

Housing Inequality in Summit, New Jersey

1. Introduction

I spent nearly my entire childhood growing up in Summit, New Jersey. Summit calls itself the “City of Summit,” but it is a predominantly residential suburban town with some business, mixed-use and park/recreational areas. The city’s website boasts:

Summit, NJ is a vibrant community of about 21,000 residents, situated 20 miles west of Manhattan, and features a bustling downtown known for its unique variety of shops, restaurants, businesses, and other services. Consistently ranked in the top 20 places to live in the state by NJ Monthly magazine, Summit is a diverse city with the charm and feel of a small town but all of the amenities of a sprawling city. With hundreds of events, activities, recreational programs and teams, as well as one of the top public school districts in the state, Summit is an ideal place to raise children.

<https://www.cityofsummit.org/31/Community>

Driving into Summit’s downtown area, one passes mostly single-family homes, ranging from modest to extravagant, with leafy, well-tended yards. As a young child attending Summit schools, this felt completely normal – neither privileged nor unusual. As I got a little older and traveled to other communities for sports and other events, I saw that was not the case. Only 5-10 miles east of Summit are Irvington and Newark, which look decidedly different, even to a child’s eye.

I will analyze home prices in Summit and possible reasons for variations in those prices relative to other parts of New Jersey. I will focus on two hypotheses with three variables (income, educational attainment and local school quality) to explain Summit’s higher prices. I will explore the inequal impact of higher home prices on Summit’s racial and ethnic composition. Finally, I will examine Summit’s affordable housing program as one means to address the problem of housing affordability in the city.

2. Background

The City of Summit (population 21,900¹) is part of Union County (population 556,000) in New Jersey (population 8.9 million), about 20 miles east of downtown Manhattan. It is served by two New Jersey Transit train lines providing service to New York Pennsylvania Station in midtown Manhattan and Hoboken, NJ, with connections via PATH trains and ferry service to points in downtown and midtown Manhattan. Many Summit residents commute to Manhattan and work in finance, media, legal and technology industries, among others. Medical services and pharmacology are also large employers. Celgene Corporation (now part of Bristol Myers Squibb) is headquartered in Summit and has a large facility in the city. Summit's median household income is \$157,835, almost double the levels of NJ (\$82,545) and Union County (\$80,198).²

Home prices in Summit are high. In December 2020, there were 73 homes for sale in Summit with a median listing price of \$808,000. Listing prices ranged from \$150,000 for a 650 square foot one-bedroom apartment to \$5.25 million for a six-bedroom, 7300 square foot single-family home.³ Zillow's Home Value Index (ZHVI) provides a time-series of smoothed, seasonally-adjusted estimated "typical" home values by zip code in the United States.⁴ For November 2020, the ZHVI (rounded to the nearest \$1,000) for Summit was \$884,000, putting it in the 96th percentile in New Jersey for home prices. The same index for neighboring communities was: Short Hills (\$1,558,000), Millburn (\$830,000), Chatham (\$805,000), New Providence

¹ United States Census Bureau, full data table shown in Appendix;
<https://www.census.gov/quickfacts/fact/table/summitcitynewjersey,unioncountynewjersey,NJ/PST045219>

² United States Census Bureau, *ibid*; 2015-2019

³ www.zillow.com, 12/18/2020

⁴ <https://www.zillow.com/research/data/>, November 2020. Our analysis of ZHVI data.

(\$637,000) and Springfield (\$477,000). These index values compare to \$417,000 for all of New Jersey and \$445,000 for Union County. Nearby Irvington (\$245,000) and Newark (\$337,000) are much lower.⁵ The wide gap in “typical” home prices for communities in such close proximity to one another is striking, if not surprising. There may or may not be justifiable reasons for the gap, but it certainly illustrates inequality.

3. Analysis

Hypothesis 1: Higher income drives higher home prices. As income rises, economic theory tells us that consumption of goods and services should increase. Housing can be thought of as a service,⁶ so would expect communities with higher income would have higher median home values. The ratio of ZHVI to median income in Summit is 5.60, about equal to that in Union County (5.55) and about 10% higher than NJ overall (5.06). Summit does not appear to be an outlier on home prices relative to income.

Hypothesis 2: Higher education drives both higher income and higher demand for quality schools. One of the reasons that Summit median income is high is that residents are highly educated: 96% of residents aged 25 and over graduated high school and 71% have a bachelor’s degree or higher; the latter is nearly double the Union County (36.0%) and NJ average (39.7%).⁷ A strong link between educational attainment, particularly bachelor’s degree and higher, and income is well-established. “Education is often referred to as an investment in human capital.

⁵ A time series of ZHVI from January 2019 for these communities is provided in the Appendix.

⁶ The US Bureau of Labor Statistics uses a concept of “Owners’ Equivalent Rent” to derive an implied rental price (i.e., cost of housing services) from owner-occupied homes to calculate the Consumer Price Index. www.bls.gov

⁷ United States Census Bureau, *ibid*; 2015-2019

People invest in human capital for similar reasons people invest in financial assets, including to make money. In general, those with more education earn higher incomes.”⁸

While we have not found hard data to support the second part of Hypothesis 2, it is reasonable to think that highly educated people would want their children to have a high-quality education.

Summit schools have a strong reputation for quality, ranking 76th out of 500 national public high schools (*Newsweek*, 2016), and 4th for Best School District in NJ (*Niche*, 2019).⁹ In 2019, 95.6% of the Summit High School graduating class were continuing their education, including 87% attending a 4-year college/university, 7.3% attending 2-year college and 1.3% attending vocational/technical school.¹⁰ Towns with higher quality public schools should attract homebuyers willing to pay higher home prices for access to those schools. Summit appears to fit that hypothesis. Of course, poor people still want their children to go to good schools. They were just priced out, at least in Summit.

Of course, other factors we have not considered could drive higher home prices. For example, low mortgage rates – currently about 2.75% for 30-year fixed-rate mortgages¹¹ – reduce interest expense for homebuyers and tend to raise home prices. However, Summit home prices have not outpaced New Jersey averages or surrounding communities during a recent period of declining mortgage rates; in fact, from January 2019 to November 2020 – when 30-year mortgage rates fell by about 0.8%¹² -- Summit’s ZHVI was nearly unchanged (-0.3%) while index values for NJ (+8.4%), Union County (+10.0%) and Newark (+22.1%) rose substantially. Nonetheless, factors

⁸ Federal Reserve Bank of St. Louis: *Education, Income and Wealth*, 2017.

<https://research.stlouisfed.org/publications/page1-econ/2017/01/03/education-income-and-wealth/>

⁹ Summit High School. https://www.summit.k12.nj.us/uploaded/SHS_FILES/School_Profile_2019-2020.pdf

¹⁰ Summit High School, *ibid*

¹¹ www.bankrate.com, 12/18/2020

¹² Bloomberg, LP

beyond income, educational attainment and school quality could affect Summit home prices, and we have not considered them.

4. Consequence – Less Racial and Ethnic Diversity

A clear consequence of Summit's high home prices and low housing affordability is that Summit is significantly less racially and ethnically diverse than New Jersey in general and Union County in particular. According to U.S. Census Bureau data, Summit is significantly more White (non-Hispanic/Latino) and less Hispanic/Latino and Black/African American than NJ and Union County:

Race and Hispanic Origin¹³	Summit	Union County	New Jersey
White alone, not Hispanic or Latino	68.9%	39.2%	54.6%
Hispanic or Latino	13.5%	32.8%	20.9%
Black or African American alone	5.6%	23.8%	15.1%
Asian alone	9.1%	5.7%	10.0%

Median incomes of Asian (\$98,174) and White/not Hispanic (\$76,057) households is significantly higher than Black (\$45,438) and Hispanic (\$56,113) households. There are also 84.7 million White/not Hispanic households in the U.S., compared to 17.2 million Black, 17.7 million Hispanic and 7.0 million Asian households.¹⁴ Applying a normal income distribution to those quantities puts many more White households in a position to buy the median house in Summit than other groups. Even before we consider other systemic factors such as racial bias in

¹³ U.S. Census Bureau, *ibid*. The concept of race is separate from the concept of Hispanic origin. Percentages for the various race categories add to 100 percent, and should not be combined with the percent Hispanic.

¹⁴ U.S. Census Bureau, Current Population Survey (CPS), 2019. www.census.gov

housing, high home prices systematically skew Summit's demographics toward White/not Hispanic and Asian households and away from Black and Hispanic households.

There is little data to support Summit's history regarding redlining and access to mortgage loans for non-White or Asian communities. However, the effect has been well-documented in other parts of New Jersey such as Camden, a mostly-minority city in South Jersey, where it is still more difficult for minorities to get access to mortgages¹⁵. Only 37% of Camden residents own homes, compared to 60% statewide.

5. Remediation Strategy – Affordable Housing Programs in Summit

While there are myriad ways to address housing inequality in Summit, one direct approach is offering affordable housing programs to attract residents who can both add racial, ethnic and income diversity to the community and benefit from the city's schools, parks, services and relative safety.

Summit's official efforts to provide affordable housing have a long but often ineffectual history. The Summit Housing Authority was formed by the city's Common Council in 1938 to take advantage of funding available under the National Housing Act of 1937; it went nowhere. In 1950, Summit created the Substandard Housing Board, a name that must have been deeply offensive to residents whose homes were targeted by the initiative. It too went nowhere. Finally, after some successful but limited private efforts to develop affordable housing, the Summit Housing Authority was reestablished in 1967. The city's first affordable housing structure, 40 units in the downtown area, opened in 1972 and remains occupied today.¹⁶ Acknowledging that

¹⁵ https://www.nj.com/data/2018/02/modern-day_redlining_how_some_nj_residents_are_bei.html

¹⁶ City of Summit, *History of Affordable Housing in Summit*, 2/1/2017. www.cityofsummit.org

affordable housing efforts in New Jersey had failed to meet statutory obligations, in 1975 the New Jersey Supreme Court (NJSC) determined in *So. Burlington Cty. NAACP v. Borough of Mount Laurel* (Mount Laurel I) that every developing municipality in New Jersey had an affirmative obligation to provide for its fair share of affordable housing. Foot-dragging continued, resulting in a 1983 ruling (Mount Laurel II) and subsequent rounds of regulations and (ineffective) oversight. By 2013, Summit, among other communities, was in its *third* iteration of *Third Round* regulations regarding its affordable housing obligations. In 2015, Mount Laurel IV was handed down by the NJSC. You can't make this stuff up! Yes, there had been some progress in providing affordable housing in Summit, but it was very limited – and largely mirrored similar underperformance on affordable housing goals in surrounding communities. Existing demographics only solidified.

Finally, in 2016, Summit entered into a court-supervised settlement agreement with New Jersey's Fair Share Housing Center (FSHC). For the period 1987-2025, Summit is obligated to rehabilitate 131 units and develop 171 units ("realistic opportunity" development). The agreement also imposes a 567 unit "Prospective Need" obligation, which sounds a lot like an aspirational target that will get repeatedly delayed until we all forget about it.

So how is Summit doing under the Agreement? The city's 2020 *Midpoint Review Report*¹⁷ showed that the city had rehabilitated 40 units (you guessed it, the 40 units that it opened in 1972!) out of its 131-unit obligation. It has accrued 41 "credits" toward its current 36-unit Realistic Development Potential (i.e., it is currently in compliance with the court mandate on that metric). Reviewing those projects, it is encouraging to see involvement of community service

¹⁷ City of Summit, *Midpoint Review Report*, July 2020. www.cityofsummit.org

organizations such as Habitat for Humanity and Our House, which are, respectively, national and local charitable organizations focused on affordable housing. A large redevelopment project currently in the planning stage, Broad Street West Redevelopment Plan, has the potential to add an additional 50 units, which would be the largest project since 1972.

We recognize that Summit has very little undeveloped land that is not already part of a park or is otherwise purposely set aside as part of an open space initiative. That means most affordable housing development entails repurposing an existing site or combining multiple sites into denser, lower-cost housing. Such developments often meet significant resistance. To add affordable housing units, for-profit developers require incentives in the form of cash or tax-abatement subsidies (which face budget constraints) or zoning variances permitting larger structures and/or greater unit density (which meet local resistance). Nonetheless, while it is not surprising that progress on affordable housing is slow, it is still inexcusable.

6. Conclusion

Summit's status as a sheltered enclave of expensive homes and lush lawns has resulted in significantly skewed racial and ethnic demographics. Lack of affordable housing limits access to Summit's higher-quality schools to already highly-educated residents, which entrenches inequality and reduces opportunity for lower-income households to improve educational outcomes for their children. While the city has recently made progress towards its court-mandated goal, it has historically failed to meet its *affirmative obligation* to provide more affordable housing and has a long way to go to meet its 2025 obligation. The 50-year drought of affordable housing development ended only after the city was sued over it. This unwillingness to make *any* measure of progress unless forced to by order of the court leaves a sour taste in one's

mouth. It seems the community is happy to drive their BMWs¹⁸ around suburbia without seeing anyone who looks too different from them. One wonders who exactly it is they are trying to avoid seeing: minorities, or just poor people? Neither sounds very flattering.

¹⁸ <https://www.nytimes.com/2006/02/19/nyregion/soapbox-say-pal-can-you-spare-a-bmw.html>

Appendix

All Topics	Summit city, New Jersey	Union County, New Jersey	New Jersey
Black or African American alone, percent (a)	5.6%	23.8%	15.1%
PEOPLE			
Population			
Population estimates, July 1, 2019, (V2019)	21,897	556,341	8,882,190
Population estimates base, April 1, 2010, (V2019)	21,460	536,464	8,791,978
Population, percent change - April 1, 2010 (estimates base) to July 1, 2019, (V2019)	2.0%	3.7%	1.0%
Population, Census, April 1, 2010	21,457	536,499	8,791,894
Age and Sex			
Persons under 5 years, percent	7.4%	6.3%	5.8%
Persons under 18 years, percent	28.3%	23.3%	21.8%
Persons 65 years and over, percent	13.2%	14.7%	16.6%
Female persons, percent	52.6%	51.1%	51.1%
Race and Hispanic Origin			
White alone, percent	75.3%	67.4%	71.9%
Black or African American alone, percent (a)	5.6%	23.8%	15.1%
American Indian and Alaska Native alone, percent (a)	0.1%	0.8%	0.6%
Asian alone, percent (a)	9.1%	5.7%	10.0%
Native Hawaiian and Other Pacific Islander alone, percent (a)	0.0%	0.1%	0.1%
Two or More Races, percent	2.2%	2.2%	2.3%
Hispanic or Latino, percent (b)	13.5%	32.8%	20.9%
White alone, not Hispanic or Latino, percent	68.9%	39.2%	54.6%
Population Characteristics			
Veterans, 2015-2019	548	14,080	321,991
Foreign born persons, percent, 2015-2019	23.6%	30.1%	22.4%
Housing			
Housing units, July 1, 2019, (V2019)	X	203,054	3,641,812
Owner-occupied housing unit rate, 2015-2019	69.9%	58.6%	63.9%
Median value of owner-occupied housing units, 2015-2019	\$890,100	\$367,200	\$335,600
Median selected monthly owner costs -with a mortgage, 2015-2019	\$4,000+	\$2,726	\$2,465
Median selected monthly owner costs -without a mortgage, 2015-2019	\$1,500+	\$1,221	\$1,052
Median gross rent, 2015-2019	\$1,880	\$1,290	\$1,334
Building permits, 2019	X	2,316	36,505

Families & Living Arrangements			
Households, 2015-2019	7,677	190,101	3,231,874
Persons per household, 2015-2019	2.82	2.88	2.69
Living in same house 1 year ago, percent of persons age 1 year+, 2015-2019	89.6%	90.4%	89.8%
Language other than English spoken at home, percent of persons age 5 years+, 2015-2019	29.6%	44.0%	31.3%
Computer and Internet Use			
Households with a computer, percent, 2015-2019	95.1%	90.0%	91.4%
Households with a broadband Internet subscription, percent, 2015-2019	92.3%	83.7%	85.8%
Education			
High school graduate or higher, percent of persons age 25 years+, 2015-2019	96.0%	86.4%	89.8%
Bachelor's degree or higher, percent of persons age 25 years+, 2015-2019	71.0%	36.0%	39.7%
Health			
With a disability, under age 65 years, percent, 2015-2019	2.9%	5.5%	6.5%
Persons without health insurance, under age 65 years, percent	6.9%	11.2%	9.2%
Economy			
In civilian labor force, total, percent of population age 16 years+, 2015-2019	68.5%	68.2%	65.5%
In civilian labor force, female, percent of population age 16 years+, 2015-2019	59.8%	62.1%	60.2%
Total accommodation and food services sales, 2012 (\$1,000) (c)	D	819,132	19,673,558
Total health care and social assistance receipts/revenue, 2012 (\$1,000) (c)	691,222	3,370,818	60,375,232
Total manufacturers shipments, 2012 (\$1,000) (c)	8,731	20,139,410	108,854,971
Total merchant wholesaler sales, 2012 (\$1,000) (c)	D	14,069,550	288,467,844
Total retail sales, 2012 (\$1,000) (c)	280,149	7,376,336	133,665,728
Total retail sales per capita, 2012 (c)	\$12,834	\$13,560	\$15,079
Transportation			
Mean travel time to work (minutes), workers age 16 years+, 2015-2019	37.7	31.7	32.2
Income & Poverty			
Median household income (in 2019 dollars), 2015-2019	\$157,835	\$80,198	\$82,545
Per capita income in past 12 months (in 2019 dollars), 2015-2019	\$90,561	\$41,603	\$42,745
Persons in poverty, percent	4.5%	9.1%	9.2%

BUSINESSES			
Businesses			
Total employer establishments, 2018	X	13,965	233,806
Total employment, 2018	X	204,508	3,739,076
Total annual payroll, 2018 (\$1,000)	X	12,972,224	230,637,460
Total employment, percent change, 2017-2018	X	1.5%	1.6%
Total nonemployer establishments, 2018	X	48,345	745,483
All firms, 2012	2,559	50,710	792,088
Men-owned firms, 2012	1,473	31,393	464,592
Women-owned firms, 2012	780	15,395	252,944
Minority-owned firms, 2012	458	20,768	237,242
Nonminority-owned firms, 2012	1,898	28,234	533,808
Veteran-owned firms, 2012	143	3,401	57,996
Nonveteran-owned firms, 2012	2,216	45,572	707,975
GEOGRAPHY			
Geography			
Population per square mile, 2010	3,579.1	5,216.1	1,195.5
Land area in square miles, 2010	6.00	102.86	7,354.22
FIPS Code	3471430	34039	34

About datasets used in this table

Value Notes

Estimates are not comparable to other geographic levels due to methodology differences that may exist between different data sources.

Some estimates presented here come from sample data, and thus have sampling errors that may render some apparent differences between geographies statistically indistinguishable. Click the Quick Info icon to the left of each row in TABLE view to learn about sampling error.

The vintage year (e.g., V2019) refers to the final year of the series (2010 thru 2019). Different vintage years of estimates are not comparable.

Fact Notes

- (a) Includes persons reporting only one race
- (b) Hispanics may be of any race, so also are included in applicable race categories
- (c) Economic Census - Puerto Rico data are not comparable to U.S. Economic Census data

Value Flags

- Either no or too few sample observations were available to compute an estimate, or a ratio of medians cannot be calculated because one or both of the median estimates falls in the lowest or upper interval of an open ended distribution.
- D Suppressed to avoid disclosure of confidential information
- F Fewer than 25 firms
- FN Footnote on this item in place of data
- N Data for this geographic area cannot be displayed because the number of sample cases is too small.
- NA Not available
- S Suppressed; does not meet publication standards
- X Not applicable
- Z Value greater than zero but less than half unit of measure shown

QuickFacts data are derived from: Population Estimates, American Community Survey, Census of Population and Housing, Current Population Survey, Small Area Health Insurance Estimates, Small Area Income and Poverty Estimates, State and County Housing Unit Estimates, County Business Patterns, Nonemployer Statistics, Economic Census, Survey of Business Owners, Building Permits.

<https://www.census.gov/quickfacts/fact/table/summitcitynewjersey,unioncountynewjersey,NJ/R>

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