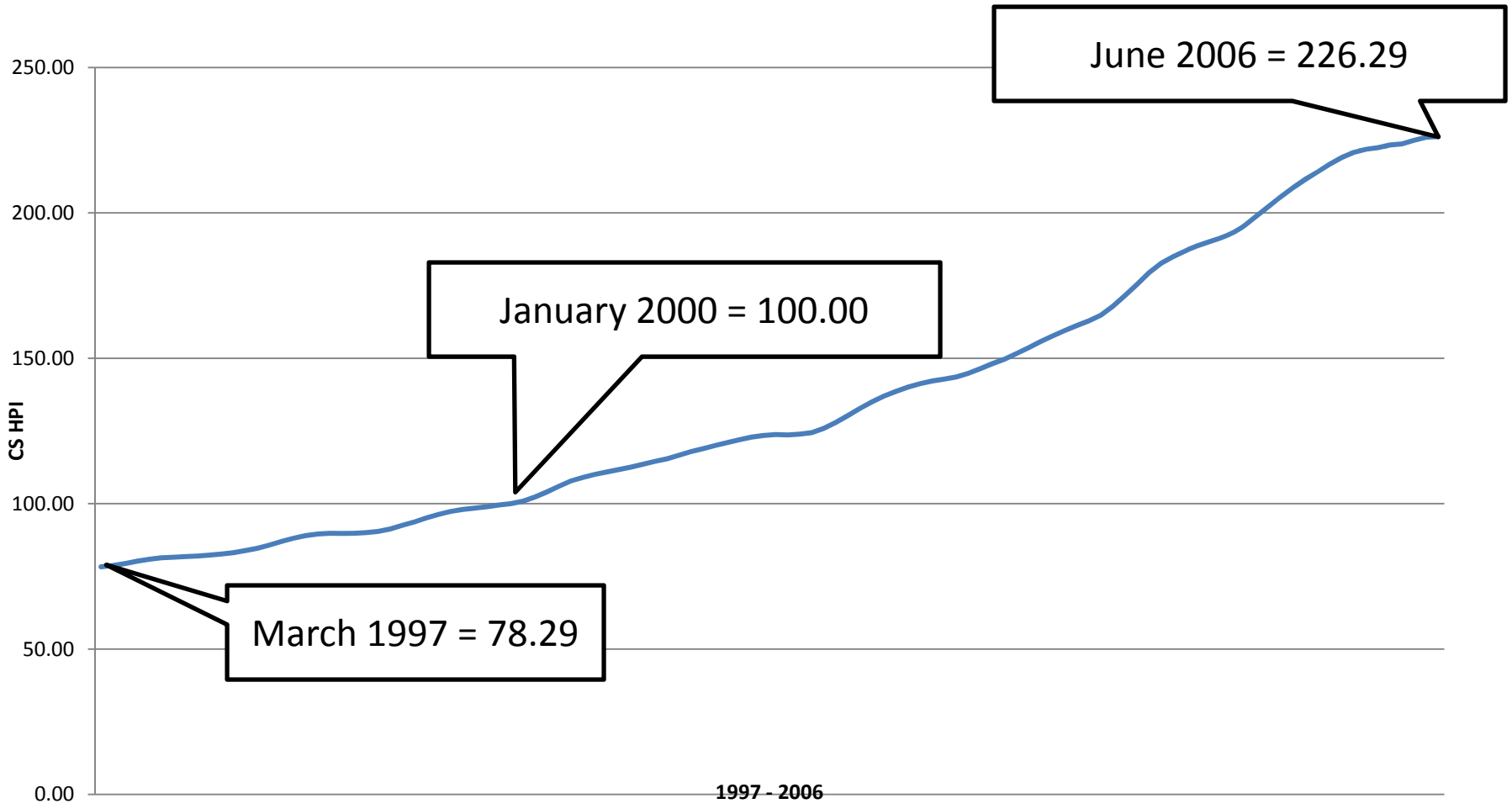
COAH Economics

League of Women Voters of Hopewell Valley

Affordable Housing Forum

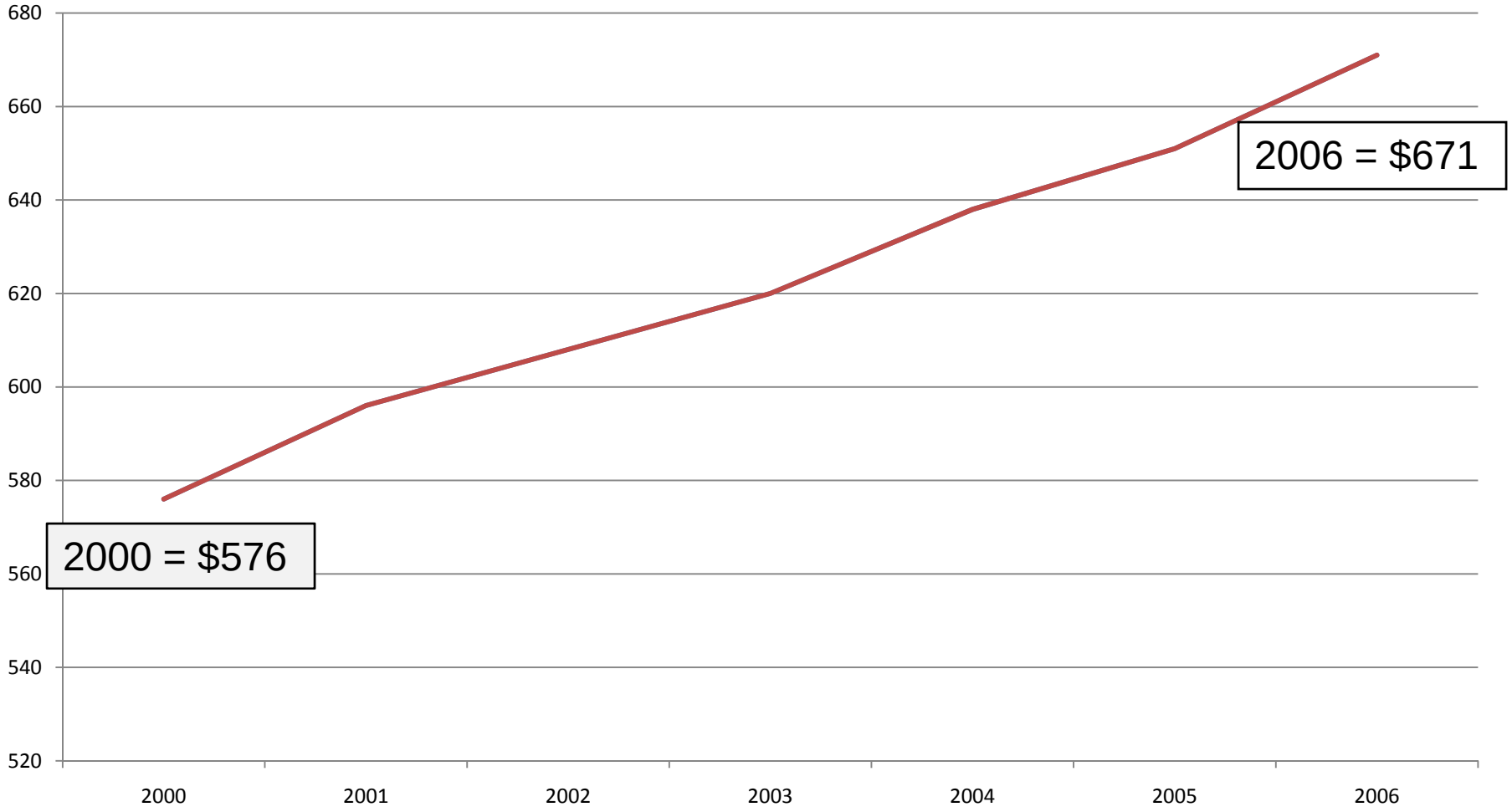
Over 10 Years, US Home Prices More than Doubled

(Case Schiller Housing Price Index)



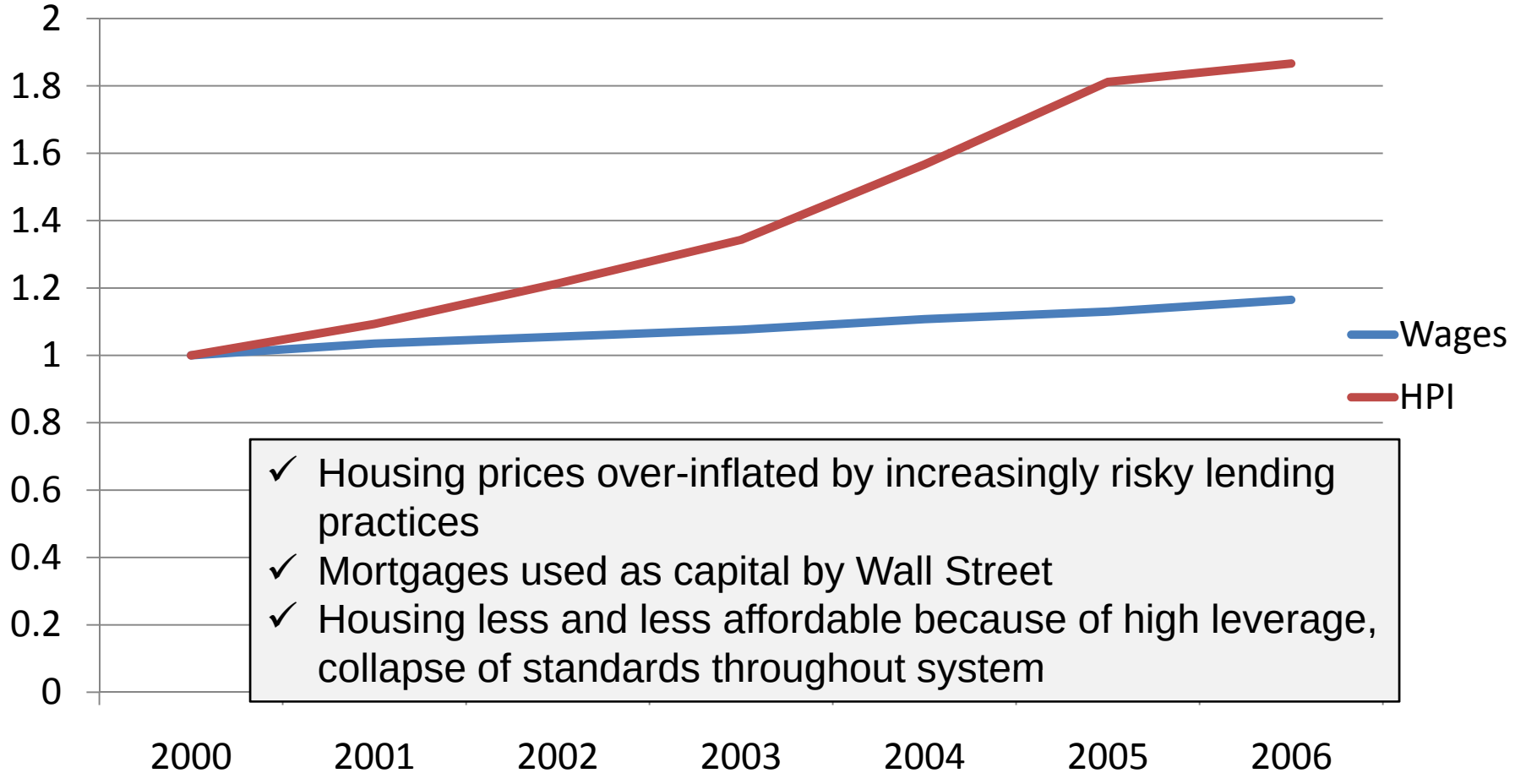
Average Weekly Wages Also Increased

(Median Weekly Wages, Bureau of Labor Statistics)



But Housing Prices Rose Far Faster Than Wages

(2000 = 1)



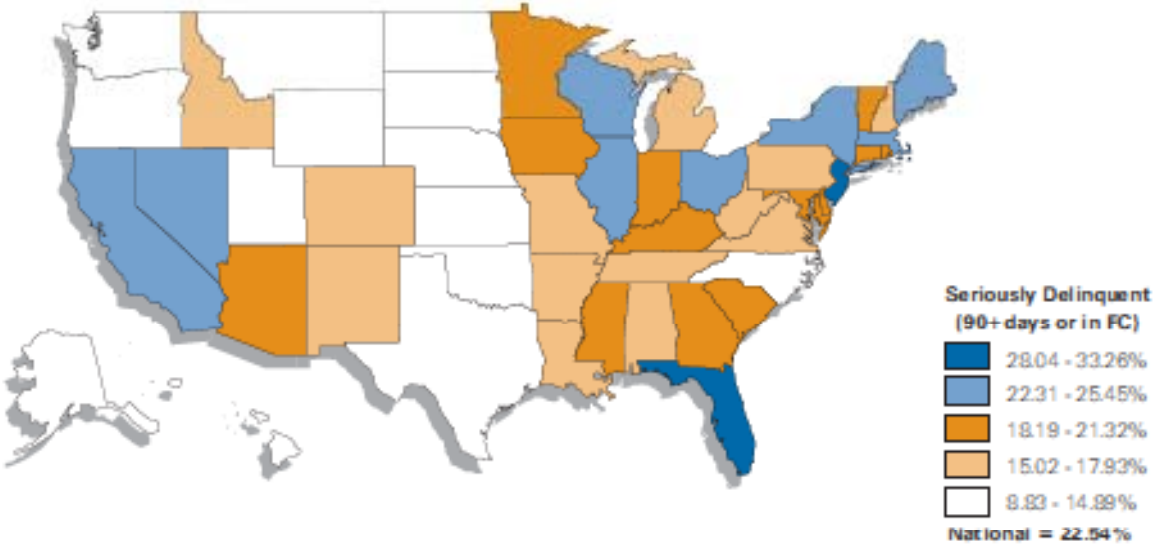
- ✓ Housing prices over-inflated by increasingly risky lending practices
- ✓ Mortgages used as capital by Wall Street
- ✓ Housing less and less affordable because of high leverage, collapse of standards throughout system

Florida and New Jersey Have High Percentages of Seriously Delinquent Subprime Mortgages

ABS Market: Subprime/BC June 2008 Data

Highlights

- Overall national serious delinquencies (SD) was 22.54% in June 2008.
- WY (8.83%), TX (12.39%) and ND (12.59%) ranked as the lowest delinquency states.
- FL (33.26%) and NJ (28.04%) ranked as the highest delinquency states.

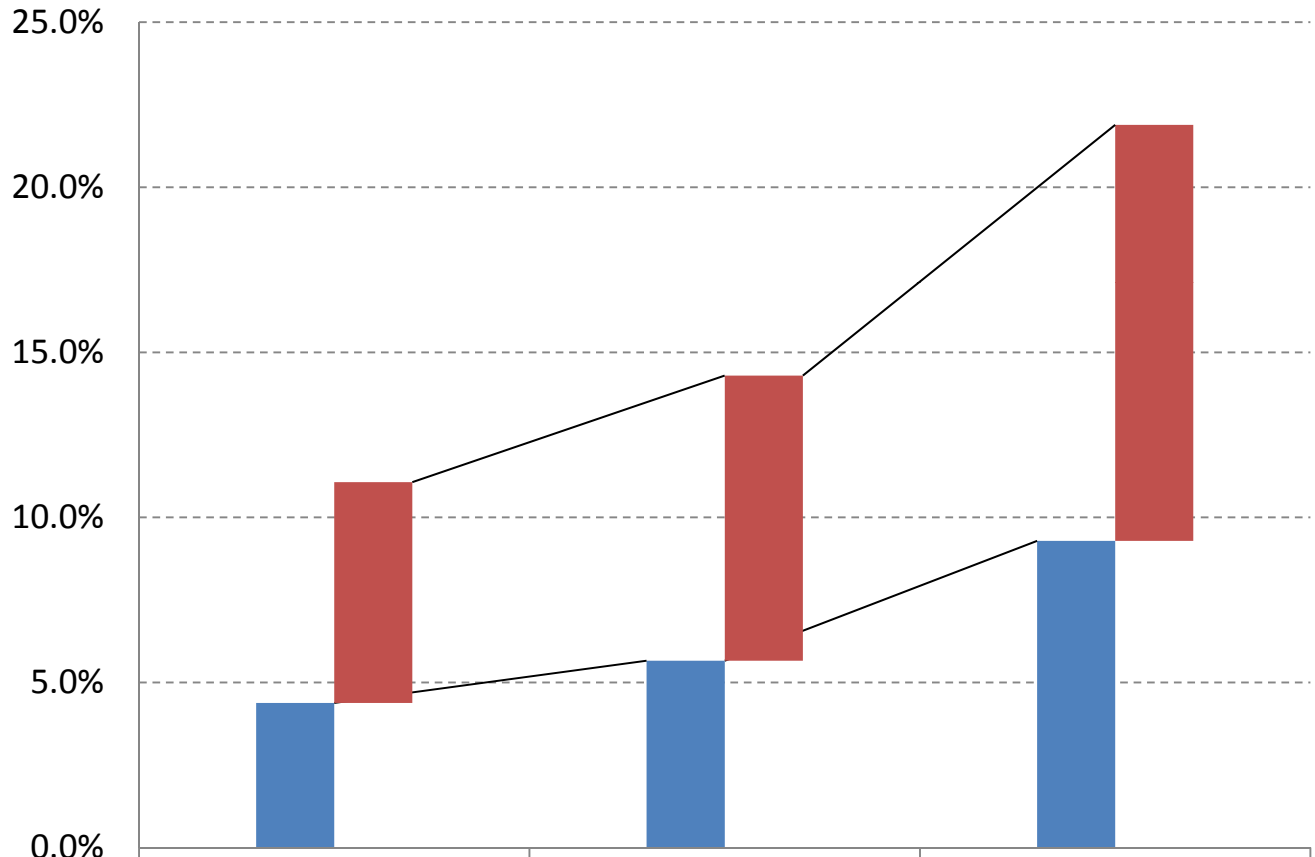


Mounting mortgage delinquencies undercut financial markets, banking system, and consumer borrowing

Compared to Neighboring States, New Jersey Has Large Percentage of Negative Equity Mortgages and Many More Near Negative Equity

Negative Equity Indicates Loan > Value

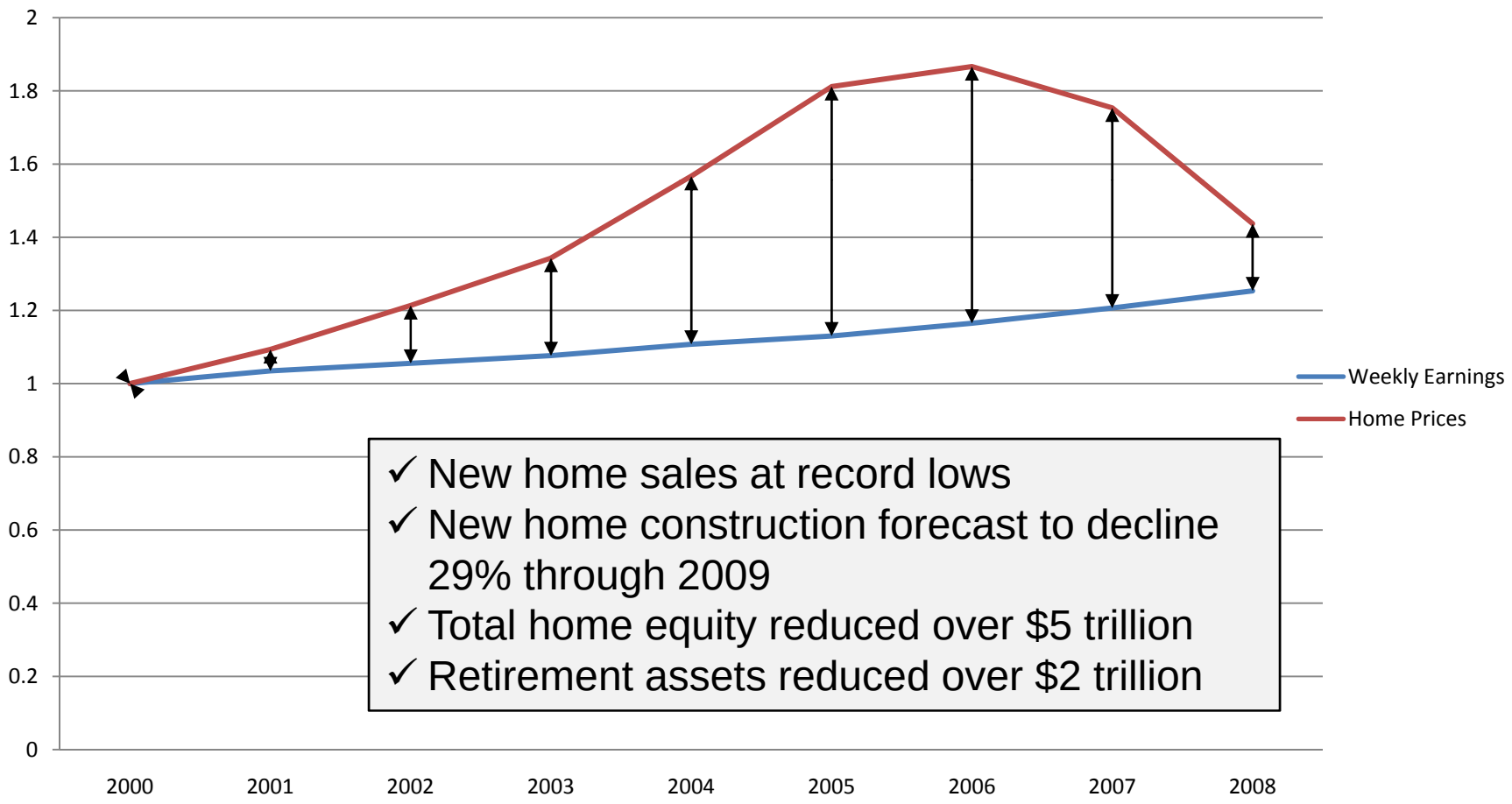
Near Negative Equity Indicates Loan w/in 5% > Value



	New York	Pennsylsvania	New Jersey
Near Negative Equity Share	6.7%	8.6%	12.6%
Negative Equity Share	4.4%	5.7%	9.3%

Source: www.loanperformance.com

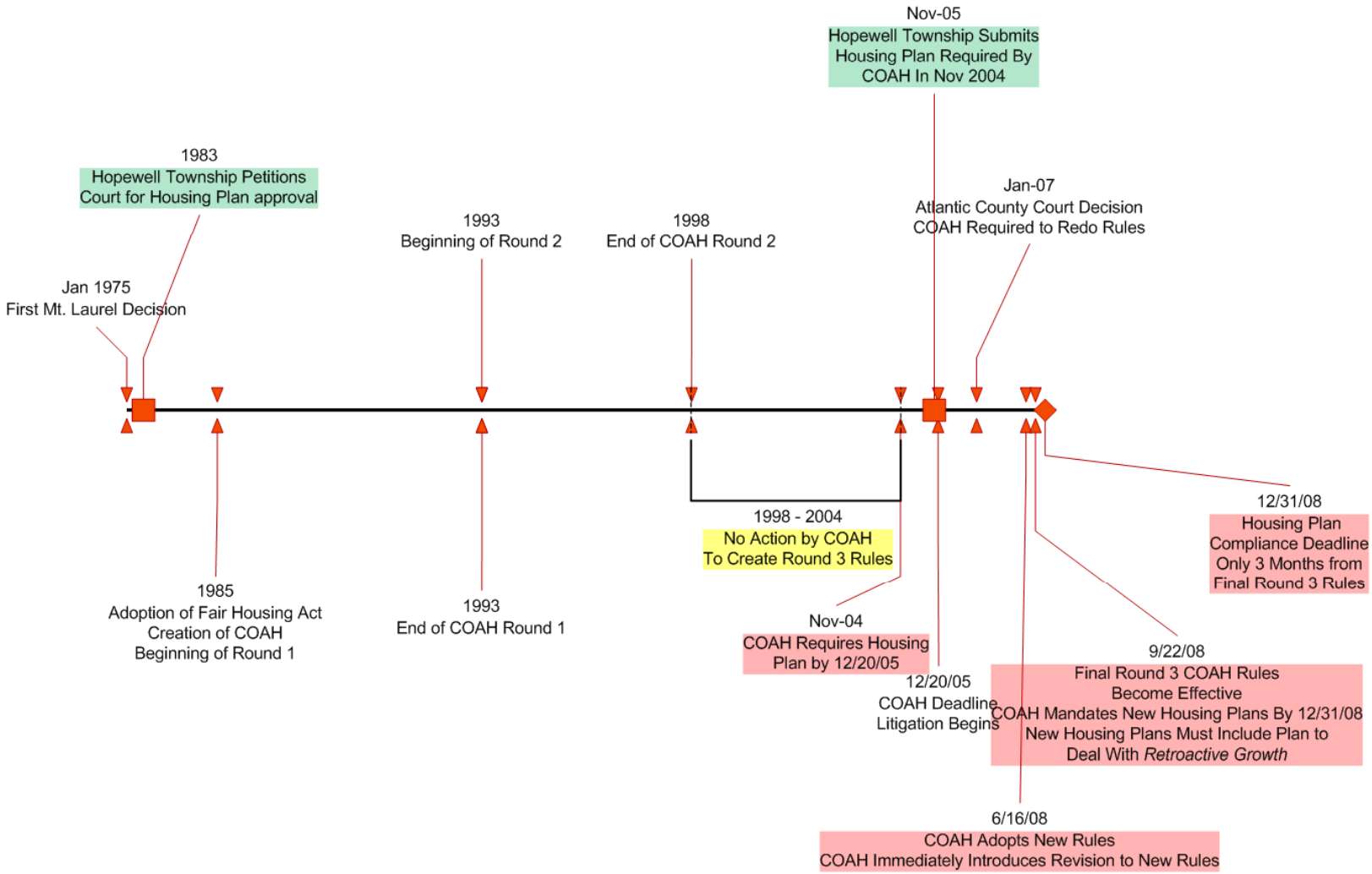
Housing Bubble Burst As Defaults Mounted



- ✓ New home sales at record lows
- ✓ New home construction forecast to decline 29% through 2009
- ✓ Total home equity reduced over $5 trillion
- ✓ Retirement assets reduced over $2 trillion

National Association of Realtors Affordability Index Rising

A Flurry of COAH Changes in Recent Years



Shifting Round III COAH Requirements for Hopewell Township

	Original Round III Rules December 2004	Revised Round III Rules September 2008
Planning Horizon	2014	2018
Projected Total Housing Units, 2004-2018	515	1,474
Residential growth share	1 AH/9Mkt	1 AH/5Mkt
Projected Commercial Growth, 2004-2018	• 3,118 jobs • 1,039 MM sq ft	• 4,064 jobs • 1,451 MM sq ft
Non-residential growth share	1 AH/25 jobs	1 AH/16 jobs
AH Unit Obligation from:		
Residential	57	295
Non-residential	125	254
Total AH Obligation	182	549*
Development Fee Options Available to Municipalities	2% nonresidential, 1% residential, payment in lieu encouraged	2.5% nonresidential, 1.5% residential, all other impact fees prohibited by statute
Township Cost of AH Units	Funded by fees	$36MM

* Proposed hospital exclusion would reduce non-residential obligation by 130 units, resulting in 419 AH total unit obligation

Revenue Plan from Hopewell Township December 31 COAH Submission

SOURCE OF FUNDS	PROJECTED REVENUES-HOUSING TRUST FUND - 2008 THROUGH 2018											
	7/18/08 Through 12/31/08	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
(a) Development fees:												
1. Approved Development	$639,634											**$639,634**
2. Development Pending Approval												
3. Projected Development				$2,643,106	$2,643,106	$2,643,106	$2,643,106	$2,643,106	$2,643,106	$2,643,106	$2,643,106	**$21,144,849**
(b) Payments in Lieu of Construction												
(c) Other Funds (Specify source(s)) Sales/Rents	$0	$0	$375,000	$0	$0	$4,753,00	$3,374,800	$1,350,000	$8,336,000	$1,836,000	$5,231,000	**$25,255,800**
(d) Interest	$0	$38,400	$21,945	$9,935	$14,739	$16,353	$53,763	$71,932	$61,822	$116,130	$102,126	**$507,145**
Total	**$639,634**	**$38,400**	**$396,945**	**$2,653,041**	**$2,657,845**	**$7,412,459**	**$6,071,669**	**$4,065,058**	**$11,040,929**	**$4,595,236**	**$7,976,232**	**$47,547,427**

Expenditure Plan from Hopewell Township December 31 COAH Submission

Program *[Individually list programs and projects e.g. Rehab, Accessory Apartments, for-sale and rental municipally sponsored, etc].*	Number of Units Projected	Funds Expended and/or Dedicated	PROJECTED EXPENDITURE SCHEDULE 2009 -2018											
		2005- July 17, 2008	7/18/08 – 12/31/08	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
1. *Scattered Site Projects (Municipally Sponsored)*	15	$1,100,000	$22,500	$367,820	$175,092	$171,828	$177,630	$173,958	$179,353	$175,273	$171,193	$176,180	$171,692	$3,062,519
2. *Accessory Apartments (Municipally Sponsored)*	10			$25,823	$26,938	$29,117	$30,379	$32,578	$33,807	$35,972	$37,078	$39,462	$40,491	$331,645
3. *Project Freedom (Municipally Sponsored)*	70		$195,000	$255,118	$256,851	$826,558	$1,117,296	$1,117,775	$1,108,152	$1,122,253	$1,119,706	$1,117,020	$1,112,646	$9,348,375
4. *Pennytown (Municipally Sponsored)*	70			$350,000	$432,500	$427,500	$422,500	$417,500	$412,500	$407,500	$452,500	$445,000	$437,500	$4,205,000
5. *Capital Health System (Municipally Sponsored)*	70							$286,413	$432,485	$717,365	$867,702	$866,525	$867,432	$4,037,922
6. *Boroughs Tract (Municipally Sponsored)*	7			$73,650	$72,300	$70,950	$79,600	$77,800	$76,000	$191,560	$251,784	$249,672	$257,422	$1,400,738
7. *Weidel Tract (Municipally Sponsored)*	180			$385,000	$387,800	$380,150	$382,500	$1,121,199	$1,498,419	$1,866,223	$2,060,062	$2,431,746	$2,616,186	$13,129,285
8. *Residential Development (Inclusionary)*	50													
Total Programs		$1,100,000	$217,500	$1,457,411	$1,351,481	$1,906,103	$2,209,905	$3,227,223	$3,740,716	$4,516,146	$4,960,025	$5,325,605	$5,503,369	$35,515,484
Affordability Assistance		$129,418	$7,625	$742,213	$742,213	$742,213	$742,213	$742,213	$742,213	$742,213	$742,213	$742,213	$742,213	$7,559,173
Administration		$401,572	$71,079	$216,229	$236,229	$256,229	$276,229	$434,029	$503,709	$549,626	$639,829	$659,829	$706,203	$4,951,422
Total		**$1,630,990**	**$296,204**	**$2,415,853**	**$2,329,923**	**$2,884,545**	**$3,208,347**	**$4,403,465**	**$4,986,638**	**$5,807,985**	**$6,342,067**	**$6,727,647**	**$6,951,785**	**$48,026,079**

COAH Estimated Growth: Obligation and Impact

COAH ESTIMATED GROWTH THROUGH 2018

Residential	Units	1,474
Non-Residential	Square Feet	1,452,000
	Jobs	4,064

COAH REQUIRED AFFORDABLE UNITS

From New Residential	295
From New Non-Residential	254
Subtotal	549
Less Hospital Credits	-130
Total	**419**

Population Increase Related to COAH Required Units	905
School Age Population Increase Related to COAH Required Units	191

INDIRECT COSTS

Municipal Costs	$453,405
Student Costs	$2,513,942
Total	**$2,967,347**

Note To Spending Plan

(Hopewell Township December 31 COAH Submission)

NOTE: ALL COSTS INCLUDED IN THIS SPENDING PLAN ARE BASED UPON PROJECT ACQUISITION AND CONSTRUCTION COSTS BEING FINANCED.

THE COSTS SHOWN IN THIS PLAN INCLUDE DOWN PAYMENTS ON FINANCING AND DEBT SERVICE PAYMENTS ONLY THROUGH 2018.

THIS SPENDING PLAN SUMMARY DOES NOT INCLUDE THE FULL 20 YEAR FINANCING COSTS FOR EACH PROJECT.

THERE ARE $87,872,230 IN ADDITIONAL COSTS THAT HAVE NOT BEEN ACCOUNTED FOR BECAUSE THIS PLAN ONLY COVERS THE PERIOD THORUGH 2018.

THERE IS A NEGATIVE FUND BALANCE WHEN ALL FINANCE COSTS ARE ACCOUNTED FOR.

Conclusions

- Affordable housing policy must be reevaluated in the reality of plummeting home prices, loss of equity and wealth, and slow growth in earnings
- Residential and non-residential growth projected by COAH unrealistic, but mandatory in municipal planning
- Funds available in affordable housing trust funds and other sources are far from adequate to meet New Jersey target of 115,000 new units of affordable housing by 2018
- Reliance on municipal borrowing to finance affordable housing will increase debt and debt service costs, while fiscal impacts will increase municipal and school budget costs