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Preface

The Guarini Institute for Government and Leadership White Paper Series (GWPS) is designed to stimulate timely and relevant discussion around key public policy topics germane to New Jersey. The series will provide contributors a unique opportunity to share their opinions related to critical public policy issues. This is the fifth paper in a series of white papers sponsored by the Guarini Institute. On behalf of the institute, we thank Dr. Malone for his contribution.

The position/argument reflects that of the author and not Saint Peter's University or the Guarini Institute. Additionally, this paper cannot be reprinted without the consent of the Institute's Executive Director.

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About the Author

Donal Malone, Ph.D., is an Associate Professor in the Department of Sociology and Urban Studies at Saint Peter's University. His research interests focus on urban inequality, its causes and solutions. Toward that end, he examines the impact of redevelopment in Jersey City on its neighborhoods and residents. This has also been a focus of his senior seminar class in which students combined theory and research to explore various aspects of urban life. This year, his students conducted a study of the well-being of families and children in Jersey City using Census data as well as interviews. Their findings will be shared with residents, community organizations, local officials and the media to inform a public discussion on the well-being of residents.

Rebuilding Jersey City from the Inside Out:
The Case for More Just and Equitable Development

Abstract

In 2015, Jersey City was experiencing a new period of growth with a record number of housing units created or in production and thousands more jobs added to its economy. A new and more progressive administration was at the helm announcing that this round of growth would benefit more residents than previous ones, which were largely viewed as benefitting one segment of the population and area of the city. However, despite these assurances, and some efforts toward more shared growth, this new development has been very unevenly and unequally distributed across the city. This is the result of a neoliberal approach to governing that allowed developers and corporations to influence development in their interests to the detriment of most residents. What lessons can be learned from such unequal development? How can new development be shared more equitably? This paper explores the answers to these questions.

Introduction

In 2015, Jersey City was once again in the midst of a new round of economic development creating more jobs and housing. A news release from the mayor's office described the construction of 6,000 new housing units along with 18,000 underway as, "the greatest construction activity in the City's history." It also noted the city added 9,000 jobs in construction, small businesses and corporations resulting in a decline in the unemployment rate from 10.6%to 6.5%. Also highlighted was the creation of 150 new small businesses including 50 restaurants. At the same time there was concern that this new development would be viewed as beneficial to some residents and not all. That is why the mayor's office added: "While growing jobs and attracting businesses, Jersey City has also enacted ordinances such as earned paid sick leave, prevailing wage, stricter [tax] abatement compliance, and project labor agreements to ensure that all Jersey City shares in the benefit" (Jersey City 2015).

In citing steps it has taken to provide more benefits to workers and opportunities for jobs for local residents through its labor agreements, the city was attempting to demonstrate that this time the benefits of growth would be more widely shared than in the past. For decades, redevelopment has divided the city with most investment going to its waterfront creating corporate jobs and luxury housing for the newly arrived professional workers. A "tale of two cities" emerged as a common refrain in public discourse among those feeling excluded from the benefits of growth (Donohue 1999; Jacobs 2001; Frasca 2007; McDonald 2014; Morgan 2015).

However, while the current administration may be doing more than previous ones to spread the gains of growth more broadly, its overall top-down approach to redevelopment is similar in perpetuating major inequities. Most of the "new" jobs are corporate jobs being moved to Jersey City while most of the new housing is market rate "luxury" housing unaffordable for most residents.

Subsidized with tax breaks, they are the main drivers of economic development following a pattern of uneven and unequal development over three decades. This is the result of an approach to governing in which elected officials continue to give major corporations and developers a free hand in deciding what gets built, where, how and for whom. Some of the impacts have been polarized job and housing markets and a financial services industry that has dominated the city's economy to its detriment.

The emphasis on these two industries for economic growth has fed boom and bust cycles that prevented the development of a more diverse and sustainable local economy more beneficial to residents. Subsidies for FIRE (Finance, Insurance, Real Estate) industries eroded the city's tax base and led to years of budget deficits, cutbacks in city services and a transfer of wealth from working class families to corporate and political elites. Growth mainly benefitted downtown corporate interests at the expense of the rest of the city, especially its minority community.

Impact of Unequal Development

The unequal impact of redevelopment in Jersey City, which has waxed and waned for more than three decades, can be seen in current U. S. Census figures. Almost a quarter of households have incomes under $25,000 a year while nearly a third have less than $35,000 and over 40 percent have incomes under $50,000 a year. On the other hand, over 40 percent of households earn at least $75,000 annually while 30 percent earn at least $100,000. The top fifth of Jersey City's wage earners receive over half of the city's income while the bottom fifth gets less than 3 percent. The median household income for whites is $72,000; blacks $45,000; Latinos $38,000; Asians $91,000. The per capita income for whites is $49,000 and for Asians $43,000, more than twice that of blacks and Latinos. And despite all of the development, the city's poverty rate has remained constant over three decades at close to 20 percent. And similar to household income, it varies dramatically by race and ethnicity.

Creating More Equitable Growth

What lessons can be learned from Jersey City's redevelopment over the past quarter century that left so many behind? Could redevelopment have benefitted more residents? Would the city be better off today if growth had been more equitably shared? What can be done to ensure future growth includes more of the city's residents and neighborhoods? The following are some steps that can be taken to ensure the gains of redevelopment are fairly distributed.

Tie Redevelopment to Jobs for Residents

Any new development subsidized by the government must provide jobs for residents. Most "new" jobs created in Jersey City since the early 1980's have been "old" jobs -

positions already filled - and just relocated for tax breaks. Transferring over 30,000 jobs to Jersey City in exchange for hundreds of millions of dollars in tax breaks did create some new jobs for residents, but at what cost? These were low wage jobs to serve the needs of the corporations and their employees who relocated to Jersey City promoting a two-tiered workforce of low and high wage earners. The massive subsidies spent to lure these corporations should have been invested in local economic development more suitable to the needs and skills of most residents and beneficial to the city's economy.

Rather than investing residents' hard earned income in companies that provide few new jobs, the city should seek out industries in sectors of the economy that best match the city's workforce in order to maximize the employment chances of local residents. This is something the city failed to do in so heavily subsidizing the jobless growth of the financial services industry.

Investing in workers is also an important part of economic development. One of the key factors companies consider when deciding to relocate is the quality of the workforce. A workforce prepared to take advantage of new economic opportunities helps spread the benefits of growth more equitably because it provides opportunities for workers throughout the city. Workforce development includes job training programs that have proven effective in acquiring skills jobs that pay a living wage. While the city and some nonprofits have programs like this they need to be expanded and improved to connect workers with family wage jobs.

Enforce the City's Labor Agreements

One of the most effective ways to ensure redevelopment provides jobs for residents is to enforce the city's labor agreements. Since the beginning of redevelopment in the early 1980's the city has enacted *Project Labor Agreements* with developers and corporations to provide construction jobs for residents in exchange for tax breaks. However, despite three decades of labor agreements, few residents obtained jobs because of the city's lax enforcement. The failure to implement and enforce these agreements has widened the racial, ethnic, class, and gender divides in the city since many of these jobs were intended for women and minorities. New labor agreements must be strictly enforced and contain severe penalties for noncompliance. Officials must provide sufficient resources to implement, monitor and enforce labor agreements on publicly subsidized projects and use their control over these projects to ensure compliance.

Diversified Economies Work Best

A diversified economy provides more opportunities for a range of workers with various levels of education and skills. In turn, these workers spend their income in their neighborhoods promoting prosperity throughout the city. Diversified economies also promote more stable growth and are less vulnerable during economic downturns. Jersey City focused too narrowly on the financial services industry for much of its economic growth putting its economy more at risk during declines. This has been acknowledged by the city in one of its reports:

> However, the economic future will be more secure if Jersey City is able to diversify its economy so that financial services remain important but not as dominant as they now are, accounting for more than a third of all private sector jobs in the city. This will mean that proactive strategies will have to be implemented that focus on other potential growth sectors in the economy such as health services, education, leisure and hospitality, and wholesale trade. (UEZ Strategic Plan 2010, p.35)

Diversified economic growth ensures that the benefits of development are more equitably distributed across the city. It provides jobs and housing for a variety of workers promoting stable families and communities by reducing inequality and its social costs. Shared growth also fosters harmony and a greater sense of community as people feel included in the prosperity of their city. Today, the city is at war with itself as various groups are upset at being excluded from the benefits of development or feeling unfairly burdened by it. And, as the city's failed record on labor agreements and tax assessments indicate, its minority communities, especially African American, have been most harmed by the lack of access to the benefits of redevelopment.

End Tax Abatements with Direct Investment in Workforce and Local Business Development

Overall, tax abatements or tax breaks intended to encourage economic development to benefit local residents have failed. They have resulted in few new jobs and housing for most residents and provided huge subsidies for corporations and developers. For many residents, tax abatements have come to symbolize the city's unequal development. They are associated with one-sided upscale development, corporate welfare, political favoritism, corruption, lost job and affordable housing opportunities, tax protests, and an increasing racial and class divide. Two reports, one by the state of New Jersey and another by New Jersey Policy Perspective, a nonprofit fiscal watchdog group, have documented some of these problems (Bressler & Topp 2009; Boxer 2010).

Other research demonstrates that corporate tax incentives produce few new jobs because companies are just moving jobs from one area to another with no net gain in jobs overall for the region. This form of job piracy, in which cities and states lure companies and jobs from one area to another in exchange for tax breaks, is wasteful and undermines the regional and national economies. (ITEP Reports 2013; Alden & Strauss 2014;Whiten 2015).

Instead of a race to the bottom to attract corporations looking for tax breaks, Jersey City should take the lead in uniting municipalities and states against being used as pawns for corporate greed. Other cities and states have entered into anti-piracy agreements in which they agree not to compete with each other through tax breaks for businesses (McIlvaine 2014, ITEP Reports 2013). This approach could be made national as one policy analyst has suggested, with the federal government imposing financial penalties on corporations receiving tax breaks from local governments. The tax savings could then be spent on direct investment on infrastructure such as roads, bridges, trains and buses that are central to economic development (MacInnes 2016). Just as important to attracting new businesses are good schools and a well-prepared workforce. This kind of investment also stimulates consumption and business growth as workers with discretionary income spend more. This is especially helpful for small business owners as one study found: "What small businesses really need … is investment in their communities and customers who felt economically secure and had stable well-paid jobs that gave them extra money to spend" (Tarczynska 2016).

Make Affordable Housing a Priority

Today, the ratio of luxury housing units built annually is in the many thousands compared to several hundred affordable units. According to the city, in 2015, 24,000 new market rate housing units were either built or approved for construction while only 575 affordable units were built or preserved (Jersey City: How Jersey City Grows 2015).

In 2015, the average rent for a two-bedroom apartment in Jersey City was $1300 which places a "cost burden" on more than forty percent of households (National Low Income Housing Coalition 2015). According to the Department of Housing and Urban Development (HUD), households that spend over 30 percent of their income on housing are considered "cost-burdened" because their housing costs make it difficult for them to afford other basic needs such as: food, clothing, utilities, transportation and healthcare (HUD 2015). Ironically, the city cites "cost burden" as the most pressing housing issue it faces.

The city's affordable housing crisis is largely due to its promotion of luxury housing at the expense of housing affordable for most residents. Valuable public resources in the form of land, buildings, tax dollars and control over redevelopment go into promoting luxury housing. In addressing its shortage of affordable housing the city has always turned to the market and luxury housing developers for solutions. The latest version of this was in 2015 when the city unveiled a plan to increase tax subsidies for developers to build market rate housing in less affluent areas of the city. To qualify for increased subsidies, developers were required to set aside 15 percent of their units for affordable housing or contribute funds to the city's Affordable Housing Trust Fund (Jersey City "Fulop Administration" 2013). Subsidizing developers to build mainly market rate housing in exchange for including a small percentage of affordable units amounts to a public policy of gentrification.

Make Community Benefits Agreements Part of the Development Process

Any future development must include the community in its planning, especially when it is subsidized with taxpayer dollars. One of the best ways to ensure this is to make *Community Benefits Agreements* part of any redevelopment process. A *CBA* is a contract between a developer and community groups that specifies the benefits a community will receive from development. It may include such things as, a living wage agreement, local hiring and training programs, affordable housing and the allocation of space for parks, child care centers and after school programs. *Community Benefits Agreements* (CBA's) began in the 1990's as a way for communities to participate in the planning process and benefit from new development. CBA's that are strictly enforced provide more jobs, housing and services for residents leading to more stable families and neighborhoods as well as more balanced and sustainable growth.

Put the Public Back in Public-Private Partnerships

In the 1980's, the city turned to the private sector to find investors for urban redevelopment projects. The responsibility for deciding on redevelopment projects was given to specially created agencies such as the *Jersey City Redevelopment Agency* and *Jersey City Economic Development Corporation*. These quasi-public agencies, made up largely of unelected officials with little accountability to the public or their elected representatives, decided on what kinds of projects to develop and who to partner with. The result was top-down development that reflected the special interests of the real estate industry, financial services corporations and their political allies. The public must have much greater say in how the city is developed in order for more residents to share in its growth. Community Benefits Agreements, along with more community participation in the development process, would be important steps in this direction.

Reduce Poverty

At almost one fifth of residents, the poverty rate remains stubbornly high in a city that has had so much development. A quarter of the city's children are being raised in poverty which the Census puts at $24,300 for a family of four. Among female-headed households, the poverty rate for children rises to 40 percent. Too many parents are living in poverty undermining their ability to be effective parents and jeopardizing the futures of too many children. Research has shown that poverty makes it difficult for adults to carry out their roles as providers and caregivers putting their kids at risk. Also, poverty, inequality and social isolation are major causes of violent crime by young people (Kramer 2000).

The social problems created by poverty drain public resources that could be put to more productive use. Preventing poverty will save lives and money. Low income communities need the support services and programs that help families and children succeed. The same resources and political will put into redeveloping the city's waterfront should be invested in reviving the city's poorest communities.

More Grass Roots Community Activism

For decades the benefits of Jersey City's redevelopment have been co-opted by the interests of developers, large corporations, local politicians and unions. While residents fought valiantly against displacement and exclusion from the benefits of growth, and won some battles, they lost the war for a more inclusive, fair and just city. Today, Jersey City stands on the edge of becoming another "Hoboken" as gentrification threatens to engulf more areas of the city driving more residents from their homes and neighborhoods. However, this time there is hope that this new wave of gentrification, driven by public policies that subsidize it, can be halted. A new grass roots group, *New Jersey Together*, has emerged and is pushing back against this process demanding more affordable housing, help for the homeless and fairness in assessing real estate taxes. Made up of faith-based groups, non-profits and community activists this organization is exerting pressure on city officials to be more responsive to the needs of residents. It may be the last best chance for the city's diverse mix of working and middle families to reclaim their city.

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