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Cranbury/Monroe   Jan - 1984

Fair Share Housing Allocation for
Cranbury & Monroe Twps in Middlesex
County

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A FAIR SHARE HOUSING ALLOCATION FOR

CRANBURY AND MONROE TOWNSHIPS IN MIDDLESEX COUNTY

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January, 1984

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I. INTRODUCTION

This report estimates the "fair share" allocations of present and
projected regional low and moderate income housing which must be
provided for by Cranbury and Monroe Townships in Middlesex County,
New Jersey. It is designed to act as a blueprint for expanding
housing opportunities for lower income households in the metropol-
itan region in which these communities are located.*

This fair share plan conforms to the definitions and methodologi-
cal guidelines contained in the recent New Jersey Supreme Court
Decision, So. Burlington N.A.A.C.P. et.al. v. Twp. of Mt. Laurel,
92 N.J. 158 (1983), referred to hereinafter as Mount Laurel II.
This decision reaffirmed and refined the doctrine, first articu-
lated by the Supreme Court in its 1975 decision in the same case,
that municipalities like Mt. Laurel must "affirmatively afford"
the opportunity for decent and adequate low and moderate income
housing, "at least to the extent of the municipality's fair share
of the present and prospective regional need therefor", 67 N.J.
151 (1975) at 174 (hereinafter referred to as Mount Laurel I).

The determination of municipal fair share allocations involves
three basic steps:**

 -   identification of the relevant fair share housing region
 -   calculation of present and prospective housing needs of low
     and moderate income households in the region
 -   allocation of these needs to the municipalities within the
     region based upon predetermined criteria.

Each of these procedures has generated a wide variety of expert
opinion as to the most valid statistical sources, methodologies
and assumptions to be used. In the end, a fair share plan is only

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*   "Lower income" refers to both low and moderate income groups.
**   92 N.J. 158 at 248.

a best estimate. Determination of housing needs and fair share allocations must, of necessity, rely on less than perfect data as well as an incomplete understanding of the innumerable variables affecting housing supply and demand and an imperfect ability to project future population and housing needs. Given these constraints, the following general principles and assumptions guided these fair share allocations.

1. The data and estimating techniques used are designed to realistically quantify all major components of present and prospective low and moderate income housing need in accordance with Mount Laurel II mandates.

2. The assumptions and methods used are designed to reflect typical housing market dynamics with regard to such issues as price and price elasticity in relation to supply and demand, housing consumer expenditure patterns, downward and upward "filtering" of housing units, etc.

3. The methodology is intended to be readily comprehensible and reproducible using commonly available data.

II.   DEFINITION OF REGION

A fair share allocation region is a geographic area within which
low and moderate income housing need is quantified and distributed
to municipalities in an equitable and rational manner.

A.   CRITERIA FOR DEFINING A FAIR SHARE REGION

Five considerations are relevant in determining which communi-
ties should be lumped together in an attempt to expand housing
opportunities for lower income households. These are discussed
below.

1.   HOUSING MARKET CONSIDERATIONS

When devising a fair share allocation for a particular
municipality the relevant region must incorporate its
larger housing market area within which low and moderate
income households seeking shelter in that community would
be expected to presently live or work. The Supreme Court's
definition of region in Mount Laurel II, borrowed from
their previous decision in Oakwood at Madison, Inc. v.
Twp. of Madison, is

> that general area which constitutes, more or less,
> the housing market area of which the subject muni-
> cipality is a part, and from which the prospective
> population of the municipality would substantially
> be drawn, in the absence of exclusionary zoning.*

The single-most important determinant of residential loca-
tion is accessibility to employment opportunities.** Thus,

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*   92 N.J. 158 at 256, quoting 72 N.J. at 537.

**   According to the Federal Housing Administration (FHA):

The location of actual and prospective employment centers and the
availability of transportation facilities of all types underlie
the selection of general locational alternatives as places of
residence for the working population.

See U.S. Dept. of Housing and Urban Development, FHA Economic and
Market Analyses Division, FHA Techniques of Housing Market Analysis,
Washington, D.C.: GPO, 1970, p. 12.

a market area definition of region would give substantial
weight to the existing and prospective distribution of jobs
in proximity to the subject municipality, particularly when
viewed in light of present low and moderate income housing
opportunities.

Since World War II employment growth has surged in New Jer-
sey's outlying suburban counties, including Middlesex, and
has lagged in older, urban counties, particularly Passaic,
Essex and Hudson (see Table 1). Nevertheless, the available
supply of low and moderate income housing is still mainly
confined to older cities with declining employment opportun-
ities, in large part because of exclusionary zoning prac-
tices in the areas with job growth. The Supreme Court's
housing market definition of fair share region appears to
require that suburban areas, with significant numbers of
new jobs, include within their region adjacent urban areas
with large numbers of low and moderate income workers who.
either already work in the outlying growth area or would
seek employment there were it not for the absence of suit-
ably-located affordable housing.*

2. THE GOAL OF CONSISTENT REGIONAL DEFINITIONS

Another important criterion laid down by the Supreme Court
for determining fair share regions is consistency between
the delineations used in various cases. The Mount Laurel
II decision specifies that any future Mount Laurel litiga-
tion shall be assigned to three special judges, each of
whom will hear all cases in a particular part of the State.
The decision also granted presumptive validity to any de-
termination of region by the Mount Laurel judges as applied
to all municipalities included in that region. With this
arrangement the court anticipated "that after several cases

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* Making the expanding job opportunities of New Jersey's suburbs more
accessible to the unemployed poor (who are overwhelmingly concentra--
ted in the State's older cities) is one reason cited by the Supreme
Court for its Mount Laurel II decision. See 92 N.J. 158 at 210,
foornote 5.

Table 1

CHANGE IN PRIVATE COVERED JOBS
ELEVEN NORTHERN NEW JERSEY COUNTIES, 1960-1980
(ARRANGED FROM GREATEST TO LEAST PERCENTAGE GROWTH)

County	Covered Jobs*			Percent Change		
	1960	1970	1980	1960-1970**	1970-1980***	1960-1980
Morris	49,527	86,378	149,902	+ 74%	+ 74%	+203%
Sussex	6,797	11,184	17,448	+ 65	+ 56	+157
Somerset	31,218	46,498	79,324	+ 49	+ 71	+154
Hunterdon	8,346	12,991	18,845	+ 56	+ 45	+126
Middlesex	110,966	171,337	236,560	+ 54	+ 38	+113
Bergen	170,765	267,628	340,296	+ 57	+ 27	+ 99
Warren	15,387	20,404	24,932	+ 33	+ 22	+ 62
Union	154,741	217,425	229,614	+ 41	+ 6	+ 48
Passaic	125,973	155,021	157,976	+ 23	+ 2	+ 25
Essex	305,903	326,151	308,195	+ 7	- 6	- 1
Hudson	195,837	213,169	180,369	+ 9	- 15	- 8
Total (Area)	1,175,460	1,528,186	1,743,461	+ 30	+ 14	+ 48

* Excludes government jobs. By definition, refers to the number of workers eligible by law for New Jersey Unemployment Compensation. The covered statistics contained in these annual reports are for the third quarter of each year. The counts are obtained from employer records for the payroll period which includes September 12th.

** Change in definition of covered jobs in 1969 resulted in a 6.5% statewide increase.

*** Change in definition in 1972 resulted in a 2.6% statewide increase.

SOURCE: Bureau of Operational Statistics and Reports; New Jersey Department of Labor and Industry, Covered Employment in New Jersey, 1969, 1979 and 1981 Editions.

have been tried before each judge, a regional pattern for
the area for which he or she is responsible will emerge".*

The goal of defining a consistent set of fair share regions
for all municipalities in New Jersey conflicts with a hous-
ing market definition of region under which -each municipal-
ity's residential catchment area is defined by its accessi-
bility to employment (often based on commuting times), and
thus is unique to that community's location and transporta-
tion connections. Fair share regions drawn to be consistent
for many contiguous municipalities will generally be larger
than ones centered on individual, communities.

The Supreme Court cautions against narrowly drawn fair share
regions in Mount Laurel II with the observation that "harm
to the objective of securing adequate opportunity for lower
income housing is less likely from imperfect allocation
models than from undue restriction of the pertinent region".**
Thus it appears that a municipality's housing market area
should only be regarded as a starting point in delineating
its fair share region, and other factors, which result in
considerable expansion and modification of these boundaries,
should be given greater weight, where appropriate.

3. SHARING OF HOUSING NEEDS

In addition to adhering to the explicit guidelines found in
the Mount Laurel II decision, fair share regions must meet
the implicit requirement that increased opportunities for
low and moderate income households can be realistically pro-
vided within their respective borders. This criterion is
articulated in Justice Pashman's concurring opinion in Mount
Laurel I where he states that, among other things, a fair
share region is "the area in which the housing problem can

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*   92 N.J. 158 at 254.
** 92 N.J, 158 at 253 citing 72 N.J. 481 at 541.

be solved".* On a practical level a fair share region must include a reasonable balance between municipalities with relatively large numbers of needed housing units and little available vacant land on which to build them, such as Essex and Hudson Counties, and areas containing adequate land resources with which such needs can be shared, such as suburban portions of Morris and Somerset Counties. A region which is defined too narrowly and predominantly consists of communities with either great housing need or large land resources is inimcal to the purpose of a fair share allocation area, namely the sharing of such needs and resources.

4.   DATA AVAILABILITY AND RELIABILITY

A more mundane determinant of fair share regions is the availability of reliable data with which to determine present housing need and estimate future needs. Future needs must be derived from projections of population and household growth, which are generally unavailable for geographic areas any smaller than counties. Population projects at the municipal level, when attempted, are notoriously unreliable.**

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*   67 N.J. 151 at 215, footnote 16. The Mt. Laurel II decision at 256 endorses Justice Pashman's recommendations of factors to consider in defining region. The Justice's other recommended factors were: the area included in the interdependent residential housing market? the area encompassed by significant patterns of commutation; and the area served by major public services and facilities.

**   The New Jersey Dept. of Community Affairs, in a working paper on Housing Allocation Regions, cautioned against defining regions where municipal projects would have to be relied upon, with the following explanatory footnote:

the New Jersey Dept. of Labor and Industry, which prepared such projections, has observed, "in the case of small geographical areas, such as municipalities, projections are subject to a very high degree of uncertainty". In explaining this, it was stated that population projections (and impliedly housing need projections) are affected by a myriad of social, economic and governmental factors. This makes municipal projections extremely tenuous. (Quoted from: N.J. Dept. of Community Affairs, Division of State and Regional Planning, Housing Allocation Regions, 1976) .

For a more detailed discussion, see Working Paper Number 2, "Provisional Municipality Population Projections 1985", Office of Business Economics, December 1975, pp. 3-4.

The Supreme Court in <u>Mount Laurel II</u> explicitly rejects the use of municipal population projections in calculating fair share allocations because, the court believed, "one of the factors necessarily involved in such municipal population projections is the prior and probable future effect of the municipality's exclusionary zoning".* The decision goes on to explain,

> If, because of that exclusionary zoning, a suburban municipality with substantial developable land has a very, very small probable growth as shown by the most reliable population projections (resulting in part from its very small past growth caused by exclusionary zoning), it should not be allowed to evade its obligation by basing its fair share of the lower income housing need on that small projected population growth.**

While the court is referring specifically to municipal fair share allocations based <u>solely</u> on the subject municipality's projected population growth, an equally invalid fair share number would result from the use of a region for which only municipal population projections are available. For this reason, only regions consisting of one or more whole counties meet the criterion of having readily available and reliable data upon which to base fair share allocations.***

5. RELATIONSHIP TO EXISTING PLANNING REGIONS

Middlesex County, in which Cranbury and Monroe are located, is already recognized as an integral part of an officially

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*   92 <u>N.J.</u> 158, at 258.

**   <u>Id</u>. at 258.

*** With respect to regional population projections the Supreme Court observed:

> It may be that the overall population projections for the State of New Jersey and for its various regions are somewhat affected by the aggregate impact of exclusionary zoning - that is something for experts to determine. Even so, when gross population projections are used for a region, it is more likely that the total lower income housing need will be included and much more likely that whatever lower housing income need is in fact included will be distributed fairly, not in accordance with prior patterns of exclusionary zoning, but in accordance with suitabilty for such housing. 92 <u>N.J.</u> 158 at 258.

sanctioned "Tri-State" planning region, which incorporates all of the counties in New York, New Jersey and Connecticut with strong economic, transportation and social ties to New York City and each other. Nine counties in northern New Jersey are included: Bergen, Essex, Hudson, Middlesex, Monmouth, Morris, Passaic, Somerset and Union (see Map 1).

Since its creation by Interstate compact in 1971 the Tri-State Regional Planining Commission attempted to define and coordinate planning policies in this metropolitan region, including housing policies.* Its 1978 housing plan. <u>People</u>, <u>Dwellings & Neighborhoods</u> contained a regional allocation plan for lower-income households requiring assistance.

The Supreme Court in <u>Mount Laurel I</u> advised that, "...restriction within the boundaries of the state seems practical and advisable", when delineating fair share regions. If the New Jersey portion of the Tri-State metropolitan region is considered apart from New York and Connecticut, together these nine counties exhibit many of the characteristics needed for a workable allocation region, as well as strong transportation, economic and social ties.

An even broader definition of a metropolitan planning region is used by the non-profit Regional Plan Association (RPA) of New York. This influential planning advisory body defines the greater New York Region as encompassing 31 counties, including all 14 New Jersey counties north of Burlington (including Ocean).

RPA has, however, broken this area down into four sub-regions defined mainly by their increasing distance from New York City and corresponding decline in intensity of development In the New Jersey sector of the RPA metropolitan region these

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* The Tri-State Planning Commission succeeded the Tri-State Transportation Committee, which had undertaken regional planning studies since 1965. In early 1983 the Planning Commission was dissolved due to disagreements between New Jersey, New York and Connecticut concerning its funding and scope of activities.

MAP1

THE TRI-STATE REGION
AS DEFINED BY TRI-STATE REGIONAL PLANNING COMMISSION

MILES

0   5   10   20

TRI-STATC ftCStONAL FLANIIIN8 COMHIMION

DUTCHESS

CENTRAL
NAUGATUCK VALLEY

PUTNAM

ORANGE

HOUSATONIC
VALLEY

SOUTH CENTRAL

VALLEY

WESTCHESTER

GREATER
BRIDGEPORT

ROCKLAND

'SOUTHWESTERN

PASSAIC

BERGEN

MORRIS

ESSEX

SUFFOLK

HUDSON

NEW YORK

QUEENS

NASSAU

UNION

BRONX

KINGS

RICHMOND

SOMERSET

MIDDLESEX

MONMOUTH
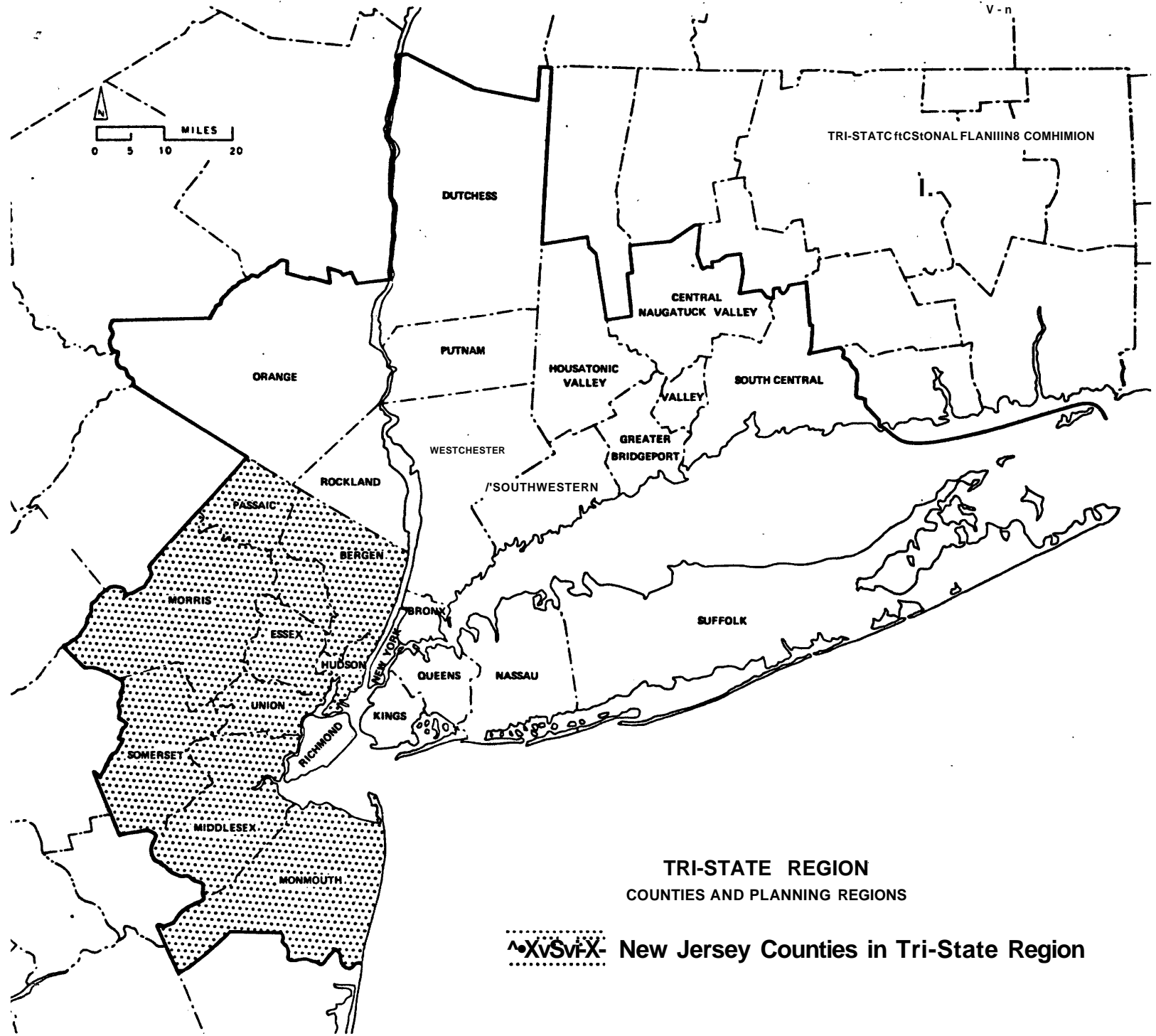
TRI-STATE REGION
COUNTIES AND PLANNING REGIONS

^•XvSvFX- New Jersey Counties in Tri-State Region

four "Rings of Development" are delineated as follows:
a heavily urbanized "Core", containing all of Hudson County
along with the City of Newark; a mostly high-density sub-
urban "Inner Ring", consisting of Bergen, Essex, Union and
southern Passaic; a moderate-density "Intermediate Ring",
which includes Mercer, Middlesex, Monmouth, Morris, Somer-
set and northern Passaic; and a relatively low-density
"Outer Ring", encompassing Hunterdon, Ocean, Sussex and
Warren (see Map 2).

The New Jersey sector of the RPA planning region is clearly
too large to serve as a viable fair share region, based on
the market/accessibility criterion (encompassing, as it
does, two-thirds of the counties in the state). However,
its sub-regions provide a useful delineation of the areas
with large housing needs and little available land (the
Core and Inner Ring) as opposed to areas with relatively
modest housing needs and ample land resources (the Inter-
mediate and Outer Rings). In fact, these criteria were
important determinants of RPA's definition of the various
Rings of Development within the region.*

B. DELINEATION OF A FAIR SHARE REGION FOR CRANBURY AND MONROE

Because of the need to define a region consisting of whole coun-
ties, Cranbury and Monroe must be viewed as part of Middlesex
County's fair share region. However, based on the above crite-
ria, it is apparent that Middlesex is not an appropriate housing
allocation area by itself. Such a region would violate the
principle of sharing housing needs and resources and is also un-
realistically restrictive based on housing market and job loca-
tion characteristics.

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*   For a full discussion of the characteristics of RPA's rings, see
    Regional Plan Association, The Region's Growth, 1967.

MAP 2

Ulster

Sullivan

New York

Orange

Dutchess

Litchfield

Connecticut

Putnam

New Haven

Fairfield

Westchester

Sussex

Rockland

Passaic

Bergen

Warren

Morris

Essex

Bronx

Suffolk

Nassau

New Jersey

Union

Queens

Hunterdon

Kings

Somerset

Richmond

Middlesex

Mercer

Monmouth

Ocean

```
0        20        40  miles
|----------|----------|
0    20        40     kilometers
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Regional Plan Association 1975
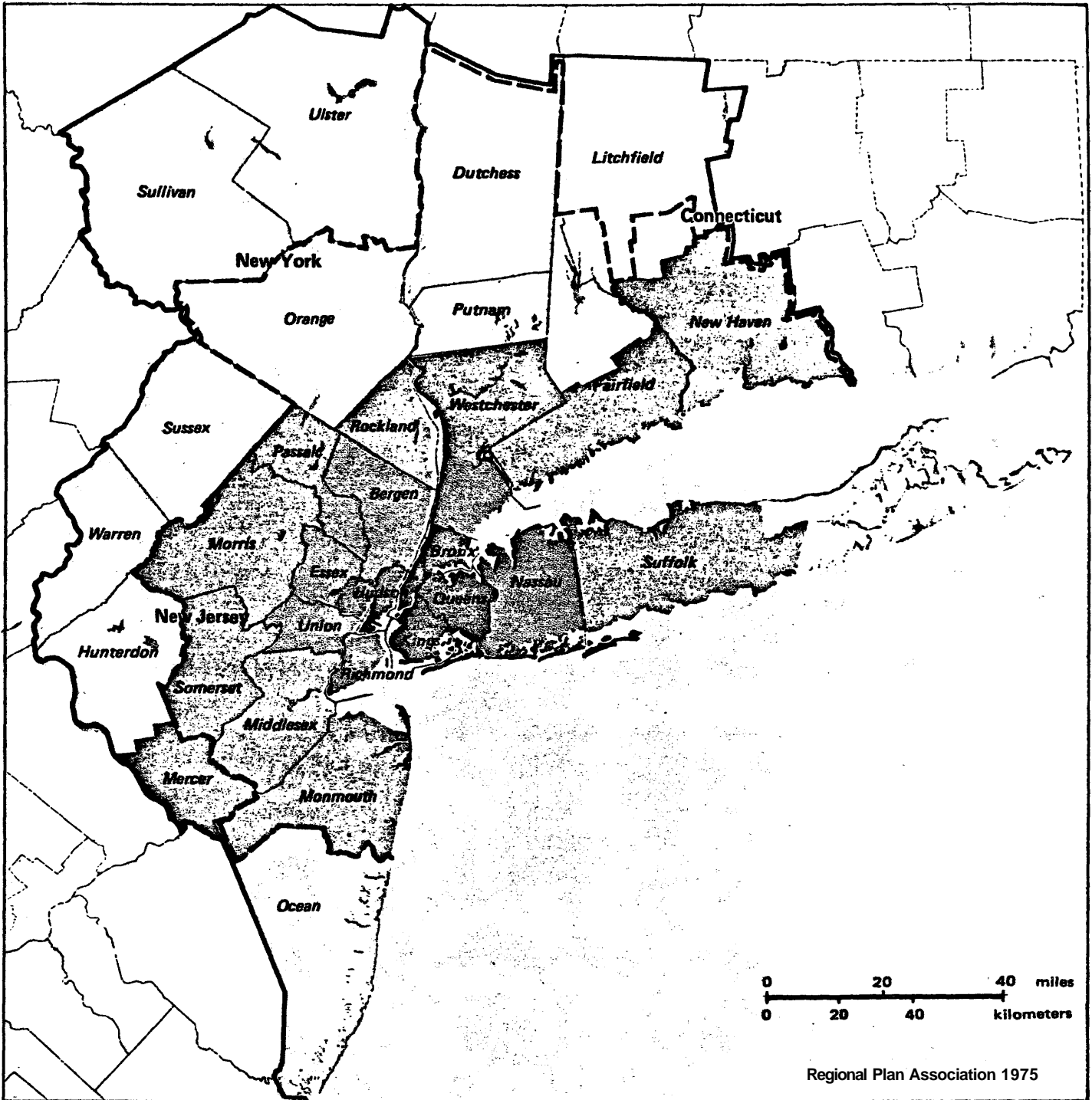
The Region's Rings of Development

Core

Inner Ring

Intermediate Ring

Outer Ring

RPA 31-county Region

Tri-State Regional Planning Region

THE NEW YORK URBAN REGION

as defined by
Regional Plan Association

The five metropolitan counties in RPA's "Core" and "Inner Ring" (Bergen, Essex, Hudson, Passaic and Union), to which Middlesex is linked by transportation, service and employment patterns, all have unfavorable balances between housing need and land resources. The three adjacent "Intermediate Ring" counties (Middlesex, Morris and Somerset) contain large quantities of vacant land and relatively small numbers of households with housing needs. When combined with the five resource-deficient counties the result is an eight-county region in which an equitable sharing of housing needs and land resources can occur. Additional counties could be added but this would make the region larger than needed, and less reflective of housing market considerations.

Table 2 depicts the relative levels of housing need and land resources for counties in this eight-county region. Numbers of low and moderate income households provide an indication of financial need and numbers of physically-deficient and overcrowded housing units serve as reliable indicators of physical housing needs.* These are compared with the quantity of vacant, developable land possibly available for the construction of new housing in each county.

The five, heavily-developed Core and Inner Ring counties contain 82% of the low and moderate income households in the region and 84% of the physically deficient and overcrowded units, but only 20% of the region's vacant developable land. Conversely, the less developed counties of Middlesex, Morris and Somerset include 18% of the low and moderate income households and 16% of the physically deficient and overcrowded dwelling units in the eight-county region, yet their vacant, developable land comprises approximately 80% of the region's total. Middlesex County contains 10% of the region's low and moderate income households, 8% of its physically deficient and overcrowded units and 23% of its vacant, developable acreage.

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* See Chapter V for a full discussion of present housing needs and their indicators.

Table 2

HOUSING NEED AND LAND RESOURCE

INDICATORS FOR THE EIGHT-COUNTY REGION

County	Low & Moderate Income Households 1979*		Physically Deficient & Overcrowded Housing Units 1980**		Vacant Developable Land (1975-76)***	
	No.	% of Region	No.	% of Region	Acres	% of Region

Counties with Unfavorable Balances Between Housing Need and Land Resources

County	No.	% of Region	No.	% of Region	Acres	% of Region
Bergen	93,178	15.3%	12,936	10.2%	14,715	5.4%
Essex	152,008	25.0%	34,752	27.3%	8,813	3.2%
Hudson	116,437	19.1%	31,658	24.9%	-0-	0.0%
Passaic	70,203	11.5%	16,888	13.3%	25,882	9.5%
Union	65,218	10.7%	10,853	8.5%	3,655	1.3%
Subtotal	497,044	81.6%	107,087	84.1%	53,065	19.5%

Counties with Favorable Balances Between Housing Need and Land Resources

County	No.	% of Region	No.	% of Region	Acres	% of Region
Middlesex	63,053	10.4%	10,029	7.9%	62,810	23.1%
Morris	31,590	5.2%	7,786	6.1%	109,447	40.3%
Somerset	17,317	2.8%	2,369	1.9%	46,562	17.1%
Subtotal	111,960	18.4%	20,184	15.9%	218,819	80.5%
Total for Region	609,004	100.0%	127,271	100.0%	271,884	100.0%

•The number of households earning less than 80% of the median household
income for the region. The 1979 regional median was approximately
$20,474; 80% of the median was $16,379.

**See Table 9 for definitions.

***Vacant Developable Land is defined as all vacant land excluding land with
greater than 12% slope, wetlands and publicly-owned land as well as land
qualifying for farmland assessment.

NOTE: Percentages may not add up due to rounding.

SOURCES: Low & Moderate Income Households: 1980 U.S. Census of Population
and Housing, Summary Tape File 3, Profile VII, Table 51.

Physically Deficient & Overcrowded Units: 1980 U.S. Census of
Population and Housing, Summary Tape File 3, Profile X,
Table 15 & 17; Profile XII, Tables 35 6 38. See Table 9
of this report for calculations.

Vacant Developable Land: Division of State and Regional Planning,
N.3. Department of Community Affairs, A Revised Statewide Housing
Allocation Report for New Jersey, May 1978, Appendix D.

Middlesex County's strong transportation and economic links to the rest of the northeastern New Jersey-New York region are evident from the fact that nearly one-quarter of Middlesex County's employed residents work in other counties in the eight-county region; 6% work in New York City. Thus, while two-thirds of its employed labor force works in the county, Middlesex also serves as a.commuter suburb to other large employment centers in the metropolitan region. The county is also experiencing job growth, which is attracting increasing numbers of commuters from other New Jersey counties. Approximately 20% of the jobs in Middlesex are held by workers living in the seven other counties in the region.

The eight-county region is larger than most housing market areas. Because of this, not all parts of the region are within easy commuting distance of Cranbury and Monroe Townships. Nevertheless, most of the region is within a 45-minute drive from these communities[1] borders, and virtually all of it is no further than one hour. In addition, the region incorporates interrelated areas of job growth and employment decline and thus takes into account the need to provide housing for low and moderate income workers who can be expected to migrate within northeastern New Jersey in response to shifting job opportunities.

In conclusion, with respect to Cranbury and Monroe, a housing allocation region consisting of Bergen, Essex, Hudson, Middlesex, Morris, Passaic, Somerset and Union Counties is best suited to meet both the judicial and practical requirements inherent in the term "fair share region".

III. DETERMINATION OF PROSPECTIVE NEED

A. INTRODUCTION

In <u>Mount Laurel I</u> and ^1 the Supreme Court set forth "a muni-
cipal obligation to provide a realistic opportunity for a
fair share of the region's present and prospective low and
moderate income housing need[11].* Prospective need is only
defined as "the number of units...needed for a reasonable
period of time in the future".**

For the purpose of this fair share plan a ten-year period
(1980 to 1990) appears to be most appropriate. While past
allocation plans have often projected housing need for a twen-
ty-year period, the reliability of such projections decreases
rapidly with increasing time. It appears that a more sensible
approach is to make shorter-term projections which are then
updated as soon as new baseline data becomes available. In
practical terms, the next opportunity to obtain a detailed
picture of regional housing conditions and needs will be after
the next Census is undertaken in 1990. The most recent exist-
ing data was collected in 1980. Thus, the ten-year period
between these two dates was used.

A time frame ending in 1990 also makes sense as a reasonable
planning horizon for municipalities seeking adjust their land
use regulations to provide for low and moderate income housing
needs. The New Jersey Municipal Land Use Law mandates re-exam-
ination of each municipality's land development regulations at
least every six years.*** A housing need projection to 1990
leaves one year for municipalities to modify their development
regulations to reflect this estimate, followed by six years
prior to the next required periodic re-examination of such
ordinances.

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*   92 <u>N.J.</u> 158 at 205.
**   <u>Id.</u> at 215.
*** <u>N.J.S.A.</u> 40:55D-89.

The future need for low and moderate income housing is largely
determined by the rate at which new low and moderate income
households are formed or migrate to the region.* This, in turn,
is largely a function of population growth, although many other
variables, such as the age distribution of the population, mar-
riage and divorce rates, family composition, social forces,
employment patterns and the availability of housing all con-
tribute to determine the number of households.

The total population of the eight-county region fell by 195,000,
or 4%, between 1970 and 1980, yet the number of households grew
by 92,000, or more than 6%. Obviously, the average number of
persons in each household declined; from 3.14 in 1970 to 2.83
in 1980, a drop of nearly 10%. Thus, it is the combination of
projected population change and household size which determines
the number of housing units needed in the future.

B. PROJECTED POPULATION CHANGE

Relatively sophisticated county population projections for 1990
have recently been prepared by the New Jersey Department of
Labor.** In addition to total numbers of persons expected to
reside in each county in 1990, estimates of the numbers of
persons by sex and age group have been calculated.

Separate sets of projections were generated by four different
models of future growth patterns. Two models (the ODEA Econ-
omic/Demographic and ODEA Demographic Cohort) are "preferred"
by the Department of Labor as theoretically superior to the
other two "regression" models. Both ODEA models are "cohort-
component method" projections, however the Economic/Demographic

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*   The Census defines "household" as all the persons who occupy a hous-
    ing unit. Thus, by definition, there is a one-to-one relationship
    between the number of households and the number of housing units
    needed.

** Office of Demographic and Economic Analysis, Division of Planning
    and Research, N.J. Department of Labor, New Jersey Revised Total and
    Age & Sex Population Projections (1985-2000), July 1983.

model differs from the Demographic Cohort method in that migration of persons 65 years of age and under is computed based upon projected labor market conditions rather than on the basis of migration trends during the previous decade.* As such, the Economic/Demographic model appears to be better suited to projecting future housing needs, since such needs are most strongly connected with future changes in employment locations and numbers of jobs.** A major weakness of the Demographic Cohort model is that its projections are based on migration trends during the 1970s, when exclusionary zoning limited the mobility of lower income households in the State.

Table 3 gives the projected 1990 population of each county within the region, as well as historical population and population change figures for 1960, 1970 and 1980. While the region's population grew by 540,000, or 13%, during the 1960s, significant population losses in all of the "Core" and "Inner Ring" counties between 1970 and 1980 resulted in a net decline of 195,000 persons for the region during the 1970s.

The ODEA Demographic/Economic Model projects a modest 5% rebound in the region's population by 1990, essentially bringing it back to its 1970 level. The total population is expected to rise by 206,000, from approximately 4.4 million persons in 1980 to 4.6 million in 1990. All counties except Essex, Hudson and Passaic are expected to experience significant population growth. The "Intermediate Ring" counties of Middlesex, Morris and Somerset, which have shown consistent population increases since 1960, are expected to grow by 198,000 persons, or 16%, between 1980 and 1990, and account for most of the region's population growth this decade. In contrast, Essex and Hudson

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*   See Id. pp. 1-8 for a full discussion of the assumptions and methodologTes used to generate these two sets of projections.

** The Economic/Demographic model projects that Middlesex County's population will grow by 16% between 1980 and 1990, which appears reasonable in light of current economic and population trends. In contrast, the Demographic Cohort model forecasts a negligible 0.9% population increase for Middlesex during the 1980s. This appears to be patently unreasonable, particularly in light of the fact that the State Office of Demographic and Economic Analysis estimates that the County's population already grew by 1.6% between 1980 and 1982.

TABLE 3

CHANGE IN TOTAL POPULATION - EIGHT COUNTY REGION, 1960-1990

County	Total Population				Change in Population			Percent Change		
	1960	1970	1980	Projected 1990	1960-1970	1970-1980	1980-1990	1960-1970	1970-1980	1980-1990
Bergen	780,255	897,148	845,385	915,600	116,893	-51,763	70,215	+15.0	- 5.8	+ 8.3
Essex	923,545	932,526	851,116	789,400	8,981	-81,410	-61,716	+ 1.0	- 8.7	- 7.3
Hudson	610,734	607,839	556,972	530,500	-2,895	-50,867	-26,472	- 0.5	- 8.4	- 4.8
Middlesex	433,856	583,813	595,893	690,400	149,957	12,080	94,507	+34.6	+ 2.1	+15.9
Morris	261,620	383,454	407,630	467,700	121,834	24,176	60,070	+46.6	+ 6.3	+14.7
Passaic	406,618	460,782	447,585	451,000	54,164	-13,197	3,415	+13.3	- 2.9	+ 0.8
Somerset	143,913	198,372	203,129	246,800	54,459	4,757	43,671	+37.8	+ 2.4	+21.5
Union	504,255	543,116	504,094	526,500	38,861	-39,022	22,406	+ 7.7	- 7.2	+ 4.4
Total Area	4,064,796	4,607,050	4,411,804	4,617,900	542,254	-195,246	206,096	+13.3	- 4.2	+ 4.7

SOURCES: For 1960, 1970 and 1980, U.S. Censuses of Population.

For 1990, Office of Demographic and Economic Analysis, Division of Planning and Research, New Jersey Department of Labor, New Jersey Revised Total and Age & Sex Population Projections, ODEA Demographic-Economic Model, July 1983.

are projected to lose 88,000 persons, or 6% of their residents, during the decade. A county-by-county comparison with Table 1 shows that population changes have historically been closely related to employment shifts.

C.   PROJECTED HOUSEHOLD CHANGE

Average household sizes in the United States and in New Jersey have declined steadily since the turn of the century. The statewide average of 3.76 persons per household in 1940 dropped to 3.17 by 1970 and 2.84 by 1980. The regional average house-hold size has closely followed the New Jersey figure, falling from 3.26 persons per household in 1960 to 3.14 in 1970 and 2.83 in 1980. Table 4 derives the average household size of each county in the region.

Recent declines in average household size, which appear to have accelerated during the 1970s, are in large part the result of increasing economic independence among the elderly, the retired and the adult unmarried population, as well as generally fewer children per married couple.* These forces are very evident from an examination of regional population trends by age group and changes in household characteristics as shown in Table 5 for the period from 1960 to 1980 with projections to 1990.

The total number of households in the region grew by 18% from 1960 to 1970 and 6% from 1970 to 1980. However, the number of families with children dropped by 9% after 1970, mirroring an even larger (23%) decline in the number of persons under 18 years old living in households. At the opposite end of the age spectrum, the number of elderly households (headed by persons 65 years and over) shot up by 21% between 1970 and 1980, while the elderly population in households grew by only 14%. Thus, for this age group, the rate of household formation occurred at one and one-half times the rate of population growth.

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* See U.S. Dept. of HUD, FHA Techniques..., op.cit., pp. 94-95.

Table 4

POPULATION AND HOUSEHOLDS IN EIGHT-COUNTY REGION, **1980**

County	Total Population	- Population in Group Quarters	= Population in Households	* Households	= Persons Per Household*
Bergen	845,385	**7,684**	837>701	300,410	2.79
Essex	851,116	**13,033**	838,083	300,303	**2.79**
Hudson	556,972	**6,028**	550,944	207,857	2.65
Middlesex	595,893	**19,286**	576,607	196,708	2.93
Morris	407,630	**9,001**	398,629	131,820	3.02
Passaic	447,585	**7,062**	440,523	153,463	2.87
Somerset	203,129	**4,469**	198,660	67,368	2.95
Union	504,094	**4,820**	499,274	177,973	2.81
Region	4,411,804	71,383	4,340,421	1,535,902	2.83

* By Census definition, the term "household" is interchangeable with "occupied housing units".

SOURCE: 1980 U.S. Census of Population, Summary Tape File 1.

Persons living alone in "one-person households" comprise the fastest-growing household type in the region and have become voracious consumers of housing. During the 1960s the number of such households expanded by 10%, a considerably lower growth rate than the 17% increase in total households. Between 1970 and 1980, however, this group exploded, growing by 42% during a decade when the total number of households went up by only 6%. Two groups accounted for much of the increase in one-person households: young adult members of the huge "baby boom" generation, born between 1946 and 1957, who have tended to leave their parents' homes earlier and marry later than previous generations; and elderly women whose husbands had died.

Using the age-specific ODEA Economic/Demographic population projections generated by the N.J. Department of Labor, and observed shifts in household composition summarized in Table 5, projections of the numbers of households in 1990, by type, were derived for the region. These are included in Table 5. A detailed description of the projection methodology is presented in Appendix I.

The total number of households in the region is projected to be 1,676,821 in 1990. With a projected household population of 4,546,517, the resulting average household size is 2.71. This represents a decline of 4.2% from the 1980 figure, which is considerably less than the 9.9% decline in household size experienced between 1970 and 1980.

The more modest drop in household size projected for the 1980s reflects several factors. First, the number of one-person households will tend to grow less rapidly due to the fact that the "baby boom" generation has passed its peak household formation years, which the small "baby bust" generation, born after 1957, has now entered. Many of the "baby boomers" will

Table 5

CHANGES IN POPULATION AND HOUSEHOLD CHARACTERISTICS
EIGHT-COUNTY REGION, 1960-1990

	1960	1970	1980	Projected 1990	% Change '60-'70	% Change '70-'80	Projected % Change '80-'90
POPULATION BY AGE GROUP							
Total Persons in Households	3,991,711	4,538,439	4,340,421	4,546,517*	+ 13.7	− 4.4	+ 4.7*
- Under 18 Years	lp 325,639	1,496,163	1,152,641	1,008,433*	+ 12.9	− 23.0	− 12.5*
- 18-64 Years	2,316,725	2,625,217	2,711,256	3,001,199*	+ 13.3	+ 3.3	+ 10.7*
- 65 Years and Older	349,347	417,059	476,524	536,885*	+ 19.4	+ 14.3	+ 12.7*
HOUSEHOLDS BY TYPE**							
Total Households	**1,226,177**	**1,443,412**	**1,535,902**	**1,676,821*****	+17.7	+ 6.4	+ 9.2***
- Families With Children Under 18	**602,687**	**644,195**	**593,595**	**557,145*****	+ 6.9	− 7.9	− 6.1***
- Elderly Households (With Householders 65 Years or Older)	N.A.	248,472	301,582	351,476***	N.A.	+ 21.4	+ 16.5***
- One Person Households	211,639	232,215	330,474	431,663***	+ 9.7	+ 42.3	+ 30.6***
AVERAGE HOUSEHOLD SIZE	3.26	3.14	2.83	2.71**	− 3.7	− 9.9	− 4.2

*   Projected by the N.J. Dept. of Labor, Division of Planning and Research, Office of Demographic and Economic Analysis (see Source).
**   Household types are not mutually exclusive or comprehensive. Considerable overlap between categories no doubt exists.
*** Projected by Abeles Schwartz Associates.
NA   Data Not Available.
SOURCE: 1960, 1970 and 1980 U.S. Census of Population and Housing and, for 1990, New Jersey **Revised Total and** Age & Sex Population Projections, ODEA Economic-Demographic Model, July 1983.

be having children during the decade, which will result in a large number of households with three or more persons.

In addition, the proportion of elderly living in one-person households, which increased from 23% to 27% during the 1970s, will not rise as quickly during the 1980s due to the fact that this population group is living longer, on average, and a growing proportion will be unable to live independently without someone to help care for them.

Finally, the rapid inflation in housing costs which occurred during the 1970s will undoubtedly inhibit new household formation somewhat during the 1980s. In this sense the prospective supply of affordable housing units in the region will play a role in determining future household size. If units are not readily available, "doubling-up" and extended-family households will become more common, thereby contributing to a higher average household size.

D. PROJECTED LOW AND MODERATE INCOME HOUSEHOLD GROWTH

Table 6 gives the most recent count of low and moderate income households in each of the region's eight counties based on 1979 income data. Low-income households are defined as those with incomes no greater than 50% of the median household income for the region.* Moderate income households are those whose incomes do not exceed 80%, and are not less than 50%, of the regional median.

The 1979 median income for the eight-county region was $20,474. Thus, households with no more than $10,237 of income fell into the low-income category and those earning between $10,237 and $16,379 were classified as moderate income.

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* 92 N.J. 158 at 221, footnote 8.

Table 6

LOW AND MODERATE INCOME HOUSEHOLDS IN EIGHT-COUNTY REGION
BASED UPON 1979 REGIONAL MEDIAN INCOME

County	1980 Total Households*	1979 County Median Income ($)	Low & Moderate Income Households		Low Income Households		Moderate Income Households	
			No.	% of Co.	No.	% of Co.	No.	% of Co.
Bergen	299,880	24,056	93,178	31.1	51,546	17.2	41,632	13.9
Essex	300,782	16,186	152,008	50.5	100,128	33.3	51,880	17.2
Hudson	208,062	14,384	116,437	56.0	76,595	36.8	39,842	19.2
Middlesex	196,969	22,826	63,053	32.0	35,121	17.8	27,932	14.2
Morris	131,777	26,626	31,590	24.0	15,684	11.9	15,906	12.1
Passaic	153,587	17,907	70,203	45.7	43,960	28.6	26,243	17.1
Somerset	67,383	26,237	17,317	25.7	9,127	13.5	8,190	12.2
Union	177,808	21,625	65,218	36.7	37,679	21.2	27,539	15.5
Region	1,536,248	20,474**	609,004	39.6	369,840	24.1	239,164	15.6

•Numbers of households by income are from Census sample counts and thus differ slightly from the full-count household data reported elsewhere in this report.

••Estimate of regional median income made with straight line interpolation of income ranges found in the 1980 U.S. Census Summary Tape File 3 for New Jersey, Profile VII, Table 51.

SOURCE: 1980 U.S. Census of Population, Summary Tape File 3, Profile VII.

A total of 609,004 households, or 39.6% of all households in the region, had low or moderate incomes in 1979. Of these, 369,840, or 24.1% of all households, were low-income and 239,164, or 15.6%, were moderate income. These proportions are practically the same as the statewide figures.

Hudson County had the highest proportion of households with low and moderate incomes in the region - 56.0%, of whom 36.8% were low income. However, Essex County had the largest absolute number of low and moderate income households - 152,008, or more than one-quarter of the regional total. Middlesex County had the fourth lowest proportion of income-restricted households among the counties in the region. Thirty-two percent of Middle-sex households fell into the low and moderate income ranges; 14% were in the low-income category.

The number of households projected for the region in 1990 (1,626,821) compared to the known number of households in 1980 (1,535,902) yields a net increase of 140,919 households. An assumption was made that low and moderate income household growth will occur at the same rate as overall household growth during this decade. In other words, the proportion of such households is expected to remain essentially constant. This was the case in both New Jersey and the region during the 1970s and was considered to be a reasonable assumption by the Supreme Court in a footnote to the Mount Laurel II decision.

Thus, 39.6%, or 55,804 of the 140,919 projected new households in the region as of 1990, will be low and moderate income. These 55,804 households constitute the basic prospective regional low and moderate income housing need.

While the present (1980) need for lower income housing to re-place inadequate units is quantified in the following chapter, consideration must also be given to the probability that some lower income units that are presently adequate will either

deteriorate, be abandoned and/or be demolished during the period between 1980 and 1990. According to U.S. Dept. of Commerce Construction Reports, 30,452 housing units were demolished in the eight-county region between 1970 and 1980, or approximately 1.9% of the total 1970 housing stock.

Unfortunately, there is no data available on how many demolished units were occupied by lower income households prior to demolition. Nor are there reliable statistics on the numbers of lower income units which were not demolished, but became either substandard or abandoned during the decade. In the absence of such statistics it is virtually impossible to quantify the prospective housing need resulting from the loss of adequate dwelling units from the present lower income housing stock.

It must also be recognized that the housing need discussed above is probably offset by a source of supply which is equally difficult to quantify - namely the downward "filtering" of existing units from more affluent to less affluent users. Downward filtering results when new expensive housing is built and occupied by households who vacate older and less desirable units which are then passed on to less affluent users at cheaper cost. The reverse process of upward filtering also takes place in areas with very tight housing markets and where redevelopment is occurring.

The Rutgers Center for Urban Policy Research has estimated the approximate numbers of units in New Jersey expected to filter both upwards and downwards during the next decade, based on historical patterns. The "net" number of additional units available to lower income households (excluding units lost through upward filtration and substandard units) is projected to be 107,000 on a statewide basis. No breakdown by county or region is provided, however 60% of New Jersey's existing housing units are in the

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*   Robert Burchell et.al.. Mount Laurel II; Challenge and Delivery of Low-Cost Housing (New Brunswick: Center for Urban Policy Research) 1983, p. 309.

eight-county region. It is not unreasonable to assume that
this region contains a similar proportion of the units that
filter down to lower-income households. It is also possible
that this quantity of housing is sufficient to meet the need
generated by deterioration, abandonment and demolition of low
and moderate income housing.

However, filter down can only occur if there is a healthy sup-
ply of new housing injected into the market. Without this
additional supply more affluent households will continue to
occupy their present housing, thereby precluding these units
from filtering down to the lower income population. Since
housing production levels are subject to a myriad of force's
which are virtually impossible to predict, no conclusions can
be drawn as to the validity of the Rutgers projections.

A final consideration in estimating prospective housing need
is that a few units are needed to provide new low and moderate
income households with choice and mobility in the housing mar-
ket. Without a small selection of vacant available housing
units, queuing, price gouging and kickbacks will be the normal
market response to perceived scarcity. This is why the common--
ly accepted minimum vacancy rate required for a competitive
rental housing market is 5%. Owner-occupied housing, which
does not change hands as often, requires only a 1.5% vacancy
rate to ensure market mobility.

Since 70% of low and moderate income households in the region
are renters and 30% are owners, a weighted average vacancy rate
of 4% was applied to the 55,804 units needed for new low and
moderate income households by 1990. This yields an additional
2,232 low and moderate income housing units, or a total pros-
pective regional need of 58,036. These calculations are sum-
marized in Table 7.

Table 7

CALCULATION OF PROSPECTIVE LOW
AND MODERATE INCOME HOUSING NEED

EIGHT-COUNTY REGION

Total 1990 Households (projected)	1,676,821
Total Households in 1980 (actual)	- 1,535,902
Projected Number of New Households	140,919
Estimated Percentage with Low or Moderate Incomes	39.6%
Subtotal	55,804
Units Needed to Provide Market Mobility (4%)	2,232
Total Prospective Low and-Moderate Income Housing Need (1980-1990)	58,036
Prospective Low Income Housing Need (60.7%)	35,228
Prospective Moderate Income Housing Need (39.3%)	22,808

SOURCES: See Text.

Based upon the 1979 distribution of low and moderate income households, 60.7% of the total prospective need will be gener-ated by low income households, who will thus require 35,228 of the 58,036 units. The remaining 39.3% of the prospective need is attributable to new moderate income households, who will thus require 22,808 housing units by 1990.

IV. ALLOCATION OF PROSPECTIVE NEED

The <u>Mount Laurel II</u> decision requires that the housing allocation
process be tied to the concept land use maps contained in **the State
Development Guide Plan** (SDGP).* These designate "Growth Areas"
(including entire municipalities and portions of municipalities)
"where accessibility to employment and services make them particu-
larly suitable for development".** The SDGP's three other major
land use categories (limited growth, conservation and agricultural)
are collectively referred to as "non-growth" areas by the <u>Mount
Laurel II</u> decision, although the <u>Guide Plan</u> recognizes that it is
neither desirable nor feasible to limit <u>all</u> future development to
growth areas.

As a means of channeling development of low and moderate income
housing to the most suitable locations in the state, the Supreme
Court directed that "in non-growth areas...no municipality will
have to provide for more than the present need generated within
the municipality, for to require more than that would be to induce
growth in that municipality in conflict with the SDGP".*** Be-
cause the eight-county region is fairly urbanized, with excellent
accessibility to employment and services, very little of it is
located outside of SDGP growth areas (see Map 3).

'However, six of the 226 municipalities in the region have <u>no</u> land
located within the growth area and are thus excluded from the

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* Division of Planning, New Jersey Department of Community Affairs,
• May 19 80.

** <u>Id.</u>, p. 47. According to the <u>Plan</u> these areas were delineated using
the following criteria: location within or adjacent to major popula-
tion and/or employment centers; location within or in proximity to
existing major water supply and sewer service areas; location within
or in proximity to areas served by major highway and commuter rail
facilities; absence of large concentrations of agricultural land;
and absence of large blocks of public open space or environmentally-
sensitive land.

*** 92 <u>N.J.</u> 158 at 244.

MAP 3

STATE DEVELOPMENT GUDE PLAN
GROWTH   AREAS

As of May, 1980

━━━━ Boundary of
    Eight County
    Fair Share Region

NORTHEAST AREA

ROCKAWAY CORRIDOR

CLINTON CORRIDOR

SUSSEX
PASSAIC
WARREN
MORRIS
BERGEN
ESSEX
HUDSON
HUNTERDON
UNION
SOMERSET
MIDDLESEX
MERCER
MONMOUTH
CAMDEN
OCEAN
GLOUCESTER
BURLINGTON
SALEM
ATLANTIC
CUMBERLAND
CAPE MAY

COUNTY KEY MAP

CENTRAL CORRIDOR

BURLINGTON CORRIDOR

MftKVAV-ROUTE » CORRIOOR

CAMDEN AREA

SOUTH JCRSCT CO*«lOO« "\—

ATLANTIC CITY AREA
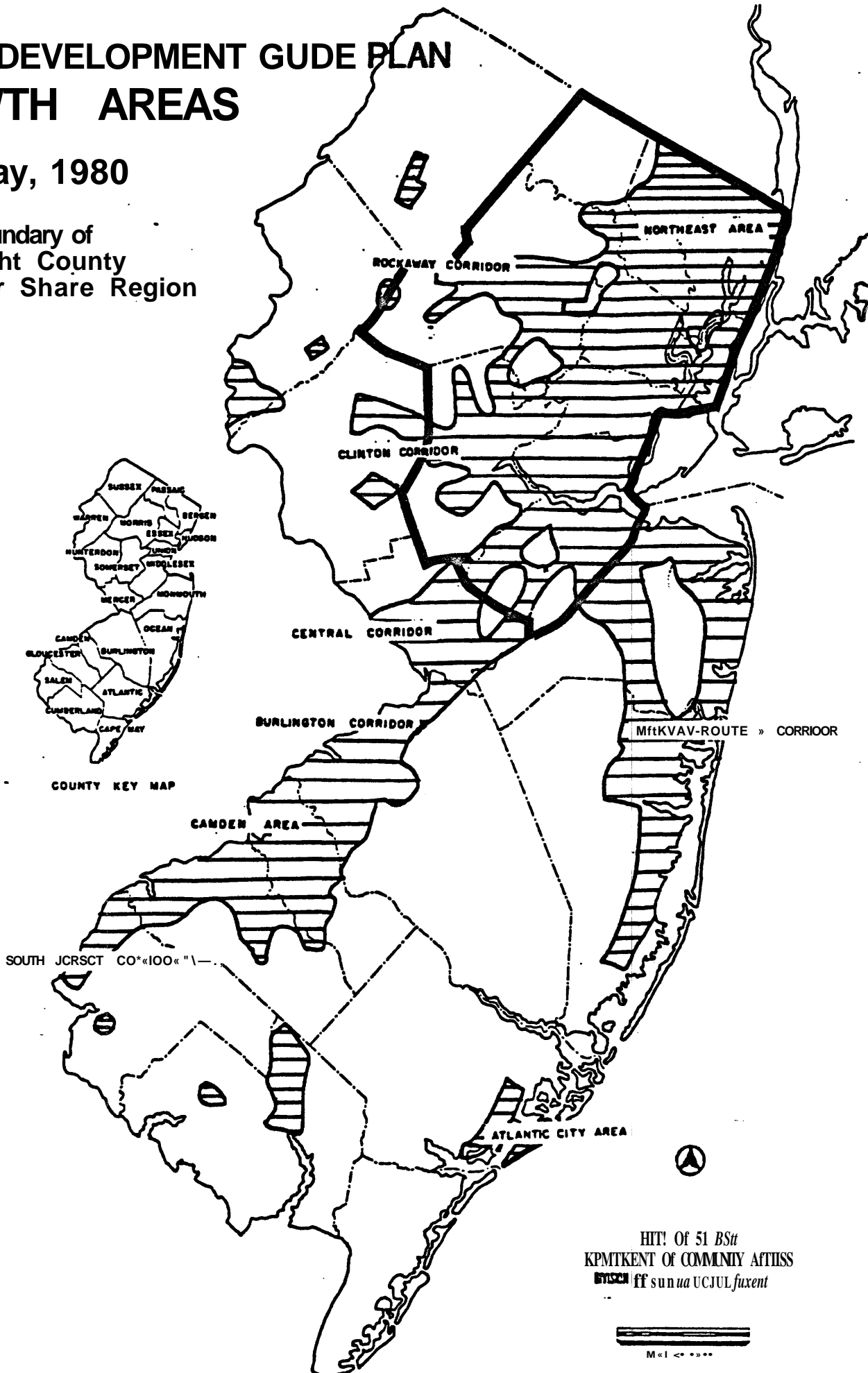
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allocation process.* These are:

    Chester Borough (Morris County)

    Chester Township (Morris County)

    Mendham Borough (Morris County)

    Mendham Township (Morris County)

    Ringwood Borough (Passaic County)

    Rocky Hill Borough (Somerset County)

These six "non-growth" municipalities comprise nearly 5% of the
region's land area, but less than 1% of .the population, since they
are all relatively sparsely settled. Appendix Table A-4 contains
a profile of their characteristics.

Regarding the appropriate criteria to use in allocating regional
housing need to eligible municipalities, Mount Laurel II says only
the following:

    Formulas that accord substantial weight to employment oppor-
    tunities in the municipality, especially new employment ac-
    companied by substantial ratables, shall be favored; formulas
    that have the effect of tying prospective lower income housing
    needs to the present proportion of lower income residents to
    the total population of a municipality shall be disfavored;
    formulas that have the effect of unreasonably diminishing the
    share because of a municipality's successful exclusion of
    lower income housing in the past shall be disfavored.**

The ability of municipalities to absorb new housing development has
typically been the most important single factor entering into pros-
pective housing allocations. Limiting the allocation to SDGP growth

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* Two other municipalities, Montgomery Township in Somerset County and
Washington Township in Morris County, appeared to have no land within
growth areas based on the rather crude maps in the published Guide
Plan. However, the more detailed, original guide plan maps on file
at the Department of Community Affairs show that the published maps
contain inaccuracies. From the original it is clear that a portion
of Washington Township is located in the Hackettstown growth area
and a small part of Montgomery Township is in the southern prong of
the "Clinton Corridor" growth area.

** 92 N. J. 158 at 256.

areas has made the process somewhat simpler, by focusing only on
municipalities having land which has already been determined to be
generally suitable for development based on a broad range of plan-
ning principles used in developing the Guide Plan. However, much
of the growth area in the eight-county region consists of built-up
neighborhoods with little available acreage for new development.
Thus, the quantity of vacant, developable land emerges as the
single-most important allocation criterion by which new housing
can be directed to where it is both suitable and feasible.

Past allocation plans have also looked at municipalities[1] fiscal
resources as a measure of their suitability for new low and mod-
erate income housing, under the assumption that such development
places a considerable additional burden on municipal services (such
as schools, garbage collection, police protection, etc.) without a
corresponding increase in property tax revenues. This is clearly
not the case when low and moderate income housing is built as a
minor (20%) component of what are essentially middle and upper in-
come developments. To the contrary, past research indicates that
municipalities may enjoy sizeable tax windfalls as a result of
such development, particularly if it contains multi-family housing
at higher densities.

The only allocation criterion explicitly favored by the Supreme
Court in Mount Laurel II is the relative employment opportunities
afforded by municipalities and particularly new employment. Thus,
the court recognized the fact that new housing demand results from
new jobs. This is true not only for low and moderate income hous-
ing, but for the middle and upper income housing which must be
built in order for the lower income units to be cross-subsidized
in accordance with the available remedies of "builder's relief"
and mandatory set-asides or incentive zoning provisions.

Thus, the criterion of recent job growth is important both as an
indicator of probable future housing needs, as well as a measure
of where "Mount Laurel" inclusionary developments are most likely

to be built. It also reflects recent tax-generating non-residential development which generally accompanies increases in employment.

Based on the above considerations, two criteria were selected to allocate prospective regional low and moderate income housing need. Each was weighted equally in the allocation formula.

- <u>Vacant Developable Land</u> - defined as all undeveloped land, excluding land with greater than 12% slope, wetlands and publicly-owned land, as well as land qualifying for farmland assessment.

- <u>Growth in Private Employment</u> - defined as the difference in the numbers of non-government covered jobs between 1975 and 1981.

It should be noted that the vacant developable land figure were prepared by the N.J. Department of Community Affairs for their <u>Revised Statewide Housing Allocation Report</u> and tend to exclude categories of land which are routinely developed. These are the only statewide calculations of developable land available on a municipal level. The most extensive excluded category is land in farmland assessment, which DCA explicitly stated, "cannot be considered as a prohibition against the use of any farmland for housing development". If such land had not been excluded from vacant developable land, communities with farmland (including Cranbury and Monroe) would have received greater allocations than they did. Much of the vacant land with slopes above 12% is also realistically available for development so long as environmentally-sensitive site planning and construction techniques are employed.

The employment growth allocation criterion is based upon the recorded change in private jobs during the most recent six-year period for which published statistics are available. A six-year period was selected because it is a recognized time frame for short-term planning purposes. The most recent short-term employment trend is seen as the best available predictor of prospective housing need resulting from new job growth.

Table 8 calculates the prospective housing allocation for Cranbury and Monroe Townships. The two communities were found to have 2,626 acres and 10,667 acres of vacant developable land respectively, excluding their considerable acreage under farmland assessment (col. 1). These figures represent 1.030% and 4.184% of the region's vacant developable land (col. 2). The numbers of covered private jobs in Cranbury and Monroe grew between 1975 and 1981 by 587 jobs and 979 jobs, respectively (cols. 3-5). These increases represent only 0.303% and 0.506% of the region's job growth during the period (col. 6).

The percentages for each community in columns 2 and 6 serve as the two allocation factors. Since each is being given equal weight, they are averaged to derive composite allocation factors, shown in column 7. These percentages are multiplied by the projected regional low and moderate income housing need of 58,036 units, which results in municipal allocations of 387 units for Cranbury and 1,361 units for Monroe, as shown in column 8. These are the two communities• fair shares of the anticipated regional low and moderate income housing need for the period from 1980 to 1990.

Table 8

ALLOCATION OF PROSPECTIVE REGIONAL LOW AND MODERATE INCOME HOUSING NEED, 1980-1990

CRANBURY AND MONROE TOWNSHIPS, MIDDLESEX COUNTY

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Vacant Developable Land		Covered Private Jobs*		Job Growth 1975-1981		Average % of Vacant Land and Employment Growth	Prospective Municipal Allocation 1990
	Acres	% of Region	1975	1981	No. of Jobs**	% of Region's Job Growth		
Cranbury Township	2,626	1.030	2,890	3,477	587	0.303	0.667	387
Monroe Township	10,667	4.184	138	1,117	979	0.506	2.345	1,361
REGION***	254,969	100.000	1,516,798	1,705,143	193,613	100..000	100.000	58,036

i to 1

* Excludes government jobs. Covered jobs refer to the number of workers eligible by law for New Jersey Unemployment Compensation. The covered statistics contained in these annual reports are for the third quarter of each year. The counts are obtained from employer reports for the payroll period which includes September 12th for that year.

** Job losses are treated as zero growth. Thus, total job growth in the region does not add up to the total difference in jobs between 1975 and 1981.

*** Excludes six municipalities with no land in State Development Guide Plan "growth areas" (see text).

SOURCES; Vacant Developable Land: New Jersey Division of State and Regional Planning, A Revised Statewide Housing Allocation Report for New Jersey, May 1978, Appendix D.

Employment: Bureau of Operational Statistics and Reports, New Jersey Department of Labor and Industry, Covered Employment Trends in New Jersey, 1975 and 1981 Editions.

V, DETERMINATION AND ALLOCATION OF PRESENT NEED

A. CATEGORIES OF PRESENT HOUSING NEED

Low and moderate income households in the eight-county region
suffer from a number of deficiencies with regard to their
present housing. While all of these inadequacies are inter-
related in various ways, it is useful to categorize them into
three broad classes:

(1) Physical Deficiencies - defined as seriously substandard
conditions in the existing residential stock.

(2) Market Failures - serious imbalances between supply and
demand, either in terms of gross numbers of units or in
the sizes and types of available units.*

(3) Financial Hardships - experienced by households with insuf-
ficient financial resources to purchase adequate housing in
the existing market, or who can only purchase adequate
housing by allotting an inordinate proportion of their in-
come to shelter.

A high proportion of low and moderate income households exper-
ience one or more of these general types of housing need.
Thus, any thorough needs assessment must attempt to quantify
all three, as well as the degree of overlap between the types.

B. QUANTIFICATION OF PRESENT NEED

1. PHYSICAL DEFICIENCIES

Reliable measures of the physical adequacy of housing units
have been sought by the Census Bureau and planning professionals

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* With regard to market failures it is important to distinguish between
housing demand and housing need. Effective demand is only generated
by houseEolds with the resources to pay for the housing they seek,
whereas households with no resources generally are in need of
better shelter.

ever since housing statistics were first collected on a
large scale as part of the Census of 1940. Structural
quality was generally singled out as the best comprehen-
sive indicator of physical condition. Census enumerators
made subjective appraisals of structural conditions in
1940, 1950 and 1960. These were of dubious quality and
the "self-enumerated" Census of 1970 abandoned this effort.

Follow-up studies to the 1970 Census found that there is a
high correlation between other housing quality statistics
and structural condition. Specifically, information on the
presence or absence of plumbing facilities was used by the
Census to generate reliable estimates of the number of
"dilapidated" housing units, defined as dwellings with a
combination fo defects that were either so crucial or so
widespread that the structure required extensive rehabili-
tation or replacement.*

The 1980 Census provides even more detailed data on the
equipment and facilities in each housing unit. Statistics
on two rather serious deficiencies were selected as indica-
tors of physically inadequate housing requiring "gut"
rehabilitation or replacement. These indicators are the
number of year-round housing units with no bathroom or
only half a bath and the number of year-round units with
no heat or only unvented room heaters, fireplaces, stoves
or portable heaters. Cross tabulations were used to elim-
inate double counting caused by overlap between the two
categories.

It is recognized that the mere absence of adequate heating
or plumbing equipment in a housing unit does not, by itself,
warrant its demolition and replacement. But such deficien-
cies are almost always associated with _other_ serious defects

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* U.S. Bureau of the Census, 1970 Census of Housing, _Plumbing Facili-_
ties and Estimates of Dilapidated Housing, Final Report, HC(6).

which qualify the unit as "dilapidated" under the 1970 Census definition.

In fact, the 1980 total of housing units in the eight-county region with either no complete bathroom and/or inadequate heating equipment (70,645) is roughly equivalent to the Census Bureau's estimate of dilapidated units in 1970 (60_f012). The difference may reflect a true increase in the number of structures falling into disrepair (particularly in the Core cities), or inaccuracies in the two estimates. Given the inherent subjectivity involved in determining which dwellings are in need of replacement, the two figures are remarkably close.

Table 9 (columns 2, 3 and 4) presents statistics on physically deficient units for the eight counties in the region. Only 4.6% of the region"s occupied housing stock was found to have one or both inadequacies. The proportions by individual county range from a high of 9.2% in Hudson to a low of 2.0% in Somerset. Middlesex had 4.2% of its occupied units in these categories. Table 10 (columns 2, 3 and 4) presents the same statistics for Cranbury and Monroe Townships. In Cranbury, 3.8% of the occupied units were physically deficient as of 1980. In Monroe the percentage was 2.3%.

2. MARKET FAILURES

Two reliable indicators of what may be termed market failures are available from the Census; the incidence of overcrowded units and excessively low vacancy rates.

[a#]   Overcrowded Housing

Overcrowded dwellings are considered to signal a market failure because they represent mismatches between

Table 9

PHYSICALLY DEFICIENT AND OVERCROWDED HOUSING UNITS, 1980

EIGHT-COUNTY REGION

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
		Occupied Hsg. Units:		Total Physically Deficient Units		Total Physically Deficient & Overcrowded	Physically Deficient S Overcrowded Units Occupied by Low 6 Mod. Inc. HHa.		
County	Total Occupied Year-Round Hsg. Units	Without Complete Plumbing	With No Heat or Inadequate Heat**	(Cols. 2 + 3)	Over-crowded Units**	(Cols. 4 4-5)	No.	% of Region	% of Occupied Units in County
Bergen	300,410	4,471	3,191	7,662	5,274	12,936	10,608	10.2%	3.5%
Essex	300,303	10,145	8,589	18,734	16,018	34,752	28,497	27.3%	9.5%
Hudson	207,857	10,519	8,539	19,058	12,600	31,658	25,960	24.9%	12.5%
Middlesex	196,708	3,036	1,984	5,020	5,009	10,029	8,224	7.9%	4.2%
Morris	131,820	1,068	1,787	2,855	4,931	7,786	6,385	6.1%	4.8%
Passaic	153,463	4,644	5,582	10,226	6,662	16,888	13,848	• 13.3%	9.0%
Somerset	67,368	678	658	1,336	1,033	2,369	1,943	1.9%	2.9%
Union	177,973	3,162	2,592	5,754	5,099	10,853	8,899	8.5%	5.0%
Total 8-County Region	1,535,902	37,723	32,922	70,645	56,626	127,271	104,364	100.0%	6.8%

Percentages may not add up due to rounding.

DEFINITIONS OF HOUSING NEED CATEGORIES (see text for full discussion of indigenous housing needs)

Col. 2: Units with no bath or only half a bath.

Col. 3: Units with no central heat or units containing only room heaters with no flues, portable room heaters, fireplaces or stoves. Excludes units in column 2 to eliminate double counting.

Col. 5: Units with 1.1 persons per room or more. Excludes units in column 4 to eliminate double counting.

Col. 7: Derived by multiplying figure in column 6 by 82%, which is the estimated proportion of households in physically deficient and overcrowded dwellings who qualify as low or moderate income (see text).

SOURCE: 1980 U.S. Census of Population and Housing, Summary Tape File 3.

      Col. 1: Profile IX, Table 2.

      Col. 2t Profile X, Table 15.

      Col. 3: Profile XII, Table 35 Interpolated using Profile X, Table 17.

      Col. 5s Profile XII, Table 38, Adjusted for Double-Counting Using Profile XII, Table 35 & Profile X, Table 17.

Table 10

INDIGENOUS LOW AND MODERATE INCOME HOUSING NEED, 1980
CRANBURY AND MONROE TOWNSHIPS

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
		Occupied Hsg. Units:					Physically Deficient &			
				Total		Total	Overcrowded		Non-Rental	Total
	Total		With No	Physically		Physically	Units Occupied	Rental Units	Units	Indigenous
	Occupied	Without	Heat or	Deficient	Over-	Deficient &	by Low & Mod.	Needed for	Needed for	Need
	Year-Round	Complete	Inadequate	Units	crowded	Overcrowded	Income HHs	Mkt. Mobility	Mkt. Mobility	(Cols. 7 + 8 + 9)
Municipality	Hsg. Units	Plumbing	Heat	(Cols. 2 + 3)	Units	(Cols. 4 + 5)				
Cranbury Township	713	19	8	27	8	35	29	3	0	32
Monroe Township	5,765	88	42	130	83	213	175	3	21	199

DEFINITIONS OF HOUSING NEED CATEGORIES (see text for full discussion of indigenous housing needs)

Col. 2: Units with no bath or only half a bath.

Col. 3: Units with no central heat or containing only room heaters with no flues, portable room heaters, fireplaces or stoves. Excludes units in column 2 to eliminate double counting.

Col. 5: Units with 1.1 persons per room or more. Excludes units in column 4 to eliminate double counting.

Col. 7: Derived by multiplying figure in column 6 by 82%, which is the estimated proportion of households in physically deficient and overcrowded dwellings who qualify as low or moderate income (see text).

Col. 8s Units needed to achieve minimal 5.0% vacancy rate in rental housing stock (see text).

Col. 9: Units needed to achieve minimal 1.5% vacancy rate in non-rental housing stock (see text).

SOURCE: 1980 U.S. Census of Population and Housing, Summary Tape File 3.

   Col. 1: Profile IX, Table 2

   Col. 2: Profile X, Table 15.

   Col. 3: Profile XII, Table 35 adjusted using Profile X, Table 17.

   Col. 5: Profile XII, Table 38, Adjusted for Double-Counting Using Profile XII, Table 35 6 Profile X, Table 17.

   Col. 8: Profile IX, Tables 3 & 4.

   Col. 9: Profile IX, Tables 3 (4 ,

household sizes (demand) and dwelling unit dimensions
and/or configurations (supply). In truth, often over-
crowded housing conditions are as much attributable to
households' lack of financial resources as they are to
the lack of appropriate-sized units. Nevertheless,
overcrowded dwellings represent undesirable physical
environments which can be appropriately remedied by
construction of more suitably-sized units offered at
affordable prices. Even if not all such replacement
units are large, the effect of these additions to the
housing stock will be to create new options for house-
holds presently occupying units that are too large for
their needs, thereby making some of these dwellings
available to overcrowded households and fostering a
better overall "fit" between households and housing
stock.

Housing experts and the Census Bureau both consider
overcrowded conditions to exist when there are more
residents than rooms in a given housing unit - in other
words when there are more than 1.0 persons per room.
Reliable statistics are available over many years,
indicating that, in general, the incidence of over-
crowding has been declining throughout the U.S. Never-
theless, there were 56,626 housing units in the region
with more than one person per room in 1980, excluding
physically deficient units (see Table 9, column 5).
This represents 3.7% of the occupied housing stock.
The incidences of overcrowded housing units in Cranbury
and Monroe were considerably lower. In Cranbury only
8 units, or 1.1% of the physically adequate occupied
housing stock had more than 1.0 persons per room; in
Monroe 83 units, or 1.4% of the occupied stock, fell
into this category.

b. <u>Insufficient Vacancy Rates</u>

Minimum vacancy rates of 5.0% of the rental housing stock and 1.5% of the owner-occupied dwellings are essential to ensure mobility and competitive pricing in these housing markets (see discussion supra at p. 28). A rental vacancy rate of less than 5% is considered indicative of a "housing emergency" in those states with rent levelling acts, and triggers the imposition of controls to prevent extreme rent hikes which result from the real shortage of available units.

When vacancy rates for the housing market as a whole are unacceptably low they tend to be virtually non-existent within the low and moderate income sector of the inventory. This is because prices are quickly bid upward by higher income households in a mirror image of the "trickle down" process cited by the Supreme Court in the <u>Madison</u> case. An increasing proportion of the low and moderate income inventory is thus lost as an affordable housing resource, just as irrevocably as if those units had been demolished.

An extreme example of this process is occurring in certain "gentrifying" neighborhoods in New York City, where severe imbalances between supply and demand have caused rents to double and triple within a few years. A detailed survey of New York's rental vacancies, conducted by the Census in 1981, found that while the overall vacancy rate was 2.1%, the rates for the three least expensive classes of units were all under 1.0%, despite the fact that many of these units are in old, deteriorated buildings.* The vacancy rates for the two most expensive classes of apartments were 3.0% or higher.

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* U.S. Bureau of the Census, 1981 New York City Housing & Vacancy Survey cited by Michael A. Stegman, <u>The Dynamics of Rental Housing in New York City</u>, City of New York, Dept. of Housing Preservation and Development, Feb. 1982, p. 101.

Introduction of new housing units which are specifical-
ly reserved for low and moderate income households is
the most effective remedy for an extremely tight and
inflated housing market. The effect on mobility and
choice is immediate. According to a review of the em-
pirical literature by Tri-State Regional Planning Com-
mission, "New construction...usually generates between
2 and 3.5 moves for every unit built". In addition,
Tri-State found that "Low income families tend to bene-
fit more from new construction that is below the median;
i.e., when the chain of moves is shorter".* The
"trickle down" process, whereby replacement of more
expensive housing results in older units becoming
available to lower income groups, does not work in a
severely under-supplied, inflationary housing market.
There are too many other households with higher in-
comes competing for the older housing units. They
only become available to low and moderate income
households in a competitive market with suitably
high vacancy rates.

Based on 1980 Census data, 3 rental housing units must
be added in Cranbury and 3 must be added in Monroe in
order to achieve adequate 5% vacancy rates*** The 1980
rental vacancy rates were only 3.7% and 4.4%, respec-
tively. The vacancy rates for non-rental housing were
5.0% in Cranbury and 1.1% in Monroe. Thus, in Cranbury,
no additional "for sale" units are needed, while 21
dwellings must be added in Monroe to achieve the mini-
mum 1.5% vacancy rate necessary for market mobility.

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*   Tri-State Regional Planning Commission, <u>Quantitative and Qualitative
    Aspects of the Chain of Moves in Housing^Analysis</u>.   Interim Technical
    Report 4531-3417, October 1975, p. 1.

** It should be recognized that the Census presents a "snapshot" of
    vacancy conditions as of April 1980 and that vacancy rates tend to
    fluctuate within narrow ranges over time. However, in the absence
    of continuously updated vacancy surveys the Census data are the
    most reliable indicators of housing market fluidity for municipali-
    ties.

The need for additional vacant units in the region as a whole was not quantified because, by definition, this market need must be met locally. An acceptable overall vacancy rate for an entire county will not reflect the severe imbalances which may exist in particular municipalities, creating hardships for low and moderate income households seeking housing in those communities.

3. FINANCIAL HARDSHIP

Insufficient income to purchase acceptable housing in the current market has replaced physical deterioration and overcrowding as the most pervasive and intractable housing problem in the U.S. today.

Twenty-five percent has traditionally been considered the maximum proportion of family income which can be set aside for housing without creating financial hardship. Thie rent/income ratio serves as the basis for the Mount Laurel II decision's definition of "affordable" housing for lower income families.*

For the purpose of this analysis households paying 35% or more of their incomes for shelter were identified. These households are truly in financial need based on the standard 25% rent/income ratio. When applied to the low and moderate income population of the region, this definition identifies households with less than $10,646 left for all non-shelter expenses (including taxes) after payments for housing. Thus, it may be said to define severe financial hardship, particularly in the case of larger households with higher living expenses.

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* 92 N.J. 158 at 221, footnote 8.

Even using this restrictive definition, the numbers of
low and moderate income households in the region paying
too much for shelter are staggering. Table 11 sets forth
these statistics for each of the region's eight counties
and Table 12 does the same for Cranbury and Monroe, Over
40% of the region's lower income households - approximate-
ly 260,000 - showed evidence of severe financial housing
need; 59% of the low income households and 17% of the mod-
erate income households. Forty-five of the lower income
households in Cranbury and 351 of those in Monroe paid 35%
or more of their income for shelter in 1979. These figures
represent slightly less than one-quarter of the low and
moderate income households in each municipality.

C.   ALLOCATION OF PRESENT NEED

The Mount Laurel II decision specifies that,

>   all municipalities' land use regulations will be required
>   to provide a realistic opportunity for the construction
>   of their fair share of the region's present lower income
>   housing need generated by present dilapidated or over-
>   crowded lower income units.*

Table 9 identifies 70,645 physically deficient dwelling units
in the region, which in previous Census years would have been
classified as "dilapidated". An additional 56,626 units were
identified as overcrowded, making 127,271 units which fell into
one or both categories. Approximately 82% of the region's
physically deficient and overcrowded dwellings are occupied by
lower income households, according to Tri-State Regional Plan-
ning Commission studies.** These 104,364 units comprise 6.795%
of the region's occupied housing stock and represent the
region's present replacement need under Mount Laurel II.

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*   92 N.J. 158 at 243.
**   Tri-State Regional Planning Commission, People, Dwellings and
     Neighborhoods, March 1978, p. 15.

Table 11

LOW AND MODERATE INCOME HOUSEHOLDS WITH FINANCIAL HOUSING NEED

EIGHT-COUNTY REGION

County	Low Income Households (1980)	Moderate Income Households (1980)	Low-Income Households Paying 35% or More of Income for Shelter*		Moderate Income Households Paying 35% or More of Income for Shelter*		Low and Moderate Income Households Paying 35%+ of Income for Shelter*	
			No.	%	No.	%	No.	%
Bergen	51,546	41,632	32,297	**62.7**	**10,090**	24.2	42,387	45.5
Essex	100,128	51,880	59,508	**59.4**	**7,362**	14.2	66,870	44.0
Hudson	76,595	39,842	39,857	**52.0**	**2,286**	5.7	42,143	36.2
Middlesex	35,121	27,932	21,902	**62.4**	**5,758**	20.6	27,660	43.9
Morris	15,684	15,906	10,528	**67.1**	**4,658**	29.3	15,186	48.1
Passaic	43,960	26,243	25,878	**58.9**	**3,925**	15.0	29,803	42.5
Somerset	9,127	8,190	5,733	**62.8**	**2,058**	25.1	7,791	45.0
Union	37,679	27,539	23,056	**61.2**	**4,631**	16.8	27,687	42.5
REGION	369,840	239,164	**218,759**	**59.1**	40,768	17.0	259,527	42.6

* Low and moderate income renter households paying 35% or more of their income for gross rent in 1979 and non-condomin-
ium owner households paying 35% or more of their income for selected monthly owner costs. These costs include payments
for insurance, mortgage, real estate tax and utilities. Approximately 5% of all households in the region were listed as
"not computed", and were not included in this table. By definition, "not computed" were households with zero or nega-
tive income and units tabluated as "No Cash Rent".

SOURCE: <u>1980 U.S. Census of Population</u>, Summary Tape File 3, Profile XI, Tables 30-31.

Table 12

LOW AND MODERATE INCOME HOUSEHOLDS WITH FINANCIAL HOUSING NEED, 1980

CRANBURY AND MONROE TOWNSHIPS

Municipality	Low Income Households (1980)	Moderate Income Households (1980)	Low-Income Households Paying 35% or More of Income for Shelter*		Moderate Income Households Paying 35% or More of Income for Shelter*		Low & Moderate Income Households Paying 35%+ of Income for Shelter*	
			No.	%	No.	%	No.	%
Cranbury	107	82	42	39.3	3	3.7	45	23.8
Monroe	787	789	247	31.4	104	13.2	351	22.3

* Low and moderate income renter households paying 35% or more of their income for gross rent in 1979 and non-condominium owner households paying 35% or more of their income for selected monthly owner costs. These costs include payments for insurance, mortgage, real estate and utilities. Approximately 5% of all households in the region were listed as "not computed", and were not included in this table. By definition, "not computed[1]* were households with zero or negative income and units tabulated as "No Cash Rent".

SOURCE; 1980 U.S. Census of Population, Summary Tape File 3, Profile XI, Tables 30-31.

By requiring municipalities in "non-growth[11] areas to provide for
their full present housing need, the Supreme Court favors the
meeting of indigenous needs "in place". The court also speci-
fies that

> each municipality must provide a realistic opportunity
> for decent housing for its indigenous poor except where
> they represent a disproportionately large segment of
> the population as compared with the rest of the region.*

It is axiomatic that municipalities in the region with dispro-
portionate numbers of indigenous poor also contain dispropor-
tionate shares of the region's present lower income housing
need. The formula used to allocate present replacement need
reflects this relationship and requires each municipality to
provide for its full indigenous replacement need only where
that need does not represent a disproportionate segment of the
community's occupied housing stock, as compared with the rest
of the region. That portion of a municipality's replacement
need which exceeds the regional 6.795% ratio between replace-
ment need and total occupied housing units is allocated to
other municipalities with replacement need ratios below
6.795%. In this way a community with a disproportionately
large lower income population, and a correspondingly high pro-
portion of physically deficient and overcrowded housing units
is not overburdened by its present housing need obligation.
A more equitable and realistic sharing of the present regional
need is achieved, while each municipality is still obligated
to provide for a reasonable portion of its indigenous replace-
ment need in accordance with the Mount Laurel II mandate.

Table 13 calculates the present need allocations of Cranbury
and Monroe. The number of occupied housing units in each com-
munity (col. 1) is multiplied by 6.795%, the proportion of oc-
cupied units in the region needing replacement, to yield the
replacement need allocation shown in column 2. Indigenous

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* 92 N.J. 158 at 214.

Table 13

ALLOCATION OF PRESENT LOW AND MODERATE INCOME HOUSING NEED, 1980

WASHINGTON TOWNSHIP, MORRIS COUNTY

Municipality	(1) Total Occupied Year-Round Housing Units	(2) Allocation of Regional 1980 Replacement Need	(3) Indigenous Replacement Need	(4) Difference (Allocation Adjustment) (Cols. 2-3)	(5) Allocated Regional Need To Be Met by 1990	(6) Total Indigenous Need	(7) Total Present Need Allocation (Cols. 4+5)
Cranbury	713	48	29	19	6	32	38
Monroe	5,765	392	175	217	72	199	271

SOURCES: Col. 1: 1980 U.S. Census of Population and Housing, Summary Tape File 3, Profile IX, Table 2.

Col. 2: Col. (1) x .06795 (see text).

Col. 3: Table 10, Col. (7) (Physically deficient and overcrowded units occupied by low and moderate income households).

Col. 5: Col. (4) ÷ 3.

Col. 6: Table 10, Col. (10).

replacement need from within the community (col. 3) is then
subtracted from this replacement allocation to determine how
many units the municipality is allocated from other communi-
ties (if indigenous need is lower than the regional allocation)
or allocates to other communities (if indigenous need is high-
er than the regional allocation). Each of the municipalities
has an indigenous replacement need which is less than 6.795%
of its occupied housing stock. Therefore, they are each allo-
cated additional units from the regional need as shown in
column 4.

The allocation of present regional housing need in column 4
represents households who will need to move from physically
deficient or overcrowded housing in municipalities with high
levels of replacement need to new units in communities with
lower levels of need. In many cases the replacement units to
be provided will be located in a different county than the
need being met. Thus, the allocation has the effect of shift-
ing the lower income population distribution within the region.
Communities in which the lower income segment of the popula-
tion is highly disproportionate, compared to the rest of the
region, will experience the greatest population shifts.

In order for municipalities to adjust gradually to this lower
income population redistribution, it is recommended that the
allocated portion of the region's present replacement need be
met over 30 years (one generation) rather than the seven-year
period to 1990. This will allow such shifts to happen grad-
ually in conjunction with other long-term trends, particularly
intra-regional shifts in employment opportunities which occur
over several decades. This approach is felt to be more real-
istic since many, if not most of the lower income households
in need of replacement housing are tied to their present resi-
dential location by the existing pattern of job opportunities,
as well as by other social and economic networks, which they
may be reluctant to sever.

Since present housing need has been quantified based on 1980
Census data, a 30-year allocation period would end in 2010.
One-third of the allocated replacement need shown in column 4
should be met by the end of this fair share plan's time frame,
which is 1990. This portion of the allocated need is shown in
column 5.

Column 6 presents each municipalities' total present indigenous
need as derived in Table 10L This figure includes both the re-
placement need shown in column 3 and the units needed to provide
for reasonable minimum vacancy rates- which, as noted previously,
must be met in place. Total indigenous need is added to the
1990 allocated need in column 5 to obtain the total present
need allocations shown in column 7. They are as follows:

Cranbury Township	38
Monroe Township	271

The present housing need represented by lower income households
in the region paying a disproportionate share of their income
for rent has not been allocated as part of this fair share
plan. This is not meant to imply that the housing needs of
these financially-burdened households are inconsiderable.
Each of them no doubt experiences true deprivation and personal
hardship as a result of their economic condition.

In addition, as shown in Tables 11 and 12, the huge numbers of
financially needy households pose a tremendously difficult
challenge. To provide new, affordable housing units to each
household in the region paying 35% or more of its income for
shelter would require replacement of 260,000 dwellings, or 17%
of the region's occupied housing stock. Clearly, this is im-
possible within a seven-year time frame. Such a solution also
ignores the fact that many of the units occupied by such house-
holds do not really need to be replaced; they just need to be

made affordable. However, Uiere are a significant number of households with incomes so jLimited that even a nominal rent imposes financial hardship. For example, the Census indentified 170,000 households in the region with incomes under $5,000 in 1979.

In light of the difficult pblicy and methodological questions raised by these financial housing needs, the numbers of house-- holds identified in Tables ill and 12 were not translated into fair share allocations. Such an attempt was also hampered by the fact that currently available Census cross tabulations do not reveal the degree of overlap between financial need and other categories of present housing need.

Nevertheless, it is felt th|at the Mount Laurel II decision re- quires that municipalities strive to alleviate the financial housing needs of households; within their boundaries with what- ever resources are available. These may consist of such measures as abatement of property taxes, implementation of energy cost-cutting programs for homeowners and landlords (such as free weatherizaticpn) as well as rent subsidies, such as the Section 8 Existing Rousing Program or proposed federal voucher systems and, where appropriate, construction of new lower income housing.

VI. THE FAIR SHARE ZONING OBLIGATION

Cranbury's total lower income! housing allocation is 425 units, in-
cluding 387 units to meet prospective housing needed between 1980
and 1990 and 38 units to meet present housing needs as of 1980.
Monroe's housing allocation totals 1,632 units; 1,361 units for
prospective need and 271 uniti; for present need. According to the
Mount Laurel II decision thesis allocations must be provided for by
Cranbury and Monroe's land use regulations. Ideally, this number
of lower income units will be constructed by 1990 to meet the iden-
tified housing needs.

The Mount Laurel II decision indicates that rezoning to meet indi-
genous and allocated present housing needs should occur immediately,
whereas provision for prospective lower income households may be met
by a "phase-in" over the period encompassed by the fair share plan.*
However, because the most recent Census was in 1980, the housing
need calculations in this plan are already 4 years old. Unless ap-
proximately 40% of the total number of needed lower-income housing
units have already been provided between 1980 and 1984, it appears
only reasonable that all or most of the prospective zoning obliga-
tion should be met immediately, in addition to immediate provision
for presently needed lower income units.

Unfortunately, the chances that the regional low and moderate income
housing needs identified in this plan will be met by 1990 are hampered
by a number of factors. Perhaps the most discouraging of these is the
almost complete absence of state and federal housing subsidies for new
lower income housing. While municipalities have an affirmative obli-
gation to seek and encourage the construction of subsidized housing
within their borders this activity is presently infeasible for the
most part.

In the absence of subsidies, the principal affirmative measures
that municipalities have available to meet their fair share obliga-
tions are "inclusionary zoning devices".** Among these, the

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*   92 N.J. 158 at 219.
** 92 N.J. 158 at 265-274.

mandatory set-aside device is considered by <u>Mount Laurel II</u> to be the most effective generator of low and moderate income housing. Such a zoning remedy requires that a certain percentage of the units in new residential developments be made affordable to lower income households. Generally, it is economically infeasible for more than 20% of the units to be set aside for low and moderate income households.

The mandatory set-aside device is limited in its ability to produce lower income housing by the quantity of new middle and upper income residential construction. The market for such housing is, in turn, mostly determined by the number of new households in the region, along with demand for a lesser number of replacement housing units, However, household growth on a regional level generally occurs at about the same rate among all income groups. This means that the regional need for lower income units will always exceed the supply created by inclusionary zoning. This is evident when one considers the fact that 40% of the household growth in the region will prob-ably consist of low and moderate income persons, while only 20% of the units in mandatory set-aside developments are generally reserved for lower income households.

This fair share plan projects that the total number of households in the region will grow by 140,919 between 1980 and 1990 (see Table 7, supra p. 29). It is also projected that 39.6%, or 55,228 of these new households will have low or moderate incomes. The remaining 85,115 households are expected to have middle and upper incomes.

Given the current economics of housing production, it is not un-reasonable to assume that unsubsidized housing will <u>only</u> be con-structed for the new middle and upper income households. In addition, a portion of the exiting middle and upper income housing stock will be replaced by newly constructed units. During the period from 1970 to 1980 these amounted to 3.2% of the total 1970

housing inventory. Applying the same rate to the 1980 stock, it is anticipated that 51,200 units of new, unsubsidized replacement housing will be constructed in addition to the 85,115 units built for new middle and upper income households.

When combined, these figures yield a total of 136,315 new, unsubsidized housing units projected to be built in the region between 1980 and 1990. If it is assumed that, for every four such units one new lower income unit can be produced as part of a mandatory set-aside arrangement (based on the recommended 20%/80% ratio), then this mechanism can generate a maximum of 34,079 lower income units during the decade.

Despite the fact that it is probably impossible to meet all of the regional housing needs identified herein through inclusionary zoning alone, it is still important that municipalities attempt to provide for their full lower income housing allocation. This is necessary for a number of reasons. First, state and federal policies may well change before 1990, possibly making new housing subsidies available. More importantly, many municipalities, and particularly those with high levels of growth, may be able to meet or even exceed their fair share goals entirely through inclusionary zoning.

Whether this, in fact, occurs depends upon the innumerable factors determining unsubsidized housing production in each municipality. Among these are job growth trends, interest rates, inflation levels, the availability of transportation and services (i.e. the price of gasoline), social forces and public tastes. In the absence of any preditability concerning these market factors, it is crucial that inclusionary zoning by municipalities reflect their full fair share allocations in order to provide the maximum opportunity and incentive for construction of lower income housing.

There may be other constraints to the achievement of particular municipalities[1] fair share goals, which even the most well-conceived allocation plan cannot take into account. These may be lumped under the heading "peculiar development situations". Examples would be temporary limitations on new development due to the need to expand municipal infrastructure or the existence of a severe traffic bottleneck requiring major reconstruction work. A more permanent constraint would occur where the vacant land supply has been largely consumed by extensive recent development.

Most of these peculiar development situations can be taken into account by phasing in a municipality's fair share obligation over a number of years, in order to allow time to rectify the particular constraint. In the rare case where a constraint cannot be readily removed, an adjustment of the municipality's fair share allocation may be necessary, based upon a detailed examination of the community's true capacity to accommodate new development.

VII. OTHER INDICATORS OF THE FAIR SHARE OBLIGATIONS OF CRANBURY AND MONROE TOWNSHIPS

One of the underlying principles of both the Mount Laurel I and Mount Laurel II decisions is that a municipality must zone to permit housing for low and moderate income persons presently working or expected to work within its borders. Thus, in Mount Laurel I the Supreme Court states that, "certainly when a municipality zones for industry and commerce for local tax benefit purposes, it without question must zone to permit adequate housing within the means of the employees involved in such uses".* The decision found that the community had "over-zoned" for industry in order to benefit the local tax rate without providing zones in which low and moderate income industrial workers could afford to live.

Similar situations exist in Cranbury and Monroe, where approximately 2,200 acres and 5,200 acres of vacant land, respectively, are zoned for industrial or office-research development, yet there is no provision for housing which is affordable to the low and moderate income employees who can be expected to work in these zones.**

In Monroe, if the maximum building coverage ratio of 40% in the Industrial zone were fully utilized, a total of about 182 million square feet of new industrial and office research space could be developed in two-story buildings and 91 million in one-story structures. Applying a conservative worker/floorspace ratio of one employee per 1,000 square feet of space to the lower figure, a total of 91,000 jobs would be generated by such growth (17 jobs per acre). Presently there are only about 1,000 private jobs in the Township. This calculation provides an indication of the extreme extent to which Monroe has overzoned for industry, particularly in light of the absence of opportunities for affordable worker housing.

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* 67 N.J. 151 at   .

** The 1982 Cranbury Master Plan identifies 2,200 acres of vacant developable land in the Township's Office-Research and Industrial zones, without even taking into account commercial zones. Planimeter measurement of Monroe's zoning map and examination of 1981 U.S.G.S. Topographic maps shows that there are approximately 5,236 acres of vacant developable land in that Township's Light Impact Industrial zone.

The Cranbury <u>Master Plan</u> estimates that between 3,230 and 9,170 jobs would result from development of the Corporate Office-Research, Light Impact Industrial and General Industrial zones there. These estimates are based on unrealistically low employment densities of between one to eight employees per acre. Nevertheless, assuming that only 20% of the added jobs were held by low or moderate income workers, between 650 and 1,830 lower income housing units would be needed. None are currently provided for by the Township's zoning.

The <u>Mount Laurel II</u> decision also cites- the rapidly declining proportion of Mount Laurel's families who had low or moderate incomes in the past three Censuses as an indication of that Township's exclusionary zoning practices and the need for affirmative inclusionary devices.

A similar pattern of exclusion has occurred in Cranbury and Monroe. As shown in Table 14, the proportion of Cranbury's families who earned below 80% of the median family income for New Jersey fell continuously from 35% in 1960 to 28% in 1970 to only 22% in 1980. In Monroe the decline was even more steep, with the lower income population falling from 46% of all families in 1960 to 38% in 1970 and 24% in 1980.

These patterns run counter to the trends in both Middlesex County and the State. In 1960 Cranbury and Monroe's shares of lower income families were <u>higher</u> than those in Middlesex and New Jersey. But between 1960 and 1980 the proportion of such families <u>grew</u> slightly in both Middlesex County and the State, while Cranbury's and Monroe's shares rapidly declined to much lower levels than the County and State. This was largely because the two Townships' land use regulations were acting to permit only middle and upper income families to settle there.

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* 92 <u>N.J.</u> 158 at   , footnote 49.

Table 14

LOW AND MODERATE INCOME FAMILIES EARNING BELOW 80% OF THE N.J. MEDIAN FAMILY INCOME

CRANBURY AND MONROE TOWNSHIPS, MIDDLESEX COUNTY, AND NEW JERSEY, 1960-1980

Area		Median Family Income	Total No. of Families	Low & Moderate Income Families	
				No.	%
Cranbury Township:					
	1960	$ 6,982	508	176	34.6
	1970	14,076	600	170	28.3
	1980	29,408	556	120	21.6
Monroe Township:					
	1960	5,831	1,319	604	45.8
	1970	11,681	2,256	852	37.8
	1980	26,741	4,571	1,073	23.5
Middlesex County:					
	1960	7,068	110,156	29,377	26.7
	1970	11,982	146,936	40,640	27.7
	1980	25,603	157,631	43,790	27.8
New Jersey:					
	1960	6,786	1,581,189	525,807	33.3
	1970	11,407	1,838,809	637,791	34.7
	1980	22,907	1,942,108	716,552	36.9

SOURCE: U.S. Census of Population, 1960, 1970 and 1980.

APPENDICES

HOUSEHOLD PROJECTION METHODOLOGY

The number of households in the eight-county region in 1990 was
projected by applying anticipated age-specific numbers of persons
per household in 1990 to the ODEA Economic/Demographic age-specific
population projections for that same year. This method is superior
to utilizing only a single household size projection and a single
population projection in that the resulting household projection
reflects anticipated changes in the age structure of the population
as well as changes in household composition. In addition, single-
person households were projected separately from households with
two or more persons, adding an additional degree of refinement to
the final household number.

An underlying assumption of the projections is that household com-
position trends observed between 1970 and 1980 will continue into
the 1980s at one-half their rates of change in the 1970s. The
bases for this assumption are discussed in the text at pages 25
and 26, supra. Table A-1 shows the derivation of age-specific
numbers of persons per household for 1990. Three key age-groups
are differentiated: persons under 18; persons 65 and over; and
persons 18 to 64. The numbers of persons in single-person house-
holds are treated separately, since their average household size
is always the same. For all others changes in the numbers of
persons per household (by age group) between 1980 and 1990 are
assumed to occur at one-half the rates of change observed during
the 1970s.

In Table A-2 the 1990 age-specific population projections are
divided by the age-specific numbers of persons per household in
1990 (derived in Table A-1) to yield projected numbers of house-
holds. One-person households are projected separately by assuming

that the 1970 to 1980 increases in proportions of persons 18 to 64 years old and 65 and over living alone would continue to 1990 at one-half the 1970s[1] rate of change. Finally, the numbers of house-holds in all categories are added, which results in a projection of 1,676,821 households in the eight-county region by 1990.

1990 PROJECTION OF AVERAGE NUMBERS OF PERSONS PER HOUSEHOLD BY AGE GROUP
IN THE EIGHT-COUNTY REGION ASSUMING HOUSEHOLD TRENDS
CONTINUE AT ONE-HALF THE RATE OF CHANGE IN THE 1970s

Age Group & Household Type		Persons in House-holds	Households w/Person(s) in Age Group	Persons in Age Group per Household	% Change in Persons per Household		Persons in Age Group per Household 1990
					Actual 1970-1980	Projected 1980-1990	
Persons Under 18	1970	1,435,061*	644,195	2.23*	-13.0%	-6.5%	1.81
	L980	1,079,433	562,133	1.94			
Persons 65 & Over							
-In 1 Person Households	1970	94,937	94,937	1.00	0%	0%	1.00
	1980	125,543	125,543	1.00			
-In 2+ Person Households	1970	322,122	153,535	2.10	-5.2%	-2.6%	1.94
	1980	350,081	176,039	1.99			
Persons 18-64 Years							
-In 1 Person Households	1970	137,278	137,278	1.00	0%	0%	1.00
	1980	204,931	204,931	1.00			
-In 2+ Person Households	1970	2,487,939	413,467	6.02**	-5.3%	-2.6%	5.55**
	1980	2,506,325	439,794	5.70**			

*1970 Data on Households with chilHren was only available for families with one or more children of the head of household or spouse.

••Households with two or more members may contain persons in more than one of the above age groups, however the extent of this overlap is not available from Census tabulations. Therefore, the number of persons, ages 18 to 64, living in households with persons under 18 and 65 and over could not be determined and all of the persons in this age group (not living alone) were allocated to households without anyone under 18 or over 64. This results in artificial **numbers of persons per** household for this group, which are useful only as a means of projecting future numbers of house-holds from anticipated population figures, as in Table A-3

SOURCE: 1970 and 1980 U.S. Census of Population and Housing with calculations by Abeles Schwartz Associates

TABLE A-2

PROJECTION OF 1990 HOUSEHOLDS

IN THE EIGHT COUNTY REGION

ASSUMING HOUSEHOLD COMPOSITION TRENDS CONTINUE
AT ONE-HALF THE RATE OF CHANGE
IN THE 1970s

Age Group & Household Type	Pop. in Households (1990 Projection)*	Average Number of Persons in Age Group per Household**	Total Households
Persons Under 18			
	1,008,433	1.81	557,145
Persons 65 and Over			
In 1 person HHs	154,232	1.00	154,232
In 2+ person HHs	382,653	1.94	197,244
Persons 18-64 Years			
In 1 person HHs	277,431	1.00	277,431
In 2+ person HHs	2,723,768***	5.55	490,769
Total - All Ages	4,546,517		1,676,821

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* New Jersey Revised Total and Age and Sex Population Projections, ODEA Economic-Demographic Model allocated by household type assuming observe* household composition trends continue at one-half the rate of change in the 1970s.

**See Table A-2 for derivation.

•••Households with two or more members may contain persons in more than one of the above age groups, however the extent of this overlap is not available from Census tabulations. Therefore, the number of persons age 18 to 64 living in households with persons under 18 and 65 and over cannot be determined. This is taken into account by using an artificially high average number of persons per household for this population group, based on the known figures for 1970 and 1980 (see Table A-2). In this way double-counting of households has been eliminated from the 1990 projections.

Table A-3

REGIONAL LOW AND MODERATE INCOME HOUSEHOLDS
BY RENTER AND OWNER OCCUPANCY

Household	Renter Occupied		Owner Occupied		Total Households*	
	No.	%	No.	%	No.	%
Low Income Households	227,748	79.8	57,892	20.2	285,640	100.0
Moderate Income Households	161,009	66.1	82,478	33.9	243,487	100.0
Low and Moderate Income Households	388,757	73.5	140,370	26.5	529,127	100.0

* Households for which this characteristic was reported. Approximately 5% of all households in the region are listed as "not computed[1]". By Census definition, these include households with zero or negative income and units tabulated as "No Cash Rent".

SOURCE: 1980 U.S. Census of Population, Summary Tape File 3, Profile XI, Tables 30 and 31.

CHARACTERISTICS OF MUNICIPALITIES OUTSIDE THE
STATE DEVELOPMENT GUIDE PLAN "GROWTH AREAS"

Municipalities Outside "Growth Areas"	Total Area			Vacant Developable Land			1980 Population		
	Acres	As % of Co.	As % of Region	Acres	As % of Co.	As % of Region	No.	As % of Co.	As % of Region
Morris County	300,954	100.0	26.3	109,447	100.0	40.3	407,630	100.0	9.2
1. Chester Borough	1,024	0.3	0.1	303	0.3	0.1	1,433	0.4	0.0
2. Chester Township	18,496	6.1	1.6	6,537	6.0	2.4	5,198	1.3	0.1
3. Mendham Borough	3,830	1.3	0.3	2,214	2.0	0.8	4,899	1.2	0.1
4. Mendham Township	11,264	3.7	1.0	5,091	4.7	1.9	4,488	1.1	0.1
Subtotal	34,614	11.5	3.0	13,965	12.8	5.1	16,018	3.9	0.4
Passale County	122,886	100.0	10.7	25,882	100.0	9.5	447,585	100.0	10.1
5. Ringwood Borough	17,600	14.3	1.5	2,871	11.L	1.1	12,625	2.8	0.3
Somerset County	195,552	100.0	17.1	46,562	100.0	17.1	203,129	100.0	4.6
6. Rocky Hill Borough	384	0.2	0.0	79	0.2	0.0	717	0.4	0.0
Total Six Municipalities	52,598	-	4.6	16,915	-	6.2	29,360	-	0.7
Total In Region	1,145,626	-	100.0	271,884	-	100.0	4,411,804	-	100.0

SOURCES: Total Area: New Jersey Department of Community Affairs, <u>New Jersey County and Municipal Work Sheets</u> (Report PT-1), January 1976.
Vacant Land: New Jersey Department of Community Affairs, <u>A Revised Statewide Housing Allocation Report for New Jersey</u>, May 1978, Appendix D.
Population: <u>1980 U.S. Census of Population</u>. Summary Tape File 1.

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