

Mallach, A. et al. 2006. Cities in Transition: New Jersey's Urban Paradox. The New Jersey Urban Revitalization Research Project, Housing and Community Development Network of New Jersey. September 2006. 36 pages.



# Cities in Transition: New Jersey's Urban Paradox

Housing and  
Community Development  
**Network** of New Jersey





---

Housing and  
Community Development  
**Network** of New Jersey



THE NEW JERSEY URBAN REVITALIZATION  
RESEARCH PROJECT

# Cities in Transition: New Jersey's Urban Paradox

Alan Mallach, Principal Investigator  
Amanda Frazier, Research Analyst  
Diane Sterner, James A. Johnson Fellow

September 2006

# Table of Contents

---

## Cities in Transition: New Jersey's Urban Paradox

Acknowledgements .....	1
Executive Summary .....	2
<b>1. BACKGROUND: THE PURPOSE OF THE PROJECT .....</b>	<b>4</b>
<b>2. DEMOGRAPHIC AND SOCIAL CONDITIONS AND TRENDS.....</b>	<b>6</b>
a. Immigration.....	6
b. Youth and families .....	7
c. Education.....	9
d. Public safety .....	10
<b>3. ECONOMIC CONDITIONS AND TRENDS.....</b>	<b>12</b>
a. Economic conditions of the population.....	12
b. Job trends.....	13
c. Fiscal conditions .....	15
<b>4. HOUSING MARKET CONDITIONS AND TRENDS.....</b>	<b>18</b>
a. Housing market and housing production trends .....	18
b. Existing housing conditions.....	21
<b>5. DRAWING POLICY IMPLICATIONS.....</b>	<b>24</b>
Appendix .....	26
City locator .....	27
Endnotes.....	28
About the Network.....	29

# Acknowledgements

---

The Housing & Community Development Network would like to gratefully acknowledge our financial supporters who made this report possible:

- ▶ The William Penn Foundation
- ▶ Surdna Foundation
- ▶ The Marilyn and Henry Taub Foundation
- ▶ The Fund for New Jersey

We are also indebted to our project advisory committee and all of the Network staff and executive board members for their ongoing support and good ideas. The project advisory committee includes representatives from municipal and state government, community development organizations, foundations and universities. This diverse group made for a lively committee that contributed broad, deep expertise and honest feedback at every stage of the project. Network staff and executive board members provided the impetus for the project, offered valuable insights as the project progressed and are working daily toward more equitable and sustainable revitalization in New Jersey.

## ADVISORY COMMITTEE

ROLAND ANGLIN, *Rutgers University*  
KIM BURNETT, *Surdna Foundation*  
SEAN CLOSKEY, *The Reinvestment Fund*  
HENRY COLEMAN, *Rutgers University*  
ROBERT COTTER, *Jersey City Division of City Planning*  
TIM EVANS, *New Jersey Future*  
NORMAN GLICKMAN, *Rutgers University*  
GWENDOLYN HARRIS, *Rutgers University*  
GEORGE HAWKINS, *New Jersey Future*  
ANDREW JOHNSON, *The William Penn Foundation*  
CHRIS JONES, *Regional Plan Association*  
PETER KASABACH, *New Jersey Housing and Mortgage Finance Agency*  
JOHN KROMER, *University of Pennsylvania*  
BARBARA LAWRENCE, *The Marilyn and Henry Taub Foundation*  
ELLIOTT LEE, *Geraldine R. Dodge Foundation*  
PATRICK MORRISSY, *HANDS, Inc.*  
MARK MURPHY, *The Fund for New Jersey*  
KATHE NEWMAN, *Rutgers University*  
LIZA NOLAN, *Camden Community Development Association*  
ROBERT PUENTES, *The Brookings Institution*  
DONNA RENDEIRO, *City of Passaic Redevelopment Agency*  
HAROLD SIMON, *National Housing Institute*  
RANDALL SOLOMON, *New Jersey Sustainable State Institute*  
SUSAN UCCI, *Elizabeth Neighborhood Development Office*  
ANNEMARIE UEBBING, *Community Preservation Corporation*  
JOHN WACKES, *Federal Reserve Bank of Philadelphia*  
GERALDINE WANG, *The William Penn Foundation*  
STANLEY WITKOWSKI, *City of Camden Division of Housing Services*

We would also like to acknowledge the contribution of **Jon Shure, New Jersey Policy Perspective**, for his counsel and assistance in finalizing and presenting this paper.

**Cities in Transition: New Jersey's Urban Paradox** was written by Alan Mallach

## EXECUTIVE BOARD AND STAFF

**SUSAN HOLMAN-JAMES, President**  
*Tri-County Community Action Partnership*

**FRANK PIAZZA, Vice-President**  
*Plainsboro Non-Profit Housing Corporation*

**KRISHNA GARLIC, Treasurer**  
*Brand New Day, Inc.*

**RAY OCASIO, Secretary**  
*La Casa de Don Pedro, Inc.*

**ELIZABETH CLIFFORD, At-Large**  
*Camden Lutheran Housing Corporation*

**ETTA DENK, Associate**  
*JPMorgan Chase*

**TIMOTHY DOHERTY, At-Large**  
*Project Freedom, Inc.*

**BARBARA DUNN, At-Large**  
*Paterson Habitat for Humanity*

**ELIZABETH HALL, At-Large**  
*Homeless Solutions, Inc.*

**ALAN MALLACH, Associate**  
*National Housing Institute*

**BRIDGET PHIFER, At-Large**  
*Parkside Business and Community in Partnership, Inc.*

**DONNA ROSE, At-Large**  
*Monmouth Housing Alliance, Inc.*

**VERONICA SUTTON, At-Large**  
*Urban League Affordable Housing & Community Development Corporation*

**DONNA TURNER, At-Large**  
*Affordable Homes of Millville Ecumenical (AHOME)*

**DIANE STERNER, Executive Director (On Leave 3/06-3/07)**  
**PAIGE CARLSON-HEIM, Acting Executive Director**  
**STACI BERGER, Acting Associate Director**  
**DENNIS BRUNN, Senior Field Organizer**  
**ARNOLD COHEN, Policy Coordinator**  
**FELICIA FLETCHER, Administrative Assistant**  
**AMANDA FRAZIER, Research and Policy Analyst**  
**JILL HARRITY, Director of Finance and Administration**  
**JUANITA HOWARD, Field Organizer**  
**JESSIE JONES, Membership Coordinator**  
**PAT MUMOLA, Director of Administration**  
**MICHAEL POWELL, Community Planning Specialist**  
**LEONARD ROBBINS, Director of Housing Development**

Throughout the development of this paper, the Network has relied upon the support and dedication of several interns. We thank them for their interest in the project, their hard work and their commitment to the field:

**LORIE MCGEE, Princeton University**  
**NGOZI OBI, Rutgers University**  
**MATTHEW SMITH, Rutgers University**

# Executive Summary

---

New Jersey is a state of small places. Its cities grew up as small industrial centers, market towns, or satellites of New York or Philadelphia. Over the past 50 years, most of these cities have experienced steady population loss and economic decline in a state whose political and economic weight has shifted to its suburbs. Today growing immigration and rapid appreciation in real estate values are fueling dramatic change in these cities. While a stronger housing market is positive in many respects, many of these cities have also seen increasing poverty and continued job losses, as well as ongoing challenges in public education and public safety. Increased market strength does not appear to be linked either to sustained revitalization or to quality of life

improvements for the cities' residents. Indeed, some of the recent urban redevelopment trends may translate into even more challenging circumstances for the cities' most vulnerable populations.

The Housing and Community Development Network's Urban Revitalization Research Project explores critical issues affecting New Jersey's cities, in order to frame and present promising directions and revitalization strategies to state and local policy makers, community based organizations and other players. This report offers an analysis of current social, economic and market conditions and trends in 30 distressed urban communities.

## **KEY FINDINGS: DEMOGRAPHIC AND SOCIAL CONDITIONS AND TRENDS**

- ▶ New Jersey's cities have started to regain population lost in earlier decades.
- ▶ Immigration is reshaping many of these cities.
- ▶ New Jersey's fastest growing community is its Latino community.
- ▶ Residents of New Jersey's cities are younger than the state as a whole.
- ▶ Nearly half of New Jersey's urban children are being raised in single parent families.
- ▶ Poor completion rates by high school students and low educational attainment of adult residents are serious problems in most of the 30 communities.
- ▶ Many urban school districts are experiencing rapidly increasing enrollments, reversing the declines of earlier years.
- ▶ Although crime rates declined noticeably between 1999 and 2004 in the cities, they remain significantly higher than in the state as a whole.
- ▶ Re-entry of individuals to their home communities after serving prison time is a major concern affecting New Jersey's urban areas.

## **KEY FINDINGS: ECONOMIC CONDITIONS AND TRENDS**

- ▶ All urban communities are poorer than the rest of the state, but some are far poorer than others.
- ▶ Low incomes are paralleled by low labor force attachment and high unemployment.
- ▶ Many one-time important employment centers are now net exporters of workers.
- ▶ Between 1999 and 2003, the 30 cities performed better with respect to job growth than the rest of the state.
- ▶ There is a huge mismatch between the cities' job base and their resident workforce. Many of these cities experience large-scale parallel commuting patterns, with high numbers of workers commuting into and out of these cities for jobs each day.
- ▶ Although property values in most of New Jersey's urban communities have been increasing, these cities, with lower property values and high shares of tax-exempt property, are still fiscally disadvantaged compared to the rest of the state.
- ▶ The fiscal picture for New Jersey's distressed communities has improved in certain respects, but is still highly problematic.
- ▶ The recent decline in urban property tax rates arises in part from growth in the ratable base, but more from massive increases in school state aid resulting from the Abbott decision.

---

#### KEY FINDINGS: HOUSING AND REAL ESTATE CONDITIONS AND TRENDS

- ▶ Urban housing market conditions have turned around dramatically, but much more in the northern part of the state than in south Jersey.
- ▶ Real estate prices in urban municipalities grew faster between 2000 and 2004 than the state as a whole, putting the average house in many distressed cities out of reach of low income—and most moderate income—buyers.
- ▶ The urban share of the state's building permits has risen sharply in recent years.
- ▶ Northern New Jersey cities have seen a significant change in those purchasing existing homes, with more middle and upper income buyers.
- ▶ Housing problems for low- and moderate-income city residents are still severe, and the numbers suffering from both overcrowding and cost burden are growing.
- ▶ Housing vacancy rates—for rentals and sales—are at extremely low levels in most urban areas.
- ▶ Homeownership rates are declining in most of the 30 cities.
- ▶ Housing burdens for lower income urban households are addressed in part by a substantial inventory of subsidized housing, but much of this housing is at risk of loss.

#### THE DATA SHOW TWO SHARPLY DIVERGENT TRENDS:

- ▶ The cities *as physical or fiscal entities* are showing notable improvement, although it is not clear how much of this reflects structural change rather than short term, cyclic phenomena.
- ▶ Many, perhaps most, of their residents continue to suffer from severe social and economic disadvantages, many of which are becoming worse rather than improving.

#### SEVERAL KEY POLICY IMPLICATIONS FLOW FROM THESE TRENDS:

- ▶ New strategies are needed to address the dramatic demographic and social shifts taking place in many cities, particularly the rapidly growing immigrant and youth populations, the growing number of children being raised in single parent families and the continuing and evolving public safety challenges.
- ▶ More effective measures are needed to promote job and business growth in these communities, link residents to jobs and boost educational attainment in both the youth and adult populations.
- ▶ New policies are needed to provide a stable long-term financial foundation that will support high-

quality municipal services without undue fiscal burdens on the taxpayers of older municipalities.

- ▶ Measures are needed to build sustainable real estate demand to strengthen neighborhoods in the strong markets of northern New Jersey, build new markets in south Jersey cities, and integrate affordable housing development and preservation into all cities' development strategies, to ensure that the needs of people of low and very low income—who suffer from the greatest cost burdens and other housing problems—are addressed.

In many respects, New Jersey's cities are in better shape than they were, but many of their residents are doing worse. We must make sure that recent economic improvements in these communities become the basis for sustainable growth and revitalization, while also ensuring that their revitalization takes place in ways that truly improve the economic opportunities and quality of life of residents. As greenfields development and suburban investment opportunities become fewer, the future of the cities matters more than ever to our entire state. *New Jersey's future competitive position will depend heavily on its ability to harness its cities' strengths, while simultaneously enabling them to rebuild their social and economic fabric and reduce their dependency on outside resources.*

# Background: The Purpose of the Project

---

New Jersey is a state of small places. Its cities grew up as small industrial centers, market towns, or satellites of New York or Philadelphia. Over the past 50 years, these cities have—with few but important exceptions—experienced steady population loss and economic decline in a state whose political and economic weight has shifted to its suburbs. Today, however, significant change is occurring in these cities, including rising immigration and rapid appreciation in real estate values. While a stronger housing market is a positive trend in some respects, many of these cities at the same time have seen rising poverty and continued job losses, as well as ongoing challenges in public education and public safety. Increased market strength does not appear to be associated either with sustained revitalization or with quality of life improvement for the cities' residents. Indeed, some current trends in urban redevelopment may be translating into more challenging circumstances for the cities' most vulnerable populations.

As greenfields development and suburban investment opportunities become fewer, the future of the cities matters more than ever to the entire state of New Jersey. While many people, including some policy makers, may have seen the cities as largely marginal to the state's future during the 1970's and 1980's, this is clearly no longer the case. The relationship between the fate of the cities and the state's overall economic well-being is stronger than at any time since New Jersey's industrial heyday before World War II. New Jersey's cities are receiving a growing share of real estate investment, both residential and non-residential, and have become major immigrant destinations, accommodating a growing share of the state's population and job growth. At the same time, the cities' continued problems of poverty, poor educational outcomes, social disorganization, and fiscal inadequacy represent a continuing drain on the state's resources. *New Jersey's future competitive position will depend heavily on its ability to harness its cities' strengths, while simultaneously enabling them to rebuild their social and economic fabric and reduce their dependency on outside resources.*

Our cities as physical entities are becoming increasingly disconnected from the people who live there. Today's development trends and market-based strategies, unless they are grounded in sound economic principles and linked to effective policies that ensure

that city residents will benefit from that investment, are unlikely to lead to equitable or sustainable revitalization. Instead, the current wave of investment could lead to short-lived economic growth while fostering increasing disparities, ultimately threatening rather than securing the long-term economic and social welfare of our state.

New Jersey's older, distressed, municipalities are a diverse body of communities, falling into a number of different historical categories:

- ▶ Historic industrial centers like Newark, Trenton and Paterson, which were among the nation's most important manufacturing cities during the late 19th and early 20th centuries;
- ▶ Smaller, secondary industrial cities like Harrison or Gloucester City;
- ▶ Older inner-ring suburbs or satellite cities, such as East Orange or Plainfield, many of which grew up along streetcar or commuter railway lines;
- ▶ Ocean resorts, like Atlantic City and Asbury Park; and
- ▶ Rural market centers, like Bridgeton and Salem.

Their populations range from a high of 280,000 in Newark to a low of less than 6,000 in Salem. They include cities like Gloucester City that are almost entirely non-Latino White, East Orange or Irvington that are predominately African-American, and Union City and West New York that have largely Latino populations. They range from major centers of employment like Atlantic City to places like Irvington with few jobs, and from which over 90% of the resident workforce commutes to work in other communities.

While all are considerably less affluent than the typical New Jersey municipality, in terms of both household income and tax rateables, there are great disparities among the state's urban communities in nearly every important characteristic, from the educational level of residents to the rate at which house prices are rising. One of the most significant is geographic. For reasons that reflect historic development patterns and current market trends, there are sharp differences between the northern part of the state, within the New York metropolitan orbit, and southern New Jersey. This is particularly noticeable with respect to the housing market in older communities, which has become even more sharply bifurcated between north and south over the past few years. At the same time, there are major

---

patterns or clusters, as well as trend patterns, that can be identified among these cities, which often cut across historic and geographic divisions.

To explore issues affecting these communities, the Network's New Jersey Urban Revitalization Research Project is looking both at current conditions and emerging trends in 30 older towns and cities across the state.<sup>1</sup> This report is the first product of the Project. It offers a statistical analysis of current social and economic conditions and trends in the 30 towns and cities selected for investigation, as well as in five more affluent older communities which were selected for purposes of comparison. The 30 municipalities are all older, more densely developed than the state as a whole, and significantly less prosperous, with respect to both household incomes and tax rateables, than the average New Jersey municipality.<sup>2</sup> The comparison communities are similar in terms of the age of their housing and their high population density but fare significantly better in household incomes and property value. Basic statistical information about both the study and comparison cities is given in the Appendix.

In the first three sections of this report we will look at three major dimensions of life in these cities:

- ▶ Demographic and social conditions and trends
- ▶ Economic conditions and trends
- ▶ Housing market conditions and trends

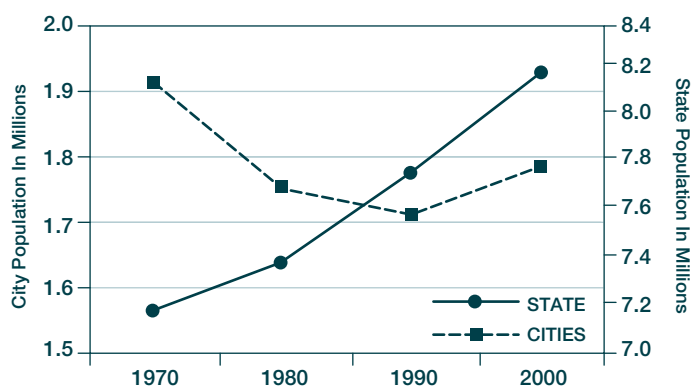
Much of the recent attention paid to these cities has come as a result of their dramatic change in housing market activity. Before exploring the implications of this change, it must be put into the larger context of the social and economic conditions of these cities. The report begins, therefore, with a look at demographic and social trends in these 30 communities, followed by the underlying economic and fiscal conditions in these communities, before turning to the housing and real estate market. Each section examines current conditions—a snapshot, as it were, of these communities at a moment in time—and the trends that are shaping their future.

The changes taking place in New Jersey's cities represent a critical challenge for policymakers and practitioners at all levels of government. In order to begin the discussion about how to meet this challenge, the final section of the report identifies the policy implications of our findings, and suggests directions for future consideration by state and local policymakers.

## 2. Demographic and Social Conditions and Trends

The 30 older, denser communities studied here have steadily lost population over recent decades, while the state as a whole has grown. As a group, they contained 51% of New Jersey's population in 1930, and 27% in 1970. By 2000 only 21% of the state's population lived in these 30 communities. Between 1970 and 2000 they lost 125,000 people, while the rest of the state gained 1.4 million. This long-term trend, however, is misleading. While the 30 communities lost over 200,000 people between 1970 and 1990, they gained back nearly half of their population loss between 1990 and 2000. Jersey City, Passaic and Paterson all grew significantly in the 1990's, as did such smaller cities as Bridgeton and Pleasantville. Of the 30 communities, 21 gained population during the most recent decade.<sup>3</sup>

**FIGURE 1: POPULATION TRENDS 30 CITIES COMPARED TO REST OF STATE 1970-2000**



*\* To make the presentation of the data visually coherent, we have combined the data points for the state and the cities along separate vertical axes for this and other figures in the report. In each case, the data points for the cities are shown on the left vertical axis and the state points are shown on the right. In order to ensure that each figure accurately reflects the data it contains, the intervals shown for both sets of data points are equal in percentage terms.*

As a group, the 30 cities contain a highly ethnically diverse population, with residents divided almost equally among non-Latino white, African-American and Latino households. They are substantially more diverse than the rest of New Jersey, where 75% of the population is non-Latino white. The diversity of these communities as a whole, however, masks the reality that the population of many individual towns or cities is made up predominantly of a single racial or ethnic group (See Table 1).

### A. Immigration

*Immigration is reshaping many of New Jersey's older communities, and accounts for the greater part of the population growth most cities experienced during the 1990's.* In 11 cities, one-third or more of the population is foreign-born. While the lion's share of the population moving to New Jersey's older communities from overseas comes from Latin America, there are exceptions, with Asian immigrant communities growing in Atlantic City, Jersey City and Harrison, and European immigrant communities in Harrison and Garfield.

The distribution of foreign-born residents highlights a sharp difference between northern New Jersey towns and cities, affected by the different population dynamics of the New York metropolitan area and those of southern New Jersey. The Philadelphia area is far less significant as an immigrant destination than the New York area, and the city of Philadelphia is far less powerful than New York in its impact on its surroundings. As a result, southern New Jersey towns are experiencing far less dramatic demographic change than their northern counterparts (See Table 2).

**TABLE 1: ETHNIC DISTRIBUTION 2000**

MAJORITY (50%+) NON-LATINO WHITE	MAJORITY AFRICAN-AMERICAN	MAJORITY LATINO	NO MAJORITY
Bayonne	Asbury Park	North Bergen	Atlantic City
Collingswood	Camden	Passaic	Bridgeton
Garfield	East Orange	Paterson	Elizabeth
Gloucester City	Irvington	Perth Amboy	Harrison
Keansburg	Newark	Union City	Jersey City
Millville	Orange	West New York	New Brunswick
Mt Holly	Plainfield		
Phillipsburg	Pleasantville		
	Salem		
	Trenton		

SOURCE: 2000 CENSUS

**TABLE 2: FOREIGN-BORN POPULATION, 2000**

HIGHEST QUINTILE <sup>4</sup>		LOWEST QUINTILE	
West New York	65%	Salem	1%
Union City	59%	Gloucester City	1%
Harrison	56%	Millville	2%
North Bergen	47%	Phillipsburg	4%
Passaic	46%	Mount Holly	6%
Elizabeth	44%	Collingswood	6%

SOURCE: 2000 CENSUS

During the 1990's, the Latino population in the 30 communities grew by 53%, growing not only in more traditional centers of Latino population like Union City or West New York, but throughout New Jersey. In 2000, six cities had Latino majorities. Today, in 2006, Elizabeth and New Brunswick probably have Latino majorities as well. This number will continue to grow over the next decade.

The state's Latino community is not monolithic, but highly diverse itself. As immigrants have arrived in New Jersey's cities, they have formed clusters, based on country, and in many cases region or city of origin. While Mexicans are the largest Latino community in Passaic, Puerto Ricans are the largest in Perth Amboy, and Cubans the largest in West New York. The largest

Peruvian community in New Jersey is in Paterson, while the largest Ecuadorian community is in Union City (See Table 3).

The implications of the growth in the Latino community generally, and the increasing cultural diversity of that community, are important for New Jersey's political landscape and its future social and economic policies. Addressing their needs, both as individuals and as distinct communities, and building common ground between immigrant and older communities, will demand new skills and strategies from local governments and from community-based organizations.

## B. Youth and Family Structure

*Residents of New Jersey's urban communities are younger than the state as a whole.* 27% of the residents of the 30 cities are under 18, compared to 24% in the rest of the state, and 15% over 60, compared to 18% in the rest of the state. This masks considerable variation; 20% of Bayonne's residents are over 60, compared to only 10% of Camden's residents. The cities with highest and lowest shares of both age groups are shown in Table 4.

The trend is for these cities' populations to become still younger. Even in cities like Bayonne and Garfield, with

**TABLE 3: DISTRIBUTION OF LATINO RESIDENTS BY COMMUNITY OF ORIGIN IN SELECTED COMMUNITIES**

(% of total Latino population in each city)

CITY	MEXICAN	PUERTO RICAN	CUBAN	DOMINICAN	CENTRAL AMERICAN	SOUTH AMERICAN	NOT SPEC
Elizabeth	2.7%	22.3%	12.6%	6.4%	10.4%	25.6%	20.0%
Passaic	32.0	20.8	1.3	22.6	2.4	10.1	10.8
Paterson	7.2	32.5	1.3	20.5	2.7	18.9	16.9
Perth Amboy	8.7	41.2	2.6	26.6	2.4	7.4	11.1
Union City	4.9	14.1	18.7	14.2	12.4	18.2	17.5
West New York	8.7	6.2	27.1	10.9	13.8	17.7	15.6

SOURCE: 2000 CENSUS

**TABLE 4: COMMUNITIES WITH HIGHEST/LOWEST AGE GROUP SHARES**

HIGHEST QUINTILE (>30%)	LOWEST QUINTILE (<24%)	HIGHEST QUINTILE (<12%)	LOWEST QUINTILE (>18%)
Residents under 18		Residents 60 and over	
Asbury Park	Bayonne	Camden	Atlantic City
Camden	Collingswood	Irvington	Bayonne
Passaic	Garfield	New Brunswick	Collingswood
Paterson	Harrison	Passaic	Garfield
Pleasantville	New Brunswick	Paterson	North Bergen
Salem	West New York	Plainfield	Phillipsburg

SOURCE: 2000 CENSUS

large elderly populations, the share of those aged 60 or over in the city's population is dropping steadily. In 29 of 30 communities the share of elderly residents dropped between 1990 and 2000, while 24 out of 30 saw the percentage of young residents under 18 increase during the same period. *This trend has led to a net increase of over 50,000 young people in the 30 communities, with major implications for education, skill training and youth programs, as well as for public safety efforts.*

*Nearly half the children in the 30 communities are being raised in single parent families.* The share of single parent families in the population of these cities has been growing steadily, going from one in five families in 1970 to almost half of all families today. In nearly half the 30 communities, single parent families represent a majority of all families raising children, with the highest percentage in Salem, where 70% of all child-rearing families are single parent families. Over 65% of all children growing up in Asbury Park, Camden and Salem live in single parent families. As shown in Table 5, the percentage of children growing up in single-parent families dramatically affects the share of children growing up in poverty.

Statistics on births through 2003 show that this is an ongoing trend. While births to teenaged mothers have declined from 17% of all births in 1998 to 13% in 2003, births to unmarried mothers have remained constant at 58% of all births in the 30 communities, or nearly three of every five births (See Table 6 for variation between cities). Comparing the 30 cities to the five comparison cities, while the share of children living in single parent families is moderately lower in the comparison cities (34% compared to 46%), the picture with respect to births to unmarried mothers in 2003 is dramatically different. Only 26% of the births in the five comparison cities were to unmarried mothers, and the percentage declined between 1998 and 2003. This suggests—in contrast to the 30 communities—that the share of children in single-parent households in those communities is likely to decline in the future.

Meeting the needs of the large number of children in single-parent households and in poverty in an environment where the number of young people as well as public school enrollments are rapidly growing will be a difficult task, yet the ability of many of our cities' future residents to participate effectively in the economy depends on it.

**TABLE 5: PERCENTAGE OF CHILDREN IN SINGLE-PARENT FAMILIES AND PERCENTAGE IN POVERTY, 2000**

HIGHEST QUINTILE (For Single Parent Families)			LOWEST QUINTILE (For Single Parent Families)		
CITY	% of children in single-parent families	% of children in poverty	CITY	% of children in single-parent families	% of children in poverty
Camden	70%	46%	Garfield	22%	9%
Asbury Park	70%	40%	Harrison	25%	15%
Salem	66%	35%	North Bergen	26%	14%
East Orange	62%	25%	Collingswood	27%	7%
Atlantic City	62%	29%	Bayonne	29%	12%
Newark	59%	37%	Gloucester City	29%	11%

SOURCE: 2000 CENSUS

**TABLE 6: PERCENTAGE OF BIRTHS TO TEENAGED MOTHERS AND TO UNMARRIED MOTHERS, 2003**

HIGHEST QUINTILE			LOWEST QUINTILE		
CITY	% of births to unmarried mothers	% of births to teenaged mothers	CITY	% of births to unmarried mothers	% of births to teenaged mothers
Asbury Park	97%	24%	Bayonne	30%	6%
Camden	80%	23%	Garfield	31%	6%
Trenton	72%	17%	Harrison	32%	5%
Bridgeton	71%	20%	Collingswood	33%	9%
Pleasantville	70%	16%	North Bergen	34%	5%
Newark	68%	14%	Phillipsburg	40%	12%

SOURCE: NJ DEPARTMENT OF HEALTH & SENIOR SERVICES

## C. Education

*Low educational attainment on the part of adult residents is a serious problem in the majority of the 30 communities.* A third of all adults over 25 in these cities lacked a high school diploma or equivalency degree in 2000, a minimum requirement for even modest occupational mobility. This is double the percentage in New Jersey as a whole. In Camden, nearly half of adults lacked a high school diploma. Overall, only 14% of the adults in the 30 cities held college degrees, compared to nearly one-third of adults in the rest of the state. In Camden, only one of 20 adults holds a BA or higher degree. Of all 30 communities, only Collingswood equaled or exceeded the statewide average with respect to educational attainment of adult residents (See Table 7 for variation between cities). One of the most notable differences between the five comparison communities and the 30 cities is in this area: all five showed higher levels of adults with BA or higher degrees than *any* of the 30 cities.

While in most cities a high percentage of adults without high school diplomas is paralleled by a low percentage of adults with BA or higher degrees, there are exceptions. Many of the smaller cities, such as Millville and Phillipsburg, have low percentages of adults without a

high school degree, but also low percentages of adults with higher education, reflecting a concentration of working class adults with high school diplomas, but little education beyond that level. Conversely, West New York and New Brunswick both have high percentages in both categories, suggesting a more sharply bifurcated population, particularly in the latter city, which is simultaneously a university town and a high immigration community. Many of the communities with particularly high percentages of adults with limited formal education are high immigration communities, reflecting the limited educational opportunities of their residents in their countries of origin. This issue needs to be addressed if these residents are to be able to participate fully in New Jersey's economy.

*Poor educational attainment is being perpetuated in many of these communities by poor completion rates on the part of today's high school students.* In Camden, only 37% of youths entering ninth grade in 1999 graduated from high school four years later. The average for the 28 communities for which data was available was 65%, substantially below the 78% completion rate for the five comparison cities, and the 81% rate statewide (See Table 8). As a result, large numbers of young people in these communities are reaching adulthood without

**TABLE 7: EDUCATIONAL ATTAINMENT, 2000**

LOWEST QUINTILE		HIGHEST QUINTILE		LOWEST QUINTILE		HIGHEST QUINTILE	
Percentage of Adults Lacking High School Diploma or Equivalent				Percentage of Adults with a BA or Higher Degree			
(highest percentage)		(lowest percentage)		(highest percentage)		(lowest percentage)	
MUNICIPALITY	%	MUNICIPALITY	%	MUNICIPALITY	%	MUNICIPALITY	%
Camden	49%	Collingswood	12%	Camden	5%	Collingswood	30%
Union City	46%	Bayonne	21%	Bridgeton	7%	Jersey City	27%
West NY	46%	Mt Holly	22%	Salem	8%	Bayonne	21%
Passaic	44%	Millville	26%	Gloucester City	8%	Harrison	21%
Perth Amboy	44%	Jersey City	27%	Paterson	8%	North Bergen	20%
Bridgeton	42%	Gloucester City	28%	Newark	9%	New Brunswick	19%

SOURCE: U.S. CENSUS

**TABLE 8: HIGH SCHOOL COMPLETION RATE, 2004**

HIGHEST QUINTILE		LOWEST QUINTILE	
MUNICIPALITY	HS COMPLETION RATE	MUNICIPALITY	HS COMPLETION RATE
Harrison	95%	Camden	37%
Pleasantville	88%	Irvington	49%
Gloucester City	86%	Asbury Park	49%
Phillipsburg	83%	Bridgeton	49%
Garfield	81%	Passaic	50%
Bayonne	77%	Jersey City	53%

SOURCE: NEW JERSEY LEGISLATIVE DISTRICT DATA BOOK

competitive skills. Many school districts are attempting to address this through creation of programs through which young adults can pursue alternate routes to a high school diploma, such as Trenton's Daylight-Twilight School program. Questions have been raised, however, over whether some such programs actually raise their students' skill levels, or provide them with a too easily won credential.

*Many of these school districts are experiencing rapidly increasing enrollments, reversing the declines that many cities saw in earlier years. Although the population of the 30 communities rose by less than 1%, their overall public school enrollment increased by 4%, with double-digit increases in such cities as Bayonne, Passaic, and Perth Amboy (See Table 9). This pattern is strongly influenced by immigration, with important destinations such as Passaic, Perth Amboy or Elizabeth showing dramatic increases in school enrollment. This*

pattern makes clear that, in addition to broad public policy measures to address the increase in young people in the cities, even greater resources than anticipated will be needed for school construction. Cities such as Bayonne, Elizabeth, New Brunswick, Paterson and others are adding the equivalent of a new school building's enrollment every two to three years.

## D. Public Safety

Another important factor affecting both the quality of life and the economic competitiveness of cities is public safety. *Although crime rates declined noticeably between 1999 and 2004 in the 30 communities, they remain significantly higher than in the state as a whole. While overall crime in the 30 municipalities declined by 18% during that period, violent crime declined by only 9%, less than the 12% drop recorded statewide (See Table 10 for variation between cities).*

**TABLE 9: SCHOOL ENROLLMENT CHANGE, 1999-2004**

HIGHEST QUINTILE		LOWEST QUINTILE	
MUNICIPALITY	CHANGE	MUNICIPALITY	CHANGE
Bayonne	+ 21%	Asbury Park	- 14%
Garfield	+ 18%	Camden	- 11%
Passaic	+ 18%	Collingswood	- 9%
Perth Amboy	+ 16%	Jersey City	- 5%
West New York	+ 12%	Union City	- 4%
Elizabeth	+ 11%	Pleasantville	- 2%

SOURCE: NJ DEPARTMENT OF EDUCATION

**TABLE 10: VIOLENT CRIME RATE 2004**

HIGHEST LEVEL		LOWEST LEVEL	
MUNICIPALITY	VIOLENT CRIMES PER 1,000 POPULATION	MUNICIPALITY	VIOLENT CRIMES PER 1,000 POPULATION
Irvington	24	Phillipsburg	2
Camden	23	North Bergen	3
Asbury Park	22	Garfield	3
Atlantic City	18	Gloucester City	3
East Orange	16	West New York	3

SOURCE: NJ STATE POLICE UNIFORM CRIME REPORTS

**TABLE 11: CHANGE IN VIOLENT CRIME 2004-2005 IN FOUR CITIES**

CITY	VIOLENT CRIMES PER 1,000 POPULATION 2005	CHANGE 2004-2005	MURDERS PER 10,000 POPULATION 2005	CHANGE 2004-2005
Elizabeth	6.6	+20%	1.4	+ 70%
Jersey City	13.1	+ 8%	1.6	+ 65%
Newark	10.1	- 2%	3.5	+ 15%
Paterson	9.6	+19%	1.3	+100%

SOURCE: FBI PRELIMINARY ANNUAL UNIFORM CRIME REPORT

Preliminary 2005 statistics for those four cities with 100,000 or greater population, however, show a disturbing picture. Violent crime increased from 2004 to 2005 in three of the four cities, while the number of murders increased dramatically. This last factor is widely held to be associated with the increase in gang activity reported in many New Jersey cities<sup>5</sup> (See Table 11).

As with so many other social factors, there were dramatic differences from one community to the next, both with respect to the overall level of crime reported, and the rate of change between 1999 and 2004. There is no consistent pattern between the absolute level of violent crime and the trend over time, however, particularly in cities with small populations and low crime rates—like Gloucester City—where year-to-year fluctuations can provide a deceptive picture. The decline in violent crime in Newark or Orange, however, is significant, even though the level still remains troubling (See Table 12).

While it is hard to show a direct association between real estate market appreciation, discussed below, and a drop in crime, there may be a relationship. The sharp declines in crime in many of the cities with the greatest price increases, such as Perth Amboy or New Brunswick, while unlikely to be driving those increases, could well have increased the comfort level of prospective private market homebuyers and investors, contributing to their readiness to invest in these communities.

Historically high levels of crime in urban areas, coupled

with high incarceration rates, have created a further issue with potentially major impact on New Jersey's urban areas: the return of individuals to their home communities after serving prison time. Over the next five years, roughly 70,000 ex-prisoners, largely men between the ages of 20 and 40, will re-enter their communities across New Jersey. Most will come home to urban municipalities that represent the largest share of both prison admissions and parolees, as shown in the table for Essex County (See Table 13). In addition, 2,000 or more ex-prisoners will return each year to the Newark area alone.

Recidivism is high among returned prison inmates, exacerbated by their often low levels of education and job skills, and the negative effects of long-term incarceration. The number of re-entering prisoners today is four times that of the early 1980's. Policymakers are increasingly aware that this is yet another issue that the educational, workforce and social service systems of our cities are inadequately prepared to address.<sup>6</sup>

The importance of crime as an issue varies from city to city, but it is clear that in many communities in the study it is a major factor, which can both impede revitalization efforts as well as undermine their residents' quality of life. As was evident in the recent Newark mayoral campaign, the ability to grapple successfully with this issue is likely to be seen as a key test for the cities' political leadership in the coming years.

**TABLE 12: CHANGE IN VIOLENT CRIME RATE 1999-2004**

GREATEST DECLINE		GREATEST INCREASE	
MUNICIPALITY	CHANGE	MUNICIPALITY	CHANGE
Perth Amboy	- 51%	Garfield	+ 56%
Newark	- 42%	Gloucester City	+ 33%
Mount Holly	- 38%	Asbury Park	+ 22%
West New York	- 36%	Millville	+ 10%
Orange	- 34%	Trenton	+ 7%

SOURCE: NJ STATE POLICE UNIFORM CRIME REPORTS

**TABLE 13: PRISON ADMISSIONS AND PAROLEES IN ESSEX COUNTY BY MUNICIPALITY**

MUNICIPALITY	PRISON ADMISSIONS 2001	% OF COUNTY TOTAL	PAROLEES 2002	% OF COUNTY TOTAL
Newark	1286	52%	804	54%
East Orange	319	13%	201	13%
Irvington	197	8%	100	7%
Orange	156	6%	95	6%
All other municipalities	527	21%	300	20%

SOURCE: THE URBAN INSTITUTE

### 3. Economic Conditions and Trends

*Economic conditions are many and diverse, but three are paramount: (1) the economic status of each city's population, in terms of their incomes, employment and related conditions; (2) the jobs available within each city; and (3) each city's fiscal picture.*

#### A. Economic Conditions of the Population

*Residents of all 30 communities have substantially lower incomes than those in the rest of the state, but those in some cities are far poorer than others. Although in all of the cities the median income was 80% or less of the statewide median, there were sharp disparities among them. The poorest cities, in this respect, were Asbury Park, Atlantic City, Bridgeton, Camden, Newark and Salem, all with median incomes of 50% or less of the statewide median. It is notable that two—Atlantic City and Newark—have been undergoing significant economic growth that clearly has yet to benefit many residents.<sup>7</sup> The percentage of households in poverty varies more sharply from city to city than the median income, as income *distributions* vary widely; while over one in three households in Camden are in poverty, only one in 10 in neighboring Gloucester City are poor by the official definition (See Table 14).*

*The residents of these towns and cities are, on the whole, getting poorer relative to the state as a whole. While in 1990, the median resident of one of the 30 communities earned 68% of the statewide median, by 2000, that had dropped to 64%. At the same time, in the five comparison communities, median incomes rose*

*relative to the state, going from 98% to 101% of the statewide median. Median incomes rose relative to the statewide median in only four of the 30 cities: Garfield, Phillipsburg, Pleasantville and Salem. The greatest decline was in Asbury Park, where the median dropped from 51% to 42% of the statewide median. Keansburg, Union City, Irvington and East Orange registered sharp drops as well.*

Even in Jersey City, which has had the most economic growth of any of these cities—and perhaps of any of the state's municipalities—the median income declined from 71% to 69% of the statewide median between 1990 and 2000. The change in Jersey City's population by income range is instructive. During the economic boom of the 1990's, the number of both poor and well-to-do households increased, while the number of those in the middle declined (See Table 15).

Evidence from recent homebuyer data shows that income distribution in some cities may have begun to shift upward since 2000. In that case, by 2010 the Census may show a slight upward movement in the median income of these cities compared to the state as a whole.<sup>8</sup> In the absence of other economic improvement, however, *that trend will only reflect an influx of more affluent in-migrants—and possibly even the displacement of existing residents—rather than an improvement in the economic conditions of the cities' baseline population.* As Jersey City illustrates, it will not necessarily lead to any reduction in the number of poor and economically vulnerable residents of these communities.

**TABLE 14: HIGHEST AND LOWEST POVERTY COMMUNITIES**

HIGHEST POVERTY COMMUNITIES	% OF HOUSEHOLDS IN POVERTY	LOWEST POVERTY COMMUNITIES	% OF HOUSEHOLDS IN POVERTY
Camden	36%	Collingswood	6%
Asbury Park	30%	Garfield	8%
Newark	28%	Mount Holly	10%
New Brunswick	27%	Gloucester City	10%
Bridgeton	27%	Bayonne	10%

SOURCE: 2000 CENSUS

**TABLE 15: CHANGE IN INCOME DISTRIBUTION IN JERSEY CITY 1990-2000**

INCOME RANGE	% OF HOUSEHOLDS IN 1990	% OF HOUSEHOLDS IN 2000	CHANGE 1990-2000
<50% statewide median	36.2%	37.0%	+ 2.2%
50-100% statewide median	30.5%	29.0%	- 4.9%
100-150% statewide median	17.8%	16.2%	- 9.0%
>150% statewide median	15.5%	17.8%	+14.8%

SOURCE: 1990 AND 2000 CENSUS

There is far less disparity in income by race or ethnicity in the 30 cities than in the state as a whole. The median income of African-American households, for example, in the 30 towns and cities is 91% of the median of white households, compared to only 64% of the white median statewide. This does not reflect higher incomes on the part of African-American households. Rather, it reflects the greater poverty of white households in urban areas compared to their counterparts elsewhere. Although African-American and Latino households in the five comparison communities all earned more than in the 30 cities, the disparities between them and the communities' white households were also greater (See Table 16).

*The low incomes of urban residents are paralleled by low labor force attachment and high unemployment. Only 60% of the population 16 years and older are members of the labor force—working or actively looking for work—in the 30 communities, compared to 65% in the rest of New Jersey. More significantly, the share of residents 16 and older in the labor force in these communities declined by 8% between 1990 and 2000, a much greater drop than statewide. In addition, unemployment is 10% in the 30 communities, compared to under 6% in the rest of New Jersey. As a result, the percentage of working adults is substantially lower in most of these cities than in the state as a whole. Generally speaking, low labor force participation*

and high unemployment are associated. In Salem, however, although labor force participation is low, among those who are in the labor force, unemployment is, roughly the same as the state average (See Table 17).

## B. Job Trends

Many of the 30 towns and cities were historically important employment centers, but in recent years most have become net exporters of workforce. Their share of the state's jobs has declined faster than their population share. In 1990, while containing 22% of the state's population, these cities had 19% of the state's jobs. By 2000, these cities' share had dropped to only a little more than 16% of the state's jobs and 21% of the population. Of the 29 towns and cities for which data was available, only six gained jobs between 1990 and 1999, while 23 lost jobs.<sup>9</sup> Four of the five comparison communities also lost jobs during this period.

The jobs picture in New Jersey's older communities, however, has changed since 1999. Although the change is not as dramatic as the change taking place at the same time in the housing market, it is still highly significant. While job loss continued between 1999 and 2003, the rate of decline was considerably less. More importantly, in contrast to 1990-1999, a period during which the state as a whole was gaining jobs, the state lost jobs overall between 1999 and 2003. *Between 1999*

**TABLE 16: RACIAL AND ETHNIC DISPARITIES IN MEDIAN INCOME**

CLUSTER	MEASURE	AFRICAN-AMERICAN	LATINO	NON-LATINO WHITE
30 communities	Median household income	\$33,740	\$37,681	\$38,970
	% of non-Latino white median	91%	97%	
5 comparison communities	Median household income	\$41,358	\$41,658	\$64,643
	% of non-Latino white median	64%	64%	

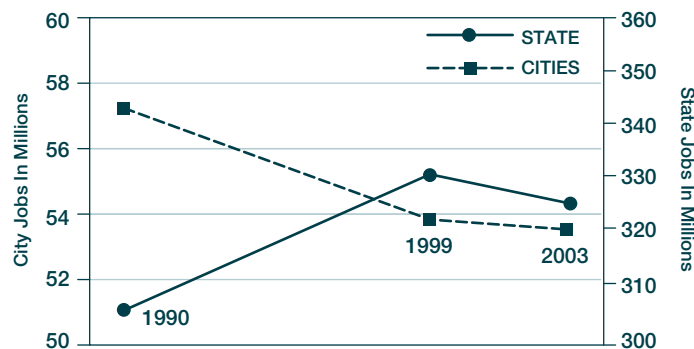
SOURCE: 2000 CENSUS

**TABLE 17: LABOR FORCE PARTICIPATION AND UNEMPLOYMENT**

LABOR FORCE PARTICIPATION				UNEMPLOYMENT			
HIGHEST		LOWEST		LOWEST		HIGHEST	
Municipality	%	Municipality	%	Municipality	%	Municipality	%
Plainfield	69%	Bridgeton	45%	Collingswood	5%	Newark	16%
Collingswood	68%	Camden	50%	Salem	6%	Camden	16%
New Brunswick	67%	Newark	53%	Phillipsburg	6%	Bridgeton	13%
Mount Holly	66%	Salem	54%	Mount Holly	6%	East Orange	13%
Garfield	65%	Paterson	55%	Pleasantville	6%	Paterson	13%
Irvington	65%	West New York	56%	Bayonne	7%	Irvington	13%

SOURCE: 2000 CENSUS

**FIGURE 2: COMPARISON OF JOB TREND IN 30 COMMUNITIES AND STATEWIDE, 1990-1999 AND 1999-2003**



and 2003, the 30 communities performed better with respect to jobs than the rest of the state. Not only was the rate of loss in the cities less than that statewide, but nearly half of the 30 communities gained jobs between 1999 and 2003.

This trend does not appear to show a clear relationship to housing market trends. As shown in Table 18, the 30 municipalities contain only two clear ‘winners’ with respect to job growth—Jersey City and New Brunswick. In both cities the employment base grew by approximately 25% between 1990 and 2003, a dramatic increase. Both cities have also shown significant and sustained house price increases. At the same time, cities such as Paterson and Newark, which are also showing strong housing market improvement, are continuing to hemorrhage jobs. Since 1990, Paterson has lost 20% of its employment base. At the other end of the state, Atlantic City, which gained large numbers of casino jobs during the 1980’s, has lost considerable ground since then, also losing 20% of its employment base since 1990. In contrast to the real estate market, where there are sharp disparities between northern and southern New Jersey, job losses and gains are distributed more evenly across the state’s cities.

As of 2000, only five of the 30 communities could be considered employment centers, in terms of having a population-to-jobs ratio equal to or greater than the national average of slightly over 2 to 1.<sup>10</sup> These five are Atlantic City (the only city with more jobs than resident population), Newark, New Brunswick, Salem (albeit on a very small scale) and Trenton. Even in those communities, except for Atlantic City, the mismatch between the job base and the resident workforce is such that the great majority of resident workers do not work inside the community. Instead, nearly all jobs in the city are held by people who commute from other places. Overall, fewer than one in four employed residents of the 30 communities work and live in the same community.

As a result, many of these cities simultaneously experience large-scale parallel commuting patterns. Thousands of workers swarm in from the suburbs every morning, and comparable numbers of urban residents commute out to suburban jobs. In Newark 111,000 workers come into the city, and 51,000 residents go out every day. In Trenton, 39,000 commute in, and 20,000 commute out. In Irvington, which has a much smaller employment base, 8,000 people commute in, while 23,000 residents commute outward daily. Only 8% of Irvington’s resident workforce works inside Irvington. In 13 of the 30 communities, fewer than 20% of the resident workforce work and live in the same community. Bayonne is the only city in which as much as 50% of the local jobs are filled by local workers.

Labor markets are regional, and in a state with as many separate small towns and cities as New Jersey, it would be unrealistic to expect all or even most workers to live and work in the same community. The extent to which the jobs/workforce mismatch exists, however, is dramatic, and creates many problems, including increased pollution and, above all, the increased burden on lower income households seeking to support

**TABLE 18: JOB GAINS AND LOSSES 1990-1999 AND 1999-2003**

JOB GAINS AND LOSSES 1990-1999				JOB GAINS AND LOSSES 1999-2003			
BEST		WORST		BEST		WORST	
MUNICIPALITY	NUMBER	MUNICIPALITY	NUMBER	MUNICIPALITY	NUMBER	MUNICIPALITY	NUMBER
Jersey City	+8,945	Camden	-6,218	Jersey City	+6,565	Atlantic City	-6,253
New Brunswick	+1,774	Atlantic City	-5,579	New Brunswick	+4,120	Paterson	-3,678
Trenton	+1,553	Newark	-5,511	Union City	+1,861	Newark	-2,405
Pleasantville	+ 987	Elizabeth	-4,426	Elizabeth	+ 846	Harrison	-1,539
Phillipsburg	+ 335	Paterson	-3,288	Mount Holly	+ 767	Pleasantville	-1,537
Keansburg	+ 221	Plainfield	-3,184	Bridgeton	+ 499	Trenton	-1,083

SOURCE: NJ DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

**TABLE 19: RATIO OF MUNICIPAL EQUALIZED PROPERTY VALUE PER PUPIL TO STATEWIDE AVERAGE, 2004**

HIGHEST		LOWEST	
Municipality	Ratio	Municipality	Ratio
North Bergen	.78	Camden	.10
Bayonne	.70	Bridgeton	.16
Harrison	.69	Salem	.20
Jersey City	.53	Trenton	.22
Collingswood	.51	East Orange	.23
New Brunswick	.50	Pleasantville	.26

SOURCE: RUTGERS UNIVERSITY CENTER FOR GOVERNMENT SERVICES  
NOTE: As discussed in Endnote 2, inclusion in the study sample of communities was limited to cities in the bottom 25% of New Jersey's municipalities with respect to a similar variable. An exception was made for Atlantic City (not included in the above table) as discussed in the endnote.

themselves. In 2000, 38% of all workers in the 30 communities spent over 30 minutes commuting each way, an increase from 32% in 1990. Over half of all workers living in East Orange, Irvington, Jersey City, Orange and West New York commuted more than 30 minutes each way. With public transportation seriously inadequate, particularly to dispersed suburban job locations, commuting for city residents is increasingly expensive and time-consuming. Long commuting times and distances impose a disproportionate burden on inner-city residents, because most do not hold high-wage jobs that would make it easier for them to cover their commuting costs. As gasoline prices increase, the economic impact of long and expensive commutes will become increasingly hard to support. *Enabling more people to find work closer to home and to have more affordable access to suburban job opportunities would yield valuable benefits for the affected workers and their communities.*

## C. Fiscal Conditions

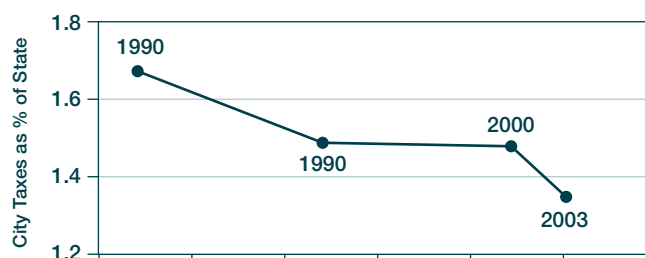
In a state where local government depends heavily on property tax revenues, New Jersey's older cities, with their lower property values and high percentages of tax-exempt property, are significantly disadvantaged from a fiscal standpoint. Except for Atlantic City, all 30 towns and cities in the study have substantially lower property tax bases than the New Jersey average. There were significant disparities, however, among the 30. Even the two cities with the most sustained economic growth, Jersey City and New Brunswick, are in much worse fiscal shape than most municipalities in the rest of the state, with only half the equalized value per pupil of the average New Jersey municipality.<sup>11</sup> A low

property tax base means a municipality must increase its tax rate significantly to provide services for its residents, become dependent on state aid to fill the gap, or—as in many New Jersey cities—both. While state aid has been generous in recent years, it cannot be relied upon to continue to provide a sustainable long-term revenue source.

*Although still highly problematic, in certain respects the fiscal picture for New Jersey's distressed communities has shown some improvement in the last few years.* On the whole, urban property tax rates have been declining steadily during the past few years. Although the typical equalized property tax rate in New Jersey's older cities is still higher than the statewide average since 1980 there has been a steady reduction in the disparity between the two (See Table 19 for variation between cities).

The recent decline in urban property tax rates arises from a convergence of two factors: increases in the rateable base in many, but not all, communities, and massive increases in state aid to distressed urban municipalities and school districts, principally as a result of the *Abbott v. Burke* decision. This decision, which has led to the State of New Jersey assuming responsibility for the greater part of education costs in 31 school districts (including 25 of the 30 communities in this study), has both enhanced educational opportunities and eased the fiscal burdens of residents. Between 1999 and 2004, the *increase* in state school aid to these 30 municipalities was \$1.25 billion; during the same period, local expenditures on public schools in these communities increased by barely \$50 million. In 2004, these 30 communities received \$3.6 billion in state school aid, or roughly 15% of the entire state budget. These funds were paralleled by an additional \$657 million in municipal aid to the same 30 towns and cities. This massive redistributive effort has had few parallels in other states (See Table 20).

**FIGURE 3: PROPERTY TAX RATES IN 30 CITIES AND 5 CITIES COMPARED TO STATEWIDE AVERAGE 1980-2003**



At the same time, property values have been increasing in most of the 30 communities. Between 1999 and 2004, the municipal property tax base in 27 of them grew in equalized value, measured in constant 2004 dollars. There were, however, sharp disparities among municipalities in this respect.

Increases in the municipal rateable base parallels increases in the market value of residential property. As a result, this measure also reflects the disparity between the northern and southern parts of the state. Towns in southern New Jersey, where property values have not been significantly appreciating, gained little, and in some cases actually lost taxable value, between 1999 and 2004 (See Table 21).

Since 1997, over \$12 billion in direct construction costs, according to building permit filings, has been invested in these 30 municipalities, led by Jersey City, which saw over \$2.7 billion in construction. This represents a

*theoretical* addition to the municipal real property base equivalent to nearly 15% of the existing equalized property tax base. The dollar value of new construction amounted to 10% or more of the existing equalized property tax base in 20 of the 30 municipalities. In practice, though, the effect of this new construction on the property tax base is highly uncertain. Much of it is hospitals, schools, and other public buildings that are not subject to property taxes, while much of the private construction taking place may have received tax abatement from the municipality (See Table 22).

The most important point that can be made about the improving fiscal health of New Jersey's distressed municipalities is that it is based on two highly uncertain foundations: increases in residential property values at rates far above historical trends and increases in state financial assistance at rates that are far beyond what can be sustainable on a long-term basis. Indeed, Governor Corzine, since coming into office, has

**TABLE 20: STATE SCHOOL AID TO 30 COMMUNITIES 1999-2000 TO 2004-2005**

	1999-2000	2004-2005	5 YEAR INCREASE	AVG. ANNUAL INCREASE
State School Aid	\$2,381,470,129	\$3,635,813,942	52.7%	8.9%
Local school purpose tax levy	\$ 615,815,409	\$ 668,919,218	8.6%	1.6%
State aid as % of combined aid/levy	80%	85%		
State aid to 30 municipalities as % of state total	47%	56%		

SOURCE: NJ DEPARTMENT OF EDUCATION; NJ DIVISION OF LOCAL GOVERNMENT SERVICES

**TABLE 21: CHANGE IN RATEABLE BASE 1999-2004 IN CONSTANT DOLLARS**

INCREASE UNDER 10% OR LOSS	INCREASE 10-30%	INCREASE 30-50%	INCREASE OVER 50%
Bridgeton*	Atlantic City	Bayonne	Asbury Park
Camden	Collingswood	Elizabeth	Jersey City
Gloucester City	East Orange	Garfield	Newark
Millville	Harrison	Keansburg	
Mount Holly	Irvington	New Brunswick	
Salem*	Orange	North Bergen	
Trenton*	Phillipsburg	Passaic	
	Pleasantville	Paterson	
		Perth Amboy	
		Plainfield	
		Union City	
		West New York	

AVERAGE CHANGE IN RESIDENTIAL MARKET VALUE 1999-2004 (AVERAGE OF MUNICIPAL AVERAGES):

+3%	+42%	+60%	+82%
-----	------	------	------

SOURCE: NJ DIVISION OF LOCAL GOVERNMENT SERVICES

\*LOST VALUE IN CONSTANT DOLLARS

highlighted the extent to which the state has been living beyond its means, and will have to rein in spending for many years to come. The New Jersey Supreme Court approved the Governor's proposal to freeze school aid to *Abbott* districts for the 2006-2007 school year, in sharp contrast to the significant annual increases of previous years. It is likely, even if increases are approved in future years, the annual increase in *Abbott* aid will be far less than the 9% annual rate experienced between 1999 and 2004.

Ultimately, when it comes to fiscal capacity, the state and the cities find themselves between the proverbial

rock and hard place. State budget conditions cannot support continued increases in the amount of redistributive funding at the levels of recent years. Local fiscal resources, however, are inadequate to provide the municipal and school services and facilities needed for a quality of life that can ensure that revitalization efforts are sustained. Moreover, if state aid is reduced—or fails to grow commensurate with increased costs—higher tax rates or reduced service delivery could choke off urban revival. *Ultimately, this dilemma will not be solved without fundamental reform to the system by which local services are financed throughout New Jersey, not only in the state's urban centers.*

**TABLE 22: NEW CONSTRUCTION AUTHORIZED 1997-2004: AMOUNT AND PERCENTAGE OF PROPERTY TAX BASE (highest quintile of municipalities by value)**

MUNICIPALITY	VALUE OF CONSTRUCTION AUTHORIZED	% OF EQUALIZED PROPERTY TAX BASE
Jersey City	\$2,730,914,000	22.7%
Newark	\$1,764,253,000	15.6%
Atlantic City	\$1,476,276,000	13.9%
Elizabeth	\$ 847,596,000	14.5%
Paterson	\$ 551,114,000	11.1%
Trenton	\$ 536,921,000	27.0%

SOURCE: NJ DEPARTMENT OF COMMUNITY AFFAIRS

## 4. Housing Market Conditions and Trends

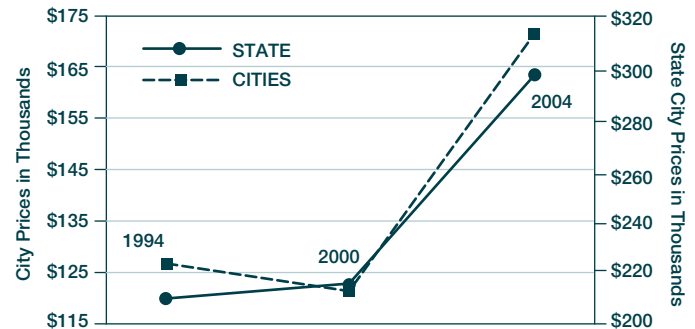
### A. Housing Market and Housing Production Trends

*There has been a recent and dramatic turnaround in housing market conditions, particularly in the northern part of the state.* Beginning around 2000, these communities have seen a sharp increase in the amount of development and redevelopment activity, and in the price of both new and existing housing. While real estate prices in the 30 communities declined in constant dollars between 1994 and 2000, they increased by 49% between 2000 and 2004, faster than the state as a whole. The statewide data, however, mask a significant geographic bifurcation within the state. Prices are rising dramatically, triggering major economic changes and pressures in the state's northern communities, but much less so in cities from Trenton south.

The greatest turnarounds have been in some of the most distressed cities, including Asbury Park, Perth Amboy and Newark. While average house prices are still below the statewide average of just over \$300,000 in 2004, they now are well out of the reach of low income—and most moderate income—buyers (See Table 23).

A number of factors may be behind this dramatic change. In recent years, New Jersey—and northern New Jersey in particular—has seen significant economic growth and demographic pressure, while overall housing production has dropped sharply from the highs of the 1960's and 1970's. The extent to which total housing

**FIGURE 4: PRICE TRENDS IN 30 CITIES AND STATEWIDE 1994-2000 AND 2000-2004**



production in New Jersey has dropped, increasing the pressure on the existing stock, is shown in Table 24.

Outward pressure from New York City, where prices have risen to stratospheric levels, as well as continuing immigrant demand, have increased demand at a regional level, at a point in time when conventional suburban sources of housing supply have been diminishing. All of the 'top five' cities are in northern New Jersey, and four of the five are significant immigrant destinations.

In contrast, communities in southern New Jersey have seen significantly less appreciation. *All* of the 10 southern municipalities (from Trenton south) showed less appreciation than the average for the 30 communities, while the three communities out of the 30

**TABLE 23: RATE OF INCREASE IN HOUSE PRICES 2000-2004 - TOP FIVE CITIES**

CITY	AVERAGE HOUSE PRICE CHANGE 1994-2000	AVERAGE HOUSE PRICE CHANGE 2000-2004	AVERAGE HOUSE PRICE 2004
Asbury Park	- 18%	+130%	\$204,157
New Brunswick	- 3%	+ 87%	\$257,765
Perth Amboy	- 5%	+ 75%	\$236,149
Elizabeth	- 3%	+ 65%	\$254,836
Newark	No change	+ 64%	\$213,312

SOURCE: NJ DIVISION OF TAXATION

**TABLE 24: AVERAGE ANNUAL HOUSING PRODUCTION IN NEW JERSEY 1960'S AND 1990'S**

PERIOD	CATEGORY	NUMBER
1960-1969	All housing units	50,000
	Multifamily housing units	23,000
1990-1999	All housing units	24,000
	Multifamily housing units	4,000

*Note: Small differences in definition and coverage exist between the two periods shown.*

SOURCE: NJ DEPARTMENT OF LABOR & INDUSTRY, NJ DEPARTMENT OF COMMUNITY AFFAIRS

that continued to show a net decline in house price after 2000 (Trenton, Camden and Salem) all are farther from New York than are most communities in the study<sup>12</sup> (See Table 25). Not only has appreciation been less in these southern New Jersey towns and cities, but the absolute value of houses is far less. Average prices are still well below replacement cost, or the cost of constructing a modest new home. *From a housing market perspective, there are two New Jerseys: the average price of a house of similar character in a northern city is three to four times that of a house in the south.*

The rediscovery of urban areas by the suburban middle-class—what is generally characterized as gentrification—appears to have had less impact in most of the 30 cities than in some other parts of the United States, or in a small number of New Jersey cities, including more affluent older cities such as Hoboken or Red Bank. Few of the 30 cities offer the urban amenities sought by such households. The major exceptions are Jersey City, which began its transformation well before 1990, Asbury Park, a destination for members of New York's gay community, and New Brunswick, which benefits from the presence of Rutgers University.

Of all 30 communities, only in Asbury Park have non-Latino white homebuyers been moving into the community at rates substantially greater than the percentage of non-Latino white homeowners in the existing population.<sup>13</sup> In nearly every community, however, the percentage of Latino homebuyers moving into the community exceeded the Latino share of homeowners in the existing population, often by significant margins. By contrast, the share of African-American homebuyers moving into the community was consistently smaller than their share in the existing population. This raises the troubling possibility of a significant decline in African-American home ownership in the future in many of these cities (See Table 26).

Price increases in the existing stock and increased housing production in the state's older communities are closely related. Developers, in many cases frustrated in their efforts to continue building on suburban greenfields, have been showing greater interest in the older cities. This both contributes to, and is reinforced by, the rise in house prices. Building permits issued in the 30 cities, both in absolute numbers and as a percentage of the statewide total,

**TABLE 25: RATE OF INCREASE IN HOUSE PRICES 2000-2004 - BOTTOM FIVE CITIES**

CITY	AVERAGE HOUSE PRICE CHANGE 1994-2000	AVERAGE HOUSE PRICE CHANGE 2000-2004	AVERAGE HOUSE PRICE 2004
Camden	+ 10%	- 10%	\$36,043
Trenton	- 9%	- 7%	\$74,101
Bridgeton	No change	- 3%	\$71,461
Gloucester City	- 4%	No change	\$75,947
Salem	- 7%	+ 4%	\$71,972

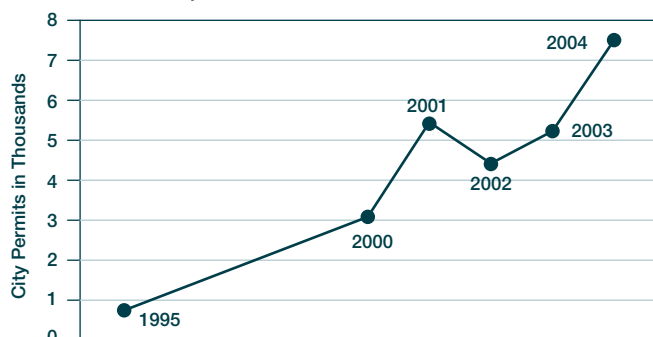
SOURCE: NJ DIVISION OF TAXATION

**TABLE 26: DISTRIBUTION OF HOMEOWNERS (2000) AND NEW HOME BUYERS (2003) BY ETHNICITY, SELECTED CITIES**

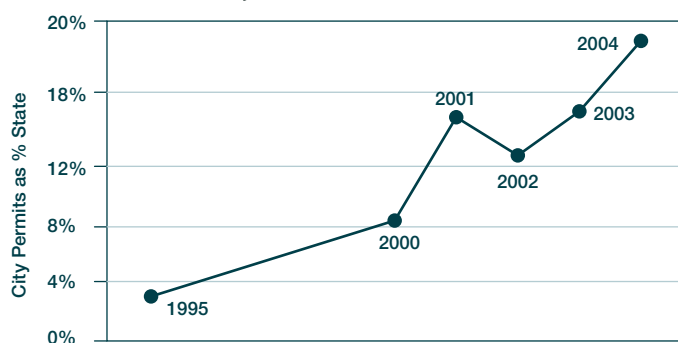
CITY	WHITE NEW BUYERS	OWNERS	AFRICAN-AMERICAN NEW BUYERS	OWNERS	LATINO NEW BUYERS	OWNERS	ASIAN NEW BUYERS	OWNERS
Asbury Park	76.1%	38.0%	12.8%	57.8%	10.1%	1.7%	0.0%	0.4%
Bayonne	55.1	86.5	2.3	2.7	20.7	7.5	13.2	1.8
East Orange	9.7	5.6	74.2	88.3	9.2	2.8	1.1%	0.6
Elizabeth	30.0	48.8	5.2	11.9	58.6	35.8	1.3	2.0
Jersey City	34.9	41.4	12.6	22.7	21.9	16.0	21.0	17.3
New Brunswick	30.5	50.9	12.6	27.9	42.8	17.0	7.2	2.3
Newark	20.6	23.7	39.1	51.9	35.1	20.9	1.5	1.1
Paterson	14.3	29.1	10.8	31.6	67.3	35.9	3.7	1.8
Plainfield	20.7	22.1	41.1	67.5	33.5	8.2	1.3	0.4
Trenton	34.6	44.4	31.6	41.1	28.2	11.7	2.1	0.4

SOURCE: HOME MORTGAGE DISCLOSURE ACT

**FIGURE 5(a): RESIDENTIAL BUILDING PERMITS, 30 CITIES, 1995-2004**



**FIGURE 5(b): BUILDING PERMITS, 30 CITIES AS % STATE, 1995-2004**



have increased dramatically in recent years. While the 30 communities represented only 3% of all building permits issued statewide in 1995, and 12% by 1999, *they issued 19% of all permits, or nearly 1 out of every 5 permits issued in New Jersey in 2004, close to the cities' share of the state's population.*

This trend was far more powerful in the northern counties of New Jersey. There, 29% of building permits were issued in urban areas containing only 24% of the region's population. While this disparity can be attributed in part to the less urban character of the southern part of the state, it also reflects that far more building continues to take place south of Trenton outside of urban areas. This is due to greater availability

of suburban and rural land, as well as lower land costs, and—possibly—less restrictive land use regulations. As a result, southern cities are attracting a far smaller share of their region's overall growth (See Table 27).

A comparison of the last five years with an earlier five-year period for the 30 cities, is useful. In the early 1980's, when Section 8 New Construction funds were still widely available, nearly all production in these cities was subsidized rental housing, and over two-thirds of all production in the 30 cities was in just four municipalities: Atlantic City, Jersey City, New Brunswick and Newark. As a result, when the statewide housing market improved dramatically between 1981-1982 and 1983-1984, the urban share of statewide housing production dropped dramatically, since urban production had no relationship to the market. Today, most housing production in the cities is driven by market forces, and is not affordable to lower income households. It includes two family houses in Newark or Elizabeth selling for \$500,000 or more, and high-rise condominiums in New Brunswick selling for \$1 million or more (See Table 28).

*Not only has the type of new construction changed, but many of the cities have seen a significant change in the composition of the market for existing homes.* This trend that can be observed in Home Mortgage Disclosure Act (HMDA) data on the income distribution of homebuyers. In most of the cities showing significant price increases, the percentage of lower income homebuyers (under 80% of Area Median Income) has dropped, often sharply. In Asbury Park, 60% of 1997 homebuyers were lower income households, but only 38% were in 2003, a drop of more than one-third. At the same time, the percentage of lower income homebuyers actually increased in most southern New Jersey communities, going from 51% in 1997 to 66% in 2003 in Pleasantville, and from 68% to 78% in Gloucester City. The typical new homebuyer in many northern New Jersey communities today is much more affluent than the average household in the community.

**TABLE 27: 30 CITIES' POPULATION SHARE AND BUILDING PERMITS BY REGION, 2004**

	Northern New Jersey Counties	Southern New Jersey Counties
Total building permits	23,542	15,712
Building permits in cities	6,854	580
Cities' share of regional population	24%	14%
Cities' share of total permits	29%	4%

Southern Counties: Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean and Salem.

SOURCE: NEW JERSEY DEPARTMENT OF COMMUNITY AFFAIRS

If this trend continues, the income distribution of these communities may change significantly over the next decade (See Table 29).

Here too, there are significant regional differences between northern and southern New Jersey. While in Asbury Park the median income of new buyers is more than triple that of the existing population, and in other northern cities more than double, in most southern New Jersey cities there is little difference between the income of new buyers and that of the existing population (See Table 30).

## B. Existing Housing Conditions

*The change in urban housing markets is taking place in a setting where housing problems for existing city residents are continuing, and in some cases getting worse.*

Overcrowding—particularly for renters—increased significantly in these communities between 1990 and 2000, while cost burden (spending more than 30% of gross income for shelter), already affecting the overwhelming majority of low income households in 1990, remained largely unchanged. 5 out of 6 renters, and 8 out of 9 homeowners in the 30 communities earning less than \$20,000 were cost burdened in 2000.

*Statewide, the number of households living in overcrowded conditions (more than 1 resident/room), and in severely overcrowded conditions (more than 1.5 residents/room) increased dramatically between 1990 and 2000. The number of renter households in overcrowded conditions went from 81,000 to 116,000, an increase of 44%. The number in severely overcrowded conditions went from 31,000 to 54,000, an*

**TABLE 28: BUILDING PERMITS IN 30 CITIES AND STATE OF NEW JERSEY, 1980-1984 AND 2000-2004**

	2000	2001	2002	2003	2004	2000-2004 total
30 Cities	3130	5,361	4,425	5,225	7,434	25,575
State of NJ	38,065	35,680	34,589	35,171	39,254	182,759
30 cities % of NJ total	8.2%	15.0%	12.8%	14.9%	18.9%	14.0%

	1980	1981	1982	1983	1984	1980-1984 total
30 Cities	2,522	1,980	2,553	2,447	2,391	11,893
State of NJ	22,257	21,293	21,404	36,791	43,925	145,670
30 cities % of NJ total	11.3%	9.3%	11.9%	6.7%	5.4%	8.2%

SOURCE: NJ DEPARTMENT OF LABOR & INDUSTRY, NJ DEPARTMENT OF COMMUNITY AFFAIRS

**TABLE 29: CHANGE IN PERCENTAGE OF LOWER INCOME HOMEBUYERS 1997-2003**

GREATEST INCREASE		GREATEST DECLINE	
Municipality	%	Municipality	%
Pleasantville	+29%	Jersey City	-42%
Irvington	+18%	Elizabeth	-42%
Gloucester City	+15%	Asbury Park	-37%
Phillipsburg	+13%	Harrison	-36%
Orange	+11%	West New York	-33%
Millville	+ 9%	Union City	-25%

SOURCE: HMDA

**TABLE 30: RATIO OF 2003 NEW HOMEBUYER MEDIAN INCOME TO CITY MEDIAN INCOME**

GREATEST INCOME DISPARITY		LEAST INCOME DISPARITY	
Asbury Park	3.29 to 1	Pleasantville	1.06 to 1
West New York	2.66 to 1	Gloucester City	1.11 to 1
Newark	2.49 to 1	Millville	1.14 to 1
Union City	2.48 to 1	Camden	1.15 to 1
Passaic	2.17 to 1	Phillipsburg	1.34 to 1

SOURCE: HMDA DATA (DATA AVAILABLE FOR ONLY 25 OF 30 MUNICIPALITIES)

increase of 75%. In six cities, over 20% of all renters lived in overcrowded conditions in 2000 (See Table 31).

*These trends—increases in overcrowding and continued high cost burden—were going on before the dramatic increase in house prices that began around 2000.*

Anecdotal evidence strongly suggests that these problems have become more severe since 2000, particularly for the majority of low income renters not fortunate enough to have obtained Section 8 vouchers. This assessment is further supported by the fact that, in 2000, housing vacancy rates—for rentals and sales—were already at very low levels. In 2000, the average vacancy rate for properties offered for sale in the 30 communities was only 1.1%, while for properties offered for rent the average was only 5.2%. The rental vacancy rates in most communities were well below the minimum thresholds needed to permit reasonable choice for people in the housing market, and maintain competitive prices.<sup>14</sup> Again, there is a sharp difference between northern and southern cities. While housing markets in north Jersey are extremely tight, vacancy rates were far higher for most communities in the southern part of the state (See Table 32).

A related and problematic trend is the ongoing decline in homeownership in most of the 30 cities. Home ownership rates are generally low in the 30

communities, with only Gloucester City having a homeownership rate greater than the state average. The percentage of owner-occupied units in the 28 cities for which 1990 as well as 2000 data was available, as a whole declined from 42% in 1970 to 38% in 2000, while during the same period, the percentage of owner-occupied units in the state as a whole increased from 61% to 66%. Between 1990 and 2000, the percentage of owner-occupied units in the housing stock declined in 24 of the 28 cities. Double-digit declines happened in a number of cities, including Union City, New Brunswick, Asbury Park, West New York, Irvington and Trenton. This trend, which reflects in part a process by which one- and two-family houses are being bought by absentee owners for investment or speculative purposes, is a potentially serious threat to the stability of many urban neighborhoods (See Table 33).

Housing burdens for lower income households are somewhat mitigated in many older New Jersey cities by a substantial inventory of subsidized housing. There are over 90,000 units, making up 14% or one of every seven housing units in the 30 communities. The size of this inventory, however, ranges from a high of 29% in Atlantic City to a low of barely 1% in Mount Holly<sup>15</sup> (See Table 34). While this represents a substantial pool of housing units, much of them—particularly older Section 236 and Section 8 new construction or

**TABLE 31: CITIES WITH MOST SEVERE RENTER OVERCROWDING PROBLEM**

City	% overcrowded	% severely overcrowded
Passaic	28.6%	13.9%
Union City	25.2	12.4
New Brunswick	23.3	13.9
Perth Amboy	23.2	9.9
Plainfield	22.2	10.1
Camden	20.0	10.1

SOURCE: 2000 CENSUS

**TABLE 32: RENTAL VACANCY RATES**

HIGHEST QUINTILE		LOWEST QUINTILE	
City	Rate	City	Rate
Harrison	1.4%	Gloucester City	10.2%
Passaic	1.9	Salem	9.9
Union City	2.3	Mount Holly	8.9
North Bergen	2.4	Trenton	8.4
West New York	2.5	Collingswood	8.3
Perth Amboy	2.8	Pleasantville	7.6

SOURCE: 2000 CENSUS

substantial rehabilitation projects—are potentially at risk of being lost in the coming years, as the increase in market values could create powerful incentives for owners to convert their projects to market-rate housing.

The transformation of the residential real estate market in New Jersey’s older distressed communities, however desirable in many respects, arrived at a particularly difficult point for those communities’ less

affluent households. With low vacancy rates, high levels of overcrowding and cost burden already evident in 2000, there is little or no slack in the existing housing market to mitigate the effects of dramatic price increases on the housing conditions of lower income households. All evidence suggests that the trend since 2000 has been the further severe erosion of the housing conditions of that population.

**TABLE 33: HOMEOWNERSHIP RATES AND TRENDS 1990-2000**

HIGHEST QUINTILE			LOWEST QUINTILE		
CITY	Homeownership Rate 2000	Change 1990-2000	CITY	Homeownership Rate 2000	Change 1990-2000
Gloucester City	73%	- 1%	Union City	18%	-18%
Millville	64%	+ 2%	Asbury Park	20%	-17%
Phillipsburg	57%	- 4%	West New York	20%	-13%
Pleasantville	56%	No change	Newark	24%	+ 4%
Collingswood	55%	+ 2%	New Brunswick	26%	-18%
Keansburg	53%	-10%	Orange	26%	- 7%

SOURCE: 1990 AND 2000 CENSUS

**TABLE 34: COMMUNITIES WITH HIGHEST AND LOWEST SHARE OF SUBSIDIZED AFFORDABLE HOUSING.**

HIGHEST QUINTILE		LOWEST QUINTILE	
Municipality	% subsidized affordable housing	Municipality	% subsidized affordable housing
Atlantic City	29%	Mount Holly	1%
Salem	26%	Collingswood	1%
Newark	22%	Garfield	4%
Bridgeton	20%	Gloucester City	5%
Asbury Park	19%	Union City	5%
Trenton	19%	Harrison	5%

SOURCE: NJ DEPARTMENT OF COMMUNITY AFFAIRS

## 5. Drawing Policy Implications

---

The overall thrust of the data presented in the preceding sections shows a pattern with two sharply divergent trends.

- The cities as *physical or fiscal entities* are showing *notable improvement*, although serious questions exist about how much of that improvement reflects structural or sustainable change, rather than short-term, cyclic phenomena.
- Many, perhaps most, of their residents continue to suffer from severe social and economic disadvantages, many of which are becoming worse rather than improving.<sup>16</sup>

Our analysis of these trends leads us to draw the following policy implications:

### Demographic and Social Issues

- Immigration is dramatically changing the face of many of New Jersey's older cities, particularly in the northeastern part of the state. Thousands of new arrivals, particularly from Latin America, represent a major challenge and opportunity for the existing governmental, civic and service framework of our cities. *Rapid ethnic change and the arrival of newcomers requires a serious effort to ensure that new residents are integrated into the fabric of existing communities, and that bridges are built connecting the many separate ethnic and racial communities that make up New Jersey's cities. All strategies that must be pursued in our cities over the coming years—on education, job creation, business development, housing and other areas— must be responsive to the needs and concerns of the state's immigrant communities.*
- The dramatic increase in the number of children and youth in urban areas offers a major challenge for these communities. High levels of single-parent households, coupled with teen births and continued poor educational attainment contribute to locking large numbers of urban young people into a cycle of poverty. *While the need to provide adequate educational and skill-building opportunities is critical, action also is needed to address dysfunctional social environments, provide recreational opportunities and discourage criminal and gang activity.*
- Despite some improvement, public safety continues to be a major problem in many cities. It is a potential deterrent to sustainable revitalization. A cluster of separate trends, including growing youth

populations, increases in prisoner re-entry, and the resurgence of gang activity, make this a pressing concern. *Further improvement is needed, particularly in light of potential demographic trends and other factors that could undo recent progress.*

### Jobs, Workforce and Fiscal Capacity

- While the trend has improved in many of the cities compared to their precipitous job loss during earlier decades, only two of the 30 cities—Jersey City and New Brunswick—are experiencing sustained job growth. Many still are losing jobs. *More effective policies are needed for greater job and business growth in older communities, by drawing in new employers, fostering emerging locally-based entrepreneurs, and helping existing firms to grow while remaining in their community.*
- Few local residents benefit from job opportunities within their communities, and are forced to commute ever-increasing distances to work. For low-wage workers, long commutes impose great hardship, particularly in the absence of transit systems oriented to reverse commuting. *Policies are needed to maximize existing job opportunities within their communities for residents; at the same time, recognizing that many of the cities will continue to be net exporters of jobs, affordable access to suburban jobs for urban works is a critical concern.*
- Low educational attainment and limited skill levels on the part of the urban work force further constrain their ability to compete for jobs—particularly in northern New Jersey, where new jobs tend to require high skill and educational levels—and to benefit from economic growth or market improvement in their own communities. *Increasing educational and skill levels of urban adult populations so they can effectively compete in an increasingly high-tech workplace must be a major focus of education and workforce development policies.*
- While there has been some improvement in the fiscal condition of many cities, in most cases it is a function of two potentially unsustainable factors: significant increases in state aid in recent years, especially to *Abbott* school districts; and the rapid rise in residential property values. Despite these changes, cities are still financially constrained, with many municipal budgets still suffering from built-in structural deficits. *Policies are needed to provide a*

---

*stable long-term financial foundation to support high-quality municipal services without undue fiscal burdens on the taxpayers of older municipalities. This is unlikely to happen without comprehensive statewide tax reform, reducing dependence on the property tax and eliminating the nexus between tax rateables and development decisions.*

## Housing and Redevelopment

- It is uncertain to what extent the increase in house prices is linked to improvement in cities' quality of life and demand from stable, potentially long-term homebuyers, or is the product of supply shortages, investment by absentee buyers, or speculative activity. The economic health of the cities, and that of the state as a whole, will be strongly affected by whether this increase turns out to be sustainable, or a short-lived boom. *Policies are needed to build sustainable real estate demand, including raising homeownership rates and using housing demand to build strong neighborhoods and improve the quality of life for all residents, rather than fostering speculative pressures that could potentially lead to future neighborhood destabilization.*
- The North and South New Jersey real estate markets are very different. While some northern New Jersey cities may be seeing house prices increase without public intervention to levels that are high enough to motivate private developers to build, the same is not true in many southern New Jersey cities, where prices remain below replacement cost and appreciation is inconsistent at best. *Targeted strategies must be devised for cities such as Camden, Salem and Bridgeton to build their markets while ensuring that these cities' lower income populations benefit from enhanced market strength.*
- Housing conditions for lower income households in New Jersey's cities are poor, and were getting worse in many important respects even before the largely post-2000 surge in house prices. Houses that were affordable to low- or moderate-income households only a few years ago are no longer. While increased economic and racial diversity in the cities should be encouraged, it should not take place at the price of forcing out lower income households. *Policies are needed to preserve existing affordable housing, replace that which is lost, and ensure that new affordable housing continues to be built, making certain that a*

*significant portion of that housing reaches people of low and very low income, who suffer from the greatest cost burdens and other housing problems.*

Changing market conditions in New Jersey's northern cities such as Jersey City, Passaic and Elizabeth create both opportunities and challenges for state and local decision makers and practitioners. Increased private investment in these cities, if properly planned for and managed, can harness the power of the marketplace to improve the quality of life for everyone who lives there. Failure to ensure that market activity lays the groundwork for long-term prosperity for all may mean that change in New Jersey's cities will be neither sustainable nor equitable. At the same time, fundamentally different strategies are needed to foster investment and bring about much-needed economic growth in southern cities such as Camden, Bridgeton and Salem. In those cities, strategies are needed to make possible sustainable and equitable market-driven growth in communities that are falling behind the rest of the state. These are the central challenges facing New Jersey's older struggling communities. The manner in which they are addressed will affect not only those cities, but the long-term economic and social health of the entire state.

In many respects, New Jersey's cities are in better shape than they were, but their residents are doing worse. While new development brings jobs and housing, residents cannot afford the new housing, and can rarely qualify for the new jobs. As New Jersey addresses the concerns of its older communities, two overarching policy goals are paramount. One is to ensure that the recent economic improvements in these towns and cities become the basis for sustainable growth and revitalization. The other is to ensure that revitalization of our towns and cities takes place in ways that truly benefit the residents of these communities, with respect to their economic opportunities and quality of life. The two are closely intertwined. Cities are not isolated, self-contained economic and social entities, but parts of larger, interdependent regions. Unless the benefits of growth can be more equitably distributed, and concentrations of poverty diminished by creating greater housing, educational and economic opportunities throughout New Jersey, it is hard to imagine how truly sustainable growth will be possible. Achieving these policy goals is important not only for the well-being of these cities, but for the quality of life and competitiveness of the state as a whole.

# Appendix

	<b>2005 TOTAL POPULATION</b>	<b>2000 POPULATION PER SQ. MI.</b>	<b>2000 % OF POP. BLACK OR AFRICAN AMERICAN</b>	<b>2000 % OF POP. HISPANIC OR LATINO</b>	<b>1999 MEDIAN HOUSEHOLD INCOME/ NJ MEDIAN</b>	<b>2003 PER CAPITA PROPERTY TAX BASE</b>
Asbury Park city	16,624	11,842	60%	16%	42%	36,469
Atlantic City city	40,368	3,570	42%	25%	49%	220,729
Bayonne city	59,987	10,992	5%	18%	75%	57,229
Bridgeton city	23,959	3,660	41%	24%	49%	17,318
Camden city	80,010	9,057	50%	39%	42%	12,944
City of Orange township	32,118	14,904	74%	12%	65%	29,047
Collingswood borough	14,083	7,835	6%	6%	78%	38,973
East Orange city	68,190	17,777	88%	5%	59%	23,534
Elizabeth city	125,809	9,866	19%	49%	64%	40,698
Garfield city	29,772	13,976	3%	20%	78%	56,775
Gloucester City city	11,582	5,214	1 %	2%	67%	34,679
Harrison town	14,060	11,811	1%	37%	75%	53,079
Irvington township	58,876	20,528	80%	8%	66%	25,436
Jersey City city	239,614	16,094	27%	28%	69%	42,778
Keansburg borough	10,619	9,954	2%	8%	66%	39,281
Millville city	27,886	634	14%	11%	73%	35,767
Mount Holly township	10,666	3,751	21%	9%	78%	39,046
New Brunswick city	50,156	9,294	21%	39%	65%	40,568
Newark city	280,666	11,495	52%	29%	49%	36,138
North Bergen township	57,691	11,180	2%	57%	74%	56,334
Passaic city	68,338	21,805	12%	62%	61%	28,078
Paterson city	149,843	17,675	31%	50%	59%	28,406
Perth Amboy city	48,797	9,892	8%	70%	68%	41,634
Phillipsburg town	14,920	4,704	3%	5%	68%	42,208
Plainfield city	47,642	7,922	60%	25%	85%	40,000
Pleasantville city	19,032	3,291	56%	22%	67%	33,167
Salem city	5,812	2,244	56%	5%	47%	24,920
Trenton city	84,639	11,154	51%	22%	56%	22,749
Union City city	65,128	52,978	1%	82%	56%	29,214
West New York town	46,667	44,995	1 %	79%	58%	29,960
New Jersey	8,717,925	1,134	13%	13%	100%	



# Endnotes

---

<sup>1</sup> Given New Jersey's peculiar municipal nomenclature, these communities may officially be known as cities, boroughs, towns or townships. When we use the term 'city' in this report, the use is descriptive, and is without reference to their legal status.

<sup>2</sup> The 30 cities were selected through a series of screens. The initial screen was conducted on the basis of five criteria: (1) population over 10,000; (2) population density in highest quartile of New Jersey municipalities; (3) per capita tax base in lowest quartile of New Jersey municipalities; (4) median income 80% or less of statewide median; i.e., 50%+ of households low and moderate income; and (5) median age of housing stock equal to or greater than statewide median. That screen yielded 23 cities. Six cities with significant urban distress features, but which failed to meet all five criteria, were added: Atlantic City, Bridgeton, Millville, Mount Holly, Pleasantville and Plainfield. In addition, although its population was under 10,000, Salem was added, since it showed particularly pronounced urban and distress levels on the remaining criteria. The five comparison cities were selected from the pool of those cities that met the population, density and age criteria, but had significantly higher household incomes and property tax rateable bases.

<sup>3</sup> The intercensal population estimates from the US Bureau of the Census suggest that the 30 communities continued to add population between 2000 and 2004, but at a much lower rate, with an increase for the 30 communities as a whole of less than 1%. This is surprising, in light of the increased housing production in these cities since 2000.

<sup>4</sup> A quintile is 1/5 or 20% of a population. Each population is divided, therefore, into five quintiles. The first, or highest, quintile refers in this case to those 6 communities (1/5 of 30 communities) with the highest score on that particular variable; the fifth, or lowest, are those 6 communities with the lowest score on the same variable. This is a very useful way of illustrating how groups of cities cluster around particular variables.

<sup>5</sup> At the time this report went to publication, 2005 data was available only for cities over 100,000 population.

<sup>6</sup> A valuable report on this issue has been published by the Urban Institute: Jeremy Travis, Sinead Keegan and Eric Cadora, *A Portrait of Prisoner Re-entry in New Jersey*. It is available on the Institute's web site, [www.urban.org](http://www.urban.org). The report provided municipal data only for Essex and Camden counties.

<sup>7</sup> This should be qualified by the pattern in Atlantic City, where substantial numbers of lower income households who lived in Atlantic City before the casinos appear to have benefited from the job opportunities created, but who then moved out of Atlantic City to other housing on the mainland.

<sup>8</sup> One city of which this is likely to be true is Asbury Park, where home prices have more than doubled since 2000, and the median income of new home buyers in 2003 was \$76,000, or nearly 3 times the 2000 median income in the city.

<sup>9</sup> 1990 data was not available for Orange.

<sup>10</sup> In 2000 the United States population was 281,432,000 and the employed workforce was 136,485,000 for a ratio of 2.06 to 1.

<sup>11</sup> Equalized value, or equalized tax rates, refer to the assessed value, or actual tax rate, adjusted for the ratio between the assessment and the estimated current market value. Since there is often a substantial disparity between assessment and market value in many communities, the equalization adjustment, which is made annually by county tax boards, is necessary to permit comparison of values and tax rates between municipalities.

<sup>12</sup> There is anecdotal evidence to suggest that prices may be rising in Trenton. Although it is difficult to track current prices in Trenton, because the city is made up of a number of zip codes which also include surrounding suburban areas, a review of current prices for properties within the city in two zip codes showed a median asking price of \$103,500 in zip code 08618 and \$88,000 in zip code 08609, an area that contains some of the city's poorest neighborhoods, compared to an average selling price of \$74,100 in 2004. [www.realtor.com](http://www.realtor.com) accessed 3.11.06.

<sup>13</sup> The percentage of white buyers exceed their share of existing homeowners in East Orange as well, but because of the small size of the base population and the numbers involved, we would not characterize the increase as substantial.

<sup>14</sup> While there is no official definition of what constitutes a healthy, or a minimally acceptable, vacancy rate, there is an informal consensus that for owner-occupied housing, a healthy vacancy rate would be around 2%, and the minimally acceptable threshold around 1.5%. For rental housing, a healthy vacancy rate might be around 8%, with a minimally acceptable threshold around 5%.

<sup>15</sup> Mount Holly Township, moreover, is pursuing a redevelopment project that would eliminate some 300 units that, although not subsidized with public funds, are affordable to lower income households, and which represent roughly 7% of the township's total housing stock.

<sup>16</sup> A limitation of the data presented in this report must be noted. Much of the data that informs us about a city's physical or fiscal condition, such as building permits, house prices, or tax rates, is available through 2004; indeed, as we have stressed, many important changes have emerged only in the past four or five years, and were not apparent prior to 2000. By contrast, much of the social and economic data, as well as information on residents' housing conditions, comes from the decennial census. The most recent census, of course, dates from 2000. The older data, however, is still useful. Social and economic indicators such as poverty rates or educational levels reflect long-term trends, which change slowly, and not necessarily in directions suggested by market data. Furthermore, the 2000 data forms a solid baseline from which one can draw sound inferences about the effects of post-2000 economic changes on the resident population. By looking at data on housing cost burden in 2000, one can assess the impact of post-2000 cost increases, while data on the share of local jobs held by local residents in 2000 can be used to estimate the effects of post-2000 job growth or decline.

# About the Network

---

The Network is a statewide association of more than 250 affordable housing and community development corporations, individuals and other organizations engaged in creating affordable housing and economic opportunities and building strong communities throughout New Jersey. The Network believes that community development should engage residents fully in the building and rebuilding of their communities, and that community-based non-profit development corporations are an essential part of that process. The Network and its members share a commitment to promoting social and economic justice, to the empowerment of low-income individuals and communities, and to encouraging and facilitating wider participation in the framing and implementation of public policies. Access to safe and decent shelter for low- and moderate-income residents should be a priority for all communities in New Jersey.

The mission of the Housing and Community Development Network of New Jersey is to enhance the ability of members to create and preserve long-term

affordable housing and build strong communities in New Jersey through:

- ▶ **Networking and Support Services** — Provide a forum for the exchange of information and mutual support activities, and keep members up-to-date on the latest developments within the state and in the housing and community development field.
- ▶ **Capacity Building and Resource Development** — Provide training and technical assistance to build the organizational and production capacity of non-profit housing and community development corporations and work to increase resources for their efforts.
- ▶ **Education and Public Policy Advocacy** — Increase public awareness of non-profit housing and community development corporations as important vehicles in meeting the needs of lower-income neighborhoods and residents, and work in coalition with other groups to advocate for more effective public policies and programs to meet those needs.

Housing and  
Community Development  
**Network** of New Jersey



145 W. Hanover Street • Trenton, NJ 08618  
P (609) 393-3752 • F (609) 393-9016 • [www.hcdnnj.org](http://www.hcdnnj.org)





