- According to HUD, lower-income households with housing costs exceeding one-third of their monthly income are at risk of catastrophic housing problems like eviction or homelessness. (*“Up the Down Staircase”*; Institute for Children and Poverty, 11/98)
- A worker earning the minimum wage (\$5.15 per hour) in New Jersey must work 146 hours per week in order to afford the median state fair market rent for a two-bedroom apartment. Put another way, a minimum wage worker can afford a monthly rent of no more than \$268. (*National Low Income Housing Coalition, Out of Reach 2002.*)
- New Jersey has the highest number of low-income households with children that are “housing burdened”: 73% of all households with children, earning less than \$35,920 (two-times the federal poverty level), have housing costs that exceed 30% of income. (*Kids Count 2003 Data Book*, Annie E. Casey Foundation.)
- According to available data, the following is a partial list of jobs with an average wage that is 50% or less of the amount needed to afford a two-bedroom apartment in New Jersey. (Many of these are among the jobs with the largest employment or greatest employment growth): home health aides, nursing aides, child care workers, retail salespersons, office clerks, cashiers, assemblers and fabricators, janitors, word processors, waiters and waitresses, receptionists, packers and packagers, retail stock clerks, food preparation workers, fast food workers, guards, freight movers, warehouse stock clerks, telemarketers, maids and housekeeping workers, hairstylists, groundskeepers, restaurant cooks, and bank tellers. (*Wage amounts obtained from NJ Dept. of Labor website.*)
- Nationally, many households working in lower-wage jobs are struggling to keep up with escalating rents. Of the 2.1 million waiters, waitresses, and cooks who rent, nearly half spend more than 30 percent of their incomes on housing. More than 40 percent of renter households with an earner employed as a childcare worker, home health aide, cashier, library assistant, maid, housekeeper or janitor are similarly cost-burdened. If they are the sole wage earner, people in several other moderate-paying occupations – including receptionist, carpenter, and electrician – also have a hard

time affording their housing. (*The State of the Nation's Housing, Joint Center for Housing Studies of Harvard University, 2003*).

D. **The NJ 2002 Consolidated Plan (prepared by DCA), clearly finds that that New Jersey has a substantial need for decent, affordable housing.** Among other data and conclusions contained in the plan are the following:

- As of 2002, there were more than 23,000 families on DCA's statewide waiting list for federally-funded Section 8 housing vouchers. DCA administers about one-third of the more than 60,000 Section 8 housing vouchers allocated to New Jersey. [The remainder are administered by the approximately 80 other local housing authorities located throughout the state.] Of the families on the DCA waiting list, about 80 percent are families with children, and 20 percent are families/individuals with disabilities, of whom approximately 6 percent are both elderly and disabled. Due to the number of people currently on the waiting lists, the majority of the State's county offices are not accepting new applications.
- The Consolidated Plan incorporates and relies extensively upon the Out of Reach report (cited above) to support its conclusions concerning the shortage of affordable housing.
- The Department of Community Affairs receives three times more applications for affordable housing assistance than there is funding available. Additionally, families making the transition from "welfare to work" require affordable housing assistance to help them achieve self-sufficiency.
- Cost burden: Another housing need indicator is the percentage of households that are considered cost-burdened because they spend more than 30% of their income on rent and utilities. Using this standard, 37% of the 1,015,355 renter households living in NJ (at per the 2000 census) are cost-burdened.
- Over-crowded units: As of 2000, approximately 3.8 percent, or 116,587 of the state's housing units, were considered crowded (having more than one person per room).
- Substandard units: According to the Council on Affordable Housing, there are approximately 60,280 substandard units throughout the State, occupied by families making 80 percent or less of median household income.

III. **Workforce Housing: An Economic and Social Necessity**

The provision of an adequate supply of affordable workforce housing – in conjunction with housing for those who are unable to work – is critically important to the short- and long-range success of New Jersey's economy. As such, it is a key element of Smart Growth.

- As the data cited earlier in this document clearly indicate, New Jersey’s economy is heavily dependent on jobs that pay low-wages. Nearly one-third of the workforce make less than \$10 an hour.
- The Commissioner of the NJ Department of Labor has admitted that affordable housing for the lower-income levels of the work force is a problem that has not yet been solved. (*“Big Job Ahead for Labor,” Asbury Park Press, 6/8/03*).
- The lack of affordable housing is also an impediment to local economic growth when employers struggle to find and keep reliable workers but those same workers cannot afford to live nearby. This geographic mismatch is compounded by transportation systems that often do not adequately connect low-income neighborhoods with suburban business districts and cannot get people from where they live to job opportunities. (*“Increasing access to Housing for Low-Income Families”, NGA Center for Best Practice, 3/29/02.*)
- According to a report issued by New Jersey Future: “Affordable housing is essential to the economic well being of [New Jersey’s] citizens – and the economic success of the state. Businesses have difficulty maintaining a workforce without adequate places for workers to live. Our economy is dragged down when significant numbers of us have little money to spend and invest due to the high cost of housing.” (*“Living with the Future in Mind”, NJ Future, 1999*)
- The Chairman of the NJ Council of Economic Advisors has stated: “For the ability of the state’s economy to grow and attract a work force, affordable housing is an important public policy [concern]... Affordable housing is an important component to keep the state attractive for employees and employers.” (*“Affordable Housing Debate”, Asbury Park Press, 11/11/01*)
- According to a policy analyst for NJ Future, “When Boeing moved out of Seattle, one reason they gave was that their employees can’t afford the higher housing prices...Not only will [high-priced] housing push out people, it will push out companies.” (*Affordable Housing Debate,” Asbury Park Press, 11/11/01*)
- Subsidized housing – affordable housing – is vitally important to the low-wage workforce. Research suggests that housing subsidies help families to obtain and retain employment by increasing family stability, freeing up income for work-related expenses such as childcare, and enabling families to move to areas with greater job opportunities. (*“Increasing Use of TANF and State Matching Funds to Provide Housing-Assistance;” Center on Budget and Policy Priorities; 2/2000*) A recent HUD study on the importance of housing assistance to families making the transition from welfare to the workforce supports this assertion. (*“Impacts of Welfare Reform on Recipients of Housing Assistance: Evidence for Indiana and Delaware”, HUD, 2003.*)
- “Smart Growth” as an antidote to urban/suburban sprawl must of necessity include the provision of sufficient numbers of affordable workforce housing units. These

units are necessary to sustain local economies dependent upon low-wage workers. Smart Growth must also include adequate numbers of affordable housing units to meet the needs of current residents who no longer are able to work, or in transition to the workforce, such as the disabled and low-income seniors. (Katz, "Smart Growth: The Future of the American Metropolis?" 7/02) Concentrated poverty – the inability of low-income people to move to higher cost areas closer to available jobs – has been identified as one of the causes of sprawl, "because people are going to move away from concentrated poverty." ("Federal Government Should Curb Sprawl with Regional Housing Policies", *HDR Current Developments*, 1/20/03)

IV. Workforce Housing Poverty: The Human Toll on Workers, Children and Families

The critical shortage of affordable workforce housing has serious consequences that go beyond shelter and community concerns, consequences that are just beginning to be understood.

- The steady decline in affordable units has added to the financial pressures facing low-income working families, the elderly and the disabled. As a result of the shortage of affordable housing, many families are forced to spend far too much of their incomes on rent. Without housing assistance of any kind these renters face severe financial pressures, many merely a paycheck or unexpected medical bill away from homelessness. Their families are at risk, challenged to meet other basic needs, such as food and medical care. Particularly serious are the pressures faced by millions of American families in the transition from welfare to work – families for whom housing is typically the number one cost burden. (*"The Widening Gap: New Findings on Housing Affordability in America"*, HUD, 1999.)
- Hundreds of thousands of American children have suffered disease, serious injury, malnutrition and educational failure because they live in housing that is substandard or too costly. (*"There's No Place Like Home: How America's Housing Crisis Threatens Our Children"*, Doc 4 Kids Project, 1999.)
- Housing problems lead to instability. Poor families move 50% to 100% more frequently than families that are not poor. Among children who move frequently, 23% fail at least one grade in school, as opposed to 12% among children who never or infrequently move. And 18% of children who move frequently exhibit four or more behavioral problems, versus 7% among those who move infrequently or not at all. (*"Impact of Family Relocation on Children's Growth, Development, School Function and Behavior"*, *Journal of the American Medical Assoc.*, 1993.)
- The lack of affordable housing has many implications for families and communities. High housing costs mean that a family has less money to spend on other necessities, such as food, clothing, or childcare. Families that do not have access to secure and affordable housing may have to move frequently, interrupting children's schooling

and making it difficult for adults to retain employment. (*“Increasing Access to Housing for Low- Income Families”*, NGA Center for Best Practices, 3/29/02.)

- There is no question that the demand for affordable housing far exceeds the supply and that much of the current stock of affordable housing is concentrated in areas at a distance from the centers of job growth. As a result, many families may face a Catch-22 situation. If they live in housing they can better afford, they may not be able to get or keep a job; but if they move closer to work, their housing costs may rise to the point where they have difficulties affording necessities, including work-related expenses. (*“Housing Strategies to Strengthen Welfare Policy and Support Working Families”*, The Brookings Institution and The Center on Budget and Policy Priorities, 4/2002.)
- Affordability remains America’s most widespread housing challenge. The shortage of affordable housing directly affects the quality of life for the millions who eke out their housing payments every month, sacrifice the purchase of other essentials, commute long distances to work, and/or suffer overcrowded or unsafe conditions. Worse yet, some must live in shelters or on the street. These pressures not only undermine their physical and mental health, but also their ability to find suitable work, perform well in school, and advance economically. (*The State of the Nation’s Housing*, Joint Center for Housing Studies of Harvard University, 2003.)
- The absence of a viable rental housing market that affords all comers choices and opportunities stymies the normal developmental process into adulthood and severs the housing continuum. Young people are forced to continue to live with their parents. Families are forced to move in with relatives. People with disabilities are forced to reside in costly, medically unnecessary, and constitutionally questionable institutions. Renters are forced to pay unbearably high percentages of their incomes to afford housing, a situation which, at best, prevents their saving and planning for home ownership, and, at worst, compels them to choose among purchases of basic necessities. For too many Americans for whom decent and affordable rental housing is out of reach, homelessness is the inevitable result. (*National Low Income Housing Coalition, Out of Reach, 2002.*)
- As summarized by the President of the National Low-Income Housing coalition, this is what happens to people who do not have much money in today’s housing market. They pay a precariously high percentage of their income on their housing and scrimp on other basics like food, medicine, heat, or childcare. Or the adults in the family work two, three or more jobs to make ends meet with little time left to be the kind of parent they want to be. Or they live in overcrowded or substandard housing that threatens the physical and emotional well being of each family member. Or they cannot pay the rent and are evicted, and start on a downward spiral with bad credit, destabilized work, school and family life, and ultimately are at risk of homelessness. (*“Point of View”*, Memo to Members, 9/24/99.)
- The primary reasons many families in New Jersey cite for becoming homeless are doubled and tripled-up living situations. This is common among low-income families unable to afford their own housing. They begin a nomadic journey, living with

relatives or friends for some period of time before having to finally go to a shelter. (*“Up the Down Staircase”, Institute for Children and Poverty, 11/98*)

- Many of N.J.’s homeless families are low-income working poor people. They have lived independently but on the edge of severe poverty. With recent changes in the employment and housing markets they are now becoming homeless and living in shelters. (*“Up the Down Staircase”, Institute for Children and Poverty, 11/98.*)
- Housing is a fundamental need of all people. Families who struggle to find affordable housing have to use their energy and resources for meeting this basic need, rather than for other necessities like food and medical care, or discretionary spending including further education... Housing is the backbone of a community. If housing is too expensive or of poor quality, it is harder for residents to become connected to that community and develop a sense of belonging. In many of our poorer areas, little money is left over after the rent is paid, so few resources are available to pay for quality education and social programs that can aid in breaking the cycle of poverty. (*“Living with the Future in Mind”, NJ Future, 1999.*)