

# EXECUTIVE DIRECTOR'S MESSAGE AFFORDABLE HOUSING AND HOUSING AFFORDABILITY: NEW JERSEY'S LAST BEST HOPE IS THE APARTMENT INDUSTRY



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Over the past several years there has been a great deal of discussion in the State Legislature about the overall affordability of New Jersey, as well as the State's ability to provide affordable housing to those in need. The former pertains to a majority of New Jersey citizens, while the latter pertains to those whose economic conditions require government assistance. Despite these discussions, bipartisan solutions have remained elusive. However, the real solution lies with an industry that provides quality housing at all price levels and in locations throughout the State – New Jersey's multifamily apartment industry.

New Jersey is one of the most expensive states in the nation in which to live. Average home prices are over \$300,000 and with the tighter lending requirements these days, obtaining a mortgage can be a difficult endeavor. Even assuming a 10 percent down payment on a \$300,000 house with a 4.5 percent, thirty year fixed rate, that would cost approximately \$1,370 per month. Including the average property tax bill of \$8,000 per year, and the monthly cost increases to over \$2,000 before the inclusion of utilities and maintenance. For most low-to-moderate income families, not only does the down payment make this proposition impossible, but even the monthly housing costs would be overwhelming.

So where can New Jerseyans find affordable places to live? One answer is apartment living, which provides a variety of choices, ranging in price, size, location and amenities. And while a great deal of attention is placed on the luxury communities and new construction in areas like the Gold Coast, we must not forget that apartment living provides quality housing options at many different price points. In fact, our members have market rate rents that start as low as \$850 per month. As such, the apartment industry is providing quality housing that is within reach of families at every income level.

## Threats to Rental Housing Affordability

So what threatens the affordability of rental housing? We already know that our property taxes are the highest in the nation. But what many don't realize is that municipalities impose an even greater burden on renters by targeting apartment buildings for revenue. For example, in Newark, the property tax assessments on apartment buildings recently went up by 50 percent in one year. To pay for the increased expense of higher taxes, an owner must either raise rents to cover that cost or reallocate monies that would otherwise go toward maintenance, renovations, and improvements.

Another example of unnecessary costs would be the fees municipalities impose for "apartment licensure." While the Appellate Division recently ruled that such fees were not authorized by statute, this may be short-lived as the legislature is now looking to clarify the law to allow municipalities to impose apartment licensure fees. Such fees, which can be \$100 per apartment per year, are not only in addition to local registration and inspection fees, but are in addition to State registration and inspection fees. This ultimately exacerbates the State's unaffordability.

In addition to taxes and fees, the State routinely contemplates

legislative or regulatory mandates on the apartment industry. The legislature must understand that ANY new mandate comes with a cost, and those costs either place upward pressure on rents, or as stated earlier, leave less money to be reinvested back into the property.

### Government Programs Supporting Affordable Housing

There are many instances where even the lowest rents are still too high for those in need of housing. To put this in perspective, housing is considered affordable if a household spends less than 30 percent of its gross monthly income on housing costs, inclusive of utilities. For example, if a household is relying on Supplemental Security Income (SSI), which pays \$764.25 each month, any housing that costs more than \$229 per month would not be considered affordable. This is when government assistance plays a necessary role.

Two examples of tenant-based assistance include Housing Choice Vouchers (Section 8) or State Rental Assistance Program (SRAP) vouchers. The vouchers provided by these programs assist renters by paying a portion of their rent at modestly priced market rate apartments. While the funding is provided by the government, it is predominantly the apartment industry that owns and manages the housing utilized by these residents.

Furthermore, while we can't cover every program provided by the government in this article, we can touch upon two project-based programs: Low Income Housing Tax Credits (LIHTC) and project-based Section 8.

Regarding LIHTC, the federal government issues tax credits to state governments, which control the type and location of housing to be built. Developers apply for competitive tax credits, obtain capital from investors for an equity stake in the project, and then construct the project. While there is much more to this process, the point here is that while there is government assistance, there must also be willing private sector developers, and willing private sector investors for these programs to work.

Regarding project-based Section 8, this is a program where the U.S. Department of Housing and Urban Development contracts with the owners of privately owned and managed properties to provide affordable housing. As a matter of law, this assistance is provided to residents with incomes no greater than 80 percent of the area median income. However, most of this type of housing is reserved for "extremely low income households," which is defined as 30 percent of the area median income or less. Under these programs, residents pay rent equal to 30 percent of their adjusted household income.

### So where does that leave us?

Housing affordability for all New Jerseyans and the provision of affordable housing for low income families are two inextricably linked challenges we face in our state. This article only scratched the surface on these issues, but what is clear is that the State's last best option to tackle these challenges lies with the multifamily apartment industry. Whether that means government subsidized housing, or market rate housing that is affordable to the

rest of New Jersey's population, the multifamily apartment industry must play a significant role in addressing this demand.

Furthermore, if we are going to be successful at attacking the unaffordability of housing in New Jersey, elected officials must avoid imposing mandates on the apartment industry, realizing that with every mandate, fee or requirement, there is a correlating cost. This is true for mandates that drive up the cost of developing new apartment communities. This is true for mandates that make it difficult to participate in affordable housing programs. And this is true for mandates that impose higher costs on managing all types of rental apartments.

The multifamily apartment industry already provides apartments that are in reach of low and moderate income families. Moreover, we participate in public private partnerships that produce affordable housing for those in need. As such, the industry should be viewed as a key partner in the State's efforts to meet the housing demand over the next decade and beyond. By doing so, we not only tackle the issue of housing affordability in our great state, but we also improve the overall quality of life for those who call apartment living home.