



Affordable Housing in Montclair, NJ

Challenges and Solutions

Report prepared by:

Alina Butareva
James Cacciola
Marlon Davila
Alexander Ruiz
Lauren Teixeira
Gabrielle Thurm
(with James DeFilippis)
Bloustein School of Planning and Policy, Rutgers University

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Introduction

New Jersey has some of the most expensive housing in the nation, and municipalities within commuting distance of New York City, such as Montclair, remain some of the most expensive in the state. The growing problem of housing affordability has prompted many New Jersey communities to search for innovative policy solutions to increase housing affordability.

This affordable housing plan builds off of prior work completed for Montclair earlier this century. In 2004, Baird + Driskell Community Planning wrote an affordable housing plan for the township. That report was updated in 2009 by Arionna Brasche, a graduate student at Montclair State University. However, the township has not updated its affordable housing plan since then, nor have they systematically analyzed more recent data. More importantly, housing affordability continues to worsen, and the township's response remains inadequate to the needs of the population. In response, the Montclair Housing Commission approached the Bloustein School at Rutgers University to complete an updated affordable housing report.

The Montclair Housing Commission asked us to assess the current situation of affordable housing in the township, assess the policies that have been implemented to promote affordable housing, and make suggestions for changes to the policies and new policies moving forward. The Commission also asked us to investigate the potential for affordable housing on parcels owned by the township. We hope that this report satisfies these requests, and informs the hous-

What is “Affordable Housing”?

Affordable housing is a loaded and contentious term. It refers both to the cost of housing units, and the ability of households to pay for those units. The U.S. Department of Housing and Urban Development (HUD) defines affordable housing as housing for which the household pays no more than 30 percent of their gross (pre-tax) income on housing costs. This is the standard HUD has used for decades, and it is the one we use in this report.

In order to implement affordable housing programs, HUD uses the concept of Area Median Income (AMI). Although AMI provides an idea of the income of residents in an area, it can be misleading and does not always reflect what low-income residents in a place can afford to pay. This is particularly true in an affluent county like Essex County. Montclair is in the HUD defined Newark Metro Area, which in 2023 had an AMI for HUD purposes of \$124,300¹.

Table 1: HUD-Defined Income Ranges For Affordable Housing in Montclair, NJ

	1 person family	2 person family	3 person family	4 person family
Extremely low	25,600	29,250	32,900	36,550
50%	42,650	48,750	54,850	60,900
80%	66,300	75,750	85,200	94,650

Source: HUD FY 2023 Income Limits:
<https://www.huduser.gov/Portal/datasets/il.html#year2023>

(\$149,160 = 120% of \$124,300)

Affordable Housing in Montclair >>>

The affordable housing that is available in Montclair has come about through various federal and local policies. Historically, affordable housing has clustered in Montclair’s lower income 3rd and 4th wards (see map), while remaining largely unseen in the 1st and 2nd. This trend has continued alongside the ongoing redevelopment of Bloomfield Ave near the Bay St-Montclair New Jersey Transit station. To date, inclusionary zoning units are exclusively concentrated along Bloomfield Ave.

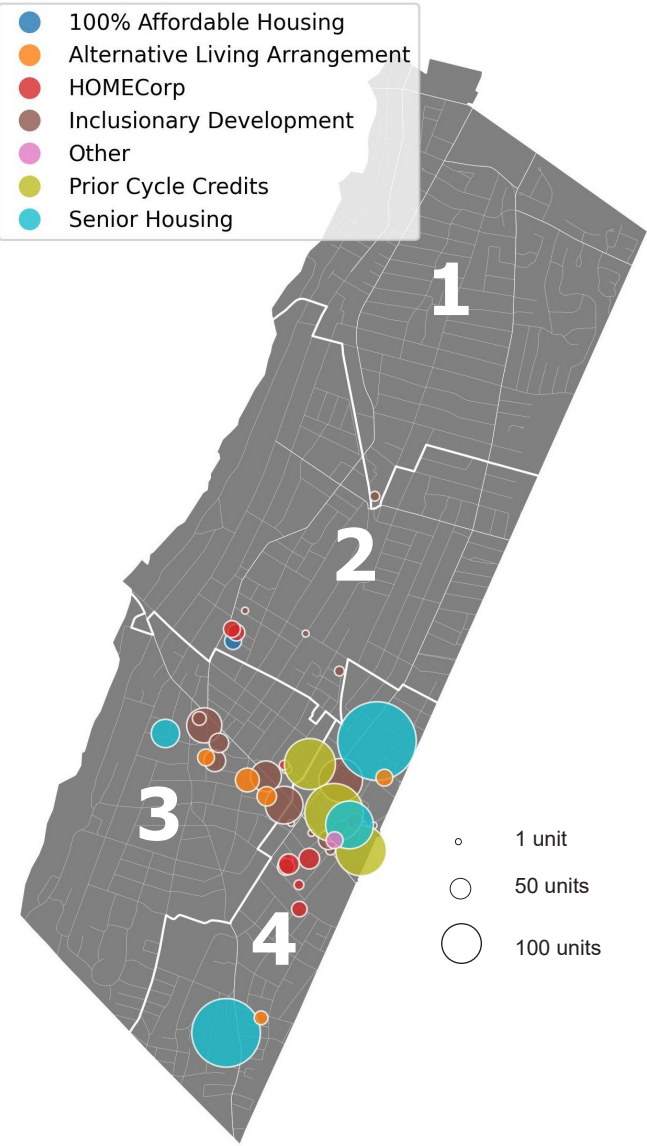
Types of Affordable Housing in Montclair:

100% affordable housing, Prior Cycle Credits and **Senior Housing** all represent some kind of federally subsidized affordable housing, including conventional public housing such as Section 8;

HomeCorp are affordable units built by Montclair’s own affordable housing nonprofit, HomeCorp;

Alternative Living Arrangements encompasses housing for vulnerable groups such as the disabled or recovering;

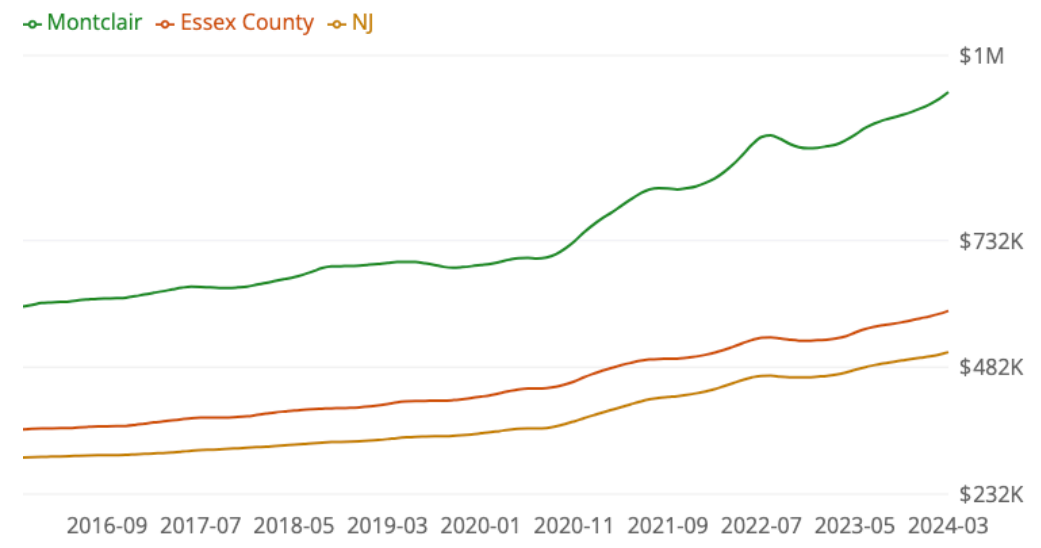
Inclusionary Zoning units are those set aside for those making 50-80% of AMI under Montclair’s 2006 Inclusionary zoning ordinance



As Bloomfield Ave becomes a hotspot for mixed used redevelopment, Montclair’s 2006 inclusionary zoning ordinance has produced dozens of affordable units cross-subsidized by new market-rate rentals.

Bay St-Montclair NJT station (~35 minute ride into midtown Manhattan)

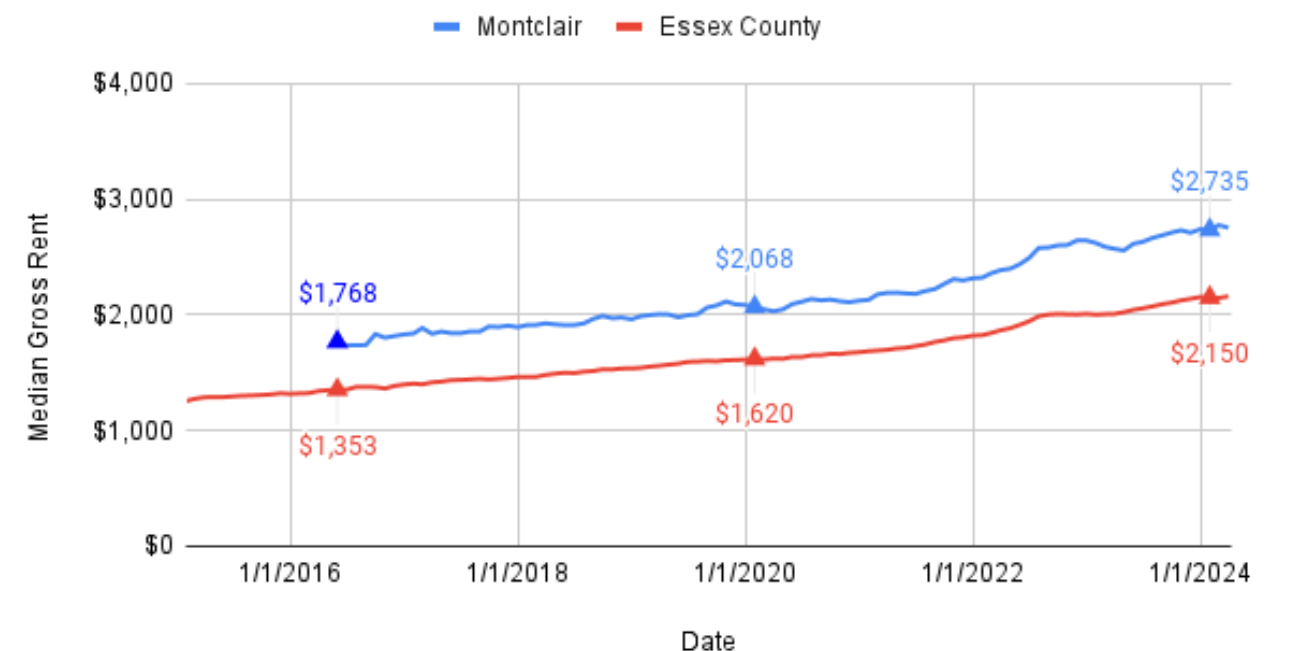
Changing Montclair: Housing Market, Income and Race

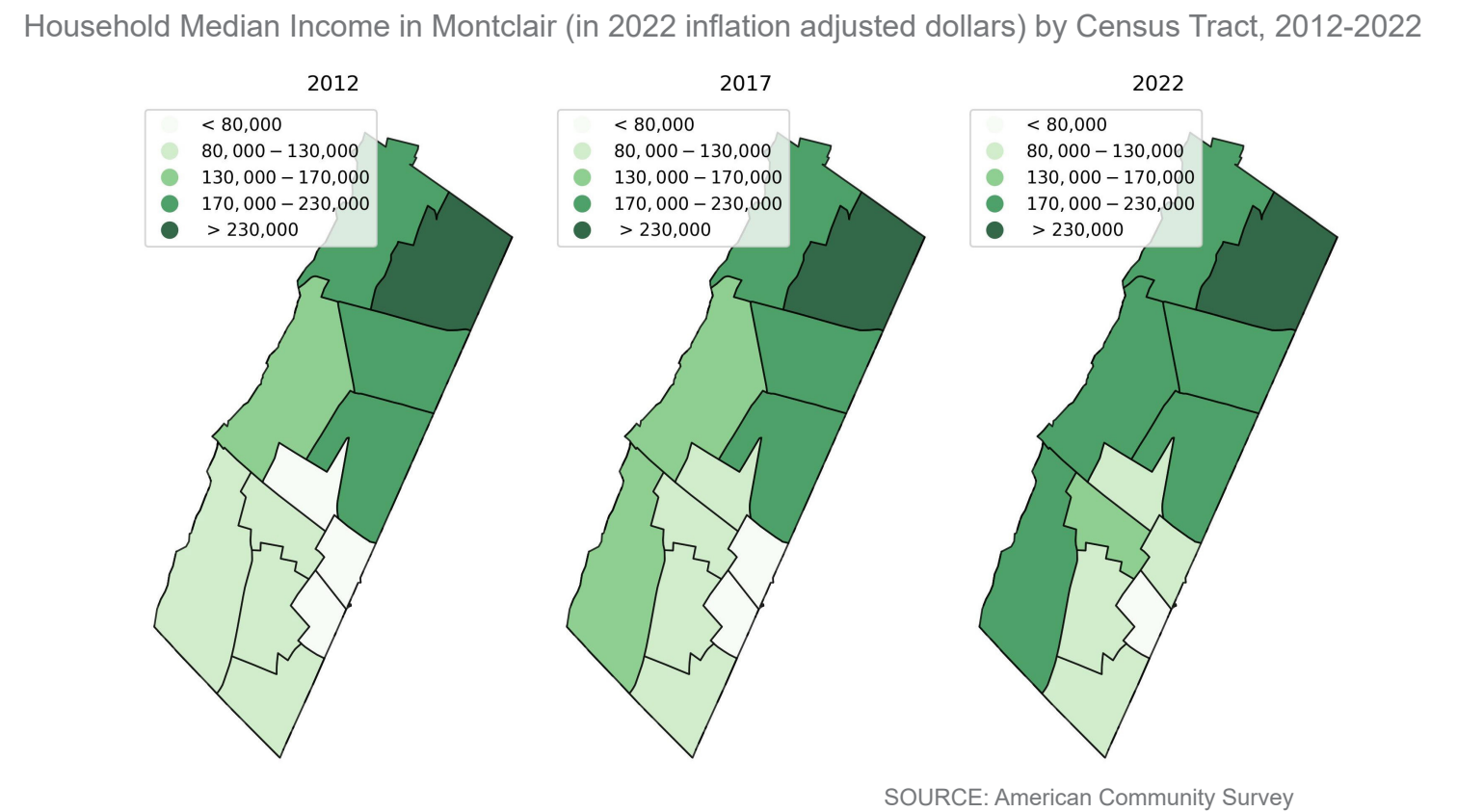
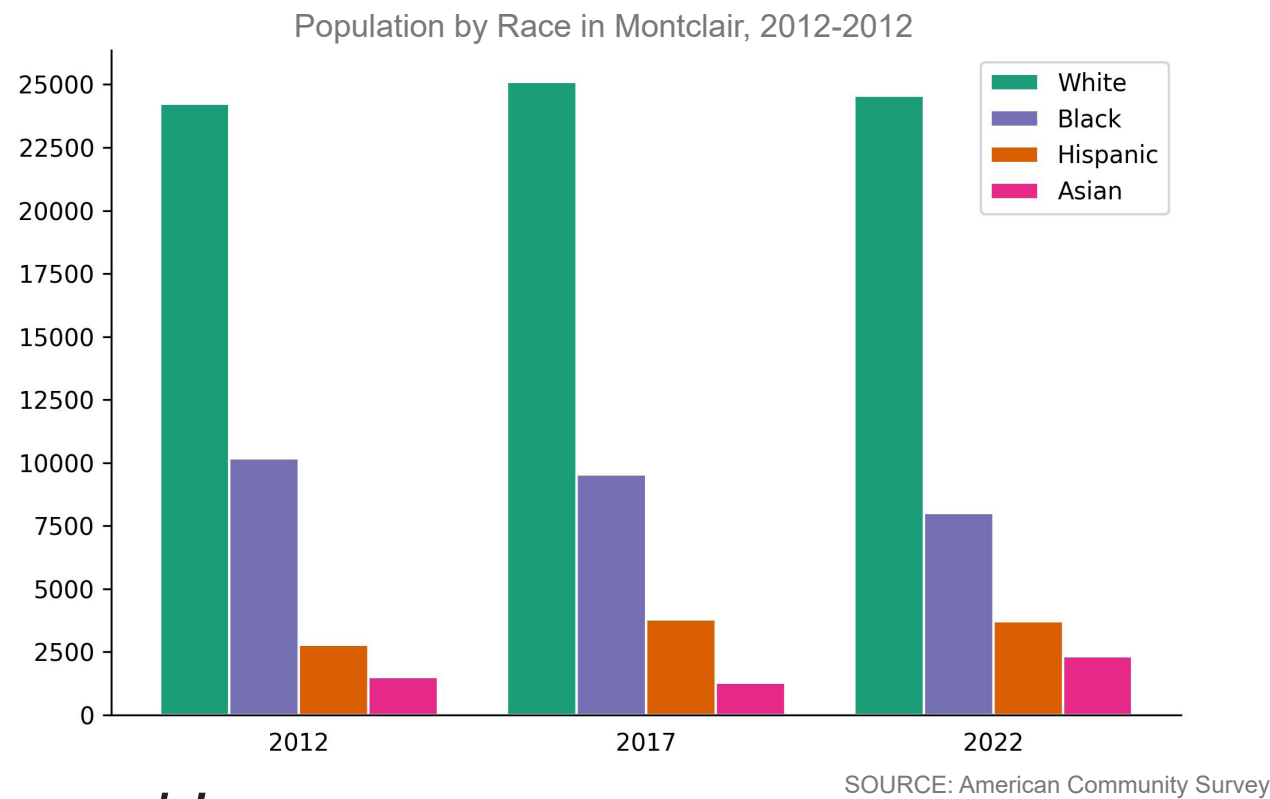


Montclair's Changing Housing Market

Housing in Montclair is getting more expensive, and fast. We looked at how much home values had changed in recent years. We used Zillow's "home value index" for this instead of the ACS.² It is particularly notable that in the period between March 2020 and March 2024 the Zillow home value index increased by 49 percent from \$690,964 to \$1,026,210 for the municipality. This was a faster growth rate in value than both the county (37 percent) and the state (44 percent). Rents are increasingly steadily as well (see below).

Zillow Observed Rent Index (ZORI) for Montclair and Essex County

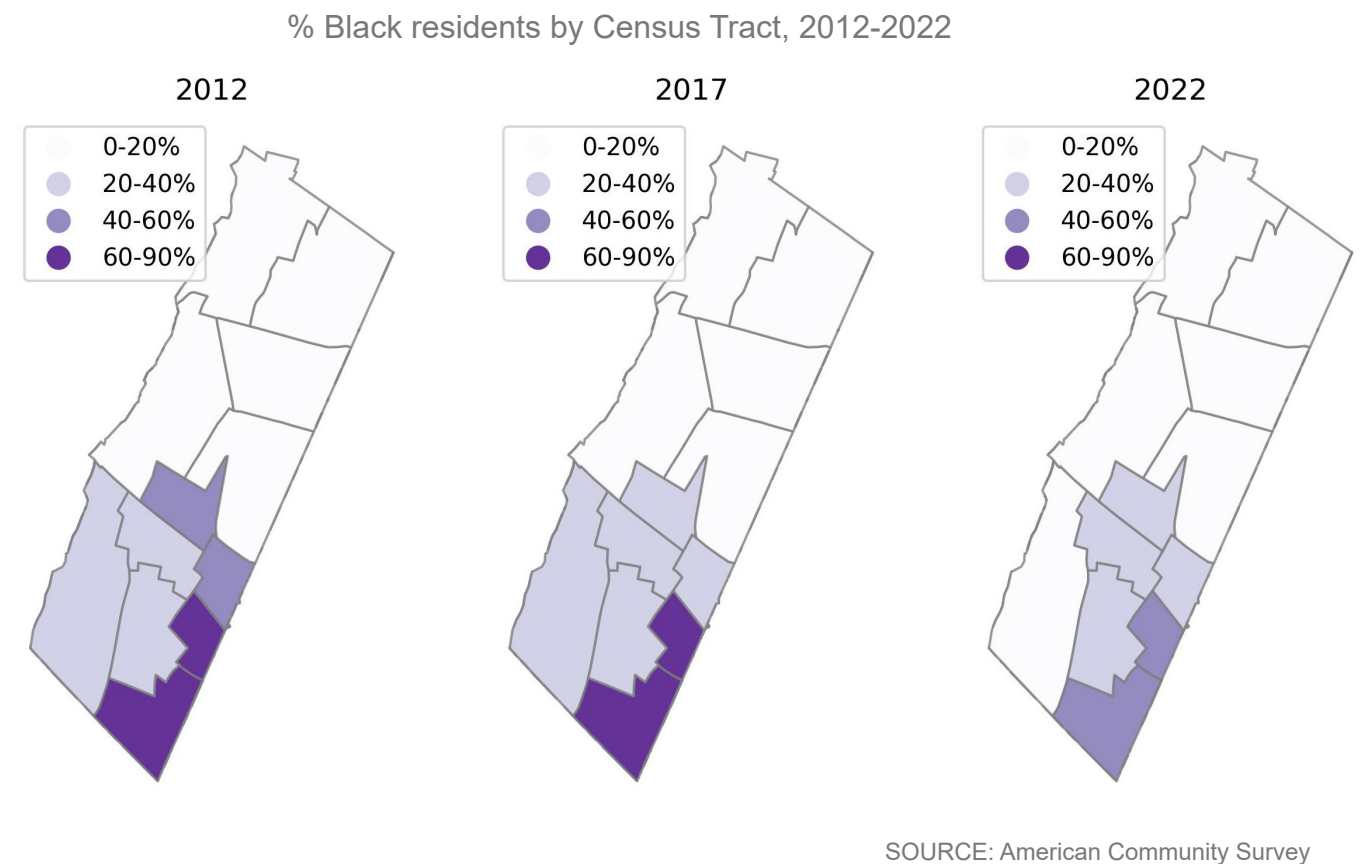
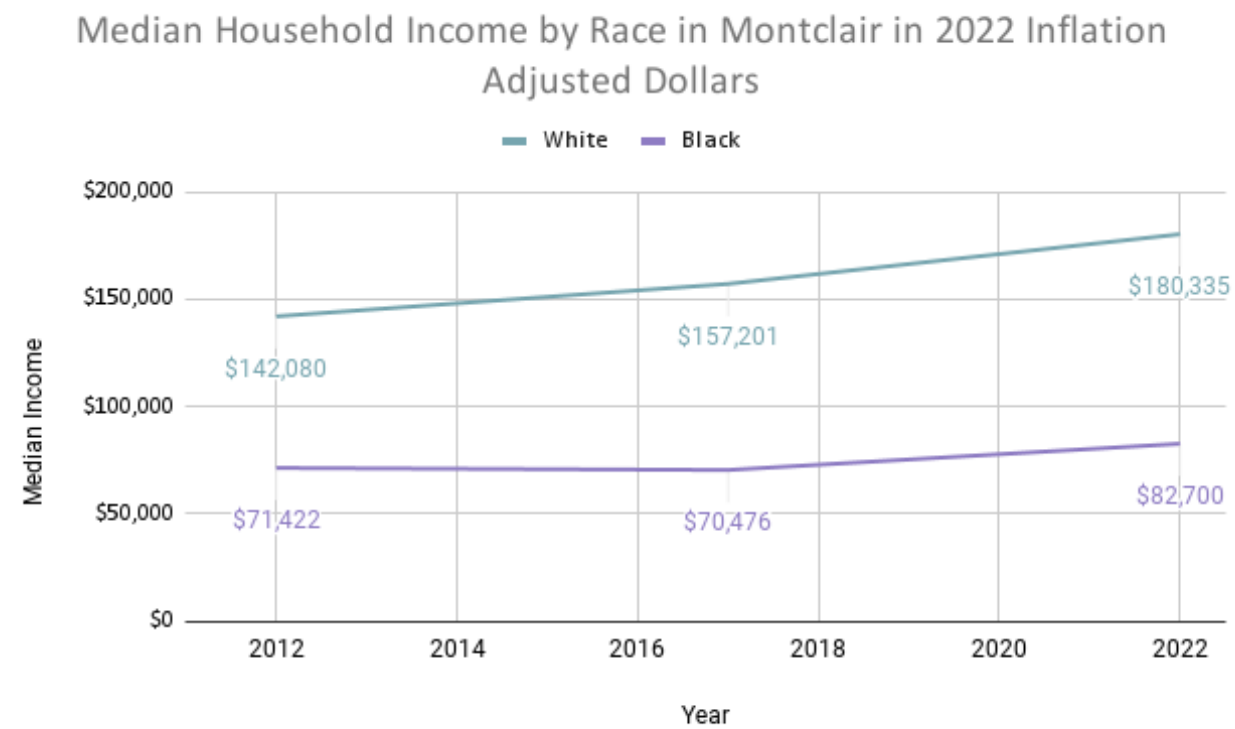




Race and Income

Montclair has become a wealthier town since the last assessment was done in 2009 (see opposite page). But that growth in household income was not evenly distributed among Montclair's population, and there is a significant racial component to it. While Blacks have long earned less than Whites in Montclair, White incomes grew faster from 2012-2022 than Black incomes, and the gap has grown wider (see below).

A worrying trend: As Montclair becomes wealthier, it is losing its Black residents. There has been a net loss of around 2,000 Black residents since 2012 (see opposite). The Black population loss is occurring in exactly the census tracts contiguous with new development around Bloomfield Ave and Bay-St Montclair station (see below).



Housing Needs Assessment

Assessing Montclair’s Housing Needs

To best understand the housing needs of Montclair we assessed multiple variables using ACS 5-year data from 2012, 2017, and 2022 and consulted other sources such as HUD data as well. Primarily we used a method conceived by Kirk McClure, a professor of Urban Planning at the University of Kansas³. This method looks at the supply of housing stock and demand for housing based on household incomes and compares the two to determine where (at what income levels) housing deficiencies might exist. Other variables such as vacancy rates and demographic changes described above help inform the larger story.

Supply

We first looked at the existing housing stock and the conditions of the housing within Montclair. We found that Montclair has many old buildings with the estimated median year structures were built before 1939. However, these buildings don’t appear to be falling into further disrepair as there were no significant changes identified in how many units had incomplete kitchens and or incomplete plumbing facilities (Appendices 1 and 2). This indicates owners and landlords are continuing to ensure that properties are maintained and available on the market. Also supporting this notion was an increase in the number of housing units between 2012 and 2022 (Appendix 3). Not only is housing being preserved but additions through redevelopment and new construction are noticeable. We also looked at vacancy rates which tells us how many units are available at any given moment.

Rental Vacancy Rate Estimates			
	2012	2017	2022
Montclair	4.46%	3.44%	5.68%
Essex County	9.29%	7.71%	3.22%
New Jersey	6.91%	5.49%	3.88%

Source: American Community Survey 2012-2022

Homeowner Vacancy Rate Estimates			
	2012	2017	2022
Montclair	1.09%	1.66%	0.32%
Essex County	2.38%	2.68%	1.05%
New Jersey	1.84%	1.71%	1.04%

Source: American Community Survey 2012-2022

We found striking trends of decreased vacancies across the board for both renters and owners. We believe the increased rental vacancy in Montclair in 2022 can best be explained by the development of new apartments in the downtown area which came onto market within the 5 years data was collected. We expect if Montclair does not continue to build, it will follow the same trends as the county and state and have a tighter market, and this increase in vacancy will be seen as a statistical artifact of when the data were collected⁴.

Most notable in the data were the ownership vacancy rates. The ACS data indicate that for every 1,000 homeownership homes in Montclair, only 3 are available to purchase at any given time. This is an incredibly tight market and is probably a driver of the price increases evident in the Zillow data shown above. Another impact of this tight market is it may prevent people who want to become homeowners from buying a home, and therefore continue renting. This, in turn, is likely a component of the increases in rents evident in the ACS data shown above.

Demand

Montclair is composed of about 60 percent owner households and 40 percent renters (Appendix 4). However, this distribution is not evenly shared amongst different racial groups. The share of white households who rent has increased to about 37 percent, up from 34 percent (in 2012). This is due to not a decrease in owners but an increase in the number of white renters in Montclair. On the other side, we found black households were nearly evenly split between renters and owners, but this wasn’t always the case. The data suggests 15 years ago there were many more Black renters than homeowners and many of those renters have left. As we have already demonstrated, Black renters are leaving Montclair and white renters and other people of color are taking their place. While that is happening home ownership rates remained very stable.

Matching Supply with Demand to Find Affordability

Using McClure’s model, we developed a potential tool for Montclair to use to estimate housing needs within the municipality in the future. We grouped similar incomes for households who rent into categories (demand) and matched them to the number of estimated units offering rent at a level that would be considered affordable according to HUD standards (supply). As we already stated, the HUD standard is that a household that spends more than 30 percent of their income on housing costs is considered cost burdened and may suffer additional financial hardships. Once matched, we could identify how many units are rentable at an affordable level for each category and where surpluses and deficits existed.

Rental Housing Mismatch				
Income	Households	Affordable Units	Difference	Share of units
\$1 to 9,999	366	37	-329	-5.56%
\$10,000 to 19,999	334	124	-210	-3.55%
\$20,000 to 34,999	667	130	-537	-9.08%
\$35,000 to 49,000	503	320	-183	-3.09%
\$50,000 to 74,999	740	2,391	1,651	27.92%
\$75,000 to \$99,999	832	1,276	444	7.51%
\$100,000 and up	2,584	1,636	-948	-16.03%

Tenure by White Alone Households					Tenure by Black Alone Households		
Year	Occupant	Estimate	MoE	Percent	Estimate	MoE	Percent
2012	Owner	6369	323	66%	1571	206	42%
	Renter	3293	316	34%	2163	251	58%
2017	Owner	6345	296	65%	1458	183	43%
	Renter	3477	325	35%	1945	273	57%
2022	Owner	6428	363	63%	1499	306	51%
	Renter	3721	305	37%	1415	289	49%

SOURCE: American Community Survey

Housing Needs: Takeaways

We estimate that Montclair lacks about **1,259** rental units for renter households earning less than \$50,000 within the township. These households are most likely then renting more expensive housing than they can afford. There is an enormous surplus of units where rents are affordable for those who make greater than \$50,000 annually. This is logically the category that these renters are finding homes in. This means that many of these households are cost burdened and even extremely cost burdened⁵. These households also would not be able to afford many deed-restricted units as affordability is determined by area median income and as of 2022, a four person household in Montclair would have rents limited to an expected income of \$57,596⁶. The deficit in units for the wealthiest renter households is less of a concern, since they have the option to rent from a lower price category. They could also afford to be future homeowners, but some are probably renters because of the severe shortage of vacant units in the homeownership market discussed above. A tutorial and spreadsheet on how to regularly do this Housing Needs Assessment is found in the Appendices. The Montclair Housing Commission can therefore regularly update their Housing Needs Assessment in the future, and need not wait 15 years to bring in outside researchers to do it.

Finally, in order to check our estimates, we turned to HUD’s Comprehensive Housing Affordability Strategy (CHAS) which analyzes affordability issues and provides publicly available data. CHAS is not updated as frequently as the ACS, and so it cannot be relied on by the Housing Commission to do regular analyses moving forward. For our “check” here, we relied upon a data set that measured from 2016 to 2020, which was the most recent data available⁷.

Rent Burdened Households Estimated in 2020					
	Cost Burdened	Percent	Severely Cost Burdened	Percent	Total
Renters	2,225	40.5%	1280	23.3%	5,500

Source: Comprehensive Housing Affordability Strategy, US Department of Housing and Urban Development

CHAS estimated 1,280 renting households as severely cost burdened, meaning these households spend more than 50 percent of their income on housing costs. This was only a 21-household difference between the number of units we estimated Montclair was lacking for very low income households. This number also accounts for nearly a quarter of all renters within Montclair. Ownership levels of affordability we found difficult to estimate on our own due to the nature of the size of the township and the data available to us. So, we relied on CHAS’s estimation again for this information.

Cost Burdened Households Estimated in 2020					
	Cost Burdened	Percent	Severely Cost Burdened	Percent	Total
Owners	2,480	28.9%	1170	13.6%	8,595

Source: Comprehensive Housing Affordability Strategy, US Department of Housing and Urban Development

Here we found similar numbers of homeowners were considered cost and severely cost burdened by their mortgages and other expenses. However, we also understand that many of these households have larger incomes, so the impacts of these burdens may not be as harmful to renters who already have limited incomes. Still, we thought it was important to identify barriers to homeownership to prospective buyers.

Affordable Housing Policies Enacted since 2004

INCLUSIONARY ZONING

Inclusionary Zoning (IZ) is the oldest of Montclair's affordable housing policies, enacted in 2006. Its aim is to capture value in new developments in Montclair's housing market for lower income residents. The inclusionary zoning ordinance both adds affordable homes to Montclair's inventory, it ensures that lower-income households can live in neighborhoods that have been well-resourced and invested in by the public and private sectors — where they would otherwise be priced out, and in neighborhoods where housing supply is increasing. Inclusionary zoning policies can potentially minimize adverse effects of gentrification such as displacement of families with low incomes, which we have seen in Wards 3 and 4 of Montclair.

The cornerstone of Montclair's ordinance is its requirement for new residential developments of five or more units to include 20 percent affordable housing units. The ordinance outlines specific criteria for determining the affordability of housing units, including income restrictions and price limits. These criteria are based on Montclair's AMI discussed in the introduction.

Specific criteria govern the allocation of these affordable units: at least half of the affordable units within each bedroom distribution must be low-income units, with the remainder potentially designated as moderate-income units. Additionally, no more than 20 percent of the affordable units should be efficiency or one-bedroom units, while at least 30 percent should be two-bedroom units and at least 20 percent should be three-bedroom units. The allocation of the remaining units is left to the discretion of the developer, providing flexibility within the ordinance's framework to accommodate community needs and housing market dynamics.

Affordable units must be reasonably dispersed throughout the development and designed and constructed to be substantially similar in size and quality as on-site market units. In cases where only one affordable unit is included in the development, it must be a low-income unit.

The ordinance includes mechanisms to maintain the long-term affordability of designated housing units, such as resale restrictions (right of first refusal to the township). Developers also have some flexibility in that they are permitted to meet their obligations by providing affordable units off-site, as long as the units are in the same ward as the development or at a reasonably comparable location (to be determined by the Montclair Housing Commission). There is also an option for them to pay a cash-in-lieu contribution to the Affordable Housing Fund, calculated based on the amount of the subsidy necessary to make one housing unit affordable.

RENT CONTROL

After several previous failed attempts, the Township successfully passed a Rent Control Ordinance in April of 2022. Passing unanimously and going into effect one month after passage, the goal of this ordinance was to stabilize rising prices in Montclair’s rental housing market. The Rent Control is established under Montclair Code Chapter 257 Rent Regulation. Approximately 40 percent of Montclair’s population lives in rental units, making the Rent Control Ordinance an important and relevant legislation for many community members.

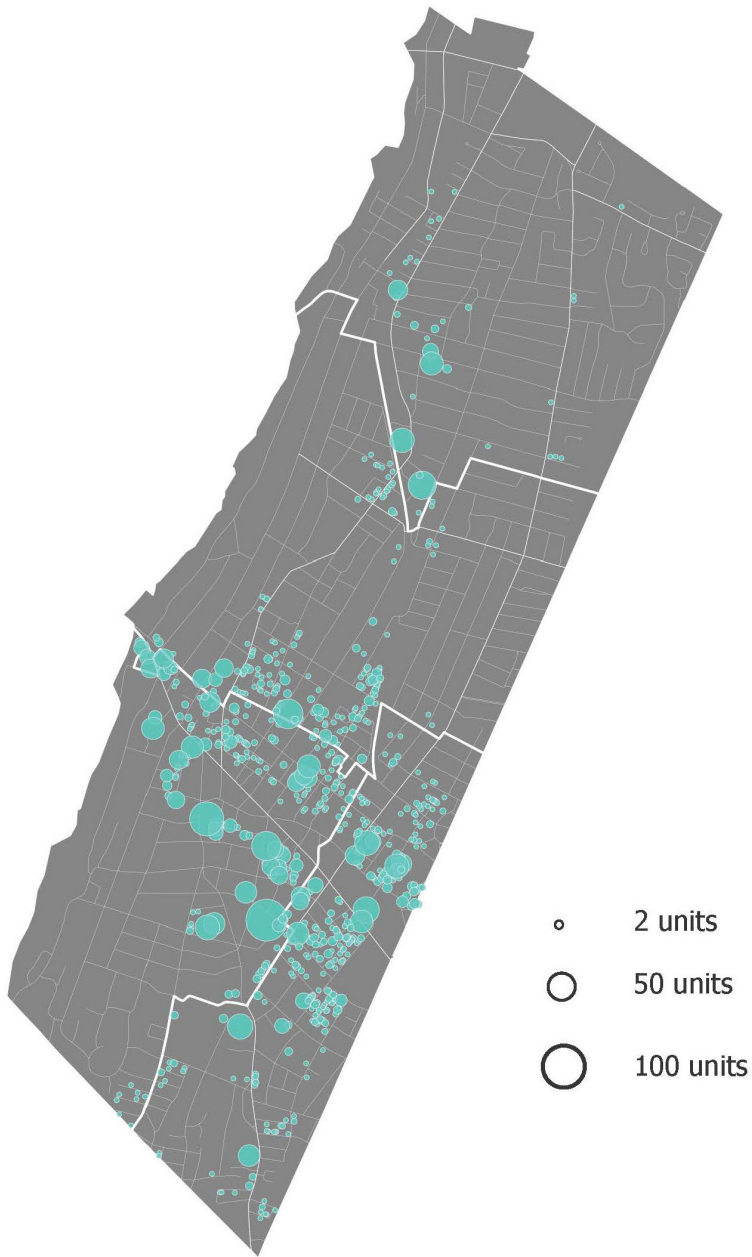
Montclair Housing Commission member William Scott said 60 percent of Montclair renters would be covered under the new rent stabilization. Mr. Scott indicated that the ordinance will pertain to 820 units, including Montclair Residences, Valley & Bloom, Montclairian II, Vestry, Westerly, 2 South Willow, and the Sienna⁸.

The Rent Control Board, comprising seven members who are appointed by the township’s governing body, is in charge of enforcing the ordinance. The board includes representatives from both the tenant and landlord community to ensure a balanced approach to rent regulation. Their responsibilities range from issuing regulations to facilitating resolutions between landlords and tenants and conducting regular meetings to address community concerns.

Rent increases in Montclair must follow the guidelines laid out by the ordinance. Landlords who haven’t adjusted rent since May 2020 can require an increase of up to 6 percent, however, they may only do so once. Annual increases afterward are capped at 4 percent. The annual increase has a lower cap of 2.5 percent for units housing senior citizens aged 65 and above. The ordinance provides additional options for landlords to increase at a higher percentage if they are facing hardships or are undertaking major property improvements, providing flexibility within the ordinance framework.

However, the ordinance does include a number of exceptions. Properties, such as small residential buildings with three or fewer units and units under government income-based rent programs, are not subject to the ordinance. Additionally, single-family homes, condos, and housing provided by educational institutions fall outside of the ordinance’s scope.

Rent Controlled Properties in Montclair by # of Units



The Rent Control Ordinance includes a vacancy decontrol provision. This provision states that once an apartment is vacated, landlords are permitted to raise rents up to 15 percent. However, this provision may only be implemented once every five years.

Montclair’s Rent Control Ordinance shares similarities with neighboring cities’ regulations; however, it also has a number of unique characteristics. While ordinances in both Jersey City and Newark tie rent increases to the Consumer Price Index, Montclair instead utilizes a fixed percentage cap.

ACCESSORY DWELLING UNITS

In an attempt to allow for more housing construction while also preserving local characteristics, some New Jersey municipalities have passed local ordinances to spur the construction of accessory dwelling units (ADUs). Princeton, Maplewood, East Orange, and South Orange all allow for the construction of ADUs in single-family zones.⁹ ADUs are secondary units that are either attached to an existing single-family home or built within the same lot, and they are commonly known as “granny flats.” Their size and ability to be constructed on lots with existing homes generally make them more affordable than traditional single-family homes. While the average single-family home in New Jersey will typically cost well over \$300,000 to construct, an ADU can be built for between \$100,000 and \$300,000.¹⁰

Although Montclair passed an ordinance in 2022 to allow the construction of ADUs, only two building permits for ADUs have been issued since then. While the currently high interest rates make the financing of ADUs more difficult and likely discourage homeowners from pursuing this option, Montclair could do more to promote the construction of ADUs. When Los Angeles loosened restrictions on the construction of ADUs, the number of ADU permits increased by 202%, and Portland, Oregon, and Seattle have also seen large increases in the number of ADUs permitted in recent years.¹¹ As we discuss in our policy recommendations below, the common thread linking these three cities is that large increases in ADU permits followed the elimination of parking requirements and owner-occupancy requirements for ADUs.

Recommendations to Improve Montclair's Policies

Recommendations to improve INCLUSIONARY ZONING

The inclusionary zoning (IZ) program in Montclair has been an important tool in producing and incentivizing affordable housing for almost two decades. Given this significant length of time, it is critical that the policy, as it is written, is reviewed in the context of current market dynamics.

Of the over 500 IZ programs nationwide, two-fifths of policies have been amended in the last few years. For example, San Francisco, which has had IZ since 1992, passed a measure in 2016 that increased the on-site IZ set aside for affordable units from 12 percent to 25 percent, the highest in the nation.¹² Below are our recommendations for how to strengthen Montclair's IZ ordinance:

Increase On-Site Set Aside: Following San Francisco's example, Montclair can consider increasing the required IZ set-aside from 20 percent (or 1 in 5 of the total number of units) as affordable to 25 percent (or 1 in 4) for newly constructed multifamily residential buildings.

Expand IZ Zones: As the ordinance is currently written, IZ only applies to residential development located in zones that permit a minimum residential density of eight units per acre, specifically the R-3, OR-3, R-4, OR-4, N-C, C-1, and C-2 zones. We believe that C-3, or Central Business, and R-A, Redevelopment, can be included in IZ, so that mixed-use buildings along main commercial arteries, such as Glenridge Avenue, will also fall under the ordinance.

Exclusive Marketing Window: Newark recently passed an amendment to its Inclusionary Zoning Ordinance (IZO) which will permit the City to exclusively market new affordable units to Newark residents during a 90-day period.¹³ This will ensure that more city residents can benefit from the affordable units. It is important to do this in ways that do not run afoul of Fair Housing laws, though.

Consider a Sliding Scale Mechanism: The town of Sammamish, Washington has a sliding scale IZ regulation in which the minimum quantity of affordable units is based on the affordability level of the provided housing units.¹⁴ Though Montclair should continue to have a minimum, introducing a sliding scale option could be an intriguing mechanism for encouraging either more affordable units or affordable units at a deeper subsidy. For example, if most affordable units are low-income, there may only be a 15 percent set-aside requirement. However, if most affordable units are moderate-income, the set-aside requirement can be raised to 30 percent.

Density Bonuses or other Incentives: Depending on market demand, Montclair can consider not only mandating IZ, but rewarding developers who surpass the minimum affordability requirement (or surpassing the depth of affordability) through density bonuses. Other incentives to offer these developers include parking requirement reductions, zoning variances, expedited processing, tax abatement, fee reductions/waivers, and other subsidies.¹⁵

Reconsider Affordability Levels: Based on the Housing Needs Assessment we conducted for Montclair, we found that there is the greatest need for housing for those making below (often substantially below) 50 percent of AMI. Right now that population is under-served by Montclair's IZ program.

Recommendations to improve RENT CONTROL

While passing a rent control ordinance is a significant achievement and will surely do a great deal to protect Montclair tenants from rapidly increasing rent prices, there are several ways that we feel this can be strengthened.

Vacancy Decontrol Provision: Although landlords are only able to raise rents on vacant units once every five years, the relatively high limit of 15 percent is a concern, as it allows and even incentivizes landlords to raise rents by that maximum as soon as they are able. We would recommend partial decontrol, such as in Portland, Maine, and St. Paul, Minnesota. In Portland, landlords can increase rent up to 5 percent when a new tenant occupies a unit, but only if the previous tenancy was terminated voluntarily.¹⁶ In St. Paul, landlords can increase rent up to 8 percent + CPI after a tenant vacates if it was, as they define it, a “just cause vacancy.”¹⁷ Without this protection in place, landlords may still be incentivized to evict lower-income tenants (or otherwise force them out) in order to attract new tenants who are able to pay substantially more in rent.

Rental Registry: The way the ordinance is currently written, it is extremely difficult for a Montclair tenant to know whether their apartment falls under rent control, as they have to make an OPRA request. As a solution, we believe Montclair should consider a public rental registry. Several jurisdictions have paired rental registries as an enforcement mechanism for ensuring compliance with rent stabilization ordinances or to monitor breaches to just cause eviction prevention policies. For example, San Jose, California utilizes their rental registry program to track and evaluate permissible rent increases in accordance with their rent stabilization ordinance.¹⁸ In neighboring Bloomfield, New Jersey, renters can see if their apartment is rent stabilized.¹⁹ Localities can also coordinate licensing and registration together to evaluate and enforce adherence to local and state health and safety housing policies. At the very least, renters should be notified via mail if their landlord appealed and was granted an exception to the rent control ordinance.

Lowering the allowable rent increase cap: Within the next few years, it may be worth revisiting the 4 percent allowable annual rent increase and lowering it. Some jurisdictions in California, such as Bell Gardens, Oakland, Richmond, and Antioch, have an allowable increase percentage and consider CPI, going with whichever the lowest number is. Bell Gardens, for example, allows an increase of 50 percent CPI or 4 percent, while the other three cities allow an increase of 60 percent CPI or 3 percent.²⁰ In New Jersey, Perth Amboy lowered its cap from 5 percent to 3 percent in 2022.²¹ We recommend keeping a close eye on the rental market in order to determine whether altering the 4 percent cap would make sense for Montclair.

Increase Fines for Non-Complying Landlords: This recommendation comes from Alex Morgan, Montclair Rent Control Board chair, and vice chair Toni Martin, who want to raise the fine from \$20 to \$200 per dwelling unit for late filing registrations.²² This is especially important when it comes to landlords registering their actual residence, since landlords are exempt from rent control if they actually reside in a two or three family building (but not if they use it as an investment property and live elsewhere). As Martin told Montclair Local, “if we’re writing a letter to someone living in Florida and he sees \$20 as a late fee, that probably doesn’t bother him. So we’re trying to figure out how to get more compliance. Increasing the fees [...] is one measure we think is important.”

Landlord registration and enforcement are the greatest obstacles the Rent Control Ordinance has faced since its passage. Based on data shared by the Montclair Rent Control Office’s 2023 Landlord Registration, out of 1,717 letters mailed to landlords, only 732 had registered, and 334 properties had been deemed exempt. There are 427 2-Family properties, 91 3-Family properties, 9 4-Family properties, 23 Multiple apartment dwellings, and 101 mixed use/commercial properties that the Rent Control Administrator has not been able to contact.

Preferential Rent and Preferential Banking: In addition to penalizing landlords for unauthorized rent increases in rent stabilized units, Montclair can consider incentivizing landlords who choose not to raise the rent to the maximum allowable amount. This is called preferential rent, or the practice of landlords offering a rent increase that is lower than the annual cap. Preferential banking, meanwhile, refers to the ability of the landlord to recover foregone rent increases in subsequent years. This allows landlords to offer rent increases below the cap in some years and then increase rent over the cap in others to make up for it. There are several ways to structure something like this. For example, in Oakland, property owners may defer applying annual rent increases for up to 10 years and rent increases that were not imposed within 10 years expire.²³ These “banked” increases cannot exceed an amount three times the CPI. In Richmond, California, meanwhile, a landlord may not increase rent more than the Annual General Adjustment (AGA) + 5 percent of any banked increases. Montgomery County, Maryland does things a bit differently, with landlords able to bank the dollar amount of the allowable rent increase not used, and use it in the future with a current or future tenant; capped at 10 percent.

As a relatively new ordinance, the board should establish a process for regularly reviewing and updating the rent control ordinance to address changing housing needs, market conditions, and community feedback. The rent control board should periodically review and adjust rent increase limits to reflect changes in the local housing market and ensure affordability for tenants without placing undue burden on landlords. This might involve tying rent increases to inflation or other economic indicators.

Recommendations to improve ACCESSORY DWELLING UNITS

The current ADU ordinance in Montclair requires one off-street parking spot per ADU. While this requirement is well-intentioned, it creates an additional cost for homeowners seeking to add an ADU. Some lots may not be large enough to accommodate additional off-street parking, and even if space is not a constraint, the costs of building parking are not trivial. The cost of adding a single parking spot to a lot can range from \$840 to \$5,880, depending on the size and materials used.²⁴ Many ADUs are financed by homeowners with little to no experience in housing development, and relatively small costs can pose a large barrier to those seeking to construct ADUs. We recommend that Montclair amend its ordinance to remove parking requirements for ADUs. Not only will this allow for more ADUs to be built, but it aligns with the stated goals of Montclair’s Master Plan to encourage active transportation and create walkable neighborhoods.²⁵

Secondly, the current ordinance requires that the owner of the property with an ADU lives in the primary unit on that same lot. While this policy is designed to discourage absentee landlords, it adds another barrier to the construction of ADUs. Many advocacy groups and think tanks, such as AARP, Brookings, and the Urban Institute, argue that owner-occupancy requirements make the financing of ADUs more difficult and lower appraised property values.²⁶ Municipalities concerned about absentee landlords and the upkeep of ADUs should instead focus on enforcing building codes and relevant ordinances rather than assuming owner occupied buildings will produce better outcomes. In a 2019 case before the Superior Court of New Jersey, the court overturned an owner-occupancy requirement in Point Pleasant Beach because it delegated the responsibility to enforce local laws and keep the peace to a private landlord.²⁷ Furthermore, the Oregon Department of Environmental Quality found that more than two thirds of properties in Portland with ADUs are owner occupied even though it is not required.²⁸ This is particularly noticeable since the owner occupancy rate for all housing in Portland is only 50.8 percent.²⁹

Additionally, Montclair should seek to make the permitting process for ADUs as easy as possible for homeowners, many of whom have no experience developing housing. The Casitas Coalition, which promotes ADUs as a solution to California’s housing shortage, recommends that municipalities publish pre-approved plans for ADUs that have already been deemed to meet building codes.³⁰ This streamlines the process for both homeowners and the municipality. After Seattle published ten pre-approved ADU designs that met its building and energy codes, it saw ADU permits increase dramatically.³¹ Applicants in Seattle must still apply for building permits, but those using pre-approved designs (see opposite) receive building permits faster and at a lower cost. Although the township hosted an ADU design competition to develop potential designs that comply with the requirements of Montclair’s ADU ordinance, the township does not offer expedited building permits as Seattle does. Additionally, the township should publish the floorplans of pre-approved ADU designs on its website for interested homeowners to download. The town can further promote the construction of ADUs by reducing or waiving fees associated with ADU development, such as permitting fees.

We also recommend that Montclair explore the possibility of providing financial support to homeowners interested in building an ADU. A number of states have created programs to assist homeowners in financing the development of ADUs. Vermont, for example, established the Vermont Housing Improvement Program (VHIP), which funds up to \$50,000 towards the creation of an ADU if applicants provide a 20 percent match of VHIP program grants, maintain HUD fair market rent prices, and work with Coordinated Entry Lead Organizations to identify tenants exiting homelessness. While Montclair cannot match the financial incentives offered through state programs, we believe the town can take inspiration from them in its effort to promote ADUs. For example, Montclair could use its existing housing trust fund to provide homeowners with below-market interest rate loans to build ADUs.

Another approach, demonstrated by Oregon, is to guide homeowners through the ADU development process. In contrast with Vermont, Oregon does not provide funding. However, it does provide a funding guide for homeowners that lists lenders who will fund ADUs, their current rates, required loan-to-value ratio, their terms, and required down payments. Montclair should work to support homeowners through financial assistance either through direct funding or helpful resources in order to help streamline the process and educate the homeowner on what is and is not possible. For example, Montclair could provide a reference sheet that describes funding sources and lists contractors in the area to help mitigate barriers a homeowner might encounter. By issuing a Request for Information (RFI), Montclair could gather a list of contractors that specialize in ADU construction.

Average Parking Cost in NJ (800 sq. ft. of Parking Assumed)				
	Cost (per sq. ft.)	Low	Average	High
Asphalt	\$2 - \$4	\$1,680	\$2,520	\$3,360
Concrete	\$4 - \$7	\$3,360	\$4,620	\$5,880
Gravel	\$1.25 - \$1.80	\$1,050	\$1,285	\$1,512
Tar & Chip	\$1 - \$5	\$840	\$2,529	\$4,200

Source: authors’ calculations based on Westerlund. 2024

While changes to Montclair’s ADU ordinance will help remove barriers for interested homeowners, it is equally important that the town utilize education and awareness programs to inform the community of the benefits of ADUs. Opposition to ADUs stems from citizen concerns about units affecting neighborhood character, increased density, and infrastructure strain. To address these common concerns, the township can provide additional education resources to inform residents of the ADU ordinance and address their concerns. For example, we recommend that Montclair host seasonal webinars for homeowners interested in building an ADU on their property.

Allowing for the construction of ADUs is an excellent way for Montclair to create much needed housing at lower prices and provide residents with additional housing options. The experiences of other localities demonstrate that ADUs can significantly increase housing supply without noticeably changing neighborhood character. After Seattle reformed its ADU ordinance to remove parking requirements and owner occupancy requirements and published pre-approved ADU designs, it saw ADU permits rise from 245 in 2018 to 988 in 2022.³² Cities in Oregon have likewise permitted many ADUs in recent years. Not only did Portland permit 1,655 ADUs from 2018 to 2022, but smaller cities in Oregon, such as Eugene, Salem, and Bend, granted permits for over 100 ADUs in their respective municipalities during that same timeframe.³³The fact that only two ADUs have been permitted since the passage of Montclair’s ADU ordinance reveals a need to further refine the ordinance. We believe that by adopting the recommendations of this report, Montclair can streamline the permitting of ADUs and better assist interested homeowners in developing ADUs on their property, which will advance the town’s goal of improving housing affordability for Montclair residents.



[A pre-approved ADU design in Seattle, Washington](#)

Other Policy Recommendations for Affordable Housing in Montclair

Resident and Community Ownership: TOPA or COPA:

These policies provide tenants (TOPA) living in multifamily buildings or community-based nonprofits (COPA) with advance notice that the landlord is planning to sell their building and an opportunity for them to collectively purchase the building. It turns potential eviction and displacement into an opportunity for tenants to become homeowners, helping to close racial homeownership and wealth gaps. TOPA has been a cornerstone of housing policy in Washington DC for decades, and just this year, its neighboring suburb Montgomery County, Maryland passed a Right of First Refusal Law. Under the new amendment, the county can now assign the right of first refusal to qualified affordable housing partners who are interested in purchasing a multifamily rental building, in order to preserve the affordability of the apartments and prevent displacement of existing tenants.³⁴

COPA has been less commonly done, but the number of municipalities implementing or exploring COPA is growing. San Francisco, which has faced significant displacement and affordability challenges, enacted the Community Opportunity to Purchase Act in 2019. This act gives qualified nonprofits the right of first offer and right of first refusal to purchase some properties in the area. To get the initiative off the ground to help nonprofits build capacity, the city committed an initial investment of \$3 million.³⁵ COPA in San Francisco is already responsible for preserving more than 230 apartments as affordable housing units, including San Francisco Community Land Trust (CLT) purchasing a 40-unit building in the Tenderloin district.³⁶

Renter Relocation Ordinances:

Several jurisdictions, especially in the Pacific Northwest (Portland and Eugene in Oregon; Tacoma and Bellingham in Washington), have recently enacted ordinances that force landlords to pay renters relocation assistance if they serve them a no-cause eviction (or encounter any other triggering event).³⁷ This would disincentivize landlords from displacing lower-income tenants.

Rent Escrow Account Program:

A recent innovation in Los Angeles, this program, called REAP, innovatively ties together habitability and code enforcement with rent negotiations. REAP encourages owners to make necessary repairs and return the property to a safe and habitable condition. Tenants of affected units are given a 10 percent to 50 percent rent reduction depending on the nature and severity of the violations cited.³⁸ Tenants also have the option to pay their reduced rents to the landlord or into an escrow account managed by the Los Angeles Housing Department. Rents deposited into the escrow account are then made available to the landlord, tenants, or other interested parties that can be used to make repairs, pay utilities, or for relocation to a new apartment.

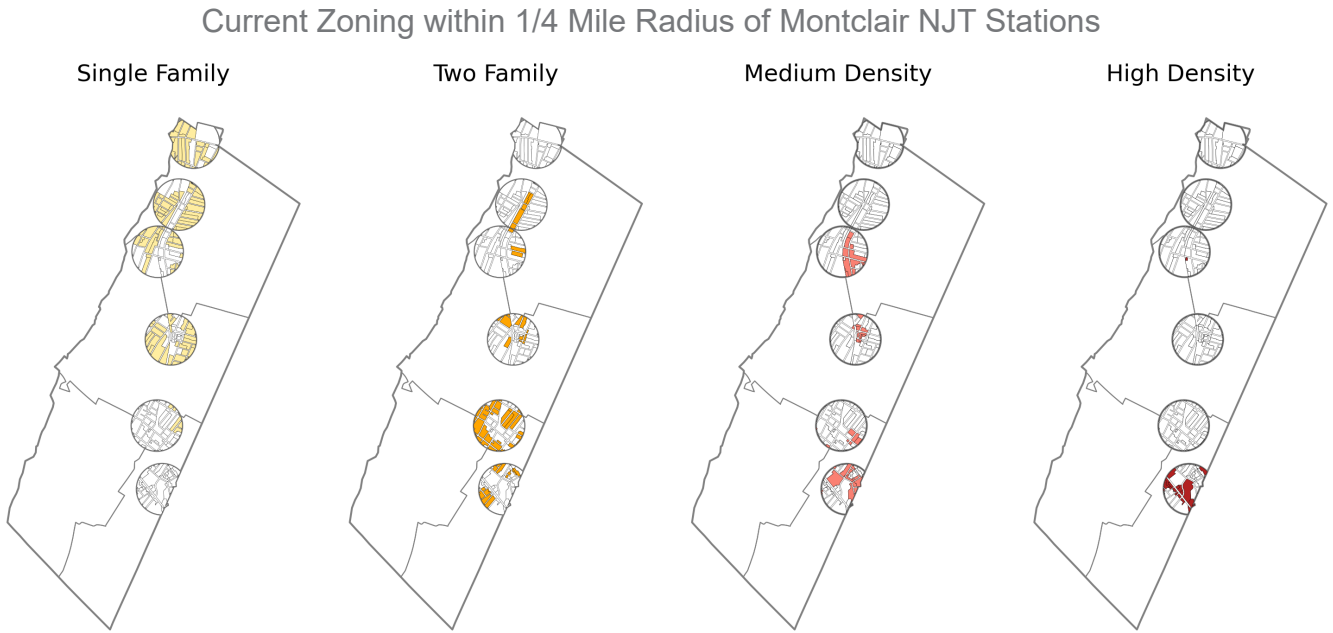
Upzoning

To some degree, the high cost of housing in Montclair reflects a shortage of housing units relative to how many people would like to live in the township. While this is a regional problem that affects much of the New York City metropolitan area and not one that any individual municipality can solve on its own, Montclair can slow the rise in housing costs by building more housing. By only allowing single family homes to be built in much of the township, Montclair has failed to construct enough housing to accommodate increasing housing demand and has not provided residents with enough variety in housing choices. As a result, we recommend that Montclair revisit its zoning ordinance to allow more types of housing to be built in more neighborhoods.

Recent reforms in Minneapolis show how upzoning can increase housing affordability. In 2020, the city made major reforms to its zoning code by allowing duplexes and triplexes on all residential lots and allowing greater density near transit and commercial corridors. Since then, Minneapolis has seen housing affordability dramatically improve. Relative to Minnesota as a whole, Minneapolis has seen more housing built, lower increases in rent, and a decrease in homelessness.³⁹ While there are active debates about the extent to which new market-rate supply increases affordability for households across the different income levels, there is little doubt that in Montclair there is a lack of supply, and that is driving up prices for housing in the township.

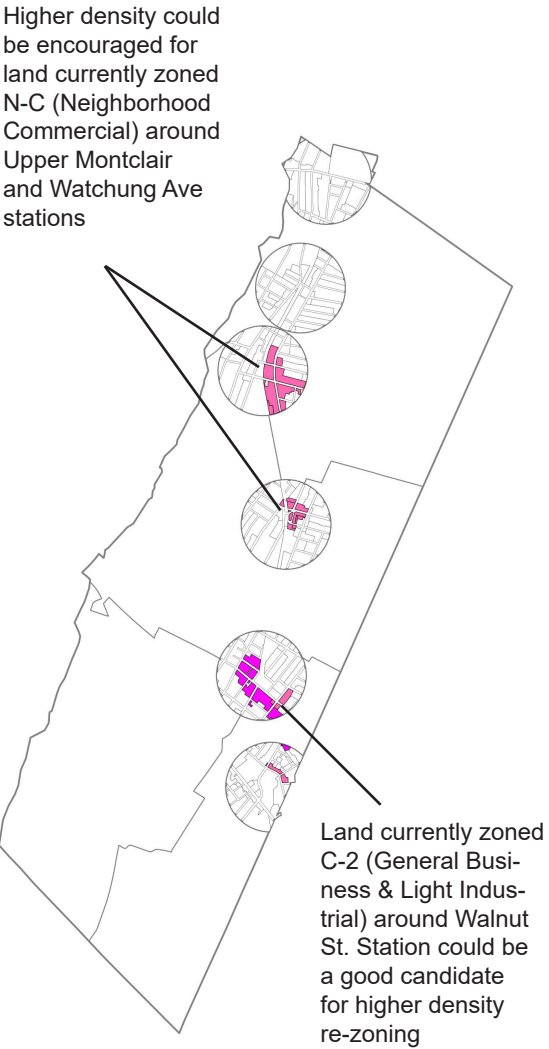
We understand the politics of upzoning are challenging, and the Township may not have the political will to pursue anything as sweeping as other cities and towns have done. However, even relatively minor changes to the zoning code, such as reducing minimum lot sizes and setback requirements, make it more feasible for developers to build smaller, more affordable single-family homes.⁴⁰

In particular, when thinking about upzoning, Montclair should embrace the concept of transit-oriented development (TOD), in which new housing is built around areas with access to public transportation. With six NJ Transit stations in the township, Montclair has the perfect opportunity to become a leader in TOD. By encouraging TOD, Montclair can create mixed-use, pedestrian-friendly neighborhoods and give residents more transportation options. For proof of this concept, Montclair need look no further than the city of [Arlington, Virginia](#) (which shares a lot with Montclair as a wealthy suburb of a large metropolitan area), which began encouraging high density development within a quarter-mile radius of its Metro stations in the 1970s. These relatively small patches of upzoning have had outsized benefits: Today, Arlington is known for being among the most affordable places to live in the D.C. area, all the while avoiding tax hikes for single-family homeowners (thanks to the relatively low tax expenditures required of high rise apartment dwellers).



Despite the benefits of TOD and a clear demand for more housing near transit, relatively little development has occurred around most stations in Montclair, with the exception of Bay Street Station. Restrictive zoning around the other stations, including limitations on building height and excessive setback requirements, hinder effective TOD implementation. For example, although some of the land around the stations is zoned to allow mixed-use residential buildings (N-C and C-2), in reality, residential has been sparsely implemented. This could be related to how both zones only allow for mixed-use buildings that are three stories tall and mandate a 20-30 foot setback.⁴¹ In practice, this can make the development of mixed-use buildings infeasible. Furthermore, as seen in figure above, much of the land within a quarter mile of the stations is reserved for single-family and two-family homes.

We believe that by re-zoning certain swatches of land to allow for higher density, Montclair could realize the benefits of TOD without changing the neighborhood character drastically. However, to ensure that development in these areas is feasible, Montclair should also relax height limitations, setback requirements, and minimum lot sizes. Not only will TOD help Montclair unlock the full potential of its transportation infrastructure, but it will allow the township to offer a greater range of housing options to more residents.



Parking Minimums

Reducing construction costs and easing the development of multifamily buildings are critical strategies in improving housing affordability. Many cities around the country have begun to reevaluate parking minimums in an effort to accomplish this goal. Parking minimums are established through local ordinances and set a required number of off-street parking spots for residents and businesses. Montclair currently requires the maximum number of parking spots allowed under the New Jersey Residential Site Improvement Standards (RSIS). The RSIS allows, for example, municipalities to require up to 1.8 parking spots for a 1 bedroom unit in a garden apartment building.⁴² The number of off-street parking spots in RSIS are excessive, and nothing prevents Montclair from implementing parking minimums that are lower than those described by RSIS.

A study from the Rutgers Center for Real Estate found that the average number of cars owned by New Jersey renters is lower than the number of parking spots that municipalities can require under RSIS. The authors found that households in garden apartments own, on average, 1.4 cars, but RSIS allows municipalities to require 1.9 parking spots per unit.⁴³ For high rise apartment buildings, RSIS allows municipalities to require 1.3 parking spots per unit when the average household in this type of building owns 1 car on average. The authors estimate that this increases construction costs by \$13,950, which is then passed on to residents in the form of higher rents. As a result, renters in New Jersey likely pay an additional \$80 per month or \$960 per year due to parking minimums, and rents could fall by 4 percent if parking minimums were reduced to match average rates of car ownership.

Fifty-two percent of Montclair households either have one car or no car at all.⁴⁴ In light of the relatively low rates of car ownership in Montclair, we recommend Montclair eliminate or reduce parking minimums. Cities as diverse as San Francisco, Austin, Buffalo, and Cambridge have all eliminated parking minimums entirely, and countless other cities and towns have reduced their parking minimums.⁴⁵ Importantly, Montclair has the ability to decide how far to go in this regard. If Montclair does not want to eliminate parking minimums throughout the municipality, the township can instead reduce or remove parking minimums within a specified distance, such as a quarter mile, of NJ Transit train stations.

Since each parking space in a parking garage adds between \$20,000 and \$50,000 to costs, lowering the amount of required parking for new residential buildings can bring down costs substantially.⁴⁶ Moreover, reducing parking minimums does not stop developers from building parking if they choose to. By reducing or eliminating parking minimums, Montclair can lower housing costs and allow new parking to be built in proportion to the township's needs rather than according to arbitrary requirements.

Faith-Based Affordable Housing

Today, various religious institutions are taking stock of the land they own and see it as an opportunity to develop affordable housing. Policy makers have begun to identify barriers that prevent these institutions from taking on these projects and have begun drafting and passing legislation to overcome them. Montclair has several churches that are interested in developing affordable housing on church properties, and have just begun exploring the possibilities of doing so.

Hurdles

Many of the barriers that religious institutions face when trying to build affordable housing are the same barriers that prevent affordable housing in general. Zoning ordinances and other regulatory hurdles can pose steep costs to potential developers looking to assist a religious institution. Securing the right approvals and variances can take years to achieve and this delay adds expenses such as property taxes (if the land is purchased), paying for architecture and design work as well as other staffing costs. One study found that these delays on average can make up over 40 percent of a developer's costs when they are trying to build multi-family housing.⁴⁷ Churches like Union Congregation and Saint Marks in Montclair will probably most likely face these challenges, as they are zoned R-1 (single family) and R-3 (Garden Group) respectively. A developer looking to assist these congregations may get deterred by these zoning constraints and stay away from the affordable projects the churches want to pursue.

Another major barrier is local resistance and historic preservation concerns. It is not news that local groups and neighborhoods can be resistant to affordable projects. Churches may face additional hurdles used by locals if the buildings exist under historic protections. Claims of the town's character and symbolism becoming endangered are often used to prevent a building from coming down, but in many cases church attendance is down and clergy believe the land could be put to better use.⁴⁸ In Montclair, a church like Our Lady of Mount Carmel could be burdened with these protections because many of its buildings are within the Pine Street and Miller Street Historic Districts.

A third hurdle is a general lack of capacity and knowledge to build affordable housing. Religious institutions may often find themselves with ample land but not enough cash to develop with. They also often lack the knowledge and experience to develop real estate and must rely on outside help which can be difficult to locate and secure.⁴⁹ While we don't know the financial status of any of Montclair's religious institutions, we suspect all would face this hurdle if they decided to pursue this course of action.

The YIGBY Movement

In an effort to overcome these hurdles after identifying a desire to reuse empty churches for housing, a new group known as YIGBY's have cropped up. YIGBY stands for "Yes In God's Backyard" and focuses primarily on identifying policy and resources to ensure adaptive redevelopment takes place for faith based organizations.⁵⁰ The name is meant to counter the often named "NIMBYs" (not in my backyard) who often oppose such developments. Below we identify legislation, some of which has been enacted and some of which is currently being pursued in order to make affordable housing easier to accomplish for faith-based communities. Due to the novel nature of this movement, we were hard pressed to find a thorough analysis of how effective these changes were in building affordable housing, but we believe being aware of them can better inform Montclair about what the rest of the nation is doing.

In 2019, Washington State passed a law that would enable religious organizations state-wide to build affordable housing using density bonuses.⁵¹ This would help religious organizations navigate outdated zoning laws and build at densities that would ensure the projects were financially solvent. In the fall of 2023, California adopted a law that gave religious and education institutions a right to build affordable housing on land they owned.⁵² In effect, California gives these institutions the authority to override existing zoning restrictions to build multifamily affordable units. The law goes further to also reduce other legislative hurdles such as reduced parking minimums for units built by these organizations. Virginia is currently a bill mirrored after California's that also establishes units are deed restricted for 99 years, ensuring these units built on church land remain affordable for many years.⁵³

Action is also happening at the local level. In 2019, San Diego passed similar ordinances as the statewide bill ensuring that churches in wealthier neighborhoods had the right to build affordable units.⁵⁴ In 2023 Atlanta's mayor launched its faith-based development initiative. While not adjusting any regulations, the initiative made available resources to faith groups such as technical expertise, sources of funding and networking opportunities to engage with communities in a group effort.⁵⁵

At the federal level, Senator Sherrod Brown has proposed the "YIGBY" Act. This bill hopes to provide technical assistance to faith-based organizations and local municipalities to assist building affordable housing. It also looks to provide grant funding to communities that actively pass legislation to help facilitate these developments.⁵⁶

Aside from the public sector, there are not-for-profit resources available to enable houses of worship to develop affordable housing. Large non-profit intermediaries and lenders such as the Local Initiatives Support Corporation (LISC) and Enterprise Community Partners have vibrant technical assistance programs and substantial loan products that may be useful to the churches in Montclair. Technical assistance providers like "Bricks and Mortals" may also be of use as the Montclair Housing Commission works with the churches to do affordable housing.

Recommendations

We recommend that the Montclair Housing Commission continues to look at how other entities have empowered religious organizations to build affordable housing. There is nothing preventing the municipality from adopting ordinances akin to what Washington and California have adopted state wide to make affordable housing more accessible to build by cutting regulations and adopting density bonuses. Furthermore, if Montclair is able to pass meaningful changes and policies, they may become eligible to receive additional grant funding from federal sources if Senator Brown's bill or a similar package is signed into law. We also recommend that Montclair reaches out to non-profits such as Enterprise Community Partners and LISC which may be able to provide further guidance in these endeavors.

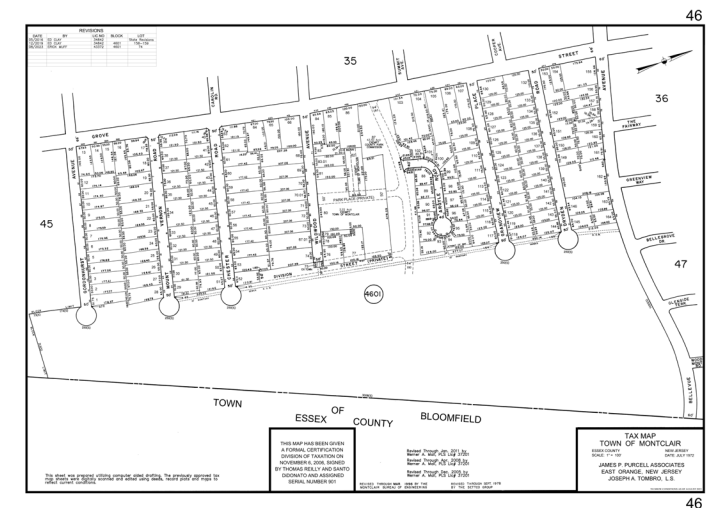


Our Lady of Mount Carmel Church in Montclair. [SOURCE: Diego Jesus Bartesaghi Mena](#)

Site Plans for Parcels Owned by the Township

Parcels owned by the township represent the lowest hanging fruit in terms of their ability to yield affordable housing. Given the affluence of Montclair, it does not have a large stock of publicly-owned sites. It is imperative, however, that Montclair utilize whatever publicly-owned land it has to build affordable housing. We examined two sites owned by the township that are suitable for affordable housing. As they sit today, these parcels are vacant and have been un- or under-utilized by the township for decades. The analysis below will work to reveal opportunities for the municipality and what a possible reimagining of both parcels could be for the municipality. It is meant to be suggestive of future reimaginings of any publicly-owned sites that come into the Township's portfolio

Wildwood Avenue



The first parcel we reviewed and analyzed is located on Wildwood Avenue (Block 4601, Lot 80). This parcel is in Montclair's First Ward and is in an R-1 zoned neighborhood which dictates one family use with a maximum building coverage of 25 percent. It is currently used as a staging area for the township as a tree nursery and to service the adjacent park it abuts. When we visited the site there were two dumpsters on the site. Current zoning dictates aside from requiring single family housing that any structure zoned as R-1 is to have a maximum height of 35' or 2 1/2" stories, a side yard setback of 6 ft for one yard, and a 10 ft setback for the other yard, a 25 ft rear yard setback, along with a 25 ft front yard setback. While examining the parcel and the block it was noted that R-1 single family homes are not what is currently zoned within the area. On the block of Wildwood this site is located on, there are 18 units, and seven of them are duplexes. A couple are shown on the next page.



Duplexes on Wildwood Ave



What this shows is that while the area is zoned for single-family, that is not what is present within the street the parcel currently resides in. The street does not conform to the designated zoning. We therefore recommend amending the current zoning for this parcel. If neighborhood opposition were to be a factor in preventing such an occurrence, given the context of the street a variance request without much opposition can be argued and supported to justify an upzoning for the following parcel among other variance requests.

While looking at current zoning and respecting its setbacks; the property was reimagined as 6 two-family affordable homes as shown in the following figure. The reimagining follows all the currently required setbacks along with the required parking for the property. However, where it differs is that the reimagining is for two-family homes, instead of the single family homes of the R-1. Because the reimagined site follows the setback requirements, and because there are already many duplexes on the block, the reimagined parcel does not deviate from the other homes on the block. It conforms to the look and feel of the block it is on. The rendering opposite shows how the parcel would look and it illustrates a vision that works with its neighbors and does not seem out of the norm or unfeasible for Montclair's first ward. Note that the vacant lot currently does not have a sidewalk, and the introduction of these units would extend the sidewalk through the block and allow for pedestrians to walk more freely.



Reimaginings of the Wildwood site, facing west and east.



New Street

Another parcel we analyzed and reviewed is 53 – 55 New Street (Block 3111, Lots 61 and 62). It is located in the 4th ward. The previous improvements on the land were demolished in 2004, and it has been vacant for the 20 years since then (Figure XXX). The current use clearly does not present the best use for the township. The township has recognized this, and the parcel was in the township’s Redevelopment Plan (Deteriorated Housing Project) enacted in 2007. The site could be redeveloped in a way that is not only beneficial for the municipality, but also the residents of the street who have seen the site sit vacant for an extended period of time.



The site’s surrounding context consists of single-family, two-family, 3-family, and apartment buildings. The parcel, as noted, is part of the township’s redevelopment plan, and is zoned as R-A zone. The current plan advocates that the parcel be adjusted to two 50’ foot wide lots, each to contain two-family homes with accessory parking. It has a height setback of 35 feet (2 ½” stories), a front yard setback of 25 ft, a side yard setback of six feet for one yard and 10 feet for the other yard, a rear yard setback of 25 ft, and a maximum building coverage of 25 percent. While examining the parcel and the block it was noted that while the zoning has a maximum height setback and front yard setback – along with a two-family dwelling requirement – the street does not conform to the current zoning and deviates from it for the entire street. This is evident in the pictures in on the opposite page.



Source: photos by author

For the best use for the parcel, it is recommended the parcel’s zoning is up zoned for more density and height along with variances to its front yard setbacks. In the reimagining of the parcel, the current height setback was amended from 35 ft to 45 ft, the front yard setback was amended from 25 ft to 10 ft, and the designation was changed from two-family to three-family or three story apartment. As a result, the reimagining of the parcel shows 2 three-family affordable homes, and shows the best use for the parcel if the municipality were ever to develop the parcel. The reimagining follows all the other necessary setbacks along with the required parking for the property per its zoning designation despite the three deviations noted earlier. The following site plan and rendering show how the parcel would look and it illustrates a vision that is in line with recently developed parcels in the street while still maintaining a sensitivity to the overall character of the neighborhood. The reimagining of the site shows a development that blends in with its surroundings while addressing the needs of the township and its goal for more affordable housing.





Reimagining of the New Street site

Conclusion

We have tried, in this report, to provide Montclair township with ideas on how to move forward in addressing its current affordable housing needs. The township has seen the displacement of large numbers of people – especially Black residents in the 4th ward – due to the lack of affordable housing available. As our analysis shows while Montclair has more diversity as some might say (non-white), the fact still remains that displacement is present and that is due to a limited housing stock and a supply of affordable housing that is not truly affordable to those that are most in need. The township needs to make strides to address this, otherwise the cycle will continue and the township will be one that is known as exclusionary rather than inclusionary. As this report shows, with some adjustments to the policies that have been created, and the introduction of some new policies, the township can address its needs and build more truly affordable housing. None of the ideas presented are foreign and new; they have been practiced and have shown success elsewhere. If other states and cities have successfully implemented these policies, Montclair can as well. In doing so, it can begin to bridge the gap of supply and demand of affordable housing, and continue to make Montclair the welcoming, inclusive, and diverse community it has historically been.

Endnotes

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