



DRAFT

**City of Modesto
Analysis of Impediments to Fair Housing**

Submitted to:
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City of Modesto

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Executive Summary

Introduction

The purpose of this Analysis of Impediments to Fair Housing Choice (AI) is to examine the social and economic characteristics of the City of Modesto, public sector and private industry housing practices, and housing market conditions that may expose certain population groups to the potential for housing discrimination.

Modesto has become a City with increasing numbers and diversity of ethnic and racial groups, although non-Hispanic or Latino Whites still represent a majority of the population. Even as the City has developed economically, concentrations of lower-income households persist. The housing market is in turmoil given the current high foreclosure rate in Modesto and the expectation that this will continue given the large number of remaining households with sub-prime loans that may still have potential for foreclosure action. The economic decline in general and the deterioration of the real estate market in particular have made housing prices much more closely align with household income levels, but there are still many households that may not be eligible for homeownership due to unemployment or poor credit as a result of a prior foreclosure.

Documented cases of illegal discrimination do not occur frequently in Modesto. Nevertheless, community organizations that address fair housing issues or serve lower income and minority clients have noted that access to suitable housing is still a concern. Many households do not have established credit or have poor credit histories, lack sufficient funds for move-in expenses, have disabilities or special needs, or consist of large families or single-female-headed households. These characteristics create special challenges to obtaining suitable housing.

The City has sought to improve access to housing by:

- Supporting organizations that provide fair housing education, homebuyer education, and landlord tenant mediation;
- Offering housing rehabilitation and homebuyer assistance;
- Working with non profit organizations to reduce barriers to housing and increase the supply of affordable housing;
- Using Neighborhood Stabilization Program funding for an incentive program to help low-income renters transition to home ownership, including downpayment assistance, purchases and rehabilitations of foreclosed homes in the Airport neighborhood, and scattered site purchases and rehabilitations of foreclosed homes throughout Modesto.
- Promoting economic development to increase job opportunities; and
- Participating in partnerships with public and private organizations to improve job skills among Modesto's lower-income households.

Through these actions, the City hopes to reduce barriers to fair housing and incidence of illegal discrimination.

Public Participation

To identify fair housing issues and impediments, the Modesto Department of Parks, Recreation, and Neighborhoods conducted a community outreach program. The program included a key stakeholder meeting where representatives of fair housing and legal service providers were invited to share comments at the onset of the Consolidated Plan and AI update process, on January 27, 2010 at the Modesto City Council Chambers, at 1010 10th Street two neighborhood meetings on February 17, 2010 at the Neighborhood Center at Marshall Park, and February 19 at the 10th Street Place, a Public Consultation and meeting with the Consolidated Plan/AI Team to review the public draft of the Consolidated Plan and AI on April 1, 2010, a Citizens Housing and Community Development Committee presentation on April 21, 2010, and a public hearing before the City Council on April 27, 2010.

The Draft AI was available for public review for a period of 30 days, beginning on March 23, 2010. Copies of the document were available for public review at City offices. Comments were received from California Rural Legal Assistance, Inc. during the public comment period.

Community Profile

The Modesto population grew about 11 percent between 2000 and 2009, and became more diverse. There was little change in the proportion of households in Modesto with children; however, there was a sharp increase in the number of seniors within the community.

Overall, the level of racial or ethnic segregation in Modesto was low in 2005, and continued to fall through 2009. The greatest segregation exists between Whites and Hispanics, with Hispanics concentrated in southern Modesto. There were limited concentrations of Blacks and Asian/Pacific Islanders.

The number of single-parent households in Modesto increased between 2000 and 2007, with single-female headed households being almost three times more prevalent than single-male headed households. 2000 CHAS data from HUD indicate that a total of close to 8,000 large family households with extremely low-, low-, or moderate-incomes in Modesto, and approximately 5,470 disabled households in Modesto that had extremely low-, low-, or moderate incomes.

It is estimated that about 1,800 people were homeless in Stanislaus County at the time of the 2009 homeless point in time survey, as reported in the Turlock/Modesto/Stanislaus County Continuum of Care. Among the homeless, there were 999 un-sheltered persons, 496 in emergency shelters, and 305 in transitional housing. There is no current count of the homeless specifically in the City

of Modesto.

Controlling for inflation between 1999 and 2009 indicates that the median Modesto household income actually decreased from \$53,825 to \$49,975. The number of households paying more than 30 percent of their income towards housing is higher for renters than for owner households.

The Modesto housing stock increased by about 4,700 single family units and 1,290 multifamily units between 2001 and 2009. By 2009, there were approximately 75,070 housing units of all types in Modesto. Construction of new housing has nearly stopped in Modesto, as the number of foreclosed and for-sale homes has decreased the demand for new housing units.

Official data from the State Department of Finance indicate that the overall housing vacancy rate in Modesto is 3.3 percent; however, local sources thought that this estimate underestimated the number of vacant housing units, and that the vacancy rate is actually much higher due to recent foreclosures.

Around 2,685 owner households and 4,625 renter households experienced overcrowding in Modesto as of 2000. This represented approximately 12 percent of all households within Modesto, with renter households suffering disproportionately with overcrowding. Similarly, excessive housing cost burdens disproportionately affect renters, with 43 percent of renter households and 33 percent of owner households paying more than 30 percent of their income for housing.

In 2009, over 4,000 Stanislaus County residents received Housing Choice vouchers, with Modesto's share equal to its percentage of overall population. In addition to providing subsidies for privately-owned housing, the Housing Authority owns and operates 432 public housing units in Modesto.

According to the State of California Department of Social Service Community Care Licensing Division, 323 licensed community care facilities are located in Modesto. The largest proportions of beds or spaces are in large childcare facilities followed by family childcare homes, and residential care facilities for the elderly. In Modesto, group homes are located throughout the City.

Lending Practices

According to Home Mortgage Disclosure Act (HMDA) data, for conventional loans, the approval rate in Modesto was 52 percent, and for government backed loans, the approval rate was slightly higher, at 55 percent. Examining approval rates considering both income and race indicates that the trend across the income categories is that Whites and Asians have higher than average approval rates in each income category, while Blacks or African Americans had lower than average approval rates in each income category. The approval rates for American Indians or Alaska Natives and

Native Hawaiian or Other Pacific islanders varied greatly above and below average, depending on income level.

In 2008, home refinancing applications in Modesto were down sharply from their 2005 levels. In 2008, the approval rate of was 33 percent for conventional home refinancing. The approval rate was highest for Whites, at 40 percent, followed by Asians, at 33 percent. The lowest approval rate was for Blacks or African Americans, at 16 percent.

For home improvement loans, at 37 percent, the overall level of home improvement loan approval was higher than for refinancing loans, but lower than for home purchase loans. The approval rates varied widely across racial groups, with the White approval rate as high as 44 percent, and the American Indian or Native American approval rate at a low of 21 percent.

According to the 2008 HMDA data, the top lenders in the City by number of loans originated included the following, all of which received more than 100 applications:

- Wells Fargo Bank
- JP Morgan Chase
- Countrywide Bank
- Bank of America
- Amtrust Bank
- Wachovia

The overall approval rate was 55 percent at these six banks, with the highest approval rate of 75 percent by Amtrust Bank and the lowest, 22 percent, by JP Morgan Chase. One of the main reasons JP Morgan Chase has such a low approval rate is that 65 percent of the loans were in the “other” category, which includes applications withdrawn, closed for incompleteness, or purchased by the institution acting as trustee or in some other fiduciary capacity. JP Morgan Chase only denied 12 percent of the conventional home purchase loans the bank received. A high rate of withdrawn or closed applications can be indicative of a lack of knowledge of the loan applications and/or home buying process or a lack of adequate assistance by the lender throughout the process.

High percentages of the homes in the City of Modesto have been through or are currently going through the foreclosure process. Data from the first quarter of 2009 from the City of Modesto identify 36 Census Tracts within the City of Modesto where the foreclosure rates were ten percent or above, or the sub-prime loan rates were twenty percent or above. The latter is relevant because subprime loans are thought to be at greater risk of default, due to the relaxed underwriting standards that were typically employed when originating those loans.

Current Fair Housing Profile

The City of Modesto contracts with Project Sentinel to provide fair housing services. These include education and outreach services, tenant and landlord counseling, mediation of landlord/tenant and other community disputes, HUD-certified first-time homebuyer counseling and workshops, and mortgage default counseling.

In 2008-2009, Project Sentinel educated the community on fair housing rights and responsibilities through consultation, mediation, and educational services to 961 persons in fiscal year 2008-2009. Over the course of the fiscal year, Project Sentinel also distributed 5,335 brochures, pamphlets business cards, and other literature throughout Modesto. Project Sentinel conducted 13 workshops, as well as 14 presentations to area agencies and the public.

In fiscal year 2008-2009, Project Sentinel provided mediation services to individuals/households of all income levels, but the majority were extremely low-income. Furthermore, the racial distribution included 84 percent Whites, and 16 percent Black, with the ethnic distribution of 47 percent Hispanic.

Project Sentinel investigated 41 fair housing complaints in Modesto in fiscal year 2008-2009. The demographic profile of those filing these complaints was mainly extremely low-income households. Also, the majority of the complaints came from individuals with disabilities. The basis for discrimination for these complaints was mainly because of either a disability or familial status.

To a certain degree, hate crimes are an indicator of the environmental context for discrimination. In an attempt to determine the scope and nature of hate crimes, the Federal Bureau of Investigation's (FBI) Uniform Crime Reporting program collects statistics on these incidents. According to the FBI, hate crimes take place in Modesto, although at a low level.

Public Policies

Key local policies affecting fair housing choice in Modesto include the City's General Plan (the Land Use Element and the Housing Element in particular) and the zoning ordinance. Key provisions of the General Plan include controls on various aspects of residential development, including the types and density of housing allowed in different parts of the City, occupancy standards for housing, and guidelines for physical development of or improvement to housing units.

Local policies provide for the City to be able to accommodate its State-mandated regional housing need allocation for households at all income levels, through development of a range of housing unit

types and densities. The City's regulations on housing occupancy do not contain any discriminatory definitions of households or families, which could impair certain individuals' access to fair housing choice.

The City's residential development standards are reasonable, and do not impose onerous requirements on any type of residential unit that would impair fair housing choice. City regulations also allow and facilitate development of alternative types of housing and shelter, including second dwelling units, manufactured and mobile homes, licensed residential care facilities, including group homes, and emergency shelters, transitional housing, and permanent supportive housing.

To ensure that city-imposed fees do not constrain affordable housing, fee reductions or waivers are sometimes granted based on project-specific findings. Capital Facilities Fees (CFFs) have been waived for recent affordable housing projects within the City, reducing the potential adverse impact of fees on low-income development. The City has also attempted to utilize an Affordable Housing Fund and other financing tools to promote affordable housing within new development. As such, the City's development impact fees do not appear to create an impediment to fair housing choices.

The City of Modesto has a variety of growth management programs/policies to ensure adequate services for housing and to promote jobs-housing balance; however, the City's analysis of housing constraints in its Housing Element determined that none of the growth management policies would adversely impact the ability of the City to accommodate its fair share of housing needs in Stanislaus County.

The Modesto Redevelopment Agency established a redevelopment project area in 1983, and later expanded the area in 1991. The project area primarily covers central Modesto, much of the area on both sides of Highway 99 north of the central city area, and portions of Paradise Road and Scenic Drive outside the downtown area. The Modesto Redevelopment Project Area Five-Year Implementation Plan, 2010-2014, estimates that over the 2009-2019 time frame that there is the potential for construction of 750 total units, including 113 affordable units. The Redevelopment Project Area constitutes a significant source of affordable housing resources for the City. Eligible uses of the housing funds generated by the tax increment revenue include pre-development loans, site acquisition, and long-term financing of newly constructed or rehabilitated single-family and multifamily units.

State and federal laws require local government to ensure "reasonable accommodation" in housing for persons with disabilities when exercising planning and zoning powers. "Reasonable accommodation" means that localities allow for exceptions to make housing accessible to persons with disabilities, if necessary. The City has reviewed the zoning permitting processes and building

codes for consistency with those standards as part of the update of the City of Modesto Housing Element in 2009. As stated in the 2009 Housing Element, the City still needs to establish a formal reasonable accommodation process to provide individuals with disabilities reasonable accommodations in rules, policies, practices and procedures that may be necessary to ensure equal access to housing. Program 4.1 in the Housing Plan of the 2009 Housing Element includes a proposal to revise the zoning ordinance to establish a formal procedure to address reasonable accommodations requests, providing relevant criteria to be used when considering such requests. Codifying a formal procedure will ensure prompt, fair, and efficient handling of such requests. With the adoption of a formal procedure for reasonable accommodations, the City's zoning ordinance will not pose an impediment to fair housing.

Adequate community involvement and representation is important to overcoming and identifying impediments to fair housing. In addition to the City Council and Planning Commission, the City has appointed commissions, committees, and task forces to address specific issues. These include the Board of Zoning Adjustment, the Citizens Redevelopment Advisory Committee, the disabled Access Appeal Board, and the Equal Opportunity/Disability Commission.

Assessment of Current Fair Housing Programs and Activities

While the report identifies a number of potential issues that could affect housing choices, some issues, such as lending practices are beyond the ability of a local jurisdiction to address. The actions proposed below focus on those issues that the City could feasibly address. The City has identified the following potential fair housing concerns:

- Access to information about housing availability and choices among recent immigrants who are disproportionately lower-income;
- Lack of access to adequate housing due to poor credit history, insufficient funds for move-in expenses, and other factors among financially vulnerable groups, such as female-headed households with children and the homeless;
- Barriers faced by large, low-income and moderate-income families due to occupancy restrictions imposed by rental property owners; and
- The need to assist homeowners who have experienced foreclosure, who are disproportionately minority households, to find alternative living arrangements.

Recommended Actions

To address these potential concentrations, the following policies are recommended. Details of the accompanying actions are available in Chapter 6 of this AI. The majority of the recommended actions are either part of the City's Housing Element or the City's Consolidated Plan, and identified as such.

Affordable Housing Opportunities

Policy 1: Establish and/or support programs to supply below market housing for extremely low-, very-, low-, and moderate-income households, as well as market rate housing. (Source: 2009 City of Modesto Housing Element)

Policy 2: Assist homeowners to avoid foreclosure. (Source: 2009 City of Modesto Housing Element)

Policy 3: Track changes in Housing Law to ensure that land use regulations, including zoning, subdivision, and permit processes, are consistent with and supportive of State and federal laws. Maintain an adequate supply of appropriately designated land for special needs housing, including seniors, disabled persons, large households, the homeless, and transitional persons. Review local regulations periodically for the ability to accommodate projected housing demands.

Policy 4: Maintain the supply of safe, decent, and sound affordable housing in the City of Modesto through the conservation and rehabilitation of the City's existing housing stock, focus the use of City resources for housing rehabilitation and assisted housing on those neighborhoods and residents having the greatest need for housing assistance, and encourage the development and rehabilitation of housing that is accessible to persons with disabilities.

Access to Information

Policy 5: The City will continue to provide links through its website to Housing services and resources, along with consumer information on housing services and resources, along with consumer information at local service centers and City Hall, public libraries and other governmental facilities.

Outreach to Lenders

Policy 6: The City will continue to work with local lenders and government institutions to provide outreach to lower-income residents about government-backed financing. The City will encourage local lenders to conduct home buying workshops and provide information in English, Spanish, and other appropriate languages. (Source: 2005 AI)

Public Policies and Programs

Policy 7: As an ongoing effort, the City will continue to pursue affordable housing development programs and funding for affordable housing providers as identified in the Housing Element and Consolidated Plan. To the extent feasible, the City will facilitate the development of housing that is affordable to lower- and moderate-income households according to the Regional Housing Needs Allocations identified in the Housing Element. (Source: 2005 AI)

Fair Housing Services Outreach

Policy 8: Promote equal opportunity for all residents to live in the housing of their choice by continuing to make a strong commitment to the issue of fair housing practices. In addition, ensure that fair housing opportunities prevail for all City residents regardless of age, sex, religion, ancestry, marital status, family status, income or source of income, race, creed, national origin, sexual orientation, or disabilities. (Source: 2009 City of Modesto Housing Element)

Policy 9: The City will continue to comply with anti-discrimination requirements, including all applicable federal regulations, as demonstrated in the City's application for Community Development Block Grants, HOME, Emergency Shelter Grants, and other federal funds (Source 2005 AI)

1 Introduction

1.1 Purpose of the Analysis of Impediments to Fair Housing

The City of Modesto is located in Stanislaus County, in the northern portion of the San Joaquin Valley. Modesto is located along State Highway 99, one of the major north-south highways in California. Highway 99 connects Modesto with Sacramento to the north and Los Angeles (via Interstate 5) to the south. State Highway 132 connects Modesto with Interstate 5 and the San Francisco Bay Area.

Modesto is the largest city in Stanislaus County and serves as the County seat, with an estimated population of approximately 210,000 in 2009, according to the California Department of Finance. The City's population increased by approximately 96 percent between 1980 and 2009, fueled by employment growth in the San Francisco Bay Area and, locally, less costly housing than the Bay Area and large expanses of developable land.

The City's population growth has brought greater racial and ethnic diversity, with a large increase in the City's Hispanic population. In addition, a significant percentage of the community's residents are foreign born and primarily speak languages other than English. Despite these changes, the City's population remains predominantly non-Hispanic White, although the share and absolute number of the City's population belonging to this racial group has declined slightly from 2000 to 2009.

The purpose of the Analysis to Impediments to Fair Housing Choice (AI) is to examine the social and economic characteristics of the City's population, the City's stock of available housing, and the housing needs of specific groups that may face barriers to fair housing choice. This report also contains an analysis of housing market conditions, both public and private, and describes public policies, laws, and actions that may affect housing choices or impede fair access to housing. Included in this report are the following:

- Review of Modesto's laws, regulations, administrative policies, procedures, and practices affecting housing;
- Review of the City's marketing strategy for housing programs;
- An assessment of how laws affect the location, availability, and accessibility of housing; and
- An assessment of conditions, both public and private, affecting fair housing choice.

The scope of analysis and the format used for this AI adhere to recommendations contained in the Fair Housing Planning Guide prepared by U.S. Department of Housing and Urban Development (HUD), accessed in December of 2009.¹

1.2 Fair Housing Defined

Equal access to housing is fundamental to meeting essential needs and pursuing personal, educational, employment, and other goals. Recognizing this fundamental right, the federal government and the State of California have established fair housing as a right protected by law.

1.2.1 Federal Laws

The federal Fair Housing Act of 1968 and Fair Housing Amendments Act of 1988 (42 U.S. Code §§ 3601-3619, 36-31) are federal fair housing laws that prohibit discrimination in all aspects of housing such as the sale, rental, lease or negotiation for real property. The Fair Housing Act prohibits discrimination based on race, religion, and national origin. In 1988, the Fair Housing Act was amended to extend protection to familial status and to people with disabilities, both physical and mental. In addition, the amended Act provides for “reasonable accommodation,” allowing structural modifications for persons with disabilities, if requested, at their own expense and sets housing code standards for new multifamily dwellings to accommodate the physically disabled.

1.2.2 California Laws

The Fair Employment and Housing Act (FEHA) and the Unruh Civil Rights Act (Part 2.8 of the California Government Code, Code Sections 129000-12996) are California fair housing laws based on federal laws. The Fair Employment and Housing Act prohibits discrimination and harassment in all aspects of housing, including sales and rentals, eviction terms and conditions, mortgage loans and insurance, and land use and zoning. The Act prohibits retaliation against any person who had participated in a Department investigation, or opposed any activity prohibited by the Act. In addition, these laws require housing providers to make reasonable accommodations to permit persons with disabilities to live and enjoy a dwelling and allow persons with disabilities to make reasonable accommodations of their premises.

The Unruh Civil Rights Act provides protection from discrimination by all business establishments in California, including housing and accommodations, because of age, ancestry, color, disability, national origin, race, religion, sex, and sexual orientation.

¹ HUD web site. <http://www.hud.gov/offices/fheo/promotingfh.cfm>. Accessed December 2009.

An evaluation of potential impediments to fair housing choice must distinguish between access to housing based on cost and affordability versus access to housing based on illegal discrimination. Affordability, by itself, is not a fair housing issue. When a household has problems accessing housing due to cost, no fair housing law is violated.² Only when affordability issues disproportionately impact individual households with characteristics that are protected by fair housing laws, would fair housing concerns arise.

An evaluation of fair housing must also consider the relationship between equal access to housing and the availability of a range of housing choices. Many factors in the public and private domains have the potential to impede access to housing or fair housing choice. Examples of potential impediments related to the sale, rental, finance, advertising, or regulations of housing include:

- Actions, omissions, or decisions that make distinctions based on age,³ race, color, ancestry, national origin, religion, sex, disability, marital status, familial status, source of income, sexual orientation, or any other arbitrary facts that restrict housing choices or the availability of housing; or
- Actions, omissions, or decisions that have the effect of restricting housing choices or the availability of housing on the basis of age, race, color, ancestry, national origin, religion, sex, disability, marital status, familial status, source of income, sexual orientation or any other arbitrary factors.

To promote equal housing opportunity as required under federal and state laws, public agencies must work to remove or mitigate impediments to fair housing choice. The City of Modesto is dedicated to providing fair housing opportunities to all residents, and ensuring that all applicable laws are followed throughout the City.

1.3 Organization of the AI

The Analysis of Impediments to Fair Housing is divided into six chapters. Following this Introduction, the AI contains:

- **Chapter 2: Community Profile** – presents demographic, housing, and income characteristics in Modesto. Major employers and transportation access to job centers are identified. The relationship among these variables is discussed.

² Although economic impacts are not covered under fair housing laws, other state laws, such as California's housing element law (California government Code sections 65580 to 65589.5) require cities and counties to make affirmative efforts to accommodate housing for all income groups and facilitate the development of housing for lower-income households and individuals with special needs.

³ Both federal and state laws allow for age-based discrimination in the provision of senior housing.

- **Chapter 3: Lending Practices** – analyzes private activities that may impede fair housing.
- **Chapter 4: Current Fair Housing Profile** – evaluates fair housing practices and services available to residents, and identifies fair housing complaints and violations in Modesto.
- **Chapter 5: Public Policies** - describes public policies that may impede fair housing choice in Modesto.
- **Chapter 6: Conclusions and Recommendations** – provides conclusions about fair housing in Modesto and recommendations to address identified impediments.

1.4 Data Sources

The following data sources were used to complete this AI. Sources of specific information are identified in the text, tables, and figures.

- Census, 2000
- City of Modesto General Plan
- City of Modesto Housing Element, 2009
- City of Modesto Zoning Ordinance
- City of Modesto Consolidated Plan 2005-2009
- California Department of Finance
- California Department of Social Services, Community Care Licensing Division, 2009
- Housing Authority of County of Stanislaus (HACS)
- Home Mortgage Disclosure Act (HMDA) data regarding lending and foreclosure patterns
- Claritas, Inc., a private vendor of demographic information, 2009
- Comments received from Fair Housing Stakeholder meeting (January 27, 2010)
- HUD office of Fair Housing and Equal Opportunity

1.5 Public Participation

To augment these data sources, the Modesto Department of Parks, Recreation, and Neighborhoods conducted a community outreach program. The program included a key stakeholder meeting where members of the fair housing and legal service providers were invited to share comments at the onset of the Consolidated Plan and AI update process on January 27, 2010 at the Modesto City Council Chambers in downtown Modesto, two neighborhood meetings on February 17, 2010 at the Neighborhood Center at Marshall Park, and February 19 at the 10th Street Place, Public

Consultation and meeting with Consolidate Plan/AI team to review the public draft of the Consolidated Plan and AI on April 1, 2010, a Citizens Housing and Community Development Committee Presentation on April 21, 2010, and a public hearing before the City Council on April 27, 2010. From March 23rd through April 27th, the AI was available for public review and comment.

The City distributed a resident questionnaire to solicit community opinions and concerns regarding community needs that can be addressed through federal funds covered under the Consolidated Plan and AI. These categories of need were:

- Community Services
- Housing
- Economic Development
- Community Facilities and Infrastructure

These categories of need were further divided into specific topics, such as "senior centers" and "street, lighting, and sidewalk improvements" (from the Community Facilities and Infrastructure category), and "youth activities" (from the Community Services category). For each topic, the respondent was asked to indicate unmet needs that warrant expenditure of public funds by checking a "priority" level from Lowest to Highest need, with 1 denoting the lowest need and 4 the highest need. A copy of the questionnaire is included at the end of Attachment A.

The questionnaire was distributed to community organizations and neighborhood associations which were notified of the Consolidated Plan and AI update, and to attendees at public Consolidated Plan and AI meetings. Questionnaires were completed by 38 residents and 11 service providers. Resident surveys were submitted by persons living throughout the City of Modesto, with no concentration of surveys from any one neighborhood.

The three levels of importance —high, medium, or low— were assigned based on the average score received for each topic. The higher the average score, the more important the topic as a priority need. High priority needs were those with an average score of 3.0 or higher. There were 15 topics that received a score greater than 3.0. Moderate priority needs were those with an average score of 2.5 to 2.99. There were 20 topics that received a score of 2.5 or greater and less than 3.0. Low priority needs were those with an average score of less than 2.5. There were 16 topics that received a score less than 2.5. Fair Housing Services was considered a low priority by the residents and service providers who completed questionnaires.

Public Comments on Draft AI

California Rural Legal Assistance, Inc. sent a letter commenting on the AI on behalf of the residents of the Parklawn Neighborhood, which is located in an unincorporated area within

Stanislaus County, outside the Modesto city limits. In summary, the comment letter suggests that the City of Modesto, by failing to annex areas outside of the City where California Rural Legal Assistance asserts that low-income and minority households experience poor living conditions, is failing to address the needs of those communities. The letter is also included at the end of this attachment. These comments have been taken into consideration; however, the City feels that given its limited resources, it has a responsibility to address priority needs within the City and that areas outside of the City limits are beyond the purview of the AI. The City has established a Neighborhood Revitalization Area (NRSA) in the Airport Neighborhood and is focusing its available resources on improving this area within the City where low-income and minority communities have endured poor neighborhood conditions. The table included at the end of this attachment indicates that there is a concentration of Hispanic residents in the Airport Neighborhood that is more than double the share of Hispanic households in the City and County. Given this prior commitment to targeted revitalization efforts in the Airport Neighborhood which requires ongoing support, the City does not believe it is appropriate to focus AI policies or resources on areas that lie outside the City, at this time.

1.5.1 Key Stakeholder/Service Provider Comments

The City held a meeting on January 27th, 2010 for Key Stakeholders to provide input on the needs as well as current obstacles and issues facing service providers in the City of Modesto. Nearly 140 invitations as well as copies of the survey were sent out two weeks prior to the meeting. A list of those in attendance, a copy of the invitation letter and survey are included as Attachment A.

The meeting included a breakout session for Key Stakeholders to provide input on the following eight topic areas:

- Barriers to Affordable Housing Development
- Homeless
- Seniors
- Health and Disabilities
- Lenders, Brokers, First-Time Homebuyer Assistance
- Fair Housing Issues
- Non-Housing Community Development Needs
- Other? (e.g., minorities, domestic violence)

Stakeholders were asked to address three questions related to each of the eight topic areas:

1. *What are particular concerns and needs associated with each population/issue area?*
2. *What policies/programs can help address these needs?*
 - *What policies/programs work well now?*
 - *Are there any major policy/program gaps that should be addressed?*

3. *What are recommended priorities over next 5 years?*

Below is a summary of comments received during the meeting related to Fair Housing:

Fair Housing Issues

Concerns/Needs:

- Households experiencing foreclosure are not aware of their rights
- Language barriers- different languages and dialects
- Special needs/elderly needs
- Discrimination against large families
- Need accountability on foreclosures
 - Landlords required to provide notice to tenants about pending foreclosure

Policies/Programs:

- Provide information in other languages

Recommended Priorities:

- Education for tenants/renters and homeowners

2 Community Profile

Various factors affect the ability of individuals with similar incomes and needs in the same housing market to obtain a like range of housing choices. This chapter analyzes factors that may affect housing choice, such as demographic characteristics of the City, differences in income by race and ethnicity, housing characteristics, housing cost and availability, and access to public transportation.

2.1 Demographic Data

2.1.1 Population and Household Trends

Table 2.1 presents information on population and household growth from 2000 to 2009 in the City of Modesto. The population of the City of Modesto rose from about 188,860 in 2000 to around 210,090 by 2009, an increase of 11.2 percent. The number of households increased 11.8 percent from 2000 to 2009, slightly exceeding the population growth rate. In 2000, there were around 64,960 households, and by 2009, the number of households increased to about 72,950.

2.1.2 Household Composition and Size

The percentage of households with children remained constant from 2000 to 2009, at around 43 percent of total households. There was only a very small increase in the percentage of homeowners from 2000 (about 59 percent of the total households) to 2009 (60 percent of total households).

2.1.3 Age Distribution

The City of Modesto has a relatively young population with a median age of approximately 33 years in both 2000 and 2009. As of 2000, approximately 30 percent of the total population was under 18 years of age, an additional nearly 59 percent was between the ages of 18 and 64, and the remaining population, around 11 percent, was over the age of 65. By 2009, the age distribution changed, and a lower percentage of the population was under age 18 (about 27 percent of the total population). In addition, the population ages 18 to 64 (61.5 percent of the population) increased and the percentage of elderly persons age 65 and over stayed constant through 2009.

2.1.4 Race/Ethnicity

The City of Modesto's racial/ethnic composition changed significantly from 2000 to 2009. While 44,800 White, Not Hispanic or Latino households still comprise the majority of households in Modesto in 2009 (62 percent of total households), the number and percentage of White, Not

Hispanic or Latino households has dropped since 2000 when they accounted for 45,210 households (70 percent of total households). Meanwhile, over the period from 2000 to 2009, the number of Hispanic or Latino households rose from around 11,900 (18 percent of total households) to 17,700 households (24 percent of total households). The other race/ethnic categories including Black or African American, American Indian and Alaska native, Asian, and Native Hawaiian and Other Pacific Islanders each represented less than five percent of the population. Additional information on the housing needs of different racial/ethnic groups is included under the heading Housing Needs by Income Category and Tenure.

Residential Segregation

Residential segregation refers to the degree to which groups live separately from one another. The term “segregation” historically had been linked to the forced separation of racial groups. However, as more minorities move into suburban areas and outside of traditional urban enclaves, the issue of segregation has become more complex.

The dissimilarity index is the most commonly used measure of segregation between two groups, reflecting their relative distributions across neighborhoods, as defined by Census Tracts. The index represents the percentage of the minority group that would have to move to new neighborhoods to achieve perfect integration of that group. An index score can range in value from zero percent, indicating complete integration, to 100 percent, indicating complete segregation. In general, an index score above 60 is considered to indicate a high degree of segregation; 30 to 60 is considered moderate; and below 30 is considered low.⁴

The degree of racial segregation within Modesto among different ethnic groups is presented in Table 2.4. The formula for calculating the dissimilarity index for Modesto, by Census Tract, is as follows:

$$D = 0.5 \sum | P_{ig}/P_g - P_{ih}/P_h |$$

- P_{ig} is the population of group “g” in Census Tract “i”
- P_{ih} is the population of group “h” in Census Tract “i”
- P_g is the total population of group “g” in the city and
- P_h is the total population of group “h” in the city

In general, the degree of racial segregation in Modesto is low. However, noticeably different levels of segregation exist between different racial and ethnic groups. The highest level of segregation exists when comparing the Hispanic population to the White population (33.5 percent), and when comparing the Hispanic population to the Black population the level of segregation is the lowest

⁴ Massey, D.S. and N.A. Denton. *American Apartheid: Segregation and the Making of the Underclass*. Cambridge: Harvard University Press. 1993.

(19.6 percent). When compared to White populations, Blacks had the lowest level of segregation (28.9 percent), while Hispanics had the highest (33.5 percent). It is encouraging to note that compared to the dissimilarity index data reported in the City of Modesto's 2005-2009 AI, which was based on 2000 Census data, the level of segregation within Modesto has decreased.

Many factors influence segregation. Individual choices can be one cause of segregation. Originally, many ethnic groups gravitated to ethnic enclaves where services catered to them, and when moving was not an option until they reached a certain economic status. Currently, some residents choose to live among people of their own racial/ethnic group because they feel more comfortable where other members of their group live. This attitude is widespread and typically more frequently found among recent immigrants, who often depend on nearby relatives, friends, and ethnic institutions to help them in their adjustments. However, this does not mean that these residents prefer ethnically homogenous neighborhoods. Housing choice may also be constrained by factors outside an individual's control, such as housing cost. New housing construction has been found to decrease segregation for all groups, but most significantly for Blacks.⁵

Others believe that recently arrived immigrants in highly concentrated ethnic communities may resist blending into the mainstream, primarily because of the proliferation of native-language media and retail business. Others feel that such concentration actually help immigrants by creating a comfort zone that may help them transition to the mainstream and improve their economic situation. There are a few programs in Modesto to address the needs of non-English speaking residents while also offering transitional services. One is El Concilio, which serves Spanish-speaking residents and migrant workers. El Concilio also offers immigration and English as a Second Language (ESL) services that assist with making a transition into the mainstream American culture.

Race/Ethnic Concentration

Figure 2.1 shows the Census Tracts where there are concentrations of Hispanic, Black, and Asian/Native Hawaiian/Pacific Islander populations. The highlighted Census Tracts indicate places where the percentage of a given minority is above the city average and Census Tracts where the percentage of a given minority is twice or more than the City average. In the City of Modesto, an average of 6.8 percent of the population is Asian/Native Hawaiian/Pacific Islander. There is only one Census Tract where this population represents twice or more of the city average, and an additional 14 Census Tracts, mainly in western Modesto, where the population concentration exceeds the City average. Blacks comprise 4.1 percent of the City population, and there is only one Census Tract where Blacks represent more than twice this proportion. Fifteen additional Census Tracts have Black population above the City average, including most of the Census Tracts

⁵ UCLA Lew Center for Regional Policy Studies. "Metropolitan America in Transition: Segregation and Diversity", 2001. <http://www.sppsr.ucla.edu/lewis/metroamerica/seg1.htm>

west of Highway 99 and some other tracts interspersed throughout the remainder of the City. As for the Hispanic population, there are five Census Tracts concentrated in southern Modesto where the Hispanic population is more than twice the City average of 32.8 percent. An additional seven Census Tracts have concentrations above the City average

Table 2.1: Population and Household Trends, 2000 and 2009

City of Modesto	2000	2009 (est.) (a)	Average Annual Growth 2000-2009	Percent Change 2000-2009
Population	188,856	210,088	1.3%	11.2%
Households	64,959	72,594	1.4%	11.8%
Average Household Size	2.86	2.85	0.0%	-0.3%
Household Type				
HH with Children (b)	42.9%	43.0%		
HH without Children	57.1%	57.0%		
Tenure				
Homeowners	58.7%	60.0%		
Renters	41.3%	40.0%		

Notes:

(a) 2009 figures for the City of Modesto are based on total population and household estimates from the California Department of Finance and household type and tenure distribution estimates from Claritas.

(b) Households with children have at least one member under the age of 18.

Sources: Department of Finance, 2009; Claritas, 2009; BAE, 2009.

Table 2.2: Age Distribution, 2000 and 2009

Age Distribution	City of Modesto			
	2000		2009 (est.) (a)	
	Number	Percent of Total	Number	Percent of Total
Under 18	56,785	30.1%	57,621	27.4%
18-24	18,108	9.6%	21,263	10.1%
25-34	25,421	13.5%	31,390	14.9%
35-44	29,185	15.5%	27,689	13.2%
45-54	24,117	12.8%	28,110	13.4%
55-64	14,278	7.6%	20,720	9.9%
65 and Over	20,962	11.1%	23,295	11.1%
Total	188,856	100%	210,088	100%
Median Age	32.7		33.3	

Note:

(a) 2009 figures for the City of Modesto are based on total population estimates from the California Department of Finance and age distribution estimates from Claritas. 2009 figures for all other areas are based solely on estimates provided by Claritas.

Sources: California Department of Finance, 2009; Claritas, 2009; BAE, 2009.

Table 2.3: Households by Race/Ethnicity, 2000 and 2009

Household Race/Ethnicity (a)	City of Modesto			
	2000		2009 (Est.) (b)	
	Number	Percent of Total	Number	Percent of Total
Not Hispanic or Latino				
White	45,212	70%	44,806	62%
Black or African American	2,285	4%	3,102	4%
American Indian and Alaska Native	500	1%	538	1%
Asian	2,733	4%	3,602	5%
Native Hawaiian and Other Pacific Islander	240	0%	355	0%
Some Other Race	147	0%	170	0%
Two or More Races	1,970	3%	2,299	3%
Subtotal: Not Hispanic or Latino	53,087	82%	54,871	76%
Hispanic or Latino				
White	4,818	7%	7,000	10%
Black or African American	97	0%	150	0%
American Indian and Alaska Native	245	0%	338	0%
Asian	74	0%	107	0%
Native Hawaiian and Other Pacific Islander	17	0%	20	0%
Some Other Race	5,792	9%	8,887	12%
Two or More Races	829	1%	1,221	2%
Subtotal: Hispanic or Latino	11,872	18%	17,723	24%
Total: Households	64,959	100%	72,594	100%

Notes:

(a) Based on race/ethnicity of the head of household. Race/ethnicity is self-reported.

(b) 2009 figures for the City of Modesto are based on total household estimates from the California Department of Finance and race/ethnic distribution estimates from Claritas 2009 figures.

Sources: California Department of Finance, 2009; Claritas, 2009; BAE, 2009.

Table 2.4: City of Modesto Dissimilarity Indices for Racial/Ethnic Groups, 2009 (a)

<u>Race/Ethnic Group</u>	<u>Population</u>	<u>Dissimilarity with Whites</u>	<u>Dissimilarity with Hispanics</u>
White (b)	108,617	n.a.	33.5%
Hispanic or Latino	71,218	33.5%	n.a.
Black (b)	8,831	28.9%	19.6%
Asian (b)	13,361	30.6%	28.8%

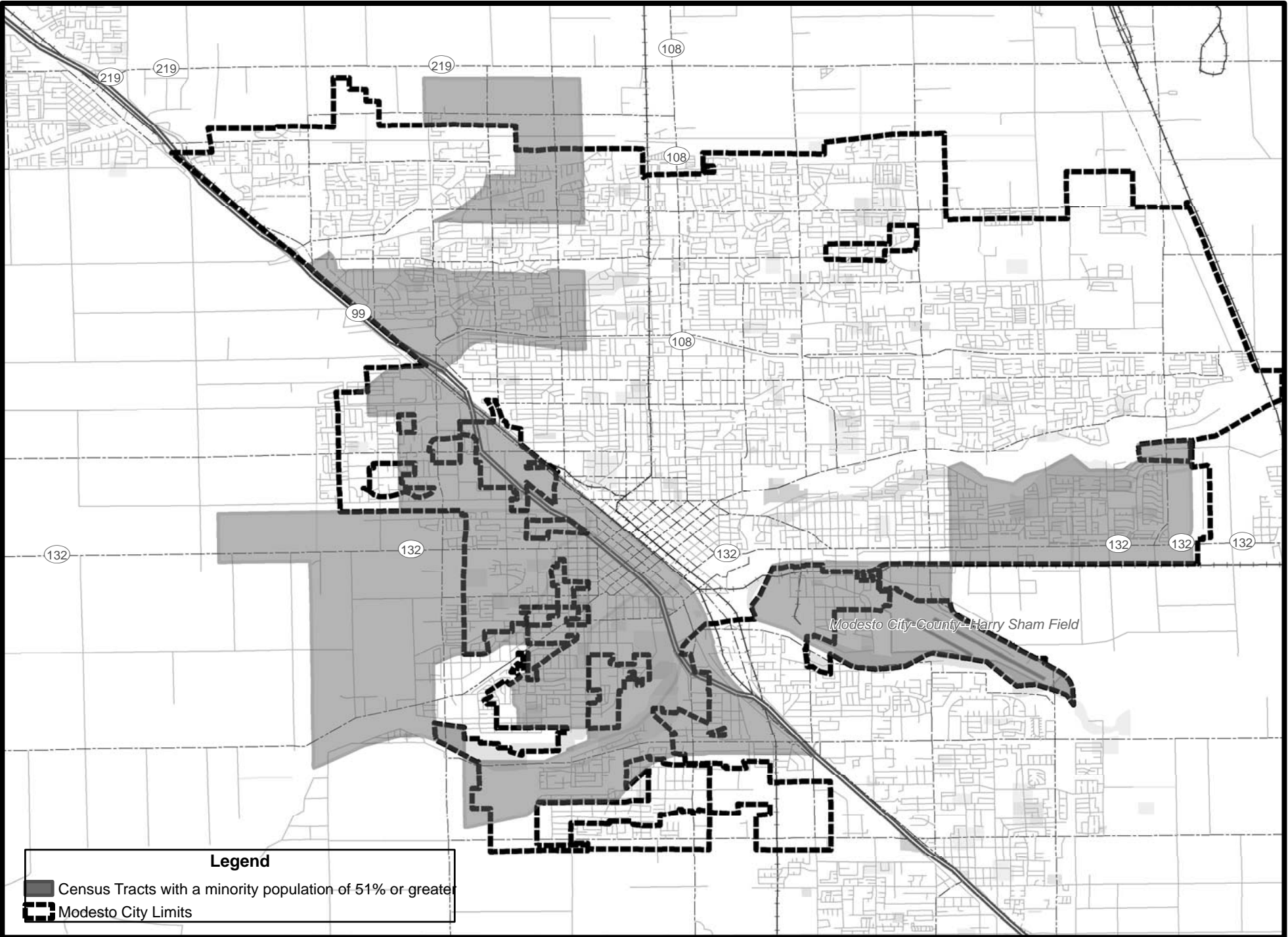
Notes:

(a) The dissimilarity index is the most commonly used measure of segregation between two groups reflecting their relative distributions across neighborhoods, as defined by Census Tracts. Appendix A contains a list of the Census Tracts in the City of Modesto. The index represents the percentage of the minority group that would have to move to new neighborhoods to achieve perfect integration of that group. An index score can range in value from zero percent, indicating complete integration, to 100 percent, indicating complete segregation.

(b) Not Hispanic or Latino

Sources: Claritas, 2009; BAE, 2010.

Figure 2.1: Minority Population Concentration, City of Modesto, 2009



Sources: Claritas, 2009; BAE, 2010.

2.2 Household Characteristics

2.2.1 Special Needs Households

The following discussion highlights households with particular characteristics that may affect their access to housing in the community. These include large households, single-female households, disabled persons, persons with HIV/AIDS, and homeless persons.

Large Households

Large households are defined as those with five or more members. Many large households consist of families with two or more children, and/or with extended family members such as grandparents. Large households are a special needs group because the availability of adequately sized, affordable units is often limited. In order to save for necessities such as food, clothing, and medical care, large households with low and moderate incomes may reside in housing units with inadequate space, resulting on overcrowding. Furthermore, families with children, especially those who rent, may face discrimination or differential treatment in the housing market. For example, landlords may charge such families a higher rent or security deposit than other families, limit the number of children in a complex or confine them to a specific location, or choose not to rent to families with children altogether. As reported in the 2009 City of Modesto Housing Element, 10,054 large households reside in Modesto (five or more members), representing approximately 16 percent of all households. In comparison, there were 7,749 large households in Modesto in 1990.

Single Female-Headed Households

According to the 2009 City of Modesto Housing Element, there were about 6,000 single female-headed households in Modesto in 2000. By 2007, there were 6,340 single female-headed households, or an increase of six percent since 2000.

Disabled Persons

According to 2000 CHAS data, there are approximately 5,470 disabled households in Modesto. Approximately 2,140 of these households had incomes of 30 percent or less of MFI, and of these households, 1,810 had housing problems (close to 85 percent of total disabled households with income of 30 percent or less). Among households with incomes of 30 to 50 percent of MFI, about 2,370 were disabled, and around 1,840 had housing problems (slightly less than 78 percent of total disabled households with income of 30 to 50 percent of MFI). Finally, households with incomes of 50 to 80 percent of MFI numbered 3,060, and about 1,810 of these households had housing problems (more than 59 percent of total disabled households with income of 50 to 80 percent of MFI).

Low-Income Persons with HIV/AIDS

The estimate of the total low-income population with HIV/AIDS is derived from 2009 data from the California Department of Public Health for Stanislaus County. The Department of Public Health estimates that there are 503 people living with HIV and AIDS in the County.⁶ Decreasing this estimate based on the percentage of persons in Modesto compared to Stanislaus County as a whole, and multiplying by the percentage of households in Modesto who were low-income as of 2000, resulted in an estimate of 143 low-income persons with HIV/AIDS living in Modesto. It should be acknowledged that this estimate may be considered low by the Stanislaus Community Assistance Project (SCAP), a local nonprofit serving those persons with HIV/AIDS. The Department of Public Health estimate reflects where a person tested positive for HIV/AIDS, and does not reflect where the individuals may move after diagnosis. SCAP believes that many individuals who test positive for HIV/AIDS in the Bay Area, and who are therefore included in the counts for Bay Area counties, then move to Stanislaus seeking lower housing costs. SCAP estimates, that they serve about 800 persons with HIV/AIDS in Modesto.⁷ SCAP does not track the income levels of all of its clients.

Homeless Persons

In January 2009, according to the Turlock/Modesto/Stanislaus County from the Continuum of Care Homeless Population and Subpopulations Chart, there were 1,800 homeless persons in Turlock/Modesto/Stanislaus County, including 999 un-sheltered persons, 496 in emergency shelters, and 305 in transitional housing. Among the sheltered population (those in both emergency shelters and transitional shelters), 68 were chronically homeless, 39 were severely mentally ill, 45 suffered from chronic substance abuse, 25 were veterans, 22 persons had HIV/AIDS, 7 were victims of domestic violence, and 24 were youth (under 18 years of age). Note that one person can be listed in multiple homeless subpopulations.

2.3 Income Profile

2.3.1 Household Income

As shown in Table 2.5, the unadjusted median household income in the City of Modesto rose from \$42,425 to \$49,975 from 1999 to 2009. Controlling for inflation between 1999 and 2009 indicates that the median income actually decreased from \$53,825 to \$49,975. The distribution across income categories in 2009 shows close to 24,660 households (about 34 percent of total households) have annual incomes of less than \$35,000, that about 26,470 households (just above 36 percent of

⁶ California Department of Public Health. <http://www.cdph.ca.gov/programs/aids/Documents/HIVAIDSMergedApr09.pdf>. Accessed on January 5, 2010.

⁷ Personal Communication. Joe Gibbs, Director of Development, Stanislaus Community Assistance Project. January 14, 2009.

total households) have incomes between \$35,000 and \$74,999, and another 21,460 households (slightly less than 30 percent of total households) have incomes of \$75,000 or more.

For the purposes of determining whether a household qualifies as lower income, the federal government had established income guidelines that are established by household size. Table 2.6 shows those guidelines for 2009.⁸

Figure 2.2 provides information on the Census Tracts in Modesto that have concentrations of households with low- or moderate incomes.⁹ If 51 percent or more of the households in a given Census Tract qualify as low- or moderate-income, or 51 percent or more of the population are members of minority groups, then the tract is defined as an area of concentration. Nine Census Tracts, mainly located along Highway 99 and surrounding downtown Modesto, have low- or moderate-income concentrations. Fourteen Census Tracts, including most of the Census Tracts west of Highway 99 and a couple other tracts on the edges of the City limits, have minority concentrations.

2.3.2 Income by Race/Ethnicity

Special income data based on the 2000 Census from HUD's Comprehensive Housing Affordability Strategy (CHAS) data set are the source of the income by race/ethnicity information. According to the CHAS data, 10 percent of Modesto's total households in 2000 were extremely low-income (less than 30 percent of median family income (MFI), 11 percent were very low-income households (30 to 50 percent of MFI), and 17 percent had low-incomes (51 to 80 percent MFI). Approximately 62 percent of households had income above 80 percent of MFI in 2000.

Income levels in Modesto varied by race and ethnicity. Specifically, noticeably lower proportions of Hispanic and African American households had incomes above 80 percent of the MFI (53 percent of African American households). At 66 percent, White households had the highest proportion of households earning above 80 percent of MFI. Among all racial and ethnic households, the highest proportion of households at the lower-income levels was African Americans.

⁸ As previously stated, for the purposes of this report the federal government uses the phrase low- and moderate-income to refer to households earning 80 percent or less of median family income. The federal government guidelines used to qualify households for rental assistance under the Housing Choice (Section 8), program, however, uses different categories. The terms used in Table 2.6 refer to levels of household income at or below 80 percent of median family income as low-income. Many other federal programs use the Section 8 income guidelines and definitions.

⁹ Low/moderate income households refers to those households with incomes that qualify as extremely low-income (less than 30 percent of Median Family Income, MFI), low-income (30 to 50 percent of MFI), and moderate-income (50 to 80 percent of MFI)

Table 2.5: Household Income Distribution, 1999 and 2009

Income Range	City of Modesto			
	1999 (a)		2009 (est.) (b)	
	Number	Percent of Total	Number	Percent of Total
Less than \$15,000	10,453	16.1%	8,646	11.9%
\$15,000 - \$24,999	8,864	13.6%	8,289	11.4%
\$25,000 - \$34,999	8,742	13.5%	7,727	10.6%
\$35,000 - \$44,999	7,793	12.0%	7,954	11.0%
\$45,000 - \$59,999	9,508	14.6%	10,436	14.4%
\$60,000 - \$74,999	6,920	10.7%	8,078	11.1%
\$75,000 - \$99,999	6,451	9.9%	9,115	12.6%
\$100,000 - \$149,999	4,393	6.8%	8,168	11.3%
\$150,000 or more	1,835	2.8%	4,180	5.8%
Total Households	64,959	100%	72,594	100%
Unadjusted Median Household Income	\$40,425		\$49,975	
Adjusted Median Household Income (c)	\$53,825		\$49,975	

Notes:

(a) 1999 figures are based on Census 2000, Summary File 1 total household figures and Summary File 3 income distribution estimates.

(b) 2009 figures for the City of Modesto are based on total household estimates from the California Department of Finance and income distribution estimates from Claritas 2009 figures.

(c) The 1999 median household income estimates are adjusted to represent 2009 dollars using the California Department of Finance All Urban Consumer Price Index (CPI) of 1.331, revised in November 2009.

Sources: Census 2000, 2009; California Department of Finance, 2009; Claritas, 2009; BAE, 2009.

Figure 2.2: Low and Moderate Income Household Concentrations, City of Modesto

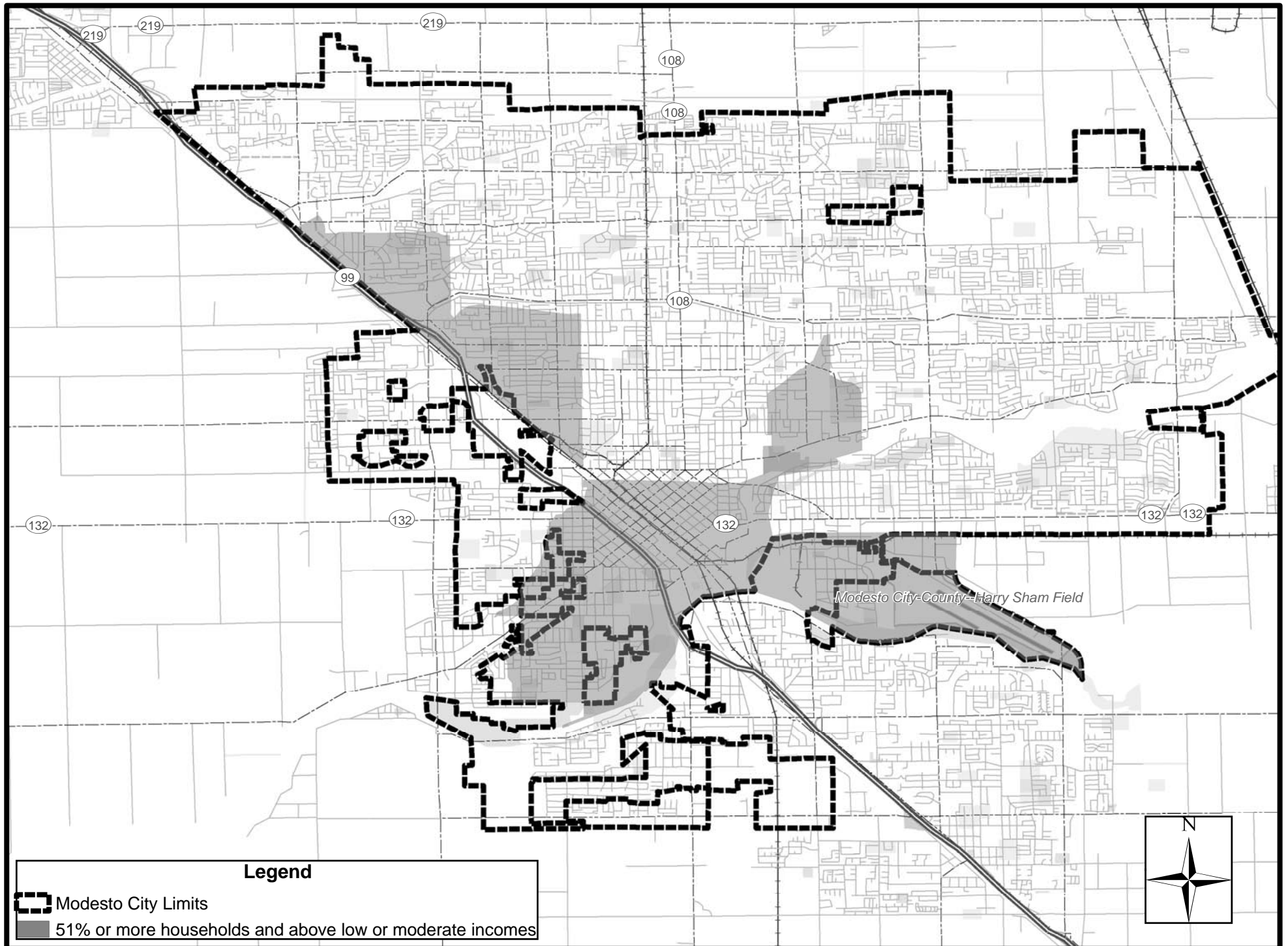


Table 2.6: Federal Income Guidelines, Modesto MSA (Stanislaus County), 2009

Income Levels	Persons in Household							
	1	2	3	4	5	6	7	8
Extremely low-income (below 30% of median)	\$12,550	\$14,300	\$16,100	\$17,900	\$19,350	\$20,750	\$22,200	\$23,650
Very low-income (30%-50% of median)	\$20,850	\$23,850	\$26,800	\$29,800	\$32,200	\$34,550	\$36,950	\$39,350
Low-Income (50%-80% of median)	\$33,400	\$38,150	\$42,950	\$47,700	\$51,500	\$55,350	\$59,150	\$62,950

Sources: U.S. Department of Housing and Urban Development, 2009; BAE, 2010.

2.4 Housing Profile

A discussion of fair housing choice must include an assessment of the housing market in Modesto. This section provides an overview of the characteristics of the local and regional housing markets.

2.4.1. Housing Stock Characteristics

According to the California Department of Finance, in 2009, the City of Modesto housing stock consisted of 71 percent single-family detached units, five percent single-family attached units, 21 percent multifamily units, and three percent mobile homes.

2.4.2. Housing Type

Table 2.7 has data for 2001 through 2009 from the HUD State of the Cities System Building Permits Database. The total number of building permits issued peaked in 2001 and has fallen ever since. The number of single-family permits also hit the highest number in 2001, then fell through 2004, rose slightly in 2005, and finally fell to only 35 building permits issued in 2009. The multifamily permits, meanwhile, followed a different pattern and increased from 2001 to 2005, and stayed relatively consistent through 2007 before falling to zero permits issued in 2009.

Table 2.8 presents data on the housing stock by year built for Modesto. Of the about 67,280 units in Modesto as of 2000, approximately 36 percent of the units were built prior to 1970, about half of the units were built between 1970 and 1989, and the remaining nearly 14 percent were built after 1989.

2.4.3 Housing Conditions

Table 2.9 shows the conditions of housing units in Modesto. Information on the status of plumbing and kitchen facilities in the units serves as a proxy for the conditions of the housing unit. Only about 0.6 percent of the units lack plumbing facilities, and 0.6 percent are without kitchen facilities.

2.4.4 Housing Tenure and Vacancy

Table 2.10 contains updated 2009 information from the California Department of Finance on 2009 occupancy and vacancy data. Across both owner and rental units, the vacancy rate in Modesto remained low, at 3.3 percent. This estimate was developed early in 2009; however, local stakeholders familiar with Modesto's housing market report much higher vacancy rates associated with the high levels of foreclosures across the city.

2.4.5 Overcrowding

Table 2.11 presents information on overcrowding.¹⁰ The number and percentage of households experiencing overcrowding in the City of Modesto is higher among renters than owners, with the exception of households with incomes of moderate or above among which the number and percentage of households with overcrowding is higher in owner than renter households. Overall, 2,685 owner households, and 4,625 renter households experience overcrowding.

2.4.6 Housing Cost and Affordability

Housing Cost Burden

State and federal standards specify that a household experiences housing cost burden if it pays 30 percent or more of its gross income on housing. Table 2.12 presents CHAS information regarding the percentage of household income spent on housing costs in Modesto by household tenure (i.e., renters and owners). Among all households in Modesto, 36 percent pay more than 30 percent of their monthly income for housing. The proportion of renters experiencing a housing cost burden is greater than that of owners. Approximately 43 percent of renters (11,450 households) paid 30 percent or more of their monthly income for housing costs. By comparison, the percentage of owners overpaying for housing was approximately 33 percent (21,576 households).

Owner-Occupied Housing

Single-family homes sales by the number of bedrooms are shown in Table 2.13. Over the three-month period from October 1, 2009 to December 31, 2009, there were about 1,450 single-family home sales, and about 70 condominium sales in Modesto. The majority of the single-family home sales were 3-bedroom units, but for condominiums, the most prevalent sales were 2-bedroom units. The median price was \$125,000 for single-family homes, and around \$68,000 for condominiums over this period. Meanwhile, data from the City of Modesto 2009 Housing Element show that the median for-sale price in Modesto was \$325,000 in 2007 and \$240,000 in 2008.¹¹

Table 2.14 contains data on the affordability of 3-bedroom single-family and condominium units.

¹⁰ According to the U.S. Census, a room includes all “whole rooms used for living purposes...including living rooms, dining rooms, kitchens, bedrooms, finished recreation rooms, enclosed porches suitable for year-round use, and lodgers' rooms. Excluded are strips or pullman kitchens, bathrooms, open porches, balconies, halls or foyers, half-rooms, utility rooms, unfinished attics or basements, or other unfinished space used for storage. A partially divided room is a separate room only if there is a partition from floor to ceiling, but not if the partition consists solely of shelves or cabinets.”

¹¹ City of Modesto Housing Element, 2009. (Pg. 2-56)

Given the recent sales prices for 3-bedroom single-family units, extremely low-income households could purchase about 20 percent of the 3-bedroom units sold, low-income households could purchase about 37 percent, and moderate-income could purchase around 53 percent of the units. Furthermore, the sales prices of condominium units indicate that none of the 3-bedroom condo units are affordable to extremely low-income households, about 36 percent are affordable for low-income households, and 79 percent are affordable to moderate-income households. Therefore, for-sale units are an option for many low- and moderate-income households, given the low sales prices in 2009. The reason that for-sale units are affordable to low- and moderate-income households is a combination of the low sales prices due to the housing market crash accompanied by the high number of foreclosed homes, and the historically low mortgage interest rates. Many of the homes sold in Modesto from October 1st to December 31st, 2009, sold for less than \$100,000, which is well below the cost of building a new home in Modesto. For households able to qualify for a mortgage, purchasing these homes may be more affordable than renting.

Rental-Occupied Housing

Table 2.15 presents data from RealFacts on the rental rates of units in large apartment complexes in Modesto. The current average rental rate for all units is \$819, and this is an increase from 2005 and 2008, when the average rates were \$773 and \$813, respectively. The average occupancy rate has continually fallen from a high of about 95 percent in 2007 to 89 percent in 2009. Considering the affordable rental rates calculated for low-income households in the 2009 City of Modesto Housing Element, (\$495 for one-person household, \$565 for a two-person household, \$636 for a three-person, and \$706 for a four-person), the current apartment rental rates are not affordable to low-income households. The apparent affordability of single-family homes versus rental apartments is due to the fact that the average rental rate has increased slightly since 2005, while the median for-sale prices have fallen drastically. The rental prices in the Modesto market have risen slightly in part because those families forced out of ownership units by foreclosure have contributed to demand in the rental market.

Table 2.7: Residential Building Permits, City of Modesto

Units in Structures	Year								
	2001	2002	2003	2004	2005	2006	2007	2008	2009
Single-Family Units	1,330	1,109	864	280	398	261	289	139	35
Multifamily Units	31	21	60	297	262	288	289	45	0
<i>2-unit Multifamily</i>	8	18	14	10	12	12	22	2	0
<i>3- and 4-unit Multifamily</i>	3	3	12	8	6	9	0	0	0
<i>5+ unit Multifamily</i>	20	0	34	279	244	267	267	43	0
Total	1,361	1,130	924	577	660	549	578	184	35

Sources: HUD State of the Cities System Building Permits Database, 2009; BAE, 2009.

Table 2.8: Housing Stock by Year Built, 2000

Year Structure Built	City of Modesto	
	Number of Units	Percent of Total
1999 to 2000 (a)	1,206	1.8%
1995 to 1998	2,349	3.5%
1990 to 1994	5,645	8.4%
1980 to 1989	16,286	24.2%
1970 to 1979	17,635	26.2%
1960 to 1969	9,600	14.3%
1950 to 1959	7,445	11.1%
1940 to 1949	3,981	5.9%
1939 or earlier	3,131	4.7%
Total Units	67,278	100%

Note:

(a) Census 2000 figures report units built through March of 2000.

Sources: Census 2000, 2009; Clartias, 2009; BAE, 2009.

Table 2.9: Housing Conditions, City of Modesto, 2000

Tenure	Plumbing		Kitchen	
	Complete Plumbing Facilities	Lacking Complete Plumbing Facilities	Complete Kitchen Facilities	Lacking Complete Kitchen Facilities
Owner	38,180	136	38,264	52
Renter	26,560	227	26,474	313
Total units (a)	64,740	363	64,738	365

Note:

(a) The total number of units in this table do not add up to the totals shown in Table 8 due to sampling error and nonsampling error that are present in Census SF3 data file.

Sources: Census 2000, 2009; BAE, 2009.

Table 2.10: Occupancy and Vacancy Data, 2009

Units	City of Modesto	
	Number of Units	Percent of Total
Occupied Housing Units	72,594	96.7%
Vacant Housing Units	2,480	3.3%
Total	75,074	100%

Source: Department of Finance, 2009; BAE, 2009.

Table 2.11: Overcrowding by Income Category and Tenure, City of Modesto, 2000

	<u>All Income Levels</u>		<u>Extremely Low Income (Less than 30% of AMFI)</u>		<u>Very Low Income (30% to 50% of AMFI)</u>		<u>Low Income (50% to 80% of AMFI)</u>		<u>Moderate and Above (Over 80% of AMFI)</u>	
	Number	Percent of Total Households	Number	Percent of Total Households	Number	Percent of Total Households	Number	Percent of Total Households	Number	Percent of Total Households
Persons Per Room (a)										
Owner Occupied										
1.00 Person or less	35,445	54.5%	1,555	2.4%	2,370	3.6%	4,245	6.5%	27,275	41.9%
1.01 - 1.50 Persons	1,640	2.5%	65	0.1%	155	0.2%	305	0.5%	1,115	1.7%
1.51 Persons or More	1,225	1.9%	75	0.1%	120	0.2%	305	0.5%	725	1.1%
Subtotal: Owner-Occupied	38,310	59%	1,695	3%	2,645	4%	4,855	7%	29,115	45%
Renter Occupied										
1.00 Person or less	22,140	34.0%	4,050	6.2%	3,520	5.4%	4,880	7.5%	9,690	14.9%
1.01 - 1.50 Persons	2,240	3.4%	425	0.7%	455	0.7%	625	1.0%	735	1.1%
1.51 Persons or More	2,385	3.7%	495	0.8%	645	1.0%	565	0.9%	680	1.0%
Subtotal: Renter Occupied	26,765	41%	4,970	8%	4,620	7%	6,070	9%	11,105	17%
Total Households	65,075	100%	6,665	10%	7,265	11%	10,925	17%	40,220	62%

Note:

(a) Overcrowding is defined as more than one person per room.

Sources: 2000 CHAS dataset, huduser.org, 2009; BAE, 2009.

Table 2.12: Housing Cost Burden, City of Modesto, 2000

Housing Cost Burden	Renters		Owners		Total households	
	Number of households	% of total renters	Number of households	% of total owners	Number of households	% of total households
>30 percent housing cost Burden	11,451	43%	21,576	33%	33,027	36%

Sources: Comprehensive Housing Affordability Strategy, 2000; BAE, 2010.

Table 2.13: Single-Family Housing Sales Prices, City of Modesto, October 2009 to December 2009 (a)

Unit Sales Price	Single-family Units						Condominium Units				
	Number 0 and 1-bedroom	Number 2-bedroom	Number 3-bedroom	Number 4+ bedroom	Total	Percent Total	Number 1-bedroom	Number 2-bedroom	Number 3+bedrooms	Total	Percent Total
Under \$100,000	5	146	319	54	524	36.2%	7	41	9	57	82.6%
\$100,000 - \$149,999	2	35	266	78	381	26.3%	0	1	3	4	5.8%
\$150,000 - \$199,999	1	14	137	78	230	15.9%	0	3	0	3	4.3%
\$200,000 - \$249,999	0	11	56	62	129	8.9%	1	2	0	3	4.3%
\$250,000 - \$299,999	0	3	35	55	93	6.4%	0	0	1	1	1.4%
\$300,000 - \$349,999	0	2	22	14	38	2.6%	0	0	1	1	1.4%
\$350,000 - \$399,999	0	1	9	14	24	1.7%	0	0	0	0	0.0%
Over \$400,000	0	1	8	20	29	2.0%	0	0	0	0	0.0%
Total	8	213	852	375	1,448	100%	8	47	14	69	100%
Median Sales Price	\$125,000						\$68,000				

Note:

(a) Number of single-family and condominium units sold in the City of Modesto between October 1, 2009 and December 31, 2009.

Sources: Dataquick.com, 2009; BAE, 2009.

Table 2.14: Affordability of Market Rate, For-Sale Housing in Modesto, 2009**Single-Family Residences**

<u>Income Level</u>	<u>Income Limit (a)</u>	<u>Max. Affordable Sale Price</u>	<u>Percent of SFRs Recently Sold within Price Range (c)</u>
Extremely Low-Income (Up to 30% of MFI)	\$17,900	\$73,623	20.0%
Low-Income (up to 50% MFI)	\$29,800	\$122,430	37.4%
Moderate-Income (Up to 80% of MFI)	\$47,700	\$196,053	53.3%
Median Sale Price (3-bedroom units)			\$120,000
Number of Units Sold (3-bedroom units)			852

Condominiums

<u>Income Level</u>	<u>Income Limit (a)</u>	<u>Max. Affordable Sale Price</u>	<u>Percent of SFRs Recently Sold within Price Range (c)</u>
Extremely Low-Income (Up to 30% of MFI)	\$17,900	\$40,690	0.0%
Low-Income (up to 50% MFI)	\$29,800	\$89,497	35.7%
Moderate-Income (Up to 80% of MFI)	\$47,700	\$163,120	78.6%
Median Sale Price (3-bedroom units)			\$93,500
Number of Units Sold (3-bedroom units)			14

Notes:

(a) Income limits published by U.S. Department of Housing and Urban Development for four-person household in Modesto MSA, 2009.

(b) Assumptions used to Calculate affordable sales price:

Annual Interest Rate (Fixed)	5.04%	Freddie Mac 2009 annual average Primary Mortgage Market Survey data tables.
Term of mortgage (Years)	30	
Percent of sale price as down payment	10%	
Initial property tax, annual	1.25%	City of Modesto Housing Element
Mortgage insurance as percent of loan amount	0.35%	
Annual homeowners' insurance rate as percent of sale	0.12%	CA Dept. of Insurance website, based on average of all quotes assuming \$150,000 of coverage and 26-40 year old homes
Homeowners Fee (monthly)	\$200	Average HOA dues for condos currently available for sale on condos.com
Percent of household income available for PITI	30%	
PITI = Principal, Interest, Taxes, and Insurance		

(c) Number of single-family and condominium units sold in the City of Modesto between October 1, 2009 and December 31, 2009.

Sources: U.S.HUD, 2009; Dataquick, 2009; BAE, 2009.

Table 2.15: City of Modesto Rental Housing Market, 3Q 2009

Current Market Data

<u>Unit Type</u>	<u>Number</u>	<u>Percent of Mix</u>	<u>Avg. Sq. Ft.</u>	<u>Avg. Rent</u>	<u>Avg. Rent/Sq. Ft.</u>
Studio	236	4.8%	515	\$615	\$1.19
Jr 1BR	40	0.8%	538	\$708	\$1.32
1 BR/1 BA	1,826	36.9%	652	\$734	\$1.13
2 BR/1 BA	1,006	20.3%	847	\$805	\$0.95
2 BR/1.5 BA	48	1.0%	1,150	\$913	\$0.79
2 BR/2 BA	1,653	33.4%	931	\$910	\$0.98
2 BR Townhouse	4	0.1%	1,200	\$975	\$0.81
3 BR/2 BA	139	2.8%	1,177	\$1,180	\$1.00
Totals	4,952	100%	797	\$816	\$1.02

Average Rent History

<u>Unit Type</u>	<u>2005</u>	<u>2008</u>	<u>2009</u>	<u>2005-2009 Change</u>	<u>2008-2009 Change</u>
Studio	\$574	\$610	\$616	7.3%	1.0%
Jr 1BR	\$670	\$708	\$708	5.7%	0.0%
1 BR/1 BA	\$698	\$734	\$737	5.6%	0.4%
2 BR/1 BA	\$773	\$816	\$806	4.3%	-1.2%
2 BR/2 BA	\$853	\$909	\$915	7.3%	0.7%
2 BR Townhouse	\$821	\$1,095	\$1,055	28.5%	-3.7%
3 BR/2 BA	\$1,081	\$1,143	\$1,192	10.3%	4.3%
Average, All Units	\$773	\$813	\$819		

Occupancy Rate

<u>Year</u>	<u>Average Occupancy</u>
2005	93.9%
2006	93.0%
2007	94.8%
2008	93.4%
2009	89.1%

Net Absorption

<u>Year</u>	<u>Units Built (c)</u>	<u>Total Units</u>	<u>Occupied Units</u>	<u>Units Absorbed</u>
2004	0	4,480	4,161	n.a.
2005	232	4,712	4,419	258
2006	0	4,712	4,377	-42
2007	0	4,712	4,466	89
2008	0	4,712	4,401	-65

Note:

(a) Represents only those apartment complexes with 100 units or more.

Sources: Real Facts, Inc., 2009; BAE, 2009.

2.4.7 Public Housing and Private Assisted Housing

The availability and location of public and assisted housing maybe a fair housing concern. If such housing is concentrated in one area of a community or of a region, households seeking affordable housing are limited in choice within the area. Public or assisted housing and housing assistance must be accessible to qualified households regardless of race/ethnicity, disability, or other special characteristics.

Housing Choice Program

The Housing Choice (formerly Section 8) Program is a rent subsidy program that helps very low-income households and seniors pay rents for private housing units. Section 8 tenants pay a maximum of 30 percent of their income for rent and the local housing authority pays the difference, up to the payment standard established by the housing authority. The program offers very low-income households the opportunity to obtain affordable, privately owned rental housing and to increase their housing choices. The housing authority establishes payment standards based upon HUD-established Fair Market Rents. The owner's asking price must be supported by comparable rents in the area. The program participant pays any amount in the excess of the payment standard.

Established in 1942, the Housing Authority of the County of Stanislaus administers the Housing Choice Program and manages several public housing complexes within the County of Stanislaus. As stated in the 2009 City of Modesto Housing Element, Housing Choice Program vouchers are issued by Housing Authority of the County of Stanislaus County, with Modesto's share equal to its percentage of overall population. The County currently has over 4,000 residents who receive vouchers.

Voucher Preferences

For the distribution of Housing Choice Program vouchers, the Housing Authority has established the following preferences:

- Homeless or living in substandard housing;
- Persons paying more than 50% of their income for rent; and
- Involuntarily displaced.

Families who qualify for these preferences will move ahead of other families on the list who do not qualify for any preference.

Public Housing

The Housing authority owns 432 public housing units of conventional public housing in the City of Modesto. These units are most commonly single-story structures scattered throughout the City.

None of these units are substandard, according to the Housing Authority County of Stanislaus. Public housing and housing assistance must be accessible to qualified households regardless of race/ethnicity, disability, or other special characteristics. The owned/managed public housing units located in Modesto are well distributed through the community, although a concentration of public housing units does exist in southwestern Modesto. Southwestern Modesto is also an area of lower income household concentration. See Figure 2.3.

According to the Stanislaus Housing Authority's Fiscal Year 2009 Plan, there are 3,652 families on the public housing waiting list. The units with the highest demand are two-bedroom units (56 percent of total families on the public housing waiting list), which are generally assigned to households with two to four people. The annual turnover is 82 persons. The ethnic/racial composition of the waitlist is as follows:

- White: 2,826 families
- Hispanic: 1,794 families
- Black: 534 families
- Indian: 85 families
- Asian: 188 families¹²

The Housing Authority currently operates one site-based waiting list for the West View Gardens public housing development in Modesto, and there are plans to initiate seven additional site-based waiting lists.¹³ The waiting list for the West View Gardens was initiated on October 1, 2000.

Public Housing Preferences

For access to public housing units, the Housing Authority has established the following preferences:

- Working families and those unable to work because of age or disability;
- Veterans and veterans' families;
- Those enrolled in education, training or upward mobility programs;
- Households that contribute to meeting income requirements. Federal requirements set a targeted 40 percent new admission rate of families at or below 30 percent of area median income; and
- Households that contribute to meeting income goals (broad range of incomes).

¹² Housing Authority of Stanislaus County, Public Housing Authority Plans, Five year plan for Fiscal Years 2009-2013 and Action Plan for Fiscal Year 2009. Attachment 5. Ethnic/racial composition was not included for all families on the waiting list.

¹³ Housing Authority of Stanislaus County, Public Housing Authority Plans, Five year plan for Fiscal Years 2009-2013 and Action Plan for Fiscal Year 2009. Attachment 10.

In some cases, transfers will take precedence over new admissions to public housing. These circumstances include emergencies, medical justification, and administrative reason determined by the Housing Authority.

Assisted Housing

Table 2.16 shows that a total of 379 affordable housing units within larger developments have received funding from the City of Modesto. Most of these projects are located in northwestern and southwestern Modesto. These City-supported units are affordable for a minimum of 30 years, and the affordability requirements for the first units are not set to expire until 2024.

2.4.8 Licensed Care Facilities

Persons with special needs such as the elderly and those with disabilities must also have access to housing in a community. A community care facility is any building or location where non-medical care and supervision are provided to residents. Community care facilities provide a supportive housing environment to persons with special needs in a group situation. In California, these facilities are licensed by the Department of Social Services, Community Care Licensing Division. Restrictions that prevent this type of facility from locating in a community impede equal access to adequate housing for the special needs groups. According to the State of California, Department of Social Services Community Care Licensing Division, Modesto contains 323 licensed community care facilities, as shown in Table 2.17. The largest proportion of spaces is for large childcare facilities (3,503 spaces), followed by Family Child Care Homes (1,418 spaces), and residential care for the elderly 1,242 spaces.

Figure 2-4 indicates the location of the community care facilities in Modesto. These facilities are dispersed relatively evenly throughout the City, and the facilities are not concentrated in the lower income Census Tracts.

Table 2.16: Inventory of Assisted Housing Developments/Units

Property	Affordable Units	Total Units	End of Affordability Covenant	Funding source
Conant Place	12	81	1994	City supported
Sherwood Manor	2	21	1994	City supported
Gateway Village	48	48	1996	City supported
1005 Maze Blvd.	3	3	2029	City supported
Ashwood Village	89	120	2038	City supported
Brighton Place	4	11	2019	City supported
Randazzo Avenue	24	24	2029	City supported
Woodstone Apartments	56	56	2055	City supported
Pine Meadows	36	36	2030	City supported
Carver Road	18	18	2035	City supported
Miller Pointe	16	16	2054	City supported
Village One Town Center	19	20	2038	City supported
Paramount	12	12	2062	City supported
Palm Valley Apartments	40	40	2063	City supported
Total	379	506		

Sources: City of Modesto Housing Element, 2009; HUD, 2009; BAE, 2010.

Table 2.17: Licensed Community Care Facilities

<u>Facility Type</u>	<u>Facilities (a)</u>	<u>Capacity</u>
Adoption Agency	4	n.a.
Adult Day Care	8	772
Adult Residential	42	472
Child Care (Large Facilities)	71	3,503
Crisis Nurseries	1	6
Family Child Care Home	105	1,418
Foster Family Agency	6	110
Foster Family Sub Agency	3	93
Group Home	5	34
Infant Center	14	263
Residential - Elderly	55	1,242
School Aged Child Care	8	315
Small Family Home	1	6
Total	323	8,234

Note:

(a) Includes only licensed facilities and not those facilities on probation or with pending or probational licenses.

Sources: State of California Department of Social Services, Community Care Licensing Division, January, 2010; BAE, 2010.

Table 2.4: City of Modesto Dissimilarity Indices for Racial/Ethnic Groups, 2009 (a)

<u>Race/Ethnic Group</u>	<u>Population</u>	<u>Dissimilarity with Whites</u>	<u>Dissimilarity with Hispanics</u>
White (b)	108,617	n.a.	33.5%
Hispanic or Latino	71,218	33.5%	n.a.
Black (b)	8,831	28.9%	19.6%
Asian (b)	13,361	30.6%	28.8%

Notes:

(a) The dissimilarity index is the most commonly used measure of segregation between two groups reflecting their relative distributions across neighborhoods, as defined by Census Tracts. Appendix A contains a list of the Census Tracts in the City of Modesto. The index represents the percentage of the minority group that would have to move to new neighborhoods to achieve perfect integration of that group. An index score can range in value from zero percent, indicating complete integration, to 100 percent, indicating complete segregation.

(b) Not Hispanic or Latino

Sources: Claritas, 2009; BAE, 2010.

2.5 Accessibility to Public Transit

Public transit plays an important role in analyzing access to housing. Public transit should link lower-income persons, who are often transit-dependent, to major employment centers where job opportunities may be available. The lack of an integral relationship between public transit, employment opportunities, and affordable housing may impede fair housing choice, because persons who depend on public transit will have limited choices regarding places to live.

Elderly and disabled persons tend to be more transit-dependent than others. Many elderly and disabled rely on public transit to visit doctors, go shopping, or attend activities offered at community facilities. Housing for the elderly and disabled should be located near transit routes, or alternative transit should be available for persons with special needs.

According to the 2000 Census, 993 Modesto residents rely on public transit to go to work. In addition, 6,137 households (1,460 owner-households and 4,677 renter-households) have no car and must rely on other transportation options for activities such as grocery shopping, going to medical appointments, and visiting community facilities.

2.5.1 Public Transit

Modesto is well served by public transportation. The Modesto Area Express (MAX) and Stanislaus Regional Transit (StaRT) offer public transportation for the Modesto area. All buses are wheelchair accessible and are equipped with bike racks.

MAX offers 20 fixed service routes within the City. In addition, MAX provides service to the following locations.¹⁴

- **MAX to ACE.** The Modesto Express bus provides three non-stop trips in the morning from Modesto's Vintage Faire Mall Park and Ride lot to the Lathrop/Manteca Altamont Commuter Express (ACE) train station and three return trips at night.
- **MAX to Amtrak.** Route 25 connects the downtown transportation center with the Amtrak station Monday through Saturday. Many routes connect with Route 25 at the Transportation Center, which provides access to the entire Modesto urban area.
- **MAX to BART Express.** The Modesto BART Express Departs from the Modesto Downtown Transportation Center makes one pick-up at the Orchard Supply Hardware

¹⁴ Modesto Area Express. <http://www.modestoareaexpress.com/>. Accessed on January 26, 2010.

(OSH) parking lot on Sisk Road, then travels non-stop to the Dublin/Pleasanton BART Station twice each morning. Modesto BART Express also provides two return trips each day.

In addition, the City of Modesto provides a Dial-A-Ride transportation service seven days a week, every day of the year, for a fee, for persons with disabilities and people 65 and older. The general public may also ride at specific times, including 6:00 p.m. – 11:00 p.m. on Monday – Friday, and 8:00 a.m. – 6:00 p.m., Saturday and Sunday. StaRT also serves the Stanislaus region and offers fixed routes as well as a Runabout and Dial-A-Ride services.

StaRT fixed route service is available on weekdays and Saturdays. StaRT bus routes are described below:¹⁵

Route 10 Express: Operates Monday through Friday between 6:10a.m and 6:54 p.m. This bus operates 11 round trips between Modesto and Turlock.

Route 15: Operates Monday through Friday between 5:05 a.m. and 9:44p.m. This bus operates eight round trips between Modesto and Turlock and serves the communities of Ceres and Keyes. On Saturdays between 6:20am and 7:49 p.m., six round trips are provided.

Route 40: This bus operates five trips between Modesto and Patterson Monday through Friday between 5:25 a.m. and 8:21 pm with one of those allowing connecting services to Crows Landing, Newman, and Gustine. On Saturdays between 6:10 a.m. and 7:15 p.m. four round trips are offered to Patterson, with two of those allowing connecting services to Crows Landing, Newman, and Gustine. A fifth trip offers a return from Patterson to Modesto at 6:45 p.m. Transfers are free between Route 40 and Route 45.

Route 45: This bus operates five round trips between Gustine and Turlock Monday through Friday between 5:40 a.m. and 7:17p.m. Newman, Crows Lading, and Patterson are also served. On Saturday, the bus operates between 5:55am and 7:15p.m. Four round trips are provided. Transfers are free between Route 40 and Route 45.

Route 60: Operates Monday through Friday between 5:55a.m and 9:02 p.m. This bus operates round trips between Modesto and Oakdale. On Saturday between 6:20a.m and 8:13p.m six round trips are provided. The City of Riverbank is also serviced.

Route 70: This bus operates two round trips between Modesto and Merced, Monday through

¹⁵ Stanislaus Regional Transit. http://www.srt.org/fixed_route_schedules.htm. Accessed January 27, 2010.

Friday between 6:10 a.m. and 6:35 p.m. The bus does not operate on the weekends.

2.6 Major Employers

The location of employment centers can be a significant factor in fair housing choice. Employment centers not readily accessible to lower-income employees make it difficult for these employees to hold jobs. If employment centers are located adjacent to residential areas with higher housing costs, lower-income employees either may have to share nearby housing with other people, leading to overcrowding conditions, or must commute from areas with more affordable housing. Commuting may be difficult for lower-income employees if they have no personal transportation, unless public transportation is available from near their homes to near their places of employment (see Section 2.5 Accessibility to Public Transit)

Table 2.18 lists major employers in Modesto include those associated with agriculture, healthcare, and government. These industries typically offer a large proportion of lower-paying jobs. While some Modesto residents work in higher-paying occupations, many others work in the service sector, providing essential services to residents and businesses in the community. It should be noted that in Table 2.19 the Mean Annual Wages are for one person, so a double-income household would represent a higher percentage of County Median Household Income. In addition, as housing prices have declined significantly over the last two years, homeownership is now an affordable option for moderate-income and some low-income households.

Table 2.18: Major Employers

Company/Organization	Industry	Employees (a)
Stanislaus County	Government	4,764
E&J Gallo Winery	Wine	3,311
Modesto City Schools	Educational	3,231
Signature Fruit Company	Fruit Products	2,900
Memorial Medical Center	Healthcare	2,682
Modesto Junior College	Educational	2,435
Seneca	Fruit Products	2,100
Del Monte Foods	Fruit Products & Processing	2,000
Doctors Medical Center	Healthcare	2,000
Foster Farms	Poultry Processing	1,813
Stanislaus Food Products	Vegetable Processing	1,651
Kaiser Permanente	Healthcare	1,478
City of Modesto	Government	1,400
Wal-Mart	Retailer	1,244
SBC	Telecommunications	1,175
Sutter Gould Medical Foundation	Healthcare	1,005
Save Mart	Supermarket	955
Sylvan School District	Educational	739
Frito-Lay (Pepsi-Co)	Snack Foods	700
Racor	Filtration Products	700
Silgan Containers	Metal Can Manufacturing	440
Foster Farms Dairy	Dairy Operations	435
Pacific Southwest Containers	Packaging Products	409

Note:

(a) Reflects peak seasonal levels where applicable

Sources: <http://www.modestogov.com/ed/workforce/employers.asp>, 2009; BAE, 2010.

Table 2.19: Modesto Annual Salaries, Selected Occupations, 2006

Occupation	Employed Persons	Mean Annual Wages (a)	% of County Median Household Income
Management	6,750	\$86,460	178
Business and Financial Operations	4,680	\$55,910	115
Computer and Mathematical Science	1,080	\$65,370	135
Architecture and Engineering Occupations	1,350	\$72,570	149
Life, Physical and Social Science	980	\$52,390	108
Community and Social Services	2,790	\$42,840	88
Legal	1,080	\$87,140	179
Education, Training and Library	13,720	\$52,040	107
Arts, Design, Entertainment, Sports and Media	1,770	\$36,330	75
Healthcare Practitioner and Technical	9,120	\$74,380	153
Healthcare Support	4,970	\$25,820	53
Protective Service	2,510	\$37,060	76
Food Preparation and Serving Related	14,530	\$19,290	40
Building and Grounds Cleaning & Maintenance	4,940	\$25,640	53
Personal Care and Service	2,930	\$22,850	47
Sales and Related Occupations	17,530	\$31,290	64
Office and Administrative Support	26,400	\$30,680	63
Farming, Fishing and Forestry	4,640	\$19,200	40
Construction and Extraction	10,080	\$42,940	88
Installation, Maintenance and Repair	6,500	\$40,750	84
Production	13,900	\$30,530	63
Transportation & Material Moving	13,950	\$29,650	61
All Occupations	166,180	\$38,560	79

Note:

(a) County median household income in 2006 was \$48,566.

Sources: U.S.Census 2006; U.S. Bureau of Labor Statistics 2007; BAE, 2010.

3 Lending Practices

A key aspect of fair housing choice is equal access to credit for the purchase or improvement of a home. This chapter reviews the lending practices of financial institutions and the access to financing for all households, particularly minority households and those with very low or low incomes.

3.1 Legislative Protection

Financial institutions have not always employed fair lending practices in the past. Credit market practices such as “redlining” were prevalent and prevented some groups from having equal access to credit.¹⁶ In response to these practices, the U.S. Congress passed the Home Mortgage Disclosure Act (HMDA) in 1975 and the Community Reinvestment Act (CRA) in 1977, to improve access to credit for all members of the community and hold the lending industry responsible for equal access to community lending.

The HMDA requires lenders regulated by the federal government to disclose information on the disposition of loan applications (approved, denied, withdrawn, etc.) and on applicant income, gender, and race/ethnicity. Soon after HMDA data were released, it was clear that redlining was a problem in many cities.

Congress enacted the Community Reinvestment Act (CRA) in 1977. The CRA requires that federally insured depository institutions also provide for the credit needs of the areas they serve. The extent to which such needs are addressed by financial institutions is taken into account when the federal government evaluates an institution’s applications for deposit facilities, including mergers and acquisitions.

3.1.1 *Community Reinvestment Act*

The Community Reinvestment Act (CRA) is intended to encourage regulated financial institutions to help meet the credit needs of communities, including those of very low income and low income households. Depending on the type of institution and total assets, a lender may be examined by different supervising agencies for its CRA performance.

¹⁶ “Redlining” is the practice of denying services, charging higher costs for services, or otherwise discriminating in the provision of services (banking, lending, insurance, etc.) to residents of certain areas. The practice is illegal when the criteria are based on race, religion, ethnic origin, or other characteristics for which it is illegal to discriminate. The term “redlining” comes from the purported practice of lenders or insurers who would mark red lines on a map to indicate areas in which they would not lend against or insure property.

Ratings under the CRA are provided by the Federal Reserve Board (FRB), Federal Financial Institutional Examination council (FFIEC), Federal Deposit Insurance Corporation (FDIC), and Office of the Controller of Currency (OCC); however, the CRA rating is an overall grading of an institution and does not provide insights regarding the lending performance by the institution at specific locations. CRA ratings of the major banks with loans in Modesto are reviewed below under section 3.5.1, CRA Rating.

3.1.2. Home Mortgage Disclosure Act

In tandem with the CRA, the Home Mortgage Disclosure Act (HMDA) requires lending institutions to make annual public disclosures of their home mortgage lending activity. Under HMDA, lenders are required to disclose information on the disposition of home loan applications and on the race or national origin, gender, and annual income of loan applicants.

This chapter examines detailed 2008 HMDA data for the City of Modesto. Two types of financing – conventional and government backed – are discussed. Conventional financing refers to market rate loans provided by private lending institutions such as banks, mortgage companies, savings and loans, and thrift institutions. Government backed financing refers to loans, typically issued by private lenders that are guaranteed by federal agencies, often at below market interest rates. These loans are offered to lower and moderate income households who may have trouble in obtaining home mortgage financing in the private market due to income and equity issues. Several federal government agencies offer loan products that have below-market interest rates and are insured (“backed”) by the agencies. Sources of government-backed financing include the Federal Housing Administration, the Department of Veteran Affairs, and the Rural Housing Services/Farm Service Agency (RHA/FSA), although government backed loans are usually offered to consumers through private lending institutions. Loans backed by local jurisdictions and state agencies (such as silent second loans by cities and counties and loan programs offered by the California Housing Finance Agency) are not addressed by HMDA.

HMDA data provide some insight into the lending patterns that exist in a community; however, the HMDA data are only one indicator of potential problems. The data cannot be used to definitively conclude redlining or discriminatory practices exist, due to the lack of detailed information on loan terms or specific reasons for denial.

3.2 Home Purchase Loans

According to HMDA data in Table 3.1, 6,055 home purchase loan applications were processed in Modesto in 2008, the most current year for which data are available. Only about 60 percent of the loan applications were for conventional loans, which starkly contrasts with the 95 percent of home

purchase loan applications that were for conventional loans in 2003, according to HMDA data. Government backed loans represented the other 40 percent of home purchase loans in 2008, and consisted of loans from the Federal Housing Administration, Veterans Affairs, Farm Loan Program, and Rural Housing Direct Loans. For conventional loans, the approval rate was 52 percent, the denial rate 15 percent, and the remaining 33 percent fit into the “other” category meaning the application was withdrawn by the applicant, closed for incompleteness, or purchased by the institution acting as trustee or in some other fiduciary capacity. For government backed loans, the approval rate was slightly higher, at 55 percent, the denial rate lower, at seven percent, and finally, the “other” category equaled 38 percent.

HMDA data reveals lending patterns according to income race/ethnicity, and gender. The following sections present detailed discussion regarding income and race/ethnicity. Over 45 percent of the loan applications were made with a co-applicant, which makes a detailed analysis by gender difficult. While females comprise a smaller portion of lead applicants on home loan applications (22 percent of total loan applications), the approval rate for female applicants was 60 percent as opposed to 58 percent for men.

3.2.1 Disposition of Loan Applications by Race/Ethnicity of Applicant

An analysis by race indicated that, White residents submitted the most home loan applications, accounting for approximately 70 percent of all applications (about 2,390 applications in total). Applications by Asians followed with six percent, American Indian or Alaska Native and Native Hawaiian or other Pacific Islander at two percent, and finally Black or African American at one percent. The remainder of the loan applications had no racial information or the race was not applicable. The same analysis by ethnicity reveals that about 23 percent of applicants were Hispanic or Latino, and 60 percent were not Hispanic or Latino while again the remainder of the loan applications had no ethnic information or ethnicity was not applicable. There are no significant disparities in lending patterns for different racial or ethnic groups. Hispanic or Latino households represented about 24 percent of the population in 2009 according to the California Department of Finance, and they completed 23 percent of the applications in 2008 according to the HMDA. Asians accounted for about six percent of the City of Modesto population, and completed around six percent of the applications.

Across all races/ethnicities, the approval rate for conventional loans was 52 percent. Whites, Asians, and Hispanics had higher than average approval rates at 60 percent, 59, and 56 percent, respectively, while American Indian or Alaska Natives (48 percent approval rate), Black or African Americans (49 percent approval rate) and Native Hawaiians or Other Pacific Islanders (48 percent approval rate) had lower than average approval rates. The government backed approval rate was higher, at 55 percent, across all races and ethnicities. The American Indian or Alaska Natives had

the highest approval rate, at 65 percent, but there were only a small number of applications (51), which may distort the approval rate. For all of the other races and ethnicities, the approval rates were between 58 and 59 percent. The overall average approval rate was lower, at 55 percent, due to those applicants who either did not prove racial/ethnic information or race/ethnicity was not deemed applicable. The approval rates for the conventional and government backed loan applications all are close to the average and do not suggest unlawful discrimination based upon race or ethnicity.

3.2.2 Disposition of Loan Applications by Applicant Income

Income is one of the most important factors for determining access to credit. Approval rates typically have a positive correlation to income. In Modesto, this correlation was present among loans processed in 2008, but does not appear to be a major factor. From incomes of zero to \$99,000, the number of applicants for conventional and government backed loans increases with income, before decreasing slightly at the higher income levels, presumably because there are a limited number of people in Modesto with incomes of over \$100,000. The approval rate for conventional loans appears to vary slightly with income, with an approval rate of 40 percent of applicants in the income category \$10,000 to \$14,999 and an approval rate of 61 percent for applicants with incomes of \$150,000 or more, but in between these two extremes the approval rate hovers around the average of 57 percent. [As for government –backed loans there is not a clear relationship between approval rates and income.

3.2.3 Race Differences by Income of Applicant

An analysis of difference in loan approval rate by race and income separately does not always reveal important differences among groups. For this reason, an analysis of lending patterns for both race and income together is important in revealing differences among applicants of different races, but of the same income levels. While this analysis provides a more in-depth look at lending patterns, it still cannot provide a reason for any discrepancy. Aside from income, many other factors can contribute to the availability of financing, including credit history, the availability of a downpayment, and knowledge of the home buying process. HMDA data do not provide insight into these other factors.

For applicants with income of less than \$50,000, the approval rate was about 56 percent. The approval rate was significantly higher for Native Hawaiian or Other Pacific Islander, at 79 percent, followed by Whites. The lowest approval rate for those with incomes of less than \$50,000 was Blacks, with an approval rate of 50 percent. For applicants with incomes of \$50,000 to \$74,999, the approval rate was 55 percent. For applicants at this income level, the highest approval rate was for Asians, at 62 percent, and the lowest was for American Indian or Alaska Natives, at 42 percent.

Finally, for applicants with income over \$75,000 the approval rate was 58 percent, with Whites having the highest approval rate, at 64 percent, and the lowest approval rate was associated with Native Hawaiians or other Pacific Islanders.

The trend across the income categories is that Whites and Asians continued to have higher than average approval rates in each income category, while Blacks or African Americans had lower than average approval rates in each income category. The approval rates for American Indians or Alaska Natives and Native Hawaiian or Other Pacific islanders varied greatly above and below average.

3.3 Home Refinancing Loans

In 2008, there were 4,282 applications filed in Modesto for a home refinancing loan from a private lending institution. In comparison, lenders fielded about 25,700 home refinancing loan applications in 2003, as documented in the 2005 Analysis of Impediments to Fair Housing. In 2008, the approval rate was 33 percent for conventional home refinancing. Table 3.5 indicates that Whites made the majority of refinancing loan applications, with about 2,650 applications (61 percent of total applications), and this is not surprising given that they comprise the majority of the population and the majority of the home purchase loans. The approval rate was highest for Whites, at 40 percent, followed by Asians, at 33 percent. The lowest approval rate was for Blacks or African Americans, at 16 percent.

3.4 Home Improvement Loans

In 2008, 669 households applied for conventional loans from private lending institutions for home repairs and improvements. At 37 percent, the overall level of home improvement loan approval was higher than for refinancing loans, but lower than for home purchase loans. The approval rates varied widely across racial groups, with the White approval rate as high as 44 percent, and the American Indian or Native American, at a low of 21 percent.

3.5 Performance by Lender

According to the 2008 HMDA data, the top lenders in the City by number of loans originated included the following, all of which received more than 100 applications:

- Wells Fargo Bank
- JP Morgan Chase
- Countrywide Bank
- Bank of America

- Amtrust Bank
- Wachovia

These lenders account for 46 percent of all loans originated in the City by conventional lenders for home purchase. The top lender, Wells Fargo, received 395 applications. The overall approval rate was 55 percent at these six banks, with the highest approval rate of 75 percent by Amtrust Bank and the lowest, 22 percent, by JP Morgan Chase. One of the main reasons JP Morgan Chase has such a low approval rate is that 65 percent of the loans were in the “other” category, which includes applications withdrawn, closed for incompleteness, or purchased by the institution acting as trustee or in some other fiduciary capacity. JP Morgan Chase only denied 12 percent of the conventional home purchase loans the bank received. A high rate of withdrawn or closed applications can be indicative of a lack of knowledge of the loan applications and/or home buying process or a lack of adequate assistance by the lender throughout the process.

3.5.1 Community Reinvestment Act Rating

Performance reviews of financial institutions for compliance with the Community Reinvestment Act (CRA) are conducted by the Federal Reserve Board (FRB), Federal Financial Institutions Examination Council (FFIEC), Federal Deposit Insurance Corporation (FDIC), and the Office of the Controller of the Currency (OCCC). CRA ratings are provided for the main or regional headquarters of the financial institutions. Among the top six lenders in the City of Modesto, only three received rating from the FFIED, including Wells Fargo, Countrywide, and Bank of America. Table 3.8 shows Wells Fargo and Bank of America received ratings of “Outstanding,” while Countrywide was rated as “Needs Improvement.” It is important to note that these ratings apply to these lenders’ performance at all of their California locations, and may not reflect performance in Modesto specifically. Another important distinction is the lack of regulatory oversight of many lending institutions that originate subprime loans; however, this is less of an issue now that the subprime market is no longer a major source of mortgages in the market like they were when the housing market was strong during the last housing boom.

3.6 Foreclosures

Foreclosures occur when homeowners fall behind on one or more scheduled mortgage payments. If a homeowner can make their mortgage payments current or sell their home and pay off their mortgage, the foreclosure process is halted. However, given the sharp decline in housing values in Modesto since the peak, selling a home at a price high enough to cover the missed payments, penalties, and outstanding loan balance is very unlikely, especially if the home was purchased within the last five years. Therefore, lenders have foreclosed on many homes. High percentages of the homes in the City of Modesto have been through or are currently going through the foreclosure

process. Data from the first quarter of 2009 from the City of Modesto identify 36 Census Tracts within the City of Modesto where the foreclosure rates were ten percent or above, or the sub-prime loan rates were twenty percent or above. The latter is relevant because subprime loans are thought to be at greater risk of default, due to the relaxed underwriting standards that were typically employed when originating those loans.

The Center for Responsible Lending (CRL), the Federal Reserve Bank of San Francisco, and the University of Southern California all report that data regarding the income, ethnicity, and other characteristics of households losing their homes to foreclosure is not readily available. However, the CRL has examined the ethnicity of borrowers receiving subprime loans, using Home Mortgage Disclosure Act (HMDA) data. Given the strong link between subprime lending and foreclosure, this analysis serves as a rough proxy for the ethnicities of buyers undergoing foreclosure nationally.

The 2006 CRL study found that subprime mortgages disproportionately occur in communities of color. African-American and Latino borrowers were over 30 percent more likely to receive a high-cost loan (a proxy for subprime lending) than White borrowers, even controlling for credit risk. Approximately 52 percent of African-American borrowers and 40 percent of Latino borrowers received a higher-cost loan in 2005, compared to only 19 percent of White borrowers.¹⁷ This analysis was conducted on a national scale, and the results should not be directly applied to Modesto; however, it is likely that communities of color in Modesto have higher rates of foreclosure than other Modesto communities.

¹⁷ *Unfair Lending: The Effect of Race and Ethnicity on the Price of Subprime Mortgages*. Center for Responsible Lending. May 31, 2006.

Table 3.1: Disposition of Home Purchase Loan Applications in Modesto, 2008 Conventional and Government-Backed

Loan Type (c)	Approvals (a)		Denials		Other (b)		Total	
	Number	% Approved	Number	% Denied	Number	% Other	Number	% of Total
Conventional	1,900	52%	558	15%	1,192	33%	3,650	60%
Government (d)	1,332	55%	170	7%	903	38%	2,405	40%
Total	3,232	53%	728	12%	2,095	35%	6,055	100%

Notes:

- (a) Approved loans include both originated loans and loans approved by the lenders but not accepted by the applicants.
- (b) Other category includes applications withdrawn, closed for incompleteness, or purchased by the institution.
- (c) Includes loans in the Modesto Census Tracts listed in Appendix A
- (d) Includes Federal Housing Administration, Veterans Affairs, Farm Loan Program, and Rural Housing Direct Loans

Sources: Home Mortgage Disclosure Act data, 2008; BAE, 2010.

Table 3.2: Approval Rate of Home Purchase Loan Applications by Race/Ethnicity of Applicants, City of Modesto 2008

Race/Ethnicity	Percent Applied	Conventional			Government-Backed		
		# Applied	Approved (a)	% Approved	# Applied	Approved (a)	% Approved
Race							
American Indian or Alaska Native	2%	56	27	48%	51	33	65%
Asian	6%	316	185	59%	70	41	59%
Black or African American	1%	47	23	49%	43	25	58%
Native Hawaiian or Other Pacific Islander	2%	75	36	48%	44	26	59%
White	70%	2,393	1,441	60%	1,861	1,100	59%
Information not provided by applicant	10%	400	184	46%	213	107	50%
Not applicable	8%	363	4	n.a.	122	0	n.a.
Total	100%	3,650	1,900	52%	2,404	1,332	55%
Ethnicity							
Hispanic or Latino	23%	819	461	56%	560	331	59%
Not Hispanic or Latino	60%	2,102	1,264	60%	1,545	916	59%
Information not provided by applicant	9%	363	169	47%	176	84	48%
Not applicable	8%	366	6	n.a.	123	1	n.a.
Total	100%	3,650	1,900	52%	2,404	1,332	55%

Note:

(a) Approved loans include both originated loans and loans approved by the lenders but not accepted by the applicants.

Sources: Home Mortgage Disclosure Act data, 2008; BAE, 2010.

Table 3.3: Approval Rates by Applicant Income, City of Modesto, 2008

Applicant Income Category (a)	Percent Applied	Conventional			Government-Backed		
		# Applied	Approved (b)	% Approved	# Applied	Approved (b)	% Approved
Less than \$10,000	0%	2	0	0%	1	0	0%
\$10,000 to \$14,999	0%	10	4	40%	1	1	100%
\$15,000 to \$19,999	1%	25	16	64%	15	9	60%
\$20,000 to \$24,999	2%	60	31	52%	43	23	53%
\$25,000 to \$29,999	3%	89	51	57%	60	36	60%
\$30,000 to \$34,999	4%	127	70	55%	127	70	55%
\$35,000 to \$39,999	6%	177	100	56%	184	97	53%
\$40,000 to \$44,999	7%	204	119	58%	167	107	64%
\$45,000 to \$49,999	7%	185	104	56%	209	108	52%
\$50,000 to \$59,999	12%	338	187	55%	337	196	58%
\$60,000 to \$74,999	15%	425	231	54%	398	237	60%
\$75,000 to \$99,999	18%	559	323	58%	451	264	59%
\$100,000 to \$124,999	10%	377	210	56%	174	95	55%
\$125,000 to \$149,999	6%	237	138	58%	88	48	55%
\$150,000 or more	10%	504	306	61%	77	37	48%
Total	100%	3,319	1,890	57%	2,332	1,328	57%

Notes:

(a) Loans for which applicant income was reported.

(b) Approved loans include both originated loans and loans approved by the lenders but not accepted by the applicants.

Sources: Home Mortgage Disclosure Act data, 2008; BAE, 2010.

Table 3.4: Approval Rates for Conventional Home Loan Application by Applicant Race and Income, City of Modesto, 2008

Race	Total		Approval Rate by Income								
	Applied	Approved	Less than \$50,000			\$50,000 to \$74,999			\$75,000 or more		
			# Applied	Approved (b)	% Approved	# Applied	Approved (b)	% Approved	# Applied	Approved (b)	% Approved
American Indian or Alaska Native	48	27	17	10	59%	12	5	42%	19	12	63%
Asian	300	184	61	35	57%	52	32	62%	187	117	63%
Black or African American	45	23	12	6	50%	14	7	50%	19	10	53%
Native Hawaiian or Other Pacific Islander	66	36	14	11	79%	19	9	47%	33	16	48%
White	2,304	1,437	640	398	62%	557	332	60%	1,107	707	64%
Information not provided by applicant	369	183	84	35	42%	71	33	46%	214	115	54%
Not applicable	187	n.a.	51	0	n.a.	38	0	n.a.	98	0	n.a.
Total	3,319	1,890	879	495	56%	763	418	55%	1,677	977	58%

Note:

(a) Approved loans include both originated loans and loans approved by the lenders but not accepted by the applicants.

Sources: Home Mortgage Disclosure Act data, 2008; BAE, 2010.

Table 3.5: Approval Rates by Applicant Race/Ethnicity for Conventional Home Refinancing Loans, City of Modesto, 2008

Race	Conventional		
	# Applied	Approved (a)	% Approved
American Indian or Alaska Native	85	16	19%
Asian	177	58	33%
Black or African American	102	16	16%
Native Hawaiian or Other Pacific Islander	64	18	28%
White	2,650	1,059	40%
Information not provided by applicant	767	246	32%
Not applicable	437	10	2%
Total	4,282	1,423	33%
Ethnicity			
Hispanic or Latino	823	247	30%
Not Hispanic or Latino	2,335	942	40%
Information not provided by applicant	687	224	33%
Not applicable	437	10	2%
Total	4,282	1,423	33%

Note:

(a) Approved loans include both originated loans and loans approved by the lenders but not accepted by the applicants. Originated loans are those approved by the lenders and purchased by the applicants.

Sources: Home Mortgage Disclosure Act data, 2008; BAE, 2010.

Table 3.6: Approval Rates by Applicant Race/Ethnicity for Conventional Home Improvement Loan Applications, City of Modesto, 2008

Race	Conventional		
	# Applied	Approved (a)	% Approved
American Indian or Alaska Native	19	4	21%
Asian	24	8	33%
Black or African American	18	5	28%
Native Hawaiian or Other Pacific Islander	12	5	42%
White	391	173	44%
Information not provided by applicant	146	53	36%
Not applicable	59	1	2%
Total	669	249	37%

Ethnicity			
Hispanic or Latino	148	43	29%
Not Hispanic or Latino	328	151	46%
Information not provided by applicant	134	54	40%
Not applicable	59	1	2%
Total	669	249	37%

Note:

(a) Approved loans include both originated loans and loans approved by the lenders but not accepted by the applicants.

Sources: Home Mortgage Disclosure Act data, 2008; BAE, 2010.

Table 3.7: Disposition of Conventional Home Purchase Loans by Lending Institution, City of Modesto, 2008 (a)

Lender Name	Approvals (b)		Denials		Other (c)		Total	
	Number	% Approved	Number	% of Total	Number	% of Total	Number	% of Total
Wells Fargo Bank	289	73%	58	15%	48	12%	395	23%
JP Morgan Chase	86	22%	47	12%	250	65%	383	23%
Countrywide Bank	198	55%	47	13%	114	32%	359	21%
Bank of America	198	69%	57	20%	31	11%	286	17%
Amtrust Bank	116	75%	13	8%	25	16%	154	9%
Wachovia	31	29%	20	19%	55	52%	106	6%
Total	918	55%	242	14%	523	31%	1,683	100%

Notes:

- (a) All lenders that had more than 100 loan applications in the City of Modesto in 2008.
- (b) Approved loans include both originated loans and loans approved by the lenders but not accepted by the applicants.
- (c) Other category includes applications withdrawn, closed for incompleteness, or purchased by the institution acting as trustee or in some other fiduciary capacity.

Sources: Home Mortgage Disclosure Act Data, 2008; BAE, 2010.

Table 3.8: Lending Institution Community Reinvestment Act Ratings

<u>Lender Name (a)</u>	<u>State</u>	<u>Supervising Agency (b)</u>	<u>Years Rated</u>	<u>Rating</u>
Wells Fargo Bank	CA, one location	OCC	1994, 1996, 1998	Outstanding
JP Morgan Chase	CA	n.a.	not rated in CA	n.a.
Countrywide Bank	CA, one location	FDIC	1992	Needs Improvement
Bank of America	CA, three locations	FDIC, OCC	1991,1993, 1994,1995,1997,1998,1999	Outstanding
Amtrust Bank	CA	n.a.	not rated in CA	n.a.
Wachovia	CA	n.a.	not rated in CA	n.a.

Notes:

(a) All lenders that had more than 100 loan applications in the City of Modesto in 2008.

(b) Office of the Controller of the Currency (OCC), and Federal Deposit Insurance Corporation (FDIC)

Sources: Federal Financial Institutions Examination Council (FFIEC), 2010; BAE 2010.

Table 3.9: Foreclosure Data for the Census Tracts with the Greatest Need, 1Q 2009 (a)

Census Tract	Estimated Foreclosures	Estimated Mortgages	Estimated Foreclosure Rate	Estimated Percentage Sub-prime Loans
000602	81	764	10.60%	27.07%
000801	144	1406	10.24%	24.90%
000802	99	817	12.12%	36.46%
000803	189	1596	11.84%	35.17%
000805	88	820	10.73%	28.46%
000806	34	342	9.94%	24.03%
000807	130	1314	9.89%	22.84%
000905	146	1459	10.01%	23.76%
000906	61	630	9.68%	21.16%
000907	116	1087	10.67%	27.30%
000908	100	925	10.81%	28.73%
000909	123	1043	11.79%	35.07%
000910	144	1359	10.60%	27.15%
000912	462	4853	9.52%	20.52%
001001	108	1088	9.93%	22.98%
001002	73	671	10.88%	29.47%
001100	70	654	10.70%	27.72%
001200	88	794	11.08%	30.11%
001300	132	1306	10.11%	24.00%
001400	137	1221	11.22%	31.12%
001500	190	1534	12.39%	37.39%
001601	113	836	13.52%	44.55%
001603	165	1265	13.04%	40.95%
001604	100	759	13.18%	43.19%
001700	38	278	13.67%	46.00%
001800	25	210	11.90%	34.92%
001900	135	1296	10.42%	26.16%
002003	282	2453	11.50%	32.80%
002004	170	1429	11.90%	35.54%
002100	78	537	14.53%	50.72%
002200	117	886	13.21%	42.79%
002301	256	1894	13.52%	43.90%
02302	84	659	12.75%	39.46%
002400	294	2196	13.39%	43.27%
02501	203	1784	11.38%	30.65%
02803	75	716	10.47%	26.55%

Note:

(a) The factors in determining target areas within the City of Modesto were that the foreclosure rate had to be ten-percent or above or the sub-prime loan rate had to be at twenty-percent or above.

Sources: City of Modesto, 2009; BAE, 2009.

3.7 Predatory Lending

The following discussion provides an overview of predatory lending, examples of predatory lending practices, and recent trends.

3.7.1 *Defining Predatory Lending*

Predatory lending occurs when potential buyers are seeking to purchase a new home, or when existing homeowners refinance their home to consolidate current debts such as credit cards and car payments. Predatory lending involves abusive loan practices usually targeting minority and/or low-income homeowners or those with less-than-perfect credit history.

Predatory lending is often difficult to define, since a 15 percent interest rate on a loan to one person could be considered predatory while it might be appropriate for home homebuyers, based on the borrower's risk factors. Predatory lending is one factor that contributed to the current high foreclosure rate in California.

The Federal Home Loan Mortgage Corporation (Freddie Mac) provides the following general definitions for predatory lending:

- “Offering only loans with higher interest rates than the borrower can afford
- Adding unnecessary fees to the cost of the mortgage
- Including ‘balloon payments’ - a large one-time payment at the end of a payment schedule that disguises the true, higher-than-expected, cost of the loan
- Moving a borrower from one loan to another near the end of the payment schedule to extend interest payments and add to the overall cost of the loan
- Forcing borrowers to purchase more insurance than the law requires, and more than the borrower needs”¹⁸

3.7.2 *Examples of Predatory Lending*

As defined above, predatory lending includes a wide variety of improper practices. In particular, HUD raises concerns about four categories of improper or predatory lending practices.

- “Loan Flipping – Some mortgage originators refinanced borrowers’ loans repeatedly in a

¹⁸ *Combating Predatory Lending* Freddie Mac. http://www.freddie.com/corporate/citizenship/protecting_consumers/predlend.html. Accessed March 16, 2010.

short period of time. With each successive refinancing, these originators charged high fees.

- Excessive fees and ‘packing’ –Fees that far exceeded what would be expected or justified based on economic grounds, and fees that were “packed” into the loan amount without the borrower’s understanding.
- Lending without regard to the borrower’s ability to repay – Lending based on borrowers’ equity in their homes, where the borrowers clearly did not have the capacity to repay the loans.
- Outright fraud and abuse – In many instances, abusive practices amount to nothing less than outright fraud.”¹⁹

3.7.3 *Protections Against Predatory Lending: Federal Legislative Changes and Actions*

Predatory Lending is a major fair housing issue that was brought to the forefront by the recent string of foreclosures throughout the nation, some of which were the result of predatory lending practices. No law, however, currently administered by the Federal Reserve Board contains a statutory or regulatory definition of predatory lending. Predatory lenders who discriminate receive some scrutiny under the Fair Housing Act of 1968, which requires equal treatment in terms and conditions of housing opportunities and credit regardless of race, religion, color, national origin, family status, or disability. This applies to loan originators as well as the secondary market. The Equal Opportunity Act of 1972 requires equal treatment in loan terms and availability of credit for all of the above protected categories, as well as age, sex, and marital status. Lenders that engage in predatory lending would violate these acts, if they target Black, Hispanic or elderly households to buy higher priced and unnecessary loan products; treat loans for protected classes differently than those of comparably credit-worthy applicants; or have policies or practices that have a disproportionate effect on the protected classes.

In addition, the Truth in Lending Act (Regulation Z) promotes the informed use of consumer credit through disclosure of loan costs and terms. To comply with this act, lenders must disclose information about payment schedules, prepayment penalties, and the total cost of credit. In 2009, the Truth in Lending Act was updated again, and there are pending draft updates to the bill for 2010.²⁰ The most recently enacted changes to the Truth in Lending Act, commands “creditors to give consumers transaction-specific cost disclosures shortly after application for closed-end loans secured by a consumer’s principal dwelling,” and “requires early, transaction specific disclosures

¹⁹ Joint-Task Force on Predatory Lending. <http://www.huduser.org/publications/pdf/treasrpt.pdf>
<http://www.huduser.org/publications/pdf/treasrpt.pdf>. Accessed March 16, 2010.

²⁰ Federal Register /Vol. 74, No. 223 / Friday, November 20, 2009 /Rules and Regulations.
<http://edocket.access.gpo.gov/2009/pdf/E9-27742.pdf>. Accessed on March 16, 2010.

for mortgage loans secured by dwellings other than the consumer's principal dwelling and requires waiting periods between the time when disclosures are given and consummation of the mortgage transaction."²¹

3.7.4 Protections Against Predatory Lending: State of California AB 489, AB 344, and 901 (as amended by 260)

In September 2001, with the passage of AB 489 California became the second state to pass a law banning predatory lending. The law enables State regulators and the Attorney General to attempt to prevent "predatory" lending practices by authorizing the State to enforce and levy penalties against licensees that do not comply with the provisions of this bill. The law provides protections against predatory lending to consumers across the State as summarized below:

- **Financing of Credit Insurance:** On all home loans the bill prohibits the financing of single premium credit insurance policies as part of a loan. Credit insurance policies on home loans may still be sold as long as they are paid off monthly like other insurance.
- **Covered Loans:** The legislation's other protections apply to "a consumer loan in which the original principal balance of the loan does not exceed the most current conforming loan limit for a single-family first mortgage loan established by the Federal National Mortgage Association." The loan limits are adjusted according to the California Consumer Price index every five years. For borrowers of these higher-cost home loans, the bill extends additional consumer protections against some of the most abusive practices.
- **Financing of Points and Fees:** The bill prohibits the financing of lender and broker fees beyond six percent of the original loan amount minus the fees
- **Steering:** The bill prohibits borrowers in covered loans from being steered or counseled into loans with rates above what is appropriate for their credit risk, according to the lender's classification.
- **Ability to Repay:** The bill prohibits lenders from making a covered loan, knowing the borrower cannot repay.
- **Home Improvement Contracts:** The bill prevents home improvement contractors from getting paid directly out of the proceeds of covered loans. The loan proceeds must go directly to the borrower, or otherwise be paid out to an escrow account or to the borrower

²¹ *Ibid.*

and contractor jointly only in increments with written certification that the work had been finished.

- **Fiduciary Responsibility of Brokers:** The legislation establishes that any mortgage broker providing a covered loan has a responsibility to protect the borrower's financial interests, regardless of any of the broker's other financial relationships (including their status as an agent of the lender), and that any violation of those duties constitutes a violation of the law. Also, the broker cannot advise a borrower to accept a loan that has a higher cost than for what they are eligible.
- **Loan Flipping:** The bill prohibits loans where there is not clear benefit to the borrower, taking into account the costs of the loans, but also the borrower's reasons for seeking it.
- **Prepayment Penalties:** When a prepayment penalty is included in a loan, the borrowers must pay a penalty to refinance out of that loan into another loan within a certain time period. In the prime market, prepayment penalties are generally accompanied by a slightly lower interest rate on the loan. In the subprime market, these penalties are commonly used to trap borrowers at higher interest rates than they should by paying, or force them to pay an extra fee to receive a loan with a more reasonable interest rate. The bill sets restrictions on some of the worst abuses – limiting such penalties on covered loans to no longer than three years, requiring the originator to offer a choice of a loan without prepayment penalty at least three days before closing, and limiting the prepayment penalty.
- **Balloon Payments:** No balloon payments are allowed in the first five years of the loan, as dictated in the federal Home Ownership Equity Protection Act (HOEPA)
- **Negative Amortization:** The principal amounts of second mortgages may not increase over the course of a covered loan.
- **Prepaid Payments:** Prepaid installments may not be financed into the loan, resulting in extra interest charges.
- **Call Provisions:** Call provisions, which permit the lender to call in the entire balance of the loan immediately, may not be included in covered loans.
- **Interest Rate Changes Upon Default:** The interest rate may not increase as a result of the borrower's defaulting.
- **Encouragement of Default:** The lender or broker may not encourage a consumer to

default on the consumer's existing home loan when soliciting to refinance the consumer into a new covered loan.

- **Disclosures:** Originators of covered loans are required to provide borrowers with on page of disclosures about the availability of loan counseling services and other information about the loan.
- **Penalties:** Empowers the licensing agency or Attorney General to impose a fee for the violation of the bill's provisions.²²

²² California State Senate http://info.sen.ca.gov/pub/05-06/bill/asm/ab_0901-0950/ab_901_bill_20051005_chaptered.html and http://info.sen.ca.gov/pub/09-10/bill/asm/ab_0251-0300/ab_260_cfa_20090909_232135_asm_floor.html. Accessed on March 17, 2010.

4 Current Fair Housing Profile

This chapter provides an overview of the institutional structure of the housing inventory in governing fair housing practices of its members. Fair housing services for renters and homebuyers available to Modesto residents and recent fair housing complaints and violations are addressed to determine trends in the City

4.1 Fair Housing Services

Typically, fair housing services for renters and homebuyers include the investigation and resolution of housing discrimination complaints, discrimination auditing/testing, and education and outreach. This may include the dissemination of fair housing information such as through written materials, workshops, and seminars. Landlord/tenant counseling is another fair housing service that involves informing landlords and tenants of their rights and responsibilities under the California Civil Code and mediating conflicts between tenants and landlords.

Founded in 1971, Project Sentinel provides fair housing services within Modesto and much of the greater Bay Area, including San Francisco, Santa Clara County, San Mateo County, Alameda County, and Stanislaus County. Project Sentinel provides education and outreach services, tenant, and landlord counseling, mediation of landlord/tenant and other community disputes, HUD-certified first-time homebuyer counseling and workshops, and mortgage default counseling.

4.1.1 *Training and Outreach*

Project Sentinel offers training for owners and managers of rental properties designed to provide a comprehensive explanation of fair housing and tenant/landlord law. Training workshops are offered at two levels: voluntary and mandatory. Individuals, companies, nonprofits, and government agencies seeking to increase their understanding of laws relevant to fair housing, and tenant/landlord issues or that wish to train groups of housing providers, can arrange voluntary training sessions. These sessions are recommended to new owners and managers of rental property. Mandatory training sessions occur when a fair housing law has been violated, as a part of the settlement to the injured party. Property owners may be required to attend a training session, at their expense, to become better informed about housing laws in order to prevent further incidents of violation

As part of its fair housing services, Project Sentinel has been actively involved in outreach activities, including attending and participating in numerous community activities, meetings, and presentations where educational materials, fair housing literature, agency flyers, and business cards are distributed to the attendees or left at sites for public display. Project Sentinel also had frequent

newspaper, television and radio advertisements, bus posters, and public service announcements. The organization distributes flyers to numerous agencies and community groups throughout Modesto, which are available to Vietnamese, Chinese, Hmong, Spanish, and English.

In 2008-2009, Project Sentinel raised the level of awareness of fair housing rights and responsibilities among home seekers, owners, and management by providing consultation, mediation, or educational services. Additionally, Project Sentinel distributed 5,335 brochures, pamphlets business cards, and other literature throughout Modesto. In the last fiscal year, Project Sentinel conducted 13 workshops, as well as 14 presentations to area agencies and the public. Project Sentinel provided information services to 961 persons during the same fiscal year.

Project Sentinel's primary method of fair housing investigation is testing or auditing, which is further described below.

4.1.2 Landlord Tenant Mediation Services

In July 2004, Project Sentinel began providing and landlord/tenant mediation services for residents and landlords that need additional assistance beyond information and referral. Project Sentinel maintains a position of neutrality such that "delivery of services [are] open and available to all whom make a reasonable request for assistance." Project Sentinel provides mediation services for several types of landlord-tenant conflicts, including the following:

- The nature of leases and month-to-month rental agreements.
- The duty of landlord to repair the premises and the duty of the tenant to maintain the premises
- The landlords' right to enter the rental unit and the tenants' right to privacy
- Rental increases and other changes in terms
- Termination of the rental relationship
- Handling security deposits, including requirements for inspections at the time the tenant vacates and the process for refunding the deposit

In the last fiscal year, Project Sentinel has managed 49 Modesto landlord/tenant cases pertaining to a range of issues. The most common problems reported are landlord/tenant, neighbor-to-neighbor, and breach of contract. The cases were resolved through conciliation, mediation, or counseling.

Table 4.1 provides demographic information for residents that contacted Project Sentinel with landlord/tenant assistance requests in the previous fiscal year. As indicated, 61 percent of the individuals requesting meditation were extremely low-income, 22 percent low-income, 14 percent were moderate income, and the remaining two percent were above moderate income. In addition,

for the total 49 households requesting mediation, 24 percent were female householders. The racial breakdown of the individuals requesting mediation was 84 percent White, and 16 percent Black, while the ethnicity data showed that 47 percent were Hispanic.

4.1.3 Fair Housing Discrimination Complaints

Project Sentinel also investigates potential fair housing discrimination complaints throughout Modesto. Information and referral services were provided to 41 Modesto residents in fiscal year 2008-2009 as shown in Table 4.2. The profile of the individuals filing complaints shows 68 percent of the households as extremely low-income, 17 percent as low-income, 12 percent moderate-income, and the remaining two percent as above moderate income. In addition, the type of households filing complaints included 37 percent female householders, 10 percent seniors, and 59 percent disabled (note that these categories are not mutually exclusive). The distribution by race equaled 78 percent White, 17 percent Black, and two percent Asian and Native Hawaiian. Furthermore, 10 percent of the individuals were Hispanics.

Project Sentinel provided fair housing investigation services to 41 documented, valid housing complaints or audits during fiscal year 2008-2009. These services included testing, canvassing, statistical analysis, witness interviews, and counseling. As indicated in Table 4.3, the number of requests for service based upon a disability was significantly higher than all other requests, at 59 percent of the total requests for service. The second most frequent basis of discrimination was familial status, at 15 percent of the total requests for service.

Discrimination against people with disabilities continues to be problematic mainly because of housing providers' misunderstandings regarding this protected class. According to Project Sentinel, "in reviewing phone conversations in cases opened surrounding reasonable accommodations, housing providers still lack an understanding of reasonable accommodations and their responsibilities under fair housing law."²³

4.1.4 Testing and Auditing

Project Sentinel may conduct testing in order to verify a case of fair housing discrimination. Fair housing testing is a controlled method to determine differential treatment in the services given to home seekers by real estate agents, property managers, and owners. A test is a simulation of a housing transaction used to compare the treatment of one home seeker to another, to determine where there has been a violation of fair housing laws. The technique entails the pairing of individuals, similar in relevant respects except for the particular variable being tested (e.g. race,

²³ Written Communication. Project Sentinel. February 23, 2010.

familial status, disability). The experience of the two of more testers is compared to determine the validity of an alleged discrimination.

Project Sentinel conducts tester training and recruitment efforts in order to have knowledgeable staff available for fair housing audits when necessary. Three tester-training workshops were conducted in FY 08-09. Project Sentinel opened seven audits over this time period. The cases were either counseled or referred to HUD or DFEH [Department of Fair Employment and Housing] for enforcement.

4.1.5 California State Department of Fair Employment and Housing (DFEH)

Project Sentinel works in partnership with HUD and DFEH. Once a person calls in a complaint to Project Sentinel, an interview takes place and the complaint is documented. Project Sentinel first offers mediation/conciliation as a viable alternative to regulatory enforcement or litigation. If the mediation/conciliation is unsuccessful, Project Sentinel refers the case to DFEH or HUD. During the investigation of the case, testing may be performed, if deemed necessary. After the completed investigation, Project Sentinel advises the complainant of the alternatives available in proceeding with the complaint, which includes mediation/conciliation, administrative filing with HUD or DFEH, referral for consideration to the Department of Justice, Civil Rights Division, Housing and Civil Enforcement Section, or referral to a private attorney for possible litigation.

Project Sentinel filed 26 complaints with HUD from 2007 to 2008, including two complaints in the City of Modesto. Data on each of these cases indicated the type of case, and the alleged prohibited act. Both cases in the City of Modesto were handicap/disability cases and one involved a complaint of coercion/intimidation and the other reasonable accommodation.

4.2 Hate Crimes

To a certain degree, hate crimes are an indicator of the environmental context for discrimination. Hate crimes are crimes that are committed because of a bias against race, religion, disability, ethnicity, or sexual orientation. These crimes should be reported to the police or sheriff's department. On the other hand, a hate incident is an action or behavior that is motivated by hate, but is protected by the First Amendment right to freedom of expression. Examples of hate incidents can include name-calling, epithets, distribution of hate material in public places. The freedom guaranteed by the U.S. Constitution, such as freedom of speech, allows hateful rhetoric as long as it does not interfere with the civil rights of others. Only when these incidents escalate can they be considered actual crime.

In an attempt to determine the scope and nature of hate crimes, the Federal Bureau of

Investigation's (FBI) Uniform Crime Reporting program collects statistics on these incidents. According to the FBI, hate crimes take place in Modesto, although at a low level.

Table 4.1: Demographic Profile of Individuals Requesting Mediation, Fiscal Year 2008-2009

Categories	Number of Requests	Percent of Total
Income Levels		
Moderate-Income (50% - 80% of MFI)	7	14%
Low- Income (30% - 50% of MFI)	11	22%
Extremely low-income (<30% of MFI)	30	61%
Household Type		
Female	12	24%
Race (a)		
White	41	84%
Black	8	16%
Ethnicity		
Hispanic	23	47%
Total (b)	49	

Notes:

(a) The number of Hispanics are included in combination with other races.

(b) Total is all mediation requests received. Individuals requesting mediation may be counted in more than one category above.

Sources: Project Sentinel, 2010; BAE, 2010.

Table 4.2: Demographic Profile of Fair Housing Complaints, Fiscal Year 2008-2009

Categories	Number of Requests	Percent of Total
Income Levels		
Moderate-Income (50% - 80% of MFI)	5	12%
Low- Income (30% - 50% of MFI)	7	17%
Extremely low-income(<30% of MFI)	28	68%
Household Type		
Female	15	37%
Senior	4	10%
Disabled	24	59%
Race (a)		
White	32	78%
Black	7	17%
Asian	1	2%
American Indian	0	0%
Native Hawaiian/Pacific Islander	1	2%
Multiple Ethnicities	0	0%
Ethnicity		
Hispanic	4	10%
Total	41	

Notes:

(a) The number of Hispanics are included in combination with other races.

(b) Total is all mediation requests received. Individuals requesting mediation may be counted in more than one category above.

Sources: Project Sentinel, 2010; BAE, 2010.

Table 4.3: Fair Housing Complaints by Type, Fiscal Year 2008-2009

Categories	Number of Requests	Percent of Total
Basis of Discrimination		
Race	3	7%
National Origin	2	5%
Disability	24	59%
Familial Status	6	15%
Marital Status	2	5%
Sexual Harassment	0	0%
Gender	2	5%
Age	0	0%
Religion	1	2%
Source of Income	1	2%
Arbitrary	0	0%
Total	41	100%
Low Income Individuals	35	
Case Conciliated	8	
Cases Counseled	16	

Sources: Project Sentinel, 2010; BAE, 2010.

Table 4.4: FBI Hate Crime Statistics in Modesto, 2005-2008

Year	Number of Incidents Per Bias Motivation					Total
	Disability	Ethnicity	Sexual Orientation	Religion	Race	
2008	0	1	2	1	4	8
2007	0	2	4	0	4	10
2006	0	2	0	4	4	10
2005	0	1	1	1	2	5

Sources: FBI Hate Crime Incidents, Table 13, 2010; BAE, 2010.

5 Public Policies

Public policies at the regional and local levels can affect housing development and, therefore, may impact the range and location of housing choices available to the public. Fair housing laws are designed to encourage an inclusive living environment. An assessment of public policies and practices can help determine potential impediments to fair housing opportunity. This section presents an overview of government regulations, policies, and practices enacted by the City of Modesto and other public agencies that may impact fair housing choice.

5.1 Development Plans and Policies

California law requires that each city and county to adopt a comprehensive plan, called a “General Plan,” for its physical development. The General Plan establishes a vision for the community and provides long-range goals and polices to guide the development in achieving that vision. Elements of the General Plan that address housing, land use, and conservation have direct impacts on the local housing market and on the amount and range of housing choices.

California law also requires cities and counties to implement their General Plans through zoning, subdivision, and other regulatory ordinances. These regulations are other important documents that influence that amount and type of housing available in a community.

5.1.1 *General Plan Housing Element*

As one of the State-mandated elements of the Modesto General Plan, the Housing Element is subject to review by the California Department of Housing and Community Development (HCD) for compliance with State law. Housing Element law recognizes that, for the private market to adequately address housing needs and demand, local governments must adopt land use plans and regulatory systems that provide opportunities for and do not unduly constrain, housing development and choices. Specifically, the Housing Element must do the following:

- Identify adequate sites which will be made available through appropriate zoning and development standards and with services and facilities need to facilitate and encourage the development of a variety of types of housing for all income levels in order to meet the community’s housing goals
- Identify policies and programs that assist in the development of adequate housing to meet the needs of low-and moderate-income households

- Address and, where appropriate and legally possible, remove governmental constraints to the maintenance, improvement, and development of housing.
- Identify policies and programs designed to conserve and improve the condition of the existing affordable housing stock.
- Identify policies and programs that promote housing opportunities for all persons regardless of race religion, sex, marital status, ancestry, national origin, color, familial status, or disability.

In February 2010, the City of Modesto submitted an updated Housing Element to HCD for review, and is still awaiting certification.

5.1.2 Land Use Element

As stated in the 2009 Housing Element, the Urban Area General Plan Land Use Element was adopted in 1995, and updated in 2003 and 2008. This element sets forth the City's policies regarding local land development. These policies, together with existing zoning regulations, establish the amount and distribution of land allocated for different uses. Land Use policies are fundamental to ensuring housing opportunities because they determine the amount, location, type, and density of housing. The land use designations include standards of population density and building intensity. Residential densities are typically expressed as dwelling units per acre (du/ac). The Zoning Code and Zoning Map are the primary tools to guide future development in the Baseline Development Area. The Baseline Development Area is identified in the City's Urban Area General Land Use Element as the portion of the City that is already developed. The policies in existence in the Base Year 2007 of the General Plan are the secondary tools that guide development. Modesto is a charter city. As such, the City's zoning need not be consistent with the General Plan (Section 65803 of the Government Code).

5.1.3 Residential Densities

The local public policy factor that most directly influences the type of housing that can be built, and potentially the cost of housing, is the allowable density range of land designated for residential development. Higher densities allow development to take advantage of economies of scale, reduce the per-unit cost of land and improvements, and may reduce development costs associated with building housing. Higher residential densities increase the feasibility of producing low-cost housing in the form of small lot single-family homes, town homes, condominiums, and apartments. Minimum required densities in multifamily zones ensure that land zoned for multifamily use, the supply of which is often limited, will be developed as efficiently as possible for multifamily uses.

Residential land use categories in the General Plan are summarized in Table 5.1, and are as follows:

- Residential: 7.5 dwelling units per acre
- Mixed-Use: 14 dwelling units per acre
- Redevelopment Planning District (RPD): Based on redevelopment project area
- Village Residential: 6.6 units per acre²⁴

According to the 2009 Housing Element of Modesto's General Plan, there were approximately 171 acres of vacant or underutilized land zoned R-1, about 303 acres of vacant or underutilized land zoned R-2, 383 acres of vacant or underutilized land zoned R-3, about 14 acres of vacant or underutilized land zoned Professional Office (P-0), plus additional vacant or underutilized land in SP sites in the Planned Urbanizing Area. After accounting for the development constraints on these sites, the City estimates a total residential development potential of about 6,400 units on these sites, not including any units that may already be on the sites.²⁵

5.2 Zoning Ordinance

The Modesto Zoning Ordinance (Title 10 of the Modesto Municipal Code) implements the City's General Plan by establishing zoning districts that are consistent with the General Plan land use categories. Development standards and permitted uses in each zoning district are specified to govern the density, type, and design of different land uses for the protection of public health, safety, and welfare as required by California Government Code Sections 65800-85863.

Table 5.1 summarizes the City's zoning standards for residential districts and non-residential districts that permit housing. The minimum and maximum permitted density, expressed in units per acre, varies by zone. The minimum density ranges from one unit per lot in the R-1 zone to 22 dwelling units per acre (du/ac) in the R-3 and P-O zones. The maximum densities start at 8.7 du/ac for the R-1 district and increase to 28.5 du/ac in the P-O, C-1, C-2, C-3, P-D, and SP-O zoning districts. By permitting a range of densities, the City facilitates the development of a variety of housing types, ranging from low-density single-family residences to larger apartment and condominium complexes. The City also encourages new housing to be developed at the highest end of the density ranges, to maximize the number of units available. Single-family units are not a permitted use in the R-2 and R-3 zones. Only buildings containing two units or more are permitted

²⁴ The Village Residential designation is implemented through a specific plan that contains a variety of development, predominantly single-family residential, but with multifamily and senior housing, commercial uses, schools, and parks. "Average" density is an aggregate of all residential development.

²⁵ City of Modesto. DRAFT Housing Element, 2009. (Pg. 4-4).

in these two zones.

5.2.1 Definition of Family

The local zoning ordinance can potentially restrict access to housing for households failing to qualify as “family” by the definition specified in the zoning ordinance. California court cases have ruled that an ordinance that defines “family as: 1) an individual; 2) two or more persons related by blood, marriage, or adoption, or 3) a group of not more than a certain number of unrelated persons as a single housekeeping unit, is invalid.²⁶ Court rulings stated that defining a family does not serve any legitimate or useful objective recognized under the zoning and land planning powers of the jurisdiction, and therefore violates rights of privacy under the California Constitution. A zoning ordinance cannot regulate residency by discriminating between biologically related and unrelated persons. Even if the local municipal code provides a broad definition, defining what constitutes a “family” should be avoided by jurisdictions to prevent confusion or give the impression of restrictiveness.

The City of Modesto defines “family” in its Municipal Code as “...an individual or two (2) or more persons living together as a single household unit in a dwelling unit. Family does not include larger institutional group living situations including, but not limited to, fraternities and sororities, nor does it include commercial group living arrangements including, but not limited to, boarding houses and lodging houses.”²⁷ Therefore, Modesto complies with California court decisions regarding the definition of “family.” This issue presents no impediments to fair housing.

5.2.2 Density Bonus Ordinance

As reported in the 2009 City of Modesto Housing Element, State density bonus law requires that a jurisdiction grant a 25 percent density bonus and at least one regulatory concession or incentive if a developer provides one of the following: (1) 20 percent of the units affordable to lower income households; (2) 10 percent of the units affordable to very low income households; (3) 50 percent of the units for seniors; or (4) 20 percent of the condominium units affordable to moderate income households. The units must remain affordable for a minimum of 10 years if no financial assistance or regulatory concession/incentive is provided. For projects that receive financial assistance and/or regulatory concessions/incentives, the units must remain affordable for 30 years.

In accordance with Government Code Section 65915 as amended by SB 1818 (2004), the City of Modesto offers density bonuses to developers of at least five dwelling units meeting state

²⁶ City of Santa Barbara v. Adamson (1980), City of Chula Vista v. Pagard (1981), among others

²⁷ Modesto Municipal Code Title 10-2.219

affordability criteria and can consider parking concessions, affordable housing subsidies, allowing mixed uses, deferral of Capital Facilities Fees, expedited processing, reduced setbacks, and increases in height limitations. The City must ensure that these units remain affordable for at least ten years. Modesto's density bonus ordinance can be found in its entirety in Title X, Chapter 3, of the Municipal Code.

5.2.3 Parking Requirements

Communities that require an especially high number of parking spaces per dwelling unit can negatively impact the feasibility of producing affordable housing by reducing the achievable number of dwelling units per acre, increasing development costs, and thus restricting the range of housing types constructed in a community. Typically, the concern for high parking requirements relates only to multifamily, affordable, or senior housing. Table 5.2 contains the Parking Standards for the City of Modesto.

As stated in the 2009 City of Modesto Housing Element, the City's parking requirements for residential uses vary by type. Single-family houses are required to have two off-street spaces per house, plus an additional space if the property includes a two-car garage (one-half space extra if the garage is only one-car). If the single-family house has a second dwelling unit on the premise, then another space is also required. All other residential uses are required to provide two parking spaces per dwelling unit, plus one recreational vehicle space for each 25 dwelling units. Guest parking is included in the requirement.

The City offers flexible parking standards for housing for seniors and persons with disabilities, and has decreased the parking requirement for studio and one-bedroom units to lessen the costs of parking for small apartments. Therefore, the City's parking requirements should not create an impediment to fair housing choice in the City.

5.1.4 Variety of Housing Opportunities

To ensure fair housing choice in a community, a zoning ordinance should provide for a range of housing types, including single-family, multifamily, second dwelling units, mobile homes, licensed community care facilities, employee housing for seasonal workers, assisted living facilities, emergency shelters, and transitional housing. A summary of Modesto zoning as it relates to ensuring a variety of housing opportunities is as follows.

Permitted Single-Family and Multifamily Uses

Single-family and multifamily housing types include detached and attached single-family homes, duplexes or half-plexes, town homes, condominiums, and rental apartments. Zoning ordinances

should specify the zones in which each of these uses are permitted by right. The City of Modesto permits the range of residential uses described above.

Zoning ordinances should also avoid “pyramid” or “cumulative zoning.” This means that the zoning ordinances should avoid permitting lower-density single-family uses in zones intended for high-density multifamily uses. Pyramid or cumulative zoning formats could, in effect, impact the amount of lower-cost multifamily residential uses in a community. That is because the amount of land typically set aside for multifamily housing is a fraction of the amount designated for single-family housing, yet a “pyramid” or “cumulative” zoning scheme would potentially allow single-family development to consume all of the multifamily-zoned land. The City of Modesto, under Program 4.2 of the 2004 Housing element eliminated the jurisdiction’s pyramid zoning system, and no longer allows single-family units on land zoned R-1 or R-3.

Second Dwelling Units

Second dwelling units are attached or detached dwelling units with complete living facilities located on the same lot as a single-family home (primary unit), but smaller than the primary unit. As specified in the 2009 City of Modesto Housing Element, the Zoning Ordinance allows the development of a second, or accessory, living unit in all residential districts. The purpose of permitting additional living units is to allow more efficient use of existing housing and to provide the opportunity for the development of small housing units to meet the special housing needs of seniors and others, while preserving the integrity of single-family neighborhoods. Approval of an accessory unit occurs through a building permit. The City updated its zoning ordinance in 2006, in accordance with State law (AB 1866) to eliminate the need for approval of second units by the Planning Commission or Zoning Administrator. Therefore, the ministerial review process currently required for second units does not represent an impediment to fair housing.

Manufactured and Mobile Homes

State law requires local governments to permit in all single-family residential zoning districts factory built homes that meet federal safety and construction standards and that are placed on a permanent foundation (California Government Code Section 65852.3). A local jurisdiction’s zoning ordinance should be compliant with this law. Manufactured homes are considered a viable housing option for many low-income households. Therefore, restricting the location of such housing units is considered an impediment to fair housing choice. The City of Modesto’s Zoning Ordinance permits manufactured and factory-built housing in all single-family residential districts, if the units are consistent with the Uniform Building Code (UBC). The City is in compliance with State law; therefore, the City’s housing opportunities related to manufactured units should not create an impediment to fair housing choice in the City.

The 2009 Housing Element only permits mobile home rental parks in Specific Plan zones, on

properties in an adopted specific plan designated for residential, and in Planned Development zones if specified in an ordinance establishing the Planned Development zoning designation on a property. This process is not considered a barrier to approval of mobile home parks as evaluated in the City's 2009 Housing Element. The City issued 95 mobile home permits between 2002 and 2008.

Licensed Residential Care Facilities

The Lanterman Developmental Disabilities Services Act (California Welfare Institutions Code Sections 5115 and 5116) requires local jurisdictions to treat licensed group homes and residential care facilities with six or fewer residents no differently than other permitted single-family housing uses. Cities must allow these licensed residential care facilities in any area zoned for residential use and may not require conditional use permits or other additional discretionary permits.

Currently, Modesto's Zoning Ordinance is compliant with the Lanterman Development Disabilities Act. The Zoning Code permits licensed residential care facilities in residential zones R-1, R-2, and R-3 by right and in the Professional Office (P-O) with a conditional use permit. Residential Care facilities serving seven or more persons are also allowed in the P-O zone and all residential zones, but only with a Conditional Use Permit granted by the Board of Zoning Adjustment.

Table 2.17, from Chapter 2 of this document, identified 42 licensed adult residential facilities with total capacity of 472 persons in Modesto, and 63 facilities within Stanislaus County as a whole housing 698 persons (or 21 facilities within the remainder of the County excluding the City of Modesto). Therefore, the ratio of beds per 1,000 people, a measure typically used to identify a concentration of residential care facilities, is 0.45 beds per 1,000 people in Modesto, and 0.75 beds per 1,000 persons in Stanislaus County, and 1.39 beds in the remainder of the County.

Consequently, there does not appear to be a concentration of adult residential facilities in the City of Modesto relative to Stanislaus County.

Emergency Shelters, Transitional Housing, and Permanent Supportive Housing

As stated in the 2009 Housing Element, three types of facilities provide shelter for homeless individuals and families, including emergency shelters, transitional housing, and permanent housing, defined as follows:

- ***Emergency Shelter:*** A facility that provides overnight shelter and fulfills a client's basic needs (i.e. food, clothing, and medical care) either on-site or through off-site services. The permitted length of stay can vary from one day at a time to three months.
- ***Transitional Housing:*** A residence that provides housing for up to two years. Residents of transitional housing are usually connected to supportive services designed to assist the homeless in achieving greater economic independence and a permanent, stable living situation. Services may include substance abuse treatment, mental and physical health care

interventions, job training and employment services, individual and group counseling, and life skills training.

Local land use controls can constrain the availability of emergency shelters and transitional and supportive housing for homeless individuals and shelters if these uses are not permitted in any zoning district or if additional discretionary permits are required for their approval. SB 2, a state law that became effective on January 1, 2008, sought to address this potential constraint by strengthening planning requirements around emergency shelters and transitional housing. The law requires all jurisdictions to identify a zone where emergency shelters are permitted by right without a conditional use permit or other discretionary permit. In addition, transitional and permanent supportive housing must be considered a residential use and only be subjected to restrictions that apply to other residential uses of the same type in the same zone.

Emergency shelters are allowed in the commercial zones (C-1, C-2, C-3), and industrial zones (M-1 and M-2) with a conditional use permit approved by the Board of Zoning Adjustments. Transitional housing in residential zones (R-1, R-2, and R-3), office zone (P-O) and industrial zones are subject to interpretation of use by the Community and Economic Development Director or Board of Zoning Adjustment. Furthermore, transitional housing units are allowed in commercial zones with a Conditional Use Permit granted by the Board of Zoning Adjustment. The provisions in the Modesto Zoning Code present an impediment to fair housing since there are no zones where emergency shelters are permitted by right, and no set approval process for permitting transitional housing.

In the 2009 Housing Element under Program 4.1a, the City has identified several revisions to the Zoning Code necessary to comply with recent changes to State laws and to further facilitate the development of affordable housing and housing for persons with special needs. One revision calls for a zoning amendment to specifically identify in which zones transitional, supportive, and single room occupancy housing are permitted by right, and a second revision suggests identifying a zone in which at least one additional emergency shelter is permitted by right. With the completion of these revisions, the City of Modesto would eliminate the previously mentioned impediment to fair housing.

Table 5.1: Land Use Categories Permitting Residential Use, City of Modesto

Zoning District	Minimum Density (du/ac)	Maximum Density (du/ac)	Minimum Lot Size (sq.ft)	Maximum Building Coverage (%)	Maximum Building Height (ft.)	
R-1	1/lot	8.7	5,000 interior lot 5,500 corner lot	50% interior lot 55% corner lot	30	
R-2	11	14.5	64,000	55% interior 60% corner lot	30	
R-3	22	28.5	6,000 interior lot 6,500 corner lot	60% interior lot 65% corner lot	30	
P-O	22	28.5	n.a.	n.a.	35	(b)
C-1	n.a.	28.5	n.a.	n.a.	90	(b)
C-2	n.a.	28.5	n.a.	n.a.	n.a.	
C-3	n.a.	28.5	n.a.	n.a.	n.a.	
P-D	(a)	28.5	n.a.	(a)	(a)	
SP-O	(a)	28.5	n.a.	(a)	(a)	

Notes:

(a) To be defined in the Ordinance designating the District.

(b) Except structures for uses permitted with a Conditional Use Permit.

Sources: Title 10, Zoning Ordinance, City of Modesto, 2010; BAE, 2010.

Table 5.2: Parking Requirements, City fo Modesto

<u>Type of Residential Development</u>	<u>Required Parking Space</u>
Single-family residential	Two off-street spaces per house, plus one-half space for a one-car garage, or one space for a two-car garage.
Second Unit/Studio or 1-bedroom apartment	One or two space for second units and one space per unit for a studio/one-bedroom unit; tandem parking may be acceptable [(10-2.502 (c)(3) and 10-2.2002(a)(1)].
Mixed Use (residential and nonresidential)	Reduced parking requirements, subject to the provisions of Section 10.2002(h)(3).
All Other residential uses, including apartments, condominiums, group homes, and similar	Two spaces per unit, plus one Recreational Vehicle space per 25 units.

Sources: Title 10, Zoning Ordinance, City of Modesto, 2010; BAE, 2010.

5.3 Building, Occupancy, Health and Safety Codes

Building codes, such as the California Building Standards Code and the Uniform Housing Code are necessary to protect public health, safety, and welfare. However, the enforcement of local codes can deter the construction of new housing or the improvement of older, substandard housing, if such enforcement does not take into account individual circumstances. For example, a local requirement to bring all components of an older home into compliance with current building code standards to correct one health and safety issue could deter property owners from fixing homes if the cost of compliance is prohibitive. Code enforcement can lead to the displacement, even if inadvertent, of lower-income and special needs groups, who also tend to be disproportionately minority (See Chapter 2 for further information on income and ethnicity).

As discussed in further detail in Chapter 2, about 62 percent of the City's housing stock was built prior to 1970, so housing maintenance and rehabilitation will become a major issue in the City. The 2009 City of Modesto Housing Element states that approximately 15,000 housing units require rehabilitation and 500 housing units in the City require replacement. Although code enforcement focusing on health and safety requirements may not be a fair housing issue per se, federal guidelines recommend that code enforcement practices which lead to significant displacement of low-income and/or minority residents be evaluated as part of the analysis of impediments to fair housing.

The areas in the City with the oldest homes include the downtown area and areas north of downtown. Many of these areas of the City have well-kept vintage homes that are among the City's most valuable. At the same time, many of these areas with older homes also correspond to Census Tracts with higher concentrations of lower-income households. Due to the age of housing stock in some of the neighborhoods near downtown and deferred maintenance, considerable investment would be necessary to preserve adequate living conditions in numerous units.

The Code Enforcement Program is administered through the Neighborhood Preservation Unit of the Parks, Recreation, and Neighborhoods Department. The programs aim to preserve and maintain the safety livability and quality of neighborhoods. Code enforcement staff investigated violations of zoning code and property maintenance standards as defined in the Municipal Code as well as handling water enforcement and other complaints. The City provides various rehabilitation loan and grant programs to assist in repairs and rehabilitation across the City. These programs provide low-interest loans and grants to eligible homeowners to make necessary repairs which may include plumbing/sewer, electrical, reroofing, termite damage repair, structural repairs (i.e. due to earthquakes) and kitchen and bathroom remodeling. In addition, with the newly acquired Neighborhood Stabilization Program funding, the City will be able to purchase and rehabilitate additional homes throughout the City, and specifically in the Airport Neighborhood. The

Building and Development Service Division of the Community and Economic Development Department administers a building and housing code enforcement program, where residential structures are inspected for health and safety violations. Housing units found to be unsafe are required to be improved or demolished.

5.3.1 Occupancy Standards

“Occupancy Standards” is a term used to describe either government or property owner rules that dictate the maximum number of persons, children, or unrelated individuals per room, bedroom, or unit who may occupy a housing unit. Disputes between tenants and landlords over occupancy standards are a frequent source of complaints filed with fair housing agencies. As discussed in Chapter 2, families with children and large households may face discrimination in the housing market, particularly the rental market, because landlords are reluctant or refuse to rent to such households. A strict occupancy standard, whether imposed by a local jurisdiction or by a landlord, may be a violation of fair housing practices.

A review of occupancy standards for Modesto did not reveal any standards more restrictive than those established in the Uniform Housing Code, California Fire Code, or California Department of Fair Employment, and Housing (DFEH). As discussed earlier in this chapter, Modesto Municipal Code defines family as, “... An individual or two (2) or more persons living together as a single household unit in a dwelling unit...”, and does not impose limits on the size of families that may reside in different types of housing units. Therefore, the City’s regulatory practices with respect to housing occupancy do not appear to create an impediment to fair housing.

5.4 Affordable Housing Development

As described in Chapter 4 of this document, minority and special needs households can be disproportionately affected by discriminatory housing practices, and tend to face greater challenges in obtaining suitable housing. The primary challenge for these groups is a lack of suitable and affordable housing that is not in substandard condition. The lack of affordable housing, to the extent that the shortfall is caused by an imbalance in the overall supply of housing relative to demand is not a fair housing issue per se; however, federal guidelines for the evaluation of fair housing choice recommend that local jurisdictions examine how the cost of housing affects access to housing choices for lower-income, minority, and special needs groups. Insofar as low-cost housing is concentrated in certain neighborhoods, or generally unavailable in a community, access to housing by low-income, minority, and special needs groups will be adversely affected.

5.4.1 Siting of Public and Assisted Housing

A significant source of affordable housing is the stock of publicly owned and government-assisted, privately owned housing. Public housing is directly managed, and in some cases constructed, by a public housing authority. Assisted housing is privately-managed housing supported by public funding. For both types of housing, rents are kept at levels that are affordable to lower-income households.

Modesto had the largest inventory of rent-restricted multifamily housing units in Stanislaus County. According to the Housing Authority of the County of Stanislaus (HACS), Modesto has 432 public housing units plus 291 additional assisted units. There are also additional units funded by the City of Modesto. Since Modesto has by far the largest population of any city in Stanislaus County, it is logical that Modesto had the most rent-restricted housing units.

According to the 2009 City of Modesto Housing Element, the City of Modesto has assisted in the development of more than 422 units through either construction or rehabilitation, including 14 multifamily complexes that total 379 affordable units. All of the multifamily developments with affordability covenants are recent projects not at risk of converting to market-rate housing. In addition, seven affordable housing projects including 735 affordable units were developed with federal subsidies, and eleven emergency shelters have also been established.

According to HUD, records, all federally assisted projects in Modesto have affordability restrictions/subsidies that are due to expire in the next five years. A total of 735 units are at risk of losing Section 8 subsidies over the five-year period covered by this analysis.

As discussed in Chapter 2 of this document, there is a concentration of lower-income households in Modesto, which includes a disproportionate representation of minority households. Since publicly assisted housing is for lower-income households, it is expected that Modesto will have a significant share of such housing and that such housing might be located in or near areas of minority and/or lower-income concentrations. Most of the areas of minority concentration are also areas of lower-income concentration, as stated in Chapter 2 of this document.

A lack of affordable housing in or near non-minority and/or non-lower-income areas can create an impediment to fair housing choice, particularly if these areas also contain employment centers with significant numbers of jobs held by lower-income workers; however as discussed in Chapter 2, access for lower income households to employment centers is not considered a significant impediment.

5.4.2 Development Impact Fees

Until 1978, property taxes were the primary revenue source for financing the construction of infrastructure and improvements to support new residential development. The passage of Proposition 13 in 1978 has limited local jurisdictions' ability to raise property taxes and Proposition 13 also significantly lowered the ad valorem tax rate. This forced local jurisdictions into increasing reliance on other funding sources to provide infrastructure, public improvements, and public services. An alternative funding source, widely used among local governments in California, is the development impact fee, which is collected for a variety of improvements. These include water and sewer facilities, schools, parks, and transportation facilities.

To enact an impact fee, State law requires that a local jurisdiction demonstrate the link or "nexus," between the type of development in question and the impact being mitigated by the proposed fee. Also, the amount of the fee must be proportional to the impact caused by the development. Nevertheless, development impact fees today have become a significant cost factor in housing development.

As stated in the 2009 Housing Element, the city collects various fees from developers to cover the costs of processing permits, and necessary services and infrastructure. This includes development impact fees as well as various fees for services. Fees associated with new development in the City vary significantly by district. In addition, the City has four active Community Facilities Districts (CFDs), each with its own special tax schedule that applies to property within the respective district. Many other parts of the City are not located in CFDs and are not required to pay associated special taxes.

Fees have been cited as a potential constraint on the development of affordable housing within the Village One area, where the Community Facilities District has a special tax that amounts to \$97,681 per acre. To ensure that fees do not constrain affordable housing, fee reductions or waivers are sometimes granted based on project-specific findings. Capital Facilities Fees (CFFs) have been waived for recent affordable housing projects within the City, reducing the potential adverse impact of fees on low-income development. The City has also attempted to utilize an Affordable Housing Fund and other financing tools to promote affordable housing within Village One. As such, the City's development impact fees do not appear to create an impediment to fair housing choices.

5.4.3 Other Land Use Policies, Programs, and Controls

Land use policies, programs, and controls, may impede or facilitate housing development, depending on how they are implemented, and can have implications for fair housing choice in a

community. Inclusionary housing policies and the use of redevelopment power can facilitate the construction of affordable housing.²⁸ Conversely, growth management programs and the lack of local authority to construct publically financed affordable housing (according to Article 34 of the California Constitution) can impede the development of affordable housing.

Growth Management Programs

Growth management programs range from general policies that require the expansion of public facilities and services concurrent with new development, to policies that establish urban growth boundaries, to numerical limitations on the number of dwelling units that may be permitted annually. These programs facilitate well-planned development and ensure that the necessary services and facilities for residents are provided. A growth management program may act as a constraint, however if it prevents a jurisdiction from approving a sufficient quantity and/or type of housing to meet its housing needs for all income groups. Growth management programs could indirectly impede fair housing choice unless implemented in a manner that specifically exempts or provides preferences for affordable housing projects.

State housing law mandates that cities and counties in California facilitate the development of a variety of housing to meet each jurisdiction's fair share of regional housing needs. Any growth management measure that would comprise a jurisdiction's ability to meet its regional housing needs may have an exclusionary effect on limiting housing choices and opportunities of regional residents, or concentrating such opportunities in other areas of the region.

The City of Modesto has a variety of growth management programs/policies to ensure adequate services for housing and to promote jobs-housing balance. Program 4.2: Residential Sites Inventory explains how the City will work to facilitate development on the land identified in Chapter 4: Resource Analysis of the Housing Element.

A jobs-housing imbalance exists in Modesto due to the large influx of San Francisco Bay Area workers seeking affordable housing. As stated in the 2009 City of Modesto Housing Element, both the City of Modesto and Stanislaus County have a higher percentage of residents working in another county compared with California overall, with correspondingly high average commute times. The proportion of Modesto residents who travel relatively short distances to work decreased slightly between 2000 and 2007, while those traveling longer distances increased slightly. This influx created impacts on the City's infrastructure systems, air quality, and economic well-being of the community. To attempt to balance housing growth and economic development, The City's 2009 Housing Element contains programs 7.1a and 7.1b.

²⁸ Inclusionary refers to policies or regulations that require a percentage of new housing to be affordable to lower-and/or moderate-income households.

None of the growth management polices described above would adversely impact the ability of the City to meet its fair share of housing needs in Stanislaus County.

Inclusionary Housing Programs

Inclusionary housing describes a local government requirement that a specified percentage of new housing units be reserved for, and affordable to lower-income households. The goal of inclusionary housing programs is to increase the supply of affordable housing as market rate housing is developed. Inclusionary housing programs are most effective in increasing the supply of affordable housing in areas experiencing rapid growth and a strong demand for housing. Currently, the City of Modesto does not have an inclusionary ordinance or program. As stated in the 2009 City of Modesto Housing Element, such a program was deemed infeasible in the final adopted Housing Implementation Tools document (September 30, 2008).

Redevelopment Project Areas

The California Community Redevelopment Law (California Health and Safety Code Section 3300 et seq.) allows cities and counties to establish redevelopment areas in order to eliminate blight and the conditions that cause it. Under the Community Redevelopment Law, redevelopment agencies are required to set aside at least 20 percent of tax increment revenue generated from redevelopment projects for activities that increase, improve or preserve the supply of housing affordable to low- and moderate-income households. Affordable housing development with these set-aside funds must remain affordable to the targeted income group for at least 55 years for rental housing and 45 years for ownership housing. In addition, not less than 15 percent of all newly constructed or substantially rehabilitated dwelling units within an area under the jurisdiction of a redevelopment agency must be made affordable to households with low- and moderate incomes, and the percentage increases to 30 percent if housing is developed or rehabilitated directly by a redevelopment agency.

The Modesto Redevelopment Agency established a redevelopment project area in 1983, and later expanded the area in 1991. The project area primarily covers central Modesto, much of the area on both sides of Highway 99 north of the central city area, and portions of Paradise Road and Scenic Drive outside the downtown area. The 2009 City of Modesto Housing Element estimates that there is the capacity for 2,105 housing units in the Redevelopment Area including, 1,912 multifamily and 193 single-family units.

The Redevelopment Project Area constitutes a significant source of affordable housing resources for the City. Eligible uses of the housing funds generated by the tax increment revenue include pre-development loans, site acquisition, and long-term financing of newly constructed or rehabilitated single-family and multifamily units.

5.4.3 Policies Causing Displacement or Affecting Housing Choice of Minorities and Persons with Disabilities

Local government policies could lead to displacement or affect representation of minorities or the disabled. Policy areas that could have these effects include redevelopment activities, reasonable accommodation, ADA-compliant public facilities, and occupancy standards. Occupancy standards were discussed earlier in this chapter.

Redevelopment Activities

Construction activities within redevelopment project areas can result in new resources for low-and moderate-income housing. Existing low-and moderate-income residents, and businesses serving traditionally underserved population, can be displaced, however, in the redevelopment process. To carry out redevelopment project with a minimum hardship to displaced person and businesses, the development must make a reasonable attempt to acquire the necessary properties through voluntary means, rather than by the redevelopment' agency use of eminent domain.

Redevelopment activities are governed by the California Relocation Assistance and Real Property Acquisition Guidelines (Government Code Section 7260 through 7277) and California Eminent Domain Law (California Code of Civil Procedure Section 1230.010 et. Seq.)

As required by State law (California Health and Safety Code Section 33490), the City adopted an implementation plan for 2009-2014 for the Redevelopment Project Area.

Reasonable Accommodation

State and federal laws require local government to ensure "reasonable accommodation" in housing for persons with disabilities when exercising planning and zoning powers. "Reasonable accommodation" means that localities allow for exceptions to make housing accessible to persons with disabilities, if necessary. Exceptions can be made by variance, zoning change or other means, but local governments are not required to fundamentally alter their zoning ordinances.

Although local governments may be aware of State and federal requirements to allow reasonable accommodations, specific policies or procedures may be necessary to inform disabled residents of local requirements for reasonable accommodations. Without explicit procedures, persons with disabilities may be unintentionally displaced or face significant barriers to obtaining housing that meets their accessibility needs.

The City of Modesto has not adopted zoning requirements or procedures that create undue constraints to the development, maintenance, and improvement of housing for persons with disabilities. As noted above, the City implements State building code standards, which include

provision for accessibility for persons with disabilities. It also has reviewed the zoning permitting processes and building codes for consistency with those standards as part of the update of the City of Modesto Housing Element in 2009. The City makes every effort to allow for end-user accessibility for disabled persons, and requires all new development to meet the requirements of the law. No additional requirements for parking are required other than those of the zoning in which the housing is being developed, and special concessions will be given to lower the parking requirements for special needs housing.

As stated in the 2009 Housing Element, the City still needs to establish a formal reasonable accommodation process to provide individuals with disabilities reasonable accommodations in rules, policies, practices and procedures that may be necessary to ensure equal access to housing (refer to Program 4.3 of the 2004 Housing element that will be continued as part of the 2009 Housing Element). The purpose of this is to provide a process for individuals with disabilities to make requests for reasonable accommodation in regard to relief from the various land use, zoning, building laws, rules, policies, practices, and/or procedures of the City.

Although the City does not have a specific procedure for processing reasonable accommodation requests, the City routinely assists disabled applicants and/or their representatives with prompt and courteous service. The City proactively identifies barriers and solutions to providing excellent services to each of its residents, by staff and committee review. Any person that is physically or developmentally impaired or their representative can request that City staff assist with completing City applications and/or addressing City requirements, at no additional cost. The City's new administrative offices are completely accessible by the disabled. Program 4.1 in the Housing Plan of the 2009 Housing Element includes a proposal to revise the zoning ordinance to establish a formal procedure to address reasonable accommodations requests, providing relevant criteria to be used when considering such requests. Codifying a formal procedure will ensure prompt, fair, and efficient handling of such requests. With the adoption of a formal procedure for reasonable accommodations, the City's zoning ordinance will not pose an impediment to fair housing.

ADA-Compliant Public Facilities

The American with Disabilities Act (ADA) of 1990 is federal civil rights legislation that makes it illegal to discriminate against persons with disabilities. Title II of the ADA requires elimination of discrimination in all public services and the elimination of architectural barriers in all publicly owned buildings and facilities. It is important that public facilities are ADA-compliant, so as to facilitate participation by disabled residents in the community planning and decision making processes.²⁹ California has also implemented its own accessibility requirements through the

²⁹ Federal guidelines for the analysis of impediments to fair housing recommend that local jurisdictions review public facilities and public accommodations policies for ADA compliance

California Code of Regulations, Title 24, Part 2. These regulations mandate that all publicly owned/funded buildings, structures, sidewalks, curbs and related facilities shall be accessible to and usable by persons with disabilities.

As part of the 2009 Housing Element update, the Housing Element update Project Manager interviewed the Chief Building Official in the Building Inspection Division and the Principal Planner of Current Planning Section of the Planning Division to assess if City application and development procedures and codes constrain the development of housing for persons with disabilities. In their review of the City's land use zoning policies, adopted building codes, development standards, and permitting procedures, these sources did not identify any potential constraints for the development of housing for the disabled. To the contrary, the City's Planned Development zoning designation provides for the development of residential projects at relaxed development standards. The City expects that housing development projects for the disabled would be approved with relaxed development standards.

In addition, the City had five advisory committees established to help address the various needs of the disabled. These include: Citizens Housing and Community Development Committee; Disabled Access Appeals Board; Equal Opportunity/Disability Commission; Human Relations Commission, and Housing Rehabilitation Loan Committee. The City does not charge any fees associated with access to these committees and does not assess fees associated with access fees for review or approval of accommodations requests.

As stated earlier, the one potential constraint is the lack of specific procedures for processing reasonable accommodations requests, and this issue will be addressed with the implementation of the 2009 Housing Element programs.

5.5 Local Housing Authority

In Stanislaus County, the HUD Housing Choice Program (formerly Section 8) is administered by a single housing authority, the Housing Authority of the County of Stanislaus (HACS). HACS oversees a public housing program. The availability and use of Section 8 vouchers and public housing units must also adhere to fair housing laws.

5.6 Community Representation and Participation

Adequate community involvement and representation is important to overcoming and identifying impediments to fair housing. Decisions regarding housing development in the City of Modesto are typically made by the City Council and the Planning Commission. The Council members are elected officials and answer to their constituents. Planning Commissioners are residents appointed

by the Council and often serve an advisory role to the Council. State law dictates that the deliberations and actions of the Planning Commission and the City Council occur in meetings open to the public under most circumstances, to ensure transparent decision-making processes, and to provide opportunities for public input.

In addition to the City Council and Planning Commission, the City has appointed commissions, committees, and task forces to address specific issues. The Board of Zoning Adjustment hears and determines appeals from the decisions of any administrative office of the City, which includes the application of any of the provisions of titles. The Board of Zoning Adjustment also considers requests for variances and conditional use permits, and approves plot plans and advises and recommends to the Council on matters required by law or referred by the Council.

The Citizens Redevelopment Advisory Committee, established in 1992 by the RDA, assists the RDA in an advisory capacity. The committee is made up of 11 Commissioners appointed by the RDA Board to serve four staggered terms. The Committee's purpose is to:

- Develop and recommend to the Agency a long-term plan for the redevelopment project area, and review annual work programs to implement and plan.
- Develop and recommend to the Agency a plan for utilization of funds for low- and moderate-income housing.
- Review other policy issues such as design guidelines for future private and public development, related to the implementation of the Redevelopment plan.
- Foster citizen, resident, and business involvement in the Redevelopment Project Area and its planning process.

The City has several commissions that specifically address special housing need. The disabled Access Appeal Board hears and rules on appeals of the Chief Building Official's orders based on disabled access laws, and interprets and advises staff on disabled laws. The Equal Opportunity/Disability Commission's primary responsibility is to advise and assist the City Manager and staff on matters that relate to equal opportunity and affirmative action. This commission includes representation by members of the protected classes, including families, minorities, the disabled, and workers over 40 years of age.

The City makes City documents accessible to the public through its website, at City Hall, and through public libraries in Modesto.

6 Assessment of Current Fair Housing Programs and Activities

Previous chapters identified population characteristics of the Modesto community, housing market conditions and practices, and public policies that could affect access to housing and fair housing choice. This Chapter presents a summary of the analysis in the previous chapters, provides conclusions based on that analysis, and offers recommendations for addressing potential fair housing impediments. Implementation of these recommendations is already part of, or will be added to, the implementation of other planning documents such as the City's Housing Element and Consolidated Plan.

6.1 Community Characteristics

Population Growth and Diversity

The City's population grew rapidly between 2000 and 2009, with an increase in population equal to about 11 percent or about 21,200 households, and with this growth has come increasing diversity. The number and percent of White households decreased from 2000 to 2009, from 70 percent to 62 percent of households, while the percentage of Hispanic households increased from 18 to 24 percent on the same time period.

Racial and ethnic diversity can affect housing choices if different groups do not have similar access to housing and neighborhoods as others with similar incomes and family characteristics. The potential exist for recent immigrants who come to Modesto speaking different languages and having different cultural experiences to face language, information, and other barriers to finding suitable housing. Such individuals may not know how to search for housing, complete necessary application forms, establish credit, or references, or so the other things necessary to obtain housing unless they receive help from family member, friends, or other from their native country or land.

Age of Population

Housing needs are affected by the age characteristics of a community. Housing preferences can change over time, along with differences in family status, income, mobility, and other factors that corresponds with one's age. From 2000 to 2009, the proportion of household with children remained about the same (43 percent of total households). Therefore, there is still a risk that families with children could face occupancy standards that limit the number of persons per dwelling or bedroom, which may increase the difficulty large families face in finding housing they can afford.

In addition, the number of persons ages 55-64 increased at a rate of 45 percent and this far exceeded the population growth rate. In the future, as this age category becomes over the age of 65

there will be an increase demand for senior housing, and a need to protect households from age discrimination.

Residential Segregation

Residential segregation refers to the degree to which groups live separately from one another. Overall, the level of segregation in Modesto was low in 2005, and continued to fall in 2009, as measured by the dissimilarity index. The greatest segregation exists between Whites and Hispanics. A concentration of the Black population exists west of Highway 99 and some other Census Tracts interspersed throughout the remainder of the City. The Hispanic population is concentrated in southern Modesto, south of a line defined approximately by Yosemite Boulevard and Highway 132, and Asian/Pacific Islanders are concentrated in western Modesto, and one Census Tract in eastern Modesto has a significant concentration.

Residential segregation does not necessarily imply illegal discrimination, although such discrimination may be present in some cases. Voluntary, individual choices can be one cause of segregation. This is often driven by the desire of individuals to live with others of similar culture and language for mutual support, access to services, and familiarity. Residential choice based on a desire to live near people of similar background is more frequently found among recent immigrants, who often depend on nearby relatives, friends, and ethnic institutions to help them in their adjustment in this country.

Household Composition and Size

The percentage of households with children remained constant from 2000 to 2009, at around 43 percent of total households. There were about 8,100 single parent households in Modesto in 2000. By 2007, there were around 8,850 single parent households, and about 72 percent were single-female headed households, and 28 percent were single-male headed households. Related to large family households, 2000 CHAS data from HUD indicate that a total of close to 8,000 large related households have extremely low-, low- or moderate-incomes in Modesto.

The combination of larger family sizes and lower incomes exposes large households to the potential for greater barriers to housing choice because: 1) they are more likely to be renters, 2) they are more likely to live in homes with fewer bedrooms than they need, and 3) they may face a greater likelihood of occupancy or other restrictions imposed by rental property owners. Although these barriers are related to financial circumstances rather than illegal discrimination, the result is that large, low-income households often live in inadequate housing.

Single-parent households, particularly female-headed, may also face barriers to housing owing to their family and financial characteristics. Female-headed households are more likely than other groups to have low incomes, meaning they must often find affordable rental housing suitable for

families with children.

Persons with Disabilities

According to 2000 CHAS data from HUD, there are approximately 5,470 disabled households in Modesto that had extremely low-, low-, or moderate incomes. Approximately 2,140 of these households had incomes of 30 percent or less of MFI, another 2,370 households were disabled households with incomes of 30 to 50 percent of MFI and, finally, the number of households with incomes of 50 to 80 percent of MFI numbered 3,060.

Persons with disabilities, especially those with low-incomes, face a number of potential barriers to housing choice. Among these are the availability of accessibility features that allow for independent living, public and property owner perceptions of certain types of disabilities (such as developmental and mental disabilities), neighborhood access (sidewalk and intersection accessibility), and the availability of transportation. Both state and federal law require that persons with disabilities be allowed to install features that make their homes more accessible. As indicated previously, the City of Modesto needs to update ordinances to establish a formal procedure for persons with disabilities to request reasonable accommodations to allow them to make necessary modifications to their homes.

Homeless Persons

It is estimated that about 1,800 people were homeless in Stanislaus County at the time of the 2009 homeless point in time survey, as reported in the Turlock/Modesto/Stanislaus County Continuum of Care. Among the homeless, there were 999 un-sheltered persons, 496 in emergency shelters, and 305 in transitional housing. There is no current count of the homeless specifically in the City of Modesto.

As stated in the Stanislaus County Housing & Support Services Collaborative, *Continuum of Care Application 2009* there are five major objectives:

- Create new permanent housing beds for chronically homeless individuals;
- Increase percentage of homeless persons staying in permanent housing;
- Increase percentage of homeless persons moving from transitional housing to permanent housing;
- Increase percentage of persons employed at program exit; and
- Decrease the number of homeless households with children.

Moving the formerly homeless out of assistance programs and keeping them from becoming homeless again is very difficult. Under State laws, property owners can deny rental to an applicant based on credit history, employment, and rental history. Homeless or formerly homeless typically have histories and references and can be at a disadvantage in finding housing.

Household Income

Controlling for inflation between 1999 and 2009 indicates that the median income actually decreased from \$53,825 to \$49,975 in Modesto. The number of households paying more than 30 percent of their income towards housing is higher for renters than for owner households.

Household income is the most important factor affecting housing opportunity, determining a household's ability to balance housing costs with other life necessities. Economic factors that affect housing choices are not fair housing issues per se, but the relationship among household income, household type, race/ethnicity, and other factors that concentrate certain groups into substandard housing and specific neighborhoods can raise fair housing concerns.

6.2 Housing Characteristics

Housing Type, Age, and Tenure

The housing stock in Modesto from 2001 to 2009 increased by about 4,700 single family units and 1,290 multifamily units, based upon the number of building permits issued over this period. By 2009, there were approximately 75,070 housing units of all types in Modesto. Building has nearly stopped in Modesto, as the number of foreclosed and for-sale homes has decreased the demand for new housing units.

Housing Vacancy

According to 2009 estimates from the California Department of Finance, the overall vacancy rate in Modesto is 3.3 percent. Attendees at the January 27th stakeholder meeting however, thought that this estimate underestimated the number of vacant housing units, and that the vacancy rate is actually much higher due to recent foreclosures. The City is trying to rehabilitate and resell foreclosed homes with the money received as part of the Neighborhood Stabilization Program.

Overcrowding and Housing Cost Burden

Around 2,685 owner households and 4,625 renter households experienced overcrowding in Modesto as of 2000. Overcrowding is defined as more than 1.01 persons per room. This represented approximately 12 percent of all households within Modesto. Nearly 18 percent of renter households in Modesto experienced overcrowded conditions, compared to 7.6 percent of owner households.

About 36 percent of all Modesto households pay 30 percent or more of their income towards housing. About 43 percent of total renter households and 33 percent of total owner households overpaid for housing.

Overcrowding and housing cost burden are related. Overcrowding occurs when housing costs are

high enough relative to income that families have to reside in smaller housing units or double up with other families or individuals to be able to devote adequate income to other basic needs. Overcrowding and high housing cost burdens can affect fair housing choice if low- and moderate-income households are limited in their residential choices to neighborhoods with older, substandard, and/or inadequately sized housing.

Rental Housing Assistance

In 2009, over 4,000 Stanislaus County residents received Housing Choice vouchers, with Modesto's share equal to its percentage of overall population. The Housing Authority gives preferences in its distribution of housing vouchers to certain individuals and households. Examples are homeless individuals and families, households that pay more than 50 percent of their income towards rent, and the involuntarily displaced.

The Housing Authority owns and operates 432 public housing units of conventional public housing in Modesto. These housing units consist mostly of single-story structures scattered throughout the City. The Housing authority has rehabilitated units, and none of the public housing units are substandard.

The availability and location of public and assisted housing may be a fair housing issue if such housing is concentrated in lower-income areas of a community. Most public and assisted housing Modesto is located in older neighborhoods near the central City. New neighborhoods developed since 1990 have consisted primarily of single-family homes, with only a small amount of assisted multifamily and single-family housing.

Licensed Community Care Facilities

Under State law, persons with special housing and supportive service needs who can live in a group home environment (residential or community care facilities) must be allowed access to such housing in a community. State laws require local government to treat small group homes (six or fewer residents) the same as other residential uses. According to the State of California Department of Social Service Community Care Licensing Division, 323 licensed community care facilities are located in Modesto. The largest proportions of beds or spaces are in large childcare facilities followed by family childcare homes, and residential care facilities for the elderly.

The availability and location of group homes can be a fair housing issue if the City does not allow small group homes in residential neighborhoods or provide a discretionary permit review process for larger group homes. The location of group homes can also raise concerns if they are concentrated in certain parts of the City.

In Modesto, group homes are located throughout the City. The distribution of group homes in

Modesto does not appear to raise fair housing concerns since the City complies with State law regarding the permitting of group homes.

6.3 Accessibility to Public Transit

Modesto is well served by public transportation. The Modesto Area Express (MAX) and the Stanislaus Regional Transit (StaRT) offer public transportation for the Modesto area. All buses are wheelchair accessible and are equipped with bike racks. MAX offered 20 fixed routes within the City along with paratransit and “dial-a-ride” services by appointment.

The availability of public transit may affect housing choices if transit-dependent groups, such as seniors, person with disabilities, and low-income households without private transportation, do not have access between their homes, places of work, shopping, services, and community facilities.

6.4 Lending Practices

Loan approval rates for home purchase loans, whether conventional or government-backed, are not significantly different among racial or ethnic groups tracked by the federal government. Loan approval rates were not significantly lower among groups with high percentages of low- and moderate-income households.

There are larger differences in loan approval rates for home improvement loans than for home purchase loans. Overall, approval rates for home improvement loans were significantly lower than for home purchase loans.

An understanding of the home buying and loan processes, income/equity requirements, and financial responsibility are important to a successful loan application and home purchase. Many households, particularly those entering homeownership for the first time, lack financial knowledge to deal with the home buying process.

Loan patterns among conventional lenders do not appear to create significant barriers to funding for home purchase or home improvement loans, except that low- and moderate-income households tend to rely more frequently on government-backed loans.

6.5 Public Policies

The City of Modesto is in the process of adopting a Housing Element as part of the General Plan. In compliance with State law, the Housing Element identifies and removes regulatory barriers to providing housing for all income segments of the community. The potential barriers to

accommodating low and moderate-income housing will be eliminated as part of the programs instituted over the five-year Housing Element planning period

6.6 Recommended Actions

While the report identifies a number of potential issues that could affect housing choices, some issues, such as lending practices are beyond the ability of a local jurisdiction to address. The actions proposed below focus on those issues that the City could feasibly address. The City has identified the following potential fair housing concerns:

- Access to information about housing availability and choices among recent immigrants who are disproportionately lower-income;
- Lack of access to adequate housing due to poor credit history, insufficient funds for move-in expenses, and other factors among financially vulnerable groups, such as female-headed households with children and the homeless;
- Barriers faced by large, low-income and moderate-income families due to occupancy restrictions imposed by rental property owners; and
- The need to assist homeowners who have experienced foreclosure, who are disproportionately minority households, to find alternative living arrangements.

To address these potential concentrations the following actions are recommended. The majority of the recommended actions are either part of the City's Housing Element or the City's Consolidated Plan, and identified as such.

Expanding Affordable Housing Opportunities

Policy 1: Establish and/or support programs to supply below market housing for extremely low-, very low-, low-, and moderate-income households, as well as market rate housing. (Source: 2009 City of Modesto Housing Element)

Action 1.1: The City will support non-profit corporations in their efforts to make housing more affordable to lower and moderate income households. Specifically, the City will work with City-designated Community Housing Development Organizations (CHDOs) to promote, assist, and/or sponsor housing developments in Modesto for lower income households.

Action 1.2: The City will continue its land banking efforts for the development of lower and moderate income housing. The City/Redevelopment Agency, working with nonprofit organizations such as CHDOs, will purchase land suitable for development of affordable housing

in the near future.

- Action 1.3: The City offers a Down Payment Assistance Program, providing down payment assistance to lower income households (up to 80 percent of County median income) using CDBG funds. Homebuyers must provide a minimum initial investment of 1.5 percent of the sales price. The loan accrues at an annual fixed rate of 3 percent and is secured by a promissory note and Deed of Trust recorded after the primary mortgage.

Policy 2: Assist homeowners to avoid foreclosure. (Source: 2009 City of Modesto Housing Element)

Action 2.1: Foreclosure Assistance

- Default Prevention: Provide counseling to homeowners to avoid defaulting on mortgage payments. Offer alternative financing to address delinquencies and refinance eligible homeowners into more favorable fixed-rate loans. Provide advocacy service to negotiate with lenders for alternative financing.
- Post-Foreclosure: Purchase foreclosed properties and resell as affordable housing to income qualified buyers.

Policy 3: Track changes in Housing Law to ensure that land use regulations, including zoning, subdivision, and permit processes, are consistent with and supportive of State and federal laws. Maintain an adequate supply of appropriately designated land for special needs housing, including seniors, disabled persons, large households, the homeless, and transitional persons. Review local regulations periodically for the ability to accommodate projected housing demands.

Action 3.1: Zoning Amendments. As part of the 2009 Housing Element update, the City has identified several revisions to the Zoning Code necessary to meet recent changes to State laws and to further facilitate the development of affordable housing and housing for persons with special needs. These include:

- Specifically identify in which zones transitional, supportive, and single-room occupancy housing are permitted by right.
- Identify a zone in which at least one additional emergency shelter is permitted by right.
- Consider creation of incentives for land assembly by allowing greater densities on progressively larger lots.
- Establish a formal procedure for persons with disabilities seeking reasonable accommodation.
- Allow condominiums by right wherever multifamily development is permitted.

Policy 4: Maintain the supply of safe, decent, and sound affordable housing in the City of Modesto through the conservation and rehabilitation of the City’s existing housing stock, focus the use of City resources for housing rehabilitation and assisted housing on those neighborhoods and residents having the greatest need for housing assistance, and encourage the development and rehabilitation of housing that is accessible to persons with disabilities.

Action 4.1: Housing Rehabilitation Programs. The City offers a range of housing rehabilitation and improvement assistance to lower income households (up to 80 percent of County MFI). These include:

- Property Enhancement Program: The City provides financial assistance, in the form of rebates, to enable property owners to improve the exterior appearance of their properties. Eligible houses must be located within the city limits and within one of the City’s low-income Census Tracts. Types of eligible improvements include: property clean up, painting of the exterior of the unit, fence/gate repair, front and side yard landscaping, security/safety and energy savings improvements, as well as exterior property enhancements.
- Emergency Home Repair Program (EHRP)/Disabled Access Assistance Program (DAAP): The City provides low-interest, deferred payment loans for the repair of immediate critical hazards for Modesto households with low and very low incomes. The program is only available to owner-occupants. In addition, the City offers free technical assistance on removing mobility barriers from homes or property. Low interest financing is also available to handicapped homeowners living in Modesto, to assist them with removing mobility barriers from their home or property.
- Minor Home Repair Grant Program: This program provides a grant to owner-occupants for essential minor repairs to their homes or mobile homes. Grants are limited to \$1,000 for single-family homes and \$2,000 for mobile homes.
- Tool Bank Rental Program: The City offers a property maintenance tool rental program in the Airport Neighborhood. Available tools include lawn mowers, weed eaters, lawn edgers, tillers, sewer snakes and carpet cleaners. Tool rental is free of charge during the allowable time period.

Access to Information

Policy 5: The City will continue to provide links through its website to Housing services and resources, along with consumer information on housing services and resources, along with consumer information at local service centers and City Hall, public libraries and other

governmental facilities.

Outreach to Lenders

Policy 6: The City will continue to work with local lenders and government institutions to provide outreach to lower-income residents about government-backed financing. The City will encourage local lenders to conduct home buying workshops and provide information in English, Spanish, and other appropriate languages. (Source: 2005 AI)

Public Policies and Programs

Policy 7: As an ongoing effort, the City will continue to pursue affordable housing development programs and funding for affordable housing providers as identified in the Housing Element and Consolidated Plan. To the extent feasible, the City will facilitate the development of housing that is affordable to lower- and moderate-income households according to the Regional Housing Needs Allocations identified in the Housing Element. (Source: 2005 AI)

Fair Housing Services Outreach

Policy 8: Promote equal opportunity for all residents to live in the housing of their choice by continuing to make a strong commitment to the issue of fair housing practices. In addition, ensure that fair housing opportunities prevail for all City residents regardless of age, sex, religion, ancestry, marital status, family status, income or source of income, race, creed, national origin, sexual orientation, or disabilities. (Source: 2009 City of Modesto Housing Element)

Action 8.1: The City actively furthers fair housing in the community. Specifically, the City continues to support the Human Relations Commission in their activities to promote fair housing. The Human Relations Commission is a seven-member advisory group that meets bi-monthly to promote good human relations in the community and is staffed by the City Manager's Office. Furthermore, the City contracts with Project Sentinel to provide fair housing services and counseling for the community, working to eliminate housing discrimination and remove impediments to equal housing opportunities. The City also coordinates seminars on tenant rights and responsibilities and to address illegal activities in rental housing.

Policy 9: The City will continue to comply with anti-discrimination requirements, including all applicable federal regulations, as demonstrated in the City's application for Community Development Block Grants, HOME, Emergency Shelter Grants, and other federal funds

Appendix A: Public Participation Information

Key Stakeholder Meeting Attendees

1. Bev Hatcher, Modesto Police Department/ Weed and Seed Program
2. Dave Cooperider, Stanislaus County Affordable Housing Corporation (STANCO)
3. Dana Culbertson, Stanislaus Community Assistance Project and Modesto Citizens Housing & Community Development Committee
4. Garrad Marsh, Modesto City Council and Modesto Citizens Housing & Community Development Committee
5. Joe Gibbs, Stanislaus Community Assistance Project
6. Misty Ridenour, Howard Training Center
7. Michael Pratt, Modesto Citizens Housing & Community Development Committee
8. Chris Haringfeld, Modesto Citizens Housing & Community Development Committee and Housing Rehabilitation Loan Committee
9. Jose A. Nuno, Visionary Home Builders of California
10. Bill Fagan, Housing Authority of the County of Stanislaus
11. Dave Meling, Stanislaus County Affordable Housing Corporation (STANCO)
12. Cam Quach, Children's Crisis center
13. Don Borgwardt, Housing Authority of the County of Stanislaus
14. Linda Kenyon, Modesto Citizens Housing & Community Development Committee
15. Dorothy Griggs, Modesto Citizens Housing & Community Development Committee
16. Anita Hellam, Habitat for Humanity, Stanislaus
17. Dan Hoffman, General Contractor
18. Dori Kolima, Satellite Housing
19. Ryan Swehla, Trinity Ventures
20. Ana Rocha, West Modesto King Kennedy Neighborhood Collaborative
21. Eugene T. Hays, Modesto Citizens Housing & Community Development Committee
22. Alita Roberts, Modesto Citizens Housing & Community Development Committee
23. Cindy VanEmpel, City of Modesto, Senior Planner
24. Jody Christiansen, City of Modesto PRND- HUD staff
25. Cheryl Davis, City of Modesto PRND- HUD staff
26. Scott Humphries, City of Modesto PRND- HUD staff
27. Carol Averell, City of Modesto PRND- HUD staff



*Parks,
Recreation and
Neighborhoods
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Modesto, CA 95353
209/577-5344
209/579-5077 Fax*

*Hearing and Speech
Impaired Only
TDD 209/526-9211*

January 14, 2010

Dear Sir/Madam:

The City of **Modesto** is updating its "Consolidated Plan" for the use of funds **from** the U.S. Department of Housing and Urban Development (HUD) for the 2010 to 2015 time period, along with an accompanying "Analysis of Impediments to Fair Housing Choice," or AI. The Consolidated Plan sets forth local goals to address needs such as **affordable** housing, emergency shelter, public services, economic development, and neighborhood improvement. This is an important effort, because it will guide the manner in which approximately \$10.8 million in federal funds are spent within the City of **Modesto** through 2015.

On January 27th, 2010, the City of **Modesto's** Citizens Housing & Community Development Committee will hold a meeting to gather initial input **from** local stakeholders for the Consolidated Plan and AI updates. The meeting will include a presentation of background information on local community development needs, but most importantly, it will provide a venue for local stakeholders to voice their opinions on local needs, programs to address needs, and priorities for the next five years. Your participation in this process is needed and strongly encouraged. It is essential that individuals like you, who are intimately familiar with local community development needs, assist in the development of the Consolidated Plan and AI.

The meeting will be held at **12:00** noon, in the Council Chambers (basement floor), at **1010 10th Street, Modesto, CA**, and will last for approximately 90 minutes. This meeting will also be open to the public. Feel free to invite **other** stakeholders and interested parties to join you on the 27. Also attached please find a Community Needs Assessment Survey. Please complete the survey and bring it with you to the meeting on the 27th or if you are not able to attend please mail the survey to:



**City of Modesto
Parks, Recreation and Neighborhoods Department
P O Box 642
Modesto CA 95352
Attn.: Mary Hansen**

If you have any questions regarding the meeting please contact Mary Hansen at (209)577-5247. Thank you for your time, and we hope to see you at the meeting.

Sincerely,

**Judith Ray
Deputy Director**





City of Modesto

WHAT ARE THE HOUSING AND COMMUNITY DEVELOPMENT NEEDS IN OUR CITY?

Each year, the City of Modesto receives Community Development Block Grant (CDBG), Emergency Shelter Grant (ESG) and HOME Investment Partnership funds from the federal government for community development, shelter and housing activities. To set priorities in spending the money, the City of Modesto prepares a five-year Consolidated Plan. The Plan identifies housing and community development needs and contains a strategy to address these needs. The City of Modesto wants you to have a voice in how the funds are invested. Please assist us by completing this survey.

You may return the completed survey at the January 27, workshop or by mail to:

Mary Hansen
City of Modesto
Parks, Recreation & Neighborhoods Housing Division
P.O. Box 642
Modesto, CA 95353

For residents: What neighborhood do you live in? _____

For community service providers: What issues does your organization address? _____

Please consider (1) the needs in your city and (2) the level of need of the following items.

Community Services	Least Need			Greatest Need
Food and Nutrition Services	1	2	3	4
Family Counseling and Case Management	1	2	3	4
Foreclosure Prevention and Housing Counseling	1	2	3	4
Disabled Services	1	2	3	4
Senior Activities	1	2	3	4
Youth Activities	1	2	3	4
At-Risk Youth Services	1	2	3	4
Neglected/Abused Children	1	2	3	4
Child Care	1	2	3	4
Anti-Crime Programs	1	2	3	4
Health Services	1	2	3	4
Mental Health Services	1	2	3	4
Tenant/Landlord Mediation	1	2	3	4
Legal Services	1	2	3	4
Transportation Assistance	1	2	3	4

Substance Abuse Services	1	2	3	4
Domestic Violence Services (e.g., counseling)	1	2	3	4
Homeless Services	1	2	3	4
Emancipated Youth (aging out of foster care)	1	2	3	4
HIV/AIDS Services	1	2	3	4
Other_____	1	2	3	4

Housing	Least Need			Greatest Need
Disabled Access Improvements	1	2	3	4
Owner-Occupied Housing Rehabilitation	1	2	3	4
Rental Housing Rehabilitation	1	2	3	4
Homeownership Assistance	1	2	3	4
Affordable Rental Housing	1	2	3	4
Housing for Disabled	1	2	3	4
Senior Housing	1	2	3	4
Housing for Large Families	1	2	3	4
Housing for Emancipated Youth (aging out of foster care)	1	2	3	4
Fair Housing Services	1	2	3	4
Lead Paint Testing and Abatement	1	2	3	4
Energy Efficiency Improvements	1	2	3	4
Assistance for Seismic Retrofitting	1	2	3	4
Other_____	1	2	3	4

Economic Development	Least Need			Greatest Need
Small Business Loans	1	2	3	4
Small Business Development and Mentoring	1	2	3	4
Job Creation/Retention	1	2	3	4
Employment or Vocational Training	1	2	3	4
Building & Façade Improvement	1	2	3	4
Assistance for Seismic Retrofitting	1	2	3	4
Other_____	1	2	3	4

Community Facilities and Infrastructure	Least Need			Greatest Need
Senior Centers	1	2	3	4
Youth Centers	1	2	3	4
Child Care Centers	1	2	3	4
Parks and Recreation Facilities	1	2	3	4
Health Care Facilities	1	2	3	4

Insert Table

Appendix B: Modesto Census Tracts