

Affordable Housing? – Squeezing the Middle Class and Seniors out isn't the answer

There is no dispute that there is a significant shortage of affordable housing (AH) units throughout the state. In fact, many families who technically don't qualify for Affordable Housing would consider housing unaffordable. It is therefore very important to understand the nature of the affordable housing problem before any legislation is passed. Failing to understand and address the true nature of the affordable housing problem only makes it worse; an unintended consequence of rushing the legislation. It makes housing more unaffordable for most middle-class families, squeezing them out.

The main driver making housing unaffordable in New Jersey, especially to the middle class and those on fixed income, is high property taxes. The primary cause of high property taxes are school taxes which make upwards of 60% of the total property tax bill. This is due to high cost of education and how its funded in NJ. Affordable housing in its current form and codified by the proposed legislation aggravates this problem by making all existing residents subsidize new residents.

As an example, the cost of educating a child in the West Windsor-Plainsboro (WW-P) school district is approximately \$19,000 per child; the majority of which is paid by local taxpayers. An actual example from two typical apartment complexes in West Windsor will help me illustrate the challenge. The complexes generate 619 students from 974 apartments (0.64 student/apartment) while contributing \$4730 in school taxes per student. As it costs \$19,000 to educate each student this results in a per student deficit of \$14,270. That is a total deficit of over \$8.8 million which is paid by existing taxpayers in West Windsor. As a comparison that is over 5% of total taxes collected by the school district this year. This deficit is just for two apartment complexes. The greater number of housing units built the higher the deficit.

This tax surcharge makes housing unaffordable for the middle class and especially seniors on a fixed income. Higher the number of units higher is the surcharge and tighter is the squeeze on these families. They are forced to move out and in move parents with school age children. This cycle makes the situation worse. Every affordable housing discussion conveniently avoids talking about these middle-class families and people with fixed incomes – the people for whom the housing becomes unaffordable as a result of the school children coming from the new affordable housing requirements. **The best affordable housing policy is to make living affordable for every resident in the state.**

There are no easy solutions to the affordable housing crisis. However, not addressing the root cause will only make all housing more unaffordable in New Jersey while paying lip service to the affordable housing crisis. The following suggestions would help.

Require a higher minimum percentage of affordable units throughout the state.

No builder is interested in building affordable housing units. They use it as an excuse to build market rate units that generate significant profit. To maximize their profit, the builders try to keep the ratio of affordable to market rate units as small as possible. The lower ratio only increases the total number of units built to satisfy a township's affordable housing requirement and thus increases the burden on existing taxpayers. The legislation should require a specific minimum ratio of affordable to market rate units for all towns thus controlling the additional expenses new school age children will impose on existing taxpayers. West Windsor currently requires 25% to be set aside for all new developments, which is the highest ratio in the state.

Encourage people to move out of affordable units

Currently once a family acquires an affordable housing unit, the unit is permanently off the market even if the family no longer qualifies for affordable housing. There is no mechanism or set of rules to requalify affordable housing residents on a periodic basis. The state should establish a system to requalify people at a periodic interval, so the unit becomes available to an eligible family when an existing occupant no longer qualifies for it. Sufficient safeguards should be included in the process so that people are not discouraged to move up the socio-economic ladder.

Compensate townships for additional expenses generated by the new units

How schools are funded in New Jersey makes each new unit built, both affordable and market rate, tax negative for existing residents. That is why most mayors oppose the new housing requirement. Many have tried to lock in the land with alternate uses before the fourth round of affordable housing.

It is a mischaracterization to say that townships are opposed to affordable housing. The townships are opposed to any new housing whether affordable or market rate because it has negative tax consequences on existing taxpayers. The mayors are aware of the damage uncontrolled housing growth will impose on their residents. They have an obligation to protect existing residents while they make room for new residents to move into town.

Forcing existing taxpayers to subsidize new residents is an unfunded mandate by the state. The state can help by providing money to townships for the additional expense for the new housing obligations for a period of time. For example, for the first five years using a declining scale, the state can fund the expense of educating each additional student as a result of this mandate. Such an approach will make new housing more affordable for middle class families and people on fixed income.

The proposed process for determining affordable housing obligations should be simple and inexpensive with checks and balances

During the Third Round, West Windsor spent \$500,000 over two years on legal expenses. At the end of a lengthy process the township settled with the Fair Share Housing Center essentially splitting the difference. The money could have been better used giving \$100 credit on rent for over 400 families for a year. This would have not only financially helped the eligible families but would have built affordable housing much quicker by avoiding the costly and long-drawn-out litigation.

The current incarnation of the bills (S50/A4) is a step in the right direction. However, a lot more work needs to be done before it becomes “affordable housing for ALL” legislation. Among other things it must ensure that taxpayer money is spent on affordable housing and not on legal costs, eliminate the threat of builder’s remedy lawsuits that are used as a coercive threat against townships and make it affordable for ALL including middle class families that are financially struggling due to the high taxes imposed by housing growth.

The proposed legislation lacks balance in that it significantly favors developers over townships. It exposes townships to potential lawsuits even if they are trying to do the right thing. The strict and tight timelines are unreasonable and unnecessary especially when you consider that most towns have not finished building their 3rd round obligation. A lot more work needs to be done on the legislation with input from affected townships before it’s ready for a vote.

The proponents of affordable housing claim the “rich towns are trying to keep poor people out.” Speaking for West Windsor, that is far from the truth. We are one of the most progressive towns with respect to affordable housing. We have the highest ratio of affordable to market rate units at 25%. We don’t allow segregating affordable units and we insist that the affordable units be built to the same standards and are offered the same basic amenities as the market rate units. I am proud of our record on that front. As mayor, I am responsible for existing residents while working to accommodate new residents. The proponents need to accept the fact that pushing unlimited housing growth only makes housing unaffordable to a much larger population of people. A true

long-lasting solution will only be found if we address the economic challenges faced by all middle-class families whether they qualify for affordable housing or not. I hope the legislation will be modified to strike a balance and make living affordable for all residents of New Jersey. Otherwise, the unintended consequence will only squeeze the middle-class families out of West Windsor and eventually out of state.