Housing the Vulnerable in Mercer County

August, 2008

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in Mercer County

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Acknowledgements

Executive Summary: Housing the Vulnerable in Mercer County
A report by the Mercer Alliance to End Homelessness
September, 2008

The report, *Housing the Vulnerable in Mercer County,* provides an estimate of how much housing needs to be available to address the needs of cost-burdened households, those paying more than 30% of their income for housing. The report estimates that need to be close to **19,000 housing units** for those who earn up to 80% of the area's median household income (MHI) and another 5,000 units for households that earn up to 110% of the MHI.

These vulnerable households are found in every income group and in every town in Mercer County. The report identifies **49,366 households in Mercer County who are cost-burdened** (39% of all households). It also shows that as housing prices and rents rose in Mercer County; **dramatically fewer units were available for incomes up to 110% of median household income**. From 2002 to 2006 on average 1,195 rental units a year became unaffordable for those earning up to 80% of median household income. In contrast, Mercer has gained 8,514 owner occupied units per year affordable to the incomes over 110% of median household income. Housing affordability problems have begun to creep upward, increasingly affecting households that are considered middle class.

In addition, **the report provides for the first time an estimate of the future demand for housing in these income groups**. This estimate is based on the projected income of new workers coming into the County by 2018 – 77% of which are expected to make up to 110% of Mercer County's MHI[1] (52% of new jobs will make up to 80% MHI).

Findings: Adding together the pent-up demand and the needs of new households through 2018, the report estimates the need to be close to **19,000 housing units** for those making up to 80% of the MHI. If the needs of a greater portion of the workforce were to be considered – households that make up to 110% of the MHI – the Project estimates the need to be close to **24,000 units**.

This estimate of the need for housing affordability in Mercer County now and in the future is much higher than the number issued in 2008 by New Jersey's Council on Affordable Housing (COAH) – about **12,000** units by 2018. The methodology used to estimate the need by the two groups is completely different. COAH, for example, does

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[1] The report uses as $65,305 as the 2006 Median Household Income (MHI) for Mercer County estimated by the **American Community Survey** of the US Census Bureau: 30% of the County MHI is $19,591.50; 50% of the County MHI is $32,652.20; 80% of the County MHI is $52,244; and 110% of the County MHI is $71,835.50. The report also uses the **2007 NJ Department of Labor Mercer County OES Wage Survey** figures to estimate the occupations that fall within each income group and **NJDOL's 2014 Estimated and Projected Employment by Occupation** to estimate the number of new jobs (32,660 - an added 14%) by 2018.

not consider the pent-up demand for housing the cost-burdened in their calculations, nor does it use an estimate of the income of future wage-earners to project future need for housing the workforce. The *Housing the Vulnerable Report,* on the other hand, does not count the amount of housing in need of rehabilitation inhabited by low and moderate income households as COAH does. If it did so, it would add almost 2000 more units to the report's estimates.

Further Findings:

1. Of all households in Mercer County, **49,366 (39%) were cost-burdened** in 2006, 62% of which were homeowners.

2. This total number of cost-burdened makes up almost **50% of all renters** and **35% of all homeowners**.

3. There are 21,968 households spending more than 50% of their income on housing, making up **25% of all renters** and **14% of all home owners.**

4. The overall gap is this: there are **57,612 units** affordable to those making up to 110% of the MHI, and there are **71,689 households** with incomes that make up to 110% (about $72,000) of the MHI.

5. As the price of housing goes up, the County loses what affordable housing it has. From **2002 to 2006 the County lost 1,915 rental units** on average per year of housing that had originally been affordable to households making up to 80% of MHI. In the same time period, it lost **4,764 owner occupied units** per year affordable to the same group. (875 rentals, 6733 owner occupied units lost to households making up to 110%)

6. Of Mercer County's 32,660 projected new jobs, **25,100 (77%)** of the workers will make up to 110% of the median income (17,090 - 52% of new jobs will make up to 80% MHI).

Other problems exacerbating the need for affordable housing:

7. The amount of jobs in the region is increasing faster than the housing. In 1980, the region had almost as many jobs as houses – the ratio was 1.1 jobs to every house. By 2000, it had almost two jobs to every house – 1.8 jobs to 1 house. The lack of supply causes housing to become even more costly, and creates transportation problems for workers.

8. Excessive reliance on property taxes to fund public schools and municipal service costs, plus local fear of public school costs associated with family housing that makes towns reluctant to zone for some, but not all, housing types.

Summary Table

Jobs and Housing Data by Income Group	80% of MHI	Up to 110% of MHI
Number of New Jobs by 2018	17,090	25,100
Percent of New Jobs by 2018	52%	77%
2018 Demand of Housing Units	18,980	23,854
Avg. Affordable Units Lost per Year - Rentals	1,915	875
Avg. Affordable Units Lost per Year - Owners	4,764	6,733
Deficit of Units matched by affordability and income levels - 2006	2,266	11,979

See Appendices for source data

Recommendations for further work: The main focus of the report was to produce the estimates of need. It does, however, outline some suggestions as to areas in need of further exploration:

1. While the project looked at existing zoning, it did not look at potential changes to zoning. The extent to which zoning in Mercer County can be modified in order to address the target numbers should be explored.

2. The role of land trusts, prefabricated building components and other innovations to lower the cost of housing in high cost areas should be considered.

3. It will be important to identify which existing laws and regulations either speed or impede the production of affordable housing and to make recommendations accordingly.

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Introduction

The unfortunate truth is that there are many households in Mercer County vulnerable to becoming homeless because they pay far too much for housing. Spending no more than 30% of household income on housing has been the benchmark for affordability for decades. If households pay more, they are considered "cost-burdened." If there is a precipitous loss of a wage-earner's income – due to illness, unemployment or divorce – these precarious households may end up homeless.

More housing within the price range of most household incomes would provide Mercer County with an enhanced safety net. Toward this goal, Mercer Alliance to End Homelessness commissioned PlanSmart NJ to estimate how many new units should be made available to households who make up to 80% and up to 110% of the County's Median Household Income (MHI) by 2018.

The Problem

The need and demand for a mixture of housing stock that is habitable, clean and safe at various income levels can not be overstated. Increasing the stock of available housing is vital because New Jersey's economy depends on its workforce, at all income levels. The overwhelming majority of workers in the county earn less than 110% of the area's MHI.

When there is little housing available, workers must seek it wherever they can find it, whether it is far away, out of state, or in communities already suffering from concentrated poverty.

If the housing is far away from jobs, it poses a transportation problem. Traffic congestion along major arteries causes pressure for costly expansions. This is particularly dysfunctional when both jobs and housing are in low-density suburban areas, which are difficult to serve with public transportation.

If workers move to Pennsylvania to find housing, there is the danger of the jobs leaving New Jersey to follow the workers. The 2000 Census already showed the beginning of such a trend – although it is still true that a large number of Bucks County residents hold jobs in Mercer County, for the first time there is evidence of a number of Mercer County residents holding jobs in Bucks County. The jobs are indeed following the workers.

Sometimes, the only places where workers can afford to live are areas where there is already concentrated poverty. More than any other single factor, concentrated poverty is associated with failing schools, high crime rates and limited resources to provide public services and community amenities. Efforts to revitalize these communities will continue to be extremely difficult as long as most of the region's economic wealth lies outside these communities' boundaries.

The only solution is providing more housing affordable to a broad range of income groups in every community. For those communities that currently have job opportunities, good schools and safe neighborhoods, the need for affordable housing is now.

Options for producing more housing include changes in planning, zoning and other regulations; subsidies and other incentives; land trusts, buy-downs and other public techniques; public/private partnerships and other collaborative efforts, and many others. An exploration of the merits of these options, however, was outside the parameters of this project.

The Project

The purpose of the Housing the Vulnerable Project was to set a target to make more housing available in Mercer County to ease the pent-up demand of those who are already cost-burdened, as well as to provide enough units to meet the increase in the number of workers and their households in the future.

The project examined the relationship between workers, household incomes and the availability of housing at various values in Mercer County. It looked at these variables in terms of present conditions and future needs.

The year 2018 was selected as the planning horizon date, because it was the date used by New Jersey's Council on Affordable Housing's (COAH) Growth Share calculations for Mercer County. Although it was clear that the methodologies used by COAH and the Project Team would be very different, it was decided that being able to make qualified comparisons in the size of the two targets would be of interest.

The Project defined a housing unit as "affordable" if it would consume no more than 30 percent of following targeted income groups for contract rent and mortgages:
- Up to 30% of Median Household Income (MHI)
- 31% to 50% of MHI
- 51% to 80% of MHI
- 81% to 110% of MHI
- Above 110% of MHI.

(See Appendix 3, Methodology, Table 1)

Data Sources and Methodology

<u>Determining the Projected 2018 Housing Demand per Income Group:</u>[1] After establishing the income groupings drawn from the U.S. Census Bureau's **2006 American Community Survey's Median Household Income for Mercer County, NJ,** we clustered occupations in Mercer County into the income groupings based on the average salary reported by the **NJ Dept of Labor and Workforce Development's Occupational and Employment Statistics Wage Survey - Mercer County August 2007.**

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[1] For more details on the explanations made in this section, see Appendixes.

We then used **NJ Dept of Labor and Workforce Development's Estimated and Projected Employment by Occupation, Mercer County 2004-2014** to get the average annual growth and the projected number of jobs per occupation.

In order to calculate the growth increment from 2006 to our planning horizon year of 2018, we used the average annual job opening from 2004 to project to 2006 and from 2014 to project to 2018 (See Appendix 1, Table 1).

In order to determine the number of affordable units needed to house the holders of the new jobs, we applied a 'jobs-within-household' rate to estimate the number of units needed per household income group to support the expected growth. An additional 5% was added to reflect a vacancy rate considered by realtors to be the rate in a healthy housing market. A healthy vacancy rate on a diverse housing stock allows opportunities for households to move into housing that better matches their income.

Again drawn from the 2006 American Community Survey, we estimated the expected affordability of units that would most likely be available over the coming 12-year span for each income group. By looking at housing values over the past 5 years (2002-2006 inclusive), we were able to calculate the '**Average Yearly Change**' per income group.

Based upon this research, we were able to determine the '**Unsatisfied Demand for Housing Over the Next 12 Years**' per income group (See Appendix 1, Table 2).

Determining the Current Demand of Housing Units to Help Meet the Needs of the Cost-burdened: .To examine the current housing need of the cost-burdened, the Team began by investigating incomes associated with current jobs in Mercer County.

Using **NJ Dept of Labor and Workforce Development's Occupational and Employment Statistics Wage Survey - Mercer County August 2007,** we determined the number of jobs in each income group. Multiplying that number by the 'jobs-within-household' ratio, adding a 5% healthy vacancy rate, we were able to calculate the optimum number of current housing units needed per income group.

To calculate the 'pent-up' demand, we subtracted the existing occupied stock affordable per income group from the optimum number of current housing units per income group. Applying the applicable percentage of overall cost-burdened households per income group, we were able to determine the number of units from the 'pent-up' demand that are needed by cost- burdened households (See Appendix 1, Table 3).

Adding this demand for housing units by the cost-burdened to the number of units needed to support the job increment from 2006 to 2018, we were able to calculate the '**Total Units Needed'** per income group for Mercer County (See Appendix 1, Table 3).

NOTE: A number of different factors were not included in the methodology, primarily because of data issues, that could have increased or decreased the estimate, such as:

1. The number of units in need of rehabilitation was not considered, nor was the number of overcrowded units.
2. An extensive analysis of the mismatch between the income of households and the value of the homes in Mercer was not undertaken.
3. We assumed as part of the future need that **all the future workers expecting to earn up to 80% and up to 110% of the MHI** should have housing affordable to them within Mercer County. (See Appendix 2, Table 2 and Table 3; Appendix 3, Methodology). We could have assumed only a portion of those who will work in Mercer County will also live there.
4. Those who currently work in Mercer and would possibly like to live in Mercer were not considered.
5. We did not consider targets to improve the economy (more jobs, different kinds of jobs with different pay scales).
6. We did not consider targets to improve the current jobs-to-housing ratio, which is already high by market standards.

To compare the Project team's estimate of the need for affordable housing in Mercer County to that of the official municipal targets issued by New Jersey's Council on Affordable Housing (COAH), which is only about **12,000** units by 2018, a number of caveats, in addition to those listed above, must be considered:

1. COAH's number includes an estimate of the number of units that need to be rehabilitated and are housing households with incomes up to 80% of the MHI. **If the Project's number of 19,000 units were to include the need for rehabilitation, it would increase the number by almost 1800 units**.

2. COAH's estimate for the present need does not include any estimate of the cost-burdened – those spending more than 30% of their household incomes on housing. It was for this reason that the Project was commissioned.

3. COAH's target includes prior obligation numbers and a "growth share projection," which follows a completely different methodology from the projection of need used by the 'Housing the Vulnerable' Project.

Current Cost-Burdened Households and the Associated Housing Demand

Graph 1 show that in 2006 there was a serious mismatch in respect to unit affordability and household income. The market has produced an over-abundance of units available at the higher income level while it has not met the needs for housing at the extremely low income level.

This deficit amounts to almost 2,266 units affordable to households up to 80% of the MHI and 11,979 units affordable to households of up to 110% of MHI. This deficit is what has caused such a large segment of cost-burdened households in Mercer County.

Graph 1

Units for Renters and Owners in Mercer County, NJ
matched by affordability and income levels
(2006)
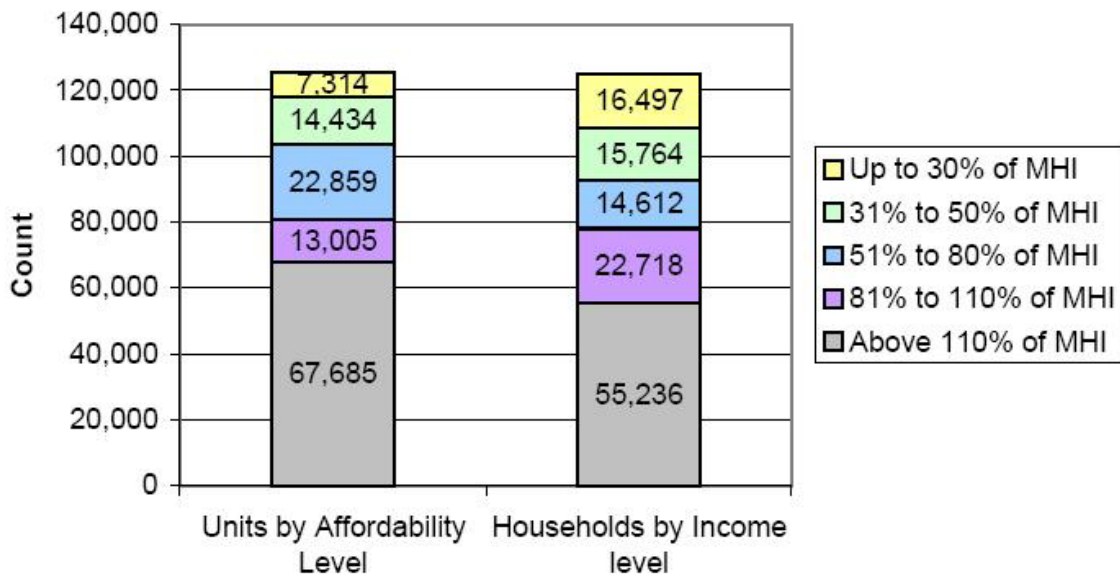
In Mercer County, 39% of all households were cost-burdened in the year 2006 according to the U.S. Census - American Community Survey (See Graph 2). Also, according to our analysis of the 2000 U.S. Census, cost-burdened households were found in every municipality in Mercer County (See Appendix 2, Cost-Burdened Households Map).

Graph 2

Cost Burdened Households by Tenure
2006

61%   39%

24%

15%

☐ Others ☐ Cost Burdened ☐ Owners ☐ Renters
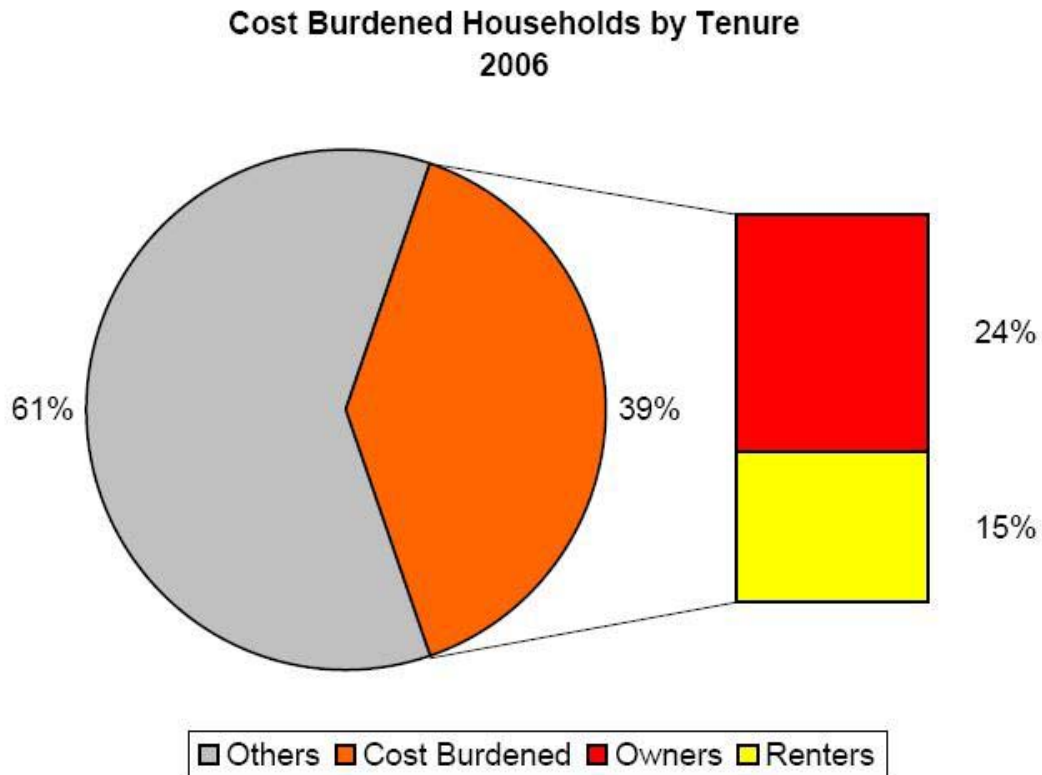
Of that 39% cost-burdened, which represents 49,366 households, 62% (30,466 households) were homeowners.

When looking only at homeowner households, 35% of all homeowners were cost-burdened. There were a fairly evenly distributed percentage of cost-burdened homeowner households per income group, ranging from 6% to 10% per income group.

Cost-burdened renters comprise 50% of all renters. Amongst renters, the cost-burdened households weighed heavily on the lower income groups with almost half making up to only 30% of the MHI.

When looking at cost-burdened households overall, we were able to calculate the percentage that were cost-burdened in 2006 by income group. It was this calculation that determined the number of units needed to satisfy the current cost-burdened as a portion of the 'pent-up' demand (See Appendix 1, Table 3, Lines H and I). This calculation indicates the associated housing demand per income group of the cost-burdened households within each income group.

Projected Job Growth to Year 2018

Mercer County, is expecting an estimated job growth of 32,660 from 2006 to the year 2018. Of this growth, it is projected that 77% of the new jobs will have incomes up to 110% of the median household income (52% of new jobs will have incomes up to 80% MHI). To recall Graph 1, households of this income or below had a deficit of almost 12,000 units available at an affordable price in 2006.

Graph 3
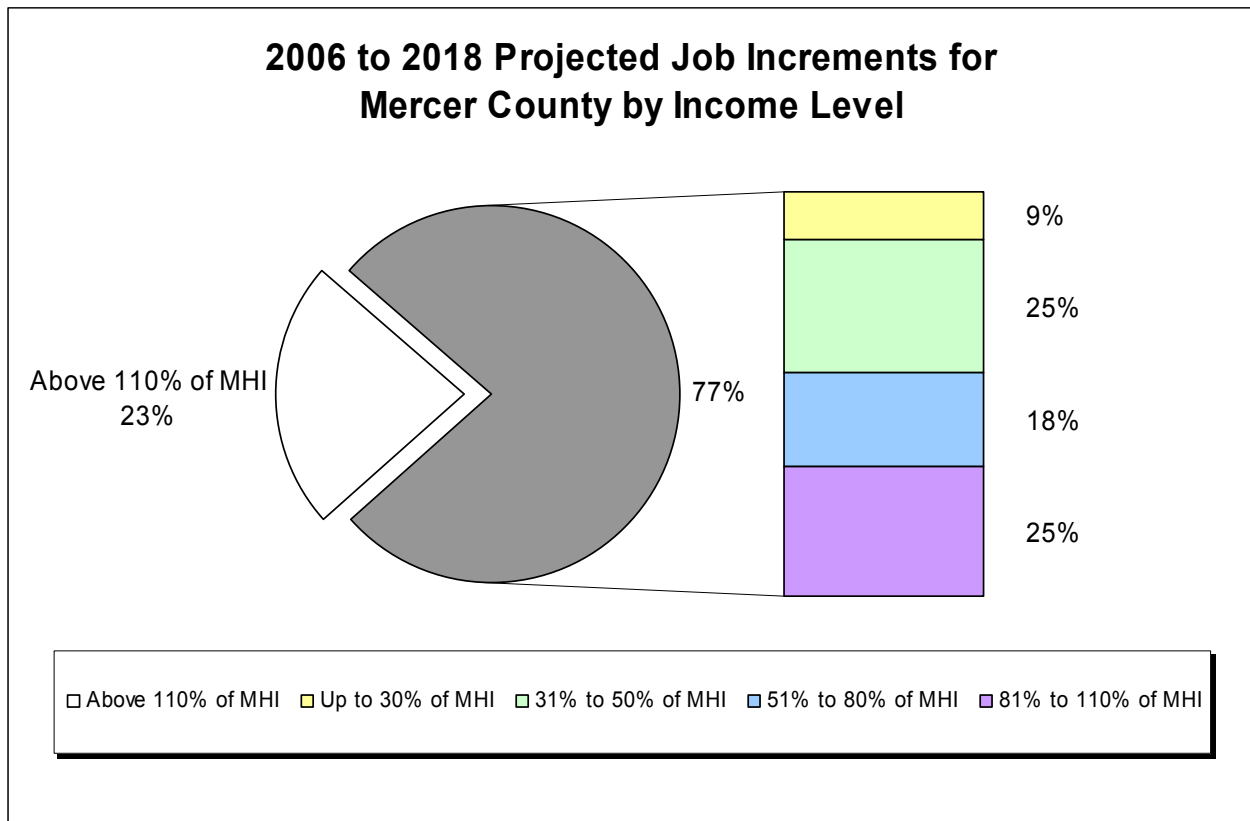
By using the NJ Dept of Labor and Workforce Development's Estimated and Projected Employment by Occupation, Mercer County 2004-2014 "Average Annual Job Opening - Growth field" by occupation, we were able to calculate the increment from our base year to our planning horizon date of 2018.

We used the average annual job opening from 2004 to calculate 2006 and from 2014 to calculate 2018. With no ability to predict income in year 2018 by occupation, we categorized occupations into income groups based on the occupation's average salary at year 2007 in respect to the median income in 2006. Graph 3 summarizes our findings of job growth per income group.

Housing to Accommodate New Job Growth

In order to be able to determine housing for the expected job growth in Mercer County, we calculated the jobs-to-household ratio by first calculating the workers per

household by income group then multiplying it by jobs per worker, which gave us a job-to-household ratio per income group. (See Appendix 1, Table 2, Line B)

Using this ratio and the projected increment of jobs per income group, we were able to calculate the housing units needed to support the expected job growth. An additional 5% of housing units per income group was added to provide a healthy vacancy base.

This calculation resulted in a need of **21,893 units by 2018** (See Appendix 1, Table 2, Line E for a break down per income group). Some of this demand will likely be met in the private market.

Looking at the past five years, 2002 – 2006 inclusively, we calculated the 'average yearly unit increase' per income group. In comparison of 'average yearly unit increase' to 'average yearly job increase' per income group, the above 110% of median household income group experienced an increase of 12.36 units per job per year. Whereas, the 'up to 30%' of median household income group increased by only one fifth of a unit per job per year (See Table A).

Table A

Number of Units Affordable by Income Level by Tenure

RENTAL	Up to 30% of MHI	31% to 50% of MHI	51% to 80% of MHI	81% to 110% of MHI	Above 110% of MHI	Total
2002	4,861	22,077	12,039	1,463	3,536	43,776
2003	4,562	12,067	18,510	4,227	1,207	40,573
2004	6,235	13,764	11,740	7,163	2,274	41,176
2005	5,853	12,580	14,811	3,635	671	37,350
2006	5,888	9,827	15,981	5,526	813	38,035
2007	6,463	6,887	15,872	6,663	(94)	35,770
Avg Yrly Change	360	(3,042)	767	1,040	(726)	(1,601)

Source: U.S. Census, American Community Survey 2006, Occupied Housing Units: Renter occupied (Estimate)
Based on Contract Rent Values; Does Not Include 'No Cash Rent' Units

OWNER	Up to 30% of MHI	31% to 50% of MHI	51% to 80% of MHI	81% to 110% of MHI	Above 110% of MHI	Total
2002	2,652	9,176	20,186	15,241	34,144	81,399
2003	3,743	8,403	10,743	15,347	44,734	82,970
2004	1,301	9,049	10,219	12,112	53,154	85,835
2005	2,276	3,828	11,583	9,247	61,431	88,365
2006	1,426	4,607	6,878	7,479	66,872	87,262
2007	1,104	2,899	4,189	5,398	76,713	90,303
Avg Yrly Change	(310)	(1,255)	(3,199)	(1,969)	8,514	1,781

Source: U.S. Census, American Community Survey 2006, Occupied Housing Units: Owner occupied (Estimate)
Based on Value of Owner Occupied Units

This finding showed that as housing prices and rents rose in Mercer County, ***dramatically fewer units were available for incomes up to 110% of median household income***.

From 2002 to 2006 on average 1,195 rental units a year became unaffordable for those with up to 80% of median household income. In contrast, Mercer has gained 8,514 owner occupied units per year affordable to the incomes over 110% of median household income.

In other words, the market has built for managerial salaries and not a wide range of worker salaries. As housing prices have soared, people of moderate means who used to be able to buy a house Mercer County, can no longer afford to do so. In other words, as houses come on the market, they have a price that is affordable to richer people than those who originally occupied it. This can be considered housing that is ***filtering up*** to wealthier residents.

Mercer County has lost affordability in 4,764 owner occupied units per year for incomes up to 80% of median household income. Owner occupied units affordable to incomes up to 80% of median household income have decreased from 39% of all owner occupied units in 2002 to a mere 15% in 2006 (for respective 'up to 110% MHI' figures see Appendix 3, Methodology, Table 3).

Overall Housing Demand for Year 2018
Based on Job Growth and Cost-burdened

By adding the units needed to alleviate today's cost-burdened households to the number of units needed to support the expected job growth in Mercer County, (See Appendix 1, Table 3, Lines I, J and K) we calculated a need of 23,854 units needed to support the job growth and cost-burdened households within incomes up to 110% of the median household income (18,980 units needed for households with incomes up to 80%).

Recommendations for further work

Although the Advisory Committee only briefly considered the policy recommendations that could be derived from this Project, they did suggest the following as areas to explore further:

1. While the project looked at existing zoning, it did not look at potential changes to zoning. The extent to which zoning in Mercer County can be modified in order to address the target numbers should be explored.
2. The role of land trusts, prefabricated building components and other innovations to lower the cost of housing in high cost areas should be considered.
3. It will be important to identify which existing laws and regulations either speed or impede the production of affordable housing and to make recommendations accordingly.

APPENDIX 1

Table 1

Mercer County

Estimated and Projected Employment by Occupation, 2004-2014

Prepared By: NJ Department of Labor and Workforce Development

Soc Code	Occupation	2004		2014		Change: 2004-2014		Annual Average Job Openings			Increment 2006-2018	2018		Percent Change 2004 - 2018
		Number	Percent	Number	Percent	Number	Percent	Total	Growth	Replace-ments		Number	Percent	
11-0000	Management O	17,250	7.0	19,400	7.1	2,100	12.3	540	210	320	2,570	20,240	xx	17.3
11-1000	Top Executives	3,500	1.4	4,050	1.5	500	14.7	120	50	70	620	4,290	100.0	22.6
11-1011	Chief Executive	450	0.2	500	0.2	50	11.1	10	10	10	70	540	12.6	20.0
11-1021	General and Op	3,000	1.2	3,450	1.3	500	16.2	100	50	60	550	3,650	85.1	21.7
11-1031	Legislators	100	0.0	100	0.0	0	-12.4	0	0	0	0	100	2.3	0.0

Table 2

ESTIMATE OF PROJECTED 2018 HOUSING DEMAND PER INCOME LEVEL - Mercer County, NJ		Up to 30% of MHI	31% to 50% of MHI	51% to 80% of MHI	81% to 110% of MHI	Above 110% of MHI	Total Increment
A. Projected Increase of Jobs per Income Group 2006 -2018 (1)		3,090	8,230	5,770	8,010	7,560	32660
(times)							
B. Average Number of Jobs per Household (2)	/	0.93	1.32	1.66	1.94	2.63	
(equals)							
C. Housing Units Needed to Support Projected Job Growth	=	3,323	6,235	3,476	4,129	2,875	20,037
(plus)							
D. Units Needed to Create 5% Vacancy Cushion (3)	+	166	312	174	206	144	1,002
(equals)							
E. Total: Units Needed to Support Job Growth and Vacancy Cushion	=	3,489	6,547	3,650	4,335	3,018	21,039
Expected Housing Construction per Income Level 2006 - 2018							
Average Projected Change in Units Affordable to Various Income Levels (4)							
F. Rental Units (5)		4,326	-36,504	9,198	12,480	-8,713	-19,213
(plus)							
G. Owner Units (5)	+	-3,715	-15,066	-38,393	-23,623	102,165	21,368
(equals)							
H. Increment of Available Units 2006 to 2018	=	610	-51,570	-29,194	-11,143	93,452	2,155
I. Total: Unsatisfied Demand for Housing Over the Next 12 Years (E minus H) -a negative means 'surplus'		2,879	58,116	32,844	15,479	-90,434	18,883

(1) Using NJDOL's *Mercer County Occupational Employment Statistics Wage Survey, August 2007 - All Industries Combined* data, occupations were grouped based on the average occupational salary and in comparison to the Mercer County 2006 Median Household Income. The projection for each income group is then determined using NJDOL's *Mercer County Estimated and Projected Employment by Occupation, 2004-2014: Average Occupational Job Growth*, tabulated out to 2018

(2) By using the U.S. Census 2006 PUMS data, the jobs per household ratios were calculated with respect to incomes.

(3) Cushion is set at 5% for all units, even though normal cushion is lower among owned units.*(Workforce Housing: The Key to Ongoing Regional Prosperity, September 2001)*

(4) The average change of units per year per income group were calculated using five*American Community Surveys 2002-2006 - Table 2*

(5) (Average annual change of units from (4) is multiplied by 12 to get year 2018 expected construction value) Rental Units: U.S. Census, American Community Survey 2002 - 2006, Contracted Rent; A comparison of median household income to contracted rent values that are 30% or less of income group's income level. Owned Units: U.S. Census, American Community Survey 2002 - 2006, Value for Owner-Occupied Housing Units; A comparison of median household income to value of owner occupied units that are 30% or less of income group's income level.

Table 3

Meeting the Current Cost Burdened Need and Future Demand of Housing Units Through 2018		Up to 30% of MHI	31% to 50% of MHI	51% to 80% of MHI	81% to 110% of MHI	Above 110% of MHI	TOTAL
A. NJLWD 2007 Jobs (1)		17,160	64,450	48,290	43,920	28,920	202,740
B. Ratio - Jobs to HHs (Mercer)	/	0.93	1.32	1.66	1.94	2.63	
C. Housing Units needed to support current jobs	=	18,452	48,826	29,090	22,639	10,996	130,003
D. Units Needed to Create 5% Vacancy Cushion	+	923	2,441	1,455	1,132	550	6,500
E. Ideal Number of Current Housing Units	=	19,374	51,267	30,545	23,771	11,546	136,503
F. Existing Occupied Stock (2)	-	7,314	14,434	22,859	13,005	67,685	125,297
G. Pent-Up Demand or Surplus	=	12,060	36,833	7,686	10,766	(56,139)	11,206
H. Cost Burdened Percentages in 2006	*	11%	9%	7%	5%	7%	
I. Current Units Needed to Alleviate the Cost Burdened Households	=	1,327	3,431	538	538	(3,743)	2,091
J. Units Needed to Support Job Growth - 2018 *(Line E from Table 4)*	+	3,489	6,547	3,650	4,335	3,872	21,893
K. Total Units Needed	=	4,815	9,977	4,188	4,874	129	23,983

(1) These numbers represent the number of jobs per income group based on the average salary per occupation in Mercer County -*NJLWD OCCUPATIONAL EMPLOYMENT STATISTICS WAGE SURVEY - MERCER COUNTY, NJ.* Occupations where there were no average salary or jobs counted were not included. The TOTAL column is the total for <u>all</u> occupations given by NJLWD.

(2) From *Table 2* Rental and Owned Units for 2006 are added to calculate total current available units per income level.

plansmart nj
betterland use
betterlives

APPENDIX 2

COST BURDENED OWNERS - Mercer County, NJ
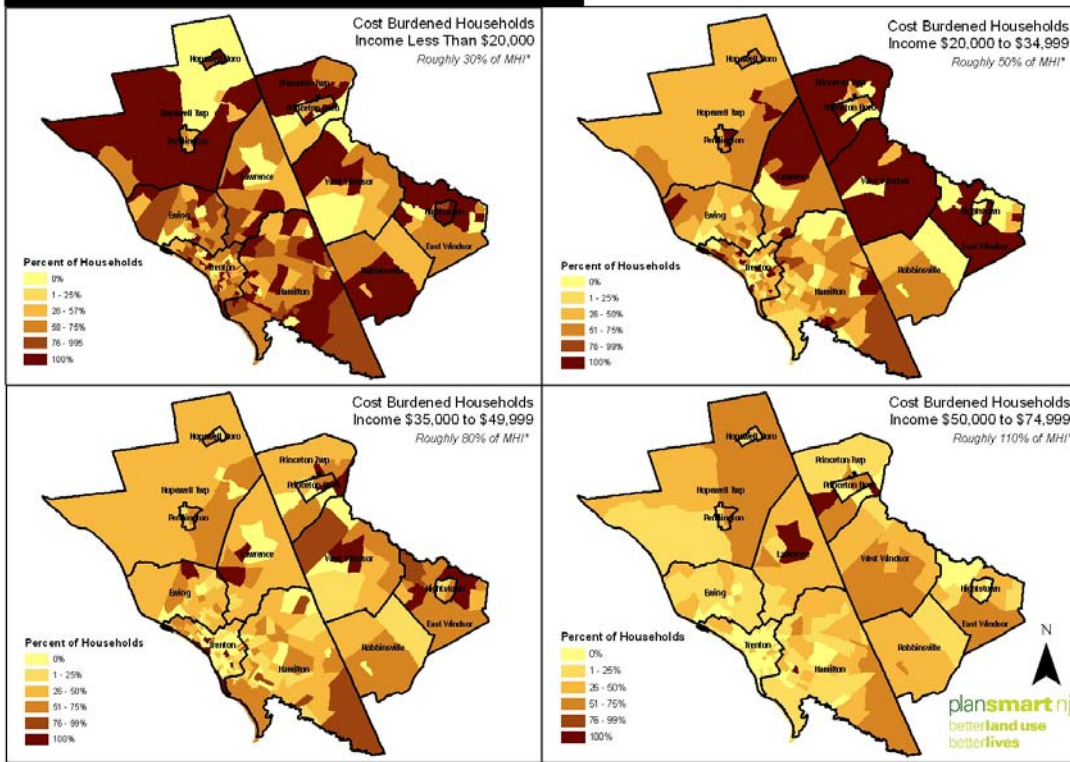
Cost Burdened Households
Income Less Than $20,000
*Roughly 30% of MHI**

Cost Burdened Households
Income $20,000 to $34,999
*Roughly 50% of MHI**

Cost Burdened Households
Income $35,000 to $49,999
*Roughly 80% of MHI**

Cost Burdened Households
Income $50,000 to $74,999
*Roughly 110% of MHI**

Percent of Households
- 0%
- 1 - 25%
- 26 - 50%
- 51 - 75%
- 76 - 99%
- 100%

Source: U.S. Census 2000 by Block Group
* Mercer County Median Household Income (MHI) Year 2000 - $56,613

The cost-burdened homeowners with the lower incomes are found throughout the county. While cost-burdened homeowners with workforce incomes appear to be concentrated in the Lawrence and Princeton Townships.

COST BURDENED RENTERS - Mercer County, NJ
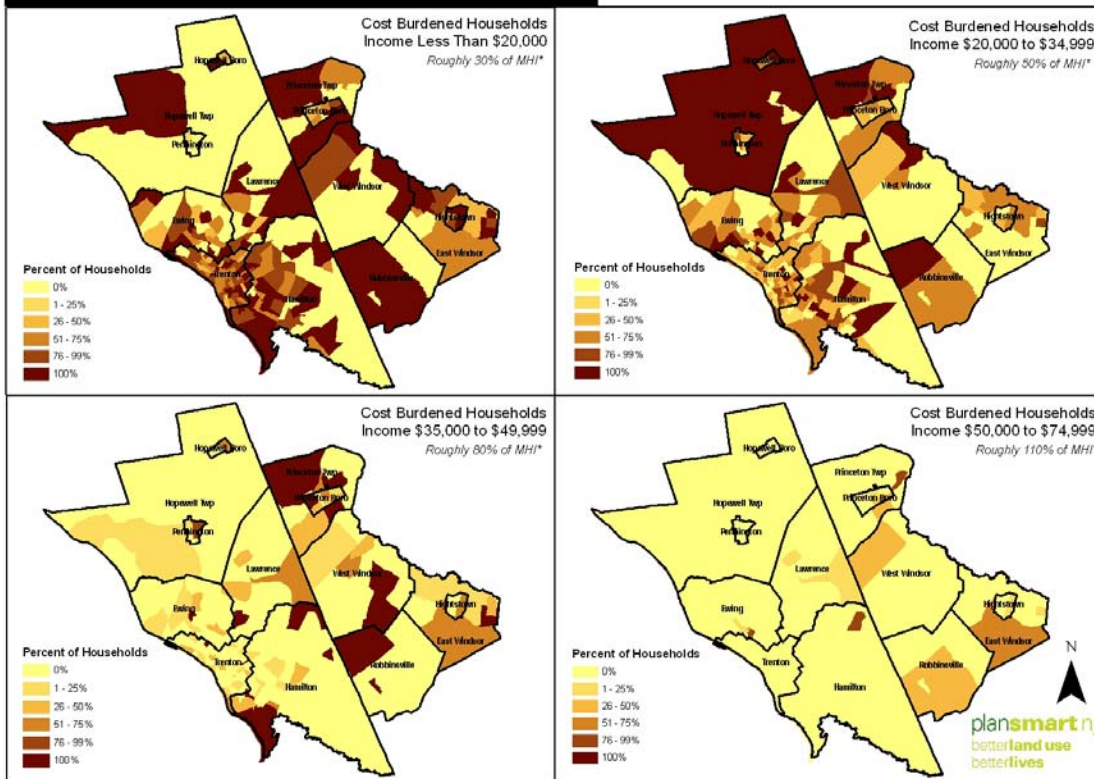
Cost Burdened Households
Income Less Than $20,000
*Roughly 30% of MHI**

Cost Burdened Households
Income $20,000 to $34,999
*Roughly 50% of MHI**

Cost Burdened Households
Income $35,000 to $49,999
*Roughly 80% of MHI**

Cost Burdened Households
Income $50,000 to $74,999
*Roughly 110% of MHI**

Percent of Households
- 0%
- 1 - 25%
- 26 - 50%
- 51 - 75%
- 76 - 99%
- 100%

Source: U.S. Census 2000 by Block Group
* Mercer County Median Household Income (MHI) Year 2000 - $56,613

The cost-burdened renters with the lower incomes are found throughout the county. While there are far fewer cost-burdened renters with workforce incomes, therefore the real need to alleviate cost-burdened renters is at the lower end of the income scale.

Families Below Poverty Level with Children Under 18 Years

Mercer County, NJ - Year 2000
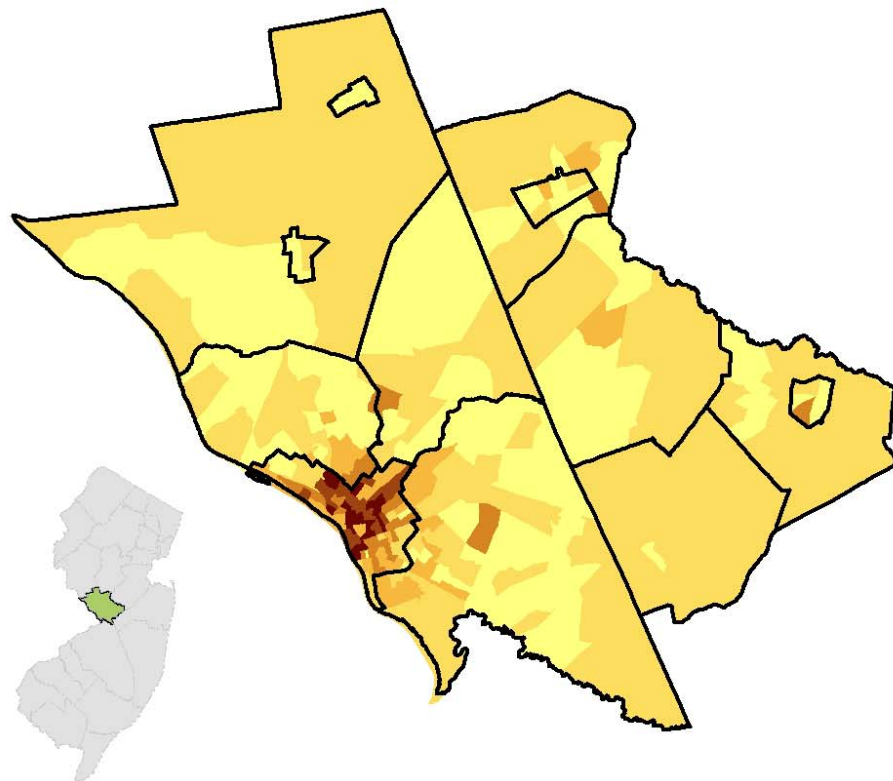
% of Families with Children
Below Poverty By Block Group

- 0%
- Up to 5.4%
- 5.5 - 10.5%
- 10.6 - 16.9%
- 17.0 - 27.2%
- 27.3 - 40.3%
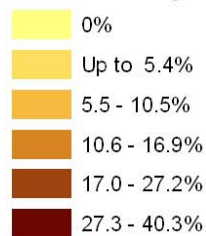
plansmart nj
betterland use
betterlives

U.S. Census 2000 - Block Groups

The locations of potentially cost-burdened households with children less than 18 years old are shown here. The map shows a stark concentration of these families within Trenton.

Severely Cost Burdened Households - 50% of Income or Higher on Housing — Mercer County, NJ

Severely Cost Burdened Household Renters by Block Group

# of Cost Burdened Rented Households
- Zero
- < 12
- 12 - 20
- 21 - 30
- >30

Severely Cost Burdened Household Owners by Block Group

# of Cost Burdened Owned Households
- Zero
- < 12
- 12 - 20
- 21 - 30
- > 30
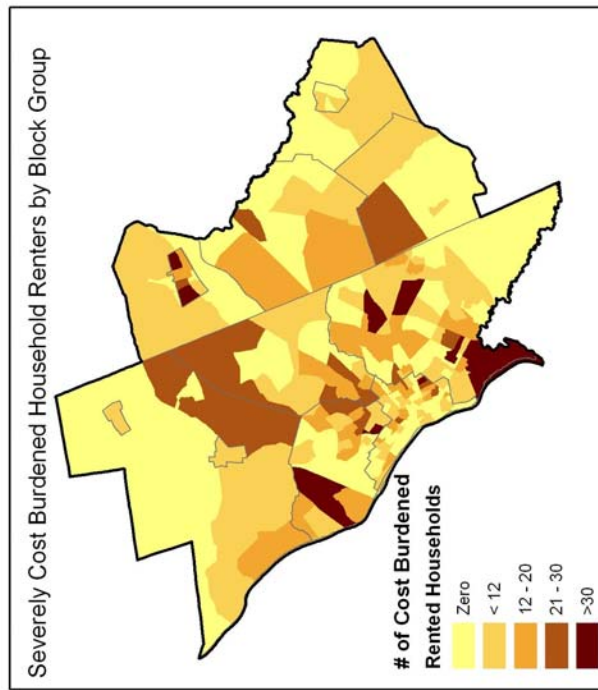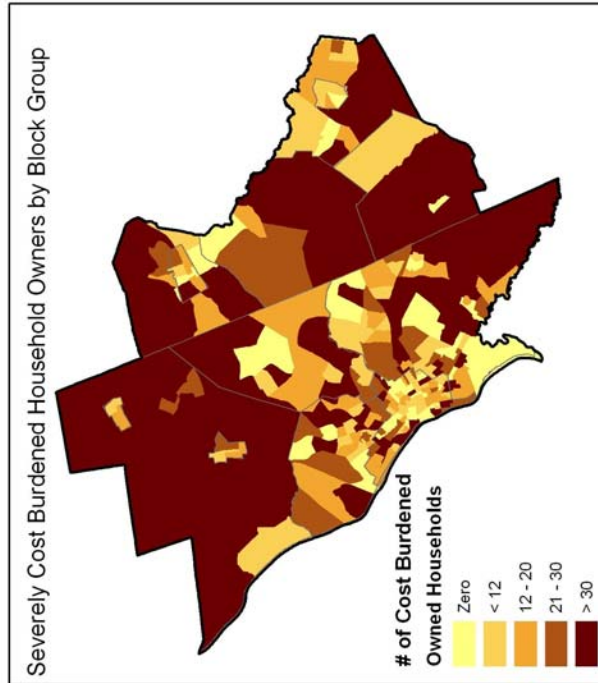
plansmart nj
better land use
better lives

Source: U.S. Census 2000 - Block Groups

It appears that severely cost-burdened homeowners are largely choosing to be cost-burdened in order to have access to good schools in Mercer's wealthier communities. Severely cost-burdened renters are found throughout the county. All municipalities will need to make an effort to provide housing to alleviate this problem.

APPENDIX 3

Methodology for Calculation of the 2018 Projected Housing Needs per Income Level

1] Calculating the 2006 to 2018 job increment projection

a) Identifying the the various Income levels for 2006 by Median Household Income (MHI)

	Mercer	NJ
2006 MHI	$ 65,305.00	$ 64,470.00
Up to 30% of MHI	$ 19,591.50	$ 19,341.00
31 - 50% of MHI	$ 32,652.50	$ 32,235.00
51 - 80% of MHI	$ 52,244.00	$ 51,576.00
81 - 110% of MHI	$ 71,835.50	$ 70,917.00

b) Applied the above income levels to the NJ Dept of Labor and Workforce Development's Occupational and Employment Statistics Wage Survey - Mercer County August 2007 to determine the occupations that fall within each income level.
- Based on the data, the number of current jobs per income level were also calculated.

c) Using NJ Dept of Labor and Workforce Development's Estimated and Projected Employment by Occupation, Mercer County 2004-2014 number of jobs per income level were matched by occupation. Assuming the occupation would fall in the respectful income level in 2014.
- the increment numbers per occupation were calculated by using the "Average Annual Job Opening - Growth field" and added that growth per year to 2006, subtracting that same annual growth added to 2014 projection out to 2018.

Example

Mercer County

Estimated and Projected Employment by Occupation, 2004-2014

Prepared By: NJ Department of Labor and Workforce Development

Soc Code	Occupation	2004		2014		Change: 2004-2014		Annual Average Job Openings			Increment 2006-2018	2018		
		Number	Percent	Number	Percent	Number	Percent	Total	Growth	Replace-ments		Number	Percent	Percent Change 2004 - 2018
11-0000	Management O	17,250	7.0	19,400	7.1	2,100	12.3	540	210	320	2,570	20,240	xx	17.3
11-1000	Top Executives	3,500	1.4	4,050	1.5	500	14.7	120	50	70	620	4,290	100.0	22.6
11-1011	Chief Executive	450	0.2	500	0.2	50	11.1	10	10	10	70	540	12.6	20.0
11-1021	General and Op	3,000	1.2	3,450	1.3	500	16.2	100	50	60	550	3,650	85.1	21.7
11-1031	Legislators	100	0.0	100	0.0	0	-12.4	0	0	0	0	100	2.3	0.0

d) The projected increment per income level were then calculated by adding up all the increments per predetermined occupations that fell within each income level

2] Average Number of Jobs per Household

a) Derived the number of workers per household using U.S. Census, American Community Survey 2006, PUMS Household data

Based on this data, a workers/household ratio for each income level is calculated

Income	workers/ household ratio
Up to 30% of MHI	0.70
31 - 50% of MHI	1.03
51 - 80% of MHI	1.34
81 - 110% of MHI	1.65
Above 110% of MHI	2.05

b) Number of filled jobs in Mercer County - Dept. of NJ Labor and Workforce Development's Occupational and Employment Statistics Wage Survey - Mercer County August 2007

Estimated number employed for all occupations = **228,060**

c) Number of persons employed in Mercer County - U.S. Census, American Community Survey 2006, Sex of Workers by Place of Work

Estimated number of persons employed = **171,453**

d) Jobs per worker

$$\frac{228,060 \text{ Jobs}}{171,453 \text{ Workers}} = 1.33 \text{ jobs / worker}$$

e) Calculated the average number of jobs per household by multiplying the workers per household by jobs per worker

workers/household x jobs/worker = jobs/household

Income	jobs/ household ratio
Up to 30% of MHI	0.93
31 - 50% of MHI	1.32
51 - 80% of MHI	1.66
81 - 110% of MHI	1.94
Above 110% of MHI	2.63

3] Calculate Expected Housing Construction per Income Level 2006 - 2018

Table 1

Affordability Cap (30% of Income) by Income Level by Tenure

Year	MHI	30% of MHI	Rent	Own	50% of MHI	Rent	Own	80% of MHI	Rent	Own	110%of MHI	Rent	Own
2006	$65,305.00	$19,591.50	$489.79	$58,774.50	$32,652.50	$816.31	$97,957.50	$52,244.00	$1,306.10	$156,732.00	$71,835.50	$1,795.89	$215,506.50
2005	$64,657.00	$19,397.10	$484.93	$58,191.30	$32,328.50	$808.21	$96,985.50	$51,725.60	$1,293.14	$155,176.80	$71,122.70	$1,778.07	$213,368.10
2004	$58,351.00	$17,505.30	$437.63	$52,515.90	$29,175.50	$729.39	$87,526.50	$46,680.80	$1,167.02	$140,042.40	$64,186.10	$1,604.65	$192,558.30
2003	$54,637.00	$16,391.10	$409.78	$49,173.30	$27,318.50	$682.96	$81,955.50	$43,709.60	$1,092.74	$131,128.80	$60,100.70	$1,502.52	$180,302.10
2002	$60,752.00	$18,225.60	$455.64	$54,676.80	$30,376.00	$759.40	$91,128.00	$48,601.60	$1,215.04	$145,804.80	$66,827.20	$1,670.68	$200,481.60

Source: U.S. Census, American Community Survey 2006, Median Household Income

Table 2

Number of Units Affordable by Income Level by Tenure

RENTAL	Up to 30% of MHI	31% to 50% of MHI	51% to 80% of MHI	81% to 110% of MHI	Above 110% of MHI	Total
2002	4,661	22,077	12,039	1,463	3,536	43,776
2003	4,562	12,067	18,510	4,227	1,207	40,573
2004	6,235	13,764	11,740	7,163	2,274	41,176
2005	5,653	12,580	14,811	3,635	671	37,350
2006	5,888	9,827	15,981	5,526	813	38,035
2007	6,463	6,867	15,872	6,663	(94)	35,770
Avg Yrly Change	360	(3,042)	767	1,040	(726)	(1,601)

OWNER	Up to 30% of MHI	31% to 50% of MHI	51% to 80% of MHI	81% to 110% of MHI	Above 110% of MHI	Total
2002	2,652	9,176	20,186	15,241	34,144	81,399
2003	3,743	8,403	10,743	15,347	44,734	82,970
2004	1,301	9,049	10,219	12,112	53,154	85,835
2005	2,276	3,828	11,583	9,247	61,431	88,365
2006	1,426	4,607	6,878	7,479	66,872	87,262
2007	1,104	2,899	4,189	5,398	76,713	90,303
Avg Yrly Change	(310)	(1,255)	(3,199)	(1,969)	8,514	1,781

Source: U.S. Census, American Community Survey 2006, Occupied Housing Units: Renter occupied (Estimate)

Based on Contract Rent Values; Does Not include 'No Cash Rent' Units

Source: U.S. Census, American Community Survey 2006, Occupied Housing Units: Owner occupied (Estimate)

Based on Value of Owner Occupied Units

Table 3

Change in Units Affordable by Income Level by Tenure - 2002 to 2006

	Rentals				Up to 110%MHI Total	TOTAL	Percent Affordable up to 80% of MHI	Percent Affordable up to 110% of MHI
	Up to 30% of MHI	31% to 50% of MHI	51% to 80% of MHI	81% to 110% of MHI				
2006 Housing Units	5888	9827	15981	5526	37222	39954	79%	93%
2002 Housing Units	4661	22077	12039	1463	40240	45939	84%	88%
Difference	1227	-12250	3942	4063	-3018	-5985	-5%	6%

Source: U.S. Census, American Community Survey 2002, 2006, Occupied Housing Units: Renter occupied (Estimate)

Based on Contract Rent Values; Does Not include 'No Cash Rent' Units

	Owners				Up to 110% MHI Total	TOTAL	Percent Affordable up to 80% of MHI	Percent Affordable up to 110% of MHI
	Up to 30% of MHI	31% to 50% of MHI	51% to 80% of MHI	81% to 110% of MHI				
2006 Housing Units	1426	4607	6878	7479	20390	87262	15%	23%
2002 Housing Units	2652	9176	20186	15241	47255	81399	39%	58%
Difference	-1226	-4569	-13308	-7762	-26865	5863	-25%	-35%

Source: U.S. Census, American Community Survey 2002, 2006, Occupied Housing Units: Owner occupied (Estimate)

Based on Value of Owner Occupied Units

Table 4

ESTIMATE OF PROJECTED 2018 HOUSING DEMAND PER INCOME LEVEL - Mercer County, NJ

		Up to 30% of MHI	31% to 50% of MHI	51% to 80% of MHI	81% to 110% of MHI	Above 110% of MHI	Total Increment
A. Projected Increase of Jobs per Income Group 2006 -2018 (1)		3,090	8,230	5,770	8,010	7,560	32660
(times)							
B. Average Number of Jobs per Household (2)	/	0.93	1.32	1.66	1.94	2.63	
(equals)							
C. Housing Units Needed to Support Projected Job Growth	=	3,323	6,235	3,476	4,129	2,875	20,037
(plus)							
D. Units Needed to Create 5% Vacancy Cushion (3)	+	166	312	174	206	144	1,002
(equals)							
E. Total: Units Needed to Support Job Growth and Vacancy Cushion	**=**	**3,489**	**6,547**	**3,650**	**4,335**	**3,018**	**21,039**
Expected Housing Construction per Income Level 2006 - 2018							
Average Projected Change in Units Affordable to Various Income Levels (4)							
F. Rental Units (5)		4,326	-36,504	9,198	12,480	-8,713	-19,213
(plus)							
G. Owner Units (5)	+	-3,715	-15,066	-38,393	-23,623	102,165	21,368
(equals)							
H. Increment of Available Units 2006 to 2018	=	610	-51,570	-29,194	-11,143	93,452	2,155
I. Total: Unsatisfied Demand for Housing Over the Next 12 Years (E minus H) -*a negative means 'surplus'*		**2,879**	**58,116**	**32,844**	**15,479**	**-90,434**	**18,883**

(1) Using NJDOL's *Mercer County Occupational Employment Statistics Wage Survey, August 2007 - All Industries Combined* data, occupations were grouped based on the average occupational salary and in comparison to the Mercer County 2006 Median Household Income. The projection for each income group is then determined using NJDOL's *Mercer County Estimated and Projected Employment by Occupation, 2004-2014: Average Occupational Job Growth*, tabulated out to 2018

(2) By using the U.S. Census 2006 PUMS data, the jobs per household ratios were calculated with respect to incomes.

(3) Cushion is set at 5% for all units, even though normal cushion is lower among owned units.*(Workforce Housing: The Key to Ongoing Regional Prosperity, September 2001)*

(4) The average change of units per year per income group were calculated using five*American Community Surveys 2002-2006 - Table 2*

(5) (Average annual change of units from (4) is multiplied by 12 to get year 2018 expected construction value) Rental Units: U.S. Census, American Community Survey 2002 - 2006, Contracted Rent; A comparison of median household income to contracted rent values that are 30% or less of income group's income level. Owned Units: U.S. Census, American Community Survey 2002 - 2006, Value for Owner-Occupied Housing Units; A comparison of median household income to value of owner occupied units that are 30% or less of income group's income level.

Table 5

Meeting the Current Cost Burdened Need and Future Demand of Housing Units Through 2018

		Up to 30% of MHI	31% to 50% of MHI	51% to 80% of MHI	81% to 110% of MHI	Above 110% of MHI	TOTAL
A. NJLWD 2007 Jobs (1)		17,160	64,450	48,290	43,920	28,920	202,740
B. Ratio - Jobs to HHs (Mercer)	/	0.93	1.32	1.66	1.94	2.63	
C. Housing Units needed to support current jobs	=	18,452	48,826	29,090	22,639	10,996	130,003
D. Units Needed to Create 5% Vacancy Cushion	+	923	2,441	1,455	1,132	550	6,500
E. Ideal Number of Current Housing Units	=	19,374	51,267	30,545	23,771	11,546	136,503
F. Existing Occupied Stock (2)	-	7,314	14,434	22,859	13,005	67,685	125,297
G. Pent-Up Demand or Surplus	=	12,060	36,833	7,686	10,766	(56,139)	11,206
H. Cost Burdened Percentages in 2006	*	11%	9%	7%	5%	7%	
I. Current Units Needed to Alleviate the Cost Burdened Households	=	1,327	3,431	538	538	(3,743)	2,091
J. Units Needed to Support Job Growth - 2018 *(Line E from Table 4)*	+	3,489	6,547	3,650	4,335	3,872	21,893
K. Total Units Needed	=	4,815	9,977	4,188	4,874	129	23,983

Up to 80% of MHI
18,980 Units

Up to 110% of MHI
23,854 Units

(1) These numbers represent the number of jobs per income group based on the average salary per occupation in Mercer County -*NJLWD OCCUPATIONAL EMPLOYMENT STATISTICS WAGE SURVEY - MERCER COUNTY, NJ.*   Occupations where there were no average salary or jobs counted were not included. The TOTAL column is the total for all occupations given by NJLWD.

(2) From *Table 2* Rental and Owned Units for 2006 are added to calculate total current available units per income level.

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