

**ANALYSIS OF
IMPEDIMENTS
Stanislaus County
CDBG Consortium
FY 2009**



09

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I. EXECUTIVE SUMMARY

A. WHAT IS AN AI?

Stanislaus County's diverse population lives in a wide variety of housing and neighborhoods. This Analysis of Impediments to Fair Housing Choice ("AI") examines policies and practices that may limit residents' ability to choose their housing in an environment free from discrimination.

B. OVERVIEW OF THE RESEARCH

A broad array of public and private practices and policies were scrutinized for impediments to fair housing. These include land use, zoning, lending, complaint referrals, advertising, and housing affordability. Local fair housing case activity was evaluated for capacity and impact. Demographic information such as income, housing stock and the geographic concentration of ethnic groups was reviewed.

C. INTRODUCTION

The 2009 Analysis of Impediments to Fair Housing Choice Update ("2009 AI Update") was conducted by Project Sentinel, a regional nonprofit fair housing agency with more than 30 years of fair housing enforcement, education, and evaluation experience. It was funded by the Stanislaus County Department of Planning and Community Development CDBG Entitlement allocation.

The last Analysis of Impediments to Fair Housing Choice conducted for the Stanislaus County CDBG Consortium ("Consortium"), was completed in 2005 ("2005 AI").¹ At that time, however, the Consortium consisted of only the unincorporated areas of Stanislaus County ("County") and two incorporated cities, Oakdale and Patterson. Shortly after the 2005 AI was completed, the Consortium grew to include three incorporated cities: Ceres, Newman, and Waterford. Today the Consortium includes all areas of the County except the four incorporated cities of Hughson, Modesto, Riverbank, and Turlock.

The 2005 AI identified two primary impediments to fair housing choice. The first impediment identified was the shortage of affordable rental housing in general, and particularly for larger families. The 2005 AI noted that very few large multi-family rental units had been constructed in recent years and specifically recommended that the Consortium focus on incentives for the provision of multi-family housing containing three and four bedroom units. This impediment not only remains extant, but has become more pronounced in the last four years.

The second impediment cited was the lack of comprehensive fair housing services and the potential for housing discrimination and predatory housing practices, combined with a general lack of knowledge of fair housing services within the Consortium area. This impediment has been largely addressed and satisfactorily resolved by virtue of the Consortium's annual funding of comprehensive fair housing services. Specific activities undertaken to overcome this impediment are discussed in full in Section 0 of this 2009 AI Update.

¹ Much of the data contained in the 2005 AI remains relevant, since it contains data from the most recent census, and is hereby incorporated by reference.

In addition to the issues addressed in the 2005 AI and the addition of three cities to the Consortium, new areas of analysis include a broad review of the Stanislaus County Housing Authority (“SCHA”), examination of zoning ordinances and reasonable accommodations policies, and the allocation of community development resources.

D. EXECUTIVE SUMMARY

This 2009 AI Update focuses significant attention on the continuing shortfall in affordable rental housing throughout the Consortium, particularly for larger families. This remains the most serious unresolved impediment to fair housing choice facing the Consortium’s six jurisdictions.

Affordability has several aspects. For families fleeing the prohibitively high cost of housing in many Northern California areas, the County is viewed as one of the most affordable areas in the state. In addition, the County’s agricultural roots and closeness to the San Francisco Bay Area, the State Capitol, and Sierra Nevada mountains make the County and Consortium particularly attractive to families.

Conversely, new immigrants, who have accounted for much of the Consortium’s population growth, face a different set of challenges. Many of these residents have lower-paying jobs, larger families with young children, limited English proficiency, and limited education. For them, the County offers great promise, but the lack of housing affordable to low and very low income household’s results in stifling housing cost burdens. The same is true of persons with disabilities, female-headed households, and elderly residents with fixed incomes.

The changed economic circumstances confronting the County, especially as those affecting homeownership and rental housing markets, must be viewed as potential threats to fair housing choice. Clearly, vacancy rates in single-family dwellings have been rising rapidly throughout the County as more and more homes have gone into foreclosure or been abandoned, while the number of properties teetering on the verge of delinquency and default remains high and continues to grow. Home Mortgage Disclosure Act (“HMDA”) and other data sources from 2006 and 2007 strongly suggest that a high proportion of high cost (sub prime) loans were directed toward African-American, Hispanic, and other minority households; and it is likely that these minority groups are now bearing a larger share in the loss of homeownership. It is vital that these households, that have the means to support reasonable mortgage payments, receive the necessary assistance to refinance out of predatory sub prime loans.

The ability of the Consortium to respond to the challenges posed by the current housing crisis combined with the County’s dramatic rise in minority population since 2000 will depend, upon many factors, some within the Consortium’s control and other of a more global nature such as the level and nature of federal assistance. It will be important for the County and the five incorporated Consortium cities to coordinate with other outside entities such as SCHA, private developers, nonprofit organizations, mortgage lenders, and the state. It will also depend on how well the jurisdictions are able to coordinate, integrate, and fairly distribute all available federal, state, and local housing and community development resources. For these reasons, this 2009 AI Update devotes substantial attention to the resources, programs, and activities of SCHA, and to the ways in which the Consortium has utilized available federal, state, and local resources in recent years.

Some of the Consortium jurisdictions offer more incentives for the development of affordable housing than others. Regardless of whether the codes provide inclusionary zoning or additional

density bonuses, since 2005 there has been no construction of affordable multi-family housing, except for a senior housing development in Patterson. With or without the current economic climate of tight credit it appears that the only way for housing to be constructed that is affordable to low and very low income households is with significant subsidies such as donated land fee waivers, and cash.

The review of zoning codes that address the needs of people with disabilities showed no clear impediments. A review of each jurisdictions' definition of family, which speaks to the placement of group homes for those with disabilities, found no discriminatory wording. Likewise, a prohibition or overly burdensome approach to secondary units would discriminate against those with disabilities in that many who benefit from secondary units have disabilities and are very low income. The review of these codes show overall compliance, but that two jurisdictions should consider minor adjustments.

E. RECOMMENDATIONS

1. Affordable Housing

a.) Single Family Housing. All six Consortium jurisdictions should work closely with the SCHFA, private nonprofit housing agencies such as Habitat for Humanity, the state, banks, and other entities currently owning foreclosed properties, and community organizations to formulate a comprehensive plan for maximizing the ways in which the overabundance of vacant single-family properties in the County can be tapped as a potential source of affordable rental and owner occupied housing for moderate, low- and very-low income households. This plan should consider the use of all available financial resources, including but not limited to CDBG and HOME funds, RDA funds, and Neighborhood Stabilization Program funds.

b.) Multi-Family Housing. All six Consortium jurisdictions should continue to keep a focus on the ongoing need for more affordable multi-family rental housing. Moreover, as economic conditions improve and growth returns, the need for more affordable multi-family rental units will also resurface. In this regard, and in light of the potential impact of Measure E in limiting affordable rental housing in unincorporated areas, the five cities in the Consortium, working with the County, should consider and plan for the annexation of unincorporated tracts abutting their boundaries which would be suitable for future residential development.

c.) Zoning Policies. All jurisdictions should give consideration to including inclusionary zoning provisions in their zoning codes, as the City of Patterson has done, and providing incentives for secondary units and other new housing. Except for Waterford, all Consortium cities have adopted density bonus ordinances. Waterford should establish a density bonus program, and all jurisdictions should review existing affordable housing ordinances and offer greater incentives as appropriate.

The Foreclosure Crisis

a.) Mortgage Counseling & Foreclosure Prevention. Under the leadership of the County, all six Consortium jurisdictions should ensure effective resources to assist households in fear of foreclosure. There was insufficient warning to avoid sub prime loans and it is vital that households that have the means to maintain a mortgage receive assistance to negotiate more reasonable conventional loan terms. The Consortium can assist by helping outreach to these communities to inform the general populace of the available mortgage counseling and

intervention services. The Consortium may also consider providing financial assistance to HUD certified agencies that are currently over worked and under staffed. It is also important that mortgage counseling and intervention assistance be available in Spanish as well as English.

b.) All Consortium jurisdictions should link their own deposits and other banking relationships to their banks' performance in lending to minority households, and its willingness to actively engage in loan modification and restructuring wherever possible. The jurisdictions should also work to ensure lender compliance with recent state law requiring servicers to have loan modification plans or else be subject to a three-month stay on foreclosures.

2. Reasonable Accommodations

a.) All Consortium jurisdictions should adopt reasonable accommodations policies to address the special needs of persons with disabilities. These policies should be easy to understand and use, and they should be publicized on the Consortium's websites and to agencies that provide services to elderly and disabled residents.

Identified Impediments and Primary Recommendations		
Category	Impediments to Fair Housing	Recommendations
Affordability	<ol style="list-style-type: none"> 1. Lack of new multi-family housing construction for very low income households. 2. Disproportionate use of housing vouchers in the Consortium area versus other cities. 	<ol style="list-style-type: none"> 1. Develop more incentives for very low income housing development. *Waterford should adopt a density bonus code * All jurisdictions should consider inclusionary zoning. * Set aside subsidies for development of housing for very low income. 2. Seek answer to why the disproportionate use of vouchers and seek means for more balance.
Zoning for Disability Rights	<p>Ceres and Waterford codes may discourage secondary unit development.</p> <p>Codes do not inform those with disabilities that they can request exceptions, such as parking requirements for secondary units.</p>	<p>Seek codes that encourage use of secondary units.</p> <p>Adopt Reasonable Accommodations Policy for Planning Departments.</p>
Foreclosure Crisis	High rate of foreclosures on sub prime loans that are more likely held by minority borrowers.	Assist in the provision of assistance to distressed borrowers.
Fair Housing Services	<ol style="list-style-type: none"> 1. High number of minority and new immigrant households with limited English. 2. Lack of fair housing awareness. 	<ol style="list-style-type: none"> 1. Provide educational literature in Spanish and other appropriate languages. 2. Conduct more outreach to the Consortium communities.

II. PURPOSE & SCOPE OF THE AI

An Analysis of Impediments to Fair Housing Choice is a broad spectrum review of private and public practices and policies which may impact people's ability to choose housing in an environment free from discrimination.

The stated purpose of the AI is to increase housing choice, identify problems, and assemble fair housing information.² The AI:

- Serves as the substantive, logical basis for Fair Housing Planning.
- Provides essential and detailed information to policy makers, administrative staff, housing providers, lenders and fair housing advocates.
- Assists in building public support for fair housing efforts both within entitlement jurisdictions' boundaries and beyond.

HUD requires entitlement jurisdictions to develop action plans to overcome the effects of identified impediments to fair housing choice.³ Therefore, the Analysis of Impediments is the necessary first step in the fair housing planning process.

HUD wants entitlement jurisdictions to become fully aware of the existence, nature, extent, and causes of all fair housing problems and the resources available to solve them. Without this information, an entitlement jurisdiction's Fair Housing Plan ("FHP") could fall short of measurable results. HUD's goal in requiring the production of an AI is to conserve valuable energy and resources while producing efficient and effective fair housing services.

A. INFORMATION GATHERING & ANALYSIS

To assist policy makers, the AI consolidates fair housing information otherwise located in a variety of sources. It also brings together information not otherwise perceived as fair housing related.

This 2009 AI Update is a review of and search for impediments to fair housing choice in the Consortium area. HUD defines fair housing impediments as:

- Any actions, omissions, or decisions taken because of race, color, religion, sex, disability, familial status, or national origin which restrict housing choices or the availability of housing choices, or
- Any actions, omissions, or decisions which have the effect of restricting housing choices or the availability of housing choices on the basis of race, color, religion, sex, disability, familial status, or national origin.

The information sought for conducting an AI includes the following:

- Practices and procedures involving housing and housing-related activities.
- Zoning and land use policies.

² Source: HUD Fair Housing Planning Guide, p. 2-4.

³ Source: HUD Fair Housing Planning Guide, p. 2-1.

- The nature and extent of fair housing complaints, lawsuits, or other data that may evidence achievement of fair housing choice.
- Demographic patterns.
- HMDA data.
- Allegations of discrimination.
- Fair Housing Initiative Program (“FHIP”) grant results.
- Patterns of occupancy in Section 8, public and assisted housing, and private rental housing.

The 2009 AI Update evaluates policies and practices of the Consortium, nonprofit agencies, and private entities for the existence of impediments. In analyzing possible impediments, HUD also requests that entitlement jurisdictions review the number and types of complaints filed with the Department of Justice or private plaintiffs, HUD, and DFEH.

B. ASSEMBLING FAIR HOUSING INFORMATION

The production of the 2009 AI Update involved extensive data collection. HUD does not intend AI’s to be the product of original research. Therefore, Project Sentinel relied primarily on existing data sources throughout the report. Since local governments do not collect data in the same way, different data sources are sometimes used for similar information.

To produce this 2009 AI Update, Project Sentinel reviewed relevant demographic data to identify housing patterns and assess efforts to avoid segregation and isolation. We also analyzed land use and zoning for legality of terminology and fair housing practice. Land use and zoning were also reviewed to identify practices used to promote or inhibit development of affordable housing. We have also reviewed fair housing complaints received by Project Sentinel over the past year throughout the County and Consortium area.

III. DEMOGRAPHIC OVERVIEW

A. THE COUNTY AS A WHOLE

The Consortium is comprised of the unincorporated portions of Stanislaus County and the five incorporated cities of Ceres, Newman, Oakdale, Patterson, and Waterford. In addition, there are 14 unincorporated communities within the County and substantial areas of state and federally controlled lands such as parks, wildlife areas and other public lands.⁴ The County is located just east of the San Francisco/Oakland metropolitan region and northeast of the San Jose/Silicon Valley area. It is bordered by San Joaquin, Calaveras, and Tuolumne counties to the north; Mariposa County to the east; Merced County to the south, and Santa Clara and Alameda counties to the west. Positioned at the heart of California's rapidly urbanizing Central Valley, the entire County is a focal point of an area that many forecasters believe will be the fastest growing region in the State of California over the next decade.

The County as a whole has been one of the fastest growing counties in California. During the 1980s the County's population climbed from 265,900 to 370,522 for a total increase of 39%, compared to 26% statewide (see Figure III-1). Rapid growth continued during the 1990s as the population climbed to 446,997 by the year 2000. Growth is expected to continue over the next 10 years with County population projected to increase to 559,708 by 2010 and 699,144 by 2020.⁵

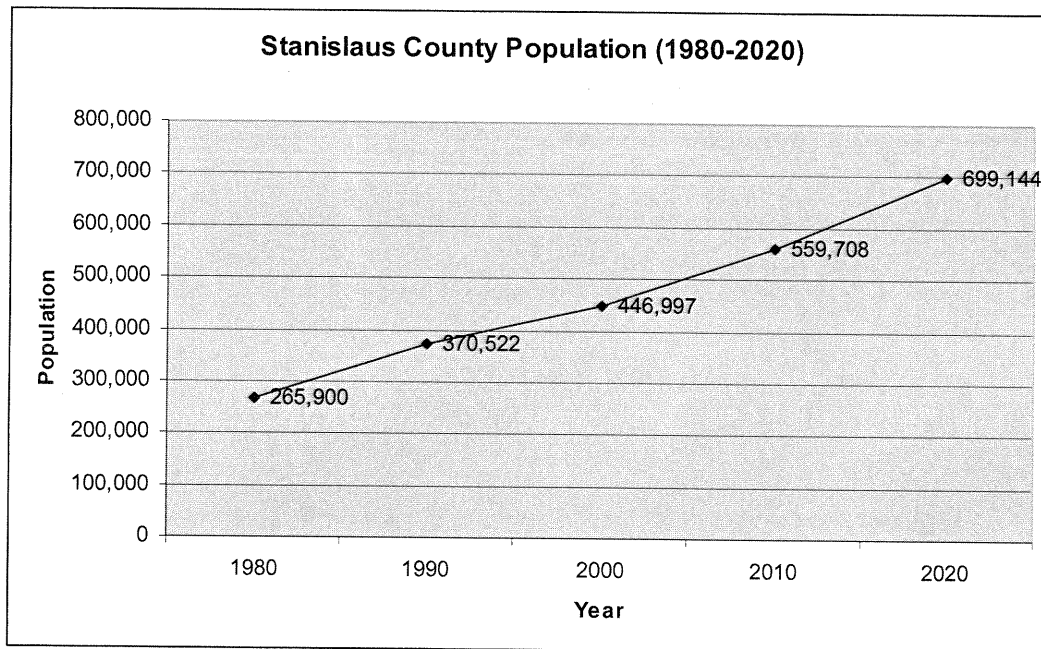


Figure III-1: Stanislaus County Population Projection.⁶

Most of the County's population increase during the 1980s occurred in the nine incorporated cities rather than the unincorporated areas of the County. Whereas the incorporated

⁴ Source: Sacramento Area Council of Governments. Census Designated Places (CDPs) include Bret Harte, Bystrom, Del Rio, Denair, East Oakdale, Empire, Grayson, Hickman, Keyes, Riverdale Park, Salida, Shackelford, Westley, and West Modesto (<http://www.sacog.org/demographics/census/pldata/places/placeco.xls>).

⁵ Source: California Department of Finance.

⁶ Sources: Census 2000; California Department of Finance.

population increased 59%, the population of the unincorporated County increased only 3%. At the same time, the percentage of population living in the incorporated areas increased from 65% in 1980 to 74% in 1990, continuing the shift from rural to urban lifestyles demonstrated in past decades. The Patterson–Salida portions of the planning area captured a significant amount of this growth.⁷

The County's population has continued growing rapidly throughout this decade. The Census 2000 placed the County's total population at 447,000. The California Department of Finance estimated a population of 525,900 as of January 1, 2008. This constitutes a growth rate of 17.7% in less than a decade.⁸

	Stanislaus County		US Avg.		Stanislaus County Population		
	2000	2005–2007	2000	2005–2007	2000	2008	Growth
White	69.3%	72.8%	75.1%	74.1%	446,997	525,903	17.7%
Black	2.6%	2.8%	12.3%	12.4%			
Asian	4.2%	5.2%	3.6%	4.3%			
Hispanic	31.7%	38.2%	12.5%	14.7%			
Foreign Born	18.3%	19.9%	11.1%	12.5%			
Children	31.1%	29.1%	25.7%	24.7%			
Disabled	21.5%	16.9%	19.3%	15.1%			
HH Size	3.0	3.1	2.6	2.6			

Figure III-2: Stanislaus County.

Even more so than was the case from 1990 to 2000, this growth has been primarily attributable to a dramatic increase in the County's minority population (see Figure III-3).⁹ From 2000 to 2005-2007 the White non-Hispanic ("White only") population went from 256,000 to 257,500, a small increase of barely half a percent. At the same time the Hispanic population rose from 141,200 to 193,400, an increase of 37.0%; the Asian population rose from 18,800 to 26,200, an increase of 39.4%; and the African-American count went from 11,500 to 14,000, a 21.7% jump. In 2000 the White only population comprised 57% of the County's population, while Hispanics made up 31.6%, Asians 4.2%, and African-Americans 2.6%. By 2005-2007 the White only population had decreased to 50.8% of the total population, while Hispanics rose to 38.2%, Asians to 5.2%, and African-Americans to 2.8%.

Race/ Ethnicity	Stanislaus County		Population Growth Rate	% of Total Population in 2008
	2000	2005–2007		
White	256,000	257,500	0.6%	50.8%
Black	11,500	14,000	21.7%	2.8%
Asian	18,800	26,200	39.4%	5.2%
Hispanic	141,200	193,400	37.0%	38.2%

Figure III-3: Stanislaus County Population Growth Rate.

⁷ Source: 2005 AI.

⁸ Sources: U.S. Census 2000; California Department of Finance.

⁹ Source: U.S. Census Bureau, American Community Survey 2005–2007 ("ACS").

B. PREVIOUS CONSORTIUM CITIES

The cities of Oakdale and Patterson have been part of the Consortium since 2000. During that period, both cities have experienced substantial growth in population, and each currently has a population near 20,000. However, there are noticeable differences between the two cities. While Patterson's racial and ethnic composition closely resembles that of other Consortium communities, Oakdale's population has been and remains predominantly White non-Hispanic.

1. Oakdale

The City of Oakdale is located in the northeast portion of the County, at the intersection of State Highways 108 and 120 on the south bank of the Stanislaus River, 20 miles from the county seat of Modesto. In 1990, Oakdale contained 2,544 acres, 43% residential, 6% commercial, 25% industrial, and 26% open space or public facilities. Residential growth has occurred on the east and west sides of the city, industrial on the south side, and commercial along highways 108 and 120. Of all the Consortium cities, Oakdale had the most rapid 2007–2008 population growth rate, increasing from 18,538 to 19,337 (4.3%).¹⁰ (See Figure III-4.) Oakdale has a much lower percentage of Hispanics (20.1%) than other Consortium cities or the County as a whole (31.7%), and no other single racial group accounts for more than 1.2% of the population. Oakdale's average household size of 2.73 persons per household ("pph"), proportion of children, and foreign born population are much closer to U.S. averages than other parts of Stanislaus County.¹¹

	Oakdale		US Avg.		Oakdale Population		
	2000	2005–2007	2000	2005–2007	2000	2008	Growth
White	83.8%	N/A	75.1%	74.1%	15,503	19,337	24.7%
Black	0.5%	N/A	12.3%	12.4%			
Asian	1.2%	N/A	3.6%	4.3%			
Hispanic	20.1%	N/A	12.5%	14.7%			
Foreign Born	9.9%	N/A	11.1%	12.5%			
Children	28.9%	N/A	25.7%	24.7%			
Disabled	24.3%	N/A	19.3%	15.1%			
HH Size	2.73 pph	N/A	2.6 pph	2.6 pph			

Figure III-4: City of Oakdale.

2. Patterson

The City of Patterson is in the western County on State Route 33 midway between the San Joaquin River and Interstate 5. In 1990, Patterson contained 736 acres, 77% residential, 8% commercial, 14% industrial, and the remaining 1% planned development. New growth has occurred on the west side of the city. In 2000, the population of Patterson was 11,606; by 2008, the population nearly doubled to 21,229; however, with a 2007–2008 population growth rate of only 2.2%, it appears that city's growth rate is slowing.¹⁰ Census 2000 indicates that 57% of Patterson residents are Hispanic. Racially, the city is comprised of 55.7% White, 2.1% Asian, 1.9% African-American, and 1.5% Native American. More than one-third (36.4%) are children;

¹⁰ Source: California Department of Finance.

¹¹ Sources: Census 2000; ACS.

25.3% are foreign born; and the average household size is 3.62 pph. All of these figures are much higher than U.S. averages.

	Patterson		US Avg.	
	2000	2005–2007	2000	2005–2007
White	55.7%	N/A	75.1%	74.1%
Black	1.9%	N/A	12.3%	12.4%
Asian	2.1%	N/A	3.6%	4.3%
Hispanic	57.0%	N/A	12.5%	14.7%
Foreign Born	25.3%	N/A	11.1%	12.5%
Children	36.4%	N/A	25.7%	24.7%
Disabled	17.5%	N/A	19.3%	15.1%
HH Size	3.62 pph	N/A	2.6 pph	2.6 pph

Figure III-5: City of Patterson.

3. Ceres

The City of Ceres is located in along State Route 99, southwest of Modesto. The two cities are separated by the Tuolumne River. In 2000, the total population was 34,609 but, like many other communities in the County and the Central Valley, Ceres has grown considerably (see Figure III-6). By 2008, the population had grown to 42,813, with a one-year growth rate of 2.5%.¹² A slight majority of Ceres residents identify themselves as Hispanic (50.9%). Racially, the population is 55.5% White, 4.7% African American, and 7.3% Asian (the remainder identify with more than one race or another racial group).¹³ The American Community Survey (“ACS”) also indicates that, compared to U.S. averages, Ceres has a higher proportion (31.4%) of children, persons with disabilities (17.9%), and foreign born residents (24.7%). The average household size (3.6 pph) is also substantially higher (38.5%) than the U.S. average (2.6 pph) and 16% higher than the rest of the County.¹⁴

	Ceres		US Avg.	
	2000	2005–2007	2000	2005–2007
White	64.5%	55.5%	75.1%	74.1%
Black	2.7%	4.7%	12.3%	12.4%
Asian	5.0%	7.3%	3.6%	4.3%
Hispanic	37.9%	50.9%	12.5%	14.7%
Foreign Born	19.0%	24.7%	11.1%	12.5%
Children	34.4%	31.4%	25.7%	24.7%
Disabled	23.2%	17.9%	19.3%	15.1%
HH Size	3.3 pph	3.6 pph	2.6 pph	2.6 pph

Ceres Population		
2000	2008	Growth
34,609	42,813	23.7%

Figure III-6: City of Ceres.

¹² Source: California Department of Finance.

¹³ Source: ACS. (Project Sentinel’s experience in gathering demographic data suggests that Hispanics and persons of Middle Eastern origin are more likely not to identify themselves as “White” because they do not identify with the “majority” population.)

¹⁴ ACS data are available only for communities with Census 2000 populations greater than 20,000; thus, ACS data are available only for the County and Ceres.

4. Newman

The City of Newman is located in the southeast portion of the County on State Route 33, approximately 25 miles south of Modesto, the County seat. In 2000, Newman occupied 1.4 square miles and had a population of 7,093. Newman's population growth rate (3.2% in 2007–2008) has exceeded that of the state and County (see Figure III-7).¹⁵ As of July 1, 2008, Newman's population was estimated at 10,586. According to Census 2000, Hispanics comprise 51.43% of the population. Racially, the population is 60.8% White; no other racial category accounts for more than 2% of the total population, although more than a third of residents identify with some other race or more than one race. Census 2000 data reveal that 35.3% of Newman's population are children, compared to the U.S. average of 24.7%. In addition, 26% of Newman residents are foreign born, compared to the U.S. average of 11.1%.

	Newman		US Avg.		Newman Population		
	2000	2005–2007	2000	2005–2007	2000	2008	Growth
White	60.8%	N/A	75.1%	74.1%	7,093	10,586	49.2%
Black	1.3%	N/A	12.3%	12.4%			
Asian	1.8%	N/A	3.6%	4.3%			
Hispanic	51.4%	N/A	12.5%	14.7%			
Foreign Born	26.0%	N/A	11.1%	12.5%			
Children	35.3%	N/A	25.7%	24.7%			
Disabled	18.2%	N/A	19.3%	15.1%			
HH Size	3.4	N/A	2.6	2.6			

Figure III-7: City of Newman.

5. Waterford

The City of Waterford is located on State Route 132 on the banks of the Tuolumne River, approximately 13 miles east of Modesto, the County seat. Waterford is the smallest of the Consortium cities, with a 2008 population of 8,763; however, the city's one year 2007–2008 growth rate of 2.5% (and total population growth of more than 26% since 2000) is nearly double that of the County as a whole (see Figure III-8).¹⁶ Racially, the city is comprised of 72.2% White, with no other single race accounting for more than 1.5% (24.9% are of more than one race or some other race). Hispanics account for the 35.4% of the city's population. Children make up 36.4% of the population, and the average household size is 3.47 pph. In 2000, 16.1% were foreign born, and 21.2% were disabled.¹⁷

¹⁵ Source: California Department of Finance.

¹⁶ Source: California Department of Finance.

¹⁷ Source: Census 2000.

	Waterford		US Avg.		Waterford Population		
	2000	2005–2007	2000	2005–2007	2000	2008	Growth
White	72.2%	N/A	75.1%	74.1%	6,924	8,763	26.6%
Black	0.5%	N/A	12.3%	12.4%			
Asian	0.8%	N/A	3.6%	4.3%			
Hispanic	35.4%	N/A	12.5%	14.7%			
Foreign Born	16.1%	N/A	11.1%	12.5%			
Children	36.4%	N/A	25.7%	24.7%			
Disabled	21.2%	N/A	19.3%	15.1%			
HH Size	3.5	N/A	2.6	2.6			

Figure III-8: City of Waterford.

C. THE CONSORTIUM AS A WHOLE

Demographics for the geographic area comprising the current Consortium are revealing. While the Consortium, in its present form, did not come into existence until 2005, some useful comparative analysis is possible by subtracting the 2000 and 2005–2007 data for Modesto, Turlock, Riverbank, and Hughson from the countywide data.¹⁸ Using this approach, the current Consortium area had a total population of 182,500 in 2000. Of this total, 100,000 were White only (54.8%), 67,700 were Hispanic (37.1%), 4,700 were Asian (2.6%), and 3,000 were African-American (1.6%). Thus, in 2000 the White only population was a somewhat smaller percentage of the current Consortium area than it was of the County as a whole (as were Asians and African-Americans), while Hispanics were a considerably larger percentage of the current Consortium area than they were of the County as a whole.

By 2005–2007 the population of the Consortium area had grown from 182,500 to 208,300. This amounts to an increase of 25,800 (14.2%), exceeding the growth rate for the County as a whole in the same period.¹⁹ The White only population, however, actually declined to 98,600 (47.3% of the total), while the Hispanic, Asian, and African-American populations all increased. Hispanics rose to 90,700, a growth rate of 34%, to comprise 43.5% of the total Consortium area population. Asians and African-Americans increased by 3,300 and 1,600, growth rates of 70% and 53.3%, to comprise 3.8% and 2.2% of the total Consortium area population, respectively. While the three largest minority groups accounted for 46.2% of the County's total population, they constituted 49.5% of the Consortium's population.

It is also interesting to note the distribution of population within the Consortium area itself. Based on the January 1, 2008, California Department of Finance estimate, the five participating cities of Ceres, Newman, Oakdale, Patterson, and Waterford had a combined population of 102,700 (47.2%), while the unincorporated area of the Consortium had a population of 115,100 (52.8%). By comparison, in 2000 the five cities had a combined population of 75,600 (41.4%), while the unincorporated area of the County had a population of 106,900 (58.6%). Clearly, the five cities have been growing at a much faster pace than the unincorporated area of the County (see Figure III-9).

¹⁸ Sources: Census 2000; ACS.

¹⁹ Source: ACS.

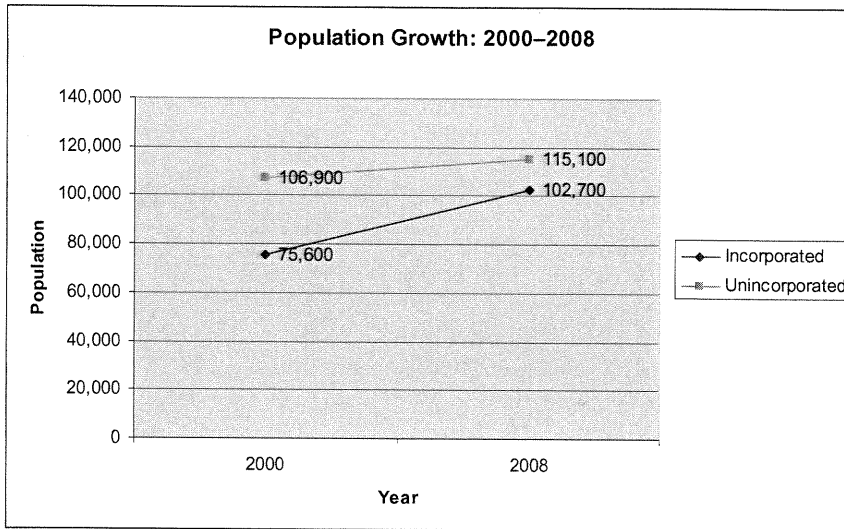


Figure III-9: Population Growth in Consortium Area, 2000–2008.²⁰

These population trends will be used to analyze the allocation of CDBG, public and assisted housing, and other resources within the Consortium.

²⁰ Source basis: California Department of Finance.

IV. HOUSING PROFILE

A. HOUSING INVENTORY

Housing in the County is similar to other Central Valley counties whose towns were established around farming centers that are since outgrown. The oldest houses were built over 100 years ago, and many houses have been enlarged upon. The County's oldest neighborhoods correspond to the lowest income areas and have the greatest concentration of minority populations. Figure IV-1 lists housing units in the Consortium area, with many needing rehabilitation to correct hazardous conditions and to extend their useful life.

Jurisdiction	Total Population	Total Housing Units	Occupied Housing Units	Percent Vacant (2000)	Percent Vacant (2007 Est.)
Ceres	34,609	10,773	10,435	3.10%	6.90%
Newman	7,093	2,176	2,079	4.50%	8.24%
Oakdale	15,503	5,803	5,610	3.40%	6.22%
Patterson	11,606	3,262	3,146	3.60%	6.59%
Waterford	6,924	2,080	1,990	4.30%	7.87%
Unincorporated	108,182	34,499	32,763	5.03%	9.21%
Total Served	183,917	58,593	56,023	4.70%	8.60%
Total County	450,976	150,346	144,699	3.76%	6.90%

Figure IV-1: Housing Vacancy Rates in Consortium Area.²¹

For the County as a whole, the California Department of Finance reported an estimated 153,262 dwelling units as of January 1, 2001 (see Figure IV-2). Of these, 127,322 (83.1%) were single-family dwellings (including detached, attached, and mobile homes), while 25,940 units were in multi-family structures of two or more dwellings (16.9%). Seven years later, the same source estimated that as of January 1, 2008, the total number of housing units in the County had risen to 176,622, of which 149,043 were single-family dwellings (84.4%) and 27,579 (15.6%) were dwellings in structures of two or more units. In short, notwithstanding an explosion in population—well over 60,000 during this period—in the minority community (i.e., among those groups most likely to be housing cost burdened and in need of affordable rental units), the County's total supply of units in multi-family structures increased by only 1,619 dwellings, or 6.2% while single-family units increased by 21,171, or 17.6%.

²¹ Sources: Census 2000; ACS. Ceres and Total County vacancy rates are reported in the ACS. Estimates for other jurisdictions were determined by multiplying 2000 vacancy rates by 83% (the percentage increase during the period for the County as a whole).

B. MULTI-FAMILY VS. SINGLE-FAMILY HOUSING

	Housing Inventory		% of Total	
	2001	2008	2001	2008
Single-Family	127,322	149,043	83.1%	84.4%
Multi-Family	25,940	27,579	16.9%	15.6%
Total	153,262	176,622	100.0%	100.0%

Figure IV-2: Housing Inventory, Stanislaus County (Entire County).²²

As problematic as these countywide figures appear to be from the standpoint of affordable multi-family rental housing, the data from within the Consortium area are equally troubling (see Figure IV-3). When the housing stock data from the four cities of Modesto, Turlock, Riverbank, and Hughson are removed from the County figures, the numbers are as follows. In 2001 there were 59,148 housing units in the (future) Consortium area. Of these, 54,260 (91.7%) were single-family dwellings, and 4,888 (8.3%) were dwellings located in multi-family structures of two or more units. By 2008 these figures were, respectively, 69,545 total units, 64,207 single-family dwellings (92.3%), and 5,338 dwellings in multi-family structures (7.7%).

	Housing Inventory		% of Total	
	2001	2008	2001	2008
Single-Family	54,260	64,207	91.7%	92.3%
Multi-Family	4,888	5,338	8.3%	7.7%
Total	59,148	69,545	100.0%	100.0%

Figure IV-3: Housing Inventory, Stanislaus County (Consortium Area).²³

Nor are the figures uniform within the Consortium area. In the five incorporated cities of Ceres, Newman, Oakdale, Patterson, and Waterford, dwellings in multi-family structures accounted for 14.5% of all housing units in 2001, and 12.2% in 2008. However, in the unincorporated area of the Consortium, still the majority of the total population within the Consortium, the figure was 3.8% (1,334 units) in 2001 and 3.7% (1,389 units) in 2008.

C. HOUSING CONDITION

Many lower income families are forced, due to cost and market conditions, to live in housing units that are substandard or too small for their families. There are few alternatives that these families can afford. Overcrowding of housing units and the long waiting lists for assisted and below-market rate units indicate that there is a lack of affordable housing units within the County. Moderate income persons are not moving up into more costly units, which would allow lower income persons to move into their former dwellings.

The age of housing in the Consortium area is an important characteristic because it frequently indicates the relative condition of housing. Many state and federal programs use age of housing to determine housing needs and the availability of funds for housing and community development. The design life for major components of an average quality house structure ranges from 20 to 30 years for components like roofing, plumbing, and electrical. The replacement or major refurbishing of such components within that time frame normally should be undertaken in

²² Source: California Department of Finance.

²³ Source: California Department of Finance.

order to maintain a decent and safe place to live. In contrast, housing units less than 20 years of age are not likely to require major rehabilitation or improvements. Census data indicate that nearly 60,000 units in the County were built prior to 1970 (see Figure IV-4). The cost of private housing rehabilitation often exceeds the selling price of the rehabilitated unit, particularly in lower income neighborhoods, further discouraging homeowners from maintaining or upgrading their homes.

Jurisdiction	No. of Structures		
	Before 1980	After 1980	% Pre-1980
Ceres	4,939	5,864	45.72%
Newman	974	1,217	44.45%
Oakdale	3,431	2,418	58.66%
Patterson	1,347	1,886	41.66%
Waterford	912	1,199	43.20%
Unincorporated	24,308	10,072	70.70%
Consortium	35,911	22,656	61.32%
County (All)	91,119	59,688	60.42%

Figure IV-4: Year Structures Built.²⁴

According to a 2003 survey assessing the condition of 11,000 single-family and multi-family dwellings in the unincorporated areas, 5,000 (45.5%) were in need of rehabilitation.²⁵ Less than 1% (0.5%) were determined to be dilapidated. Bret Harte, Shackelford, and North Ceres had the highest number of homes in need of rehabilitation. The number of renters living in substandard housing is a source of concern, particularly with respect to very low- and low-income renter households. There appears to be a direct link between overcrowding and housing affordability. Homeowners or renters with large families are unable to afford larger dwellings. Consequently, children typically comprise the largest percentage of people living in substandard conditions.

Since 2005 the County has provided major and minor rehabilitation for 138 homes. Oakdale reported providing such assistance to all 26 of its public housing units and 1 private home since joining the Consortium. The cities of Newman, Patterson and Waterford provided rehabilitation funds for 7, 2, and 2 homes, respectively.

²⁴ Source basis: Census 2000.

²⁵ Source basis: Stanislaus County Housing Element, 2003.

Subsidized Housing and Related Housing Authority Programs

The Stanislaus County Housing Authority (“SCHA”) is a nonprofit, public corporation, committed to addressing the unmet housing needs of residents and communities in Stanislaus County, except for the City of Riverbank, through the provision of housing, economic development, and community development. The primary objective of the SCHA is to provide decent, safe, sanitary housing for very low-income and low-income families at an affordable price. SCHA has the responsibility of planning, financing, constructing, purchasing, and managing properties using a variety of housing programs. A citizen’s commission appointed by the Stanislaus County Board of Supervisors governs the SCHA.

1. Subsidized Housing Stock

The SCHA currently administers 1,612 properties (see Figure IV-5), of which 647 are “conventional” public housing units, 371 are “private stock,” 20 are mobile homes, and 574 are housing units for permanent and migrant farm laborers.²⁶

Housing Authority Properties	
Type of Housing	Units
Conventional Public Housing	647
Private Stock	371
Mobile Homes	20
Migrant/Farm Labor	574
Total	1,612

Figure IV-5: SCHA-Administered Housing Units.

Although SCHA did not specify their locations, it seems reasonable to assume that most if not all of the farm labor units are in the County’s unincorporated area. Of the 647 units categorized as conventional public housing, SCHA indicated that 48 are located in Ceres, 30 in Patterson, 26 in Oakdale, and 16 in Newman (see Figure IV-6). There are no conventional units in Waterford. Twenty conventional units are located in the unincorporated part of the County in an area known as Westley. Thus, with respect to the 647 units that the SCHA defines as conventional, 120 are located within the Consortium area (18.5%). SCHA did not identify the location of either the 371 units in its private stock or its 20 mobile homes.

²⁶ Source: SCHA Response to Project Sentinel Question B.1.

Conventional Units in Consortium Area	
Ceres	48
Newman	16
Oakdale	26
Patterson	30
Waterford	0
Total	120

Figure IV-6: SCH A-Administered Units in Consortium Area.

2. Housing Choice Program

The Housing Choice Program, previously and still commonly known as the “Section 8 Program,” provides financial assistance to low-income households by paying a portion of the monthly rent directly to property owners. The Housing Choice voucher program is the largest assistance program administered by the SCH A. The voucher program permits families to select their own units from available private housing stock. There is no limit on the rent for the unit a family selects. However, the rent charged by the owner must be reasonable in relation to the rent charged for comparable unassisted units. Assistance is equal to the difference between the tenant contribution (30 percent of adjusted income) and the payment standard. If the family selects a unit renting for more than the payment standard, the family pays the excess. Its rent to income ratio would then exceed 30 percent of adjusted income. If the family selects a unit renting for less than the payment standard, it, in effect, keeps the difference by paying a lower percentage of its income for rent.

SCH A states that it administers a total of 3,990 Housing Choice vouchers and certificates, of which 3,928 are currently in use (see Figure IV-7). Of this total, 3,295 are presently being used within the city limits of Modesto, Turlock, Riverbank, and Hughson, the four cities not part of the Consortium. This leaves a total of 633 vouchers and certificates in use within the Consortium (16.1%), of which 563 (14.3%) are in use in the five incorporated towns, and 70 (1.8%) in the Consortium’s unincorporated area.²⁷

Distribution of In-Use Housing Choice (Section 8) Vouchers		
Non-Consortium Cities	3,295	83.9%
Consortium Cities	563	14.3%
Consortium Unincorporated Areas	70	1.8%
Total	3,928	100.0%

Figure IV-7: Housing Choice (Section 8) Voucher Distribution.

²⁷ Source: SCH A Response to Project Sentinel Question B.3.

According to the California Department of Finance's 2008 estimate, the geographic area comprising the Consortium constituted 41.4% of the County's total population. It thus is clear that the Consortium's share of public and assisted housing, especially Housing Choice vouchers, is significantly below what might be expected. Why this is so is not clear. It may be that eligible low- and very low-income residents outside the County's larger cities are less aware of assisted housing opportunities provided by SCHA. It may be that fewer private landlords are willing to accept Housing Choice certificates and vouchers within the Consortium generally, and the unincorporated area of the Consortium in particular. Whatever the reasons, the County and the SCHA, going forward, should seek to infuse a much greater share of any new housing assistance resources into the Consortium area.

Senior Housing

Las Palmas Senior Housing in Patterson consists of 24 newly constructed one bedroom apartments for seniors and disabled. The complex is centrally located in Patterson near shopping, the I-5 highway and the future Patterson Senior Center.

3. SCHA Support Programs

SCHA maintains six community centers located at SCHA sites scattered throughout Stanislaus County: Modesto, Turlock, Westley, Oakdale, Patterson, and Empire. Operations for these community centers are supported by federally funded grants for public housing programs. Each site offers a variety of services specifically for public housing residents. The benefits of these community centers are also extended to voucher holders and local community residents who do not reside in public or assisted housing. Programs, activities, and supportive services vary from location to location. All sites offer services to youths, adults, and families. All services provided are free of charge. Below is a summary of the excellent programs, activities, and supportive services currently offered through SCHA.

a.) Family Self-Sufficiency Program

The Family-Self Sufficiency Program ("FSS") is a voluntary program offered only to public housing residents and voucher participants willing to become economically self-sufficient and free of government assistance, and ultimately to become first time homeowners. Participants enrolled in the FSS program work with a case manager to create a five year contract plan with goals and objectives that lead to the successful completion of the program and the purchase of a home. These participants receive one-to-one mentoring to develop their plan and to resolve any problems they might have regarding credit or other barriers to purchasing a home.

Successful participants are ones that establish an escrow account to be used as down payment on a home. Escrow accounts are established when residents have public housing rent increases due to an increase in income. The escrow account is a savings account set up by SCHA in the public housing resident's name. Monthly deposits are made by SCHA in amounts relative to the increased rent amount. FSS participants who are employed and free from cash welfare assistance for 12 months will receive the balance in the escrow account upon completion of the FSS program.

Successful FSS graduates may be eligible for HUD-approved funds. SCHA will match the final escrow at a ratio of three dollars to one, up to \$10,000, if one of the graduate's goals is successful homeownership. Twenty-three families, of which one was in Denair (i.e., within the

Consortium), have successfully graduated from this program and have purchased homes since 1997.

b.) Supportive Services

One-on-one paperwork and application assistance. Clients are assisted with applications for housing assistance or other programs and services offered by SCHA. Staff also assists clients with paperwork and applications they need for other services they are seeking in the county, such as utility programs that offer discounts to low income families, health insurance applications, applications for disability or social security benefits, requests for child care services, student financial aid applications, and applications to local vocational-technical, community colleges and universities.

Copy and fax services. Free copy and fax services to clients as needed for housing eligibility, community supportive services, medical, DMV, employers, and potential employers.

Staff assists clients in English, Spanish, and Cambodian.

c.) Adult Educational Services

GED and ESL classes are offered on-site to public housing residents, voucher holders, and local unsubsidized residents.

d.) Employment Training Opportunities

In partnership with the Alliance Network, clients are referred to various job training opportunities. In addition, these community centers serve as training sites for many individuals participating in community service activities, work experience, and on the job training assignments.

e.) Computer & Technology Services

Computer training classes and individualized computer training modules are offered to public housing, Housing Choice voucher holders, and local unsubsidized residents. Class topics include: Basic Computer Skills; Basic & Intermediate Word; Basic & Intermediate Excel; Internet Basics; PowerPoint; Basic & Intermediate Access; and Windows. These classes are instructor led.

SCHA staff are available on site to assist clients in a technology lab. Staff assists clients with online applications; resume writing, Internet research, and troubleshooting basic user issues.

f.) Youth Services

After school recreation programs are offered in conjunction with local police departments in Modesto, Oakdale, Patterson, and Westley. Recreational and educational enrichment activities are offered on a daily basis to all youth who wish to attend and are between the ages of 5 and 17. Youth do not have to be SCHA residents to participate in activities provided free of charge at housing recreation centers. Typically centers operate to provide a safe haven for youth during the hours of 3:00–6:00 PM. Some of these sites participate in the “Free Lunch” Program. Youth from 0–18 are eligible to participate.

Youth activities vary by site. Activities include homework assistance, reading programs, technology classes, arts and crafts, sports, safety awareness education, and field trips.

g.) *Working with Law Enforcement*

SCHA currently contracts with the Stanislaus County Sheriff's Department and the Modesto Police Department to deploy law enforcement officers at scattered sites located throughout the County. In addition to law enforcement, SCHA officers provide youth and adult residents with valuable safety education programs. Areas of education include parenting, gang prevention, drug awareness, identity theft, bicycle safety, etc.

SCHA and the agencies, departments, and organizations working with it in each of these support programs must be commended for promoting this broad range of actions which, collectively, assist very low- and low-income households in improving their quality of life.

V. AFFORDABILITY

A critical housing need is the maintenance and expansion of affordable housing for all economic groups in Consortium communities. A shortage of affordable housing can impact fair housing choice. Families with children, especially those of color, immigrants, single-parent households, elderly, and persons with disabilities bear a disproportionate burden from a shortage of affordable housing. This is due to the constraints on housing opportunities because of income limitations.

A. *COST BURDEN & SEVERE COST BURDEN*

A household paying more than 30% of its income on all housing costs (including utilities) is considered to be cost burdened. A household paying more than 50% of its income for housing is considered to be severely cost burdened. In 1990, the median gross rent in the County was \$482. By 2000, this figure had doubled, and in 2005, the average rent was estimated to be \$1,200.²⁸ This rise in rent relative to income most severely impacts the elderly, large families, and the poor.

As noted above, the cost of rental housing has risen significantly in the County in the past two decades, as the population has increased dramatically without a corresponding increase in rental housing supply. Within the Consortium area this cost burden is exacerbated by the very limited supply of conventional public housing units and the small number of Housing Choice vouchers and certificates within the County's unincorporated area.²⁹

Data from the 2000 Census and ACS reflect the increasing housing cost burden throughout the County, both in general, and with respect to rental housing in particular. The 2000 Census reported that as of 1999, 28.7% of owners spent 30% or more of their income on housing costs, whereas 42.8% of renters devoted 30% or more of their income to rent. By 2005–2007, the percentage of owners expending more than 30% of their income on housing costs had risen to 39.6%. For renters, this figure had jumped to an alarming 54.4%.

Cost Burdened Owners & Renters in Stanislaus County		
	Census 2000	ACS 2005–2007
Owners	28.7%	39.6%
Renters	42.8%	54.4%

In 2000, 31.4% of the (then) Consortium's residents had a cost burden of more than 30%, and 13.4% of residents had a cost burden of 50% or more. According to the 2000 Comprehensive Housing Affordability Strategy ("CHAS") Data Report, a total of 34.2% of renters were found to be overpaying, while 29.9% of owner households were overpaying. Every city had a cost burden percentage higher than 30%, for both renters and owners. The city with the highest percentage of cost burdened households was Ceres at 41.9% and of severely cost burdened households at 21%. At 33%, Patterson had the highest percentage of cost burdened owners.

²⁸ Source: 2005 Consolidated Plan Update ("CP5") p. 29

²⁹ Source: Stanislaus County 2007–2012 Consolidated Plan ["CP7"] p. 16

Data from the 2000 Census also shows that, out of 145,200 occupied housing units in the County, owners occupied 89,900 (62%), while renters occupied 55,300 (38%). ACS data shows that in 2005–2007 there were 158,800 occupied housing units in the County. Of these, 101,500 (64%) were owner occupied and 57,300 (36%) were renter occupied (see Figure V-1). In short, during a period when the County’s population was undergoing a dramatic increase, almost all of it comprised of minorities more likely to be low- and very low-income renter households, the supply of rental housing units of all types, single-family as well as multi-family, increased by only about 2,000 units, or barely 3.6%. The implications of this data on rental housing cost are obvious. As demand increases and supply remains relatively unchanged, housing costs rise.

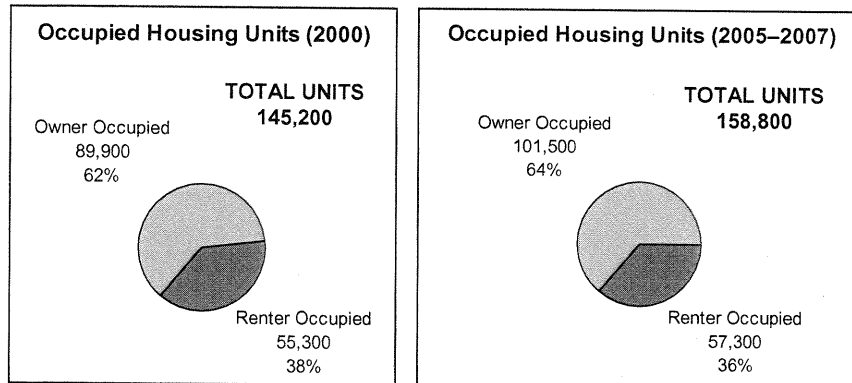


Figure V-1: Owner Occupied and Renter Occupied Housing Units.

While data is unavailable on the exact percentage of income renters are paying within the Consortium, it is reasonable to argue, given the limited availability of affordable private rental housing and of public housing units and Housing Choice certificates and vouchers in use in the Consortium, that the cost burden is even greater there.

B. HOUSEHOLD SIZE

Within the Consortium, the pressure placed on the available affordable rental housing stock is further exacerbated by the average household size (see Figure V-2). The Consortium has acknowledged this in numerous places, including its 2005 Consolidated Plan Update (“CP5”). That document states that the average household size within the Consortium is considerably larger than in the County as a whole, and goes on to note that “large related households” comprise 43% of the population in the entire Consortium area, 49% of the population in Patterson, and more than 50% of the population in Newman and Waterford.³⁰ While a substantial portion of these households resides in owner-occupied single-family dwellings, many are lower income renters and Hispanic or other minorities. For them, the lack of larger (3 and 4 bedroom) affordable rental units constitutes both a cause of overcrowding and a significant cost burden. As previously noted, average rent increased from \$485 in 1990 to over \$1,200 in 2005;³¹ average rent on the limited supply of larger (i.e., 3 and 4 bedroom) rental units would, presumably, be higher still.

³⁰ Source: CP5, pp. 27-28

³¹ Source: CP5, p. 29.

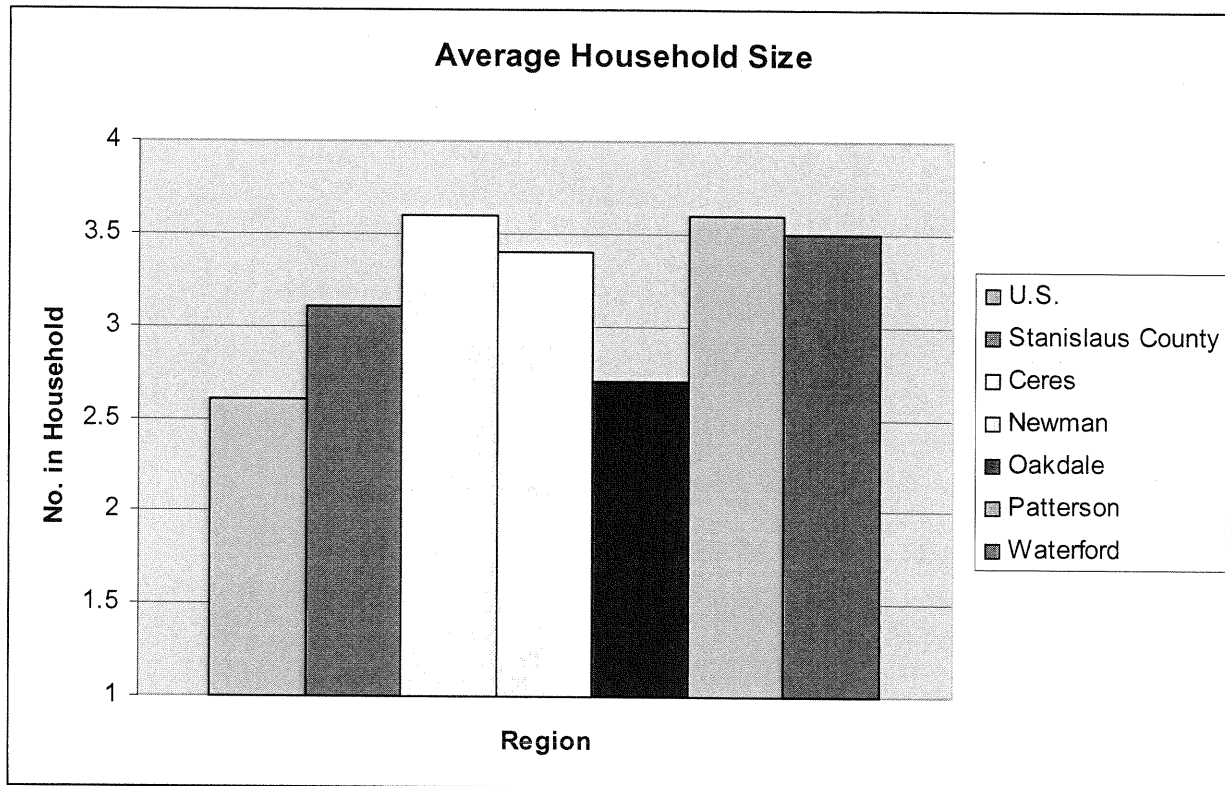


Figure V-2: U.S., Stanislaus County, Consortium Cities Average Household Size.³²

The impact of household size appears even greater in the unincorporated area of the Consortium. For example, CP5 identified both the average household size and Hispanic population percentage in three neighborhoods outside Modesto. West Modesto had an average household size of 3.89 pph and a 35% Hispanic population; Bret Harte had a household size of 4.49 pph and a 45% Hispanic population; and Shackelford had an average household size of 4.25 pph with a 42% Hispanic population.³³ By comparison, the average household size for the County as a whole was 3.18 pph in 2003.

C. A CHANGING HOUSING CLIMATE

The dramatic downturn in the housing market in this country in the past two to three years, which has accelerated with the more recent severe economic recession and financial and credit crisis, appears to be having a significant impact on housing in Stanislaus County. While vacancy rates in the County have historically been at or below State and national levels, it appears that more recently they have been rising rapidly, as have the number of abandoned and foreclosed homes. Limited data and information provided from the County and the participating cities would appear to confirm this trend. For example, the city of Patterson reported 639 vacant single-family units as of January 1, 2009. This represents more than 10% of the city's entire stock of housing units.³⁴ The City of Newman stated that it had 553 vacant single-family units out of a total of 3,357, an astounding 16.5% vacancy rate.³⁵ And, while not reporting precise

³² Source: Census 2000.

³³ Source: CP5 pp. 10-11.

³⁴ Source: City of Patterson response to Project Sentinel Question C.8.

³⁵ Source: City of Newman Response to Project Sentinel Question C.8.

figures, the City of Waterford stated “we have a lot of vacant houses at this time.”³⁶ If, as it is reasonable to assume, the same or similar vacancy levels are occurring throughout the Consortium, then the County is faced with both a housing crisis and a potential opportunity.

The downside, of course, is that when homeowners are either abandoning their properties or losing them to foreclosure, the prospect of additional households in need of affordable rental housing, or even facing possible homelessness, will increase. To the extent this occurs, and the former homeowners remain in the County, the strain on the County’s limited housing resources will be heightened. The current downturn may also result in an increase in a particular type of predatory housing practice, in which renters in single-family homes, uninformed by their owner or landlord of an impending default, unexpectedly find themselves facing eviction when the property goes into foreclosure. Project Sentinel has received or heard about an increasing number of complaints of this type throughout the state in the past year.

An opportunity, however, also appears to lie in the depressed value of many of the single-family properties now vacant within the County. These properties could be purchased or leased by the County, working in conjunction with the SCHA or private nonprofits, and then utilized for occupancy, either as owners or as renters, by moderate, low and perhaps even very low-income households. To their credit, both the County and the SCHA appear not only to be aware of this opportunity, but to be actively planning and working to take advantage of it using recently applied for Neighborhood Stabilization Program funds, support from the Federal Home Loan Bank’s WISH Program, and existing housing related resources.³⁷

D. INSUFFICIENT AFFORDABLE RENTAL HOUSING AS A FAIR HOUSING IMPEDIMENT

As the preceding sections make clear, the Consortium continues to confront an impediment to fair housing choice in the gap between the need for very low income affordable rental housing and its availability. However, housing market circumstances have clearly changed. The likelihood of significant new affordable multi-family housing development in the near future appears small. The present glut abundance of vacant single-family properties throughout the County, the absence of private developer interest in new housing construction of any kind, the continuing tight credit market, and the constraints imposed on county planners by “Measure E” (see discussion in Section VI.A.2) all weigh heavily against new construction in the short term. In light of these facts, maximum creativity, coordination of all available resources, and inter-jurisdictional planning will be essential if this impediment is to be addressed.

Low and very-low income families could benefit from the current availability of single-family homes by increasing the acceptance of Housing Choice vouchers in the Consortium area. As foreclosed homes are purchased by real estate investors, increased participation in Housing Choice programs could make many of these homes available to very low-income families. One way in which other communities have addressed shortages in landlord acceptance of Housing Choice vouchers has been to adopt ordinances requiring landlords to accept them. Such ordinances make it unlawful for any owner or manager of rental housing to discriminate against an existing tenant on the basis on that tenant’s use of a Housing Choice voucher. It would also be a violation for a property owner or manager to refuse to accept a Housing Choice voucher for which an existing tenant qualifies, or to terminate the tenancy of an existing tenant based on the

³⁶ Source: City of Waterford Response to Project Sentinel Question C.8.

³⁷ Source: SCHA Response to Project Sentinel Question B.8.

property owner's or manager's refusal to participate in a Housing Choice rent subsidy program for which an existing tenant has qualified.

Provisions of an ordinance could include: (1) purpose and findings; (2) right to protection against discrimination in rental housing on the basis of source of income; (3) exceptions; (4) redress; and, (5) liability protection for the jurisdiction. Public Policies & Barriers to Affordable Housing

E. OVERVIEW OF AVAILABLE FEDERAL, STATE & LOCAL RESOURCES

A meaningful assessment of how well the Consortium is doing in eliminating impediments to fair housing choice and affirmatively furthering fair housing must include a review of all the financial resources which are available, and how those resources have been integrated and distributed, particularly with regard to meeting the needs of low- and very low-income persons and underserved populations. The County is not only a recipient of CDBG funds; it also participates in the HOME program in partnership with the City of Turlock (Turlock is not a part of the CDBG Consortium). The County also has access to local Redevelopment Agency set-asides and funding from the state under the CalHFA program, which assists first time homebuyers.

The Consortium has received approximately \$2.5 million in CDBG entitlement funds in each of the past three years. In addition to these funds, the County and four of the five cities participating in the Consortium also each received a portion of the HOME program funds. In 2006-2007 the share of HOME funds available to the County and the four cities (Ceres, Newman, Oakdale, and Patterson) was \$756,000. In 2007-2008 it was \$874,000, and in 2008-2009 it was \$846,000.³⁸

In addition to these federal resources, the County stated that it has made approximate expenditures from the County Redevelopment Agency ("RDA") of \$3.287 million, \$7.596 million, and \$4.981 million in each of the past three years.³⁹ The County further stated that, inasmuch as most incorporated cities have their own redevelopment agencies, County expenditures were utilized exclusively within the County's "redevelopment sub-areas," and none within the five incorporated cities in the Consortium.

Some funding has also been received from the state's CalHFA program, designed to support down payment assistance programs for first-time homebuyers. The County obtained \$565,000 in 2005 for this purpose, and was approved for \$600,000 in 2006 and an additional \$750,000 in 2008. The funding for the latter two years, however, appears to have been stalled due to state budget deficits.⁴⁰

F. DISTRIBUTION OF CDBG & HOME FUNDS WITHIN THE CONSORTIUM

As was noted earlier, the unincorporated area of the County has constituted the majority of the population within the Consortium since 2005 (although the five incorporated cities have represented an ever increasing percentage of the total).

This 2009 AI Update draws no conclusions with respect to the allocation of CDBG and HOME resources. Any number of factors could explain the distribution, including greater

³⁸ Source: County response to Project Sentinel Questions A.3 and A.4.

³⁹ Source: County Response to Project Sentinel Question A.6.

⁴⁰ Source: County Response to Project Sentinel Question A.7.

immediate need for infrastructure improvements, housing rehabilitation and repair, and community services within the five incorporated cities; or more opportunities to partner with other programs or providers in the incorporated cities. Moreover, as noted earlier, it appears that most, if not all, of the County's RDA resources are going to the Consortium's unincorporated area. In light of the Consortium's acknowledgment that the barriers to more affordable housing in the unincorporated area include a lack of sufficient infrastructure (particularly sewer and water lines)—along with the high cost of land and an insufficient interest among private for profit and nonprofit developers—the County may want to reexamine ways in which it could increase CDBG and HOME funds in the unincorporated area to address each of these barriers, especially the lack of sufficient infrastructure to support additional rental housing.

G. USE OF CDBG IN CONJUNCTION WITH OTHER FUNDS WITHIN THE CONSORTIUM

The Consortium's two most recent Consolidated Plans, recent Annual Action Plans, and the responses that the County, SCHA, and the Consortium's five incorporated cities provided to the questions posed by Project Sentinel were all analyzed in an effort to construct an overview of how CDBG and other resources have been used within the Consortium in the past four years. In broad terms, it is clear that at both the County and city levels, most of the available resources have gone toward infrastructure repairs and improvements, enhancements and improvements to parks and recreational facilities, economic and workforce development programs, and community services. To a lesser but not insignificant extent, funding has been directed at housing repair and rehabilitation in order to preserve existing housing stock, and to home purchases and down payment loan programs designed to make it possible for first time purchasers to become homeowners. On the other hand, funding to support the development of new multi-family rental housing has not been allocated, with the exception of one 28-unit seniors project in Patterson.

1. 2008-2009 Annual Action Plan

In its 2008–2009 Annual Action Plan (“AAP8”), the County indicated that it would expend approximately \$600,000 on a single infrastructure (storm drainage) project in the Empire area. In addition, the County planned to fund four major and 12 minor home repairs using a combination of CDBG, HOME, and RDA funds (no amount was stated), and to purchase, in conjunction with SCHA, two single-family homes for use in SCHA's lease-to-own (Family Self Sufficiency) program. Again, no amount was specified. An additional \$20,000 was earmarked for a workforce development program in conjunction with the cities of Newman and Oakdale⁴¹.

Ceres devoted its entire CDBG allocation to infrastructure improvements; Newman allocated its CDBG funds to parks upgrades, infrastructure, and workforce development; Oakdale indicated it would expend most of its allocation on infrastructure improvements related to streets and curbs, with some set aside for workforce development; Patterson stated it would expend its entire allocation on infrastructure; and Waterford divided its allocation between parks improvements and infrastructure (gutters). None of the cities indicated the amounts to be spent.⁴²

⁴¹ Source: AAP8, p. 5.

⁴² Source: AAP8, pp. 5–8.

2. 2005-2006 & 2006-2007 Annual Action Plans

The 2005–2006 Annual Action Plan (“AAP5”) stated that the County would expend \$337,000 of its CDBG allocation on a single infrastructure project and another \$50,000 to assist one first time homebuyer. Ceres planned to devote \$328,000 of its allocation to infrastructure, \$5,000 to code enforcement, and \$7,000 to provide for four (presumably minor) home repairs. Newman planned to spend \$340,000 on park(s) rehabilitation, \$12,000 on a community learning center, and \$25,000 on economic development. Oakdale set aside \$200,000 for three (presumably major) home repairs or rehabilitations, \$120,000 for infrastructure, \$15,000 for code enforcement, and \$40,000 for its first time homebuyer down payment assistance loan program. Patterson allocated its entire CDBG share, \$346,000, along with over \$400,000 in HOME funds, to the development of the first phase of its seniors’ housing project. Waterford planned on spending \$305,000 on infrastructure and \$35,000 on an after school program.

In its 2006–2007 Annual Action Plan (“AAP6”), the County indicated that it would expend \$438,000 on a single infrastructure project. The County also stated its intention to purchase six single-family homes, one in concert with SCHA, and five more in partnership with Habitat for Humanity (using matching set-asides from HOME and RDA), to be used for first time homebuyer assistance programs. The County also planned to provide funding for 18 major and minor home repairs and rehabilitations (again using matches from HOME and RDA). Unfortunately, AAP6 provided no dollar amounts for any of these housing related activities. Oakdale indicated that it would provide loans of up to \$50,000 for as many as six first time homebuyers (with no mention of whether other sources such as HOME or RDA would contribute), provide funding to assist with up to six home repairs or rehabilitations (in concert with HOME and RDA), and spend \$197,000 on infrastructure. Ceres, Newman, and Waterford each allocated their entire CDBG allocations to infrastructure.

VI. LAND USE AND ZONING

A. *ZONING CODES AND PRACTICES*

Land use and zoning policies can dramatically affect the availability of affordable housing in a jurisdiction. In addition to examining such ordinances for potential discriminatory impacts or impediments to fair housing, jurisdictions need to remain aware of ways in which such ordinances can be utilized proactively to provide incentives for needed types of housing.

The zoning codes of the County and the five incorporated cities comprising the Consortium were reviewed with respect to five primary factors: the definition of “family;” provisions regarding “secondary” or “accessory” dwelling units; parking restrictions; inclusionary zoning; and density bonuses. The first three factors are areas in which discriminatory impacts or impediments to fair housing choice are frequently identified. The latter two factors are particularly effective means by which jurisdictions can mandate development of affordable housing in conjunction with development of market rate housing, and provide an incentive for private development of affordable housing.

In most respects, existing zoning ordinances in the County and Consortium cities are consistent with fair housing principles in that they are facially neutral and do not appear to have the effect of limiting housing choice to any resident or prospective resident on the basis of a status protected under federal or state law. A brief summary of findings and recommendations is included in the table below (see Figure VI-1).

Review of Zoning Practices in Consortium Jurisdictions		
Reviewed	Findings	Recommendations
Definition of “Family”	All jurisdictions provide a definition of “family” that are consistent with fair housing principles.	None.
Secondary Units	All jurisdictions except Ceres explicitly provide for the development of secondary dwelling units. Waterford requires that an existing unit be brought “up to code” prior to occupancy of the second unit (17.21.120(H)(4)). This requirement may discourage rather than encourage the development of secondary units.	Ceres. As recommended in its 2007 Housing Element (p. 1-79), adopt an ordinance to encourage the development of secondary units, including in R-1 areas. Waterford. Review secondary unit ordinance requirements; amend if necessary to further legislative intent of encouraging secondary units.
Parking Restrictions	Parking restrictions are consistent with fair housing principles.	None.
Inclusionary Zoning	Patterson is the only jurisdiction with an inclusionary zoning ordinance.	Jurisdictions should adopt inclusionary zoning ordinances to encourage the development of affordable single- and multi-family housing.
Density Bonuses	Density bonuses are referenced in all jurisdictions except Waterford.	Waterford. Adopt density bonus provision

Figure VI-1: Consortium Zoning Policies.

Nonetheless, as mentioned elsewhere in this 2009 AI Update, the limited availability of low-income housing remains, an impediment, and Consortium jurisdictions are encouraged to review existing ordinances (i.e., Waterford's secondary unit ordinance) or consider the adoption of new ordinances and priorities that maximize the availability and development of affordable single-family and multi-family housing.

1. Secondary Units

After declaring what it calls "second units" a valuable form of housing in California, the state legislature revised the state's zoning statutes to encourage the development of these accessory dwellings. The 2003 law allows local governments to enact zoning ordinances that mirror state law, but if the locality fails to act, then local governments must use state-established criteria to approve or deny secondary unit applications. The statute exempts secondary units from local growth controls and state environmental reviews.

While the state wishes to encourage second dwelling units, it recognizes that certain limits should apply, so the statute does place some restrictions on these units. The law also allows localities to establish certain restrictions, so long as they are not "so arbitrary, excessive, or burdensome so as to unreasonably restrict the ability of homeowners to create second units..."⁴³ The statute also allows local governments to prohibit secondary unit development in certain zones, but only if they adopt formal written findings that such development will have an adverse impact on the health, safety, and welfare of the community. The local body should also try to mitigate any adverse impacts prior to the adoption of the findings.

Decisions regarding second units are to be undertaken "ministerially." While the statute gives local governments latitude in developing quantifiable standards against which the community is to consider these proposals, such review is not subject to discretionary decision-making. The statute compares the decision-making process for secondary units to the process for issuing automobile, dog, or marriage licenses.

All the Consortium jurisdictions except Ceres expressly provide for secondary housing units. Waterford, however, requires: "if there is an existing unit on the property, that unit must be brought into conformance with the Housing Code prior to occupancy of the second unit." This is so whether the unit is attached or detached, and the code further limits the construction of detached secondary units to "large or deep lots."⁴⁴ If this requirement is more restrictive than state law, it would appear to constitute an impermissible burden.

2. Measure "E"

Measure "E" was placed on the County ballot as an initiative in 2008 and passed with overwhelming voter support. The ordinance essentially restricts county planning and zoning officials from rezoning any unincorporated areas of the County presently zoned "agricultural" or "open space" for residential use, without a majority vote of County residents in a general or special election. The measure was promoted as a means of directing future residential development into the County's incorporated cities on the premise that those jurisdictions already have the infrastructure and social services (fire, police, etc.) to accommodate new residential

⁴³ Source: California Government Code section 65852.150.

⁴⁴ Source: Waterford Municipal Code section 17.21.120.

development, and as a means of preserving the County's diminishing agricultural and open space character.

The measure does provide limited exceptions to the voter approval requirement: (1) the County may rezone up to 10 acres per year for residential use in order to comply with state mandated "fair share" (fair housing) requirements, but only after notice and hearing requirements are complied with and a showing is made that no alternative residentially zoned sites are available; and (2) an unspecified amount of land may be rezoned without voter approval to meet the County's affordable housing requirements under state law, but only insofar as any such units are designated as "permanently" preserved as affordable, as certified in writing by the County.

It is difficult to assess the full extent to which Measure "E" may depress new affordable housing opportunities within the Consortium area. The exceptions in the law do appear to leave some room for County-sponsored projects designated as, and designed for, very low-, low-, and moderate-income households. Nevertheless, the certification, hearing, and other requirements imposed before these exceptions may be utilized may, in and of themselves, act as a restraint on new affordable housing development in those unincorporated areas of the Consortium that need such housing the most—the heavily minority neighborhoods around Modesto and the County's other incorporated cities. Clearly, Measure "E" can be expected to act as a deterrent to new private housing development. In the current economic climate these impacts may not be noticeable, but once a recovery is underway and new housing development again becomes viable, the deterrent effect could be substantial. Measure "E" is effective for a 30-year period. At the very least, the law should serve to focus the attention of the Consortium's participating jurisdictions on ways to increase affordable housing within the five incorporated cities.

It is appropriate to identify Measure "E" as a possible future impediment, and the effects of the measure should be analyzed in subsequent AIs.

3. Reasonable Accommodation Policies

Fair housing laws and subsequent federal and state legislation require all cities and counties to further housing opportunities by identifying and removing constraints to the development of housing for individuals with disabilities, including local land use and zoning barriers, and to also provide reasonable accommodations as one method of advancing equal access to housing. These fair housing laws require that cities and counties provide flexibility or even waive certain requirements when it is necessary to eliminate barriers to housing opportunities for people with disabilities. An example of such a request might be to place a ramp in a front yard to provide access from the street to the front door.

The California Attorney General, in a letter to the City of Los Angeles in May 2001, stated that local governments have an affirmative duty under fair housing laws to provide reasonable accommodations, and "[i]t is becoming increasingly important that a process be made available for handling such requests that operates promptly and efficiently." He advised jurisdictions not to use existing variance or conditional use permit processes because they do not provide the correct standard for making fair housing determinations and because the public process used in making entitlement determinations fosters opposition to much needed housing for individuals with disabilities. In response to the attorney general's letter, many cities throughout the state are adopting fair housing reasonable accommodations procedures as one way of addressing barriers in land use and zoning regulations and procedures.

At Project Sentinel's request, HUD has provided the following example of a reasonable accommodation policy. A simple-to-use form should be developed for use with it.

The jurisdictions should consider a reasonable accommodation policy which should be circulated to government agencies, social service organizations, and housing providers that serve persons with disabilities. The policy should also be prominently displayed in appropriate places such as on city and County websites.

VII. BANKING AND LENDING POLICIES

This analysis will look at home lending in Stanislaus County in recent years. Specifically, Home Mortgage Disclosure Act (“HMDA”) data are analyzed for 2007, the most recent year for which such data are available, and 2006. It should be noted that 2007 data were impacted by the beginning of the mortgage and foreclosure crisis that swept the County and the nation in 2007 and 2008. It is generally thought that 2006 was the last year of high volume lending before the crisis hit. Additionally, this analysis will review delinquency and foreclosure data from McDash, which was provided by the Federal Reserve Bank of San Francisco.⁴⁵

Home lending has long held importance as a primary way for Americans to build wealth. Home equity affords families the opportunity to start a business, send a child to college, make needed home repairs that enhance the value of the home, or create intergenerational wealth. Entering into a home loan is often the most expensive transaction most Americans will experience. As such, policy makers have long sought to ensure that the benefits of homeownership flow equally to all members of society.

A. HOME LOAN DENIAL RATES

One measure of fair lending performance is the extent to which certain borrowers are denied home loans as compared to non-Hispanic White home loan applicants. In 2007, non-Hispanic White home loan applicants were least likely to be denied for home loans, with a denial rate of 27.9%. In contrast, American Indian home loan applicants had a denial rate of 49.8% (see Figure VII-1).

⁴⁵ used in the development of this section of the McDash Online is a benchmarking tool that allows data-contributing clients to perform complex analysis on large loan-level datasets. McDash has the deepest and broadest mortgage dataset in the market consisting of 100% loan-level data with more than 65 loan-level attributes. The data in McDash Online spans the entire credit spectrum and consists of more than 34 million active first mortgage loans and 5 million active home equity loans/lines. This 2009 AI Update included only ZIP Codes in Consortium communities. Data from non-Consortium cities in the County were excluded to the extent possible using ZIP Codes to determine property locations.

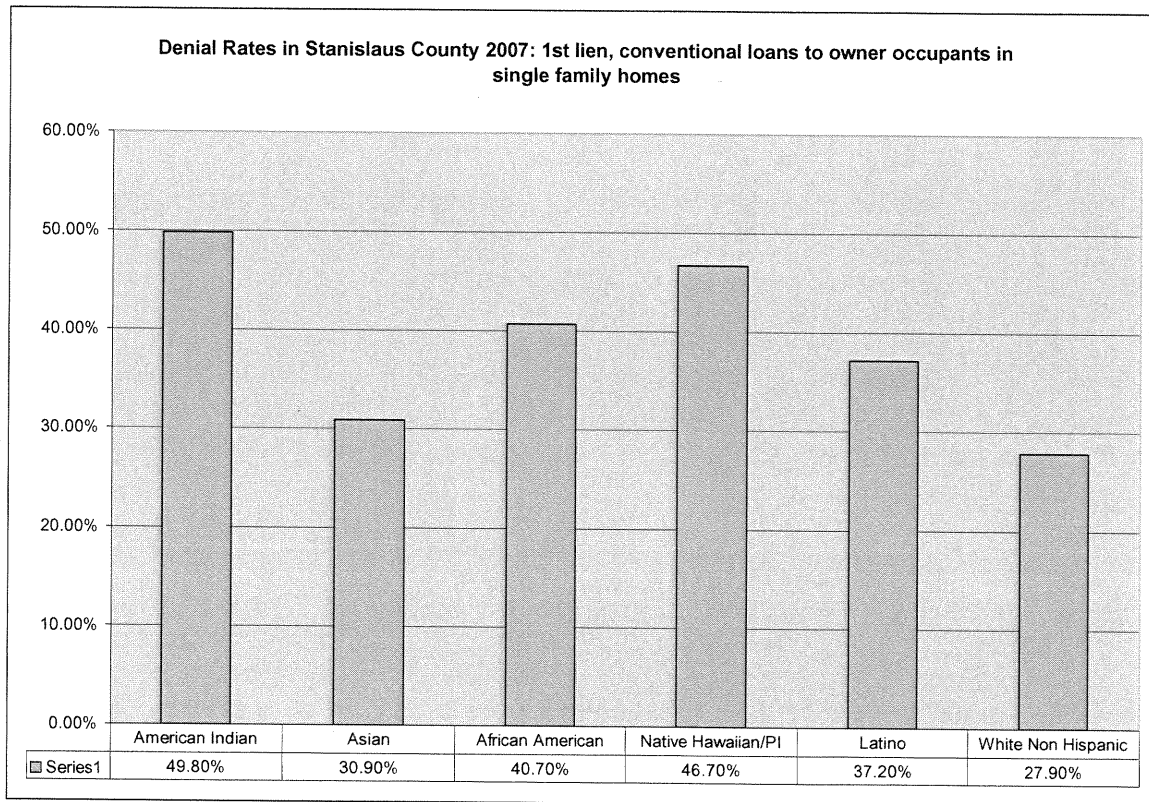


Figure VII-1: Home Loan Denial Rates on 1st Mortgages in Single-Family Homes, 2007.

Similar patterns were present when looking at denial rates in neighborhoods of color as compared to communities in the County where more of the residents were non-Hispanic White residents. Applications for home loans from neighborhoods where less than 20% of the residents were people of color were less likely to be denied than loans from neighborhoods where over 50% of the residents were people of color.

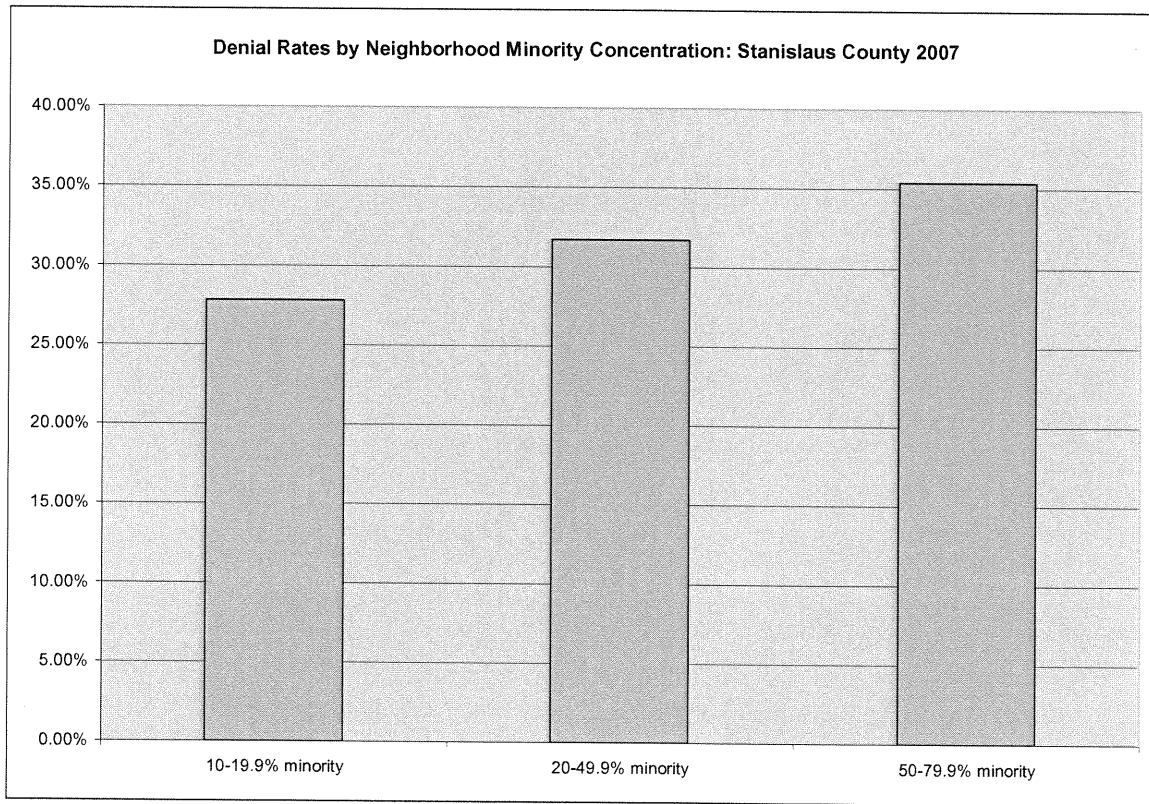


Figure VII-2: Home Loan Denial Rates by Neighborhood Minority Concentration, 2007.

These patterns were generally true though much less pronounced in 2006 when loan volumes were high and lenders were less likely to deny home loan applications, including where borrowers arguably should not have received a loan.

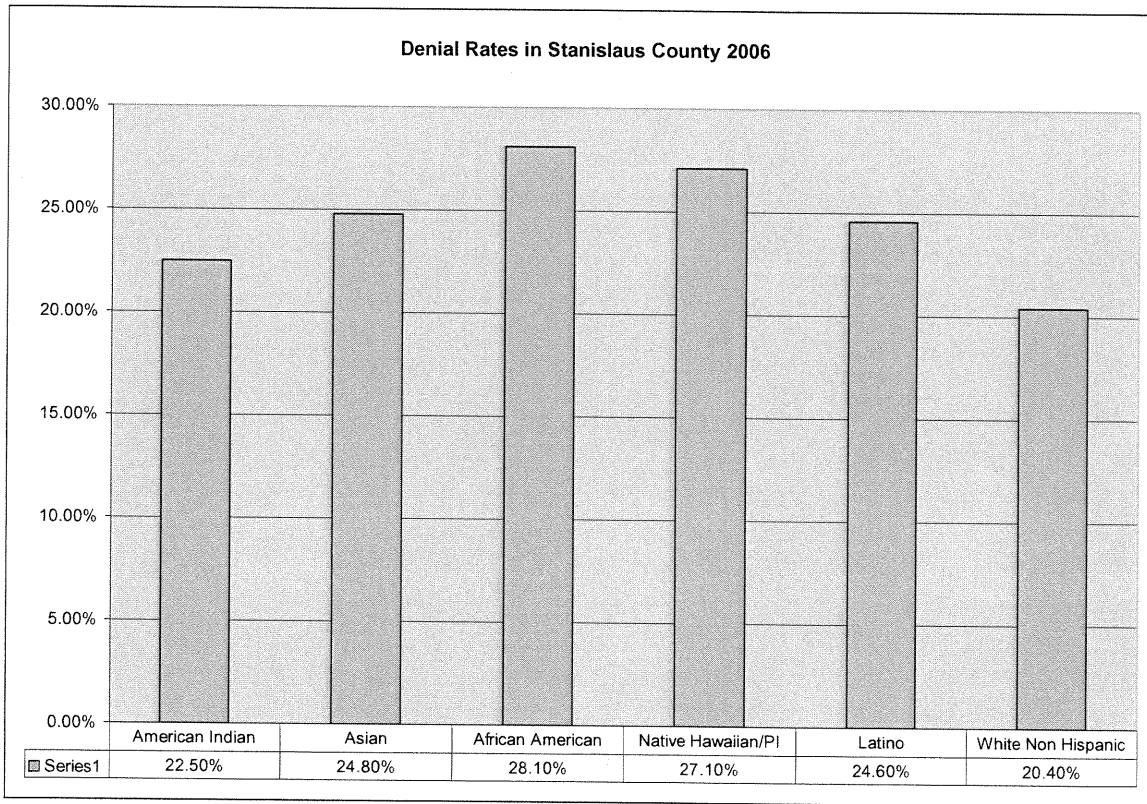


Figure VII-3: Home Loan Denial Rates on 1st Mortgages, 2006.

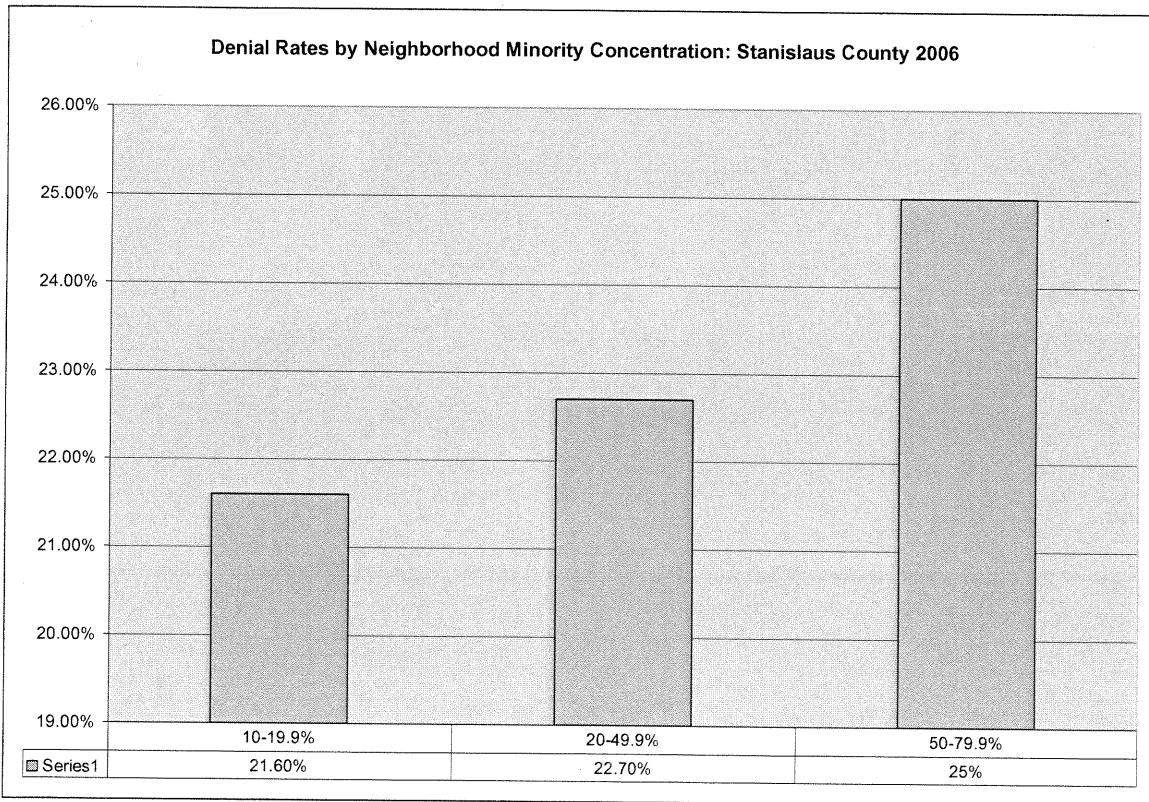


Figure VII-4: Home Loan Denial Rates by Neighborhood Minority Concentration, 2006.

It is important to note that HMDA data are subject to certain limitations, including that lenders are not required to report key underwriting criteria, such as debt to income, loan to value, or credit score information that would help to explain any of these disparities. Nevertheless, Congress passed the Home Mortgage Disclosure Act to help identify discriminatory lending patterns.

One factor that would explain why certain borrowers are denied for home loans more often than others is income. As one might expect, low and moderate income borrowers were somewhat more likely to be denied for home loans in the County in 2007 and in 2006.

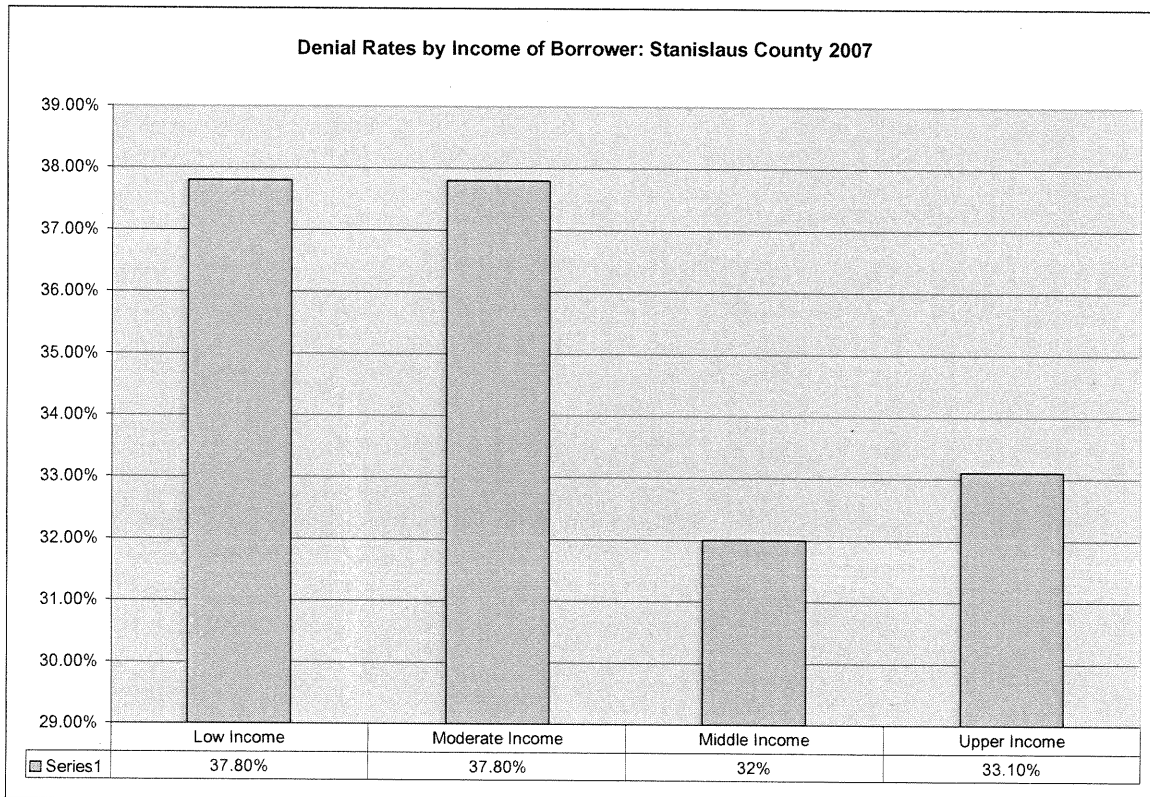


Figure VII-5: Home Loan Denial Rates by Income of Borrower, 2007.

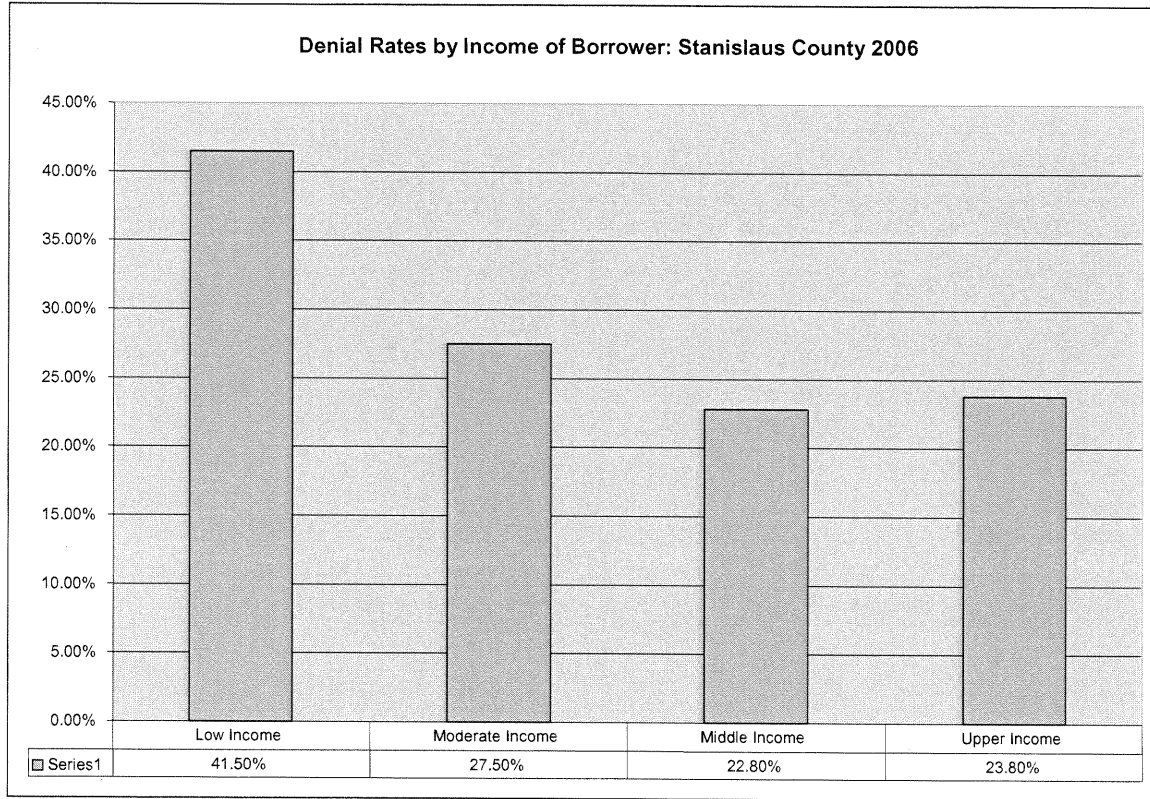


Figure VII-6: Home Loan Denial Rates by Income of Borrower, 2006.

B. HIGHER COST LENDING IN THE COUNTY

Another measure of fair lending performance is the extent to which higher cost, or sub prime, loans were evenly distributed across racial and ethnic lines. This analysis shows that borrowers of color in the County were generally more likely to receive higher cost loans than non-Hispanic White borrowers in the County. In 2007, Hawaiian and Pacific Islander borrowers in the County were more than twice as likely to receive higher cost loans as non-Hispanic White borrowers. In 2006, African Americans were nearly twice as likely as non-Hispanic White borrowers to get high cost home loans.

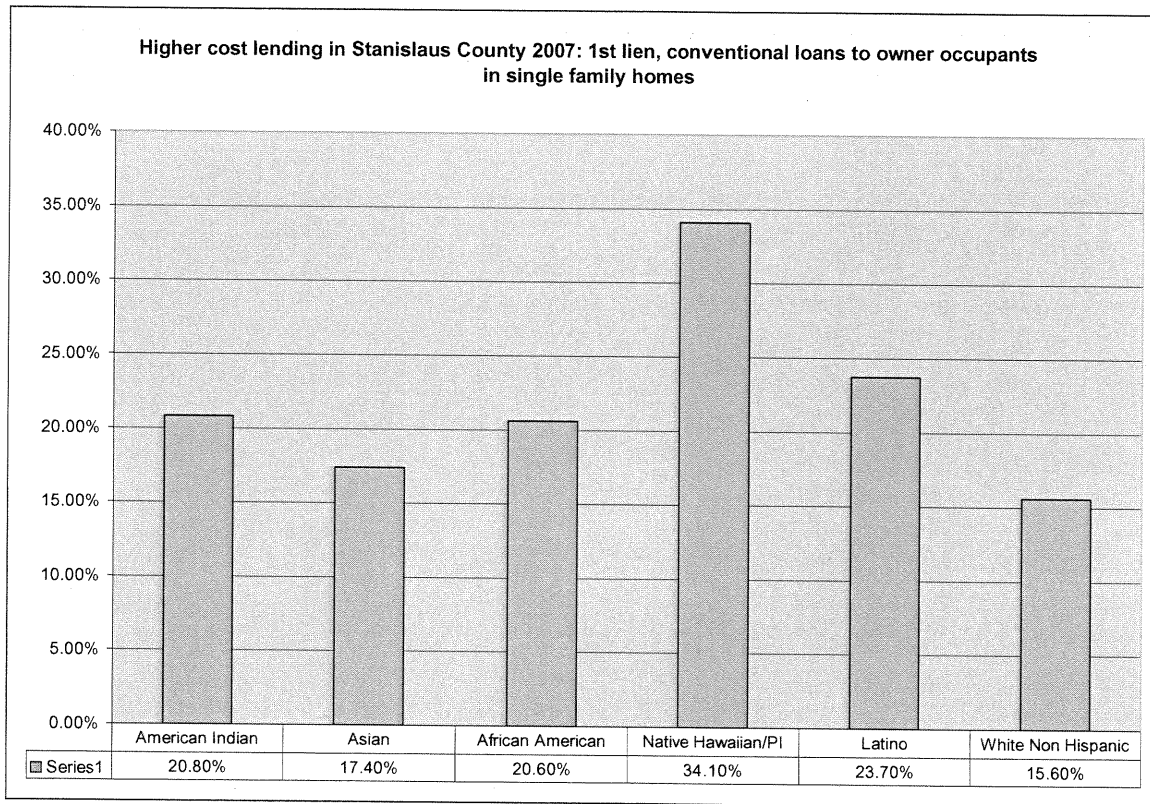


Figure VII-7: Higher Cost Lending on 1st Mortgages in Single-Family Homes, 2007.

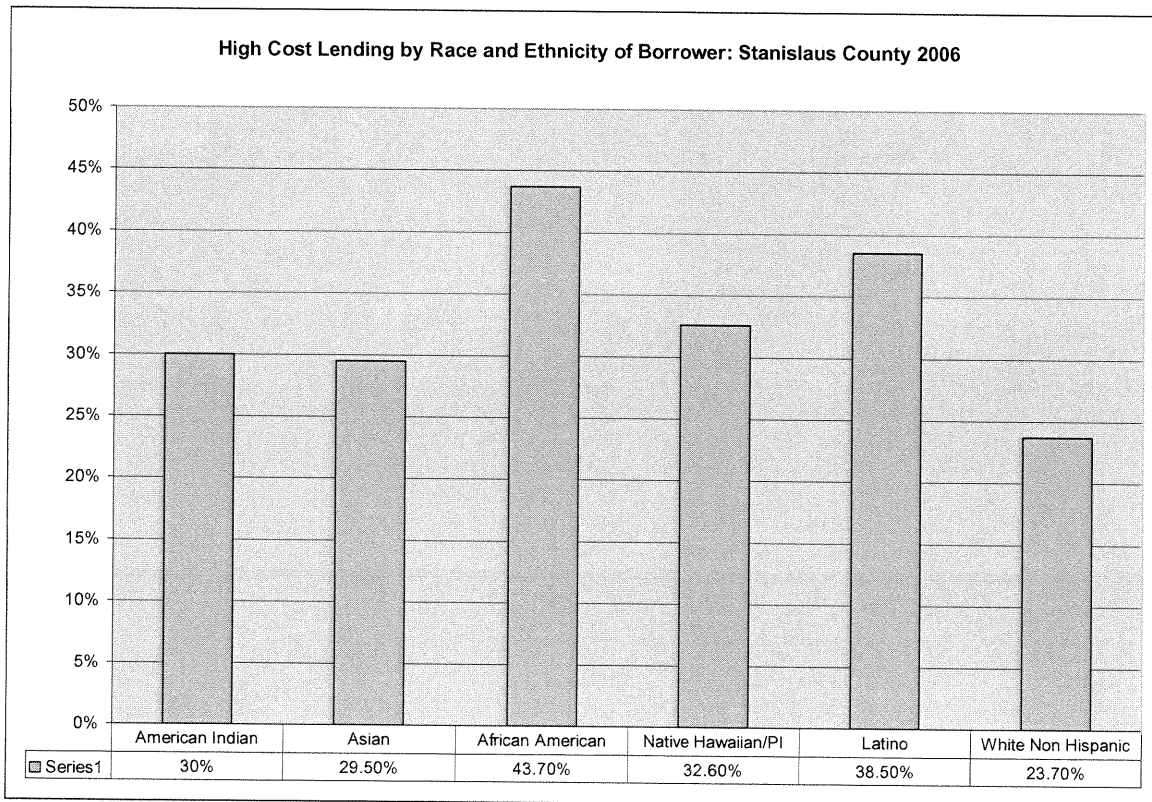


Figure VII-8: Higher Cost Lending by Race and Ethnicity of Borrower, 2006.

Similar patterns existed when looking at higher cost lending to neighborhoods of color in the County. Neighborhoods where more than half of residents were people of color were nearly twice as likely to get high cost loans as neighborhoods where less than 20% of the residents were people of color.

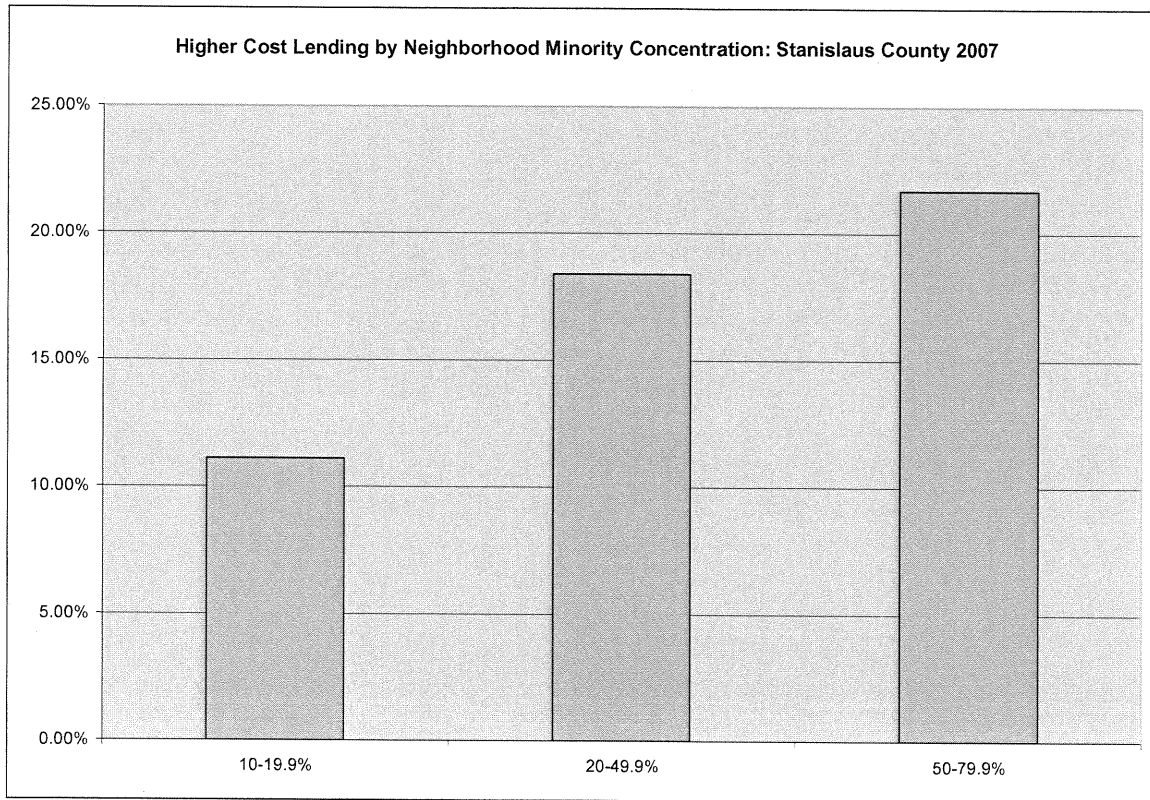


Figure VII-9: Higher Cost Lending by Neighborhood Minority Concentration, 2007.

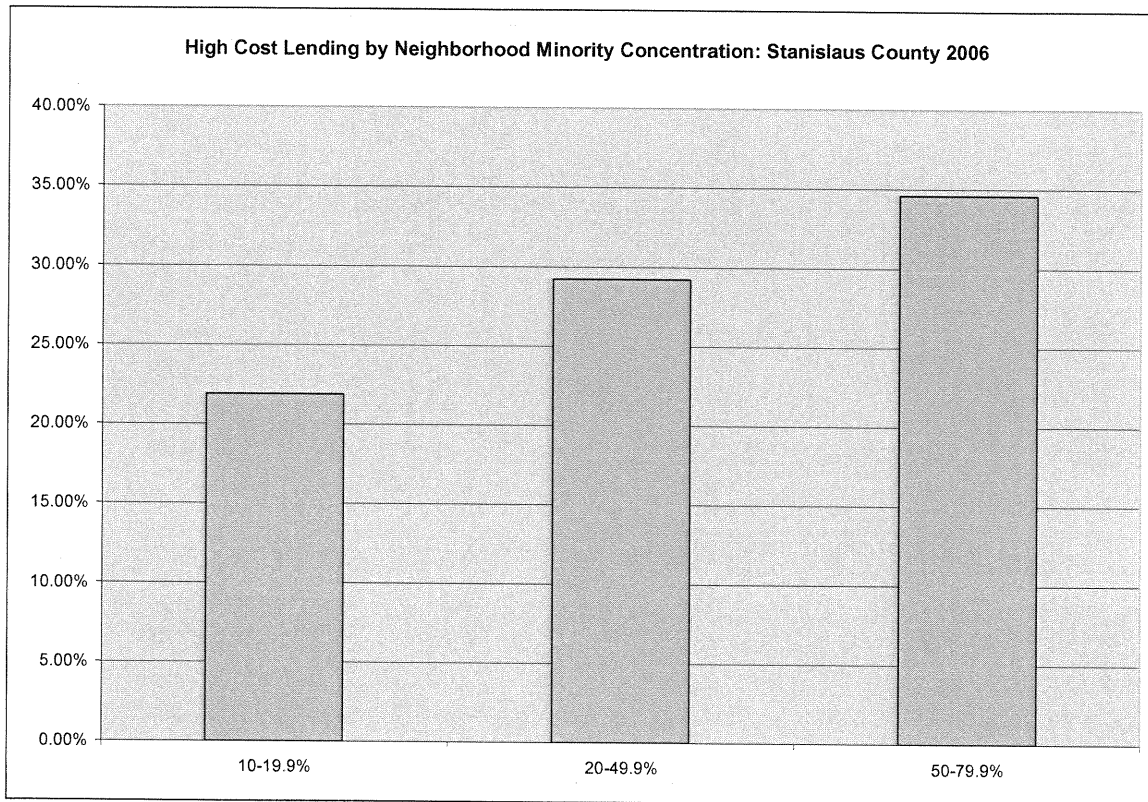


Figure VII-10: Higher Cost Lending by Neighborhood Minority Concentration, 2006.

C. DISTRESSED HOMEOWNERS IN STANISLAUS COUNTY

HMDA data reveal the extent of sub prime lending in the County, as well as lending by high risk lenders who have since gone out of business. A review of the largest higher cost lenders in the County is chilling: of the top 10 sub prime lenders, all but one is essentially out of business.

Top 10 MS Subprime	Loans	% MS
World Savings Bank, FSB	76	11.7
Washington Mutual Bank	46	7.1
Indymac Bank, F.S.B.	44	6.8
Option One Mortgage Corp	33	5.1
Countrywide Bank, FSB	31	4.8
Countrywide Home Loans	28	4.3
Decision One Mortgage	27	4.2
First Franklin Corporation	22	3.4
Wells Fargo Bank NA	22	3.4
Greenpoint Mortgage Funding	20	3.1

Looking at this list:

- The #1 subprime lender in the County in 2007 was World Savings Bank. World was a very large option ARM lender, specializing in loans with a negative amortizing feature that allowed borrowers to pay less than the interest only

portion of their loans, thereby increasing the amount of money they owed on a monthly basis. World was bought by Wachovia, and ceased offering option ARM loans in 2008 due to the poor performance of these loans. Wachovia was later purchased by Wells Fargo.

- Washington Mutual also offered a large number of option ARM loans. Washington Mutual was taken over by the FDIC and sold to JPMorgan Chase in 2008.
- Indymac Bank, FSB, specialized in alt A loans, or loans where limited documentation of income borrowers was permitted. Indymac failed and was taken over by the FDIC in one of the biggest bank failures in history.
- Option One, a large subprime lender owned by H&R Block, stopped lending in 2008.
- Countrywide Bank and Countrywide Home Loans were purchased by Bank of America in 2008. Countrywide was a large subprime and option ARM lender that was sued by the California attorney general for alleged predatory lending practices.
- Decision One was a subprime lender owned by HSBC which ceased lending in 2008.
- First Franklin Corp was a large subprime lender based in San Jose and owned in turn by National City Bank, then Merrill Lynch, now Bank of America.
- Greenpoint Mortgage Funding was a subprime lender owned by Capital One and which ceased lending in 2008.

From a fair lending perspective, it may also be useful to look at the largest lenders in the County, and compare that list to the largest lenders to African American and Hispanic borrowers. Doing so for 2006 reveals that subprime lenders and option ARM lenders top the list of lenders to these two groups.

Top 10 MS	Loans	% MS
Wells Fargo Bank, NA	587	6.1
World Savings Bank, FSB	585	6.1
Countrywide Home Loans	460	4.8
Washington Mutual Bank	353	3.7
Greenpoint Mortgage Funding	319	3.3
Long Beach Mortgage Co.	313	3.3
National City Bank	270	2.8
New Century Mortgage Corp	262	2.7
WMC Mortgage Company	253	2.6
Indymac Bank, FSB	238	2.5

Top 10 MS African American	Loans	% MS
New Century Mortgage Corp	23	7.8
Countrywide Home Loans	22	7.5
Long Beach Mortgage	22	7.5
Wells Fargo Bank, NA	12	4.1
Greenpoint Mortgage Funding	11	3.7
Fremont Investment & Loan	11	3.7
World Savings Bank, FSB	10	3.4
WMC Mortgage Company	10	3.4
BNC Mortgage	9	3.1
National City Bank	9	3.1

Top 10 MS Hispanic	Loans	% MS
World Savings Bank, FSB	279	7.6
Wells Fargo Bank, NA	182	5
Long Beach Mortgage Co.	163	4.5
Greenpoint Mortgage Funding	158	4.3
Countrywide Home Loans	155	4.3
WMC Mortgage Co	136	3.7
New Century Mortgage Corp	122	3.3
National City Bank	121	3.3
Decision One Mortgage	99	2.7
Washington Mutual Bank	96	2.6

The extent of 2nd lien loans may also indicate potential problems for homeowners in the County, as these loans may suggest added stress for certain borrowers. And borrowers with 2nd lien loans who are struggling to make payments and attempting to negotiate with loan services for a loan modification are currently facing greater difficulties negotiating a workout as servicers are reluctant to work out deals where there is a 2nd lien.

In fact, the County had a large number of 2nd lien loans in 2007, and many of these loans were high cost loans, disproportionately so for people and neighborhoods of color. The 966 subordinate lien loans originated in the county was about 28% of the number of 1st lien loans. While only 19% of 1st lien loans were high cost, nearly 28% of these subordinate lien loans were high cost.

Higher Cost Lending 2nd Loans: Borrowers			
	All	High cost	% High cost
American Indian	25	6	24.0%
Asian	63	18	28.6%
African American	15	4	26.7%
Native Hawaiian/PI	11	3	27.3%
Latino	296	103	34.8%
White non-Hispanic	386	92	23.8%

Low Income	6	1	16.7%
Moderate Income	29	4	13.8%
Middle Income	113	26	23.0%
Upper Income	786	212	27.0%
Total	1,730	469	27.1%

In 2006, the volume of subordinate lien loans was much greater. A total of 4,567 subordinate lien loans were made, and a striking 51% of these loans were high cost loans.

Higher Cost Lending 2nd Loans: Borrowers			
	All	HALs	% HALs
American Indian	53	30	56.6%
Asian	179	105	58.7%
African American	86	63	73.3%
Native Hawaiian/PI	40	19	47.5%
Hispanic	948	600	63.3%
White non-Hispanic	846	326	38.5%
Low Income	9	1	11.1%
Moderate Income	56	12	21.4%
Middle Income	239	68	28.5%
Upper Income	2,111	1,119	53.0%
Total	4,567	2,343	51.3%

It has been well documented the County has been particularly hard hit by delinquencies and foreclosures. McDash data provided by the Federal Reserve Bank of San Francisco confirms that the County fared worse than the state as a whole. In November 2008, the County had 3,024 loans that were in default or delinquency.

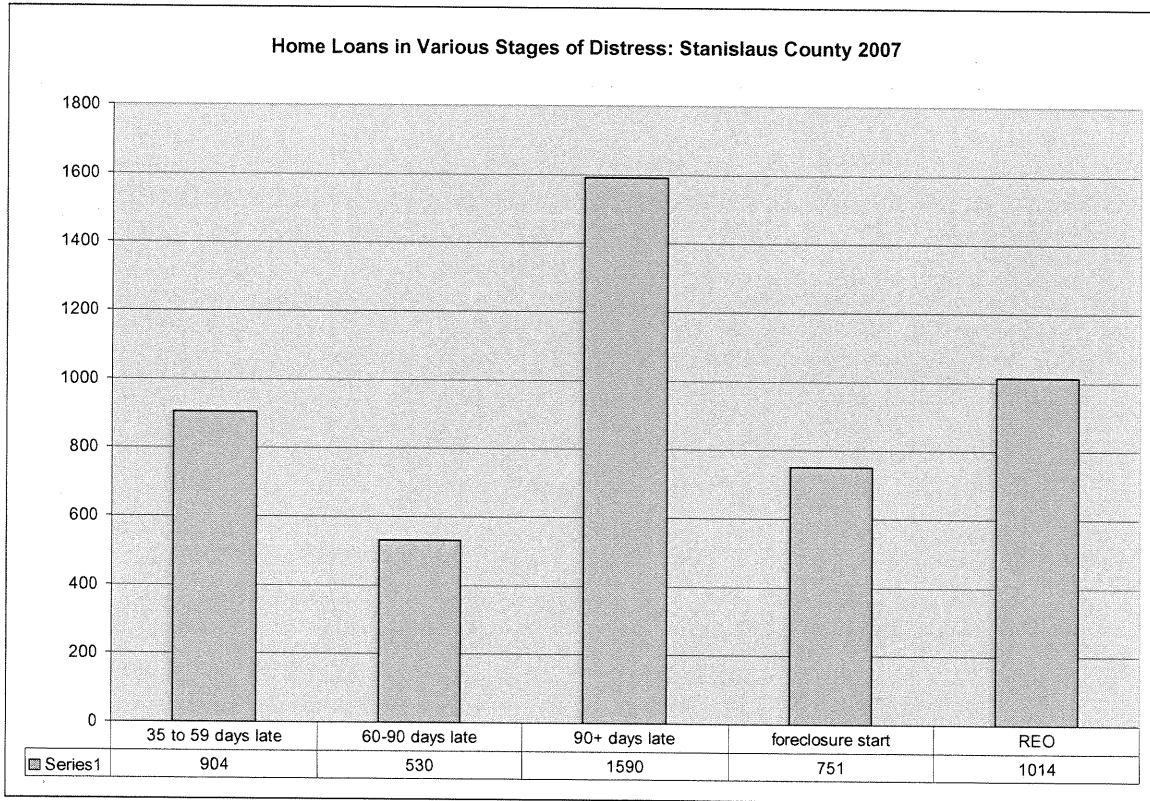


Figure VII-11: Home Loans in Various Stages of Distress, 2007.

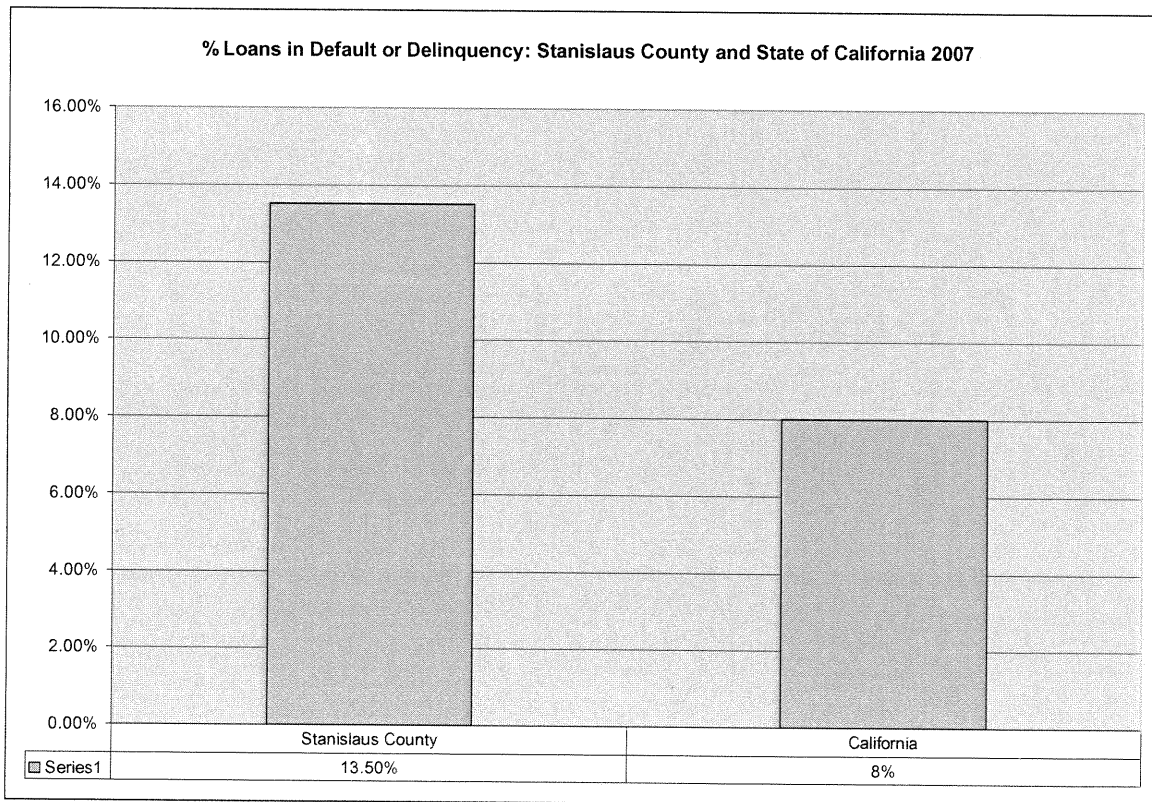


Figure VII-12: Home Loans in Default or Delinquency, 2007.

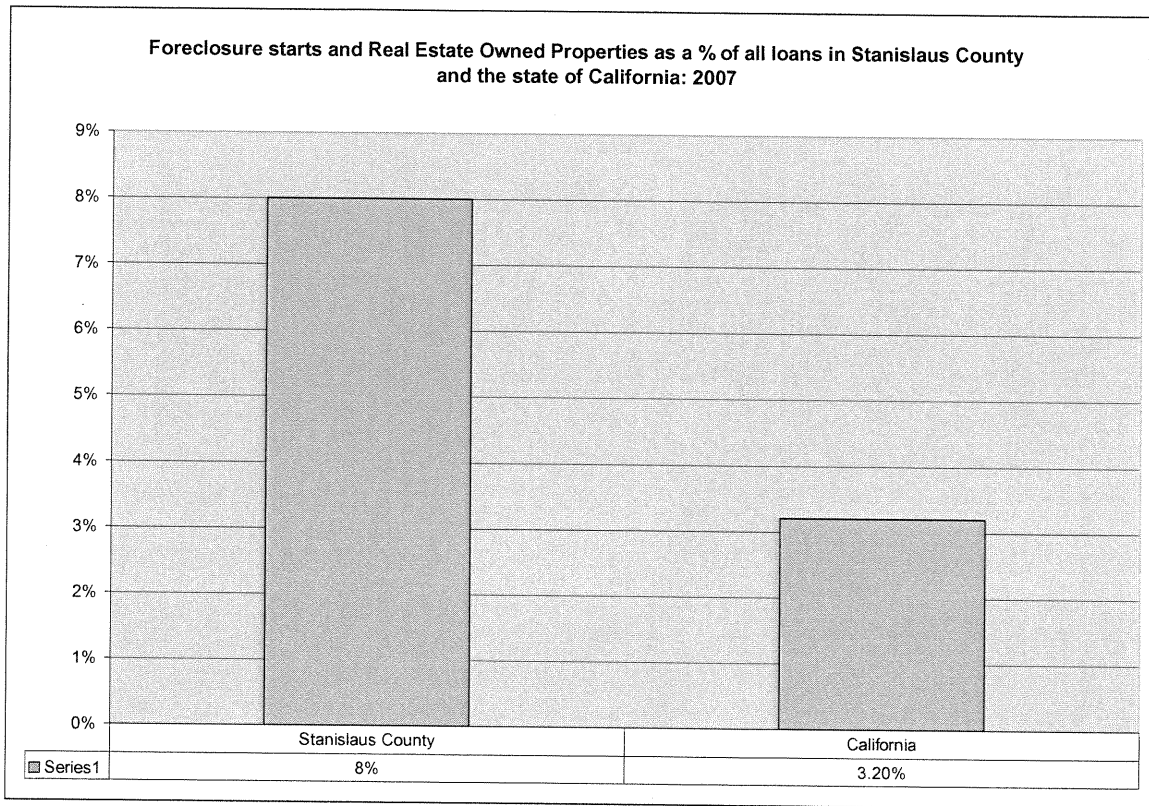


Figure VII-13: Foreclosure Starts and Real Estate Owned Properties as Percentage of All Loans, 2007.

D. FAIR HOUSING IMPLICATIONS OF THE DATA

While the foreclosure crisis in Stanislaus County is negative for anyone affected by it, it is a particularly setback for minority households whose hopes of joining in on the American dream of homeownership for the first time have been shattered. Although based on a limited amount of data, it is clear that the minority households and minority neighborhoods have experienced both higher denial rates for prime loans and a significantly larger share of high cost (sub-prime) first and second lien loans. It is thus reasonable to conclude that these groups are also experiencing a heavier proportion of distress and foreclosure than is commensurate with their percentage of the population. Moreover, particularly where there are language barriers, these groups may find it more difficult to navigate their way through the complexities of loan renegotiation and modification that conceivably might save their homes. This constitutes an impediment to fair housing choice that the County and the other Consortium jurisdictions need to address.

An immediate step that can be taken by the Consortium to respond to the foreclosure crisis is to provide financial and other support for HUD-certified housing counseling programs. All legitimate agencies providing these services, especially in the hard-hit Central Valley, are overwhelmed with requests for assistance. When desperate homeowners are unable to access these and other legitimate, HUD-approved agencies, they may fall prey to real estate and foreclosure scammers.

Assessment of Local Fair Housing Services

E. FAIR HOUSING LAW

Both federal and state laws protect persons from unlawful discrimination. At the federal level, Title VIII of the Civil Rights Act of 1968 (“FHA”), as amended, prohibits discrimination in the sale, rental, and financing of dwellings, and in other housing-related transactions, based on race, color, national origin, religion, sex, familial status, and disability. Among other federal laws with fair housing applications are Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, and Title I of the Housing and Community Development Act of 1974 (Section 109 prohibits discrimination on the basis of race, color, national origin, sex, or religion in programs and activities receiving financial assistance from HUD’s Community Development and Block Grant Program).

California law provides fair housing protections in all areas covered by federal law. In addition, state laws prohibit discrimination on the basis of marital status, sexual orientation, age, and arbitrary characteristics. California’s fair housing protections are codified primarily in the Fair Employment and Housing Act (“FEHA”) and the Unruh Civil Rights Act (“Unruh Act”).

Fair housing violations may be enforced by HUD, the U.S. Department of Justice, the California Department of Fair Employment and Housing (“DFEH”), other government agencies, and through private litigation. Fair housing agencies, both government-affiliated and nonprofit, also play an important role in furthering fair housing by assisting in the investigation of housing discrimination complaints, conducting housing audits to verify the existence or nonexistence of discrimination, counseling about fair housing and common homeowner and landlord-tenant matters, and educating housing consumers and housing providers about their respective fair housing rights and responsibilities.

F. LOCAL FAIR HOUSING SERVICES

In the Consortium area, as well as in the cities of Modesto and Turlock, fair housing services are provided by Project Sentinel, Inc., a nonprofit agency with more than 30 years’ experience providing fair housing services in Santa Clara, San Francisco, San Mateo, Alameda, and Stanislaus counties. Project Sentinel serves all of Stanislaus County except the non-Consortium cities of Riverbank and Hughson.

Project Sentinel’s mission is “to develop and promote fairness and equality of housing opportunity for all persons and to advocate peaceful resolution of disputes for community welfare and harmony.”⁴⁶

Project Sentinel’s funding in the County is derived from CDBG funds from the Consortium (FY 2008–2009, \$40,000) and the cities of Modesto (FY 2008–2009, \$49,651) and Turlock (FY 2008–2009, \$22,800), FHIP funding from HUD for County jurisdictions (FY 2008–2009, \$30,000), and Dispute Resolution Programs Act (“DRPA”) funds from the Stanislaus County Superior Court (FY 2008–2009, \$160,000 for countywide mediation and small claims advisory services). FHIP funds are used throughout Project Sentinel’s service area; DRPA funds are used to provide dispute resolution and small claims advisory services to the entire County.

⁴⁶ Project Sentinel Mission Statement, adopted March 13, 2006.

Activities funded by the Consortium include community education and outreach, complaint investigation and audits, and fair housing enforcement. Each of these activities directly addresses the Consortium's obligation affirmatively to further fair housing.

1. Community Education and Outreach

Community education and outreach are crucial elements of a fair housing program. Although various housing protections have been in place for 50 years, few people have a full understanding of fair housing issues. This is not their fault. Rather, it is a function of general attitudes about the nature of civil rights protections (that they are limited to race or sex); developments in statutory law (for example, the addition of familial status and disability to federal law in 1988, the addition of protections for undocumented immigrants in California in 2008); developments in case law (particularly in relation to family status, disability, sex, and arbitrary characteristics); and demographic changes (interstate and foreign immigrants).

Knowing of the existence of fair housing rights, however, is a far cry from asserting them. Many discrimination victims who are aware of a violation of their civil rights fail to take action. Often, particularly for in-place renters, there is a fear of retaliation. The stigma of victimization or self-blame, cultural impediments to contacting authorities or initiating legal action, barriers of language or accessibility, and the general sense of powerlessness among the poor, minorities, and other underserved populations may also be important factors.

Community outreach and education counteract these barriers. Fair housing agencies like Project Sentinel target the most at-risk groups for such efforts. Because of the large number of Hispanics within the Consortium, Project Sentinel's Modesto office has Spanish-speaking staff members and distributes Spanish-language literature. (Fair housing and landlord-tenant information are also available in several Asian languages.) Public service announcements and advertisements are also run in English- and Spanish-language media outlets within the County.

Staff members answer fair housing questions and provide resource materials at community events. Although many of these events take place in Modesto, Turlock, and Ceres, they are attended by residents of other cities and unincorporated areas. In addition to these events, Project Sentinel works closely with other organizations that serve populations at risk for housing discrimination. When people experience housing discrimination, their first contacts are typically to agencies with which they already have a connection. For example, a victim of disability discrimination might contact the Disability Resource Agency for Independent Living ("DRAIL"); a victim of national origin discrimination might contact El Concilio. Project Sentinel has provided training to "front-line" workers at agencies like these (and others) about how to recognize housing discrimination and make a fair housing referral. Project Sentinel also distributes literature to government and nonprofit agencies throughout the County and maintains a website at <http://www.housing.org>.

2. Recent Stanislaus County Fair Housing Cases

Project Sentinel conducted 78 fair housing case investigations in the Consortium area during the four-year period from July 1, 2004, to June 30, 2008 (see Figure VII-14). In addition to conducting at least one investigation in each of the Consortium cities, investigations were also

conducted in the unincorporated areas of Denair, Empire, Keyes, Modesto Robertson Road Neighborhood, and Salida.⁴⁷

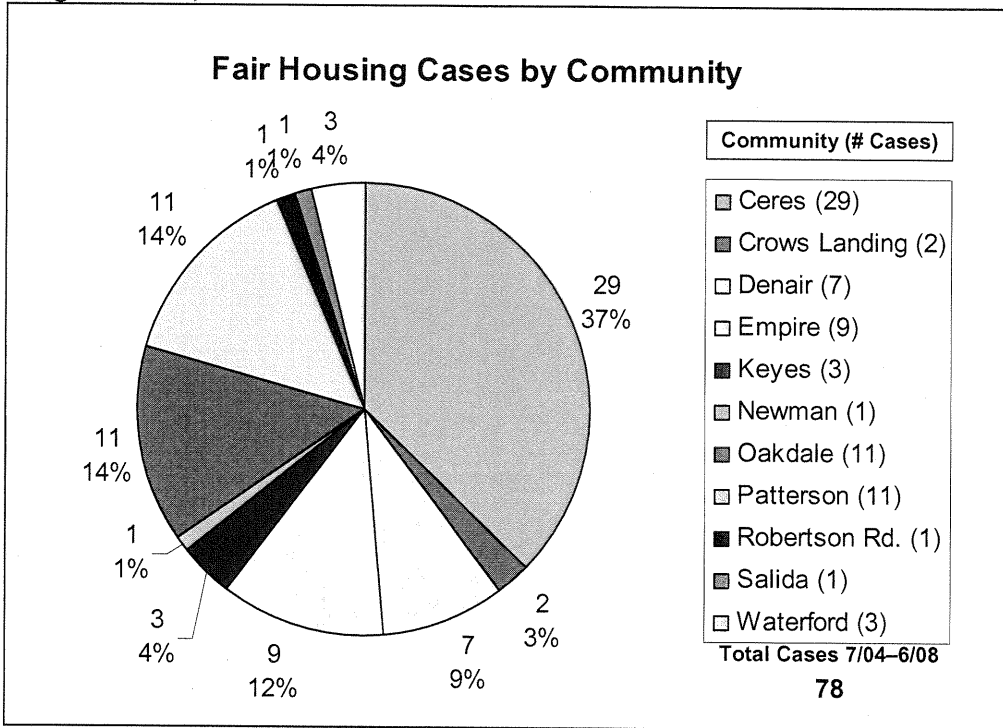


Figure VII-14: Fair Housing Cases by Community, 7/1/04-6/30/08

More than a third of these cases were in the Ceres, the largest Consortium city, followed by Patterson and Oakdale. Unincorporated communities Empire and Denair also accounted for a significant proportion of complaints.

A sizeable majority of fair housing complaints in the Consortium area involve disability, followed by national origin, sex, familial status, and race. The remainder were complaints of source of income, age, arbitrary characteristics, and marital status (see Figure VII-15).

Disability cases account for such a large proportion of cases for several reasons. First, Project Sentinel conducts audits of new multi-family housing to verify that they meet accessibility standards. Second, disability protections are comparatively new, and many housing providers are unaware of the extent of these protections. Third, many cases involve requests by persons with disabilities for reasonable accommodations and modifications. Many persons with disabilities are reluctant to make such requests on their own for fear of retaliation.

Project Sentinel assists persons with disabilities in making these requests by: (1) providing information to complainants or their healthcare providers about what reasonable accommodations are and how “disability” is defined for fair housing purposes; (2) obtaining letters from healthcare providers documenting the disabling condition and explaining the type of accommodation or modification required; (3) forwarding appropriate documentation to the

⁴⁷ Some cases from unincorporated neighborhoods near Modesto (and perhaps other cities) may be handled and reported as Modesto cases because they have Modesto mailing addresses. The case labeled “Robertson Rd.,” for example, was initially entered as a Modesto case until it was later determined that the home was in a County island.

housing provider to make the reasonable accommodation request; and (4) conciliating between the resident and housing provider as needed.

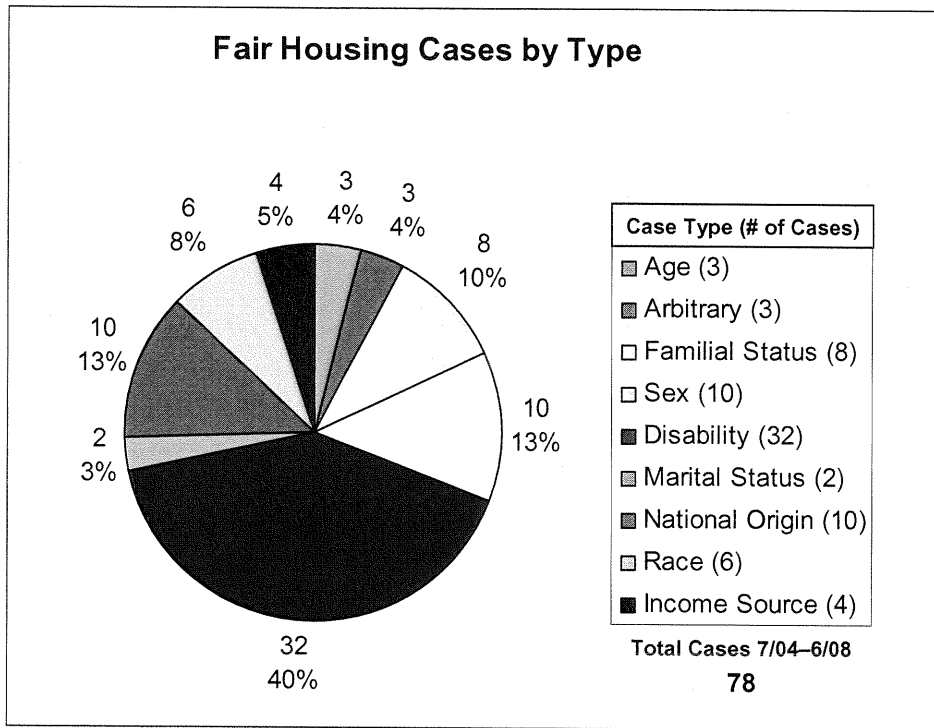


Figure VII-15: Fair Housing Cases by Type, 7/1/04-6/30/08.

a.) *Examples of Fair Housing Complaints from the Consortium Area*

Below are a few examples of fair housing complaints handled by Project Sentinel from 2004 through 2008.⁴⁸ Each example includes the community, type of complaint, description of activities, and disposition.

Oakdale • Disability (Reasonable Accommodation) • Conciliated. A family was threatened with eviction when the landlord discovered that they had a dog and cat. The single-family home was not rented as a “no pets” property because of an error by the property management company. Both animals had been prescribed by mental health providers for family members with emotional disabilities. Project Sentinel obtained documentation of the disabilities and the health care provider’s recommendation for companion animals to relieve stress and requested a reasonable accommodation from the property management company. The accommodation was approved after subsequent negotiations with the property management company, and the family was permitted to remain in the unit.

Denair • Disability (Discrimination) • Conciliated. A woman living in a senior (55+) mobilehome park was threatened with eviction because she was under the required age for residency. The woman had moved into the park to care for her ailing, elderly mother. When the mother had to be sent to a nursing home, where she subsequently died, the park initiated termination proceedings against the complainant and her adult daughter with Down Syndrome. Project Sentinel investigated mobilehome and senior living residency laws and concluded that

⁴⁸ A summary report of all fair housing cases handled during the period will be included as an attachment.

the complainant and her daughter were entitled to remain in the mobilehome. Project Sentinel contacted the park's attorney and advised him of the special status afforded to caregivers (even after a resident's death). The mobilehome park ultimately agreed to permit the complainant and her daughter to remain in the home.

Ceres • Disability (Accessibility) • HUD Referral. Project Sentinel conducted an accessibility audit at a newly-constructed multi-family complex. Auditors viewed two vacant units, laundry and trash facilities, and common areas. After a review of the Fair Housing Design Manual, six types of violations were identified, including "head-banger" hazards for visually impaired, steep sidewalk and ramp slopes without handrails, and interior thresholds that would impede wheelchair access. A complaint was filed with HUD and settled through mediation. The owner agreed to retrofit units and to bring the common areas of the complex into compliance with fair housing laws.

Ceres • Disability (Reasonable Modification) • Conciliated. The evaporative cooler unit in a Ceres rental home aggravated the condition of a woman with severe asthma. Project Sentinel contacted the landlord and requested that his tenant be permitted to purchase and install a window air conditioner at her own expense. The landlord agreed to the request.

Robertson Road Neighborhood • Sex (Sexual Harassment) • HUD Referral. An African-American woman was repeatedly propositioned by her landlord after moving into a single-family home. The home was in need of several repairs, and the landlord used gifts and promises of repairs to induce the woman into *quid pro quo* sexual relationship. When the complainant ended the relationship, the landlord immediately issued a notice to terminate her tenancy. The tenant was subsequently evicted. Project Sentinel interviewed several witnesses who corroborated the complainant's story. The case was referred to HUD for enforcement, and HUD action is pending.

Crows Landing • Arbitrary Characteristics • Educated. A White male living in an RV park complained about harassment from property management about visits from a male friend. The man's friend had not caused any problems at the park. Project Sentinel surveyed the site and found no evidence of discrimination. However, when the landlord learned of the survey, he contacted Project Sentinel to inquire about the survey. Project Sentinel advised the landlord that residents had expressed concerns about the park's treatment of guests, excessive late fees, and drug activity, and advised the landlord that it would be a violation of fair housing laws to charge additional rent for a second person to reside in an RV space. The landlord agreed to make changes and investigate the concerns identified in the survey.