Breaking Barriers

A Comparative Analysis of
Affordable Housing Compliance and Diversity
in Morris and Monmouth Counties, New Jersey

By

Tim Evans
Director of Research

NEW JERSEY FUTURE

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EXECUTIVE SUMMARY

New Jersey is an expensive state, with among the highest housing costs in the country. It is also one of the most segregated states in the nation by both income and race, despite being one of the most racially diverse states overall. This report explores the relationship between the enforcement of housing requirements, housing affordability, and racial and economic diversity, using a comparison between two demographically similar suburban counties that followed different trajectories in complying with affordable housing obligations.

Many towns use their zoning power to limit the variety of housing options available, allowing primarily single-family detached homes on large lots. The desire to restrict residential development arises in part from New Jersey's fragmented school-district landscape, in which many small districts compete for a limited supply of non-residential property while trying to limit new housing that might generate school costs and cause property tax rates to rise. This "fiscal zoning" puts upward pressure on housing prices, both by restricting supply and by producing mostly large, expensive units. The resulting lack of lower-cost housing options renders many places off-limits to households of modest means, particularly Black and Hispanic households, whose incomes tend to be much lower than those for other racial subgroups. Whether motivated solely by fiscal concerns or by race- and class-based prejudices, large-lot zoning often results in segregation by both income and race.

The New Jersey Supreme Court's *Mount Laurel* decisions took on the issue of racial segregation by addressing the lack of housing options. The original lawsuit resulted in a court verdict ("*Mount Laurel I*") in 1975 declaring that every municipality in the state had an obligation to provide its fair share of the regional housing need for low- and moderate-income households, and that towns could not continue to zone exclusively for large, expensive single-family homes. But without strong levers for enforcement, most towns continued to resist allowing affordable housing options. This inaction generated a second lawsuit and a second verdict ("*Mount Laurel II*") in 1983, which led to the passage of the Fair Housing Act in 1985 and the creation of a state government agency, the Council on Affordable Housing (COAH), to determine municipal affordable housing obligations and oversee compliance. However, the bureaucratic COAH process offered numerous opportunities for municipalities to shirk their responsibilities to produce actual housing units. For example, municipalities could petition for an obligation adjustment, or pay to shift 50% of their responsibility to other (usually lower-income) communities through Regional Contribution Agreements (RCAs).

In 1978, during the period between the two *Mount Laurel* decisions, the Public Advocate, the Morris County Fair Housing Council, and the Morris County branch of the NAACP filed suit against a group of Morris County municipalities for non-compliance with *Mount Laurel I* and their resulting persistent housing segregation. Several municipalities settled their litigation in court by 1984. After the enactment of the Fair Housing Act and the creation of COAH, most of the still pending litigation against other municipalities was transferred to COAH, which eventually approved the housing elements and fair share plans of those municipalities. Consequently, in Morris County, compliance with *Mount Laurel* obligations was supervised by trial courts in some municipalities and by COAH in others. But unlike in most other places, court supervision was already underway in many Morris County municipalities before *Mount Laurel II* was decided, and well before the creation of COAH.

This report investigates whether Morris County municipalities, with their headstart in compliance, thanks to the lawsuit predating the *Mount Laurel II* decision and the creation of COAH, have tended to produce more affordable housing during the COAH era from 1985 to 2015[1] than similar municipalities elsewhere. Specifically, the report compares the municipalities of Morris County with those of Monmouth County—another upscale, mostly suburban, predominantly white county—to see whether Morris County's municipalities have added more affordable housing than their counterparts in Monmouth County. It also examines whether Morris County has made more progress than Monmouth toward reducing racial or economic segregation, potentially attributable to any increase in affordable housing options. Finally, it looks at whether Morris County's public high schools have grown more racially diverse over the same time period, since segregated schools tend to be a feature of segregated towns.

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1   The Council on Affordable Housing was effectively dissolved in 2015.

The results all point in the same direction, if not always with the same magnitude: The municipalities of Morris County have indeed added more affordable housing, proportional to overall county population, than Monmouth County's municipalities since 1985. Both counties remain whiter than the rest of the state, but Morris has made more progress than Monmouth at the municipal and high school levels toward levels of racial integration that are consistent with the rest of the state.

In terms of income diversity, Morris County outperformed Monmouth in terms of increasing the share of households in the lowest quintile of the statewide income distribution. However, even in Morris, progress has been much more modest for income than for race. This result suggests that the *Mount Laurel* process alone is simply not sufficient to stimulate the production of enough housing to meet the needs of households throughout the lower and middle parts of the income distribution—a much larger group than households with incomes low enough to qualify for income-restricted housing.

The increase in affordable housing units in Morris County municipalities, where such housing had previously been in short supply, did not result in an exodus of higher-income households, nor a dramatic decrease in property values. Concerns about declining property values or community character are often cited by existing residents and elected officials as justification for opposition to lower-income housing, but real-world results suggest that these concerns are unfounded.

The *Mount Laurel* doctrine is a unique and important tool at New Jersey's disposal for stimulating the production of housing for households at the lower end of the income scale. Court-imposed requirements outlast individual administrations and legislators, and are therefore resistant to efforts by the other branches of government to allow municipalities to avoid fulfilling their obligations.

But the tool works best when enforced. When presented with loopholes, like some that were incorporated into the COAH process, that allow towns to evade their responsibility to provide housing options for lower-income households, many municipalities will avail themselves of the opportunity. The Morris County lawsuit suggests that, under closer scrutiny, towns can indeed be induced to produce a greater variety of housing options, thereby making themselves more affordable to a broader range of households

and helping dismantle racial and economic barriers. Stakeholders should keep this in mind as the process for determining the next round of municipal *Mount Laurel* obligations is established.

If New Jersey hopes to overcome its history of residential segregation and allow its statewide diversity to bear out consistently in individual municipalities and schools, meaningful enforcement of the *Mount Laurel* requirements to provide housing options affordable to the lower end of the income spectrum is a necessary part of the equation.

I. INTRODUCTION

In 1975, in a decision referred to as *"Mount Laurel I"* (named after the township that was the defendant in the suit), the New Jersey Supreme Court declared that each municipality in the state has an obligation to provide its fair share of the regional need for housing for low- and moderate-income households. But in the absence of structured oversight mechanisms, compliance with these obligations was lax, resulting in a second lawsuit and a second verdict (*"Mount Laurel II"*) in 1983, reaffirming municipalities' responsibilities under what has since become known as the Mount Laurel doctrine. *Mount Laurel II* led to the passage of the Fair Housing Act in 1985, which created a new state agency, the Council on Affordable Housing (COAH), to oversee compliance. COAH was charged with developing a systematic methodology for determining municipal affordable housing obligations and creating new enforcement mechanisms in light of the general lack of cooperation in the wake of the first *Mount Laurel* decision.

However, the bureaucratic COAH process offered numerous opportunities for municipalities to shirk their responsibilities for producing actual housing units. One of the most significant workarounds for wealthier suburban municipalities was the Regional Contribution Agreement (RCA), which effectively allowed one municipality to buy its way out of part of its obligation by "sending" some of its units to a nearby "receiving" municipality in exchange for a per-unit reimbursement that generally fell short of the actual cost of constructing the units. Because the receiving municipalities tended to be older, more urbanized centers that were already supplying a disproportionate number of affordable housing units, the RCA process had the effect of further reinforcing concentrations of poverty, undermining the spirit of the *Mount Laurel* court decisions. Under pressure from housing advocates, RCAs were repealed by the legislature in 2008, closing off one avenue by which suburban towns sought to evade their affordable housing obligations. But even COAH's underlying methodology for determining and quantifying municipal obligations was under political pressure from suburban mayors and often substantially underestimated the true need for low- and moderate-income housing outside of the state's urban centers.

In the wake of *Mount Laurel I* and before *Mount Laurel II* was decided, a county-specific legal action related to affordable housing took place in Morris County. In 1978, a group of municipalities in Morris County were sued by the Public Advocate, the Morris County Fair Housing Council, and the Morris County branch of the NAACP for failing to comply with their affordable housing obligations as established in *Mount Laurel I*. Municipalities elsewhere would later go on to find ways of subverting the COAH process after it was instituted following *Mount Laurel II*, and some of Morris County's municipalities later had the oversight of their *Mount Laurel* compliance transferred from trial courts to COAH. But the fact that most of Morris County's municipalities started under the direct jurisdiction of trial courts as a result of their own specific lawsuit that predated the *Mount Laurel II* decision, the Fair Housing Act, and the creation of COAH meant that they were subjected to earlier and closer scrutiny than most of the rest of the state, in terms of complying with affordable housing obligations laid out in *Mount Laurel I*.

In light of Morris County's lawsuit-induced head start in compliance, this paper examines whether Morris County's municipalities tended to produce more affordable housing units, proportional to their size, than if they had been subject only to the COAH process. We will use Monmouth County (another suburban, predominantly white county) as a basis for comparison with Morris. The two counties are demographically very similar, mainly consisting of upscale suburbs, and each with a few smaller urban centers (e.g., Long Branch and Asbury Park in Monmouth, Morristown and Dover in Morris) where both non-white racial groups and lower-income housing tended to be concentrated. We are interested specifically in changes in the affordable housing supply in the parts of these two counties that were not generally providing a proportional supply of affordable housing before the changes to legal requirements in 1985. We will also examine whether any resulting increase in the affordable housing options available in Morris County has been accompanied by greater racial or economic integration in Morris as compared to Monmouth and to the rest of the state, which has continued to grow more racially diverse overall.

Because the range of households that can afford to live in a place depends on housing costs, and because housing costs depend mainly on the types of housing available, and because segregation by income and segregation by race tend to go hand-in-hand, it is our expectation that an increase in the diversity of

housing options available—particularly at the lower end of the cost spectrum—should lead to greater income diversity and greater racial diversity. A result showing municipalities and schools in Morris County growing more economically and racially diverse more quickly than in Monmouth County would point to the importance of affordable housing programs in fostering integration at the local level.

II. METHODOLOGY

The purpose of this report is to examine changes in the supply of affordable housing units since 1985 in the municipalities of Morris and Monmouth Counties and investigate the degree to which any increase in affordable housing is associated with an increase in racial and economic diversity. It uses two publicly available sources of data on affordable housing supply: 1) the Department of Community Affairs (DCA) List of Affordable Developments by County and 2) a longitudinal file of Proposed and Completed Affordable Units that summarizes the number of units produced under the COAH process beginning in 1985 with the creation of COAH under the Fair Housing Act through the beginning of 2011. These two sources are not directly comparable and cannot be combined to create a definitionally consistent profile of affordable housing for the entire period from 1985 to the present. The longitudinal summary file contains only units built as part of the *Mount Laurel* process, while the DCA inventory also contains units produced under other programs, like the Low Income Housing Tax Credit and the Balanced Housing program. The two files also cover two overlapping but not identical time periods. The two sources will therefore be evaluated separately; see the Appendix for details.

For comparing racial diversity, we will look at changes in the Black and Hispanic populations in the two counties over time. (Asian households tend to have higher incomes in New Jersey and hence are not as affected by a lack of affordable housing options; see Section III.B, "Changes in racial diversity" for further detail.) At the municipal level, we will use demographic data from the decennial censuses from 1990, 2000, 2010, and 2020. We will simplify the Census Bureau's race/ethnicity categories by looking at five mutually exclusive racial groups: white, Black, Hispanic, Asian, and "other" (which combines several other categories having only minimal percentages in New Jersey). Since Hispanics can be of any race, the names of all the other racial categories should be understood to include only those respondents who indicated the race in question and who did not also identify as Hispanic (that is, for example, "Black" should be read as "Black, not Hispanic or Latino"), to ensure that our categories do not overlap.

For high schools, we will use data from the National Center for Educational Statistics for 1990 and from the NJ Department of Education for more recent years. Data from the education sources use the same racial categories as our collapsed categories for municipal-level analysis.

To measure income diversity, we will examine the degree to which households at the low or high end of the statewide income distribution are over- or under-represented in some municipalities and not others. Specifically, we will investigate whether municipalities with very few households in the bottom fifth (the lowest quintile, or those at or below the 20th percentile) of the statewide income distribution at the beginning of the COAH period tended to add more such households in Morris County than in Monmouth County. Such evidence would indicate an increased supply of affordable housing enabling more lower-income households to move into these towns. We will use Census Bureau income distributions for the state, counties, and municipalities from the decennial census or the American Community Survey (ACS), depending on the year.[2] See section III.C, "Income diversity over time in Morris vs Monmouth counties," for further detail.

For geographic comparisons, looking at county totals alone will not tell the entire story of the relative performance of Morris and Monmouth counties because each county contains a few municipalities that were already supplying a disproportionate share of affordable units even before court mandates made it a requirement. Indeed, some municipalities—mainly older urban centers, labeled as Qualified Urban Aid Municipalities[3] (QUAMs)—have been exempt from

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2   Certain data items that were formerly available only every ten years from the census were moved to the ACS when it began in 2005 and were subsequently removed from the decennial census questionnaire.

3   Qualified Urban Aid Municipalities are municipalities that appear on the Department of Community Affairs' list of Urban Aid Municipalities (the list of which can be be queried here, going back to 2006: https://www.nj.gov/dca/divisions/dlgs/resources/stateaidinfo.shtml) and that also meet at least one of several other criteria based on population density, vacant land, and deficient housing units.

part of the COAH/*Mount Laurel* requirements[4] for this exact reason, though many of them have continued to produce new affordable units anyway.

Monmouth County has two municipalities—Long Branch and Asbury Park[5]—on the statewide list of QUAMs. While Morris County has no QUAMs, Morristown and Dover, in particular, were not included among the defendants in the 1978 lawsuit because they had the largest concentrations of affordable (mostly public) housing among Morris County municipalities at the time. For simplicity, we will treat Morristown and Dover as Morris County's equivalent to Long Branch and Asbury Park and will refer to these four municipalities as the two counties' respective "urban centers."

Another group of municipalities worth considering separately are towns that served as receiving towns for Regional Contribution Agreements (RCAs) before RCAs were abolished in 2008. While many RCA receiving towns were not on the QUAM list, they nonetheless tended to have proportionally larger numbers of non-*Mount Laurel* affordable units in the earliest (1999) version of the DCA inventory and also tended to have socioeconomic characteristics more similar to the QUAM towns than to the rest of the state or to their host counties. The RCA receiving towns stand out especially as compared to the municipalities on the sending end of the RCA, which tended to be higher-income towns with fewer racial minorities.

In Monmouth County, the following municipalities served as RCA sending or receiving towns:
- Receiving towns (11): Asbury Park, Belmar, Bradley Beach, Freehold Borough, Highlands, Keansburg, Long Branch, Neptune City, Neptune Township, Red Bank, Union Beach
- Sending towns (11): Colts Neck, Freehold Township, Holmdel, Howell, Manalapan, Marlboro, Middletown, Millstone Township, Tinton Falls, Upper Freehold, Wall

In Morris County, the following municipalities served as RCA sending or receiving towns:
- Sending towns (12): Chatham Borough, Chatham Township, Denville, East Hanover, Hanover, Harding, Long Hill, Mendham Township, Mountain Lakes, Parsippany-Troy Hills, Riverdale, Rockaway Township
- Receiving towns: Morris County did not have any RCA receivers, but we will treat Morristown and Dover as their equivalents based on similar characteristics.

Tables 1.1 through 1.6 below illustrate the differences between RCA sending towns and RCA receiving towns/equivalent towns in Monmouth and Morris counties on several socioeconomic variables in 1990, the first Census year after the Fair Housing Act passed and RCAs were adopted. There is a clear pattern of the RCA senders being generally whiter and wealthier than the RCA receivers.

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4   Specifically, they are exempt from the component of the total need for affordable housing known as "Prospective Need," which is the share of regional future need allocated to towns, but are not exempt from "Present Need," which is the existing substandard housing units occupied by low- and moderate-income households.

5   Two other Monmouth County municipalities – Neptune City and Neptune Township – have consistently appeared on the DCA list of Urban Aid Municipalities but do not meet the additional criteria to be on the QUAM list. Both of these have acted as RCA receivers and are captured in the other group of municipalities of special interest, described below.

RCA SENDING VS. RECEIVING MUNICIPALITIES, MONMOUTH COUNTY

■ RCA Sender   ■ Urban Center   ■ Other RCA Receiver

Table 1.1. Median household income in 1990

MUNICIPALITY	
Holmdel	83,975
Colts Neck	75,119
Marlboro	70,039
Little Silver	64,281
Rumson	63,973
Shrewsbury Borough	62,922
Freehold Township	58,756
Monmouth Beach	58,714
Sea Girt	58,659
Manalapan	58,028
Interlaken	57,646
Fair Haven	57,247
Millstone	56,655
Loch Arbour	55,587
Upper Freehold	55,309
Spring Lake	55,189
Oceanport	55,125
Roosevelt	54,731
Allenhurst	54,610
Middletown	54,053
Brielle	53,485
Tinton Falls	51,988
Hazlet	50,684
Aberdeen	50,448
Deal	48,750
Howell	47,912
West Long Branch	47,434
Allentown	47,109
Ocean township	46,885
Wall	46,301
Matawan	46,148
Atlantic Highlands	44,705
Englishtown	43,472
Sea Bright	42,723
Farmingdale	40,469
Freehold Borough	40,327
Manasquan	39,311
Union Beach	38,926
Neptune Township	37,911
Spring Lake Heights	37,060
Red Bank	36,879
Eatontown	36,864
Avon-by-the-Sea	35,694
Neptune City	32,843
Highlands	32,364
Lake Como	32,074
Keansburg	31,769
Shrewsbury Township	31,734
Belmar	31,667
Keyport	31,606
Long Branch	30,693
Bradley Beach	30,339
Asbury Park	20,754

Table 1.2. Average residential value in 1990

MUNICIPALITY	
Deal	885,604
Rumson	490,394
Sea Girt	443,478
Spring Lake	390,753
Allenhurst	381,168
Holmdel	358,955
Colts Neck	351,967
Interlaken	276,098
Loch Arbour	271,338
Brielle	261,273
Little Silver	253,720
Avon-by-the-Sea	251,495
Millstone	233,606
Fair Haven	232,034
Marlboro	226,771
Shrewsbury borough	212,048
Monmouth Beach	206,183
Ocean township	202,405
Oceanport	198,742
West Long Branch	198,034
Wall	194,828
Middletown	194,089
Upper Freehold	193,864
Manalapan	185,499
Atlantic Highlands	182,615
Spring Lake Heights	182,295
Manasquan	178,226
Freehold Township	171,194
Matawan	169,829
Sea Bright	165,557
Farmingdale	162,456
Long Branch	158,773
Tinton Falls	153,019
Belmar	148,128
Hazlet	146,998
Bradley Beach	142,022
Howell	140,736
Red Bank	140,498
Allentown	137,453
Aberdeen	135,602
Roosevelt	133,332
Neptune township	125,187
Englishtown	124,737
Keyport	124,376
Freehold Borough	122,118
Highlands	118,218
Eatontown	111,396
Neptune City	110,018
Union Beach	109,392
Lake Como	105,229
Keansburg	102,918
Shrewsbury township	98,795
Asbury Park	91,207

Table 1.3. Percent non-Hispanic white in 1990

MUNICIPALITY	
Sea Girt	99.3%
Spring Lake	98.6%
Monmouth Beach	97.9%
Avon-by-the-Sea	97.8%
Rumson	97.5%
Wall	97.5%
Little Silver	97.3%
Spring Lake Heights	97.2%
Manasquan	97.2%
Allenhurst	97.0%
Interlaken	96.5%
Atlantic Highlands	96.0%
Highlands	95.9%
Loch Arbour	95.8%
Shrewsbury borough	95.4%
Sea Bright	94.9%
Deal	94.8%
Upper Freehold	94.1%
Union Beach	94.0%
West Long Branch	93.9%
Farmingdale	93.7%
Roosevelt	93.7%
Keansburg	93.5%
Oceanport	92.7%
Middletown	92.7%
Englishtown	92.6%
Neptune City	92.6%
Brielle	92.5%
Hazlet	92.1%
Fair Haven	91.9%
Colts Neck	91.5%
Belmar	90.9%
Manalapan	90.6%
Millstone	90.5%
Howell	89.2%
Ocean township	88.4%
Marlboro	88.4%
Freehold Township	87.7%
Bradley Beach	87.3%
Allentown	86.9%
Matawan	86.7%
Holmdel	86.3%
Keyport	83.3%
Shrewsbury township	81.0%
Lake Como	80.8%
Aberdeen	80.3%
Eatontown	76.3%
Tinton Falls	74.4%
Freehold borough	68.4%
Red Bank	66.6%
Long Branch	66.2%
Neptune township	61.2%
Asbury Park	32.5%

RCA SENDING VS. RECEIVING MUNICIPALITIES, MORRIS COUNTY

■ RCA Sender   ■ Urban Center

1.4. Median household income in 1990

MUNICIPALITY	
Mountain Lakes	108,486
Harding	104,105
Mendham Township	102,896
Chester Township	82,500
Mendham Borough	81,418
Chatham Township	75,597
Kinnelon	75,481
Montville	74,825
Morris township	74,124
Washington township	68,555
Florham Park	68,450
Long Hill	66,689
Morris Plains	64,766
East Hanover	64,616
Randolph	64,403
Chatham borough	62,129
Hanover	60,688
Boonton Township	60,076
Denville	59,724
Roxbury	57,484
Rockaway Township	56,713
Madison	56,478
Chester borough	56,185
Pequannock	54,935
Lincoln Park	53,781
Mine Hill	51,201
Parsippany-Troy Hills	50,475
Butler	50,420
Jefferson	48,889
Mount Arlington	46,968
Rockaway borough	46,739
Mount Olive	45,828
Riverdale	45,250
Wharton	45,200
Boonton town	44,958
Morristown	42,748
Netcong	39,640
Dover	38,822
Victory Gardens	36,250

Table 1.5. Average residential value in 1990

MUNICIPALITY	
Harding	654,316
Mendham Township	458,569
Mountain Lakes	366,027
Chester township	322,171
Mendham borough	310,761
Chatham Township	294,016
Kinnelon	292,194
Morris township	289,610
Montville	270,887
Madison	268,350
Florham Park	267,862
Boonton township	267,526
Chatham Borough	255,842
East Hanover	247,167
Randolph	240,189
Long Hill	238,946
Chester Borough	230,078
Hanover	226,038
Washington Township	220,701
Morris Plains	208,731
Pequannock	201,069
Denville	198,624
Parsippany-Troy Hills	196,154
Morristown	192,842
Boonton Town	191,885
Roxbury	178,429
Rockaway Borough	168,416
Butler	167,755
Riverdale	166,949
Rockaway Township	165,042
Lincoln Park	159,015
Mount Olive	158,121
Dover	155,529
Mount Arlington	155,118
Wharton	153,722
Mine Hill	149,007
Jefferson	148,454
Netcong	139,947
Victory Gardens	128,400

Table 1.6. Percent non-Hispanic white in 1990

MUNICIPALITY	
Mendham Borough	97.0%
Harding	96.5%
Mendham township	96.3%
Butler	96.2%
Pequannock	96.1%
Jefferson	96.0%
Chatham Borough	95.9%
Riverdale	95.7%
Kinnelon	95.6%
Chester township	95.5%
Washington township	95.4%
Boonton township	95.0%
Mountain Lakes	94.9%
Chester borough	94.9%
Chatham Township	94.3%
Florham Park	94.2%
Denville	94.0%
Mount Arlington	93.9%
Netcong	93.7%
Morris Plains	93.3%
Long Hill	93.1%
Roxbury	92.5%
Lincoln Park	92.0%
Rockaway Borough	91.6%
Mount Olive	91.4%
Rockaway Township	91.4%
Hanover	90.5%
Madison	89.9%
East Hanover	89.8%
Boonton town	89.2%
Morris township	88.9%
Montville	88.9%
Randolph	88.5%
Mine Hill	88.5%
Wharton	83.0%
Parsippany-Troy Hills	82.2%
Morristown	61.1%
Dover	52.2%
Victory Gardens	35.3%

To avoid crediting the rest of the county for progress on affordable housing production that was potentially attributable primarily to only a few municipalities, we will analyze affordable housing supply and subsequent variables at the following geographic levels:

- County totals
- Counties minus urban centers
- In Monmouth County: Long Branch and Asbury Park
- In Morris County: Morristown and Dover
- Counties minus RCA receiver towns as listed above (again treating Morristown and Dover as equivalent to this group)

Map 1 shows the municipalities of Morris and Monmouth counties and indicates the urban centers and other RCA receiving municipalities in each county.

LEGEND

■ Urban Center

■ Other RCA Receiver
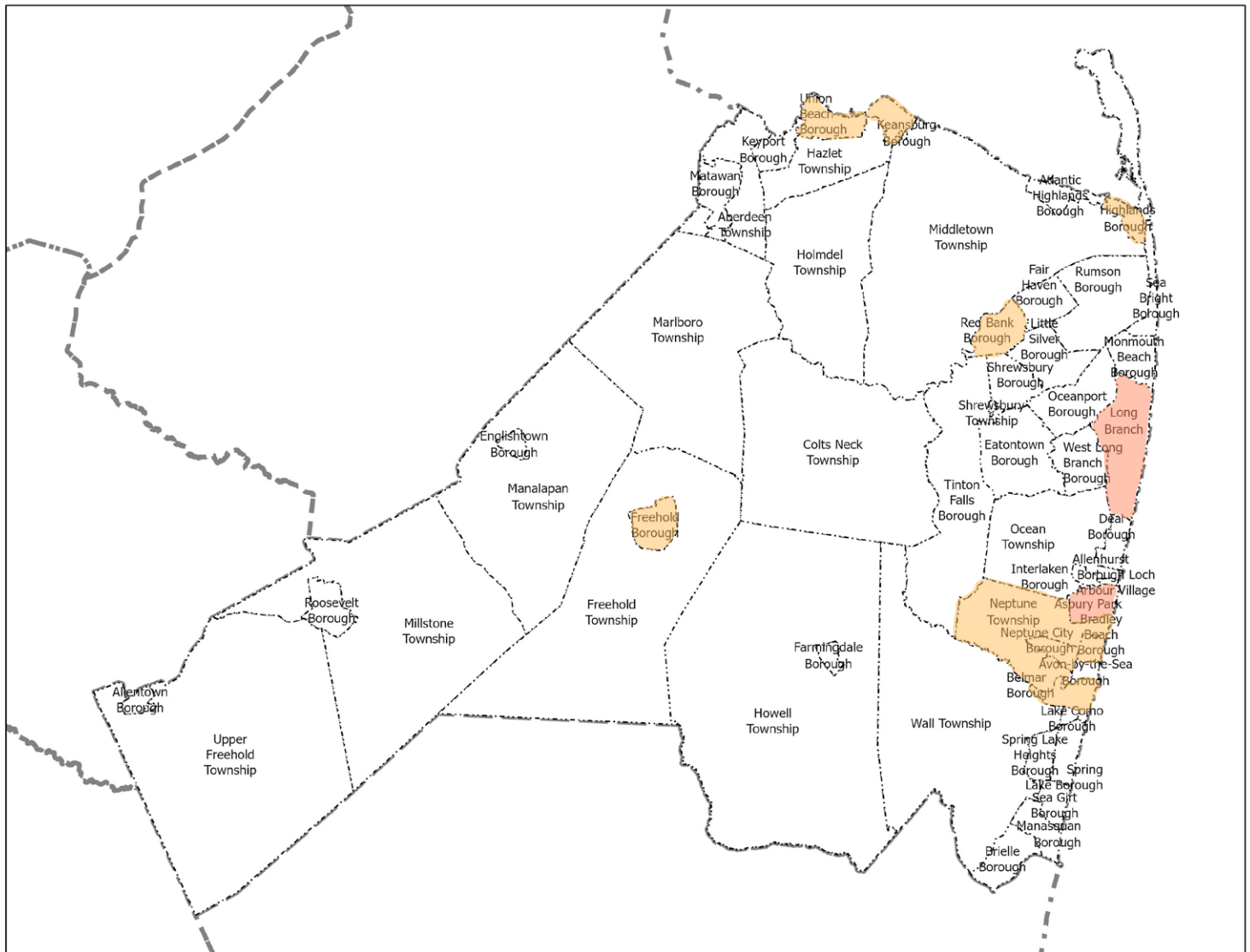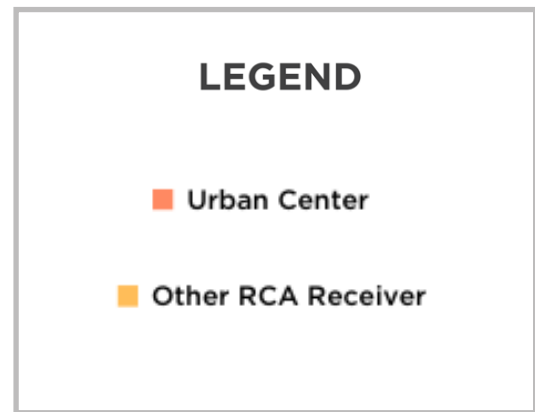
A. PRODUCTION OF AFFORDABLE UNITS

How did affordable housing creation fare in Morris County, as compared to Monmouth County, during the COAH era? Does it appear that the Morris County lawsuit was effective in getting affordable housing produced in places that had been resistant to it? What happened in demographically similar places in Monmouth County that were not subject to a specific lawsuit and were only responsible to COAH?

Looking first at the longitudinal file that compiles only the *Mount Laurel* units from 1985 through 2010, Morris County added 5,163 units under the *Mount Laurel* process over this period, compared to 7,237 for Monmouth County. While Monmouth County's production may initially seem more impressive— its increase in affordable units was 40% greater than Morris County's, despite Monmouth County's total population generally remaining around 25% to 30% greater than Morris County's over this period—much of Monmouth's production happened in places that were already providing a disproportionate share of affordable housing. (See Figure 1.)
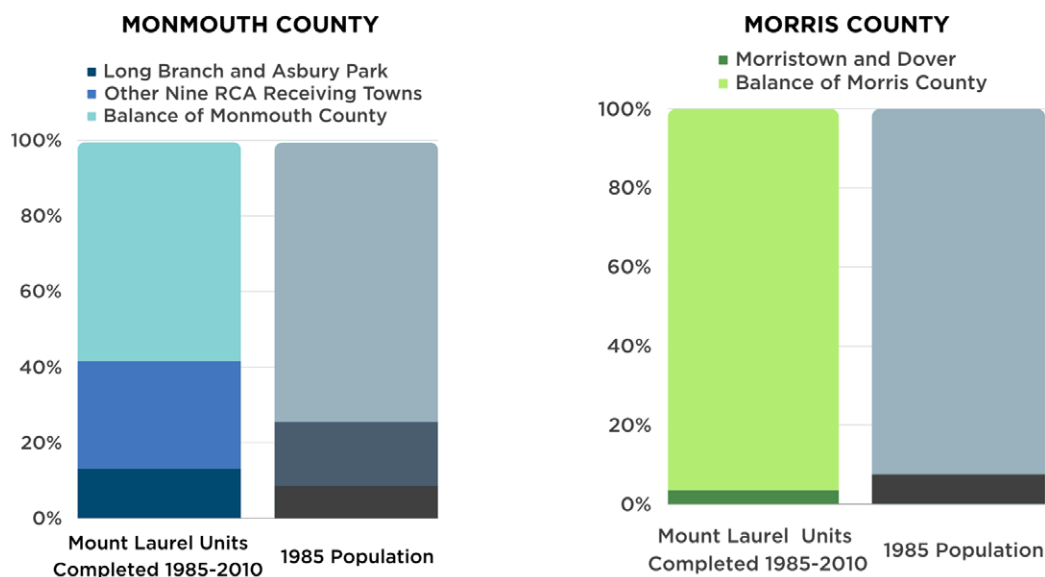
In Monmouth County, 13.1% of the Mount Laurel units were added in Long Branch and Asbury Park alone,

despite these two towns making up a much smaller share of the total county population. While exempt from the "prospective need" requirements because of their already having more than their proportionate supply of affordable units, they nonetheless added new Mount Laurel units at nearly double their share of county population, partly as a result of both towns serving as RCA receiving municipalities, absorbing some of the obligations of their wealthier neighboring towns.

The 11 RCA receiving towns together accounted for a full 41.5% of Monmouth County's increase in affordable units from the COAH process while making up only a quarter (25.5%) of total county population in 1985 (and only 21.5% of the total in 2010). The 11 RCA receivers thus produced new affordable units under the COAH process at a rate nearly double their proportion of the county's population.

In contrast, in Morris County, only 3.5% of the total units added under the COAH process from 1985 to 2010 were added in Morristown and Dover, while the two towns together accounted for 7.5% of total county population in 1985 and 7.4% in 2010.

Figure 1. Urban Centers and other RCA receivers: Percent of Mount Laurel units produced 1985-2010 vs. Percent of 1985 county population

In Monmouth County, a disproportionate share (relative to population) of new Mount Laurel housing units between 1985 and 2010 were produced in the older, more urban municipalities where affordable housing had already been oversupplied, while in Morris County the vast majority were produced in the wealthier suburbs.

Morris and Monmouth counties performed very differently in terms of whether the COAH process added new affordable units to wealthier towns.

Thus the two counties performed very differently in terms of whether the COAH process added new affordable units to wealthier towns having little to no such units at the beginning of the process. In Morris County, almost all of the *Mount Laurel* units were created outside of the two urban centers, while in Monmouth County, less than 60% went to the 42 municipalities that were not RCA receivers, even though these 42 made up three-quarters of the county's population in 1985. In Monmouth, the COAH process from 1985 up through 2010 essentially served to further concentrate affordable housing in the places where it had already been overrepresented.

Looking at snapshots of the entire affordable housing stock, including units produced by other (non-COAH) programs, reveals a similar pattern, if not quite as dramatic. (See Figure 2.) In 1999, the earliest version of the DCA inventory available, and 14 years into the

COAH process, Morristown and Dover accounted for 18.2% of Morris County's total affordable housing supply; by 2022, their share was down by one-fifth to 14.6%.[6]

In Monmouth County, the share of the county's affordable units accounted for by the 11 RCA receiving municipalities decreased from 49.7% in 1999 to 47.0% in 2022, a drop of 2.7 percentage points. While the change is similarly small in absolute terms compared to the 3.6 percentage-point decrease for Morristown and Dover in Morris County, it comes relative to a much larger starting point and represents a reduction of only about one-twentieth in the share of affordable units contributed by the RCA receivers over the course of 23 years.

Based on a comparison to Monmouth County using both data sources, it does indeed appear that the Morris County lawsuit was effective in stimulating the creation of affordable housing in municipalities that had been more resistant to it, to a greater degree than what happened under the COAH process alone in the wealthier municipalities in Monmouth County that were demographically and socioeconomically similar.

Figure 2. Urban Centers and other RCA receivers: Percent of affordable units on DCA inventory, 1999 vs. 2022
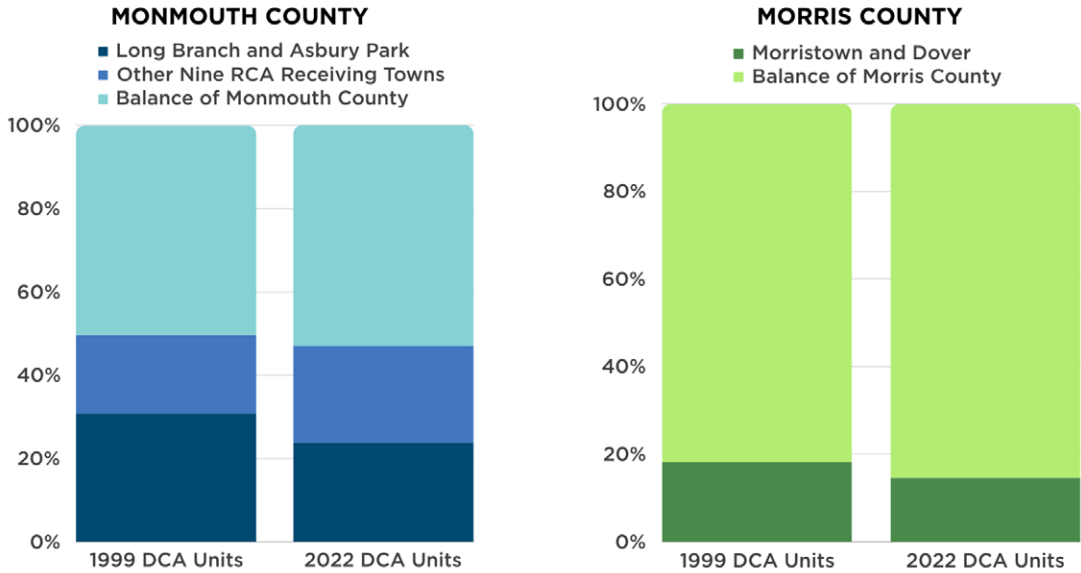
In Monmouth County, the share of total affordable housing supply accounted for by the older, more urban municipalities barely decreased from 1999 to 2022. In Morris County, the share of all affordable units accounted for by Morristown and Dover likewise ticked down by only a few percentage points, but from a much smaller initial base, thus constituting more significant progress in promoting affordable housing in wealthier suburbs relative to its starting point.

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6   In fact, the two towns' share of the county's affordable housing stock dipped as low as 13.5% between 2010 and 2015, before Morristown more recently began adding new affordable units at a faster rate than the rest of the county, thanks to new demand for market-rate housing and the addition of new affordable units via the inclusionary components of market-rate developments.

B. CHANGES IN RACIAL DIVERSITY

Given that a lack of affordable housing options is a significant barrier to entry for lower-income households, and given the disproportionate effect on racial minorities, particularly Black and Hispanic households, in light of their generally lower household incomes, did Morris County's greater production of affordable housing compared to Monmouth County translate into greater progress toward racial integration?

To measure progress toward racial integration, we will look at the racial composition of the populations of the municipalities in the two counties from 1990 to 2020. We will pay particular attention to the Black and Hispanic percentages because these two groups are disproportionately affected by discriminatory housing policies. The median household income among Asian households in New Jersey is significantly higher than for Black and Hispanic households, and in fact is considerably higher than that of non-Hispanic whites; high housing prices are thus not nearly as much of a barrier to entry for Asian households as they are for other minorities. (See Figure 3.)
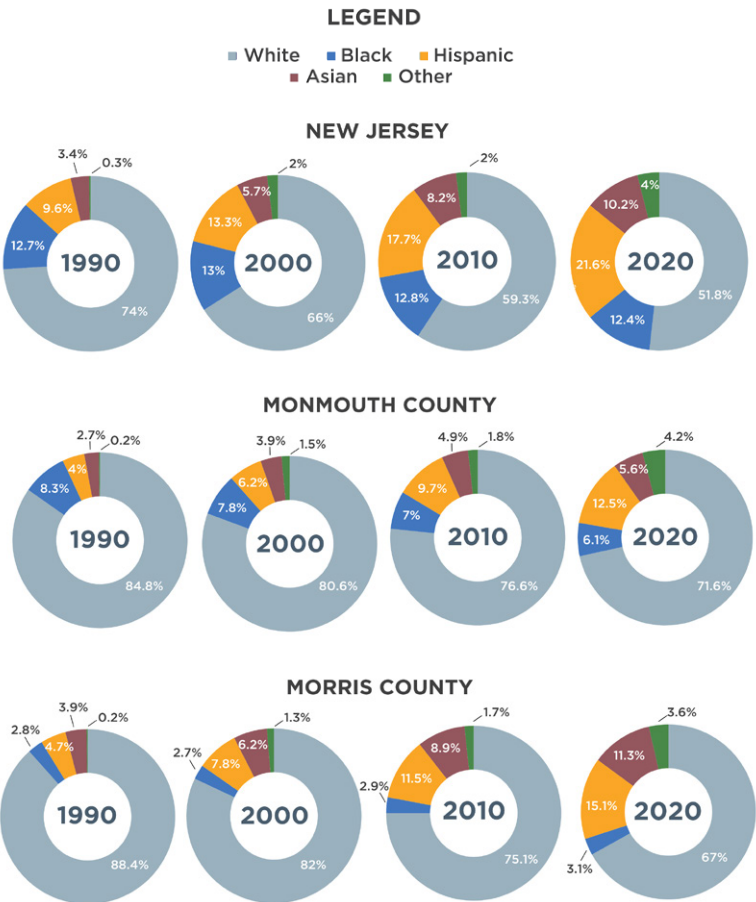
Figure 4 shows the racial compositions of New Jersey, Monmouth County, and Morris County from 1990 to 2020, based on the five categories described earlier.

Figure 4. Racial Compositions of New Jersey, Monmouth County, and Morris County, 1990 to 2020

New Jersey, Morris County, and Monmouth County have all grown more racially diverse over the past three decades, mostly due to growth in the Hispanic and Asian populations.

New Jersey, Morris County, and Monmouth County have all grown more racially diverse over the past three decades, mainly due to growth in the Hispanic and Asian populations. Morris and Monmouth counties are both significantly whiter than the state as a whole and have been so throughout the period covered by this report. In 1990, the first decennial Census after the Fair Housing Act was passed, Morris County's population was 88.4% non-Hispanic white, and Monmouth's was 84.8%, compared to 74.0% statewide.

While the two counties have both remained less diverse than the state over the 30-year period, Morris has surpassed Monmouth in terms of countywide diversity. In 1990, Morris had the 6th highest white percentage among New Jersey's 21 counties, while Monmouth

Figure 3. Median Household Income by Race in New Jersey, 2022 one-year American Community Survey
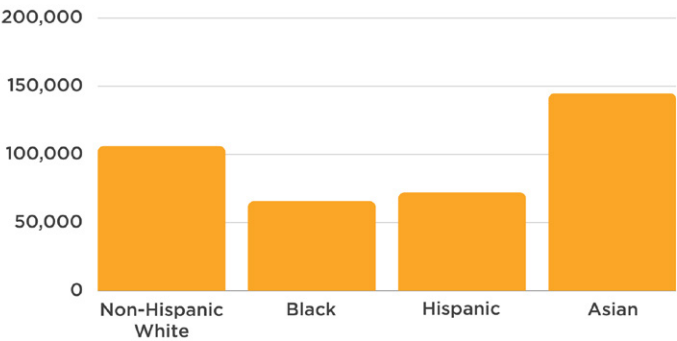
In New Jersey, high home prices are more of a barrier to entry for Black and Hispanic households than for white and Asian households due to disparities in median household incomes among racial groups. (Note that Census Bureau data on household income by race and ethnicity do not break out Hispanic vs. non-Hispanic for race categories other than white; figures for Black and Asian in this chart thus include small numbers of households that also identify as Hispanic.)

ranked 9th, but as of 2020, Monmouth had moved up to 7th-highest white percentage, at 71.6% white (down only 13.2 percentage points from 1990), while Morris dropped to 9th place, at 67.0% white, a drop of 21.4 percentage points from 1990.

But has Morris County's faster countywide improvement in racial diversity, compared to Monmouth County, translated into greater integration at the municipal level, particularly for Black and Hispanic households?

Spatial concentration of racial minorities

In both counties, racial minorities have tended to be concentrated in a small handful of municipalities. (See Figure 5.) In 1990, Morristown and Dover together accounted for 37.1% of Morris County's Black population and 41.9% of the county's Hispanic

population while making up only 7.4% of the total county population. The story was similar in Monmouth County, where Long Branch and Asbury Park together accounted for 32.7% of the county's Black population and 24.2% of the Hispanic population while making up only 8.2% of the total county population. All 11 of Monmouth County's RCA receivers together accounted for nearly two-thirds (64.9%) of the county's Black population and 44.8% of the Hispanic population, compared to less than a quarter (23.9%) of the total county population.

Jumping ahead to 2020, Morristown and Dover accounted for a much smaller 17.6% of Morris County's Black population and 28.1% of the Hispanic population. But in Monmouth, the handful of older, more urban, more diverse towns were still relatively dominant, with the county's 11 RCA receiving

Figure 5. Percent of Black and Hispanic Populations Accounted for by Urban Centers and Other RCA Receivers
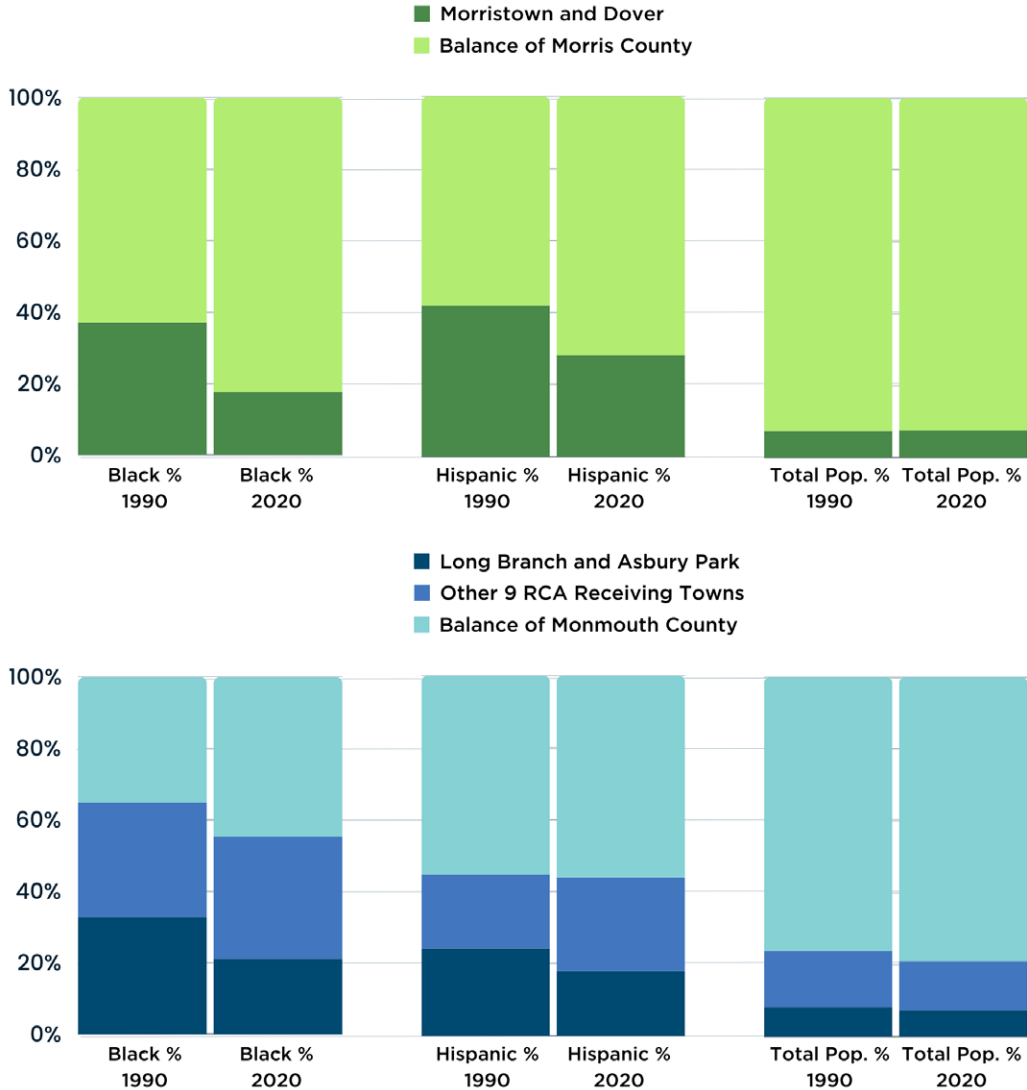
Black and Hispanic populations in Morris County became much less concentrated in older, more urban municipalities between 1990 and 2020 than was the case in Monmouth County.

municipalities still accounting for 55.3% of the county's Black population and 44.0% of the Hispanic population in 2020, down only modestly (or barely at all, in the case of Hispanic concentration) from 1990.
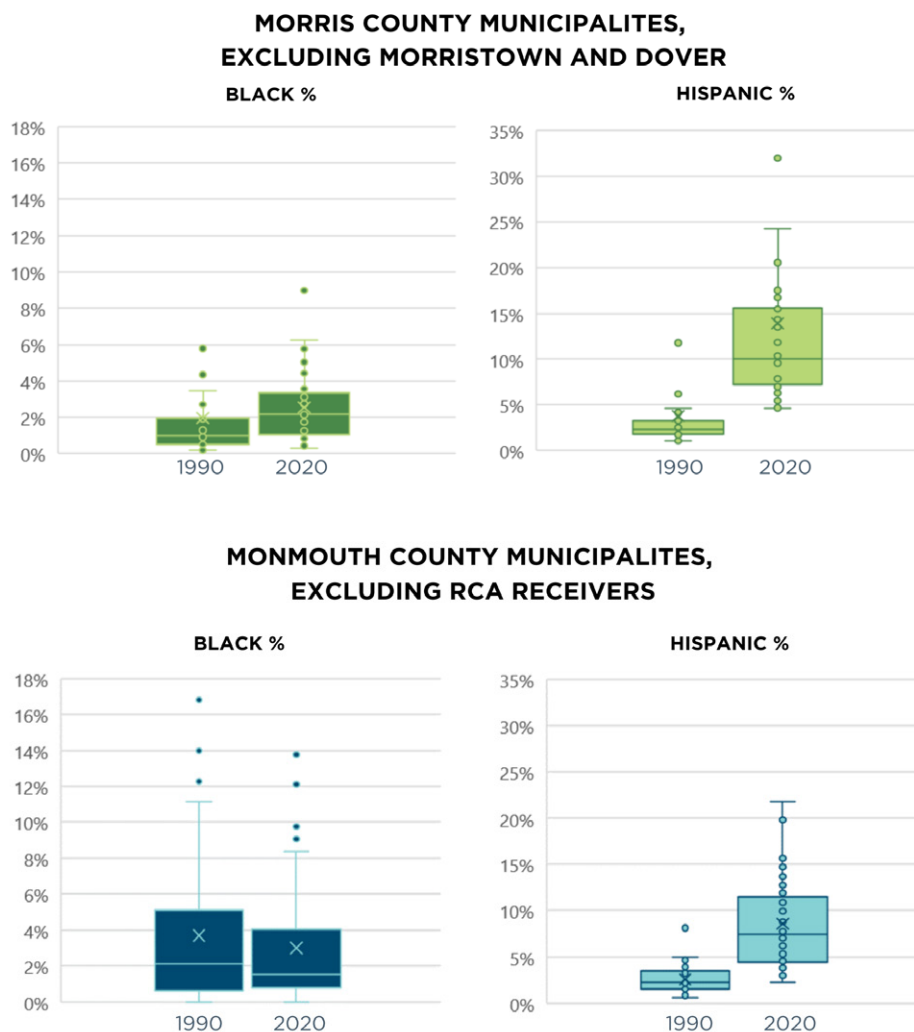
Changes in individual municipalities

Black and Hispanic percentages for individual municipalities illustrate that Morris County's increase in diversity has been more broad-based than Monmouth's, relative to the counties' starting points. (See boxplots in Figure 6 for Morris County municipalities excluding Morristown and Dover and Monmouth County municipalities excluding the RCA receivers.) All 37 of Morris County's municipalities besides the two urban centers saw their Hispanic population shares increase,[7] with the median Hispanic percentage among the 37 municipalities increasing from 2.3% in 1990 to 10.0% in 2020. And 30 of

the 37 municipalities (more than 4 out of 5) also saw their Black population shares increase, though from small initial values, with the median Black percentage rising from 1.0% in 1990 to 2.1% in 2020. (Victory Gardens, which was 24.1% Black in 1990, is excluded from the 1990 Black population plot to make the scale more readable.)

In Monmouth County, Hispanic population shares likewise increased in all 42 non-RCA receivers, though the median increased more modestly than in Morris County, from 2.3% in 1990 to 7.5% in 2020. In Monmouth County, more than half (24) of the 42 wealthier suburban towns saw their Black population shares actually decrease, with the median Black percentage declining from 2.1% in 1990 to only 1.5% in 2020, almost the mirror image of the change in Morris County.

Figure 6. Distributions of Municipal Black and Hispanic Population Percentages, 1990 vs. 2020, Excluding Urban Centers and Other RCA Receivers

MORRIS COUNTY MUNICIPALITES, EXCLUDING MORRISTOWN AND DOVER

BLACK %   HISPANIC %

MONMOUTH COUNTY MUNICIPALITES, EXCLUDING RCA RECEIVERS

BLACK %   HISPANIC %

Changes in Black and Hispanic population shares at the municipal level, among municipalities where affordable housing was most underrepresented at the beginning of the COAH period, tended to be both larger and more broad-based in Morris County than in Monmouth County between 1990 and 2020.

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7   The Hispanic percentage increased in Morristown and Dover as well.

Changes in the racial composition of any given municipality can be affected by a variety of variables, and further research into specific local compliance mechanisms would be necessary to demonstrate a direct causal relationship between increased affordable housing supply and increased Black and Hispanic population percentages. But it is nevertheless true that Morris County's more suburban municipalities, which produced new affordable housing at a faster rate than similar municipalities (those not serving as RCA receivers) in Monmouth County, also saw increases in their Black and Hispanic population shares that were both larger (relative to the baseline) and more broad-based than was true in Monmouth. Though both counties' municipalities mostly have small Black population shares compared to the state, the trend has generally been upward in Morris County's wealthier suburbs and downward in Monmouth County's, and while Hispanic population shares increased throughout the two counties, the increases were generally more significant in Morris County's municipalities.

C. INCOME DIVERSITY OVER TIME IN MORRIS VS MONMOUTH COUNTIES

Because of the correlation between income and race, income diversity and racial diversity tend to go hand in hand. Has income diversity improved in Morris County and its constituent municipalities over time compared to Monmouth County? Specifically, have the municipalities in Morris County made any better progress in accommodating households at the lower end of the income spectrum than Monmouth County's municipalities?

To measure income diversity, we will look at what percentage of households in each county and in each of its municipalities fall into the lowest and highest quintiles of the statewide income distribution. For each data year, we will define five income categories based on approximate quintiles of the statewide income distribution. We will use income distributions published by the Census Bureau in the American Community Survey for 2021 and 2012[8] and in the Decennial Census for 2000 and 1990 (income questions were moved from the Decennial Census questionnaire to the ACS when it commenced in 2005).

Precise quintiles cannot be constructed from the published tabular data because the Census Bureau publishes counts of households that fall into a standard set of income ranges ("Less than $10,000," "$10,000 to $14,999," etc.). But at the state level, we can combine these categories in a way that comes close to assigning 20% of the state's households to each grouping to create five approximate quintiles for each year.

Tables 2.1 and 2.2 show the dollar amounts corresponding to the approximate top and bottom income quintiles (i.e., the 20th and 80th percentiles) for each year when the standard income ranges are combined in this way and show what percent of households fell into the top and bottom quintiles in each of the two counties and the state as a whole for each data year. Note that while each quintile of the statewide income distribution theoretically contains, by definition, 20% of the state's households, this will not be the case in our analysis because of the way the quintiles must be approximated by combining the standard published income ranges. For this reason, we will focus on each county's ratio to the state percentage in a given quintile rather than the percentage itself so that the imprecision in combining the income ranges does not interfere with the comparisons from one decade to the next.

Both counties have had income distributions that skewed toward the high end over the entire period from 1990 to 2021 (Table 2.1), with Morris's being more skewed than Monmouth's distribution. In 1990, the share of Monmouth County households in the top income quintile was about 30% higher than the statewide percentage (ratio = 1.305), while in Morris County it was two-thirds higher (ratio = 1.679). By 2021, Morris County's distribution had become somewhat less skewed toward the high end, with its share of households in the highest quintile dropping to about 60% higher than the statewide percentage (ratio = 1.604). Monmouth County, meanwhile, grew slightly *more* skewed to the high end, with its share in the highest quintile rising to be almost 40% higher than the state (ratio = 1.391).

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8   Municipal-level income estimates are available only from the five-year ACS and rely on a sample that pools five years' worth of data. Estimates from the 2012 five-year version of the ACS will have 2010 as the midpoint year, making them more comparable to 2010 data used elsewhere in this report. Likewise, to correspond to the use of 2020 data elsewhere, we rely here on the 2021 version of the five-year ACS, the most recent year available at the time of the analysis.

Table 2.1

PERCENT OF HOUSEHOLDS IN TOP INCOME QUINTILE, 1990 TO 2021, MORRIS AND MONMOUTH COUNTIES VS. NEW JERSEY

		% of Households in Q5						
YEAR	Highest Quintile Q5 is Income Greater Than	New Jersey		Monmouth	Ratio to State		Morris	Ratio to State
1990	$100,000	21.3%		27.9%	1.305		35.8%	1.679
2000	$100,000	21.3%		27.8%	1.309		35.9%	1.689
2012 5 year ACS	$150,000	17.5%		23.3%	1.331		28.5%	1.631
2021 5 year ACS	$200,000	16.6%		23.0%	1.391		26.6%	1.604

Table 2.2

PERCENT OF HOUSEHOLDS IN BOTTOM INCOME QUINTILE, 1990 TO 2021, MORRIS AND MONMOUTH COUNTIES VS. NEW JERSEY

|		% of Households in Q1						
YEAR	Lowest Quintile Q1 is Income Less Than	New Jersey		Monmouth	Ratio to State		Morris	Ratio to State
1990	$25,000	21.1%		17.5%	0.828		10.9%	0.516
2000	$25,000	21.3%		17.6%	0.824		11.0%	0.515
2012 5 year ACS	$30,000	21.0%		17.6%	0.835		12.3%	0.584
2021 5 year ACS	$35,000	19.9%		15.9%	0.802		11.8%	0.596

The two counties had correspondingly low shares of households in the bottom quintile (Table 2.2), with Monmouth County's share being about 83% of the statewide percentage (ratio = 0.828) in 1990 and Morris County's being even lower, at a little more than half (ratio = 0.516) the state share. By 2021, households in the lowest income quintile remained underrepresented in both counties, but Monmouth County's share drifted downward, to about 80% of the statewide percentage (ratio = 0.802), while Morris County narrowed its gap with the state, its share rising to about 60% of the state's (ratio = 0.596). Morris County thus made progress between 1990 and 2021 in increasing its accessibility to lower-income households, increasing its share of households in the lowest income quintile relative to the state, while Monmouth drifted in the opposite direction, with lowest-quintile households becoming more underrepresented over time relative to the statewide distribution.

Looking specifically at the municipalities where affordable housing was most underrepresented at the beginning of the COAH era (the municipalities that were not RCA receivers in Monmouth County and excluding Morristown and Dover in Morris County), the picture is somewhat more ambiguous, with the wealthier towns in both counties making modest progress as a group in increasing their share of households in the lowest quintile of the statewide income distribution. (See Figure 7.) In addition to Morris County having increased its share overall (though from a lower baseline) while Monmouth County's remained stagnant, in both counties, the wealthier towns closed their gaps with their respective host counties, though municipalities throughout both counties are still falling well short of accommodating a proportional share of households in the lowest income quintile (as would be represented by a ratio of 1.0), relative to the state as a whole.

However, the improvement in Monmouth County's non-RCA senders as a group is due almost entirely to a single municipality, Tinton Falls, where the share of households in the lowest income quintile relative to the state rose from about 59% of the statewide share in 1990 to about 96% of the statewide share in 2020. In fact, Tinton Falls is one of only three municipalities in the county[9] (along with Holmdel and West Long Branch) where this ratio actually increased. (Perhaps not coincidentally, Tinton Falls ranked first among all Monmouth County municipalities in total COAH-related affordable units completed from 1985 to 2010 on the longitudinal file discussed earlier.) In

Figure 7. Percent of Households in Lowest Income Quintile Over Time - Ratio to State
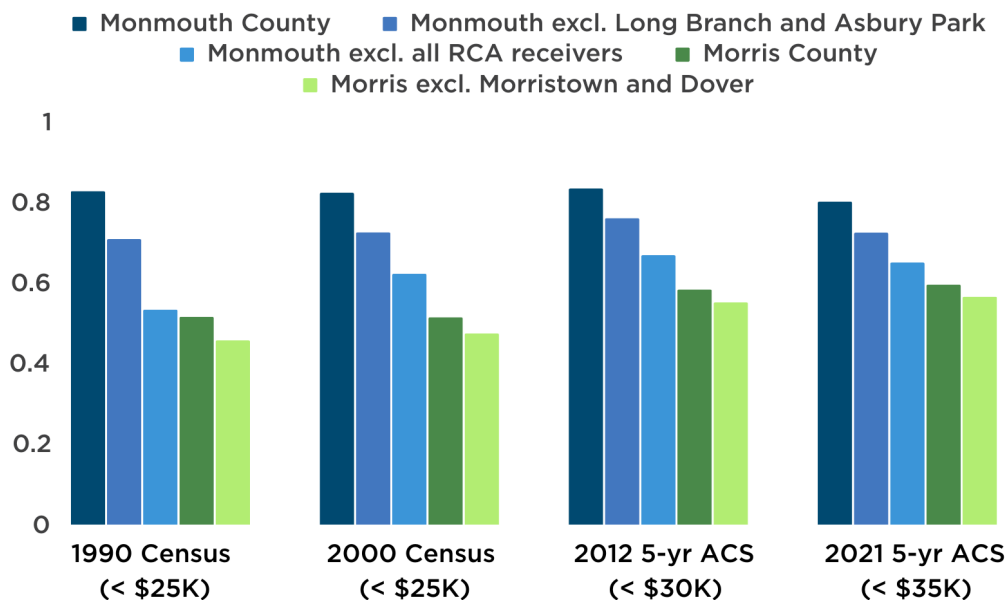
While municipalities in both Morris and Monmouth counties generally increased the share of their households with incomes putting them in the lowest fifth of the statewide income distribution between 1990 and 2021, including the municipalities in which affordable housing was in short supply at the beginning of the COAH period, the increases were very modest, and municipalities throughout both counties are still falling well short of accommodating a proportional share of households in the lowest income quintile.

9   Thirteen Monmouth County municipalities with very small populations had their income data suppressed in the 1990 Census due to data disclosure concerns and hence cannot be included in the comparison of 1990 with 2020.

Morris County, on the other hand, ten municipalities increased their share of lowest-quintile households relative to the state, and another eight saw negligible decreases (less than 0.1) in their ratios between 1990 and 2020. This is still a minority of places that have increased or roughly maintained their relative share of households in the lowest fifth of the income distribution, but not as conspicuous a minority as in Monmouth County.

The *Mount Laurel* process alone is not enough to stimulate sufficient production of housing units that are affordable to the bottom fifth of statewide income distribution.

If anything, what this result illustrates is that the Mount Laurel process alone is not enough to stimulate sufficient production of housing units that are affordable to the entire bottom fifth of the statewide income distribution, which includes many households with incomes too high to qualify for income-restricted housing. But to the extent that income-restricted housing can at least make a dent in the problem, Morris County's municipalities bear this out, having produced proportionally more affordable units than Monmouth County's municipalities and also having shown better (though limited) progress in increasing their share of households in the bottom fifth of the income distribution.

D. RACIAL DEMOGRAPHICS IN HIGH SCHOOLS

How have changes in racial diversity at the municipal level translated into changes in diversity in the two counties' high schools? In particular, given the much lower household incomes for Black and Hispanic households and hence their greater likelihood of benefiting from an increase in the supply of affordable housing, have either county's high schools tended to increase their percentage of Black or Hispanic students?

Figure 8 shows boxplots of the Black and Hispanic student percentages in the public high schools[10] in Morris and Monmouth counties in 1990 and 2023.

Morris County has 22 public high schools, and Monmouth has 25.[11] Similar to the results at the municipal level, the Black student percentages in Morris County's high schools generally ticked upward, albeit from very small initial bases, with the median Black percentage among Morris's 22 high schools rising from 1.2% in 1990 to 3.2% in 2023. Only four high schools saw their Black student percentages decrease, with the two notable decreases happening in Morristown and Dover high schools, serving the county's two urban centers. Morristown and Dover had together accounted for 37.1% of the entire county's Black population in 1990, dropping to 17.6% in 2020; as Morris County's Black population has become less concentrated in just those two towns, its Black student population has correspondingly become less concentrated in the high schools serving those two towns.

Black student percentages in Morris County's high schools have generally ticked upward, whereas in Monmouth County they have drifted in the opposite direction.

In Monmouth County, however, the Black student percentages in the county's 25 high schools drifted downward as a group. The Black shares in the two high schools where Black students were most concentrated in 1990—Asbury Park HS (serving the city of Asbury Park and four much smaller neighboring boroughs) and Neptune HS (serving Neptune City and Neptune Township, both RCA receivers)—both decreased, but so did the Black percentage in almost half of Monmouth County's other high schools. The median Black student percentage among the county's high schools fell from 3.8% in 1990 to 2.7% in 2023. The median Morris County high school now has a higher Black student percentage than the median Monmouth County high school, the reverse of the situation in 1990.

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10   Excluding charter and vocational/technical schools

11   One of Monmouth's high schools, Colts Neck High, opened between 1990 and 2000, so the county actually only had 24 high schools in 1990. Medians are taken over all high schools that existed in each year. For changes over time, we will use 2000 rather than 1990 as the base year for Colts Neck High School.

Figure 8. Distributions of Black and Hispanic Student Percentages in Morris and Monmouth County High Schools, 1990 vs. 2023

MORRIS COUNTY HIGH SCHOOLS

BLACK STUDENT %

HISPANIC STUDENT %

MONMOUTH COUNTY HIGH SCHOOLS

BLACK STUDENT %
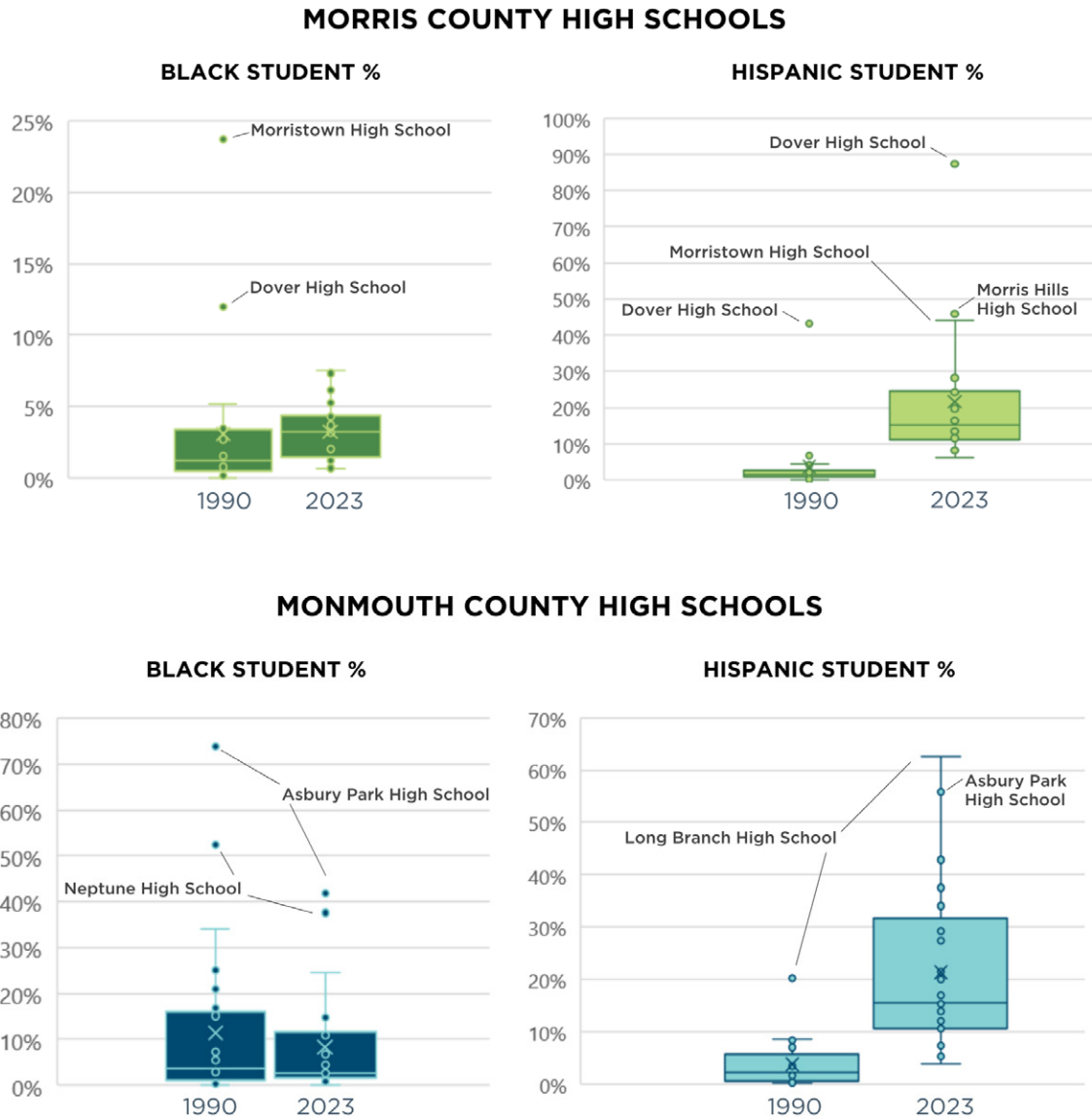
HISPANIC STUDENT %

Hispanic student percentages increased dramatically in high schools throughout Morris and Monmouth counties between 1990 and 2023, with Morris County's high schools having started from a lower baseline. Morris County high schools generally also saw their Black student percentages increase slightly, whereas in Monmouth County, the median Black student percentage among the county's high schools actually declined.

Changes in the Hispanic student populations in the two counties' high schools likewise mirrored their changes in the demographics of the general population. In 1990, the median Hispanic student percentage among Morris County's high schools was only 1.4%, and in Monmouth County it was only 2.2%. By 2023, the median Hispanic percentage among Morris County high schools had risen to 15.3% and to 15.5% among Monmouth County high schools. The two counties' high schools thus saw similar increases in their Hispanic student shares, although the increase is arguably more significant in Morris County since its high schools were generally starting from lower

baselines than those in Monmouth. In 1990, almost two-thirds of Morris County's high schools (14 out of 22) had student populations that were less than 2% Hispanic, while fewer than half of Monmouth County's high schools (11 out of 24 at the time) had Hispanic student shares that were similarly low.

Morris County's more notable improvement in racial diversity compared to Monmouth County—particularly in wealthier suburban towns—appears to have translated to greater progress on diversity in its public high schools as well. The median Black student percentage among Morris County's high schools nearly

tripled (though from a very small base) from 1990 to 2023, and most of the individual high schools saw their Black percentages rise. In Monmouth County, in contrast, the median Black student percentage declined, with almost half the county's high schools seeing their Black percentages decrease. Hispanic student percentages increased across the board in both counties' high schools, with the median Hispanic share being almost identical in the two counties in 2023, though Morris County started from a lower baseline, in relative terms, in 1990.

E. PREDICTED NEGATIVE EFFECTS OF AFFORDABLE HOUSING

Existing residents of a municipality, and the elected officials who represent them, often express their opposition to lower-income housing in terms of concerns about declining property values or "community character." Did these predicted negative consequences materialize in Morris County? Did the introduction of affordable housing units in places where they had been in short supply result in an exodus of higher-income households or a dramatic drop in property values?

As Table 2.1 in Section III.C illustrated, Morris County remains home to a disproportionate share of higher-income residents, as measured by the percentage of households in the county with incomes that put them in the top quintile of the statewide income distribution. In 1990, the share of Morris County's households in the top quintile of the statewide distribution, with incomes of $100,000 or more, was 67.9% higher than the statewide rate—35.8% of Morris County's households vs. 21.3% of households statewide. In 2021, Morris County's ratio of top-quintile households was down to 60.4% higher than the statewide rate—26.6% of Morris County's households were in the top statewide quintile, with incomes of $200,000 or more, compared to 16.6% of households statewide. Upper-income households are still disproportionately represented in Morris County, just not as disproportionately as 30 years ago. The county's income distribution did not lose its top end; it simply became slightly less top-heavy, thanks to having increased its share of households with incomes in the lower end of the statewide distribution, as discussed in Section III.C (in contrast to Monmouth County, which essentially made no progress on that score over the 30 years and in fact drifted slightly in the opposite direction).

In 1990, 36 of Morris County's 39 municipalities had median household incomes exceeding the statewide median. By 2021, this number stood at 34, with only Wharton and Boonton dropping from slightly above the statewide median to slightly below over the 31 years. In 1990, 19 Morris County municipalities were among the top 100 towns in the state with the highest median incomes. By 2021, this number had fallen… to 16. Clearly, making the county more accessible to lower-income households by increasing the supply of affordable housing did not prompt higher-income households to move elsewhere en masse. It simply resulted in the county appearing slightly less conspicuously wealthy compared to the rest of the state.

Residential property values likewise did not suffer. In 1990, 32 of Morris County's 39 municipalities had average residential values higher than the median over all 566 (at the time) municipalities in the state. In 2020, this number once again stood at 32. Nearly half the municipalities in the county (17 out of 39) – including Morristown – saw their average residential values increase *faster* than the median over all municipalities. Morris County's overall property values remain as high as ever relative to the state.

Even between 1990 and 2000, the decade during which most of the first affordable units would have been built in response to the 1978 lawsuit, Morris County's residential values tended to outstrip the rest of the state. All but five of Morris County's 39 municipalities saw their average residential values increase faster than the median over all municipalities in the state during this period. There is thus no evidence for the theory that new affordable housing will cause a widespread decline in existing property values; in fact, the data point in the opposite direction.

There is no evidence for the theory that new affordable housing will cause a widespread decline in existing property values; Morris County's property values remain as high as ever relative to the state.

These results are consistent with a body of evidence showing that the effects of new affordable housing units on surrounding property values tend to be very limited geographically and that the effects are not even necessarily adverse, depending on things like the design of the project and whether the project is affordable-only or also includes market-rate housing.

At the macro level, Morris County's increased supply of affordable housing since 1985 does not appear to have affected household incomes or property values. The county remains one of the wealthiest in the state (it ranked second among New Jersey's 21 counties in the 2021 one-year ACS, with a median household income of $122,962), with an income distribution that remains tilted toward the high end. And despite having higher property values than most other counties to start with, almost half of Morris County's municipalities nonetheless saw their average home values increase faster than the median over all municipalities in the state from 1990 to 2020. More detailed research – at the level of the individual property – would be required to determine whether the introduction of affordable housing units into towns where they were previously lacking caused any decrease in values in the immediate vicinity, although existing academic research indicates that even at the very localized level, adverse effects on neighboring property values are not necessarily a foregone conclusion. The relative lack of change in Morris County's income and property-wealth profile, and those of its constituent municipalities, may point once again to the fact that, while serving a critical role in creating access to opportunity for lower-income households, the Mount Laurel process alone is not sufficient to provide housing options that are affordable to a broad range of household incomes.

IV. SUMMARY OF FINDINGS

Using both the longitudinal file of municipal counts of *Mount Laurel* units produced from 1985 through 2010 and the Department of Community Affairs' inventory of affordable housing units, which provides periodic snapshots going back as far as 1999, the municipalities of Morris County outperformed those of Monmouth County in terms of producing new affordable housing. Morris County's increase in affordable housing was more broad-based than in Monmouth County, happening across all municipalities and not just mainly in the handful of places that had already been providing a disproportionate share of the county's supply before the COAH process was instituted. The 1978 lawsuit brought by the Morris County Fair Housing Council and others appears to have been more effective at stimulating affordable housing production in Morris County than in demographically similar Monmouth County. In Monmouth and most of the rest of the state, municipalities had only the COAH process to comply with, a process that was tilted in favor of wealthier suburban municipalities.

Although the two counties began the COAH period in 1985 with similar demographic and socioeconomic profiles, and while both counties today remain whiter and wealthier than the state as a whole, Morris County increased in racial diversity and narrowed its gap with the statewide racial distribution at a faster rate than Monmouth County did between 1990 and 2020. This is particularly true with the counties' Black populations; the Black population share increased in Morris County as a whole and in a majority of its individual municipalities (30 out of 39), while in Monmouth, the Black percentage dropped in 30 out of 53 municipalities and for the county as a whole. In Morris County, both the Black and Hispanic populations became far less concentrated in the two urban centers of Morristown and Dover, while in Monmouth County, the handful of older, more urban, more diverse towns (as represented by the county's 11 RCA receiving municipalities) remained relatively dominant, still accounting for 55.3% of the county's Black population and 44.0% of the Hispanic population in 2020.

Morris County's better progress toward reducing racial segregation at the local level is visible in the demographics of the two counties' high schools, where changes in the Black and Hispanic student populations tended to mirror changes in the demographics of the general population. Morris County high schools generally saw their Black student percentages increase slightly, whereas in Monmouth County, more than half of high schools saw their Black student percentages decline. Hispanic student populations grew across the board in both counties, with the median Hispanic percentage being almost identical in the two counties' high schools in 2023, though Morris County started from a lower baseline, in relative terms, in 1990.

Progress was much less pronounced in both counties regarding income diversity, though Morris once again outperformed Monmouth. In both counties, a majority of municipalities saw a decrease in the share of their households with incomes putting them in the lowest fifth of the statewide income distribution between 1990 and 2021. Still, Morris exceeded Monmouth in the number of municipalities where the percentage increased and in the magnitude of the increase when cumulated over the municipalities in which affordable housing was in short supply at the beginning of the COAH period. The changes in Monmouth County were so unevenly distributed that, at the county level, Monmouth's share of households in the lowest income quintile relative to the state actually declined. Municipalities throughout both counties are still

falling well short of accommodating a proportional share of households in the lowest income quintile.

Compared to racial diversity, the relative lack of improvement in income diversity suggests that the *Mount Laurel* process alone is simply insufficient to address the housing needs of households throughout the lower and middle parts of the income distribution. Given that Black and Hispanic households are overrepresented among lower-income households, an increase in the supply of income-restricted housing may open up opportunities for a few Black and Hispanic households to move into municipalities that previously had very few of them, enough to make a noticeable difference in municipal- and school-level racial distributions. But given the much [broader housing affordability crisis] that is affecting the lower and middle parts of the income distribution—a much larger group than households with incomes low enough to qualify for income-restricted housing—housing units that are produced under the *Mount Laurel* process and other programs targeted at the lowest-income households are not enough to keep up with the needs of the full range of households that need housing that is priced within their means.

Despite the objections raised by opponents of affordable housing, typically focused on fears of declining property values, Morris County was able to increase its racial and economic diversity without any apparent adverse effect on home values. Morris County remains home to a disproportionate share of higher-income residents as compared to the rest of the state, though its income distribution is today less skewed toward the top end than it was in 1990, and its home values remain correspondingly high.

The results all point in the same direction, if not always with the same magnitude: The municipalities of Morris County have indeed added more affordable housing, proportional to overall county population, than Monmouth County's municipalities since 1985. Both counties remain whiter than the rest of the state, but Morris has made more progress than Monmouth at the municipal and high school levels toward levels of racial integration that are consistent with the rest of the state. However, a lack of comparable progress on income diversity, where Morris still outperformed Monmouth but changes in both counties were much more muted, may point to a need for broader-based efforts to increase both the supply and the diversity of housing options in the two counties (and elsewhere in the rest of the state), to ensure that households from throughout the income spectrum can still afford to live here.

Further research into specific local compliance mechanisms would be necessary to demonstrate actual causation—that is, that the greater levels of affordable housing production in Morris County's municipalities compared to Monmouth's were a direct result of more rigorous court oversight in the wake of the 1985 decision. The corresponding greater degree of integration of Black and Hispanic households and lower-income households at the municipal level in Morris County as compared to Monmouth could be influenced by other factors besides the availability of lower-cost housing, although a lack of affordable housing options is certainly an obvious explanation for a relative shortage of lower-income households and, given their generally lower household incomes, for a relative shortage of Black and Hispanic residents as well. Demographic and housing data used in this report are available for all counties and municipalities in the state and could therefore be used to examine a broader set of counties to see if the same pattern holds—i.e., that greater increases in affordable housing supply tend to be associated with greater increases in racial and income diversity.

The data examined in this report suggest that more targeted enforcement of municipal requirements to produce more affordable housing actually results in more affordable housing. When presented with loopholes like those embedded in the COAH process that allow participants to evade their responsibility to provide housing options for lower-income households, many municipalities will avail themselves of the opportunity. But under more specific accountability, as illustrated by the Morris County lawsuit, towns can indeed be induced to produce a greater variety of housing options, thereby making themselves more affordable to a broader range of households and helping dismantle racial and economic barriers.

V. RECOMMENDATIONS

The *Mount Laurel* doctrine is a unique and important tool at New Jersey's disposal for stimulating the production of housing for households at the lower end of the income scale. The findings of this report suggest that effective enforcement is critical to inducing municipalities to provide their fair share of the need for affordable housing and that increasing affordable housing options can help reduce racial segregation in municipalities and in the high schools that serve them. However, the report also suggests that addressing segregation by income may require additional steps beyond just boosting the supply of income-restricted housing.

To this end, we make the following recommendations:

Retain effective enforcement of *Mount Laurel* obligations. Continue to ensure that towns comply with the *Mount Laurel* doctrine that requires each municipality to allow for the production of its fair share of the need for low- and moderate-income housing. In particular, consider that court supervision may continue to produce a greater rate of affordable housing production than a bureaucratic structure in the executive branch. Fair Share Housing Center's recent look at affordable housing production in the years since COAH was disbanded in 2015 and oversight of the process was handed back to the courts has essentially demonstrated the effectiveness of court supervision.

Regional Contribution Agreements should not be reintroduced as part of the upcoming fourth round of updates to municipal *Mount Laurel* obligations. Earlier experience demonstrated that if offered an opportunity to evade part of their obligations to provide more affordable housing units, many municipalities will take it. If one of the goals of the state's affordable housing policy is to deconcentrate poverty, RCAs would work directly against that goal.

Measure progress on affordable housing production and integration. The state should regularly publish data that track municipalities' affordable housing obligations and their progress toward meeting them over time. This data resource could take a form similar to the longitudinal COAH file used in this report that summarized production of affordable housing units under the *Mount Laurel* process going back to 1985, with more recent years added and with the number of data items expanded. Information should be available to interested stakeholders on each municipality's affordable housing obligations over time, the number of new affordable units produced during each period, an indication of when units cycle out of income restrictions and revert to market-rate, and perhaps some broader indicators of housing affordability like percent of households that are cost-burdened or the ratio of home values to median household income.

The state should also track progress toward desegregation by compiling race and income data by municipality, school district, and individual high school and making these data publicly available in a way that can be easily and directly compared to municipal progress in creating affordable housing.

Enact zoning reforms. The findings in this report that show only limited progress on income diversity at the municipal level point to a need for a wider variety of housing options to meet the affordability needs of households throughout the income spectrum, including many with incomes that are not low enough to qualify for income-restricted housing.

State government could incentivize or require greater use of inclusionary zoning ordinances, which require a certain percentage of units in any residential development above a given size to be reserved for occupancy by lower-income households. Some towns have already adopted such ordinances on their own initiative, including some of the municipalities that are exempt from *Mount Laurel* prospective-need obligations but which have nonetheless recently experienced new residential demand and are taking steps to ensure rising prices do not drive out longtime residents. Mixed-income development is a good way to satisfy *Mount Laurel* requirements while also stimulating housing development to benefit not just low-income families but working-class and middle-class households facing the affordability crunch. Fair Share Housing Center's 2023 report, *Dismantling Exclusionary Zoning: New Jersey's Blueprint for Overcoming Segregation*, illustrates how enforcement of court-imposed requirements for affordable housing in the post-COAH era (since 2015) is having a broader positive impact in addressing regional inequities by also generating new market-rate multi-family housing in places where it was previously in short supply.

Other, more broad-based zoning reforms targeted at increasing both the supply and the variety of housing options could have indirect but profound effects on housing affordability across the board by bringing housing prices down. Examples being adopted in

other states and cities around the country include:

- Allow accessory dwelling units (ADUs) as of right.
- Allow 2-, 3-, and 4-unit residential buildings as of right in any neighborhood zoned for residential development, including places that are currently zoned for only single-family detached homes.
- Allow as-of-right development of multifamily housing within walking distance of public transit facilities.
- Promote the use of form-based codes, which can help replace restrictive zoning requirements like lot sizes and building heights.
- Eliminate minimum parking requirements, which would both reduce the incentive to drive everywhere and free up land for other uses, like housing, instead of using it for storing cars. Building housing instead of parking would bring down the price of housing by increasing the number of housing units that can be built and by reducing the expense of providing parking that goes unused.

Preserve housing affordability. Housing is made affordable through two mechanisms: 1) low-value real estate markets, which keep prices low, and 2) government intervention that either removes housing from the open market and/or subsidizes the cost of occupancy. (The *Mount Laurel* doctrine relies upon the second mechanism.) Wealthier communities have high-value real estate markets, which means there is very little naturally occurring affordable housing. In these places it is especially important to preserve any government incentivized and supported housing for as long as possible to ensure opportunities exist for lower-income households to be part of the community. There are a number of mechanisms that can be created or expanded upon to meet this objective. They include:

- Extending the term of affordability controls currently in place on affordable units, especially for rental housing.
- Supporting the upkeep and expansion of public housing in a manner that fosters, compact, walkable, integrated communities.
- Developing local or regional land trusts that own the land that the housing sits on and can maintain affordability in perpetuity.

- Using government-owned land to site affordable housing and maintain perpetual affordability as a public good, which would be more difficult to do with property held by the private sector.
- Making it easier for nonprofit and government entities to buy foreclosed properties and convert them into long-term affordable housing

Incentivize the regional consolidation of small school districts. Segregated schools are a function of segregated communities; to produce fewer segregated schools, we need fewer segregated towns. One strategy that can potentially address both problems is to provide incentives for consolidating and regionalizing school districts. Increasing the size of the geographic area and the number of individual municipalities served by a school district will tend to increase the diversity of the population encompassed by the district, in all but the most demographically homogeneous regions. A more diverse population will tend to produce more diverse student bodies in the district's schools, as was the case when Morristown and Morris Township consolidated their districts in 1972.

Regionalization also has great potential to mitigate underlying residential segregation by promoting greater housing variety. Expanding the geographic area over which property taxes are raised to pay for public education would reduce the property-tax incentives for any individual municipality to practice large-lot zoning as a way to protect its balance sheet. Alleviating municipal resistance to residential development in general, and to more affordable housing options in particular, is vital to producing a wider variety of housing options and making towns accessible to households of more modest means, especially Black and Hispanic households, whose incomes tend to be lower than those of other demographic groups. Regionalizing school districts would remove a significant barrier to achieving this housing diversity and hence to realizing the goal of desegregating schools.

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APPENDIX: FURTHER DETAILS ABOUT METHODOLOGY

This report uses two publicly available sources of data on affordable housing supply:

- the Department of Community Affairs (DCA) List of Affordable Developments by County, and
- a list of Proposed and Completed Affordable Units, summarizing the number of units produced under the COAH process beginning in 1985 with the creation of COAH under the Fair Housing Act and cutting off at the beginning of 2011.

The chief source of data on the number of housing units designated for low- and moderate-income households is the Department of Community Affairs (DCA) List of Affordable Developments by County. The inventory was first produced in 1999, and the most recent update gives data for 2022. Although COAH was dissolved in 2015, few new affordable units that were approved under the court-supervised process since then will have been constructed by 2022 (interim versions of the inventory illustrate that there is a lag time between when units are approved and when they show up on the inventory), so we can essentially treat the entire period from 1985 to 2022 as the "COAH period." Comparing the 1999 and 2022 versions of the DCA inventory will thus essentially show affordable housing production under the COAH process over this time period.

The DCA inventory contains units produced as part of the *Mount Laurel* process and units produced from other programs, like the Low Income Housing Tax Credit and the Balanced Housing program.

The COAH Status and Information page on the DCA website also contains a link to a list of Proposed and Completed Affordable Units, which summarizes the number of units produced under the COAH process, beginning in 1985 with the creation of COAH under the Fair Housing Act and cutting off at the beginning of 2011. Unlike the DCA inventory, this list does not include units produced under other programs like the Low Income Housing Tax Credit and thus cannot be compared directly to counts of affordable units from the DCA inventory. In particular, it is not possible to back into a 1985 baseline count of total affordable units by subtracting the municipal totals on this longitudinal file from the 2010 version of the DCA inventory, for two main reasons:

- The longitudinal file contains only *Mount Laurel* units, meaning that it cannot account for units produced by other programs over the 1985-2010 time period nor for any such units that were already in existence in 1985, at the beginning of the COAH process. (An examination of the DCA inventory and its separate tabulation of *Mount Laurel* units indicates that some municipalities, particularly older urban centers, contain substantial numbers of such units from other programs.) Thus, we have no reliable way of identifying how many units of affordable housing may have already existed in 1985, thanks to the lack of information about units produced outside of the COAH process before 1999.

- Units listed in the longitudinal file do not immediately show up in the DCA inventory; in some cases, counts listed in the 1985-2010 longitudinal file exceed the total number of units on the DCA inventory in 2015 and even as late as the 2022 inventory, meaning that these units are not reliably appearing on the inventory until 2015 or later. Any attempt to back into a 1985 baseline by subtracting the totals in the longitudinal file (which nominally runs through the end of 2010) from the 2010 snapshot represented by the DCA inventory would be underestimating the number of units actually on the ground in 2010, thanks to the DCA inventory's lag time, and could therefore result in negative numbers for the 1985 estimate, as a result of subtracting units on the longitudinal file from a 2010 snapshot total that in reality did not yet include them.

The report thus compares affordable housing production in Morris vs. Monmouth counties (and compared to statewide) using the two different sources for two different time periods. It uses the DCA inventory for comparisons over the 1999-2022 period, comparisons which will include the entire stock of affordable housing, both *Mount Laurel* units and units produced under other programs. It uses the longitudinal file to make comparisons over the 1985-2010 period, going back to the passage of the Fair Housing Act but including only *Mount Laurel* units. Looking at both data sources will give a reasonably complete picture of affordable housing production over the entire 1985-2022 time period and will allow meaningful comparisons between the two counties and as compared to statewide trends.

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Founded in 1987, New Jersey Future is a nonprofit, nonpartisan organization that promotes sensible and equitable growth, redevelopment, and infrastructure investments to foster healthy, strong, resilient communities; protect natural lands and waterways; increase transportation choices beyond cars; provide access to safe, affordable, and aging-friendly neighborhoods; and fuel a strong economy for everyone. New Jersey Future does this through original research, innovative policy development, coalition-building, advocacy, and hands-on strategic assistance. Embracing differences and advancing fairness is central to New Jersey Future's mission and operations. New Jersey Future is firmly committed to pursuing greater justice, equity, diversity, and inclusion through its programs, internal operations, and external communications

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