

Policy Consideration: **Baseline Economic Indicators**
Status: **For Consideration by the Highlands Council at**
September 14, 2006 Work session
Date: **September 12, 2006**

I. STAFF POLICY RECOMMENDATIONS

The following RMP policy strategies are proposed by staff in support of the Highlands Region's Baseline Economic Indicators:

- 1) Establish Highlands Baseline Economic Indicators as the 8 categories detailed below. All indicators were aggregated into the following 8 subsets, including Highlands Region, Planning Area, Preservation Area, Split municipalities, Highlands Counties, 7 County Totals, New Jersey, and Municipal, as defined within the Glossary of this document.
 - **Population** – represents total persons residing within each subset.
Example: The total population for the Highlands Region in 2004 was 832,547.
 - **Unemployment** – unemployment rates per subset (where possible).
Example: Highlands average unemployment rate is 3.6%
 - **Housing Units** – a house, apartment, mobile home or trailer, a group of rooms, or a single room that is occupied.
Example: As of 2000, there were a total of 284,260 housing units in the Highlands Region.
 - **Income** – median family income and per capita income.
Example: Median family income in the Highlands Region is \$75,087 and per capita income is \$34,312 per capita.
 - **Per Household Property Tax** – total amount of property taxes paid per household and per capita.
Example: Average property tax bill in the Highlands Region is \$5,838.19 (per household) and \$2,625.70 (per capita)
 - **Property Tax Change** – comparison of percent change per household property tax from 2004 to 2005.
Example: Property taxes in the Highlands Region increased by an average of 9.6% from 2004 to 2005.
 - **Equalized Property Values** – property values that reflect assessed property values multiplied by the individual municipality's equalization rate. These were calculated for vacant, residential, commercial, farmland, and industrial classified lands. These are also separated into a per parcel and per acre value.
Example: Vacant equalized values per parcel in the Highlands Region in 2004 was \$98,424.24, with a per acre value of \$9,429.
 - **Transactions** – land sales and transfers recorded by the county and provide to the Division of Taxation at the Department of the Treasury. These records are used as inputs for the regularly published "SR1A" reports. Outliers such as \$1 transactions are omitted from this report.
Example: There was an average of 256.3 residential transactions per municipality within the Highlands Region.

Rational: The purpose of the Baseline Economic Indicators is to establish existing economic conditions of the Highlands Region and to set baseline economic data for further updates and analysis. An accurate understanding of economic conditions in the Highlands Region is an important element for addressing the financial implications of the development and implementation of the RMP. All elements of the financial component benefit from the collection of baseline economic indicators. Section 11.a.(2) of the

Highlands Act charges the Council with developing “a financial component; together with a cash flow timetable which “details the cost of implementing the regional master plan” and “details the source of revenue for covering such costs.”

- 2) Use Economic Indicators to support the evaluation of RMP goals such as the Financial Impact Analysis and the Build out Model, and longer term goals such as the Municipal Economic Tracking Program.

Rational: Economic Indicator data support the understanding of economic conditions in the Highlands Region and are an important element for addressing the financial implications of the development and implementation of the RMP.

- 3) The following Pre-Conformance strategy is recommended in furtherance of the goals and requirements of the Highlands Act to ensure successful implementation of the RMP during the Pre-Conformance period, including:
 - Provide opportunities for stakeholder review and comment on economic data.
 - Examine requests for expanded and additional regional economic indicators in support of the Municipal Economic Tracking Program.

Rational: RMP implementation strategies will contribute to the development of those activities, data and programs that will be required of both the Highlands Council and municipal and county stakeholders during the Plan Conformance process as well as longer term planning goals. Sections 11.a.(3), 14 and 15. Municipal review of economic data will help to ensure that all data is correct. The RMP is “living document” and will continue to be refined and developed in support of regional planning goals. In order to facilitate regional planning goals, the RMP must have State, County, and local support from all levels of government and stakeholders of the Highlands Region.

- 4) The following Conformance strategy is recommended in furtherance of the goals and requirements of the Highlands Act to ensure successful implementation of the RMP during the Conformance period, including:
 - Assist municipalities in participating in Municipal Economic Tracking Program.

Rational: Participation in the Municipal Tracking Program will allow for greater input of local conditions into RMP economic initiatives and serve as a resource for evaluating shared service opportunities and inform economic and capital planning. RMP Implementation Strategies support the necessity to determine what activities, data and programs will be required of both the Council and municipal and county stakeholders during the Plan Conformance process as well as what initiatives will require longer term planning goals. Sections 11.a.(3), 14 and 15. The RMP is “living document” and will continue to be refined and developed in support of regional planning goals. In order to facilitate regional planning goals, the RMP must have State, County, and local support from all levels of government and stakeholders of the Highlands Region.

- 5) The following Five Year Highlands Resource Protection and Planning goal is recommended in furtherance of the goals and requirements of the Highlands Act to ensure continued refinement and development of the RMP, including:
 - Annually evaluate the economic indicators to track economic trends for the Highlands Region.

Rational: Participation in the Municipal Tracking Program will allow for greater input of local conditions into RMP economic initiatives. Counties and municipalities may utilize this information as land use planning decisions are considered and to support shared services approaches, infrastructure planning and investment, and eco-tourism. The Highlands Act requires the Highlands Council to periodically

revise and update the RMP at least once every six years. Section 8.a. The RMP is “living document” and will continue to be refined and developed in support of regional planning goals.

- 6) The following Coordination and Consistency Considerations are recommended to promote active participation in the implementation of the RMP among state and federal agencies:
- Coordinate financial data updates with the Division of Taxation in Treasury and the Local Government Services division in Department of Community Affairs (DCA).

Rational: The economic indicators include extensive data from these agencies and a shared portal or other streamlined communications process would assist in timely and reliable data for the planned annual updates. RMP Implementation Strategies support the necessity to determine what local, State, and federal programs and policies may best be coordinated to promote the goals, purposes, policies, and provisions of the RMP. Sections 11.a.(4).

- 7) The following Local Participation Considerations are recommended to promote the understanding and support for the RMP at the local level.
- Develop programs to assist municipal and county officials on the tracking and reporting of regional economic indicators.
 - Track and monitor the 8 regional economic indicators and provide a published baseline economic report that tracks short term and long term trends.

Rational: RMP Implementation Strategies support the necessity to provide for the maximum feasible local government and public input into the Highlands Council's operations. Section 11.a.(3)(emphasis added). The RMP is a “living document” and will continue to be refined and developed in support of regional planning goals. In order to facilitate regional planning goals it is imperative that the RMP have State, County, and local support from all levels of government and the support of the stakeholders of the Highlands Region.

II. REQUIREMENTS OF THE HIGHLANDS ACT AND RMP GOALS RELATED TO BASELINE ECONOMIC INDICATORS:

Goals of the Highlands Act:

In accordance with Section 10 of the Highlands Act, the overarching goal of the Regional Master Plan “with respect to the entire Highlands Region shall be to protect and enhance the significant values of the resources thereof in a manner which is consistent with the purposes and provisions of this act.” Section 10.a.

The Highlands Act does not include specific goals relating to the establishment of baseline economic indicators; however, numerous goals impact economic conditions. Those goals with respect to the Preservation Area shall be to:

- preserve extensive and, to the maximum extent possible, contiguous areas of land in its natural state, thereby ensuring the continuation of a Highlands environment which contains the unique and significant natural, scenic, and other resources representative of the Highlands Region. Section 10.b.(2).
- preserve farmland and historic sites and other historic resources. Section 10.b.(4).
- promote conservation of water resources. Section 10.b.(6).
- promote brownfield remediation and redevelopment. Section 10.b.(7).
- promote compatible agricultural, horticultural, recreational and cultural uses and opportunities within the framework of protecting the Highlands environment. Section 10.b.(8).

- prohibit or limit to the maximum extent possible construction or development which is incompatible with preservation of this unique area. Section 10.b.(9).

In addition, the goals with relating to protection of scenic resources with respect to the Planning Area shall be to:

- preserve to the maximum extent possible any environmentally sensitive lands and other lands needed for recreation and conservation purposes. Section 10.c.(2).
- protect and maintain the essential character of the Highlands environment. Section 10.c.(3).
- promote conservation of water resources. Section 10.c.(7).
- promote brownfield remediation and redevelopment. Section 10.c.(8).
- encourage, consistent with the State Development and Redevelopment Plan and smart growth strategies and principles, appropriate patterns of compatible residential, commercial, and industrial development, redevelopment, and economic growth, in or adjacent to areas already utilized for such purposes, and discourage piecemeal, scattered, and inappropriate development, in order to accommodate local and regional growth and economic development in an orderly way while protecting the Highlands environment from the individual and cumulative adverse impacts thereof. Section 10.c.(9).

Requirements of the Highlands Act:

Financial Component

Section 11.a.(2) charges the Council with developing “[a] financial component; together with a cash flow timetable which:

- (a) details the cost of implementing the regional master plan, including, but not limited to, property tax stabilization measures, watershed moratorium offset aid, planning grants and other State aid for local government units, capital requirements for any development transfer bank, payments in lieu-of-taxes, acquisition, within five years and within 10 years after the date of enactment of this act, of fee simple or other interests in lands for preservation or recreation and conservation purposes, compensation guarantees, general administrative costs, and any anticipated extraordinary or continuing costs; and
- (b) details the source of revenue for covering such costs, including, but not limited to, grants, donations, and loans from local, State, and federal departments, agencies, and other governmental entities, and from the private sector.

Smart Growth Component

The Highlands Act includes specific requirements relating to wastewater capacity, requiring the development of a Smart Growth component that includes “A smart growth component that includes an assessment, based upon the {the Resource Assessment}, **of opportunities for appropriate development, redevelopment, and economic growth, and a transfer of development rights program which shall include consideration of public investment priorities, infrastructure investments, economic development, revitalization, housing,** transportation, energy resources, waste management, recycling, brownfields, and design such as mixed-use, compact design, and transit villages. In preparing this component, the council shall:

- (a) prepare a land use capability map;
- (b) **identify existing developed areas capable of sustaining redevelopment activities and investment;**
- (c) **identify undeveloped areas in the planning area, which are not significantly constrained by environmental limitations such as steep slopes, wetlands, or dense forests, are not prime agricultural areas, and are located near or adjacent to existing development and infrastructure, that could be developed;**

(d) **identify transportation, water, wastewater, and power infrastructure that would support or limit development and redevelopment in the planning area.** This analysis shall also provide proposed densities for development, redevelopment, or voluntary receiving zones for the transfer of development rights;

(e) identify **potential voluntary receiving zones in the planning area for the transfer of development rights** through the appropriate expansion of infrastructure or the modified uses of existing infrastructure;

(f) issue model minimum standards for municipal and county master planning and development regulations outside of the preservation area, including density standards for center-based development to encourage, where appropriate, the adoption of such standards;

(g) identify special critical environmental areas and other critical natural resource lands where development should be limited; and

(h) identify **areas appropriate for redevelopment** and set appropriate density standards for redevelopment. Any area identified for possible redevelopment pursuant to this subparagraph shall be either a brownfield site designated by the Department of Environmental Protection or a site at which at least 70% of the area thereof is covered with impervious surface.”

Section 11.a.(6)(emphasis added).

Preservation Area Assessment

For the Preservation Area, Section 12 of the Highlands Act requires “a land use capability map and a comprehensive statement of policies for planning and managing the development and use of land in the preservation area, which shall be based upon, comply with, and implement the environmental standards” adopted by NJDEP and the Resource Assessment prepared the Highlands Council under Section 11. Section 12.

Section 12 specifically requires implementation “that will ensure the continued, uniform, and consistent protection of the Highlands Region in accordance with the goals, purposes, policies, and provisions of this act, and shall include:

a. a preservation zone element that identifies zones within the preservation area where development shall not occur in order to protect water resources and environmentally sensitive lands and which shall be permanently preserved through use of a variety of tools, including but not limited to land acquisition and the transfer of development rights; and

b. minimum standards governing municipal and county master planning, development regulations, and other regulations concerning the development and use of land in the preservation area, including, but not limited to, standards for minimum lot sizes and stream setbacks, construction on steep slopes, maximum appropriate population densities, and regulated or prohibited uses for specific portions of the preservation area. Section 12.

Local Participation Component

A component to provide for the maximum feasible local government and public input into the council's operations, which shall include a framework for developing policies for the planning area in conjunction with those local government units in the planning area who choose to conform to the regional master plan. Section 11.a.(3).

Coordination and Consistency Component

A coordination and consistency component which details the ways in which local, State, and federal programs and policies may best be coordinated to promote the goals, purposes, policies, and provisions of the regional master plan, and which details how land, water, and structures managed by governmental or nongovernmental entities in the public interest within the Highlands Region may be integrated into the regional master plan. Section 11.a.(4).

III. TECHNICAL BASIS AND JUSTIFICATION FOR STAFF RECOMMENDATIONS

The Financial Component is intended to outline the economic framework for ongoing analysis, focusing on the costs and revenues resulting from the Highlands Act and the Regional Master Plan (RMP). A primary objective of the Financial Component is to collect relevant regional information from the disparate and extensive data sources to create a consolidated Highlands economic database. The Financial Component consists of three main elements: the Baseline Economic Indicators report, a Fiscal Impact Analysis and a Cash Flow Timetable.

The Baseline Economic Indicators analysis relies on traditional economic indices and focuses on property valuation. The calculations and data will be applied to elements of the Cash Flow Timetable to address the trend, build-out, and fiscal impact projections of the RMP. Additional goals include a regional analysis of the overall economic health and vitality of the Highlands Region and establishing an economic profile of the Region. A protocol and tracking format, called the Municipal Economic Tracking Program was developed for monitoring these indicators.

IV. GLOSSARY

This section defines the terms that are used to develop the approach and methods that informed the proposed policy actions for this RMP element. Topic specific glossaries will contribute to the general RMP glossary of terms.

Highlands Baseline Economic Indicators – variables that represent economic activity and can be quantified through established statewide procedures.

The data for the indicators within each category were aggregated into 8 subsets representing various areas and comparative regions:

Highlands Region – Total or average values derived from all 88 municipalities.

Planning Area – Total or average values for those municipalities wholly within the Planning Area (36 municipalities).

Preservation Area – Total or average values for those municipalities wholly within the Preservation Area (5 municipalities).

Split – Total or average values for those municipalities with areas in both the Planning and Preservation Areas (47 municipalities).

Highlands Counties – Total or average values for those municipalities within the Highlands Region (7 Counties -Bergen, Hunterdon, Morris, Passaic, Somerset, Warren, and Sussex). These are designated by an “H.” For example, the municipalities within Morris County in the Highlands would be “H – Morris”, representing 32 of 39 municipalities.

7 County Totals – Total or average values for the entire County. For example, Passaic County has 5 municipalities in the Highlands Region, but all 16 municipal values are compiled.

New Jersey – Total or average statewide values.

Municipal – Values for each municipality within the Highlands Region.

Regional economic indicators and source data include:

Population – represents total persons residing within each subset. Source: US Census (1990 and 2000).

Unemployment – unemployment rates per subset (where possible). Source: New Jersey Department of Labor and Workforce Development (1990, 2000, 2002, 2004).

Housing Units – a house, apartment, mobile home or trailer, a group of rooms, or a single room that is occupied. Source: US Census.

Income – median family income and per capita income. Source: US Census (1989, 1999).

Per Household Property Tax – total amount of property taxes paid per household and per capita. Source: New Jersey Legislative District Data Book (1991, 2001, 2003, 2004).

Property Tax Change – comparison of percent change I per household property tax from 2004 to 2005. Source: New Jersey Department of Community Affairs.

Equalized Property Values – property values that reflect assessed property values multiplied by the individual municipality's equalization rate. These were calculated for vacant, residential, commercial, farmland, and industrial classified lands. These are also separated into a per parcel and per acre value. Source: New Jersey Department of Community Affairs, Division of Local Government Services (2004) and New Jersey Department of the Treasury.

Transactions – land sales and transfers recorded by the county and provide to the Division of Taxation at the Treasury. These records are used as inputs for the regularly published "SR1A" reports. Outliers such as \$1 transactions are omitted from this report. Source: New Jersey Department of the Treasury, Division of Taxation (2002, 2003, 2004, 2005).