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Smart growth, lower taxes?

By DIANNE BRAKE, GEORGE HAWKINS and ROBERT YARO

EVERYONE in New Jersey agrees that property taxes are too high, but what most people don't realize is that the damage goes far beyond our wallets.

Skyrocketing real estate prices, never-ending traffic, an escalating loss of open space to more and more strip malls, pollution -- nearly everything that makes it difficult to live in New Jersey is made worse by our infamous tax system.

For years, bad land-use decisions have been unwittingly fueled by New Jersey's overdependence on property taxes to pay for local services. Yet curiously, none of the reform proposals currently under consideration even addresses this issue -- though the dire effects of sprawl on the economy are painfully clear.

New Jersey currently pays the highest housing costs in the nation and has for the past three years, according to Census Bureau data.

We suffer the third-longest average commute times in the nation -- 30 minutes each way. Housing and traffic are cited as chief reasons why an increasing number of businesses refuse to stay in or move to the Garden State.

Real estate prices are so high, a growing number of our workers don't even live in the state. According to U.S. Census data, some 76,000 people commute to northern and central New Jersey each day from lower-cost Pennsylvania.

If growth patterns in New Jersey continue apace, the Garden State will be the first in the nation to be completely built out in the next 20 to 50 years, according to data analysis conducted by New Jersey Future, a non-profit group that has monitored development here for the last 20 years.

It is obvious that problems like these are difficult to solve. But if Governor Corzine and the Legislature are bold and creative, there is no question that New Jersey can begin to reduce sprawl, a move that is critical if the Garden State hopes to remain competitive in the global economy.

At the heart of the matter is a simple math problem: The average cost of educating a child here is \$12,981, while the median property tax bill is \$5,352, according to U.S. Census data. Though our property taxes are the highest in the nation, they can't even begin to cover the cost of educating one child. And state aid for education fails to make up for this shortfall.

The result? Most Garden State towns make the economically rational choice to zone out housing for families with children. What's favored instead is high-end or senior housing and commercial properties, because this kind of development brings in higher tax revenue and fewer demands for local services. This is why New Jersey has so many McMansions and malls, and not nearly enough homes that working families can afford.

Effects of sprawl

Sprawl continues to gobble up New Jersey's landscape as municipalities compete for business development, whether or not suitable transportation, sewer service, water supply, housing or other relevant factors are available. This is what's known as the "ratables chase" and it is usually won by sparsely

developed municipalities at the urban fringe where tax rates are lower, at least at first, due to their limited infrastructure and service needs.

The ratables chase is the single biggest reason why New Jersey is losing land at a rate that is 2.3 times faster than the increase in the population. The growing -- and largely unnecessary -- loss of nearly 50 acres of open space a day to development hurts everyone because it puts our drinking water at risk, increases flooding and storm runoff, and reduces tourism dollars.

Long-term fixes needed

What can be done? Lawmakers need to look beyond short-term fixes like tax credits and focus instead on genuine reform that eliminates the ratables chase and slows sprawl.

One possible solution that isn't even on the table in Trenton, and should be, is tax-base sharing, which involves pooling a portion of revenue generated on property across a region.

This change means that each town doesn't have to have its own strip mall to balance its budget, and can result in collaborative planning that reduces traffic congestion and government infrastructure costs.

Two good examples of this are the Twin Cities in Minnesota and the Meadowlands here in New Jersey. Tax-base sharing is arguably our best shot at reducing the competition between municipalities for commercial development. Lawmakers would serve New Jersey well to give this proposal the priority consideration it deserves.

Another solution is to have the state help pay more education costs to reduce the pressure on municipalities to pay for schools. In New Jersey, state government currently contributes only 44.3 percent of total state and local government revenues for education, compared to a national average of 51.8 percent.

Finally, targeted tax reform to help create more workforce housing would benefit New Jersey immensely. Massachusetts offers an innovative solution on this front: The state provides cash incentives to help communities build housing for families with schoolchildren in smart growth locations, ideally near transit. In 10 years, some 33,000 housing units are expected to be created with minimal cost to the state.

If New Jersey hopes to ensure lasting economic prosperity, our lawmakers must make the tough decisions necessary to maintain our quality of life as well as reduce property tax burdens. Supporting smarter development choices through long-term tax reform would help all New Jerseyans, not just a targeted few.

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